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18 October 2007

# Work Program and Budget Framework 2008–2010

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
AfDB	–	African Development Bank
CPA	–	country performance assessment
CPS	–	country partnership strategy
DER	–	Department of External Relations
DMC	–	developing member country
ERD	–	Economics and Research Department
IADB	–	Inter-American Development Bank
IAE	–	internal administrative expense
ISTS II	–	information systems and technology strategy II
IT	–	information and technology
JSF	–	Japan Special Fund
KD	–	knowledge department
LIBOR	–	London interbank offered rate
LTSF	–	long term strategic framework
MfDR	–	managing for development results
MFF	–	multi-tranche financing facility
MTS II	–	medium-term strategy II
NRT	–	net resource transfer
OCR	–	ordinary capital resource
OREI	–	Office of Regional Economic Integration
PBA	–	performance-based allocation
PBA <sub>s</sub>	–	program-based approaches
PDMC	–	Pacific developing member country
PFR	–	periodic financing request
PPP	–	public-private partnership
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
PSOD	–	Private Sector Operations Department
RCI	–	regional cooperation and integration
RD	–	regional department
RETA	–	regional technical assistance
RM	–	resident mission
RSDD	–	Regional and Sustainable Development Department
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
WB	–	World Bank
WPBF	–	work program and budget framework
WPC	–	weakly performing country

## NOTE

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

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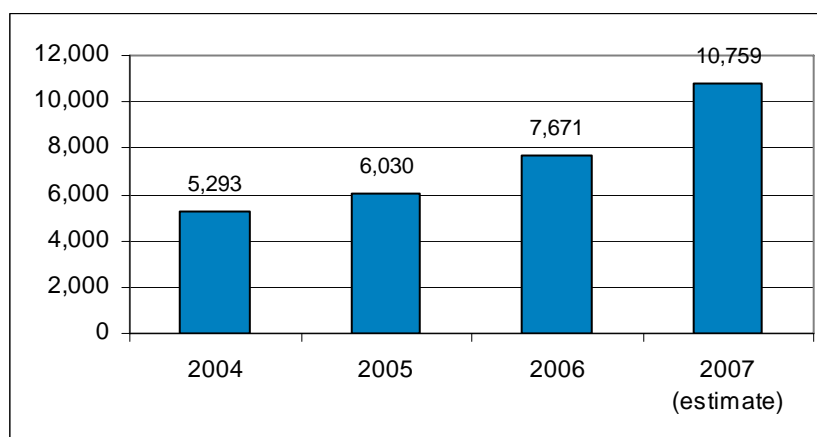
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1. The work program and budget framework (WPBF) will define the parameters and main thrusts of the operations of the Asian Development Bank (ADB) in 2008–2010. In recent years, the WPBF has served as the business plan for implementing the ADB policies and strategies, and notably the medium-term strategy II (MTS II). The WPBF, therefore, will begin by providing an update on the status of implementation of earlier WPBF plans and commitments.

## I. WPBF RETROSPECTIVE—ADB’S RESPONSE TO RISING DMC DEMAND

2. In the past few years, the demand for ADB financing and services has risen significantly (Figure 1), for both ordinary capital resources (OCR) and Asian Development Fund (ADF) windows. Based on current country partnership and regional cooperation strategies, this robust demand is expected to extend at least through 2010. To meet this demand, ADB will follow the approach defined in the MTS II operational model, as outlined in paras 3 to 10.

**Figure 1: ADB Lending and ADF Grant Approvals, 2004–2007**  
(\$ million)



Source: Asian Development Bank

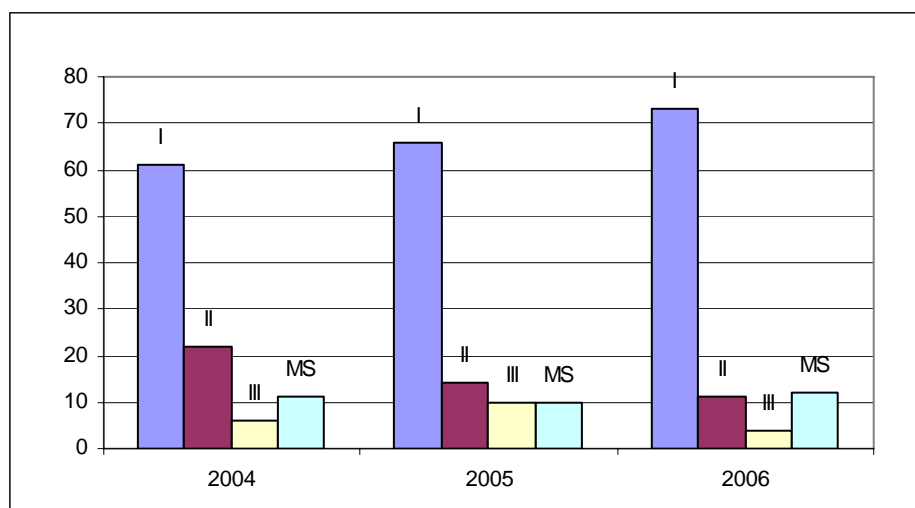
### A. Progress in MTS II Implementation

#### 1. Selectivity and Core Operational Sectors

3. **Steady Shift to MTS II sectors.** Since 2004, ADB lending and ADF grant approvals have become more concentrated (in volume and number) on priority sectors<sup>1</sup> defined in the MTS II (Figure 2). This is expected to create economies of scale and increase development impact by focusing assistance in areas of ADB strength. Greater selectivity in core operational sectors will also strengthen longer-term ADB engagement, allowing sustained support for key sector reforms and for capacity building in executing agencies in developing member countries (DMCs).

<sup>1</sup> MTS II defines three priority groupings of sectors: Group I (education, energy, financial sector, road transport, rural and urban infrastructure), Group II (agriculture and natural resources, health, law and the judiciary, public finance and economic management, railways, trade), and Group III (civil aviation, communications, development finance institutions, fishery, general government administration, housing, industry, livestock, water transport).

**Figure 2: MTS II Priority Groups and Sectors: Lending and ADF Grants**  
(% to Total Volume)



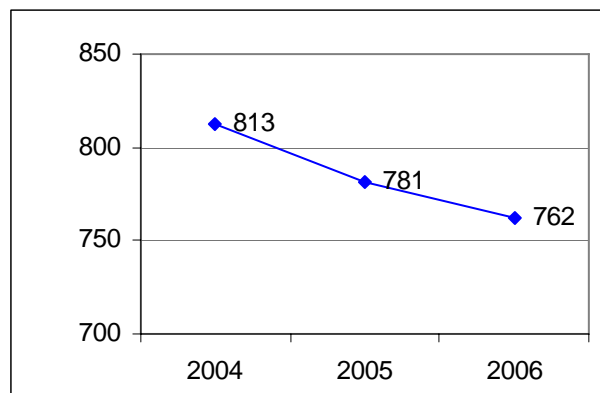
MS=multisector  
Source: Asian Development Bank

## 2. Use of Technical Assistance Resources

4. **Greater Strategic Focus in the TA program.** Since 2006, approvals of new technical assistance (TA) operations increasingly have been concentrated on MTS II priorities, including a higher percentage for Group I sectors, as well as increased allocations for governance and capacity development. A greater convergence in sector targeting between TA and lending operations also has been achieved, resulting in greater synergies between the two, and permitting a more mutually reinforcing relationship. Furthermore, reductions in TAs under administration (Figures 3 and 4) have improved the manageability of the TA portfolio, including greater attention to quality control. Reduced number of TA approvals have permitted average TA sizes to be scaled up, allowing longer-term interventions with greater impact. The average TA size approved in 2007 is \$929,300,<sup>2</sup> more than 50% larger than the average of \$608,635 in 2004.

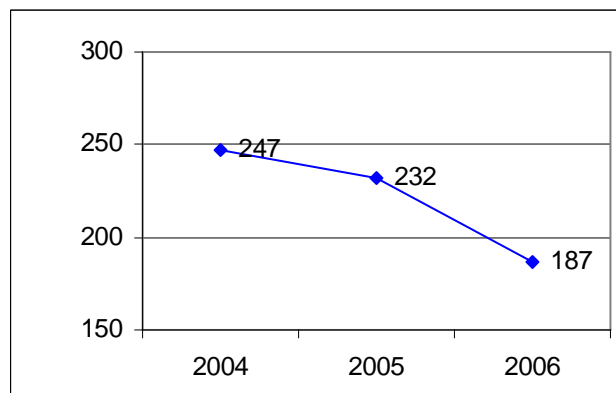
<sup>2</sup> Average size of technical assistance projects approved from January to July 2007.

**Figure 3: ADTAs and RETAs Under Administration, 2004–2006**  
Number of TAs



Source: Asian Development Bank

**Figure 4: ADTA and RETA Approvals 2004–2006**  
Number of TAs

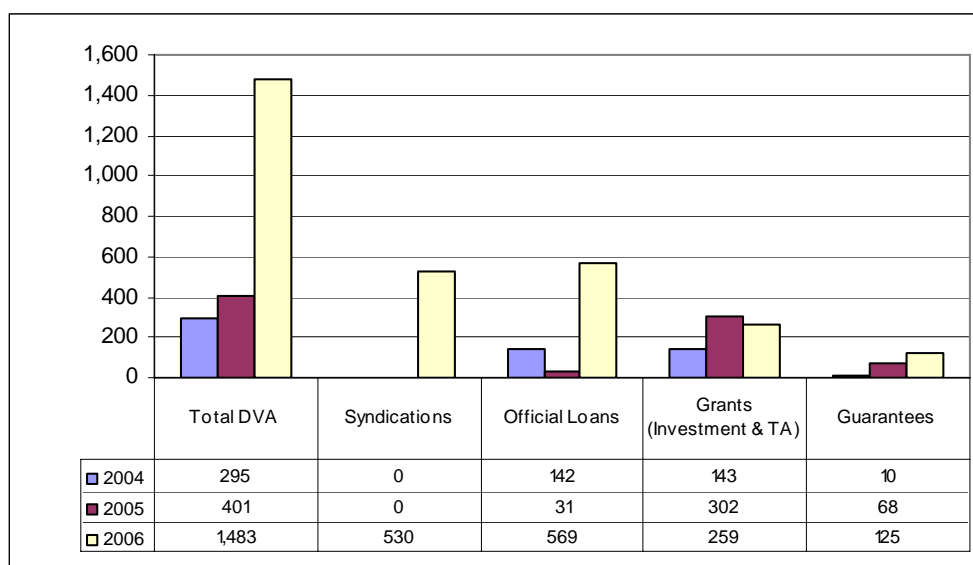


Source: Asian Development Bank

### 3. Use of Financing Partnerships and Cofinancing

5. **Systematic Attention to Catalyzing Development Resources.** ADB has increased substantially the mobilization of additional investment through financial intermediation services, beyond the provision of financing from its own account (Figure 5).

**Figure 5: Direct Value-Added Cofinancing, 2004–2006**  
(\$ million)



Source: Asian Development Bank

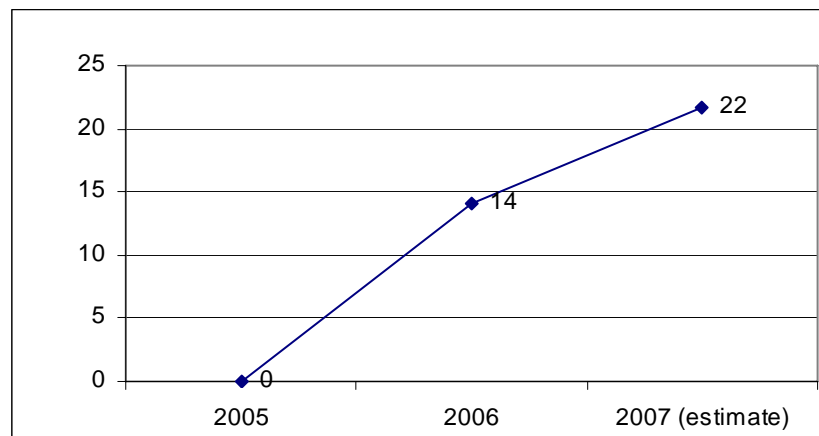
6. The use of syndications and official cofinancing arrangements with other development agencies has grown rapidly. In official cofinancing, ADB has increased, for example, its participation in collective program-based approaches (PBAs) with other development agencies, and has concluded several streamlined arrangements with bilateral development agencies to

facilitate joint or collective resource flows. In terms of commercial cofinancing, ADB's private sector operations are now systematically cofinanced, with greater private funding flowing to DMCs through an array of market-driven products, including credit enhancements and other risk-sharing arrangements.

#### 4. Product and Process Innovations to Enhance Responsiveness, Flexibility, and Efficiency

7. **Reforms Are Benefiting DMCs.** Since 2004, ADB has undertaken a comprehensive program of innovation to respond better to DMC needs and to serve a broader range of clients. This has included the introduction of new modes of financing modalities, such as the multitranche financing facility (MFF), reforms to procurement, and development of local currency lending. As an example, MFF-based loan approvals accounted for about 22% of total operations (Figure 6) in 2007. In 2006, ADB reviewed and enhanced its lending instrument based on London interbank offered rate (LIBOR) by introducing a wider choice of currencies, more flexible repayment terms, and flat commitment charges, among other new features. These reforms are expected to reduce financial and transaction costs for DMCs, enhance the development of country systems, and increase client proximity. As a result of the reforms introduced, project start-up times have decreased from 9.5 months in 2004 to 8.0 months in 2006, although there is a wide variance by DMC and lending modality. With regard to project processing times, there was a slight improvement from 2005 to 2006, with the average number of months falling from 23 to 22 months. For projects approved in 2007, however, there is projected to be an increase in average processing time to 26 months.<sup>3</sup>

**Figure 6: Multitranche Financing Facility Periodic Financing Request Approvals, 2005–2007**  
(% to Total Approved Amount)



Source: Asian Development Bank.

8. Complementing these reforms, ADB is continuing to implement its managing for development results (MfDR) agenda. At the country level, DMC capacities on MfDR are being strengthened, mainly through training and TA, as well as the use of the MfDR community of practice as a knowledge resource center. Within ADB, all country partnership strategies (CPS)

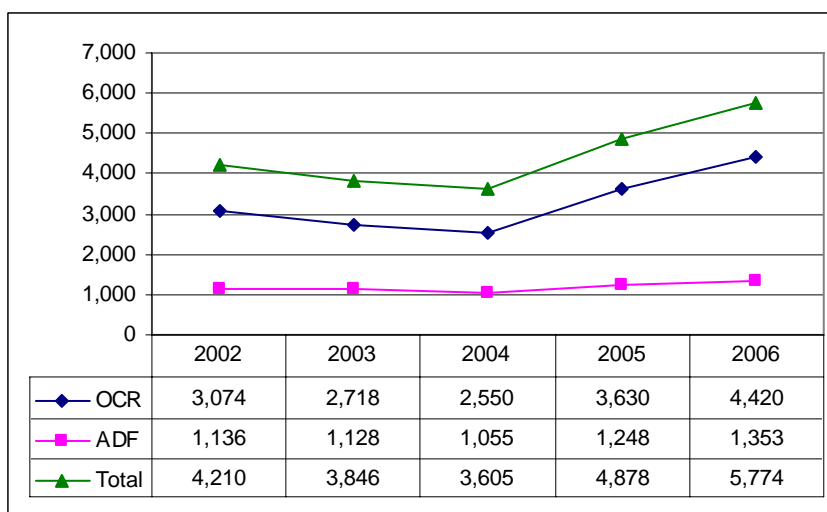
<sup>3</sup> As average project processing times are influenced by a variety of factors, including DMC-specific procedures and sectoral specificities, ADB will initiate a detailed study to examine the specific factors leading to the increase and to identify options for systematically reducing project processing times.

are now results-based; project quality filters and improved design and monitoring frameworks have been adopted; and MfDR training programs have been developed and are being implemented for all ADB staff. At the partnership level, ADB is an active participant in MfDR working groups and global learning activities involving multiple development agencies. Based on experience gained from the implementation of the agenda since 2004, ADB adopted a revised MfDR action plan that emphasizes more selective and achievable outcomes, and shared responsibilities in implementing and monitoring the agenda.

## 5. Portfolio Performance, Development Effectiveness, and Results

9. **Clear Upturn in Portfolio Performance.** Since 2004, portfolio performance has improved markedly, as demonstrated by increasing disbursements for both OCR and ADF operations (Figure 7). Program loan disbursements grew even faster, showing 59% increase in 2005 and a 21% increase in 2006. Project loan disbursements increased 24% in 2005 and 17% in 2006 (Appendix 1). After several years of negative net resource transfer (NRT) from ADB to DMCs, NRT again turned positive in 2006. The ratio of projects at risk fell from 14% in 2004 to 10% in 2006. This improving trend has also been underscored by stronger project performance evaluation ratings.

**Figure 7: Actual OCR and ADF Disbursements, 2002–2006**  
(\$ million)



Source: Asian Development Bank

10. An increase in disbursement ratios (Table 1) in most regions also demonstrates the improvement in portfolio performance.

**Table 1: OCR Sovereign, ADF Loan, and Grant Disbursement Ratios, By Region, 2004–2006**

<b>Region</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Central and West Asia	22	18	20
East Asia	23	16	22
Pacific	11	15	14
South Asia	12	16	17
Southeast Asia	22	31	37
Interregional	-	-	31
<b>ADB</b>	<b>18</b>	<b>21</b>	<b>24</b>

Source: Asian Development Bank

## **B. Progress in Implementing the Paris Declaration**

11. **Good Progress in Meeting Paris Targets in several areas.** ADB has made good progress in terms of implementing many of the Paris Declaration on Aid Effectiveness commitments, especially in its lending and grant operations. The status of TA operations' congruence with Paris targets, however, lags in comparison. Based on some selected key indicators for harmonization and alignment, ADB's status<sup>4</sup> is as follows:

- (i) **Aid flows reported on DMCs' national budgets.** As of 2007, 66% of ADB's ongoing operations<sup>5</sup> had disbursements, by volume, recorded on DMCs' national budgets. By mode, the figures were particularly high for sovereign loans (74%) and for grants (98%). However, the equivalent figures were low for TA (15%) and trust funds (24%). Understandably, 0% of disbursements for non-sovereign operations are recorded on national budgets. In a survey conducted by OECD<sup>6</sup>, 88% of aid flows from ADB were considered to be aligned with national priorities; compared with other MDBs, equivalent ratings for the African Development Bank (AfDB) were 95%, 60% for the Inter-American Development Bank (IADB), and 94% for the World Bank (WB).
- (ii) **Use of public financial management systems in DMCs that adhere to good practices, or have a reform program in place to achieve this.** Of ongoing operations, 78% had disbursements that conform to this criterion, with levels being especially high for sovereign lending (88%) and for grants (95%). TA (3%) and trust fund operations (18%) came in much lower, with ADB in most cases disbursing funds directly to contractors. Again, the figure for nonsovereign operations is 0%. In the OECD survey, 69% of aid from ADB was rated as utilizing country public financial management systems. This compares with 33% for AfDB, 45% for IADB, and 42% for the WB.

<sup>4</sup> Non-sovereign operations are included in this survey. Given their nature, one would not expect positive responses to the Paris indicators (which generally assume operations in support of governments). However, as the Paris Declaration does not distinguish between sovereign and non-sovereign operations, this baseline figure comprises both.

<sup>5</sup> Including both sovereign and non-sovereign loans, TA, grants and trust funds.

<sup>6</sup> OECD 2006. *2006 Survey on Monitoring the Paris Declaration. Overview of the Results*. Paris. OECD used data from a sample of 6 DMCs for this survey. Consequently, there may be different ratings for the status of Paris indicators when compared to ADB's own data, which uses a fuller range of DMCs.

- (iii) **Use of DMC procurement systems that adhere to good practices, or have a reform program in place to achieve this.** Results for this indicator are slightly lower than the others cited above: 63% of operations had—primarily local—procurement conforming to this criterion; 73% of sovereign operations made full or partial use of DMC procurement systems, which is relatively high compared with the equivalent figure for grants (35%), trust funds (16%), and TA (3%). Again, the figure for nonsovereign operations is 0%. In the OECD survey, 45% of aid from ADB was rated as utilizing country procurement systems. This compares with 43% for AfDB, 0% for IADB, and 40% for the WB.
- (iv) **Parallel project implementation units.** Around ninety percent of ADB's investment projects in 2006 were managed using project implementation units, half of which are largely integrated within their respective agencies.<sup>7</sup>
- (v) **Participation in program-based approaches.** ADB participation in program-based approaches<sup>8</sup>—including sector-wide approaches—has increased from 13 projects amounting to \$2.1 billion in 2004 to 22 projects amounting to \$2.6 billion by end of 2006. In the OECD survey, 23% of disbursements from ADB was rated as being under PBAs. This compares with 40% for AfDB, 45% for IADB, and 57% for the WB.

12. Based on the OECD survey, aid from ADB is considered very predictable, with 91% of disbursements undertaken as scheduled. This compares with 56% for AfDB, 82% for IADB, and 68% for the WB. ADB's participation in joint missions—another Paris indicator—was, however, very low at just 5%, compared with 19% for AfDB, 41% for IADB, and 21% for the WB. With regard to other Paris indicators, about half of ADB's country analytic work is conducted together with development partners, a level roughly on par with AfDB and WB.

## II. OPERATIONS' WORK PROGRAM 2008–2010

### A. Maximizing Development Results Through Effective Project Administration

13. **Overall Status of ADB Lending and Nonlending Portfolio.** As of 31 July 2007, ADB's portfolio comprised 551 lending operations with a net loan amount of \$37.8 billion; of this amount, \$14.2 billion has been disbursed. The portfolio also comprises 872 grant and TA operations with an approved value of \$0.8 billion. It also has 83 equity and guarantee operations, and syndications, with an approved value of \$1.2 billion.

14. **Sustained Emphasis on Quality Improvements.** Key directions for improving project administration defined in the WPBF 2007–2009<sup>9</sup> will be sustained.<sup>10</sup> The following actions will be emphasized further:

<sup>7</sup> ADB. 2005. *Special Evaluation Study on the Role of Project Implementation Units*. Manila.

<sup>8</sup> 'Program-based Approach' is defined as a way of engaging in development cooperation based on the principles of coordinated support for a locally owned program of development, such as a national poverty reduction strategy, a sector program, a thematic program or a program of a specific organization.

<sup>9</sup> ADB. SecM92-06. *Work Program and Budget Framework 2007–2009*.

<sup>10</sup> i.e. (i) securing quality at entry and applying readiness filters; (ii) building executing agencies' capacity; (iii) enhancing Asian Development Bank's project management techniques and capacity; (iv) ensuring resources are adequate to support project implementation effectively, recognizing staff accomplishments through the performance development plans, and by fostering teamwork across ADB; and (v) greater delegation to resident missions for strengthened implementation support.

- (i) **Reducing tolerance levels for projects at risk (public sector).** Actions to limit the proportion of projects at risk will be intensified, and targets for maximum percentage of projects at risk will be lowered from an average of 13% in the previous WPBF to 6%, by 2010.
- (ii) **Maintaining a low proportion of projects at risk (private sector).** ADB will build on achievements in restructuring, or disposal, of legacy problem accounts, and keep the ratio of projects at risk to a maximum of 4% in terms of number of projects.
- (iii) **Cancellation of unutilized loan balances.** ADB will continue to closely monitor project implementation and close or partially cancel loans with unjustified low utilization. Cancellations of approximately \$1.7 billion–\$1.8 billion are expected in 2007–2009.
- (iv) **Optimizing the division of labor between headquarters and resident missions for project administration.** based on current departmental projections, delegation to RMs will continue to grow with 41% of projects led for administrative purposes by resident mission-based staff in 2009, with the total rising to 42% by the end of 2010 (Appendix 2, Table A). This revision reflects the wide range of project implementation capacities among DMCs, as well as the varying administration needs of different types of projects. The proportion of projects to be delegated varies widely, with a high of 64% projected by the end of 2010 in the Pacific, compared with 26% in Southeast Asia. The extent of the planned delegation is being assessed as part of the ongoing review of the Resident Mission operations.
- (v) **Focusing the TA portfolio.** ADB will sustain measures to limit growth in the number of TA projects to ensure that all of them receive effective implementation support, and that quality controls are maintained. Measures will remain focused on timely closure of TA operations, and on limiting new TA approvals to focus TA on priority strategic areas. To permit more direct involvement of ADB staff in TA implementation, resident missions will become progressively more involved in their implementation. Currently, 19% of TAs are implemented at resident missions; by the end of 2010, this is expected to rise to 29% (Appendix 2, Table B).

## **B. Addressing the Needs of Diverse Regions Through Tailored Assistance Programs**

15. Operations at the DMC level will be shaped by the respective CPS, with assistance pipelines defined in the country operations business plans. An indicative schedule of CPS development is in Appendix 3. The following section provides an overview of key demand patterns, and operational prospects by region.

### **1. Central and West Asia**

16. **DMC Demand and Strategic Focus.** The region requires further policy and financing assistance to sustain its growth. The landlocked countries in the region require investment and advisory support to develop and improve connectivity and facilitate trade, while small and low-income countries require concessional financing to promote economic growth. Further, countries in transition require more assistance to move forward with second-generation reforms and to develop viable mechanisms for public finance management, social service delivery, and development of nonbank financial institutions, including those dealing with pensions and

insurance services. In response to these regional and country demands, the following sectors will be prioritized: infrastructure (transport, energy), finance, water and land resources development and management, urban, and public resource management and social service delivery. Efforts will be made to integrate the design and implementation of regional and country programs. In addition, ADB will respond in a timely manner to the needs and requests of DMCs that have recently joined ADB, such as Armenia and Georgia. They are interested in learning about the development experience of East and Southeast Asia, and they offer rich experience and lessons for other transition economies. Thus, support for knowledge transfer is an important consideration of ADB lending and nonlending operations in these newly joined DMCs.

17. **Operational Prospects and Modalities.** ADB will adapt investment and policy-based lending to clients' changing needs in the region. Public-private partnerships (PPP) in infrastructure will be explored to address clients' needs and to spur economic development, through combining private sector innovation, access to finance, managerial efficiency, and technology with the public sector's social responsibility, environmental awareness, and local knowledge. The MFF will be applied where appropriate, making use of its flexibility and financing efficiency. Concessional and commercial cofinancing is essential in Central Asia, particularly in small and low-income countries. Countries with prospects for cofinancing include the Kyrgyz Republic and Tajikistan.

## 2. East Asia

18. **DMC Demand and Strategic Focus.** The East Asia region comprises two DMCs with very different needs. The People's Republic of China (PRC) is seeking ADB assistance to support modification of its highly successful growth model to address growing challenges in the areas of environment, energy, and income inequality within the country. To meet the PRC's request that ADB diversify its activities to support its 11th Five-Year Plan, ADB is drafting a CPS for 2008–2010 that likely will focus on (i) resource efficiency and environmental sustainability, (ii) inclusive growth, (iii) regional cooperation, and (iv) promotion of the private sector. Improving knowledge products will be an integral part of this effort. Mongolia, meanwhile, is growing rapidly on the back of strong commodity exports. The country is looking for ADB's support to better harness the benefits of rising revenues from the commodity boom, as well as to increase effectively the exploitation of its mineral resources. The current CPS also stresses the creation of an environment conducive to private sector growth as Mongolia successfully completes the transformation from a centrally planned economy to a market economy. ADB will continue to finance infrastructure projects in PRC and Mongolia.

19. **Operational Prospects and Modalities.** In PRC and Mongolia, ADB will focus on catalyzing investments and PPPs, including potential use of local currency financing and nonsovereign lending. New ways to help government raise additional local resources through securitization, municipal bonds, and other credit enhancement facilities are being pursued. Such operations are likely to focus initially on transport and urban infrastructure. Public sector lending volume in East Asia will remain at about \$1.5 billion annually, mainly reflecting the cap on overall sovereign lending to PRC and the likely performance-based allocation (PBA) from ADF to Mongolia. The number of operations will increase as a result of sector diversification, the use of credit enhancement facilities, and application of nonsovereign operations, including revenue-earning enclave projects. Mongolia has been a consistent borrower of ADB resources during the 16 years of its transition to a market economy. Mongolia will continue to look to ADF to support infrastructure and social sector development to achieve its Millennium Development Goals.

### **Box 1: Examples of Knowledge-Based Operations in PRC**

- Asian Development Bank support for rural biomass development in Gansu Province will present an innovative, self-sustaining, community-based approach for a gasifier and power generator using local technologies. It is intended to supply cooking gas and electricity to local communities in Gansu. This operation will provide insight into the rural application of renewable energy law and the preferential tariff policy for biomass power generation, as well as the commercialization of agricultural waste for power generation.
- An ADB operation in support of town-based urbanization will provide policy recommendations on how to develop small towns to stimulate economic growth to narrow the rural-urban income gap. The project will examine the scope for orderly urbanization through development of larger urban agglomerations made up of different types of urban settlements. The small town-based urbanization will focus primarily on employment generation and unified social services.

### **3. Pacific**

20. **DMC Demand and Strategic Focus.** Despite substantial grant assistance from other development agencies, the demand from Pacific DMCs remains large. As laid out in ADB's Pacific Strategy,<sup>11</sup> Pacific DMCs are seeking ADB assistance in promoting the private sector, enhancing the supply and quality of social services, and building capacity to support development. Although the strategy is under review, ADB expects to continue activities in these areas. ADB also is planning to increase focus on physical and social infrastructure, particularly in support of climate adaptation, and on governance. Working creatively with other development partners, ADB plans to implement the strategy through selective use of ADF, limited OCR lending, and innovative use of nonlending products. Further, ADB plans to support regional approaches to development challenges in the region as support from national governments grows.

21. **Operational Prospects and Modalities.** In ADF-eligible Pacific DMCs, ADB will seek opportunities to enhance its ADF operations where demand exists and country performance justifies such an increase, keeping in mind the limited absorptive capacity. ADB will deepen partnerships with regional agencies and development partners to mobilize technical and financial resources more effectively for the benefit of Pacific DMCs. ADB will enhance support to weakly performing countries (WPCs), including using longer-term TA, and expanded access to ADF grant resources to support effective governance and to build the capacity of key Pacific DMC agencies. Other means to bolster support, including a loan buydown mechanism<sup>12</sup> and establishment of a WPC fund, will be explored. ADB will seek opportunities to scale up its OCR operations in selected larger Pacific DMCs (e.g., Papua New Guinea and Fiji Islands) when conditions permit, with the due regard to the debt sustainability of these countries. It also will explore possible Innovation and Efficiency Initiative (IEI) operations in road and power sectors, especially in blend and OCR-eligible Pacific DMCs.

<sup>11</sup> ADB. SecM97-04. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank (2005–2009)*.

<sup>12</sup> The proposed loan buydown mechanism is aimed at providing additional performance incentives. Under the mechanism, portions of ADB loan would be converted to grant using funding raised from development partners, subject to project's achieving specified performance criteria.

### **Box 2: Pilot Financing Approach to Reforms in Samoa**

The Government of Australia will provide a grant of Aus\$4 million to the Government of Samoa to buy down a portion of an ADF loan. The loan buy down mechanism will be triggered by the Government achieving specific reform measures by 31 December 2012, including (i) the establishment of an independent technical and price regulator for the power sector, (ii) Electric Power Corporation's collection performance improving such that accounts receivable do not exceed 2 months of electricity sales for a minimum of 2 years, and (iii) 75% of all Electric Power Corporation's active electricity customers are using prepayment meters. The use of this pilot mechanism constitutes an innovative approach to promoting reforms in developing countries, especially in the Pacific region.

#### **4. South Asia**

22. **DMC Demand and Strategic Focus.** In responding to DMC demand, ADB operations, in partnership with host DMCs, are built around the three main pillars of inclusive economic growth, good governance and social inclusiveness. In this respect, the bulk of ADB operations are consistent with MTS-II, priority sectors taking into account the varied state of economic development in its six DMCs. In the larger DMCs, the vast majority of demand for ADB assistance is for infrastructure development (roads, power, and urban and rural infrastructure) and financial and private sector development. For its relatively less developed DMCs, in addition to supporting infrastructure development (albeit on a smaller scale), there is also a substantial need for capacity development and institutional strengthening especially in the areas of public finance and economic management, and for operations in support of good governance. Providing support for strengthening the institutional infrastructure would ensure a sustainable and efficient utilization of ADB assistance, as well as deepening indigenous capacities. Moving forward and consistent with the development of country financial architecture, there is a significant demand for ADB to progressively engage with both the public and private sector, in the field of non-sovereign operations in its relatively advanced DMCs.

23. **Operational Prospects and Modalities.** In response to the varying developmental needs of the region's DMCs, ADB will flexibly employ sovereign and nonsovereign operations, representing a mix of project lending and other financing modalities, including the MFF. Since nonsovereign operations require a certain level of financial and knowledge infrastructure, ADB has adopted a holistic approach—it is providing TA to many of its DMCs for effective structuring of PPPs and for the utilization of credit enhancement instruments in a cost-effective manner. As such, by design, ADB's nonsovereign operations will start on a small scale; and, as experience and confidence accumulates, these operations will progressively expand.

#### **5. Southeast Asia**

24. **DMC Demand and Strategic Focus.** Demand for ADB assistance is strong from all three tiers of DMCs in this region. In the less-developed Mekong subregion, priorities include improving access to health and education, promoting rural and agricultural development, strengthening public financial management, and building the infrastructure base. Viet Nam's decision to begin borrowing from OCR has significantly increased the lending pipeline for that country, where ADB has become the principal development partner. In the lower middle income countries of Indonesia and the Philippines, ADB will continue to support large reform programs that will enhance their capacity to provide public services and undertake long-overdue investments in infrastructure, particularly for power and water. In the upper middle income countries, ADB is reengaging with Thailand and Malaysia using new partnership agreements

after years of no lending and only modest TA. ADB will continue to emphasize regional integration including financing elements of hardware (e.g., roads and railways) as well as software (cross border trade agreement), through the *Greater Mekong Subregion Initiative*, *Brunei Darussalam Indonesia Malaysia The Philippines–East ASEAN (Association of Southeast Asian Nations) Growth Area*, *Indonesia Malaysia Thailand–Growth Triangle*, and through what ADB hopes will be an ASEAN-wide cooperative program.

25. **Operational Prospects and Modalities.** Significant growth is expected in OCR-financed operations, especially in Viet Nam. The demand for single-tranche program loans will remain strong in Indonesia and the Philippines. However, demand in Indonesia might decline starting in 2009 due to the scheduled elections and the Government's concern about debt sustainability. With regard to ADF operations, Cambodia and the Lao People's Democratic Republic (Lao PDR) will continue to require high levels of concessional financing to support their extensive development needs. Viet Nam will continue to benefit from substantial ADF operations to assist the country in addressing the growing income disparity, and improving social inclusiveness and environmental sustainability. The country's increasing infrastructure requirements will be financed by strong OCR operations. Within the region, ADB will have ample opportunity to apply the MFF, as well as to increase its pursuit of non- and subsovereign operations. TA is expected to grow in the areas where ADB is engaged in policy dialogue and infrastructure development, with a focus on helping DMCs to implement reforms, and providing project preparatory and advisory services to support the growing lending program in the region.

## 6. Private Sector Operations

26. **DMC Demand and Strategic Focus.** Demand for private sector operations is expected to remain very strong. ADB will continue to focus on core sectors with a strong development impact and where ADB has a strong record of good performance, such as energy, urban infrastructure, and finance. ADB recognizes that the demand for infrastructure financing, in particular, is huge. Although funds can be made available by mobilizing savings in Asia, a typical problem is that locally-initiated projects are not always of good enough quality to attract these funds. To mitigate this problem, ADB has started supporting project development companies in specific areas to catalyze appropriate preparation of projects.<sup>13</sup>

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<sup>13</sup> The first such venture is in water supply and sanitation targeting the People's Republic of China and Viet Nam. This is being done in association with the Government of Singapore and private companies in Singapore. A second facility for developing renewal energy resources in Asia is being developed in cooperation with Indian, Canadian and US companies.

### Box 3: Facilitating Water Sector Development in DMCs

The demand for water infrastructure investment is huge in the Asia and Pacific region, and private investors have great interest in the sector. However, local governments, which are generally responsible for project development, often lack the capacity and resources to conduct preparatory studies and development activities, including studying, planning, structuring, and tendering. The Government of Singapore, represented by three Singaporean companies, and the Asian Development Bank intend to form a joint venture to assist local governments in developing “bankable” demonstration projects in cities (i.e., commercially viable projects in water supply, sanitation, and wastewater treatment) that are crucial for long-term sustainability and success. The initial projects will be in the People’s Republic of China and Viet Nam. The joint venture, which will not make equity investments in any of these projects, will cover the feasibility studies, planning, design, financial structuring, and other tendering preparation activities until a public tendering of the project concession is conducted. The joint venture will be profit driven to maintain its commercial viability. Its expenses, together with fees, will be recovered from the successful bidder upon project tendering through agreements with the host local government or municipality,

27. Although the majority of private sector operations will remain in the larger DMCs, ADB will continue to diversify its portfolio and country reach, guided by the demand for private sector financing and the respective CPSs. The number of DMCs covered by private sector projects under administration is expected to increase from 16 in 2005 to 18 countries in 2007, and then gradually increasing to 21 by 2010.

28. **Operational Prospects and Modalities.** In response to the heavy demand for private sector financing, ADB will continue to scale up operations correspondingly. This will be accomplished through an increase in nonsovereign direct lending to private and public borrowers; greater use of credit enhancement products, such as guarantees; and particularly increased mobilization of commercial cofinancing through B loans.<sup>14</sup> ADB will also maintain a TA program in support of private sector operations, mainly for project preparation initiatives aimed at mobilizing private investments, creating enabling conditions for the private sector, and ensuring good corporate governance.

### C. Promoting Regional Cooperation and Integration

29. **Expanded Regional Activities.** ADB will expand regional cooperation and integration activities, across the four pillars of the regional cooperation and integration (RCI) strategy,<sup>15</sup> but with particular emphasis on scaling up financing and other support for cross-border infrastructure (Table 2). Highlights of programs related to the strategy are as follows:

- (i) **Pillar 1 – Regional and Subregional Economic Cooperation Programs.** Transport and communications is by far the most prevalent area of activity, comprising (by volume) the bulk of total planned sovereign lending and ADF grant regional cooperation and integration (RCI)-related operations. Operations

<sup>14</sup>.In addition to the direct “A” loans funded by ADB, ADB provides administrative services and acts as “lender of record” for the commercial lenders and other financing partners that fund the “B” loan. Commercial co-financiers are given access to ADB’s project appraisal and loan documentation, thereby facilitating their credit analysis and due diligence. Although B loans do not provide cofinanciers with recourse to ADB for debt service, such loans enjoy the same privileges and immunities given to ADB direct loans and share in ADB’s de facto preferred creditor status.

<sup>15</sup> ADB. SecM30-06. *Regional Cooperation and Integration*. Manila

will be spread fairly evenly across the region, with major investments expected in Central and West Asia, East Asia, South Asia and Southeast Asia.

- (ii) **Pillar 2 – Trade and investment cooperation and integration.** Focusing primarily on nonlending and knowledge operations, ADB will expand the scope of its operations to Central and South Asia.
- (iii) **Pillar 3 – Monetary and financial cooperation and integration.** As with Pillar 2, ADB will expand nonlending and knowledge operations to Central and South Asia. One area of focus will be regional financial sector development, including support for regional roadmaps to assist with the development of such markets.
- (iv) **Pillar 4 – Cooperation in Regional public goods.** ADB will provide both lending and nonlending support for initiatives dealing with issues of principal concern to the Asia and Pacific region. Examples include initiatives that address climate change and environmental issues, HIV/AIDS and other communicable diseases, and human trafficking.

**Table 2: Distribution of Regional Projects by Amount, 2008–2010**  
(Amount in \$ million)

Item	Lending & ADF Grant		Nonlending	
	Amount	(%)	Amount	(%)
<b>Pillar 1</b> (Regional and Subregional Economic Cooperation Programs)	1,426	74	52	27
<b>Pillar 2</b> (Trade and Investment Cooperation and Integration)	170	9	26	13
<b>Pillar 3</b> (Monetary and Financial Cooperation and Integration)			28	15
<b>Pillar 4</b> (Cooperation in Regional Public Goods)	319	17	89	46
<b>Total</b>	<b>1,915</b>	<b>100</b>	<b>196</b>	<b>100</b>

Source: Asian Development Bank

30. **Continued Support for Pivotal Regional Programs and Groups:** ADB will continue to support subregional economic cooperation programs as defined in WPBF 2007 to 2009 including *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation* (BIMSTEC), *Central Asia Regional Economic Cooperation* (CAREC), *Greater Mekong Subregion* (GMS), *Brunei Darussalam Indonesia Malaysia the Philippines-East ASEAN Growth Area* (BIMP-EAGA), *Indonesia Malaysia Thailand Growth Triangle* (IMT-GT), *South Asian Association for Regional Cooperation* (SAARC), *South Asia Subregional Economic Cooperation* (SASEC), and *Pacific Islands Forum*. Its support for these subregional programs will be provided largely through pillars 1 and 4 of the RCI strategy, and pillars 2 and 3 as appropriate. ADB will also continue to support regional groupings such as *Asia-Pacific Economic Cooperation* (APEC), *Association of Southeast Asian Nations* (ASEAN), *ASEAN + Japan*, *People's Republic of China and the Republic of Korea* (ASEAN+3), and *Bo'ao Forum* mainly through pillars 2 and 3 of the RCI strategy, and may include activities under pillars 1 and 4 as appropriate. ADB will also be increasing support for the World Trade Organization's Aid-for-

Trade initiative, and trade facilitation activities in Asia and the Pacific in collaboration with United Nations Economic and Social Commission for Asia and the Pacific.

31. **Additional Resources for Regional Cooperation and Integration Operations:** As a response to the expanding demand for RCI activities, ADB approved the Regional Cooperation and Integration Partnership Facility (RCIFPF) in February 2007 to provide additional resources for RCI.<sup>16</sup> The RCIFPF includes: (i) the Regional Cooperation and Integration Fund (RCIF) to provide grants for TA; and (ii) the Regional Cooperation and Integration (RCI) Trust Funds to provide grants for TA and components of investment projects.

32. The expected utilization rate of the RCIF across the four pillars will follow the relative weights specified in the RCI strategy, which gives priority to pillars 1 and 4; followed by pillars 2 and 3. The RCIF is expected to be utilized within three to four years. The Japanese Government has also announced the establishment of the Investment Climate Facilitation Fund (ICFF) as one of the RCI Trust Funds under the RCIFPF. The tentative budget of the ICFF is \$40 million for 4 years from 2007 to 2011.

#### D. Enhancing Engagement in Weakly-Performing Countries

33. **Criteria for Determining WPCs.** ADB identifies WPCs based on country performance assessment (CPA) rankings and conflict considerations. To be considered a “weak performer”, a DMC would be: (i) ranked in the fourth or fifth quintiles on CPA assessments for 2 of the most recent 3 years; or (ii) considered in conflict or post-conflict, and thus fragile. Since the CPA is assessed each year, ADB’s list of WPCs is updated annually. Furthermore, despite recent slight improvement or deterioration in performance ratings, some countries remain at risk or borderline cases as WPCs.

34. **Sustaining ADB Engagement in WPCs.** ADB maintains active programs of lending, grant and TA assistance to all indicative WPCs, and is committed to maintaining its engagement throughout the WPBF period. Within these WPCs, ADB’s assistance programs will be based on two main principles:

- (i) **Selectivity and focus.** ADB assistance will generally support a limited number of reforms and specific capacity building programs to tackle weak performance issues and establish and sustain inclusiveness. Interventions will include consistent focus on policy and institutional reform and achieving short-term benefits.
- (ii) **Strategic partnerships.** ADB will collaborate closely with development partners to avoid duplication and allow focus on respective comparative advantages.

35. A wide range of measures has been adopted to allow ADB to respond flexibly to the varying needs of WPCs. Appendix 4 provides the status of these measures, many of which are already under implementation.

36. **Stepping up Assistance to WPCs.** Over the recent past years, about 50% of the Group A DMCs<sup>17</sup> or ADF-only eligible countries would have been classified as WPCs, and about 40% of the DMCs with ADF access (Groups A, B1, and B2 merged) would have been considered as WPCs. Therefore, ADF is expected to remain the principal financing source for ADB operations

<sup>16</sup> The Board of Governors approved the recommendation of the Board of Directors to allocate \$40 million from the ADB 2006 ordinary capital resources net income to the Regional Cooperation and Integration Fund.

<sup>17</sup> ADB. 1998. *A Graduation Policy for the Bank’s Developing Member Countries*. Manila.

in WPCs, with DMC-specific allocations made according to the PBA system. In WPCs, ADB will step-up utilization of grant resources (including those from the Japan Fund for Poverty Reduction) which can be used flexibly in accordance with ADB's approach to working with WPCs. To permit greater engagement in strategic, longer-term TA operations, with a particular stress on capacity development, ADB will increase the allocation of TA resources made available to WPCs by about 20%, when compared with the 2004 to 2006 period.

### III. OPERATIONAL RESOURCE PARAMETERS 2008–2010

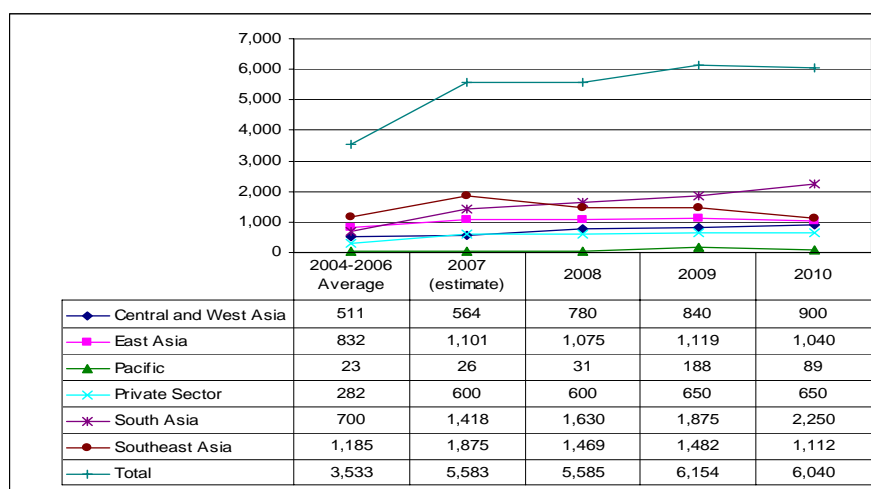
37. **Planning in a Transition Period.** In the course of CPS development, DMCs consistently demonstrated a robust demand for expansion in ADB operations. Against this backdrop, the WPBF was prepared while a number of parameters that influence ADB operations are being redefined. These include the ongoing review of the long-term strategic framework, the graduation policy, the ADF X replenishment discussions, alignment of ADF grants with those of the International Development Association, and emerging medium-term financial constraints. Under these circumstances, a number of assumptions have been made to plan the operations program, and these will be adjusted as required during the WPBF implementation period.

#### A. Disbursement Trends

38. **Accelerated disbursements.** Disbursements for both ADF and OCR operations are expected to maintain their upward trend, largely due to improved project implementation, and higher approval levels. Consequently, net resource transfer to DMCs is expected to remain positive in the WPBF period.

39. **OCR disbursements will grow further.** OCR disbursements are expected to maintain their upturn, driven by improvements in both sovereign and non-sovereign operations, and a concentration on sectors characterized by higher disbursement ratios.

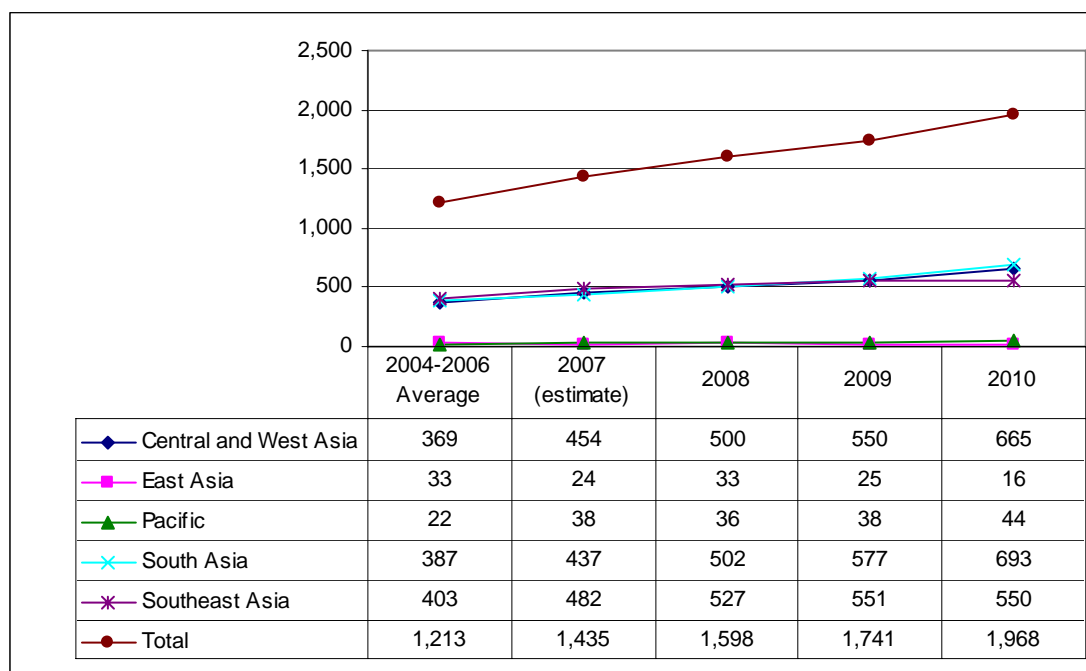
**Figure 8: Ordinary Capital Resources (OCR) Disbursement Projections, By Volume and Region 2008–2010**  
(\$ million)



Source: Asian Development Bank

40. **Growth in ADF disbursements will also continue.** Disbursements are expected to continue increasing, as a result of improved project design and implementation, and as ADF IX projects—given the greater commitment authority compared with ADF VIII—reach maturity.

**Figure 9: Asian Development Fund (ADF) Disbursement Projections, By Volume and Region 2008–2010**  
(\$ million)



Source: Asian Development Bank

## B. Operational Pipeline, Trends and Characteristics

41. **Methodological note.** WPBF pipeline data are based on the ‘firm-medium’ planning scenario.<sup>18</sup> This scenario includes only those projects for which ADB has a high degree of confidence of approval in a specified year. Pipelines are constantly being updated to reflect the latest status of agreements with borrowers, and taking into account other external factors.<sup>19</sup> As a result of this, the WPBF ‘firm-medium’ scenario view—taken at a particular point in time—may not correspond exactly with the programs agreed between ADB and the DMCs during the country programming missions. ADB will endeavor to deliver pipelines as agreed with DMCs, with financing provided by OCR, ADF and external sources.

### 1. Project Operations, by volume and number

42. **Project pipelines (sovereign operations) will be maintained at high levels.** The pipeline reflects the sustained high demand for ADB project<sup>20</sup> assistance, with financing provided from ADF, OCR, as well as external sources.

<sup>18</sup> This scenario includes the MFF periodic financing requests, but does not include the full MFF facilities.

<sup>19</sup> e.g. change in loan size or scope, cofinancing, status of environmental assessments, etc.

<sup>20</sup> Comprising all forms of ADB operations, including projects, programs, sector development programs, and MFF PFRs.

**Table 3: Sovereign Project Approvals, financed by OCR and ADF, By Region, Volume and Number, 2004–2010**

	2004-2006		2007		2008		2009		2010	
	Average		(estimate)		No.	\$ mn	No.	\$ mn	No.	\$ mn
	No.	\$ mn	No.	\$ mn						
Central and West Asia	16	1,341	19	2,492	26	2,532	25	2,371	25	2,766
East Asia	10	1,451	15	1,616	14	1,517	12	1,619	13	1,540
Pacific	4	55	8	159	3	89	7	170	8	103
South Asia	16	1,557	24	2,400	32	3,116	30	3,050	35	3,430
Southeast Asia	18	1,433	24	3,221	30	2,780	29	2,402	22	2,675
RSDD	0	8								
<b>ADB</b>	<b>64</b>	<b>5,846</b>	<b>90</b>	<b>9,888</b>	<b>105</b>	<b>10,034</b>	<b>103</b>	<b>9,611</b>	<b>103</b>	<b>10,514</b>

Notes: (i) In 2010, an imputed figure of \$1.5 billion is used for PRC pending completion of CPS.

(ii) There are 18, 28, 15 and 23 MFF-PFRs for 2007 to 2010, respectively.

(iii) 2007 data are subject to change, for example due to anti-bunching measures.

Source: Asian Development Bank

43. **Demand for OCR financing continues to grow.** OCR financing for the pipeline is expected to grow steadily, with high demand especially from larger DMCs, including India, Pakistan, PRC and Viet Nam. There will be increasing diversification of OCR operations, in terms of recipient DMCs. A detailed breakdown is provided in Appendix 5.

44. **Needs for ADF financing remain very high.** Given the strong need for concessional financing of priority development investments, DMC demand for ADF-financing will remain very high, resulting in full use of the remaining ADF IX commitment authority.<sup>21</sup> ADF pipelines for 2009 to 2010 reflect this high level of need. A breakdown of projections by individual DMC is provided in Appendix 6. The actual ADF assistance levels for individual DMCs will be determined by the outcome of the ADF X replenishment and the performance-based allocation policy, supplemented, to the extent possible, by mobilization of ADF savings and cancellations.

#### **Box 4: The Enhanced Sustainable Development for Asia Initiative**

ADB will implement two new cofinancing initiatives with the Government of Japan: (i) the establishment of two trust funds: the *Asian Clean Energy Fund* and the *Investment Climate Facilitation Fund*, and (ii) the strengthening of joint cofinancing with JBIC, both of which are under the *Enhanced Sustainable Development for Asia* (ESDA) initiative. Under ESDA, ADB will cooperate with the *Japan Bank for International Cooperation* (JBIC) in the areas of investment promotion and climate change. Yen-loans of up to US\$2 billion will be extended through JBIC over 5 years under the *Accelerated Co-Financing Scheme with ADB* (ACFA).

45. **ADB will pursue steady, managed growth in non-sovereign lending and guarantee operations.** Demand for ADB non-sovereign lending and credit enhancements, particularly in the private sector, is very high across a broad range of DMCs. In response, ADB will increase its pipeline for such operations, based on strategic priorities and within acceptable risk levels.

<sup>21</sup> Total commitment authority for the 2007-2008 biennial period is around \$3.8 billion, in addition to additional commitment authority from savings and cancellations (estimated at about \$0.2 billion).

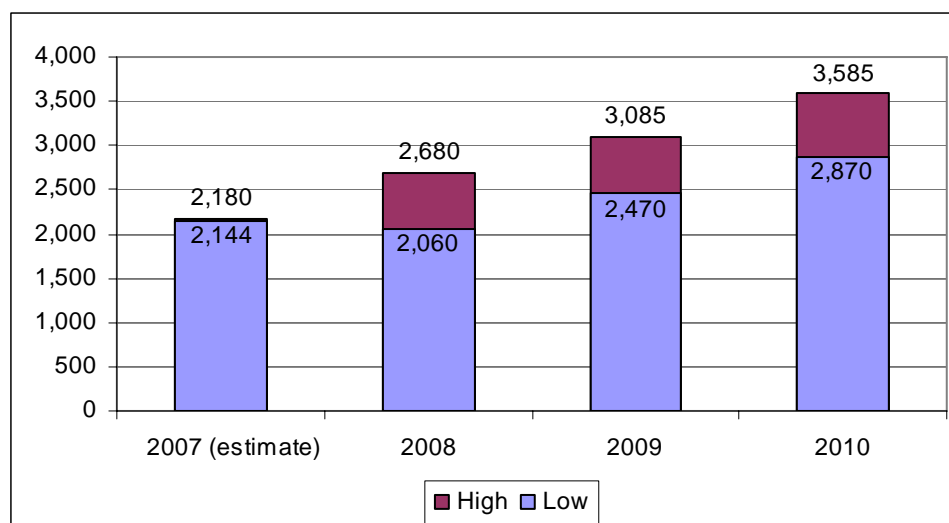
**Table 4: Actual and Projected OCR Non-Sovereign Lending, Equity and Guarantee Operations, 2004–2010**

Item	2004–2006 Average \$ mn	2007 (estimate) \$ mn	2008 \$ mn	2009 \$ mn	2010 \$ mn
Loans	486	871	920	970	970
Equity	221	109	150	200	200
Guarantees	90	379	130	130	130
B-Loans	152	425	800	800	900
<b>Total</b>	<b>949</b>	<b>1,784</b>	<b>2,000</b>	<b>2,100</b>	<b>2,200</b>

Source: Asian Development Bank, PSOD Management Information System Report.

46. **Continued increases in cofinancing targeted.** ADB will intensify work with its partners to catalyze greater levels of resources for the benefit of DMCs. The number of operations with cofinancing is expected to increase, with the volume of financial assistance expected to increase substantially for both investment projects and for grant-financed operations. To facilitate cofinancing, project designs will be done increasingly in a manner that lend themselves to syndications.

**Figure 10: Direct Value-Added Cofinancing, 2008–2010**  
(Range in \$ million)



Explanatory Note: the respective bars demonstrate the expected range of cofinancing to be mobilized in the given years. For example, in 2007 the minimum level of cofinancing is expected to be \$2,144 billion, potentially increasing up to \$2,180 million.

Source: Asian Development Bank

## 2. Technical Assistance

47. Better management of the TA program will remain of high priority, as outlined below:

48. **Continued emphasis on project preparation technical assistance.** The greater focus on PPTA signaled in the WPBF 2007 to 2009 will be maintained, primarily as a means to ensure quality at entry of ensuing projects. To allow projects to be comprehensively prepared, average

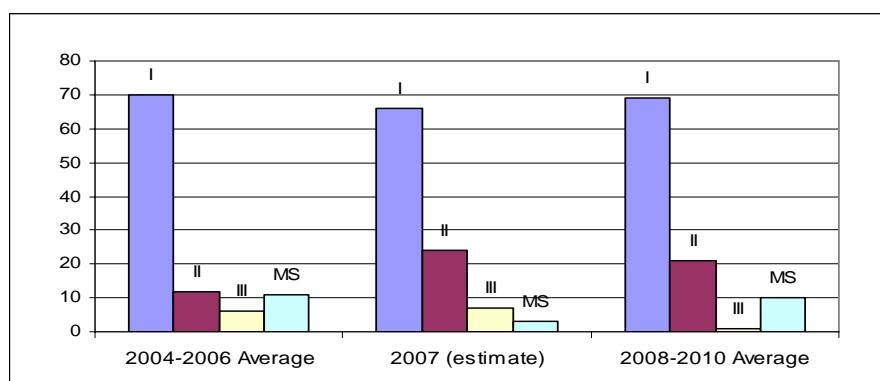
PPTA size will increase to about \$840,000 (\$690,000 from 2004 to 2006). To exploit economies of scale, and allow for cross-DMC experience to be exchanged, ADB will prepare some regional PPTAs, covering the preparation of similar projects in more than one DMC.

49. **Financing of technical assistance to be maintained at current levels:** Annual ADTA and RETA financing amounted to \$181 million in 2006, and is estimated at \$241 million in 2007, with financing secured from a growing variety of internal and external financing sources. Subject to resource availability, ADB will maintain the ADTA and RETA program at these approximate levels, to allow for longer-term interventions, with focus on priority sectors, and with WPCs' needs prioritized. Indicatively, total TA financing over the WPBF period will range from \$260 million to \$300 million annually, covering PPTA, ADTA and RETAs.

### 3. Pipeline Characteristics by MTS II Sectors

50. **OCR sovereign operations remain strongly focused on Group I.** OCR operations remain very concentrated on group I sectors (Figure 11), which account for 69% of operations (70% in 2004–2006). By volume, energy and road transport are expected to remain the largest sectors for investment (Appendix 7). A distinct phase-out of Group III sectors is planned.

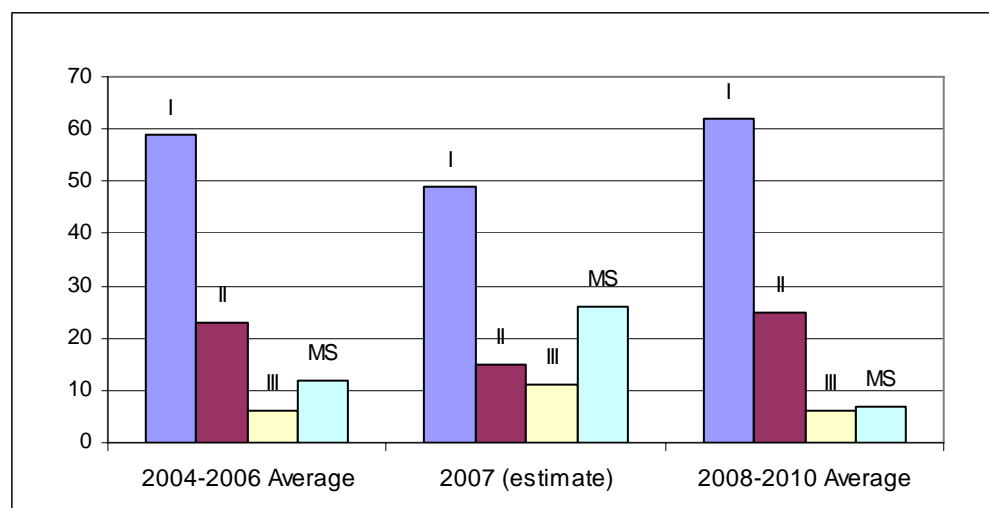
**Figure 11: OCR Sovereign Operations by MTS II Sectors and Volume, 2004–2010**  
Percent (%)



MS=multisector  
Source: Asian Development Bank

51. **ADF pipeline also more concentrated on Group I, but with higher representation of Group II.** ADF-financed operations are becoming more strongly focused on group I sectors (Figure 12), which account for 61% of the pipeline (59% in 2004–2006). By volume, rural infrastructure, road transport, and agriculture and natural resources are expected to be the largest sectors for investment (Appendix 8).

**Figure 12: ADF Operations by MTS II Sectors and Volume, 2004–2010**  
Percent (%)



MS=multisector  
Source: Asian Development Bank

52. **TA operations now more strategically concentrated.** The TA pipeline shows a stronger convergence to group I sectors, with 49% of new operations in 2008 (41% in 2004–2006), (Appendix 9). The ratio of new TA operations in group I is expected to be at least 55% from 2009–2010.

#### 4. Pipeline Characteristics by Thematic Priorities

53. **Economic growth, social development and environment as leading themes<sup>22</sup> for loans and ADF grants.** Sustainable economic growth is the primary theme among projects in the pipeline. Other principal themes are governance, inclusive social development, and environment sustainability. The gender and development theme figures more prominently in the ADF than in the OCR program (Appendix 10, Tables A and B).

54. **Economic growth, governance and capacity development as leading themes for the TA program.** Sustainable economic growth is the leading theme in the TA pipelines, followed by governance, capacity development, regional cooperation and inclusive social development (Appendix 10, Table C).

#### 5. Financing Modalities and Approaches

55. **Greater diversity in products, but projects still dominate.** Project lending will remain the mainstay of ADB's lending operations, representing 53% of all OCR and ADF operations by

<sup>22</sup> ADB's classification system contains 8 separate themes, of which up to 3 can be accorded to a single project. Of these 3, one must be from one of the 3 pillars of the poverty reduction strategy (i.e. sustainable economic growth, inclusive social development and good governance). A project may then be accorded up to 2 additional themes (from a range consisting of capacity development, environmental sustainability, gender and development, private sector development, and regional cooperation). As the thematic elements of the project are often decided upon in the actual project design phase, thematic pipeline projections tend to be more dynamic than sectorally-based projections.

volume, and 56% by number. Program lending represents an average of about 14% of total lending in the pipeline. Loans approvals under MFF stand to amount to \$7.9 billion over the WPBF period. Demand for new MFF financing remains high (see Appendix 11), especially in the energy and infrastructure sectors. It is anticipated that 21 new facilities will be established during 2008 to 2010, in the nominal amount of \$6.7 billion.

**Table 5: Sovereign Lending and ADF Grant Operations Pipeline, 2008–2010, by Modality**

Modality	2004–2006 Average		2007 (estimate)		2008–2010 Average	
	No.	\$ mn	No.	\$ mn	No.	\$ mn
Project	38	2,667	41	4,054	59	5,294
Program	9	1,377	11	2,161	12	1,420
Sector	6	892	2	420	3	171
Sector Development Program	4	367	6	738	4	407
Special Assistance Loan	0	17	1	400		
Technical Assistance Loan	2	14	2	35	1	6
ADF Grant	11	174	15	142	5	160
MFF PFR	2	320	17	1,938	22	2,595

Note: In 2010, an imputed figure of \$1.5 billion (11 projects) is used for PRC pending completion of the country partnership strategy.

ADF=Asian Development Fund, MFF PFR=multitranches financing facility periodic financing request

Source: Asian Development Bank

#### IV. SHARING KNOWLEDGE FOR DMC POLICY AND CAPACITY DEVELOPMENT

56. **Focusing knowledge-based operations on MTS II priorities, and in support of ADB strategies.** ADB will provide a focused program of knowledge-based services to support DMCs as well as regional groupings with their priority policy and capacity development needs. ADB's knowledge services will provide quality analytical underpinning for ADB country strategies and projects, and support effective implementation of ADB and other externally-financed operations. In terms of sectoral concentration, ADB will focus on its areas of proven strength, primarily in MTS II priority areas.

57. **Clear definition of ADB role in knowledge services.** ADB will continue to provide knowledge services with the following distinct, but inter-related, perspectives:

- (i) **Research and advocacy.** Covering Asia-Pacific-wide or sub-regional issues, ADB will engage in applied research and advise DMCs on critical policy development issues. This role is likely to aim at producing a limited number of high quality knowledge products that would place ADB at the cutting edge of development literature and practice. These will include ADB's well-known flagship work such as the Asian development outlook and the *Key Indicators*, selected seminars and conferences, as well as advocacy on related issues.
- (ii) **Sector and theme-specific services on critical development issues.** ADB will take a cross-DMC perspective on key sector or theme issues of critical and universal relevance to the Asia-Pacific region. ADB support will include studies, best practices, technical notes and guidance notes covering a range of sector or thematic issues such as clean energy and environment, water financing, urban

services, cities' development, sustainable transport, and public private partnerships.

- (iii) **DMC and project-specific work.** Given the substantial differences in socio-economic contexts of ADB's respective DMCs, there is a clear need for DMC-specific knowledge work, particularly as an underpinning for CPS and project development, as well as to allow ADB to effectively support DMCs in developing policies, building capacity, and developing innovative projects in selected sectors. This would essentially be operational in nature, demand driven and be provided to the DMCs in a relatively short time frame. Examples of this type of work include country-specific governance or private assessments, supporting the development of sectoral strategies or roadmaps, or providing a technical analysis or policy advice on a specific issue requested by a DMC.

58. With this clear definition of knowledge services, ADB will be in a better position to respond to specific DMCs' requests for knowledge services and respond to the increasingly sophisticated requests for knowledge services from DMCs.

59. **The LTSF Review will sharpen ADB's future knowledge agenda.** ADB's future knowledge agenda and activities are currently under review as a part of the review of the long-term strategic framework. This will be able to capitalize on ADB's efforts over the last few years to develop a formal knowledge management systems including a good deal of the related infrastructure and business processes. Such efforts will be further supported through the communities of practice to enable cross fertilization and sharing of knowledge to occur.

60. **Ensuring effective division of labor and coordination for knowledge operations.** Knowledge services will be undertaken in a collaborative manner across ADB departments, and offices, to ensure that the full range of skills and experience can be brought to bear to match a particular need. Regional departments and PSOD will be the primary interface with DMCs, with support provided by the four knowledge departments (KDs), (see Appendix 12 for an overview of regional departments' knowledge initiatives). To avoid duplication and improve synergy, the four KDs initiated several new arrangements in 2006, which were reported in the WPBF 2007–2009<sup>23</sup>. Substantial progress has been made since then. In addition, the Office of Cofinancing Operations and other related departments will enhance their support through carrying out knowledge sharing and training events, and formulating inputs with regard to credit enhancement products in supporting ADB-wide regional and thematic initiatives such as for regional capital market development, infrastructure finance or trade promotion. Finally, the KDs intend to continue deepening and expanding these efforts in the future while coordinating more closely with RDs as well as resident missions (see Appendix 13 for more information).

## V. INSTITUTIONAL SUPPORT AND SERVICES FOR THE 2008–2010 WORK PROGRAM

61. As ADB moves closer to aligning its operations with MTS II, ADB's support services will need to align its staff and budgetary resources correspondingly with the evolving needs. This shift will require several departments under the finance and administration areas to revisit its programs for 2008–2010. At the same time, as ADB diversifies its work program to increase private sector, nonsovereign lending and the use of credit enhancements, as well as introduce

<sup>23</sup> These arrangements were described in the note *Knowledge Departments – Strengthening Coordination and Building Synergies for Development* in Appendix 2 of the Work Program and Budget Framework 2007–2009.

more innovative project financing and funds mobilization modalities, these trends will entail changing demands on the non-operations departments/offices.

62. **Risk Management.** During the WPBF period, ADB will seek to strengthen its credit risk assessment capacity. Specific steps will involve the review of (i) ADB's capital adequacy policy to provide guidelines on the measurement of capital requirements to cover credit, market and operational risks, and (ii) comprehensive credit policy and strategy to augment ADB's capabilities to manage its aggregate credit risk. The Risk Management Unit will implement its risk rating and risk pricing systems, and will monitor the two systems regularly. A key element of the work program will be the formulation of a strategic limit policy that will determine the allocation of ADB's capital to support nonsovereign operations.

63. **Legal Support.** To address the growth in ADB operations, especially in nonsovereign lending, legal support will be augmented. Aside from lending operations, ADB's anticipated growth in funds mobilization, specifically in issuing bonds, warrants extensive involvement of the in-house legal counsels. Furthermore, ADB's support for the standardization of bond regulations in the region, and the work on regional bond issues for infrastructure finance and facilitation of carbon credit trading will require increased legal participation and advice.

64. **Financial Planning and Control.** For ADB to continue to respond to the diverse needs of borrowers in a timely and cost efficient manner, the following initiatives will be undertaken:

- (i) Financial planning will be required to support the ADF X replenishment exercise and subsequently to implement the new ADF financial management policies and proposed investment guidelines. To realize greater cost efficiencies and meet borrowers' demand for local currency loans, ADB's funding strategy will continue to focus on (a) issuance of benchmark bonds in key currency markets; (b) opportunistic financing in various public markets, private placements, and retail-targeted transactions; and (c) local currency financing through issuance of local currency bonds in more countries.
- (ii) ADB will continue to reduce response times despite the anticipated increase in disbursement requests from DMCs brought about by the expansion of public and private sector operations, as well as the implementation of recently introduced instruments, such as grants and MFF.
- (iii) Financial reporting of ADB will be strengthened by the continued implementation of an integrated internal control (COSO) framework, which will be expanded to various funds aside from OCR and ADF. The framework requires Management assertion on the adequacy of internal controls over external financial reporting, followed by an external auditor's attestation.

65. To minimize the incremental resource requirements and to increase responsiveness, efficiency and streamlining measures will be strongly pursued. These include (i) business process reengineering in payment processing, (ii) increased automation in the monthly financial reporting and reconciliation processes, and (iii) migration of various systems and integration of the controller's and treasury's systems.

66. **Internal audit and anticorruption** activities will expand gradually to deal effectively with (i) the expected growth in the number of allegations and cases, and (ii) increasing complexity of cases and more project procurement-related audits. Some audits will continue to be outsourced

to allow an adequate number and high quality of priority audits. Internal audits are envisaged to be more intensive on the field offices, information technology (IT) areas, and trust funds. ADB will continue to provide fraud and corruption awareness and training to staff and government counterparts to ensure ADB-financed projects adhere to the highest standards of integrity.

67. **Management of human resources** will continue to focus on expediting recruitment to fill vacant positions and to ensure that recruitment is aligned with MTS II priority sectors and themes. Central to the work plan is the continued implementation of the Human Resource Strategy (HRS), specifically (i) continuing to improve staff's skills and leadership with more systematic targeting of trainees and training programs; (ii) reviewing career development approaches/alternatives for staff; and (iii) increasing participation in the Assessment and Development Center, a systematic talent management process to identify and develop staff with leadership potential.

68. **IT support** for the continued implementation of Information Systems and Technology Strategy (ISTS) II will generate indirect benefits by increasing staff productivity, information accessibility, and collaboration. The IT governance and enterprise architecture frameworks will be refined and expanded to ensure alignment with ADB's overall direction and priorities. The frameworks will be fully integrated with ADB's operational practices. Support will be directed to key initiatives, such as (i) the development of a common architecture for IT; (ii) project processing and portfolio management system; (iii) internet and intranet harmonization; (iv) continued integration of accounting with the treasury systems; and (v) implementation of internationally recognized IT best practices, such as Control Objectives for Information and Related Technology.

69. **Administrative services** will focus on continued improvement of business processes, including the use of technology to improve the efficiency of administrative services. In addition, travel services will be improved through automation of processes, engagement of better quality staff in the travel agency, and possible introduction of competition. Further, outsourcing of selected services through a phased approach will also generate additional savings in staff resources. During the WPBF period, the construction of a Business Continuity Facility will be completed.

## **VI. RESOURCING THE WORK PROGRAM STAFFING AND BUDGET FRAMEWORK, 2008–2010**

70. The preceding sections outline the work plan for 2008–2010 to finalize the MTS II implementation, as well as to prepare ADB for the outcomes of the LTSF review and ADF replenishment. The work program was developed keeping in mind the staff and budgetary resource and capacity constraints, while promoting efficient operations and supporting ADB's main strategic thrusts. Prioritizing the work program has been a challenge as ADB continues to address (i) diverse country-level requirements during the WPBF period, with several DMCs undergoing dynamic economic growth and rapid social change, resulting in rapidly changing development assistance needs; (ii) the need to maintain the momentum of the growing regional and subregional cooperation programs; (iii) a constant need for ADB to upgrade and maintain the quality of operations, at entry and during implementation; and (iv) expanding operations to support strong demand for ADB's services, while continuing to maintain and improve ADB's development effectiveness. Table 6 summarizes key work program deliverables for 2008–2010.

71. In developing the internal resource framework to support the 2008–2010 operations, the following were considered: (i) incremental and new cost drivers emanating from the work

program, (ii) new and ongoing policies and strategies, (iii) anticipated outcomes of the midterm review of LTSF and ADF X negotiations, and (iv) expected activities to be phased out and efficiency measures to minimize demand for resources.

#### **A. Cost Drivers**

72. During the WPBF period, particularly in 2008, some activities to enhance operational effectiveness and responsiveness will require additional staff and budgetary resources. Some anticipated outcomes of the LTSF review might affect the 2008 budget, but the full impact will affect substantially the 2009 and 2010 budget preparation. These cost drivers are:

- (i) Continued enhancement of support for portfolio management and steady growth in the size of the ongoing portfolio and disbursements from 2008 to 2010 (Table 6).
- (ii) Growth in OCR operations in response to the regional demand for investment in infrastructure and other MTS II priority sectors, as well as growing program-based lending in some countries.
- (iii) Growth in private sector and nonsovereign public sector operations, increased use of credit enhancements, and pilot testing of new IEI modalities. Projects with new and innovative designs and financing modalities will require more attention in preparation and implementation.
- (iv) Depending on the size of the ADF replenishment, an increase in the number of projects, volume, and sector coverage of ADF.
- (v) Operations in new DMCs (e.g., Armenia, Georgia, Palau) and emerging needs for assistance to Turkmenistan.
- (vi) Work related to the review of LTSF.
- (vii) Rising costs of travel because of the increase in corporate airfares and hotel rates in the region.
- (viii) Continuing appreciation of the Philippine peso against the US dollar, which is having a significant impact on the US dollar-denominated budget.

73. In addition to these requirements, existing policies, strategies, and special capital expenditure projects adopted before or during 2007 will require incremental budget and staff resources in 2008–2010. Possible resource implications of some policies and strategies are provided in Appendix 14.

Table 6: Summary of Work Program 2008–2010

Item	Actual 2006	Program 2007	Estimate 2007	Program 2008	Average 2009-2010
<b>A. Key Outputs</b>					
<b>1. Investment Operations</b>					
<b>Portfolio Management</b>					
Public Sector Projects (year end number)	446	436	436	474	500
Private Sector Operations (number)	122	135	132	134	136
<b>Loan Disbursements (\$ million)</b>	5,759	5,929	7,018	7,183	7,951
Project at Risk (% by number)					
- Public Sector	10.0	12.0	9.0	8.0	6.0
- Private Sector	13.9	12.0	5.0	4.0	4.0
<b>Project Preparation and Processing</b>					
<b>Public Sector Operations</b>					
<b>Number of Approvals</b>	67	100	90	105	103
Regular Program	53	75	63	71	81
ADF Stand-Alone Grants	8	3	10	6	3
IEI-MFF Subprojects	6	22	17	28	19
IEI-MFF Framework	8	13	15	14	4 <sup>a</sup>
<b>Amount of Approvals (\$ million)</b>	7,096	8,066	9,888	10,033	10,063
Regular Program	5,921	6,495	7,846	7,330	7,287
ADF Stand-Alone Grants	214	27	104	237	116
IEI-MFF Subprojects	961	1,544	1,938	2,466	2,660
IEI-MFF Framework	3,810	5,500	7,261	5,140	760 <sup>a</sup>
<b>Private Sector Operations</b>					
Amount (\$ million) <sup>b</sup>	1,415	1,500	1,784	2,000	2,100-2,200
<b>DVA Cofinancing Operations<sup>c</sup></b>					
Investment Projects (number)	29	20–25	34-35	25-30	30-35
Investment Projects (\$ million)	1,390	650–750	2,084-2,100	2,000-2,600	2,600-3,250
TA Projects (number)	74	40–60	50-70	50-70	60-80
TA Projects (\$ million)	92.7	50–70	60-80	60-80	70-85
<b>2. TA Program</b>					
Total Ongoing TAs (number)	957	907	881	875	tbd <sup>o</sup>
Total New TA Approvals (number)	260	246	245	257 <sup>d</sup>	240-270
Total New TA Approvals (\$ million)	241.6	200.0	294.7	260.0-300.0 <sup>d</sup>	tbid
<b>Preparation of New Projects - PPTAs</b>					
<b>Number of Ongoing PPTAs</b>	197	194	194	212	tbid <sup>o</sup>
<b>PPTA Processing for Approval</b>					
Number of PPTAs	73	80	72	86	80-90
Amount (\$ million)	60.9	64.0	53.8	72.2	tbid <sup>o</sup>
<b>Knowledge Management and Services</b>					
<b>A. Country Level Knowledge Services</b>					
<b>Number of Ongoing ADTAs</b>	498	490	489	477	tbid <sup>o</sup>
<b>ADTA Processing for Approval</b>					
Number of ADTAs	98	97	89	83	80-90
Amount (\$ million)	78.5	60.1	99.9	tbid <sup>f</sup>	tbid
<b>Economic, Sector, and Thematic Work-Country (number)<sup>g</sup></b>	-	145	215	143	94
<b>B. Regional and Sub-regional Knowledge Services</b>					
<b>Number of Ongoing RETAs</b>	262	223	198	186	tbid <sup>o</sup>
<b>RETA Processing for Approval</b>					
Number of RETAs	89	69	84	88	80-90
Amount (\$ million)	102.2	75.9	141.0	tbid <sup>f</sup>	tbid
<b>Economic, Sector, and Thematic Work-Regional (number)<sup>h</sup></b>	-	73	115	96	90-100
<b>3. Operations Evaluation</b>					
Project Performance Evaluation Reports	19	20	13	13	10
Special Studies, CAPE, and Other Studies	21	26	28	23	26
<b>4. Country and Regional Strategies</b>					
Country Partnership Strategy	5	15	5	18	6
Regional Cooperation Strategy	1	2	1	2	1
Country/Regional Strategy Updates or Reviews	9	4	-	6	6
Country/Regional Operation Business Plans	-	-	23	21	25

- = 0 or not available/applicable, tbd = to be determined.

ADF = Asian Development Fund, ADTA = advisory technical assistance, CAPE = country assistance program evaluation, DVA = direct value added, IEI = innovation and efficiency initiative, JFICT = Japan Fund for Information and Communications Technology, JFPPT = Japan Fund Public Policy Training, JFPR = Japan Fund for Poverty Reduction, MFF = multitranché financing facility, OCR = ordinary capital resources, PPTA = project preparatory technical assistance, RETA = regional technical assistance, TA = technical assistance.

Notes: <sup>a</sup> MFF pipeline is not fully identified for 2009-2010. <sup>b</sup> Include loans, equity, guarantees, and B-loans. <sup>c</sup> Targets for cofinancing are subject to project requirements and confirmation by financing partners. Number of TAs cofinanced may be affected by ceiling on TA approvals. <sup>d</sup> Include TAs for private sector operations. <sup>e</sup> Size of TA portfolio in 2009-2010 will be about the same as in 2007. Excludes supplementary and small-scale TAs.

<sup>f</sup> Volume of ADTAs and RETAs is estimated at \$190-230 million. Total sources of financing cannot be identified at this time. <sup>g</sup> ETSWs not funded under TAs for operations departments. Projected figures are lower for 2008-2010 because specific studies are difficult forecast in advance.

<sup>h</sup> Figures cover RSSD, ERD, and OREI.

## B. Measures to Contain Budget Growth

74. In line with the ongoing strategies and initiatives, and based on the consultation with departments/offices, efforts are being made to partly offset impacts of the anticipated cost drivers. The concentrated coverage under MTS II will prevent dispersion and spreading of resources into too many sectors. Upfront involvement and improved project design at entry are expected to reduce project administration costs substantially. Through the early closure of projects and spring cleaning exercises, some resources can be diverted towards project administration requirements arising from an expanding portfolio. Streamlining procedures, proposed under the TA reforms, will help offset increased resource requirements for TA quality enhancement and implementation. Collaboration among development agencies to jointly prepare economic, sector, and thematic studies at the country/regional level also will reduce the staff time and budget needed to prepare the resource-intensive country/regional strategies. Furthermore, some programs will be completed or phased out in 2008, such as completed actions under ADB's reform agenda, negotiations for ADF X, reviews of TA reform and resident mission operations, and discontinuation of some trust funds.

75. In addition, resource savings are expected from (i) IT automation; (ii) review of business processes under ISTS II, which will reduce duplication and repetitive steps; (iii) greater use of the much-improved video and audio conferencing facilities to help address the rising cost of business travel; and (iv) additional opportunities to outsource administrative and noncore logistic activities, when appropriate and cost effective.

## C. Staffing Requirements

76. **Staffing Positions in 2008.** Pending the conclusion of the ongoing LTSF review, ADB's operations in 2008 will focus primarily on the MTS II implementation. As such, ADB's staffing and budgetary planning for 2008 is premised on modest budgetary growth consistent with the approach during the MTS II period. This approach encompasses efforts to first maximize the use of resources and encourage consolidation and efficiency gains, and then provide additional resources as required. To address the need of a growing portfolio and meet robust demand for new operations, ADB will add professional staff positions during 2008 within the budget growth parameter. After prioritizing and exhausting opportunities for redeployment, the planning process narrowed the most urgent requirements to 10–12 professional staff (PS) positions. Requirements for local staff positions at the headquarters will be addressed primarily through redeployment. Meanwhile, the local staff need of existing and new field offices will be evaluated further, taking into account program delivery and improved support services to clients.

77. **Distribution of Positions.** In distributing the new positions for 2008, the guiding principle of allocating the majority to operational areas will be followed. Accordingly, of the 10–12 new PS positions 7–9 may go to the operations departments. However, the final distribution will be determined during the preparation of the 2008 budget, taking into account any directions emerging from the discussions of the WPBF paper. The remaining positions will go to direct operations support, which is most critical for enhancing operational effectiveness. These may include risk management and legal support, among others. Discussions are continuing with departments/offices, and staff allocation will be firmed up before the formulation of the 2008 budget.

78. **Staffing for 2009–2010.** The staffing framework for 2009–2010 will be examined thoroughly during 2008 based on (i) the size of the ADF replenishment; (ii) outcome of the LTSF review; (iii) growth in demand, especially in infrastructure and nonsovereign operations; and (iv)

other policy and strategy mandates that might emerge in 2008. The current trend of increasing demand for ADB's products and services, replenishment of ADF, strategic directions suggested in the Eminent Persons Group report and the anticipated outcomes of the LTSF review, are indicative of the need to scale up operations in 2009–2010. While some aspects of scaling up will not translate into increases in staff resource requirements, staffing needs arising from the new initiatives and work programs in 2009 and 2010 might be significantly higher than in 2008. This could make it difficult to contain real budget growth at minimal levels in 2009–2010. Given the various developments that will affect operations in 2009–2010—some of which have not been defined yet—staffing needs beyond 2008 cannot be envisaged fully at this time.

#### **D. Budget Preview for 2008**

79. Based on an analysis of the operations work programs, cost drivers, savings from efficiency measures, and price changes, the preliminary assessment indicates that modest real growth in the 2008 budget will be needed, at the minimum, to support ADB's work program in 2008. However, a slightly higher increase will be required to accommodate price changes.

80. The 2008 internal administrative expense budget is projected to be \$357.9 million, including (i) a general contingency of 1%, in accordance with the budget policy; (ii) volume growth of 1.4%; and (iii) a price increase of approximately 6.2% over the 2007 midyear estimate (Table 7). Volume growth is driven mainly by the need for additional staff to support ADB-wide priorities. The price increase in 2008 includes anticipated salary increases. The strengthening of the Philippine peso will have a substantial impact on the cost of local staff salaries and benefits, as well as other peso-denominated expenditures. For 2008, the rising costs of air travel are expected to have a significant impact on the budget. The final price increase for 2008 will depend on the movement of the US dollar against regional and other currencies. Exchange rate assumptions will be refined further at the time of finalization of the 2008 budget, taking into account developments in the coming months.

81. To ensure that ADB will deliver its work program and fund ADB-wide priorities within the budget envelope, work programs will continue to be scrutinized and reprioritized as a matter of practice. Where appropriate and sustainable, savings also will be pursued to free up resources for redeployment to high-priority areas. The 2008 budget document will elaborate on the cost of implementing the work program in 2008, including emerging cost pressures, as well as priorities from ongoing and recently approved policies, strategies, and initiatives that require additional funding.

**Table 7: Summary of the 2008 Budget Preview by Expense Category**  
(\$'000)

Internal Administrative Expense Category	2006 Actual (A)	2007 Budget (B)	2007 Estimate (C)	2008 Preview (D)	Percentage Change D/C
Board of Governors	969	1,400	1,188	1,600	34.7
Board of Directors	20,614	21,499	21,643	22,825	5.5
Operational Expenses	227,892	250,509	250,473	271,345	8.3
Administrative Expenses	53,808	60,196	60,146	62,655	4.2
<b>Subtotal</b>	<b>303,283</b>	<b>333,604</b>	<b>333,450</b>	<b>358,425</b>	<b>7.5</b>
General Contingency	–	3,336	3,192	3,584	
Fee Reimbursements from Trust Funds	(3,907)	(4,076)	(4,076)	(4,076)	
<b>Total</b>	<b>299,376</b>	<b>332,864</b>	<b>332,566</b>	<b>357,933</b>	<b>7.6</b>

Source: Asian Development Bank

## VII. RESOURCE AND EXPENDITURE PARAMETERS

### A. Operational Resources

82. Resourcing assumptions for 2008–2010 are in Table 8.

**Table 8: Planning Assumptions for 2008–2010**  
(\$ million)

Funding Source	Average Annual Program 2004 to 2006	2007 Estimate	Projected Average Annual Program Size 2008 to 2010
Ordinary Capital Resource Operations	4,863	8,613	8,648
Asian Development Fund Operations	1,468	2,146	2,357
Technical Assistance and Grant Operations (all funding sources)	212	295	260–300

Source: Asian Development Bank

83. As of 30 June 2007, OCR lending headroom was \$18 billion. Additional resources that can be generated from loan savings and cancellations are estimated at \$1.7 billion–\$1.8 billion. The pipeline will be carefully managed making full utilization of cofinancing and other external resources and taking into account the directions emerging from the LTSF review.

84. Commitment authority for 2008 is estimated at \$1.4 billion (net of 6.5% disbursement risk and excluding loan savings and cancellations). Additional resources from loan savings and cancellations are estimated at \$645 million for the full ADF IX period. The average annual program size in 2009 to 2010 will be determined with the conclusion of the ADF X replenishment.

85. ADB will maintain the TA program at an average of around \$260–\$300 million. The main financing sources are the Technical Assistance Special Fund (TASF), the Japan Special Fund (JSF), trust funds and TA-specific grants. Projected annual funding from TASF is expected to be

about \$90 million (including funds freed-up from savings and cancellations). Resource availability for JSF is expected to average \$55 million (including funds freed up as a result of savings and cancellations). Financing from other financing sources is expected to be about \$115–\$145 million annually.

#### **B. Expenditure Expectation (2009–2010)**

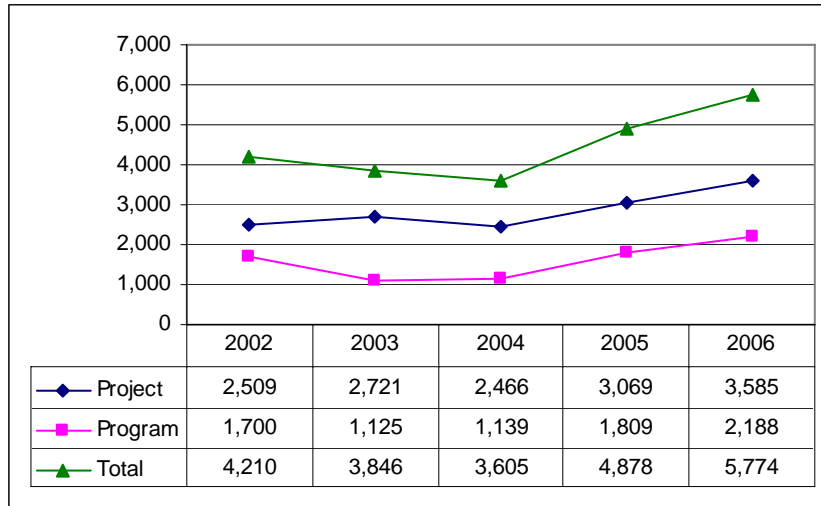
86. As outlined in para 78, the outlook on the staffing requirement and internal expenses for 2009 and 2010 cannot be fully envisaged at present as ADF X negotiations and LTSF review are ongoing. The ensuing outcomes and recommendations may result in policy and strategy shift with significant budget implications. Nonetheless, given the prevailing trend of increasing demand for ADB's products and services, likely higher ADF resources, and strategic directions suggested in the Eminent Persons' Group report, ADB may be required to expand and diversify its coverage. Therefore, real budget growth in 2009–2010 may have to exceed modest levels.

87. In preparing the final expenditure estimates for the 2008 budget, to be circulated to the Board in November 2007, the guidance provided by the Board during the discussion of this WPBF as well as staff discussions with the Budget Review Committee in November 2007 will be considered and incorporated. Board consideration of the 2008 budget is planned for mid-December 2007.

### **VIII. WPBF 2008–2010 REPORTING AND MONITORING**

88. The WPBF maintains a results framework to link operational priorities with longer-term development effectiveness, and includes a set of core performance indicators to assist ADB Management in making the operational decisions needed to achieve work program objectives. The results framework is organized around the MTS II operational model (Appendix 15).

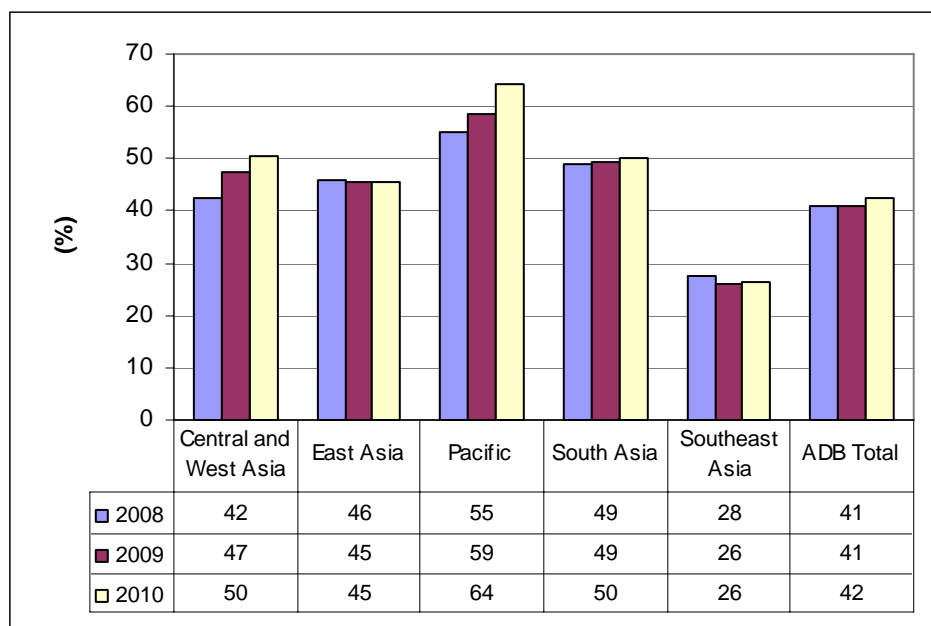
**PROJECT AND PROGRAM LOAN DISBURSEMENTS, COMBINED ADF AND OCR  
2002–2006  
(\$ million)**



Source: Asian Development Bank

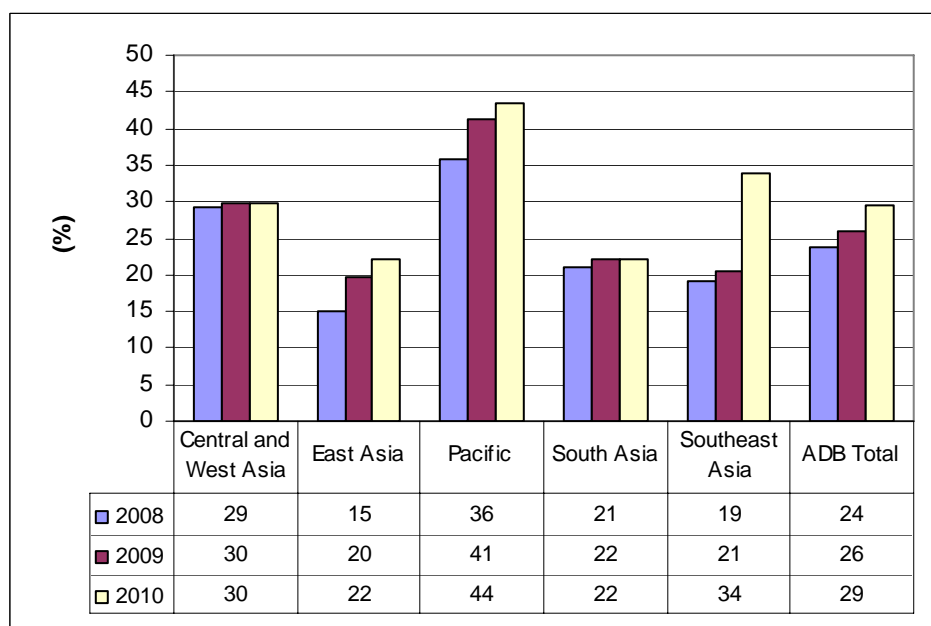
## DELEGATION OF ADB PROJECTS TO RESIDENT MISSIONS 2008–2010

**Figure A: Percentage of Loan and ADF Grant Projects Delegated for Administrative Purposes to Resident Missions**  
(% of Number of Projects to Total)



Source: Asian Development Bank.

**Figure B: Percentage of Technical Assistance Projects Delegated for Administrative Purposes to Resident Missions**  
(% of Number of Projects to Total)



Source: Asian Development Bank.

**COUNTRY PARTNERSHIP AND REGIONAL COOPERATION STRATEGIES**  
**INDICATIVE SCHEDULE 2007–2010**  
(As of 30 September 2007)

Group/Dept	DMC	2007				2008				2009				2010				
		Eco Report	CPS	RCS	COBP/ ROBP	CPS-R	CPS	RCS	COBP/ ROBP	CPS-R	CPS	RCS	COBP/ ROBP	CPS-R	CPS	RCS	COBP/ ROBP	CPS-R
<b>Operations Group 1</b>																		
<b>Central and West Asia</b>																		
	AFG		6-Nov					Q3				Q3						Q3
	ARM				Q4			Q2		Q1								Q2
	AZE							Q2				Q2						Q2
	GEO	13-Jun					Q2					Q2						Q2
	KAZ	Q4						Q2				Q2						Q2
	KGZ		2-Oct <sup>a</sup>					Q2					Q4					Q2
	PAK <sup>b</sup>						29-Jan	Q2				Q2						Q3
	TAJ <sup>c</sup>				4-Oct		Q3					Q2						Q2
	TKM <sup>d</sup>							Q2		Q1								Q2
	UZB								Q2			Q2		Q1				
	REG						Q1											
<b>South Asia</b>																		
	BAN				22-Aug					Aug		Aug		Oct				
	BHU				15-Aug					Aug		Aug		Oct				
	IND				5-Oct <sup>b</sup>		Feb					Aug						Aug
	MLD		1-Oct						Aug			Aug						Aug
	NEP				27-Jul					Aug	Oct							Aug
	SRI				25-Oct <sup>b</sup>		Feb					Aug						Aug
	REG				19-Sep			TBD			TBD							TBD
<b>Operations Group 2</b>																		
<b>East Asia</b>																		
	MON				IV-Oct		Sep					Aug						Aug
	PRC						17-Jan					Aug		Oct				
<b>Southeast Asia</b>																		
	CAM				14-Aug				Dec					Jan				Dec
	INO	(Board Info Paper)			II Oct <sup>e</sup>				Jul			Jul		Sep				
	LAO				30-Aug				I-II Jun					I-II Apr				I-II Jun
	MAL						Jan											
	PHI				21-Sep		Sep							Mar				Aug
	THA		24-May						Mar			Mar						Mar
	VIE				II Oct					Dec								Aug
	REG	aSEA			19-Nov				Sep			Sep						Sep
	REG	GMS			07-Sep		tbd	Sep			Aug							Aug
<b>Pacific</b>																		
	COO				17-Aug		Feb					Jan						Jan
	FIJ						tbd											
	KIR				N/A <sup>f</sup>		Oct					tbd						
	RMI								Aug									
	FSM				Oct		Nov					Aug						Aug
	NAU						tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd
	PAL						Jul					Aug						Aug
	PNG				24-Aug				Aug	Aug		Aug						Aug
	SAM				17-Aug		11-Apr					Jan						
	SOL				20-Aug				Aug		Aug							
	TIM				12-Sep		Nov					Aug						Aug
	TON		14-Nov		17-Aug				Apr			Jan						tbd
	TUV				N/A <sup>f</sup>		May					tbd						tbd
	VAN								Jul		Jul							
	REG				Nov													

<sup>a</sup> Joint Country Support Strategy.

<sup>b</sup> Full country partnership strategy scheduled this year but slipped to 2008. Country Operations Business Plan prepared for India and Sri Lanka (under preparation).

<sup>c</sup> Country operations business plan 2007-2009 approved by the President on 28 May 2007. Country operations business plan 2008-2009 approved by the President on 4 October 2007.

<sup>d</sup> Economic Report and Interim Operational Strategy approved by the Board on 4 June 2002.

<sup>e</sup> In lieu of country operations business plan, a Board information paper will be prepared for Indonesia considering that its country partnership strategy was just approved in October 2006.

<sup>f</sup> Not applicable. With no projects to be approved in 2007, no country operations business plan will be prepared for this year.

aSEA - Archipelagic Southeast Asia; CPS - country partnership strategy; CPS-R - country partnership strategy mid-term review; COBP - country operations business plan; GMS - Greater Mekong Subregion; RCS - regional cooperation strategy; ROBP - regional operations business plan; tbd - to be determined.

Source: Asian Development Bank

## ADB'S APPROACH TO ENGAGING WITH WEAKLY-PERFORMING COUNTRIES OVERVIEW OF IMPLEMENTATION STATUS

Proposed Measure	Status/Assessment
<b>Country Level Operational Planning</b>	
<ul style="list-style-type: none"> <li>Aside from national government, ADB should engage with other partners such as subsovereign entities, NGOs, civil society and private sector</li> </ul>	<ul style="list-style-type: none"> <li>CPS process now mainstreams engagement with broad range of partners.</li> <li>Existing and/or new modalities allow engagement with sub-sovereign entities, NGOs and private sector.</li> </ul>
<ul style="list-style-type: none"> <li>Apply innovative approaches in aligning with national systems (e.g., aligning development agencies' systems with local planning and budgeting cycles).</li> </ul>	<ul style="list-style-type: none"> <li>CPS process now requires alignment of CPS cycle with DMC planning cycle.</li> </ul>
<ul style="list-style-type: none"> <li>Support and nurture country ownership: (i) advisory instead of prescriptive approach to policy dialogue, (ii) capacity development to support central policy making and budget functions, (iii) ADB acting as agent of change through advise on best practices</li> </ul>	<ul style="list-style-type: none"> <li>Focus on capacity development to be achieved through scaling-up longer-term advisory assistance</li> <li>Greater delegation of core ADB activities to RMs will lead to enhanced policy dialogue and ADB involvement in key development issues.</li> </ul>
<ul style="list-style-type: none"> <li>Do diagnostics right: (i) poverty analyses, (ii) sector analyses, (iii) thematic analyses, (iv) conflict sensitivity assessments; (v) assessment of absorptive capacity of WPCs and right sequencing of assistance</li> </ul>	<ul style="list-style-type: none"> <li>Poverty, sector and theme analyses and assessment of absorptive capacity now integrated into CPS process</li> <li>Conflict sensitivity assessment not explicitly indicated in CPS process but may be addressed in section on political environment or through social assessments.</li> </ul>
<ul style="list-style-type: none"> <li>Ensure coordination with other development agencies to start harmonization and alignment process</li> <li>Undertake joint analyses on (i) initial needs assessment and political economy assessment, (ii) diagnostic studies of processes and systems, (iii) identifying an overarching set of properly sequenced interventions</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing work, given commitment under Paris Declaration, and other arrangements (e.g. MOUs with bilateral and multilateral agencies).</li> <li>Ongoing work of the MDBs Working Group on Fragile States that would come up with a set of recommendations to enhance MDBs collaborative work in WPCs.</li> <li>CPS process promotes joint assessments and analytical work with other development agencies.</li> </ul>
<b>Modalities and Instruments</b>	
<ul style="list-style-type: none"> <li>Relax expectations on Country Partnership Strategy and accept less extensive programming documents for WPCs.</li> </ul>	<ul style="list-style-type: none"> <li>CPS process provides for more flexible approaches for (i) small Pacific DMCs, (ii) middle income DMCs with limited engagement with ADB, and (iii) developing countries joining ADB as new members; as well as post-conflict countries.</li> </ul>
<ul style="list-style-type: none"> <li>Use of project implementation units in cases where local capacities are insufficient to handle program or project administration.</li> </ul>	<ul style="list-style-type: none"> <li>Wherever possible, ADB makes use of integrated Project Implementation Units.</li> </ul>
<ul style="list-style-type: none"> <li>Expand use of grants: (i) ADF grants, (ii) multi-donor trust funds, and (iii) endowment funds.</li> </ul>	<ul style="list-style-type: none"> <li>Actions are underway to accelerate disbursement of ADF grant resources. Potential for scale-up of JFPR and other grant resources being examined.</li> <li>Potential for multi-donor trust funds being reviewed.</li> </ul>

Proposed Measure	Status/Assessment
<ul style="list-style-type: none"> <li>Adapt elements of the Innovation and Efficiency Initiative such as the multi-tranche financing framework, streamlined procurement policies, and enhanced cost-sharing and expenditure eligibility criteria including financing of recurrent expenditures</li> </ul>	<ul style="list-style-type: none"> <li>Potential for using IEI instruments will be examined as part of the CPS and COBP process, and decided on case-by-case.</li> </ul>
<ul style="list-style-type: none"> <li>Use longer-term or multi-year TA to build capacities of institutions and support growth oriented projects on a case-by-case basis</li> </ul>	<ul style="list-style-type: none"> <li>Longer-term TA for capacity development and TA to support growth oriented projects are already possible under existing TA modalities (e.g., cluster TA)</li> <li>WPBF to indicate resource availability to meet the higher financing requirements of longer-term TA.</li> </ul>
<b>Business Processes</b>	
<ul style="list-style-type: none"> <li>Relax program or project feasibility requirements</li> <li>Waive administration or partial administration fee, as appropriate</li> <li>Waive requirement for the use of separate project accounts</li> <li>Consider outsourcing of local staff counterparts if competent government counterparts are not available</li> <li>Waive requirements for separate reporting and auditing arrangements if adequate systems are in place</li> <li>Relax eligibility rules for the procurement and engagement of consultants</li> </ul>	<ul style="list-style-type: none"> <li>Flexibility will be accommodated on a case-by-case basis in the relevant business processes. However, ADB's fiduciary controls, due diligence, and safeguards will not be compromised.</li> </ul>
<b>Institutional Management and Support</b>	
<ul style="list-style-type: none"> <li>Continue to enter into formal agreements with development partners including country-specific MOUs or other agreements that clearly define roles and commitments of partners in WPC development objectives</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>
<ul style="list-style-type: none"> <li>Build WPC capacity in managing for development results</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>
<ul style="list-style-type: none"> <li>Develop appropriate mechanisms to evaluate and recognize staff performance in WPCs</li> </ul>	<ul style="list-style-type: none"> <li>The PDP design allows discussion of specific performance measures for staff working in WPCs.</li> </ul>
<ul style="list-style-type: none"> <li>Review competencies of RM staff assigned in WPCs with a view to assigning staff with strong analytical skills and experience in policy dialogue, policy and institutional reform, and change management. Proposed measures include: (i) adapting tool kits and training programs to build internal capacity, (ii) deployment of available expertise to RMs; (iii) use of specialized staff as resource for other departments; (iv) secondments or other arrangements with other partners; (v) use of anchor positions in relevant RDs to support ADB operations in WPCs.</li> </ul>	<ul style="list-style-type: none"> <li>Various reviews ongoing.</li> </ul>
<ul style="list-style-type: none"> <li>Establishment of a WPC Committee to provide general direction and overall guidance.</li> </ul>	<ul style="list-style-type: none"> <li>A WPCs committee chaired by the Director General of the Strategy and Policy Department has been created.</li> </ul>

ADF=Asian Development Fund; CPS=country partnership strategy; DMC=developing member country; JFPR=Japan Fund for Poverty Reduction; MDB=multilateral development bank; MOU=memorandum of understanding; NGO=nongovernment organization; PDP=performance and development plan; TA=technical assistance; WPBF=work program and budget framework; WPC=weakly performing country.

Source: Asian Development Bank

**ORDINARY CAPITAL RESOURCE SOVEREIGN LENDING PIPELINE 2004–2010,  
BY REGION AND COUNTRY**

Region/Country	2004-2006 Average			2007 (estimate)			2008			2009			2010		
	No.	\$ mn	%	No.	\$ mn	%	No.	\$ mn	%	No.	\$ mn	%	No.	\$ mn	%
<b>Operations Group 1</b>	11	1,928	44	21	3,558	46	41	3,963	51	32	3,798	53	35	4,505	55
<b>Central and West Asia</b>	6	806	18	7	1,596	21	15	1,521	20	12	1,431	20	12	1,730	21
Azerbaijan	1	20	0				1	50	1	1	200	3			0
Georgia										1	85	1	1	100	1
Kazakhstan															
Pakistan	4	753	17	6	1,575	20	10	1,314	17	8	1,002	14	9	1,540	19
Turkmenistan															
Uzbekistan	1	33	1	1	21	0	4	157	2	2	144	2	2	90	1
Regional															
<b>South Asia</b>	5	1,122	26	14	1,962	25	26	2,442	31	20	2,367	33	23	2,775	34
Bangladesh	1	85	2	2	500	6	3	413	5	3	447	6	3	415	5
India	3	942	22	11	1,162	15	18	1,665	21	12	1,580	22	16	1,890	23
Sri Lanka	1	95	2	1	300	4	3	200	3	3	119	2	2	120	1
Regional						0	2	164	2	2	221	3	2	350	4
<b>Operations Group 2</b>	14	2,450	56	25	4,185	54	29	3,801	49	23	3,383	47	23	3,636	45
<b>East Asia</b>	8	1,420	32	13	1,588	21	11	1,465	19	10	1,580	22	11	1,500	18
China, PR	8	1,420	32	13	1,588	21	11	1,465	19	9	1,550	22	11	1,500 *	18
Mongolia										1	30	0			
<b>Pacific</b>	1	22	0	1	39	1	2	45	1	2	104	1	1	10	0
Cook Islands							1	15	0						
Fiji Islands	0	8	0												
Kiribati															
Marshall Islands															
Micronesia	0	2	0												
Nauru															
Palau										1	4	0			
Papua New Guinea	0	12	0	1	39	1	1	30	0	1	100	1	1	10	0
Samoa															
Solomon Islands															
Timor-Leste															
Tonga															
Tuvalu															
Vanuatu															
Regional															
<b>Southeast Asia</b>	5	1,008	23	11	2,558	33	16	2,291	30	11	1,699	24	11	2,126	26
Cambodia															
Indonesia	2	495	11	4	930	12	6	540	7	4	600	8	4	305	4
Lao PDR							1	27	0						
Philippines	2	346	8	4	684	9	3	677	9	4	550	8	2	303	4
Viet Nam	1	160	4	2	48	1	5	1,000	13	2	475	7	5	1,518	19
Regional	0	7	0	1	896	12	1	47	1	1	74	1			
<b>ADB</b>	25	4,377	100	46	7,742	100	70	7,764	100	55	7,181	100	58	8,140	100

Notes: (i) In 2010, an imputed figure of \$1.5 billion is used for PRC pending completion of CPS.

(ii) There are 17, 26, 13 and 21 MFF-PFRs for 2007 to 2010, respectively.

Sources: (i) Asian Development Bank, (ii) Loan, TA, Grant and Equity Approvals database.

### ADF LENDING AND GRANT OPERATIONS PIPELINE 2004–2010 BY REGION AND COUNTRY

Region/Country	2004-2006 Average			2007 (estimate)			2008			2009			2010		
	No.	\$ mn	%	No.	\$ mn	%	No.	\$ mn	%	No.	\$ mn	%	No.	\$ mn	%
<b>Operations Group 1</b>	<b>26</b>	<b>971</b>	<b>66</b>	<b>28</b>	<b>1,334</b>	<b>62</b>	<b>31</b>	<b>1,685</b>	<b>74</b>	<b>33</b>	<b>1,623</b>	<b>67</b>	<b>35</b>	<b>1,691</b>	<b>71</b>
<b>Central and West Asia</b>	<b>14</b>	<b>536</b>	<b>36</b>	<b>16</b>	<b>897</b>	<b>42</b>	<b>18</b>	<b>1,011</b>	<b>45</b>	<b>17</b>	<b>940</b>	<b>39</b>	<b>17</b>	<b>1,036</b>	<b>44</b>
Afghanistan	3	190	13	1	200	9	2	200	9	2	200	8	2	200	8
Armenia				2	66	3									
Azerbaijan	1	8	1												
Georgia							1	40	2	1	50	2	1	50	2
Kyrgyz Republic	1	21	1	3	40	2	2	31	1	2	30	1	2	41	2
Pakistan	7	243	17	5	476	22	9	615	27	4	355	15	4	340	14
Tajikistan	1	12	1	2	40	2	1	40	2	3	65	3	4	80	3
Uzbekistan	1	28	2	1	30	1	1	30	1	2	80	3	1	100	4
Regional	1	35	2	2	45	2	2	55	2	3	160	7	3	225	9
<b>South Asia</b>	<b>12</b>	<b>435</b>	<b>30</b>	<b>12</b>	<b>438</b>	<b>20</b>	<b>13</b>	<b>674</b>	<b>30</b>	<b>16</b>	<b>683</b>	<b>28</b>	<b>18</b>	<b>655</b>	<b>28</b>
Bangladesh	4	238	16	4	250	12	6	510	22	5	400	16	8	400	17
Bhutan	1	22	1	1	15	1	1	23	1	1	18	1	1	18	1
Maldives	1	3	0	3	21	1				1	6	0	1	6	0
Nepal	3	87	6	3	131	6	2	45	2	3	85	3	4	86	4
Sri Lanka	3	80	5			0	2	46	2	4	84	3	2	80	3
Regional	0	7	0	1	20	1	2	50	2	2	90	4	2	65	3
<b>Operations Group 2</b>	<b>19</b>	<b>489</b>	<b>33</b>	<b>25</b>	<b>811</b>	<b>38</b>	<b>23</b>	<b>584</b>	<b>25</b>	<b>25</b>	<b>807</b>	<b>33</b>	<b>24</b>	<b>682</b>	<b>29</b>
<b>East Asia</b>	<b>2</b>	<b>31</b>	<b>2</b>	<b>2</b>	<b>28</b>	<b>1</b>	<b>3</b>	<b>52</b>	<b>2</b>	<b>2</b>	<b>39</b>	<b>2</b>	<b>2</b>	<b>40</b>	<b>2</b>
China, PR															
Mongolia	2	31	2	2	28	1	2	32	1	2	39	2	1	20	1
Regional							1	20	1				1	20	1
<b>Pacific</b>	<b>4</b>	<b>33</b>	<b>2</b>	<b>8</b>	<b>120</b>	<b>6</b>	<b>3</b>	<b>44</b>	<b>2</b>	<b>5</b>	<b>66</b>	<b>3</b>	<b>8</b>	<b>93</b>	<b>4</b>
Cook Islands	0	1	0				1	5	0				1	5	0
Kiribati															
Marshall Islands															
Micronesia	0	5	0												
Nauru															
Palau												0			
Papua New Guinea	1	17	1	2	50	2	1	30	1	2	43	2	3	49	2
Samoa	0	3	0	2	48	2							1	12	1
Solomon Islands	0	0	0	1	5	0	1	9					1	10	0
Timor-Leste	0	3	0	1	6	0				1	11	0			
Tonga				2	11	1							1	7	0
Tuvalu	0	1	0							1	3	0			
Vanuatu															
Regional	1	3	0							1	10	0	1	10	0
<b>Southeast Asia</b>	<b>14</b>	<b>425</b>	<b>29</b>	<b>15</b>	<b>663</b>	<b>31</b>	<b>17</b>	<b>489</b>	<b>22</b>	<b>18</b>	<b>703</b>	<b>29</b>	<b>14</b>	<b>549</b>	<b>23</b>
Cambodia	2	45	3	4	66	3	4	49	2	3	73	3	1	15	1
Indonesia	2	82	6	2	100	5	4	115	5	1	80	3	1	15	1
Lao PDR	2	30	2	2	23	1	1	20	1	1	20	1	2	20	1
Viet Nam	6	222	15	4	165	8	7	285	13	7	335	14	7	360	15
Regional	1	46	3	3	309	14	1	20	1	6	195	8	3	139	6
<b>Inter-regional (RSDD)</b>	<b>0</b>	<b>8</b>	<b>1</b>												
<b>ADB</b>	<b>46</b>	<b>1,468</b>	<b>100</b>	<b>53</b>	<b>2,146</b>	<b>100</b>	<b>54</b>	<b>2,269</b>	<b>100</b>	<b>58</b>	<b>2,430</b>	<b>100</b>	<b>59</b>	<b>2,373</b>	<b>100</b>

Sources: (i) Asian Development Bank, (ii) Loan, TA, Grant and Equity Approvals database.

**ORDINARY CAPITAL RESOURCE SOVEREIGN LENDING PIPELINE 2008–2010  
BY MTS II SECTORAL GROUP**

Classification	Average 2004-2006				2007				2008				2009				2010			
	No.	%	\$ mn	%	No.	%	\$ mn	%	No.	%	\$ mn	%	No.	%	\$ mn	%	No.	%	\$ mn	%
<b>Group I</b>	17	69	3,082	70	28	61	5,144	66	52	74	5,195	67	36	65	4,791	67	40	69	5,889	72
Education	0	1	8	0	1	2	30	0									1	2	20	0
Energy	4	16	745	17	10	22	1,213	16	14	20	1,905	25	8	15	751	10	12	21	2,756	34
Financial Sector	2	8	637	15	6	13	1,195	15	5	7	470	6	7	13	1,131	16	4	7	650	8
Road Transport	5	19	1,117	26	6	13	2,311	30	16	23	1,736	22	10	18	1,648	23	10	17	1,295	16
Rural Infrastructure	2	9	242	6	2	4	220	3	6	9	283	4	6	11	598	8	4	7	518	6
Urban Infrastructure	4	16	333	8	3	7	175	2	11	16	801	10	5	9	662	9	9	16	650	8
<b>Group II</b>	4	15	539	12	13	28	1,830	24	11	16	1,680	22	14	25	1,724	24	13	22	1,464	18
Agriculture and Natural Resources	1	4	24	1	7	15	559	7	8	11	830	11	6	11	455	6	7	12	455	6
Health	1	3	84	2																
Law and the Judiciary									1	1	300	4	1	2	85	1	2	3	150	2
Public Finance and Economic Mgt	1	4	137	3	4	9	921	12	1	1	250	3	3	5	353	5	1	2	100	1
Railways	1	4	293	7	2	4	350	5	1	1	300	4	4	7	832	12	3	5	759	9
Trade (RCI related)																				
<b>Group III</b>	2	7	278	6	3	7	539	7	0	0	0	0	1	2	136	2	0	0	0	0
Civil Aviation																				
Communications													1	2	136	2				
Development Finance Institutions																				
Fishery																				
General Government Administration	1	5	270	6	1	2	200	3												
Housing Construction																				
Industry	0	1	8	0																
Livestock																				
Water Transport					2	4	339	4												
<b>Multisector</b>	2	9	478	11	2	4	230	3	7	10	889	11	4	7	530	7	5	9	787	10
<b>TOTAL</b>	<b>25</b>	<b>100</b>	<b>4,377</b>	<b>100</b>	<b>46</b>	<b>100</b>	<b>7,743</b>	<b>100</b>	<b>70</b>	<b>100</b>	<b>7,764</b>	<b>100</b>	<b>55</b>	<b>100</b>	<b>7,181</b>	<b>100</b>	<b>58</b>	<b>100</b>	<b>8,140</b>	<b>100</b>

Source: Asian Development Bank

**ASIAN DEVELOPMENT FUND LENDING AND GRANT PIPELINE 2008–2010  
BY MTS II SECTORAL GROUP**

Classification	Average 2004-2006				2007				2008				2009				2010			
	No.	%	\$ mn	%	No.	%	\$ mn	%	No.	%	\$ mn	%	No.	%	\$ mn	%	No.	%	\$ mn	%
<b>Group I</b>	27	59	875	59	28	53	1,042	49	34	63	1,326	58	32	55	1,478	61	40	68	1,588	67
Education	6	13	197	13	7	13	181	8	2	4	62	3	5	9	338	14	3	5	110	5
Energy	2	4	51	3	2	4	107	5	7	13	229	10	1	2	20	1	8	14	295	12
Financial Sector	4	9	84	6	3	6	43	2	3	6	190	8	2	3	110	5	4	7	151	6
Road Transport	6	14	276	19	10	19	436	20	8	15	215	9	11	19	484	20	8	14	410	17
Rural Infrastructure	5	12	155	11	3	6	258	12	8	15	265	12	8	14	360	15	8	14	325	14
Urban Infrastructure	3	7	112	8	3	6	17	1	6	11	365	16	5	9	167	7	9	15	297	13
<b>Group II</b>	11	24	333	23	13	25	319	15	9	17	408	18	16	28	665	27	14	24	675	28
Agriculture and Natural Resources	5	10	172	12	6	11	181	8	5	9	305	13	9	16	335	14	6	10	350	15
Health	3	6	66	4	3	6	77	4	2	4	71	3	4	7	210	9	5	8	100	4
Law and the Judiciary																	1	2	100	4
Public Finance and Economic Mgt	2	5	54	4	3	6	31	1	1	2	12	1	3	5	120	5	1	2	100	4
Railways	1	1	34	2	1	2	30	1	1	2	20	1					1	2	25	1
Trade (RCI related)	1	1	8	1																
<b>Group III</b>	4	8	87	6	7	13	231	11	4	7	196	9	5	9	146	6	2	3	75	3
Civil Aviation	1	1	11	1	0		0		0		0		0		0		1	2	25	1
Communications					2	4	45	2	0		0		1	2	40	2	0		0	
Development Finance Institutions																				
Fishery	0	1	11	1																
General Government	1	1	10	1	1	2	130	6	1	2	150	7	1	2	30	1	1	2	50	2
Housing Construction																				
Industry	1	3	45	3	2	4	16	1	2	4	37	2	2	3	66	3	0		0	
Livestock	0	1	3	0																
Water Transport	0	1	6	0	2	4	40	2	1	2	9	0	1	2	10	0	0		0	
<b>Multisector</b>	4	9	178	12	5	9	554	26	7	13	340	15	5	9	142	6	3	5	35	1
<b>TOTAL</b>	<b>46</b>	<b>100</b>	<b>1,473</b>	<b>100</b>	<b>53</b>	<b>100</b>	<b>2,146</b>	<b>100</b>	<b>54</b>	<b>100</b>	<b>2,269</b>	<b>100</b>	<b>58</b>	<b>100</b>	<b>2,430</b>	<b>100</b>	<b>59</b>	<b>100</b>	<b>2,373</b>	<b>100</b>

Source: Asian Development Bank

**TECHNICAL ASSISTANCE APPROVALS AND PIPELINE, 2004–2008  
BY MTS II SECTORAL GROUP**

Classification	2004-2006 Average				2007				2008			
	No.	%	\$'000	%	No.	%	\$'000	%	No.	%	\$'000	%
<b>Group I</b>	<b>121</b>	<b>41</b>	<b>76,644</b>	<b>36</b>	<b>117</b>	<b>48</b>	<b>118,112</b>	<b>40</b>	<b>123</b>	<b>49</b>	<b>103,420</b>	<b>48</b>
Education	15	5	6,664	3	6	2	3,155	1	10	4	6,500	3
Energy	26	9	18,736	9	33	13	42,414	14	20	8	18,950	9
Financial Sector	25	8	13,772	6	23	9	16,315	6	28	11	19,300	9
Road Transport	20	7	12,942	6	20	8	16,360	6	25	10	20,250	9
Rural Infrastructure	12	4	9,632	5	11	4	10,710	4	9	4	9,600	4
Urban Infrastructure	22	8	14,897	7	24	10	29,158	10	31	12	28,820	14
<b>Group II</b>	<b>102</b>	<b>35</b>	<b>76,839</b>	<b>36</b>	<b>87</b>	<b>36</b>	<b>117,192</b>	<b>40</b>	<b>86</b>	<b>35</b>	<b>63,130</b>	<b>30</b>
Agriculture and Natural Resources	31	11	24,013	11	22	9	30,840	10	21	8	18,050	8
Health	12	4	18,578	9	6	2	6,822	2	8	3	3,690	2
Law and Judiciary	6	2	2,292	1	5	2	13,100	4	4	2	3,400	2
Public Finance and Economic Management	46	16	26,992	13	45	18	57,162	19	46	18	31,490	15
Railways	4	1	2,983	1	3	1	2,368	1	3	1	2,400	1
Trade	3	1	1,980	1	6	2	6,900	2	4	2	4,100	2
<b>Group III</b>	<b>35</b>	<b>12</b>	<b>18,665</b>	<b>9</b>	<b>18</b>	<b>7</b>	<b>10,552</b>	<b>4</b>	<b>15</b>	<b>6</b>	<b>12,350</b>	<b>6</b>
Civil Aviation	2	1	650	0	1	0	750	0	-	-	-	-
Communications	2	1	843	0	1	0	550	0	1	0	1,000	0
Development Finance Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	2	1	1,457	1	-	-	-	-	-	-	-	-
General Government Administration	19	6	9,257	4	7	3	3,542	1	6	2	5,850	3
Industry	8	3	5,092	2	7	3	4,700	2	7	3	4,700	2
Livestock	1	0	583	0	1	0	450	0	-	-	-	-
Water Transport	1	0	783	0	1	0	560	0	1	0	800	0
<b>Multisector</b>	<b>36</b>	<b>12</b>	<b>40,214</b>	<b>19</b>	<b>23</b>	<b>9</b>	<b>48,830</b>	<b>17</b>	<b>25</b>	<b>10</b>	<b>34,475</b>	<b>16</b>
<b>Total</b>	<b>294</b>	<b>100</b>	<b>212,362</b>	<b>100</b>	<b>245</b>	<b>100</b>	<b>294,686</b>	<b>100</b>	<b>249</b>	<b>100</b>	<b>213,375</b>	<b>100</b>

Note: 2008 excludes private sector pipeline.

Source: Asian Development Bank

**OCR (SOVEREIGN) ADF AND TA PIPELINE 2004–2010: THEMATIC CLASSIFICATION****Table A: Ordinary Capital Resources**

Theme	% to Number of OCR Loans		% to Volume of OCR Loans	
	2004-2006	2007-2010	2004-2006	2007-2010
	Average	Average	Average	Average
Capacity Development	12	15	14	16
Environmental Sustainability	25	22	15	18
Gender and Development	8	3	4	4
Governance	24	22	32	23
Inclusive Social Development	24	21	10	15
Private Sector Development	12	14	12	16
Regional Cooperation	4	8	2	12
Sustainable Economic Growth	80	92	82	91

Note: Up to 3 themes can be chosen for each project hence the sum of percentages will not equal to 100%.

Source: Asian Development Bank

**Table B: Asian Development Fund**

Theme	% to Number of ADF Operations		% to Volume of ADF Operations	
	2004-2006	2007-2010	2004-2006	2007-2010
	Average	Average	Average	Average
Capacity Development	14	14	11	18
Environmental Sustainability	9	20	10	21
Gender and Development	21	17	21	22
Governance	26	20	27	25
Inclusive Social Development	36	37	34	41
Private Sector Development	14	11	11	7
Regional Cooperation	11	15	8	13
Sustainable Economic Growth	67	80	70	76

Note: Up to 3 themes can be chosen for each project hence the sum of percentages will not equal to 100%.

Source: Asian Development Bank

**Table C: Technical Assistance**

Theme	% to Number of TA Operations		% to Volume of TA Operations	
	2004-2006	2007-2008	2004-2006	2007-2008
	Average	Average	Average	Average
Capacity Development	12	24	16	24
Environmental Sustainability	19	15	23	19
Gender and Development	6	4	6	3
Governance	35	30	33	28
Inclusive Social Development	28	25	26	24
Private Sector Development	19	13	19	11
Regional Cooperation	18	23	21	25
Sustainable Economic Growth	58	69	61	73

Note: Up to 3 themes can be chosen for each project hence the sum of percentages may add to more than 100%.

Source: Asian Development Bank

## MULTITRANCHE FINANCING FACILITY APPROVALS 2005–2006 AND PIPELINE 2007–2010

Ctry	Project Name	Total MFF Amount (\$ mn)			Periodic Financing Requirement (\$ mn)														
					2006			2007			2008			2009			2010		
		OCR	ADF	Total	OCR	ADF	Total	OCR	ADF	Total	OCR	ADF	Total	OCR	ADF	Total			
<b>2005</b>		<b>1,520</b>	<b>0</b>	<b>1,520</b>	<b>360</b>	<b>0</b>	<b>360</b>	<b>140</b>	<b>0</b>	<b>140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>0</b>	<b>200</b>	<b>230</b>	<b>0</b>	<b>230</b>
IND	Rural Roads	750		750	180		180	140		140				200		200	230		230
PAK	National Highway Development Sector Investment	770		770	180		180												
<b>2006</b>		<b>3,760</b>	<b>50</b>	<b>3,810</b>	<b>571</b>	<b>30</b>	<b>601</b>	<b>553</b>	<b>30</b>	<b>583</b>	<b>575</b>	<b>50</b>	<b>625</b>	<b>500</b>	<b>0</b>	<b>500</b>	<b>400</b>	<b>50</b>	<b>450</b>
	<b>Central and West Asia</b>	<b>2,190</b>	<b>20</b>	<b>2,210</b>	<b>549</b>	<b>30</b>	<b>579</b>	<b>300</b>	<b>0</b>	<b>300</b>	<b>300</b>	<b>50</b>	<b>350</b>	<b>200</b>	<b>0</b>	<b>200</b>	<b>250</b>	<b>50</b>	<b>300</b>
PAK	Renewable Energy Sector Dev't Investment Program	500	10	510	105	10	115										150		150
PAK	Power Transmission Enhancement	790	10	800	226	10	236	300		300	200		200						
PAK	Punjab Irrigated Agriculture Sector Development	900		900	218	10	228				100	50	150	200		200	100	50	150
	<b>East Asia</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>22</b>	<b>0</b>	<b>22</b>	<b>28</b>	<b>0</b>	<b>28</b>									
PRC	Gansu Heihe Rural Hydropower Dev't Investment Program	50		50	22		22	28		28									
	<b>South Asia</b>	<b>1,520</b>	<b>30</b>	<b>1,550</b>				<b>225</b>	<b>30</b>	<b>255</b>	<b>275</b>	<b>0</b>	<b>275</b>	<b>300</b>	<b>0</b>	<b>300</b>	<b>150</b>	<b>0</b>	<b>150</b>
BAN	Railway Sector Investment Program	400	30	430				100	30	130				150		150			
IND	Uttaranchal Power Sector Program	300		300				42		42	125		125				100		100
IND	North Karnataka Urban Sector Investment Program	270		270				33		33	50		50				50		50
IND	Uttaranchal State-Road Investment Program	550		550				50		50	100		100	150		150			
<b>2007</b>		<b>7,111</b>	<b>150</b>	<b>7,261</b>				<b>1,205</b>	<b>10</b>	<b>1,215</b>	<b>990</b>	<b>15</b>	<b>1,005</b>	<b>290</b>	<b>75</b>	<b>365</b>	<b>2,050</b>	<b>0</b>	<b>2,050</b>
	<b>Central and West Asia</b>	<b>1,550</b>	<b>150</b>	<b>1,700</b>				<b>570</b>	<b>10</b>	<b>580</b>	<b>315</b>	<b>15</b>	<b>330</b>	<b>0</b>	<b>75</b>	<b>75</b>	<b>400</b>	<b>0</b>	<b>400</b>
PAK	Sindh Cities Improvement Program	150	150	300							15	15	30		75	75			
PAK	National Trade Corridor	900		900				545	10	555	200		200				200		200
PAK	Private Participation in Infrastructure	500		500				25		25	100		100				200		200
	<b>East Asia</b>	<b>100</b>	<b>0</b>	<b>100</b>				<b>30</b>	<b>0</b>	<b>30</b>	<b>70</b>	<b>0</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
PRC	Energy Conservation and Resource Management	100		100				30		30	70		70						
	<b>South Asia</b>	<b>3,543</b>	<b>0</b>	<b>3,543</b>				<b>577</b>	<b>0</b>	<b>577</b>	<b>477</b>	<b>0</b>	<b>477</b>	<b>290</b>	<b>0</b>	<b>290</b>	<b>645</b>	<b>0</b>	<b>645</b>
IND	Madhya Pradesh Power Sector Development	620		620				385		385									
IND	High Priority National Highways	400		400							32		32				221		221
IND	North Eastern States Roads	300		300							80		80	190		190			
IND	Uttaranchal Urban Development	350		350							40		40				20		20
IND	Power Grid Corporation Transmission Project	800		800							150		150				300		300
IND	Rajasthan Urban Infrastructure Development Phase	273		273							60		60	100		100			
IND	India Infrastructure Finance Company Limited (IIFCL) 1	500		500				150		150									
IND	Jammu & Kashmir Urban Sector Dev't Investment Program	300		300				42		42	115		115				103		103
	<b>Southeast Asia</b>	<b>1,918</b>	<b>0</b>	<b>1,918</b>				<b>28</b>	<b>0</b>	<b>28</b>	<b>127</b>	<b>0</b>	<b>127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,006</b>	<b>0</b>	<b>1,006</b>
INO	Integrated Citarum Water Resources	500		500															
PHI	Metro Manila Services for the Urban Poor	488		488							127		127				103		103
VIE	Mong Duong Thermal Power Generation Project	931		931				28		28							903		903
<b>2008</b>		<b>5,130</b>	<b>10</b>	<b>5,140</b>							<b>686</b>	<b>110</b>	<b>796</b>	<b>400</b>	<b>50</b>	<b>450</b>	<b>785</b>	<b>100</b>	<b>885</b>
	<b>Central and West Asia</b>	<b>1,710</b>	<b>10</b>	<b>1,720</b>							<b>356</b>	<b>90</b>	<b>446</b>	<b>350</b>	<b>50</b>	<b>400</b>	<b>150</b>	<b>100</b>	<b>250</b>
AZE	Road Network Investment Program	500		500							50		50	200		200			
PAK	Power Distribution Enhancement	800	10	810							256	10	266	150		150	150		150
PAK	Punjab Cities Improvement Program	300		300							50		100						
UZB	Water Supply & Sanitation	110		110							30		30		50	50		100	100
	<b>South Asia</b>	<b>1,750</b>	<b>0</b>	<b>1,750</b>							<b>280</b>	<b>0</b>	<b>280</b>				<b>235</b>	<b>0</b>	<b>235</b>
IND	Power Sector Development Program II (Gujarat)	300		300							30		30						
IND	Integrated Irrigation Development Project	200		200							30		30				85		85
IND	Preparing the Assam Integ Flood & Riverbank Erosion Mgt Project	200		200							70		70						
IND	Tourism Infrastructure PPP	300		300							50		50						
IND	Bihar State Roads Investment Program	500		500							100		100				100		100
IND	N.E. Region Capital Cities Development Investment Program	250		250													50		50
	<b>Southeast Asia</b>	<b>1,670</b>	<b>0</b>	<b>1,670</b>							<b>50</b>	<b>20</b>	<b>70</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>400</b>	<b>0</b>	<b>400</b>
INO	Flood Management in Selected River Basins	150		150							50		50	50		50			
INO	Regional Road Development	500		500															
PHI	Road Upgrading	500		500															
VIE	Ho Chi Minh City Metro Rail System	520		520							20		20				400		400
<b>2009</b>		<b>1,000</b>	<b>0</b>	<b>1,000</b>										<b>90</b>	<b>0</b>	<b>90</b>	<b>80</b>	<b>0</b>	<b>80</b>
	<b>South Asia</b>	<b>700</b>	<b>0</b>	<b>700</b>							<b>40</b>	<b>0</b>	<b>40</b>	<b>90</b>	<b>0</b>	<b>90</b>	<b>80</b>	<b>0</b>	<b>80</b>
IND	Assam Private Sector Development Project II	200		200										10		10	30		30
IND	North East Region Urban Development (Phase II)	200		200							40		40	30		30			
IND	Jammu and Kashmir State Roads	300		300										50		50	50		50
	<b>Southeast Asia</b>	<b>300</b>	<b>0</b>	<b>300</b>										<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>20</b>	<b>50</b>
VIE	O Mon Thermal Power Project	300		300													30		30
<b>2010</b>		<b>470</b>	<b>50</b>	<b>520</b>										<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>20</b>
	<b>Central and West Asia</b>	<b>170</b>	<b>30</b>	<b>200</b>										<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
PAK	Punjab Devolved Social Services Project II	170	30	200															
	<b>Pacific</b>	<b>0</b>	<b>20</b>	<b>20</b>														<b>0</b>	<b>20</b>
PNG	Transport Sector		20	20														20	20
	<b>South Asia</b>	<b>300</b>	<b>0</b>	<b>300</b>										<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
IND	India Infrastructure Project Financing Facility (IIFCL) II	300		300															
<b>TOTAL 2008-2010</b>		<b>6,600</b>	<b>60</b>	<b>6,660</b>	<b>931</b>	<b>30</b>	<b>961</b>	<b>1,898</b>	<b>40</b>	<b>1,938</b>	<b>2,291</b>	<b>175</b>	<b>2,466</b>	<b>1,480</b>	<b>125</b>	<b>1,605</b>	<b>3,545</b>	<b>170</b>	<b>3,715</b>

ADF=Asian Development Fund, AFG=Afghanistan, AZE = Azerbaijan, BAN=Bangladesh, IND=India, INO=Indonesia, MFF=multitranche financing facility, PAK=Pakistan, OCR=ordinary capital resource, PRC=People's Republic of China, VIE=Viet Nam.

Source: Asian Development Bank

## SELECTED KNOWLEDGE INITIATIVES IMPLEMENTED BY REGIONAL DEPARTMENTS

1. **Central and West Asia:** Regional economic work priorities will focus on the impact of east and south Asian countries on central Asian countries, structural changes, and indigenous natural resources revenue to better understand some of the structural issues in the region and to better support ADB's regional operations. Country studies will be geared toward stimulating innovation, responding to emerging client needs, and ensuring continued relevance of ADB in the region. In particular, studies on competitiveness and national trade corridors will be carried out in Pakistan to provide critical inputs to policy dialogues and strategy formulation. Thematic assessments on poverty, environment, gender, private sector, and governance will continue to support CPS preparation while sector studies will continue to provide inputs to loan preparation.
2. **East Asia:** In PRC, imparting new knowledge, promoting innovation and new business processes will be an integral part of all ADB operations. Issues concerning sustainability will be at the forefront of knowledge work; examples include investment of foreign reserves in DMC bonds in Asia, securitization of toll collection fees for expressways, self-sufficiency in power, ecosystem management, and town-based urbanization. In Mongolia, support will emphasize institutional strengthening, efficiency of public service delivery, better coordination and monitoring, and improved management for development results.
3. **Pacific:** ADB will continue to build awareness and understanding of the major development challenges and constraints in the Pacific to generate strong public and political support for sound policies. This will be founded on analytical work and policy dialogue that focuses on the critical issues of governance, private sector development, infrastructure, macroeconomic management and skills development. Specific initiatives include enhancement of Pacific website and 14 PDMC country websites at adb.org, development of the Pacific C-Cube site<sup>24</sup>, and maintenance of the Pacific Economic Information System<sup>25</sup>.
4. **South Asia:** ADB will maintain a comprehensive program of economic and sector work in all the region's DMCs. This takes the form of quarterly country economic assessments and updates in countries where ADB has resident missions, supplemented by detailed annual country policy and institutional assessments in ADF DMCs. Thematic assessments on a variety of topics (growth, debt sustainability, gender, governance, environment, private sector development) will be undertaken as preparatory inputs for developing results-based CPS. The South Asia Seminar series and the Annual Economists' Conference provide knowledge sharing opportunities for papers or studies on a wide variety of research topics. ADB also publishes the South Asia Economic Report, which is a biannual report on economic and development issues in South Asia that provides a unique regional perspective. An intranet website comprising economic statistics and other relevant information on South Asia has also been developed.
5. **Southeast Asia:** the provision of knowledge products and services is a high priority in the context of supporting the policy agenda; further promoting harmonization and alignment; strengthening the intellectual base of CPS documents; providing technical and sectoral consideration to project development and capacity development initiatives in MTS II sectors. Focus is also needed on more effective dissemination of knowledge products through workshops, seminars, and publishing in the local language to reach a wider audience.

<sup>24</sup> A collaboration tool for knowledge sharing within and outside Pacific Regional Department and ADB.

<sup>25</sup> The latter system provides fast and easy access on the latest economic data for Pacific countries, such as macroeconomic indicators, Millennium Development Goals, poverty indicators, environment, and cost-escalation factors.

## UPDATE ON COORDINATION AMONG KNOWLEDGE DEPARTMENTS

1. The four knowledge departments (KDs) namely ADBI, ERD, OREI and RSDD have made substantial progress on the arrangements established in 2006 to avoid duplication and improve synergy in their knowledge creation efforts.<sup>26</sup> Progress on the key features of the new arrangements is summarized below.

2. First, while an informal group of staff of the KDs has been active since the last year, a formal staff level working group to coordinate future work programs of the KDs was constituted in 2007. Members of the working group have also agreed on several specific measures to improve information sharing and coordination. These include closer bilateral coordination on specific items (e.g. ERD and OREI will further strengthen exchange of information and collaboration on Asian Development Outlook and Asian Economic Monitor), sharing information whenever any overlap is seen during implementation of any work program item, and agreement on the timing for mutual sharing of the draft 2008 work programs. Second, the heads of the KDs have continued their meetings on a regular basis. Their last meeting was held in April 2007. Third, regarding the quality control processes, it has been decided to review the process of ADB publications to ensure high standards of knowledge products for external dissemination. KM Center and DER will work jointly on this review. Fourth, regarding the decision to prepare one major publication jointly with one KD in the lead preferably each year, a joint flagship publication *Emerging Asian Regionalism* led by OREI is well under way to completion in 2007. Further, work on the next joint flagship publication *Infrastructure for Regional Cooperation in Asia* in 2008, which is led by ADBI, has also begun. Fifth, the KDs are also collaborating on several other knowledge products, many of them bilaterally, through joint work or by undertaking complementary activities. For example, during 2007, ERD and RSDD are collaborating on Asian energy outlook and data book, and on improving administrative data sources for monitoring of MDG indicators. Further, OREI and ERD are collaborating on macroeconomic implications of oil shock management. Aside from preparing written knowledge products, as in the past, the KDs continue to work jointly on other knowledge-related activities including workshops and seminars. Sixth, in order to improve coordination with DER in packaging and disseminating knowledge products, it has been decided to invite a DER representative in the future meetings of the staff level working group of the KDs. The KDs intend to continue deepening and expanding these efforts in the future. Moreover, ADB's future knowledge agenda and activities are among the key issues under consideration in the ongoing LTSF review, which is also expected to result in further enhancement of coordination on knowledge work in ADB.

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<sup>26</sup> These arrangements were described in the note *Knowledge Departments—Strengthening Coordination and Building Synergies Among the Knowledge Departments* in Appendix 2 of the WPBF 2007–2009.



**SUMMARY RESOURCE IMPACT OF POLICIES, STRATEGIES, AND INITIATIVES INTRODUCED FROM  
JANUARY 2006 TO AUGUST 2007<sup>a</sup> (continuation)**

Document		Human Resource Implications (Cumulative/Multiyear)				Potential Budgetary Implications				Funding from TAs	Remarks
		PS	LS	PS	LS	2007		2008 <sup>c</sup>			
		(Staff-Years)		(Positions) <sup>b</sup>		Staff Cost (\$'000)	Other Cost (\$'000)	Staff Cost (\$'000)	Other Cost (\$'000)	(\$'000)	Note: Expense estimates are based on the information in the documents or staff's best estimates in consultations with concerned departments.
12	Second Governance and Anticorruption Action Plan (GACAP II) (DOC. IN216-06)	2	-	(2)	-	380	320	-	200	5,000	1 PS in RSDD and OAG as reflected in the action plan. Positions redeployed during the 2006 sequestration. Consultant inputs provided in 2007
		up to 10	-	main-streamed <sup>d</sup> , and through redeployment	-	-	-	570	-	-	Positions to be given to operations departments mainly as sector specialists with sector governance experience. Resource requirements will be reviewed regularly based on the results of the implementation of the action plan. Position are being provided in a phased manner.
<b>B. Operational Initiatives</b>											
1	Enhancements for the Asian Development Bank's Loan and Debt Management Products (DOC.WP6-06)	0 to 2	-	(0 to 2)	-	-	20	-	20	100	Staffing to be met through internal redeployment within the Treasury Department. Requirement for outreach estimated at \$100,000 per annum.
2	Asian Development Fund: Currency Management Proposal (DOC.R265-05)	-	2	-	(2)	-	100	-	-	-	Staffing needs met through internal redeployment. One-time cost (software) provided in 2007.
3	Introducing the Local Currency Loan Product (DOC.R195-05)	1	-	(1)	-	-	-	-	-	-	1 PS for legal support met through internal position redeployment.
4	Innovation and Efficiency Initiative										
	Pilot Financing Instruments and Modalities (DOC. R194-05)	2 to 8	-	main-streamed	-	380	150	760	150	-	1 to 2 PS in each RD, including use of vacant positions or to be accommodated through redeployment of existing positions.
	Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach (DOC.R193-05)	-	-	-	-	-	270	-	270	700	Additional work for CPS preparation (travel and staff consultants) at \$30,000 per CPS (average 9 CPS per year). Inputs on PPTA of about \$10,000 per project.
<b>Total</b>		<b>14 to 41</b>	<b>25</b>	<b>3 (6 to 8)</b>	<b>11 (5)</b>	<b>2,485</b>	<b>2,834</b>	<b>4,495</b>	<b>2,450</b>	<b>6,000</b>	
<b>Incremental Increases (may be partly met through resource redeployment and trade-off)</b>								<b>2,010</b>	<b>(384)</b>		

- = zero.

CPS = Country Partnership Strategy, EA = executing agency, L&D = learning and development, LS = Local Staff, NO = National Officer, OAG = Office of the Auditor General, OCO = Office of Cofinancing Operations, PPTA = project preparatory technical assistance, PS = Professional Staff, RD = regional department, RETA = regional technical assistance, RM = resident mission, RSDD = Regional and Sustainable Development Department.

a List only includes papers that indicate specific or potential requirement in resources.

b Figures not in brackets are new positions, while figures in brackets are redeployed existing positions.

c Figures for 2009-2010 are similar to those for 2008. Resource demand of existing policies and strategies are likely to diminish in real terms as their implementation are being mainstreamed.

d Mainstreamed denotes requirements that are being met through positions provided to operations departments. These may be provided over the WPF period (2008-2010).

Sources: Policy and strategy papers and staff estimates.

## RESULTS FRAMEWORK 2008–2010

The results framework is organized around the five MTS II implementation modalities, and includes a set of performance indicators.

### MTS II Implementation Modality 1: Selectivity and Core Operational Sectors

#### Expected Longer Term Benefits

- Development impact is enhanced through strategically aligned and focused assistance programs, permitting greater DMC ownership, reduced transaction costs, and better portfolio quality.
- Sector selectivity allows economies of scale in operations, permitting ADB to scale-up scope of projects, and to boost quality by concentrating engagement in proven areas of ADB strength.
- Focus on core sectors allows sustained ADB engagement, and contributes to more effective policy, investment and capacity development support.

#### Related Performance Indicator

<i>Indicator</i>	<i>Main purpose/use</i>
Respective percentages of Group I, II, and III project operations.	Captures alignment of the pipeline over time with the MTS II sectoral priorities.
Group I sector TA operations as a percentage of total.	Captures focus of TA program over time on MTS II sectoral priorities.

### MTS II Implementation Modality 2: Use of TA Resources

#### Expected Longer Term Benefits

- ADB lending and non-lending operations become more mutually reinforcing, contributing to greater development impact.
- Concentration of TA in priority sectors contributes to ADB's institutional knowledge, and enhances quality of other operations in the same sectors.
- Streamlining of the TA portfolio frees up staff time to focus on priority areas.

#### Related Performance indicator

<i>Indicator</i>	<i>Main purpose/use</i>
Percentage of PPTAs approved annually, as a proportion of all TAs	Promotes quality at entry for projects through stronger linkages between lending, grant and TA
Percentage of advisory TAs not financially closed 90 days after their technical completion date.	Measures effort to "clean" the TA portfolio, and indicates efficiency in portfolio management.

### MTS II Implementation Modality 3: Use of Financing Partnerships and Cofinancing

#### Expected Longer Term Benefits

- Financing made available for priority development projects in DMCs is increased and improved
- Financing partnerships allow a fuller range of priority development constraints to be addressed based on an agreed division of labor, especially in weakly-performing DMCs.
- ADB can be better positioned according to its comparative advantages both at the institutional and country levels.

#### Related Performance indicator

<i>Indicator</i>	<i>Main purpose/use</i>
Total direct value-added cofinancing approvals.	Captures ADB's effort to enhance the catalytic impact of its operations.

Non-sovereign loan, equity, and guarantee approvals by approved amount and number of DMCs reached.	Captures ADB's effort to develop partnerships with non-sovereign entities across Asia-Pacific.
Number of program-based approaches or SWAPs approved annually.	Measures level of financing partnership with key donors at the country level.
Number of multi-agency CPS missions and joint country portfolio review missions conducted annually.	Measures level of partnership at the strategy formulation stage and the portfolio implementation stage.

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#### **MTS II Implementation Modality 4 : Product and Process Innovations to Enhance Responsiveness, Flexibility and Efficiency**

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##### **Expected Longer Term Benefits**

- ADB's capacity to respond DMC needs is improved, allowing to reach a broader range of clients.
- New or revised business processes encourage alignment with DMC priorities, and facilitating project implementation.
- Simplification and adjustment of procedures and business processes reduces transaction costs for DMCs, and ADB.
- Delegation of project administration at the country level enhances proximity with client and improves portfolio quality.

##### **Related Performance indicator**

<i>Indicator</i>	<i>Main purpose/use</i>
Average time from loan approval to effectivity.	Captures ADB's responsiveness and effectiveness of business processes.
Project processing time	Captures ADB's responsiveness and reflects efficiency of business processes
Operations unit costs in for project and TA processing, and loan and TA administration.	Measures cost of delivering the main ADB products; provides an indication of productivity and institutional efficiency.
Percentage of operations approved in the final quarter (bunching).	Measures ADB's timeliness in aligning with DMCs' own schedules for loan approvals.
Number of projects administered by field offices as a percentage of total.	Captures proximity with clients and DMC agencies.

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#### **MTS II Implementation Modality 5: Portfolio Performance, Development Effectiveness and Results**

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##### **Expected Longer Term Benefits**

- ADB contribution to development outcomes expected to increase through changes in the composition and volume of financial assistance, and an enhanced strategic application of knowledge products and services.
- Results-oriented monitoring and reporting systems at the operational level (country partnership strategies, individual projects) improves focus of management on development effectiveness.

##### **Related Performance indicator**

<i>Indicator</i>	<i>Main purpose/use</i>
Annual sovereign lending and ADF Grant approvals.	Measures growth in demand for ADB financing.
Percentage of budgeted professional staff and national officer positions as a total, by (i) operations department, (ii) field offices (iii) knowledge management, compliance and risk management, and (iv) service departments.	Indicates level of staff resources directly devoted to the delivery and management of operational results.
Annual disbursement levels.	Captures actual resource transfer, and is a key indicator of implementation efficiency.
Percentage of projects "at risk".	Measures portfolio health, and changes in the risk environment for project implementation.

## WORK PROGRAM AND BUDGET FRAMEWORK 2008–2010 PERFORMANCE INDICATORS

INDICATOR	2005 Actual	2006 Actual	2007 Estimate	2008 Projection	2009 Projection	2010 Projection	Target/ Projection
<b>MTS II Alignment Indicators</b>							
1. Group I and II sector operations as a percentage of total public sector loan and ADF Grant approvals by volume a. Group I; b. Group II	a. 66% b. 14%	a. 73% b. 11%	a. 63% b. 22%	a. 65% b. 21%	a. 65% b. 25%	a. 71% b. 20%	As projected.
2. Group I sector TA approvals as a percentage of total by volume	34%	48%	48%	49%	55%	55%	As projected.
3. Sovereign loan and ADF grant approvals (\$m) a. ADF; b. OCR	a. \$1.6 bn b. \$3.9 bn	a. \$1.6 bn b. \$5.5 bn	a. \$2.1 bn b. \$7.7 bn	a. \$2.3bn b. \$7.8bn	a. \$2.4 bn b. \$7.2 bn	a. \$2.4 bn b. \$8.1 bn	As projected.
4. Non-sovereign loan, equity and guarantee approvals a. Amount approved (\$m) b. Number of DMCs covered	a. \$0.8 bn b. 7	a. \$1.4 bn b. 17	a. \$1.4 bn b. 18	a. \$1.2 bn b. 19	a. \$1.3 bn b. 20	a. \$1.3 bn b. 21	As projected.
5. Total direct value-added cofinancing approvals (\$m)	\$0.4 bn	\$1.5 bn	\$2.2 bn	\$2.1–2.7 bn	\$2.5–3.1 bn	\$2.9–3.6 bn	As projected.
<b>Harmonization and Alignment Indicators</b>							
6. Number of multi-agency (a) CPS missions, and (b) Country Portfolio Review missions conducted annually.	a. N/A b. N/A	a.10 b.11	a. 14 b.12	Not projected annually			2007 baseline maintained or improved.
7. Number of program-based approaches or SWAps approved annually	4	5	14	Not projected annually			2007 baseline maintained or improved.
<b>Indicators of Efficiency</b>							
8. Annual disbursement levels (\$ m) a. ADF; b. OCR	a. \$1.2 bn b. \$3.6 bn	a. \$1.4 bn b. \$4.4 bn	a. \$1.4 bn b. \$5.6 bn	a. \$1.6 bn b. \$5.6 bn	a. \$1.7 bn b. \$6.2 bn	a. \$2.0 bn b. \$6.0 bn	At least as projected.
9. Number of projects “at risk” as a percentage of total: a. public; b. private	a. 9% b. 15%	a. 10% b. 14%	a. 9% b. 5%	a. 8% b. 4%	a. 6% b. 4%	a. 6% b. 4%	No more than as projected.

INDICATOR		2005 Actual	2006 Actual	2007 Estimate	2008 Projection	2009 Projection	2010 Projection	Target/ Projection
10	Percentage of ADTAs not financially closed 90 days after their technical completion date	43%	9%		Not projected annually			2006 baseline improved on.
11	Percentage of PPTAs, by number, approved annually, as a proportion of all TAs	23%	28%	29%	Not projected annually			2007 proportion maintained or increased.
12	Percentage of lending, ADF grant, equity and guarantee operations approved by the Board in the final quarter ('bunching')	51%	51%	59%	Not projected annually			Maintain or improve on the 2005/06 baseline.
13	Project (sovereign operations) processing time (average number of months)	23 months	22 months	26 months	Not projected annually			Steady improvement on the 2006 baseline.
14	Average time from (sovereign) loan approval to loan effectiveness	8 months	8 months	N/A	Not projected annually			Steady improvement on the 2006 baseline.
15	Number of projects administered by field offices as a percentage of total	35%	37%	39%	41%	41%	43%	As projected.
16	<ul style="list-style-type: none"> <li>• Human Resources deployment: Budgeted PS and NO positions as a % of total in:</li> <li>a. Operations departments (RDs, PSOD)</li> <li>b. Field offices only</li> <li>c. Knowledge Management, Compliance and Risk Management</li> <li>d. Management, Operations Support and Service Departments</li> </ul>	<ul style="list-style-type: none"> <li>a. 51.6%</li> <li>b. 20.1%</li> <li>c. 14.3%</li> <li>d. 34.1%</li> </ul>	<ul style="list-style-type: none"> <li>a. 51.8%</li> <li>b. 20.6%</li> <li>c. 14.5%</li> <li>d. 33.7%</li> </ul>	<ul style="list-style-type: none"> <li>a. 52.2%</li> <li>b. 21.3%</li> <li>c. 14.6%</li> <li>d. 33.2%</li> </ul>	Not projected annually			Increase in indicators (a) and (b).

Notes: Indicator 9: Definition of 'at risk' is as applied in the Project Performance Reporting System  
Indicator 13: Covers both project and program loans.