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# ADB Results Framework

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AfDF	–	African Development Fund
DEC	–	Development Effectiveness Committee
DMC	–	developing member country
IDA	–	International Development Association

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

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## I. INTRODUCTION

1. The long-term strategic framework 2008–2020 (Strategy 2020) envisages the development of a new results framework to monitor the effectiveness of the Asian Development Bank (ADB) in realizing its vision of an Asia and Pacific region free of poverty.<sup>1</sup> ADB operations will be in line with the priorities established in Strategy 2020.

2. The proposed results framework (Appendix 1) was prepared after internal and external consultations during the formulation of Strategy 2020 and the recent Asian Development Fund (ADF) X negotiations. At the final meeting of the ADF X negotiations on 30 April 2008 in Madrid, the ADF deputies discussed and endorsed a similar results framework for ADF operations. The proposed ADB results framework, while sharing common indicators with the ADF X results framework, contains baselines and targets relevant for ADB as a whole. It will be an important tool to help Management monitor ADB's performance in implementing Strategy 2020.

## II. THE PROPOSED RESULTS FRAMEWORK

3. The proposed results framework for ADB operations has four levels:

- (i) **Level 1: Asia-Pacific outcomes.** The first level of the results framework tracks the development progress of the region through selected regional outcomes to which ADB contributes. These outcomes cannot be attributed to ADB alone and result from collective action of development partners over the long term. Indicators of poverty and human development and another group of indicators covering GDP per capita, regional cooperation and integration, access to basic infrastructure, governance, and environment have been selected to represent the major development outcomes ADB is seeking and to which ADB operations aim to contribute.
- (ii) **Level 2: Contribution to country outcomes through key outputs.** ADB will assess its contribution to country and regional outcomes by aggregating key outputs delivered to developing member countries (DMCs) through ADB projects in priority sectors. Output reporting in the proposed results framework focuses on five operational priority areas of Strategy 2020: transport, energy, water, education, and finance. Indicators at this level also link outputs to beneficiaries, providing a measure of the impact of operations.
- (iii) **Level 3: Operational effectiveness.** By improving the performance of its operational portfolio, ADB can increase its contribution to country outcomes and overall development effectiveness. Indicators of operational effectiveness are classified into five main categories: operational quality and portfolio performance, finance mobilization, strategic focus in operations, knowledge development, and partnerships.
- (iv) **Level 4: Organizational effectiveness.** The fourth level aims to capture progress in increasing efficiency in the use of internal resources and implementing reforms that are considered essential to maintain ADB's ability to remain a relevant and results-oriented institution and contribute to improving its

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<sup>1</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila (approved by the ADB Board of Directors in April 2008).

development effectiveness. The three main areas addressed are the use of human resources, use of budgetary resources, and business processes and practices.

4. A detailed explanation of the indicators and method of arriving at the baselines and targets in the results framework is in Appendix 2. Given its use as a key instrument for monitoring ADB's development effectiveness, the results framework is aligned with ADB's strategic priorities defined under Strategy 2020 (Appendix 3).

5. The results framework will be the basis for reporting in a new Development Effectiveness Review, which will be prepared annually from 2008 onwards. The Review will be the main reporting mechanism for monitoring of both Strategy 2020 and ADF operations. It will adopt the results framework proposed in this paper.

6. Reporting from numerous sources and at different times does not provide the ADB Board, Management, staff, or other stakeholders with a coherent and comprehensive understanding of ADB's development effectiveness. Therefore, to unify reporting across the institution, ADB Management approved in 2007 the consolidation of the three institutional reports on development effectiveness—the report on the implementation of the poverty reduction strategy, the report on the reform agenda, and managing for development results reports—into an annual Development Effectiveness Review.

7. The results framework consolidates and streamlines the frameworks employed for these three reports. It is harmonized with the results measurement systems of the International Development Association (IDA) and the African Development Fund (AfDF), and contributes to the harmonization and alignment commitments of the Paris Declaration on Aid Effectiveness.

8. The Development Effectiveness Review based on the ADB results framework will be an important instrument for assessing and improving performance in the following ways:

- (i) ADB's operations vice-presidents are already using several indicators in the results framework on a weekly basis through a corporate performance monitoring system referred to as "dashboard." However, these indicators do not adequately reflect development results. After the results framework is finalized, it will be used to improve the indicator set in the dashboard.
- (ii) The Review will form the basis for an annual assessment of ADB's performance by ADB Management. It will identify areas that will need further attention. It will also be an important input into the 3-year rolling work program and budget framework, as well as in formulating the President's planning directions for the subsequent year. The first review, covering 2007, is expected to be prepared by the third quarter of 2008, while subsequent reviews will be prepared by the end of the second quarter to feed into the budgeting and planning cycle.
- (iii) The Review will be submitted to the Board's Development Effectiveness Committee (DEC) for discussion. Subsequently, the Review with the DEC chair's summary will be submitted to the Board for discussion and appropriate action. The Review will also be made available to the public.

9. The results framework and the Development Effectiveness Review will also help ADB engage external stakeholders. Further, it will allow ADB and other international institutions to

share information on performance and effectiveness, and help identify common problems and solutions.

10. The results framework by itself cannot provide a complete picture of all aspects of development effectiveness, such as the contribution of ADB operations on regional and country outcomes. Therefore, the Development Effectiveness Review will provide examples from ADB's country operations to better explain ADB's contributions to outcomes. The Review will be supplemented by the new country development effectiveness briefs for individual DMCs, which will also help in providing a more complete picture of the results of ADB's operations.

11. The results framework will be widely circulated among staff and development partners. It will continue to be refined and updated as experience and knowledge is gathered through its use, using best international practices, in consultation with other international institutions and experts.

### **III. CONCLUSION**

12. The proposed results framework is expected to strengthen the focus of ADB operations on key results of development effectiveness visualized under Strategy 2020. It is expected to promote a stronger culture of results and performance management within ADB. It will be used for monitoring the implementation of Strategy 2020.

### **IV. RECOMMENDATION**

13. The President recommends that the Board of Directors approve the proposed ADB results framework presented in Appendix 1.

## ADB RESULTS FRAMEWORK

Level 1: Asia-Pacific Outcomes			
	Baseline Year	Baseline Value	Target 2015
<b>Poverty and Human Development Indicators</b>			
Population living on less than \$1 a day (%)	2005	18.52	17.14
Primary education completion rate (%)	2005	92.09	100.00
Ratios of girls to boys in			
Primary education	2005	0.95	1.00
Secondary education	2005	0.93	1.00
Tertiary education	2005	0.81	1.00
Women in nonagricultural wage employment (%)	2005	30.70	Increase
Under-5 child mortality (per 1,000 live births)	2005	61.12	29.68
Women (aged 15 and above) living with HIV (number, million)	2005	2.39	Halt or reverse
Population with sustainable access to improved water source (%)			
Urban	2005	92.10	97.03
Rural	2005	75.92	81.40
Population with access to improved sanitation (%)			
Urban	2005	70.16	80.39
Rural	2005	33.10	56.25
<b>Other Outcome Indicators</b>			
GDP per capita			
Gross domestic product per capita (at constant 2000 prices, \$)	2006	1085.49	
Regional cooperation and integration			
Intraregional trade in Asia-Pacific's total trade (%)	2005	53.54	
Access to basic infrastructure			
Access to telecommunications: fixed lines and mobile telephone subscribers (per 1,000 inhabitants)	2006	324.65	
Access of rural population to an all-season road (%)	2003	76.26	
Household electrification rate (%)	2003	68.67	
Governance			
Cost to start business (% gross national income per capita)	2006	40.72	
Time to start business (days)	2006	43.20	
Governance and public sector management assessment from Country Performance Assessments	2006	3.27	
Environment			
Carbon dioxide emissions (metric tons per capita) <sup>a</sup>	2005	2.26	

<sup>a</sup> This indicator will be used for information only, and will be consistent with the purpose of the United Nations Framework Convention on Climate Change. In comparison, the 2005 averages for Africa, Latin America and OECD member countries are 0.93, 2.09, and 11.02, respectively. World average is 4.22. (Source: 2007. International Energy Agency. *Key World Energy Statistics*. Paris)

Sources: For poverty and human development indicators: Asian Development Bank (ADB), United Nations Development Programme, and United Nations Economic and Social Commission for Asia and the Pacific estimates based on data made available for *The Millennium Development Goals: Progress in Asia and the Pacific 2007*. For other outcome indicators: ADB staff estimates based on Asia Regional Integration Center database; World Bank, World Development Indicators database; and United Nations database on Millennium Development Goals indicators.

<b>Level 2: Contribution to Country Outcomes: Key Outputs</b>		
<b>Indicators</b>	<b>Cumulative Outputs 2004–2007</b>	<b>Programmed Cumulative Outputs 2009–2012</b>
<b>Transport</b>		
Expressways built or upgraded (km)	2,700	2,500
National, provincial, district, and rural roads built or upgraded (km)	18,700	79,600
Railways constructed or/and upgraded (km)	2,100	2,200
Number of beneficiaries from road projects	71,062,200	162,661,500
<b>Energy <sup>a</sup></b>		
Installed energy generation capacity (megawatts)	9,700	8,900
Transmission lines installed or upgraded (km)	5,600	6,400
Distribution lines installed or upgraded (km)	15,000	18,300
New households connected to electricity (number)	870,400	685,100
<b>Water</b>		
Water supply pipes installed or upgraded/length of network (km)	3,500	5,100
New households connected to water supply (number)	1,502,000	4,806,700
Wastewater treated (m <sup>3</sup> )	413,200	4,369,200
Households served with new sanitation connections (number)	1,802,800	7,602,100
Land irrigated or improved through drainage, floods, and irrigation works (hectare)	941,100	1,562,200
<b>Education (at all levels)</b>		
Classrooms built or upgraded (number)	27,500	43,100
Teachers trained (number)	465,700	635,500
Students benefiting from school improvement programs or receiving direct support through scholarships, feeding, or similar programs (number)	17,105,600	22,875,900
<b>Finance</b>		
Microfinance loan accounts opened (number)	192,600	660,000
Small and medium-sized enterprise loan accounts opened (number)	14,000	54,000

m<sup>3</sup> = cubic meters, km = kilometer.

<sup>a</sup> An appropriate indicator on clean energy and/or energy efficiency will be identified and incorporated in future versions of the results framework.

Source: Asian Development Bank staff estimates.

<b>Level 3: Operational Effectiveness</b>			
<b>Indicators</b>	<b>Baseline Year</b>	<b>Baseline Value</b>	<b>Target 2012<sup>a</sup></b>
<b>Operational quality and portfolio performance</b>			
Evaluation ratings of results-based CPS (% successful)	TBD	TBD	70
Average annual combined ratings of PPERs and PCRs (% successful)	2004–2006 average	72.3	80
Quality-at-entry rating of CPS (% satisfactory)	2006	33	80
Quality-at-entry rating of projects (% satisfactory)	2006	81	85
PPR at implementation (% satisfactory)	2004–2006 average	90.3	Maintain
Partnership survey results: perception of ADB effectiveness regarding reducing poverty (% with excellent and good perception of ADB)	2006	45	60
<b>Finance mobilization</b>			
Overall disbursement ratio for public sector loans (%) <sup>b</sup>	2006	23.4	Maintain
Overall disbursement ratio for private sector loans and equity (%)	2006	55	At least 50
Proportion of DVA cofinancing relative to ADB loans and grants approved annually (%)	2004–2006 average	10	20
<b>Strategic focus in operations</b>			
Proportion of lending to Strategy 2020 core operational areas (%) <sup>c</sup>	2008	TBD	80
Proportion of projects supporting private sector development (%)	2004–2006	19.5	30
Proportion of projects supporting regional cooperation (%)	2004–2006	6.7	15
Proportion of projects supporting environmental sustainability (%)	2004–2006	17.4	25
Proportion of projects with gender mainstreaming (%)	2004–2006	37.7	40
<b>Knowledge development</b>			
Ratings of TCRs (% successful)	2004–2006 average	82.4	Maintain
Annual MAKE survey assessment rating (%)	2006	54.4	60
<b>Partnerships</b>			
Proportion of public sector projects with NGO and/or CSO participation (%)	2006	78.6	80
New program-based approaches approved (number)	2006	4	10
Proportion of CPS and CPR missions conducted jointly with at least one other development partner (% annually)	2006	33.3	60

ADB = Asian Development Bank, CPR = country portfolio review, CPS = country partnership strategy, CSO = civil society organization, DVA = direct value-added, MAKE = Most Admired Knowledge Enterprise, NGO = nongovernment organization, PCR = project completion report, PPER = project performance evaluation report, PPR = portfolio performance rating, TBD = to be determined, TCR = technical assistance completion report.

<sup>a</sup> Targets are for 2012 or for the average of the 2010–2012 period corresponding to baselines which are 3-year averages.

<sup>b</sup> Disbursement ratio is the total disbursement in a given year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans which have become effective during the year, less cancellations made during the year.

<sup>c</sup> The five core operational areas are infrastructure, environment, regional cooperation and integration, finance sector development, and education.

Source: ADB staff estimates

<b>Level 4: Organizational Effectiveness</b>			
<b>Indicators</b>	<b>Baseline Year</b>	<b>Baseline Value</b>	<b>Target 2012<sup>a</sup></b>
<b>Use of human resources</b>			
Budgeted professional staff and national officers in operations departments (%) <sup>b</sup>	2004–2006 average	52	56
Budgeted professional staff and national officers in resident missions (%)	2004–2006 average	21	23
Representation of women professional staff in total (%)	2007	29	35
Staff engagement survey results (index) <sup>c</sup>	2008	60	67
<b>Use of budgetary resources</b>			
Internal administrative expenses per \$1million of public and private sector project approval (\$'000)	2004–2006 average	43.4	Maintain <sup>d</sup>
Internal administrative expenses per project approved (\$ million in 2000 constant prices)	2004–2006 average	2.8	Maintain <sup>d</sup>
Internal administrative expenses per \$1 million disbursement (\$'000)	2004–2006 average	62.0	Maintain <sup>d</sup>
Internal administrative expenses per project under implementation (\$'000 in 2000 constant prices)	2004–2006 average	427	Maintain or increase <sup>d</sup>
<b>Business processes and practices</b>			
Average time from loan approval to first disbursement in sovereign operations (months)	2006	12.2	10
Average loan (sovereign operations) processing time (months from fact-finding to loan approval) <sup>e</sup>	2006	22.4	18
Proportion of loans and grants administered by field offices (%)	2006	38.4	43

<sup>a</sup> Targets are for 2012 or for the average for the 2010–2012 period corresponding to baselines, which are 3-year averages.

<sup>b</sup> Operations departments include ADB's five regional departments (East Asia, Central and West Asia, Pacific, South Asia, South East Asia) and the Private Sector Operations Department.

<sup>c</sup> Average of the average of favorable response rates in each of the 24 categories of questions in the survey.

<sup>d</sup> Based on a set of assumptions: (i) total annual loan approvals at a level similar to 2007 across the long-term strategic framework 2008–2020 (Strategy 2020) implementation period, (ii) total annual disbursement steadily increasing from 2007 over the Strategy 2020 period, and (iii) modest annual increase in ADB's internal administrative expenses.

<sup>e</sup> Loan processing time refers to the average processing time from the start of the project preparation technical assistance (PPTA) fact-finding for loans processed with PPTA until loan approval, and from loan fact-finding until loan approval for loans processed without PPTA.

Source: Asian Development Bank staff estimates.

## AN EXPLANATION OF INDICATORS, BASELINES, AND TARGETS

1. The results framework is organized into four levels. Level 1 contains indicators representing development outcomes that the Asian Development Bank (ADB) is seeking in countries in the region. These outcomes cannot be attributed to ADB alone and result from the collective action by all development partners. However, tracking them is important, as they indicate the development progress to which ADB operations aim to contribute. Level 2 contains indicators showing ADB's key sector outputs and the number of people benefiting from them. They represent ADB's contribution to the development outcomes in Level 1. The link between outputs and beneficiaries provides a first measure of the impact of ADB operations. Further evidence of the link between Level 2 outputs and Level 1 Asia-Pacific outcomes will be available in other ADB documents (para. 10). Level 3 contains indicators for monitoring ADB's operational effectiveness. Improvements at this level can lead to better delivery and quality of outputs, enabling ADB to enhance its contribution to country and regional outcomes. Level 4 indicators aim to capture progress on internal reforms and improvements in its internal processes, enabling more efficient use of its human and budgetary resources and improving development effectiveness.

### Level 1: Asia-Pacific Outcomes

2. Level 1 of the results framework tracks overall development progress through selected country outcomes to which ADB aims to contribute. These development indicators have emerged through a consensus in the international development community. Performance at this level is understood to be the product of the collective action of development partners over the long term. This level has been largely harmonized with tier 1 of the results measurement systems of the International Development Association (IDA) and African Development Fund (AfDF). Eight indicators of poverty and human development and another group of nine indicators covering GDP per capita, regional cooperation and integration, access to basic infrastructure, governance, and environment have been selected to represent the major development outcomes ADB is seeking.

3. The indicators for poverty and human development were drawn mainly from the Millennium Development Goals (MDGs) indicators.<sup>1</sup> The only exception is the HIV indicator "women (aged 15 and above) living with HIV," which was chosen over the MDG indicator "HIV prevalence among population aged 15 to 24 years," because it focuses on a crucial and vulnerable target group (women) and is not confined to a limited age range. The source for this indicator is the Joint United Nations Programme on HIV/AIDS (UNAIDS).<sup>2</sup>

4. The baselines are data from the latest year available. They have been estimated jointly by staff from ADB and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP),<sup>3</sup> using weighted averages of individual country indicators for ADB's developing member countries (DMCs) with the appropriate reference populations as weights. The resulting indicators provide aggregate indexes of progress in these countries as a whole.

5. Targets for 2015 are based on the MDG target for the indicator. In the case of poverty, under-5 child mortality, and the water and sanitation, the targets were arrived at after working

<sup>1</sup> See United Nations. *The Millennium Development Goals Indicators: The Official United Nations Site for the MDG Indicators*. Available: <http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Indicators/OfficialList.htm>

<sup>2</sup> UNAIDS. 2006. *2006 Report on Global AIDS Epidemic*. Geneva.

<sup>3</sup> Under an ongoing regional partnership among ADB, UNESCAP, and the United Nations Development Programme (UNDP) to support the achievement of the MDGs in Asia and the Pacific.

out the aggregate indicator values for 1990 and applying the targeted reduction or increase specified for the 2015 target year for the MDG target.<sup>4</sup> However, for the share of women in nonagricultural wage employment, the MDGs do not specify any targets. In the case of women living with HIV, the target is directional, corresponding to the MDG formulation of “halting and beginning to reverse the spread of HIV/AIDS.”

6. The other outcome indicators comprise other crucial development outcomes closely associated with ADB’s long-term strategic framework 2008–2020 (Strategy 2020). Those relating to gross domestic product per capita, fixed telephone lines and cell phone subscribers, access of rural population to an all-season road, household electrification rate, cost and time to start a business were derived from the World Development Indicators database.<sup>5</sup> The indicator on carbon dioxide emissions is from the United Nations database on MDG indicators. Weighted averages were calculated for these indicators (using country populations as weight), except for cost and time for business start-up where simple averages were employed. The indicator on intraregional trade was obtained from the ADB Asia Regional Integration Center website.<sup>6</sup> The indicator on governance and public sector management is included in the country performance assessments for the performance-based allocation of the Asian Development Fund (ADF) conducted by ADB staff.<sup>7</sup> Individual country scores, as rated by ADB staff, are used to arrive at a simple average for all ADF countries. Although this indicator is based only on the ADF countries, it nevertheless represents a proxy indicator of governance in the region (showing the situation in the weakest countries), pending the identification of a better indicator. Unlike the MDG targets, the other outcome indicators do not have internationally agreed-upon targets.

## Level 2: ADB’s Contribution to Country Outcomes

7. As with the results measurement systems in World Bank and AfDB, ADB will assess its contribution to country outcomes by aggregating key outputs delivered to DMCs through ADB projects in priority areas. Output reporting in the proposed results framework is organized into five sectors<sup>8</sup> that are the main contributors to the five operational priorities of Strategy 2020: transport, energy, water, education, and finance.<sup>9</sup>

8. To construct baselines at this level, cumulative outputs from 2004–2007 were used, estimated based on project completion reports (PCRs) submitted in these 4 years. Targets are

<sup>4</sup> For example, the indicator “Population living on less than \$1 a day (%)” had a value estimated at 34.28% in 1990. Since the MDG target is reduction by half, this target translates to 17.14%. If this is reached before 2015, as is likely, a new indicator (for example, “Population living on less than \$2 a day”) would need to be considered.

<sup>5</sup> World Bank. Available: <http://go.worldbank.org/6HAYAHG8H0>. The data sets suffer from gaps, particularly the indicators on access of rural population to an all-season road, household electrification rate, and cost and time required for business start-up. Efforts are being made to improve statistical capacity of DMCs to provide better coverage of data on basic services and infrastructure.

<sup>6</sup> ADB. Available: <http://aric.adb.org/>. This interactive website allows the user to construct intraregional trade shares.

<sup>7</sup> The indicator is similar to that employed in the World Bank’s country policy and institutional assessment and covers (i) property rights and rules based governance; (ii) transparency, accountability, and corruption in the public sector; (iii) quality of public administration; (iv) quality of budgetary and financial management; and (v) efficiency of revenue mobilization. Overall scores between 1 to 6 are assigned.

<sup>8</sup> IDA’s tier 2 comprises selected sector outputs in four sectors: health, education, water supply and sanitation, and transportation. Health sector outputs are not included in the ADB framework, while energy and finance are included in the ADB framework but not in the IDA’s. In the three sectors common to the IDA and ADB systems (education, water supply and sanitation, and transportation), most indicators are similar.

<sup>9</sup> Caution is required in using aggregate outputs as a measure of development effectiveness. A number of issues have to be taken into account: (i) as only a few key outputs have been selected, the totality and variety of outputs delivered in each sector are not captured; (ii) quantitative output increases do not automatically imply improved development effectiveness; (iii) the quality of outputs delivered and their impact on beneficiaries are not considered; and (iv) benefits from policy and institutional changes introduced are not accounted for.

programmed cumulative outputs for 2009–2012, based on projects described in reports and recommendations of the President (RRPs) and approved by the ADB Board of Directors in 2003–2006.<sup>10</sup> For each sector, indicators include measures of both physical outputs (e.g., kilometers of water supply pipes installed or classrooms built) and direct beneficiaries (e.g., households newly connected to water supply or number of loans accounts opened).

9. Although not displayed, the output data in the results framework can be broken down into rural, urban, national, and regional categories. As such, Strategy 2020 strategic areas of emphasis, such as cross-border infrastructure and regional cooperation efforts in operations, can be monitored. The figures are staff estimates specifically generated for developing the results framework. To obtain such data regularly and systematically in the future, ADB reporting tools and practices are being improved, including the project classification and project information systems, supported by information technology development.<sup>11</sup>

10. The links between Level 1 and Level 2 of the framework, i.e., how outputs delivered through ADB projects contribute to broader country outcomes, will be reported through specific project examples in the new Development Effectiveness Review. The new country development effectiveness briefs for individual DMCs<sup>12</sup> will also help address some of the limitations of the output aggregation approach and provide a more complete picture of the results of its operations. In addition, the link between ADB country operations and individual country outcomes will be available through the results matrixes of respective country partnership strategies (CPSs). Although many outcomes in Level 1 do not appear to be directly related to outputs in Level 2, ADB operations contribute to them indirectly. For example, ADB's water and sanitation and infrastructure interventions, such as roads, contribute to health outcomes.

11. However, these output indicators do not fully capture ADB's contributions to sector policy reforms, or priorities that are not sector-specific, such as environmental management (including climate change) and gender equality. This is primarily because of the difficulty in identifying measurable output indicators for these development outcomes and collecting reliable baseline information. Other multilateral banks are facing a similar issue. ADB will work with them and experts to identify ways to measure appropriate outputs. In the meantime, ADB's contribution to these outcomes will be measured by tracking the resource levels allocated to each of these crosscutting areas of emphasis of Strategy 2020 in Level 3 (para. 15).

### **Level 3: ADB'S Operational Effectiveness**

12. By improving the performance of its operational portfolio, ADB can increase its contribution to country outcomes and overall development effectiveness. Indicators of operational effectiveness are classified into five main categories: operational quality and portfolio performance, finance mobilization, strategic focus in operations, knowledge development, and partnerships. Baselines are for 2006 or for the average value for 2004–2006 (as indicated). Averages were used where data were volatile. For the same reason, targets are

<sup>10</sup> Unlike Level 1, which has 2015 as the target year corresponding to the target year for the MDGs, all other levels in the results framework use 2012 as the medium-term target year. This is because (i) targets must be set for the medium term as projections beyond the medium term become increasingly uncertain (and so, for example, the Strategy 2020 terminal year is too distant to target precisely); and (ii) choosing the 2012 as the medium-term target year was convenient as it is also the terminal year of ADF X. Assuming an average project implementation period of 5 years, the project completion reports for these projects should normally be prepared between 2009 and 2012.

<sup>11</sup> An updating of the classification system is ongoing to better capture the Strategy 2020 priorities. Project information systems will also be enhanced through the ongoing project processing and portfolio management initiative.

<sup>12</sup> Pilot development effectiveness briefs have been prepared for 13 DMCs. Two other briefs cover subregions.

reported for 2012 or for the average of 2010–2012 corresponding to baselines, which are 3-year averages. The target values were arrived at based on past trends and through consultation and consensus within the organization.

13. The operational quality and portfolio performance category uses some common sets of measures adopted by multilateral development banks.<sup>13</sup> The indicator on evaluation of results-based CPSs will be based on evaluations conducted by the Operations Evaluation Department (OED) in the future. OED has not yet evaluated any results-based CPSs, which were introduced in 2004 and have not been completed in any DMC. Project performance after completion is measured through the combined ratings of PCRs prepared by staff and OED's project evaluation ratings based on the year of completion. Quality at entry is evaluated biennially by a task force that assesses the quality of all CPSs and a sample of projects. A set of criteria have been established by the first task force (2006), and these will be employed to retain comparability.<sup>14</sup> Project quality during implementation is measured through portfolio performance ratings. The results of a partnership perception survey, conducted for the first time in 2006 and to be repeated every 3 years, will be used to track stakeholder and partner perceptions of ADB's effectiveness.

14. The finance mobilization category emphasizes the volume of aid, measured by disbursements (rather than approvals) separately for public sector loans and for private sector loan and equity operations. This category also monitors mobilization of direct value-added cofinancing.<sup>15</sup>

15. Indicators on the strategic focus in operations have been set up to monitor progress in allocating resources for priority areas identified in Strategy 2020. First, an indicator is used to measure allocation of resources collectively towards the five Strategy 2020 priority areas comprising the core operational areas. Separate indicators also measure progress in allocation of resources to private sector development, environmentally sustainable development and regional cooperation and integration.<sup>16</sup> Progress on gender mainstreaming is also included because of its importance as a measure of inclusiveness.<sup>17</sup> The four strategic focus indicators will be measured using the current thematic classification system based on the proportion of projects emphasizing them. The composite indicator on allocation to the five core operational areas will be measured using the methodology that is being developed under a current review of the project classification system.

16. Knowledge management is assessed by ratings at the completion of technical assistance, which is how a substantial part of ADB's analytical work and advisory services are

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<sup>13</sup> It corresponds to IDA's tier 2 indicators of quality at entry, implementation, and exit at the project and country assistance levels.

<sup>14</sup> The first quality-at-entry assessment of country partnership strategies and projects was undertaken as a pilot exercise in 2006. This process will be institutionalized in ADB and conducted every 2 years.

<sup>15</sup> Direct value-added cofinancing involves active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB to facilitate mobilization, administration, or participation in cofinancing. As such, it gives a better indication of the cofinancing effort by ADB than all joint and parallel cofinancing.

<sup>16</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila (April). Para 57.

<sup>17</sup> This indicator is measured by adding to the number of projects specifically identifying gender as a theme under the project classification system and other projects with "effective gender mainstreaming," and then dividing the sum by the total number of projects. Effective gender mainstreaming in a project occurs when (i) the social analysis conducted during project preparation includes consideration of gender issues, (ii) the project includes design features to facilitate women's participation in project activities and/or access to project benefits, and (iii) these design features are supported by loan covenants.

delivered to its DMCs. It will also be judged through an annual independent survey—the Most Admired Knowledge Enterprise survey—on learning within the organization.<sup>18</sup>

17. The partnership development category assesses the extent to which civil society organizations and other development partners are associated with ADB operations. Two indicators in this category—program-based approaches, and joint CPS and country portfolio review missions—directly correspond to Paris Declaration on Aid Effectiveness indicators (use of common arrangements or procedures; and shared analysis). ADB will also participate in interagency exercises coordinated by the Organization of Economic Co-operation and Development aimed at reporting progress on the implementation of the Paris Declaration commitments, using the full set of monitoring indicators.

#### **Level 4: ADB'S Organizational Effectiveness**

18. Level 4 of the proposed results framework aims to monitor improvements in efficiency in the use of human and budgetary resources and internal reforms undertaken by ADB. Improvements in indicators at this level impact in terms of improvements in operational effectiveness (level 3) and in more effective contribution to outcomes (level 2). Three main areas are addressed in level 4: use of human resources, use of budgetary resources, and business processes and practices. A detailed discussion of reforms will be presented in the Development Effectiveness Review.

19. The first category combines measures of staff distribution (reflecting the current effort to strengthen operations departments and resident missions, and to improve the gender balance) and overall staff satisfaction. An independent organization conducts staff engagement surveys every 2 years to assess staff satisfaction. The most recent survey was conducted in the first quarter of 2008. The survey included 24 categories of questions, and an overall engagement index of 60% was the average of the average favorable response rates in each of these categories. The target for 2012 is 67%.

20. The second category consists of measures of budgetary efficiency for project processing, disbursement, and implementation. The indicators measure the ratios of total internal administrative expenses to project approval volumes and numbers, project disbursements, and number of projects being implemented.

21. The third category reflects the impact of reforms aimed at maintaining ADB's proximity to its clients and improving its responsiveness. In the short to medium term, delegation of operations to resident missions, and shorter times for processing<sup>19</sup> and disbursing loans will be critical, subject to the availability of resources.

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<sup>18</sup>The Most Admired Knowledge Enterprise (MAKE) research program was established in 1998 by Teleos in association with the KNOW Network (a global community of knowledge-driven organizations dedicated to networking, benchmarking and sharing best practices leading to superior performance). It conducts an internal survey of staff on progress of knowledge management within an organization using eight knowledge and learning indicators which are: (i) create and sustain an enterprise knowledge-driven culture; (ii) develop knowledge workers through senior management leadership; (iii) develop and deliver knowledge-based projects and services; (iv) manage and maximize the value of enterprise intellectual capital; (v) create and sustain an enterprise-wide collaborative knowledge sharing environment; (vi) create and sustain a learning organization; (vii) manage client knowledge to create value and enterprise intellectual capital; and (viii) transform ADB knowledge to reduce poverty and improve clients' standard of living.

<sup>19</sup> Measured as time elapsed in months from technical assistance fact-finding (for loans with project preparatory technical assistance) or loan fact-finding (for loans without) to loan approval.

## STRATEGY 2020 AND THE RESULTS FRAMEWORK

Strategic Thrusts and Priorities	Results Framework
ADB's vision of eradicating poverty ("an Asia and Pacific Region free of poverty")	Level 1 reports on Asia-Pacific outcomes and includes indicators to monitor the region's performance on reducing income poverty (percentage of population living on less than \$1 a day) and non-income poverty (through non-income MDGs)
<p>Development agenda</p> <ul style="list-style-type: none"> <li>(i) Inclusive economic growth</li> <li>(ii) Environmentally sustainable growth</li> <li>(iii) Regional integration</li> </ul>	<p>Captured in Level 1</p> <ul style="list-style-type: none"> <li>(i) Inclusiveness is assessed through MDG indicators measuring access of the poor and vulnerable groups, including women, to basic social services, such as (a) primary education completion rate, (b) child mortality, (c) rural and urban access to improved water source and sanitation, (d) access to all-season roads, and (e) electrification rate. Gender, which also helps track inclusiveness, is covered through measures of (a) girls' access to education (all levels), (b) the share of women in nonagricultural wage employment, and (c) women living with HIV.</li> <li>(ii) Environmental sustainability is covered by measures of (a) access to improved water sources and sanitation, and (b) carbon dioxide emissions.</li> <li>(iii) Regional integration is assessed by measuring the share of intraregional trade in overall trade in the region.</li> </ul>
<p>Core operational areas of Strategy 2020</p> <ul style="list-style-type: none"> <li>(i) Infrastructure</li> <li>(ii) Finance sector development</li> <li>(iii) Education</li> <li>(iv) Environment</li> <li>(v) Regional cooperation and integration</li> </ul>	<p>Reflected mainly in Level 2</p> <ul style="list-style-type: none"> <li>(i) Indicators for infrastructure, finance, and education are reflected in Level 2 sector outputs.</li> <li>(ii) Environment is reflected through (a) Level 2 output indicators on access to water and sanitation, wastewater treated, and land improved; (b) proportion of ADB projects emphasizing environment in Level 3; and (c) the outcome indicators on carbon dioxide emissions and MDG indicators on access to water and sanitation in Level 1.</li> <li>(iii) Contribution of ADB's operations towards regional cooperation and integration can be captured through (a) sector outputs in Level 2, which are available also on a disaggregated basis according to location (regional, national, urban, rural); and (b) under proportion of projects supporting regional cooperation (Level 3).</li> </ul>
<p>Key drivers of change</p> <ul style="list-style-type: none"> <li>(i) Private sector development and operations</li> <li>(ii) Good governance and capacity development</li> <li>(iii) Gender equity</li> <li>(iv) Knowledge solutions</li> <li>(v) Partnerships</li> </ul>	<p>Reflected in Levels 1 and 3</p> <ul style="list-style-type: none"> <li>(i) Private sector development is captured by the time and cost to start a business (Level 1); and allocation target, i.e., percentage of projects supporting private sector development (Level 3).</li> <li>(ii) Governance is evaluated under (a) country performance assessment ratings undertaken by ADB for ADF countries, and (b) measures of time and cost to start a business (Level 1)</li> <li>(iii) Gender equity indicators are addressed through gender equity in education, and the share of women in nonagricultural wage employment (Level 1); and proportion of projects with gender mainstreaming (Level 3).</li> <li>(iv) Knowledge development is emphasized in Level 3.</li> </ul>

	(v) Partnerships are reflected through indicators on NGO participation, and joint work conducted with other development organizations (Level 3).
Institutional transformation	Reflected in Level 4 Level 4 contains indicators on human and budgetary resources and business processes, which reflect Strategy 2020 priorities of seeking improvements in human resources, the organizational structure, and increasing institutional responsiveness.

ADB = Asian Development Bank, ADF = Asian Development Fund, MDG = Millennium Development Goal, NGO = nongovernment organization.