



## Policy Paper

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# Increasing the Impact of the Asian Development Bank's Technical Assistance Program

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
BPMSD	–	Budget, Personnel, and Management Systems Department
COBP	–	country operations business plan
CDTA	–	capacity development technical assistance
CoP	–	community of practice
COSO	–	Central Operations Services Office
CPS	–	country partnership strategy
CTL	–	Controllers Department
CWRD	–	Central and West Asia Department
DMC	–	developing member country
DMF	–	design and monitoring framework
EA	–	executing agency
ERD	–	Economics and Research Department
IAE	–	internal administrative expense
ISTS II	–	Information Systems and Technology Strategy II
JSF	–	Japan Special Fund
KPS	–	knowledge products and services
MDB	–	multilateral development bank
MFF	–	multitranche financing facility
MOU	–	memorandum of understanding
MTS II	–	medium-term strategy II
OCR	–	ordinary capital resource
OCO	–	Office of Cofinancing Operations
OED	–	Operations Evaluation Department
OGC	–	Office of the General Counsel
PARD	–	Pacific Department
PATA	–	policy and advisory technical assistance
PDP	–	performance development plan
PPIS	–	project processing information system
PPMS	–	project performance management system
PPTA	–	project preparatory technical assistance
RETA	–	regional technical assistance
RCS	–	regional cooperation strategy
RDTA	–	research and development technical assistance
ROBP	–	regional operations business plan
RSDD	–	Regional and Sustainable Development Department
SARD	–	South Asia Department
SERD	–	Southeast Asia Department
SES	–	special evaluation study
SPD	–	Strategy and Policy Department
SRC	–	staff review committee
TA	–	technical assistance
TAIS	–	technical assistance information system
TASF	–	Technical Assistance Special Fund
TCR	–	technical assistance completion report
TOR	–	terms of reference
TPR	–	technical assistance performance report
WPC	–	weakly performing country

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**NOTE**

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

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## EXECUTIVE SUMMARY

The Asian Development Bank (ADB) provides two types of technical assistance (TA): (i) direct TA for project preparation, policy analysis, and capacity building, which is designed, financed, and implemented based on country and subregional strategies agreed upon by ADB and its developing member countries (DMCs); and (ii) indirect TA to address region-wide development challenges, which is part of ADB's wider role of advancing and disseminating knowledge on development issues in Asia and the Pacific.

During 2004–2006, ADB provided an average of 294 TA projects a year for \$213 million, equivalent to 3% of ADB operations. The ADB Operations Evaluation Department's special evaluation study on TA performance reported that about two thirds of ADB's TA activities had been evaluated as "successful" or "highly successful". This is below the 70% target, indicating considerable scope for improving the development effectiveness of TA operations.

The objective of this paper is to increase the development effectiveness of ADB TA operations. The desired outcome is for ADB to provide high-quality TA that has tangible development impact through (i) synergy between ADB lending and nonlending products at country and regional levels; and (ii) stronger DMC involvement and ownership at all levels, and greater use of national systems.

The strengths of ADB TA operations include a systematic programming process at the country level, which ensures a long-term approach to key issues; flexibility in responding to diverse country and sector circumstances; and steady provision of financing to address developmental issues and constraints in DMCs. Weaknesses include (i) insufficient focus at the country level, and limited synergy between country-based operations and the ADB-wide regional TA program; (ii) processing procedures that can prolong TA preparation considerably, while adding limited value to project design; (iii) emphasis on the processing and design stage, with insufficient attention and staff involvement devoted to implementation supervision; and (iv) insufficient ownership by DMCs and executing agencies, which may result in supply-driven assistance. In particular, when measured against the goals of the Paris Declaration on Aid Effectiveness, ADB TA lags in the use of national systems and procedures, and in the role recipients play in procurement, which is largely administered by ADB.

These strengths and weaknesses do not affect TA instruments uniformly. For example, strategic alignment with country programs and ownership are strong for project preparatory technical assistance, but this form of TA is often characterized by slow delivery and potential duplication of a country's own analysis. Weaknesses in design, implementation supervision, and country ownership are the main problems for advisory technical assistance. Insufficient strategic prioritization to ensure responsiveness to regional priorities is the main challenge for regional technical assistance.

Measures to improve TA operations are being implemented. In April 2005, when initiating preparation of the work program and budget framework (2006–2008), the President identified improvement of TA effectiveness as one of the five main challenges facing ADB. The medium-term strategy II (2006–2008) highlighted the need for improvements to the strategic focus of TA and closer links with lending activities at the country level. Reforms have had some positive results. For example, the country partnership strategy process has been redesigned, leading to fewer TA initiatives with more prioritization, and the Operations Evaluation

Department has reported some improvement in the quality of design and monitoring frameworks for TA projects.

This paper proposes measures to address strategy, planning, quality, implementation, ownership, and financial management issues. These measures seek to redirect the emphasis from resource allocation and processing procedures towards strategic use of TA, effective quality enhancement, and implementation. The proposed TA reforms combine product and procedural reforms, as both are needed to improve development effectiveness. The major change proposals are as follows:

- (i) Product reforms to improve the development effectiveness and strategic focus of TA, including:
  - (a) adjust the terminology used to classify TA products to match the purpose of TA with expected outcomes (project preparation, capacity development, policy advice, and research and development);
  - (b) enhance the strategic direction for research and development TA, by Management setting priorities through a strategic forum, drawing on advice from ADB knowledge and operational departments, as well as from DMCs;
  - (c) encourage more extensive use of TA clusters to promote longer-term engagement and approaches; and
  - (d) revise technical assistance completion reports so they focus on outputs and outcomes and involve the executing agencies and key stakeholders, such as consultants.
- (ii) Procedural reforms to improve quality and ownership of TA, including:
  - (a) streamline the processes for project preparatory TA to shorten processing time, leading to faster preparation of loan projects;
  - (b) tailor the quality management system to the diversity of TA projects so that projects intended to address more complex development issues receive closer scrutiny;
  - (c) strengthen institutional and organizational analysis during identification and design of TA proposals;
  - (d) enhance engagement of DMCs and executing agencies in TA identification, design, consultant selection, and implementation;
  - (e) gradually delegate authority and contracting accountability to executing agencies, accompanied by capacity development; and
  - (f) establish an integrated TA management information system, including a TA knowledge database.
- (iii) Financial management improvements to increase efficiency and effectiveness of TA resource management, including:
  - (a) align TA trust funds with ADB's strategic priorities, and adopt standardized implementation guidelines; and

- (b) adjust the ceilings for delegation of approval authority for all TA to account for inflation and foreign exchange realignments since 1997, and simplify approval procedures for small-scale TA.

The proposed TA reforms pay particular attention to defining the responsibility and accountability for decisions and outcomes at various steps in TA operations and levels within ADB. They rely on the principle of assigning decision-making responsibility—accompanied by accountability for the results of the decision—to the lowest appropriate level, while clarifying the type of oversight that higher levels in the organization are expected to provide.

The net resource impact has been minimized through efficiency gains to offset additional requirements. Resources have been redirected from across-the-board review at the design stage to (i) selective but more substantive review of those TA projects that address complex development issues; and (ii) supervision of TA implementation. In addition, synergies with ongoing initiatives (e.g., the second information systems and technology strategy, improvements to the country partnership strategy process, and training) have been exploited fully.

The paper also identifies systemic issues that are beyond the scope of the current analysis, but which could influence the degree of success of the proposed initiatives. These include (i) the need to strengthen staff skills in institutional analysis, capacity development, and change management; and (ii) frequent turnover of staff assigned to specific tasks. The paper also proposes a results framework, which can be monitored over the initial 3-year implementation horizon, to help identify and resolve constraints to reform implementation as they emerge.

## I. INTRODUCTION

1. The technical assistance (TA) program of the Asian Development Bank (ADB) accounted for about 3% of annual ADB operations in 2004–2006. While developing member countries (DMCs) generally appreciated TA, a special evaluation study (SES) on TA performance by the ADB Operations Evaluation Department (OED) found that about two thirds of ADB's TA activities had been rated “successful” or “highly successful”.<sup>1</sup> This is below the 70% success rate target, indicating considerable scope for improving the development effectiveness of TA operations.<sup>2</sup>

2. The objective of the paper is to increase the development effectiveness of ADB TA operations. The desired outcome is for ADB to provide high-quality technical assistance that has tangible development impact. This will be achieved through (i) synergy between ADB lending and nonlending products at country and regional levels; and (ii) stronger DMC involvement and ownership at all levels, and greater use of national systems. ADB will assist DMCs to increase their own capacity to manage TA resources effectively and efficiently.

3. More effective TA operations cannot be achieved through a single measure. A comprehensive set of actions is required to improve the results of individual TA projects and ultimately to increase the impact of the TA program. Based on a detailed analysis of strengths and weaknesses, the paper proposes a TA reform program focused on the following interrelated measures:<sup>3</sup>

- (i) **Robust strategic planning.** Strong integration of lending and nonlending operations at the country level through country partnership strategy (CPS) and regional cooperation strategy (RCS) results-based frameworks to maximize the synergy between TA, loan, and grant resources, and between ADB and other sources of development financing. Better integration of country-based TA and best practices.
- (ii) **Solid quality enhancement mechanisms.** High quality standards in TA design and implementation supervision through a team approach.
- (iii) **Learning from TA operations.** Stronger staff engagement in implementation to strengthen teamwork and knowledge exchange, including between country-specific and bank-wide TA.

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<sup>1</sup> ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila (para. 146).

<sup>2</sup> ADB established a benchmark for TA performance with its poverty reduction strategy. The objective is to increase the share of projects rated “highly successful” or “successful” for the 2008–2010 to 70% by 2010. ADB. 2006. *2005 Annual Poverty Reduction Report: Progress in Implementing the Poverty Reduction Strategy*. Manila.

<sup>3</sup> This paper is the result of a comprehensive review of past TA reform efforts; which included (i) focus group sessions with experienced staff and discussions with vice-presidents and senior staff members, including heads of departments and offices; (ii) consultations with government officials, executing agencies (EAs), TA consultants, and resident mission staff in selected developing member countries (Cambodia, People's Republic of China, India, Fiji Islands, Kyrgyz Republic, Lao People's Democratic Republic, Thailand, and Viet Nam); (iii) an informal Board seminar on 2 July 2007; and (iv) the recent special evaluation study (SES) on TA performance by the Operations Evaluation Department (footnote 1). A large part of the analysis was conducted by the TA Reform Task Force. When established in March 2005, the task force comprised K. Gerhaeusser, East Asia Department (EARD); C.R. Rajendran, South Asia Department (SARD); Y. Kojima, Strategy and Policy Department (SPD); S. Pollard, Pacific Department (PARD); R. Loi, Office of Cofinancing Operations (OCO); S. Tanaka, Regional and Sustainable Development Department (RSDD); and G. Geissler, Strategy and Policy Department (SPD).

- (iv) **Streamlined procedures.** Minimize formal review and comment, and shorten the time for TA processing, while ensuring substantive quality and administrative controls at critical steps.
- (v) **Rationalized management of TA resources.** Alignment of trust fund resources with ADB's priorities, and simplification of procedures for staff to access trust funds; more flexibility in resource management through greater delegation of TA approval authority.

4. Achieving the overall objective of this TA reform effort will require all stakeholders—internal (ADB staff and Management) and external (executing agencies, consultants, and DMC governments)—to change and adapt. Previous reform efforts have shown the difficulty of implementing such changes (Appendix 1). Hence, the proposed solutions are based on a “systems thinking” approach<sup>4</sup> to ensure that interdependencies are considered and reform proposals support each other.

5. Chapter II describes the role of TA operations in ADB's business model. Chapter III outlines how ADB proposes to change internal processes in order to improve the quality and impact of the TA program. Chapter IV presents a framework for managing and tracking implementation of the reform program and highlights its resource implications. Chapter V presents a conclusion and recommendations.

## II. ROLE OF TECHNICAL ASSISTANCE IN ADB'S BUSINESS MODEL

### A. Current Situation

6. ADB's DMCs have always sought knowledge and advice on international best practices, and their adaptation and implementation, often in conjunction with investment projects, to solve specific development problems. TA has been a key instrument in meeting this need, and is an integral part of the ADB business model. ADB provides TA to its DMCs either (i) directly, through TA projects anchored in CPSs and RCSs for project preparation (PPTA), or advisory services (ADTA); or (ii) indirectly, through regional technical assistance (RETA). The latter is part of the wider role ADB plays in advancing and disseminating knowledge on development issues in Asia and the Pacific, and in helping address concerns that have a regional impact.

7. As Table 1 shows, more than two thirds of ADB TA is based on country or regional strategies. Approximately one third of this assistance is specifically for project preparation, but a considerable share of ADTA also supports pre-lending, project implementation, and post-lending activities. In the pre-lending stage, TA is often used to assess sector investment and policy reform needs. During the implementation of a loan project, TA can support the accompanying reforms, strengthen institutions, and develop capacity. In DMCs with very weak development capacity, TA also may be employed to develop or supplement the capacity to implement projects. Post-lending TA support can consolidate sector reforms and help put in place measures that ensure the sustainability of project benefits. The synergy between lending

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<sup>4</sup> See: Haines, S. G. 1998. *Systems Thinking & Learning*. Amherst: HRD Press; Senge, P. M. 1990. *The Fifth Discipline: The Art and Practice of the Learning Organization*. New York: Doubleday/Currency; Sterman, J. D. 2000. *Business Dynamics – Systems Thinking and Modeling for a Complex World*. Boston: Irwin McGraw-Hill.

and nonlending operations was recently emphasized by the medium-term strategy II (2006–2008).<sup>5</sup>

**Table 1: ADB Technical Assistance Program (2004–2006)**

ADB TA Program	Amount (\$ million)	Number of TA Projects	Average Size (\$ '000)
CPS- and RCS-based TA, 2004–2006	423	642	659
of which PPTA	151	217	691
of which ADTA	272	425	640
Regional TA, 2004–2006	215	241	892

ADTA = advisory technical assistance, CPS = country partnership strategy, PPTA = project preparatory technical assistance, RCS = regional cooperation strategy, TA = technical assistance.

Source: ADB data and annual reports.

8. In addition, TA is used to address issues not directly linked to ADB's lending operations at country, subregional, and regional levels; to analyze sector and macro development issues; design policy reforms and supporting legal and regulatory frameworks; and develop cross-country knowledge of value for Asia and the Pacific. Country-based and subregion-based TA helps to identify issues and current practices, and strives to develop locally applicable solutions. Regional, research-oriented TA combines experience from Asia and the Pacific with international best practice to enhance the understanding of development issues affecting the region, and to identify ranges of solutions that can be customized for local circumstances.

## **B. Increasing the Development Effectiveness of Technical Assistance**

9. The TA reform task force and OED have extensively analyzed the strengths and weaknesses of the ADB TA program. A synthesis of these findings is presented in Appendix 2. The analysis found that ADB TA operations (i) are based on a systematic country-level programming process; (ii) have proven flexible in responding to diverse country circumstances; and (iii) have provided a steady source of financing to address DMC developmental issues. Weaknesses include (i) an insufficient level of focus at the country level, and limited synergy between country-based operations and the ADB-wide regional TA program; (ii) lengthy processing procedures, which do not necessarily result in better project design; (iii) insufficient staff involvement in implementation supervision; (iv) weak coordination with research institutions, think tanks, and bilateral partners; and (v) insufficient ownership by DMCs and executing agencies. Measured against the objectives of the harmonization agenda of the Paris Declaration on Aid Effectiveness, ADB TA lags in the use of national systems and procedures, as well as in the role recipients play in procurement.

10. These strengths and weaknesses do not affect TA instruments uniformly. For example, strategic alignment with country programs and ownership is quite strong for PPTA projects, but this form of TA suffers from slow delivery and potential duplication of a country's own analysis. Weaknesses in the quality of design, implementation supervision, and country ownership are major problems for ADTA, while insufficient strategic prioritization to ensure responsiveness to regional priorities is the main challenge for RETA.

<sup>5</sup> ADB. 2006. *Medium-Term Strategy II 2006–2008*. Manila. MTS II states: "For increased effectiveness, lending and non-lending operations will need to be further integrated to ensure that various ADB interventions reinforce each other." (para. 63).

11. The proposed reform measures in Chapter III follow the main steps in TA operations (programming, design, implementation, and financing). The relationship of individual change proposals to the desired outcomes<sup>6</sup> are summarized in a monitoring framework (Table 9).

12. One of the guiding principles of the proposed reforms is to assign decision-making responsibility—accompanied by accountability for the results of the decision—to the lowest appropriate level, and to clarify the type of oversight that higher levels in the organization are expected to provide. Accountability systems also need to be extended to the executing agencies (EAs) and consultants involved in TA implementation. The accountability framework for TA operations resulting from the proposed changes is presented in Table 8.

13. Sustainable and effective TA operations require strong country ownership.<sup>7</sup> The 2005 Paris Declaration and the current development debate underline the importance of ownership in any developmental undertaking, and TA is no exception. Strong country ownership is usually not the result of a single measure; it must be built into the TA process, starting during TA identification and extending throughout the design and implementation process. Ownership will manifest itself differently in different countries, and may change according to the stakeholder or over time. Two key requirements, however, are (i) central government ownership during identification, confirmed by the relevant focal point for ADB operations; and (ii) technical ownership by the EA during design and implementation. The proposed reform measures aim to address both.

14. Table 2 summarizes how ADB plans to strengthen ownership at every step of its TA operations. The approach is based on a reassessment of the roles that ADB and DMCs play in TA design, administration, and implementation, with a view to transferring responsibility progressively to DMCs and increasing the use of country systems, while retaining and developing ADB's role in overall supervision, fiduciary control, quality assurance, and dissemination of knowledge outcomes. While the transition will be gradual and responsive to country circumstances, it is expected that in the long term DMC-administered TA will become the rule rather than the exception.

15. Special consideration needs to be given to weakly performing countries (WPCs), where TA is an essential instrument of ADB's support. As discussed in a recent paper,<sup>8</sup> enhancing TA effectiveness in WPCs is a greater challenge than in other countries. Capacity building requirements, the ability of governments to plan and engage, the absorptive capacity of executing agencies, the strength of national counterparts, and the sustainability of TA input all present great challenges in WPCs. This has important implications for the kind of TA ADB should plan in WPCs, as well as the design, implementation, and financing arrangements it should put in place. While several of the proposed reforms will benefit WPCs together with other countries, ADB also has specific proposals to enhance TA effectiveness in WPCs (Appendix 3).

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<sup>6</sup> Identified in para. 3.

<sup>7</sup> At the Asian Regional Forum on Aid Effectiveness hosted by ADB on 18–20 October 2006, some DMCs emphasized the need for more demand-driven development assistance. The forum summary states: "Donors need to improve the quality and effectiveness of technical assistance by ensuring that it is demand driven and under country leadership. Partner countries should identify their own technical assistance needs and select appropriate assistance, and donors should better coordinate in providing this assistance." See <http://www.adb.org/Documents/Events/2006/Aid-Effectiveness/default.asp> (p. 18).

<sup>8</sup> ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries (The Asian Development Bank's Approach to Engaging with Weakly Performing Countries)*. Manila.

**Table 2: Systematic Approach to Enhancing Ownership of TA Operations**

TA Stage	Specific Actions
Strategic Identification of TA	<ul style="list-style-type: none"> <li>• CPSs and RCSs are based on country strategies and priorities, and developed through consultative processes.</li> <li>• DMCs in partnership with national research institutions and other strategic alliances are encouraged to develop their own concept papers and screening mechanisms.</li> <li>• Regional departments identify issues in consultation with DMCs before a strategic forum that will set the direction for research and development TA.</li> </ul>
TA Design	<ul style="list-style-type: none"> <li>• EA and resident mission staff participate actively in TA design and fact-finding missions. Where appropriate, resident missions take the lead in TA design.</li> <li>• Stakeholder participation and consultation is used during TA design.</li> <li>• EA and government comments on draft TA papers are included in the comments matrix prepared before the staff review committee or ADB approval.</li> </ul>
TA Implementation	<ul style="list-style-type: none"> <li>• Depending on their capacity, EAs provide inputs, participate in or conduct consultant selection.</li> <li>• Key EAs are identified for TA implementation delegation based on specific selection criteria. A plan to build their capacity is developed and funded, if necessary.</li> <li>• ADB staff closely supervise and interact with EAs during TA implementation.</li> <li>• EAs and steering committees provide feedback and guidance to consultants.</li> </ul>
TA Evaluation	<ul style="list-style-type: none"> <li>• EA and consultants contribute to the assessment report upon TA completion.</li> <li>• EA and consultant inputs, together with ADB staff evaluation, are the basis for TA completion rating.</li> </ul>

ADB = Asian Development Bank, CPS = country partnership strategy, DMC = developing member country, EA = executing agency, RCS = regional cooperation strategy, TA = technical assistance.

Source: ADB staff.

### III. IMPROVING TECHNICAL ASSISTANCE MANAGEMENT

16. The TA reform program has already started. In April 2005, when initiating the preparation of the work program and budget framework (2006–2008), the President identified improvement of TA effectiveness as one of the five main challenges facing ADB. The medium-term strategy II (2006–2008) highlighted the need to improve the strategic focus of TA and to forge closer links with lending activities at the country level. The new long-term strategic framework (2008–2020) highlights the importance of knowledge as a powerful catalyst for pushing development forward and enhancing its effects, as well as the importance of learning from operations to identify development solutions for a particular DMC, for other DMCs with similar development constraints, and for the region.<sup>9</sup> TA is a key instrument in this process. Reforms have already produced positive results: the CPS process has been redesigned, and is leading to fewer TA initiatives with more prioritization, while the quality of TA concept papers and proposals has improved. However, the OED study (footnote 1) and the TA reform task force analysis (footnote 3) demonstrate that ADB still has a considerable way to go to fully realize the potential of its TA.

17. This chapter discusses proposed changes to improve TA operations, covering (i) strategic planning and programming of TA operations, (ii) enhancement of design quality, (iii) strengthening of implementation, and (iv) TA financial management.<sup>10</sup>

<sup>9</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank (2008-2020)*. Manila.

<sup>10</sup> Detailed backgrounds to these issues were contained in the working paper that preceded this paper. ADB. 2007. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila.

## **A. Strategic Planning and Programming of Technical Assistance**

### **1. Types of TA Operations<sup>11</sup>**

18. The main types of ADB TA have not changed since the first guidelines for TA were adopted in 1969.<sup>12</sup> The types currently in use (project preparatory, advisory, and regional TA) reflect the services provided or the geographic coverage rather than the expected objectives and outcomes of the assistance. The current reform process provides an opportunity to realign the types of TA instruments with the outcomes they support.<sup>13</sup>

### **2. Strategic Planning of Country and Subregional TA**

19. Strategic planning of TA resources for country and subregional advisory TA has been weak. A significant share of country-level TA resources has been allocated outside the established planning process (i.e., CPSs, business plans, and RCSs). This indicates flexibility and probably responsiveness to government demands, but casts doubts on the analytical basis for selection of TA activities.

### **3. Strategic Planning of Regional TA**

20. ADB does not have a process for setting priorities for regional TA, except for TA that addresses subregional issues and is linked to an RCS. The current RETA program covering issues that affect the whole of Asia and the Pacific lacks strategic focus and a medium-term planning framework.

### **4. Prioritization of TA Operations**

21. ADB's system for allocating TA resources makes little attempt to prioritize the use of TA across ADB. In the last 5 years, weakly performing countries received 16%–17% of TA allocations. The share of TA for middle-income countries has been decreasing in the same period from 51% in 2003 to 37% in 2007. ADB has committed to increase its allocation to weakly performing countries with effect from 2008.

### **5. Staff Resources and TA Allocation**

22. Allocation of TA resources to departments largely reflects historical patterns, although some allocations have shifted in response to changes in ADB corporate priorities. To ensure adequate staff resources are allocated to TA operations, Management imposed a cap on new TA approvals in 2005. A parallel effort was undertaken to reduce the number of TA projects under implementation. As a result, the size of the active ADTA and RETA portfolio shrank from 1,048 projects at the end of 2005 to 902 at the end of 2007. However, imposing such a cap is a crude way of matching ADB operations and staff resources. The reduction in new approvals has been partially offset by combining smaller TA projects with larger ones with a broader scope and

<sup>11</sup> A detailed analysis of issues and solutions related to strategic planning is provided in paras. 18-32 of the W-paper (footnote 13).

<sup>12</sup> See ADB. 1969. Sec. M13-69, dated 21 February 1969.

<sup>13</sup> Other development partners have also adjusted their overall definition from technical "assistance" to technical "cooperation" to underline the mutual learning process, rather than a one-way transfer of knowledge. Adjusting ADB terminology at this level, however, would complicate institutional arrangements. For example, the name of the Technical Assistance Special Fund (TASF) would have to be adjusted. Therefore, it is preferable to retain the overall term "technical assistance".

also by the use of TA clusters. These allow ADB to commit resources over a time frame of several years for related TA subprojects, encouraging a programmatic approach and sector concentration. However, their use has been hampered by accounting procedures: in the past 10 years, only 12 of about 2,800 TA projects were TA clusters.

### **Change Proposal A.1: Redefine the Types of TA to Reflect the Outcome of Different TA Products**

23. ADB's TA program delivers four main outcomes: (i) investment projects and programs, (ii) capacity, (iii) policy advice, and (iv) knowledge products and services that inform development practice. It seems appropriate to adjust the types of TA to reflect these. Accordingly, the four main TA types will be defined as (i) project preparatory TA (PPTA),<sup>14</sup> (ii) capacity development TA (CDTA), (iii) policy and advisory TA (PATA), and (iv) research and development TA (RDTA). Table 3 shows the relationship between TA objectives and the current and proposed types of TA.<sup>15</sup>

**Table 3: Current and Proposed Types of Technical Assistance**

<b>Objectives</b>	<b>Current Type</b>	<b>Proposed Type</b>
Identifying and preparing development projects (country or subregion)	Project preparatory TA (PPTA)	Project preparatory TA (PPTA)
Enhancing the capacity of executing agencies and other institutions, including support for implementing projects	Advisory TA (ADTA)	Capacity development TA (CDTA)
Formulating development policies, strategies, plans, and programs; and undertaking sector, policy, and issues studies (country or subregion)	ADTA, Regional TA (RETA)	Policy and advisory TA (PATA)
Undertaking sector, policy, and issues studies (Asia and the Pacific)	RETA	Research and development (RDTA)

TA = technical assistance.

24. The proposed new types of TA will signal a shift from a concentration on process (e.g., preparation and advice) to a focus on outcomes (an investment project or program, capacity development, policy reform, research and knowledge), in line with ADB's emphasis on managing for development results. It will also allow statistics on ADB support for these objectives (notably capacity development, policy reform, and knowledge generation) to be compiled more easily.<sup>16</sup> While "RETA" will be dropped as a type, a suffix or other marker will be used to identify TA meant to assist more than one DMC. A similar approach will be used to

<sup>14</sup> The term project preparatory TA (PPTA) will be maintained because the term captures the main purpose of this type of TA and is widely understood in DMCs.

<sup>15</sup> In some cases it may be difficult to decide whether a TA is more capacity development or policy and advisory TA. In such a case, the TA will be categorized according to the prevailing objective. However, the multidimensional purpose of such TA will be captured in the thematic or sector classification.

<sup>16</sup> TA projects approved up to 31 December 2007 will not be reclassified. However, to maintain consistency with historical data, when reporting trends in TA operations, CDTA and PATA will be considered to be equivalent to the former ADTA, and RDTA and regional CDTA, PATA and PPTA projects equivalent to the former RETA. Given the relatively short duration of TA projects, references to the old classification will no longer be relevant in a few years.

identify small-scale and TA clusters.<sup>17</sup> The proposed nomenclature is used in the remainder of this paper, except when referring to historical data and classifications.

### **Change Proposal A.2: Strengthen TA Programming in Country Partnership Strategies**

25. The problem of unfocused ADTA programs is already being addressed through CPSs and RCSs, which remain the most appropriate way of planning country and subregional TA operations. Changes to country strategies and programming<sup>18</sup> have emphasized sector analysis through sector road maps as the basis for programming lending and TA operations.<sup>19</sup> These road maps will include in-depth analysis of binding constraints to development, covering stakeholder analysis, organizational and institutional capacity, political economy, accountability mechanisms, and change management strategies.<sup>20</sup> In defining country programs and identifying TA projects, country teams also assess: (i) lessons learned from previous TA interventions, and (ii) the need to enhance the country's knowledge base. Strengthened participatory and consultative processes have also been mandated to ensure alignment with national strategic priorities and harmonization with other development partners. As a consequence, recent results-based CPSs are leading to a more integrated country program, demonstrating how all operations, including TA, are linked.

26. To link planned TA and lending operations more clearly, country operations business plans (COBPs) will be required to include—in addition to the list of lending and nonlending operations by year—summary tables for sectors or themes with the planned loan, TA, and (to the extent available) grant and nonsovereign operations. These will show how the different types of operations are used to address key issues in each sector and theme. When reviewing a TA concept paper that is the basis for fielding a fact-finding mission, a sector director will consider whether the results pursued through the TA are aligned with the results framework of the CPS or RCS.<sup>21</sup>

### **Change Proposal A.3: Guide ADB's Knowledge Agenda through a Strategic Forum**

27. A "strategic forum" will be organized annually to shape ADB's research and development (R&D) and knowledge agenda. The strategic forum will be chaired by the Vice-President,

<sup>17</sup> For example, TA projects covering more than one DMC could be identified as R-XXTA. Preparation of a subregional project could be R-PPTA and a training program covering more than one DMC could be R-CDTA. Likewise, small-scale TA could be identified as S-XXTA. In the case of TA clusters, the subprojects would be classified in the same way.

<sup>18</sup> ADB. 2006. *Further Enhancing Country Strategy and Program and Business Process*. Manila; and the related *Country Partnership Strategy Guidelines*, issued in January 2007.

<sup>19</sup> The second governance and anticorruption action plan also requires governance, institutional and corruption risk assessments at country level and sectors in the DMCs in which ADB is active. These should strengthen the institutional analyses that inform TA design and implementation. The capacity development action plan includes numerous suggestions on how to institutionalize a capacity development focus in country programs and operations, including support provided through TA.

<sup>20</sup> Basing CPSs on stronger analytical work and more extensive participation and consultation will require adequate resources. In particular, interaction between the originating regional department and knowledge departments, such as the Economics and Research Department (ERD) and the Regional and Sustainable Development Department (RSDD) need to be strengthened, given the proposed ADB role as a knowledge platform. This may require a review of the staff needed for CPS preparation, particularly with reference to the role of knowledge departments in the process.

<sup>21</sup> A checklist will be developed to assist project teams to assess TA proposals against a specific list of criteria. Signing off the checklist implies that the team leader, the sector or country director, and the director general accept full accountability for the sound planning of the TA within the CPS or the RCS. It is recommended that the checklist is provided for each TA when approval is requested or reported to Management.

Knowledge Management and Sustainable Development and attended by staff from operations and knowledge departments.<sup>22</sup> The strategic forum will not review individual RDTA proposals, but will identify key issues affecting ADB DMCs. The strategic forum will also provide an opportunity to review ADB funding of recurring activities, such as the International Agriculture Research Centers, annual tax conferences, and other medium-term commitments.

28. The strategic forum will (i) review previous activities and the status of operations funded through RDTA; (ii) identify key development challenges; and (iii) define ADB's medium-term research program by identifying four or five priority areas for the coming 3-year period, to be embodied in the work program of the relevant departments and reflected in the work program and budget framework. DMC inputs will be sought to ensure that the priority areas correspond to their needs.

#### **Change Proposal A.4: Strategically Allocate TA Resources**

29. Through the work program and budget framework and annual operational resources parameters, Management will continue to indicate and refine the broad allocation of TA resources, according to ADB-wide priorities. First, TA funds allocated for project preparation will be based on the number of projects to be prepared and average PPTA cost. Second, taking into account the priorities identified by the strategic forum, Management will make an overall allocation to the RDTA program. It will also take into account the availability of external funding through, for example, thematic funds. Funds for CDTA and PATA will then be allocated to the operations groups, taking into account the priorities and requests emerging from the CPS and RCS and business plans.<sup>23</sup>

#### **Change Proposal A.5: Control TA Portfolio Size**

30. The caps on annual TA approvals adopted in recent years have reduced the number of TA operations and helped to sharpen prioritization of TA. It is proposed that the cap on new TA approvals be replaced by a ceiling on the number of active TA projects in the portfolio.<sup>24</sup> This will mean that timely completion of ongoing TA projects will create space for new operations and serve as an incentive for ongoing TA projects to be completed on time.

#### **Change Proposal A.6: Strengthen Longer-Term Engagement through TA Clusters**

31. ADB aims to provide a growing share of its TA program through TA clusters. A TA cluster will allow a longer-term and more broad-based approach, with simpler processing requirements for individual components. The TA cluster has been used sparingly since its introduction in 1997, partly because of ADB accounting practices, which require the full amount

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<sup>22</sup> Asian Development Bank Institute (ADBI), Economics and Research Department (ERD), Office of Regional Economic Integration (OREI), and Regional and Sustainable Development Department (RSDD).

<sup>23</sup> Following the allocation of TA resources to the operations groups, a bottom-up approach will be applied to match allocations and DMC demands. The vice-presidents will oversee the allocation of TA resources within their group, based on requests and needs, as determined in the CPS and RCS and the respective COBP and/or regional operations business plans (ROBP), and by the strategic forum. Vice presidents may retain a small unallocated pool of funds to address unexpected requirements.

<sup>24</sup> For planning purposes, a TA project will be considered technically completed when (i) ADB has accepted the final report, (ii) project staff have liquidated all payments due under the TA, and (iii) ADB has received the final feedback from the EA and consultants. A TA project will be considered financially closed when the Controller's Department has received and processed all the necessary documentation and has closed the TA account. Project staff will remain accountable to assist and follow up as needed to achieve financial closure.

of a TA cluster to be accounted against the TA funds allocated to a country program in the year of cluster approval, even if the subprojects will commit funds only in subsequent years

32. It is proposed that these accounting practices be changed to allow each TA subproject within the cluster to be treated in the same way as a loan subproject under a multitranche financing facility (MFF). Under this approach, each subproject will be accounted only when its TA letter is approved. Each subproject will be assigned a separate account.

## **B. Design and Processing of Technical Assistance Projects**

### **1. Design and Processing Issues**

33. Design and processing issues depend on the type of TA. For CDTA and PATA, the key issue is strengthening the design of TA projects that address complex development issues by deploying more staff resources, imposing stricter quality control, and strengthening staff capacity. For PPTA, the main concern is to accelerate the process by eliminating some unnecessary and time-consuming review and approval steps. In 2005, preparation of a public sector loan project required on average 23 months, of which PPTA processing accounted for more than 5 months (166 days) and TA letter signing an additional 2 months.<sup>25</sup> Scoping activities before PPTA design can add even more time to the process.

### **2. TA Letter Signing Delays**

34. Streamlining the procedures for final government concurrence, which is currently through the recipient government countersigning a TA letter, would allow TA services to be delivered more quickly. TA letter signing is a major factor in delays to TA implementation. Until the TA letter is signed, consulting contracts cannot be negotiated and teams cannot be mobilized. The time between TA approval to TA letter signing has increased from about 3 months in 2002–2003 to 3.3 months in 2005–2006, with peaks of up to 5 months in some countries and nearly 10 months for some TA projects.

#### **Change Proposal B.1: Identify Complex CDTA, PATA, and RDTA Projects and Allocate Technical Inputs Accordingly**

35. The objectives and complexity of the development issues addressed by CDTA, PATA, and RDTA are diverse. Therefore, it is important to (i) differentiate the intensity of reviews according to the complexity of the TA, (ii) ensure that meaningful inputs are provided early, and (iii) allocate sufficient resources to ensure highly complex TA projects are designed properly.

36. To optimize the allocation of resources, a two-stage process is proposed. The first stage is to classify TA projects into two categories, according to their complexity (Box 1). The second is to provide additional technical inputs and/or expert review for more complex TA projects.

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<sup>25</sup> On average, 63 days are required after ADB approval for TA letter signing, which is a requirement for negotiations with the first-ranked consultants to proceed. Procedures for PPTA processing are already fairly streamlined, but delays in preparing and revising the paper, receiving and incorporating comments, and editing and submitting for approval can be significant if other tasks demand the attention of the mission leader.

### **Box 1: Proposed TA Categorization System**

**Category A** technical assistance (TA) will include projects that are expected to address complex development issues, such as capacity development or policy reform. Criteria to be considered in categorizing projects will include the experience of the Asian Development Bank (ADB) in the country and sector, and a country's institutional capacity and ownership. These TA projects are expected to need significantly more technical inputs during design and implementation. TA clusters and large-scale capacity development TA would automatically be category A.

**Category B** TA will include projects that are closely related to an existing ADB operation, are expected to be straightforward, or are narrowly defined (e.g., TA for implementing a loan, supplementary TA, small-scale TA, or TA for conferences).

37. The following procedures will apply:

- (i) The team leader will propose that a CDTA, PATA, or RDTA project be categorized as A or B in the TA concept paper. The categorization will be supervised by the sector and/or country director, taking into account the views expressed by the departments and offices that review the concept paper, and any advice from a member of an expert panel (para. 38).
- (ii) The director general will make the final decision on TA categorization at the time of concept paper approval. During the processing of the TA, procedures will be adjusted depending on the TA category, as follows:
  - (a) Category A TA projects will be allocated additional resources, to allow a larger team to undertake fact-finding, with the help of staff consultants if needed. During preparation and interdepartmental review, category A projects will benefit from review by a member of the expert panel.<sup>26</sup>
  - (b) Category B TA projects will receive a simplified interdepartmental review by key offices and departments, before submission for approval, unless the originating department opts for a more thorough review process.

38. Expert panels will provide additional technical support during design and implementation. Standing expert panels will consist of a roster of experts available to provide technical inputs and review.<sup>27</sup> Members will be largely ADB staff, recognized for their expertise in a given sector or theme. They will be drawn mainly from the relevant ADB's communities of practice (CoP) or, if none exists, from the skills inventory and informal networks. If the needed skills are unavailable internally, they will be procured externally through retainer arrangements.

<sup>26</sup> About half of the staff time savings and all of the staff consultant budget savings generated by the streamlined PPTA approach are expected to be absorbed by quality enhancements for CDTA, PATA, and research and development technical assistance (RDTA). This is based on the assumption that approximately 20% of the average 180 CDTA, PATA, and RDTA projects approved every year will be classified as category A (about the same as the percentage of TA projects currently exposed to scrutiny by the staff review committee).

<sup>27</sup> Expert reviewers will (i) help task leaders identify applicable lessons from past TA, as well as international best practices and experiences of other development partners; (ii) help ensure that TA design is based on a well-structured results chain, linking the proposed activities to outputs and outcomes; and (iii) facilitate dialogue with task leaders of similar TA projects undertaken by ADB. When required, they may join the fact-finding mission as resource persons.

Experts will be free to consult peers, or the CoP, but will be individually responsible for comments.<sup>28</sup>

### **Change Proposal B.2: Train ADB Staff to Design Effective TA**

39. TA often addresses complex capacity development and institutional change, but ADB's internal training program does not focus on TA preparation and implementation, institutional and policy analysis, or capacity assessment. A more comprehensive menu of training opportunities will be offered regularly, catering to headquarters and resident mission staff. These opportunities will also be relevant for staff processing loans. Sample training programs are shown in Table 4. Training will be supplemented by handbooks.<sup>29</sup> Consideration will be given to recruiting staff who possess skills in these areas when filling available positions.

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<sup>28</sup> The number of times expert panel members are requested to provide inputs and comments will be limited through a rotation mechanism, and their availability and contribution will be recorded in their work program, reviewed through the performance development plan (PDP) process, and recognized accordingly. To bring in external expertise in selected areas (preferably in line with the technical scope of the expert panels) and to inform staff about current knowledge in key development areas, ADB will promote seminars open to all interested staff. Such an approach will help to broaden ADB's knowledge base in general and its exposure to the international debate.

<sup>29</sup> The Central Operations Services Office (COSO) has produced handbooks on TA disbursement, consulting services, and project implementation which may be used for training, supplemented by the training materials prepared by COSO for the project implementation and administration seminar (CPIA). RSDD is preparing a capacity assessment and capacity development tool kit, which will be available to staff in 2008. Additional materials, including a handbook on TA operations, will be developed to support the proposed training activities.

**Table 4: Technical Assistance–Related Training Programs and Proposed Additional Training Requirements for TA**

Available Training Programs	Additional Training Requirements for Improving TA Management	Committed Learning and Development Enhancement
<b>Development Results—Country Partnership Strategies</b>		
<p>2008 country performance assessment workshop</p> <p>Preparation of country partnership strategies</p> <p>Results-based country portfolio management and review</p> <p>Sector road map for country partnership strategies (introductory and advanced)</p>	<p>Sector institutional and organizational assessment, including political economy</p> <p>Stakeholder analysis</p> <p>Managing for development results</p> <p>Sector analysis and preparation of sector road maps</p>	<p>Incorporate sessions on political economy, sector institutional, and organizational assessments in the design.</p> <p>Enhance modules on stakeholder analysis by incorporating modules on country experiences and lessons learned in preparing and implementing CPS, as well as in improving business processes.</p> <p>Add module on the results framework and performance indicators for results-based CPM vis-à-vis MfDR.</p> <p>Incorporate in-depth discussion, presentation on sector analysis, and preparation of sector road maps in the modules of the program.</p> <p>Include the development of a draft sector road map as output from the workshops.</p>
<b>Managing People</b>		
<p>Managing change, performance, and teams</p>	<p>Inducing and managing change in external organizations</p>	<p>Include additional module on experiences, best practices, and lessons learned from external organizations in the workshop.</p> <p>Incorporate alternative learning approaches (e.g., videos, panel discussion) to adopt leadership and management practices used by external organizations.</p>
<b>Capacity and Social Development</b>		
<p>ADB-government-CSO cooperation: strengthening partnerships for development results</p> <p>NGO and or civil society anchors training</p> <p>Social development learning week</p>	<p>Policy analysis (for key sectors of ADB operations)</p>	<p>Incorporate modules on policy analysis on the following key sectors: infrastructure, environment, regional cooperation and integration, finance sector development, and education.</p>

Available Training Programs	Additional Training Requirements for Improving TA Management	Committed Learning and Development Enhancement
<b>Team Leadership and Project Team Membership</b>		
PTL: coaching, team membership, and team leadership; negotiation and facilitation	TA implementation and supervision	Incorporate sessions on TA implementation and supervision. Include a session on TA systemic issues and risks, cost and resource implications, and accountability and monitoring frameworks for TA operations for team membership and leadership workshops.
<b>Project Management</b>		
Introduction to critical path method for project scheduling and progress monitoring  Project implementation seminar  Project management course (introductory and advanced)  Business process and project cycle	Design of TA operations (e.g., TA planning cycle)  Preparation of requests for proposals, including development of terms of reference and results-oriented requests for proposals and terms of reference	Include a module on TA preparation and administration, including the TA planning cycle, reports, templates, and other TA administration processes as necessary.
<b>Capacity Development</b>		
Loan disbursement	Supporting EA in the delegation of TA administration	Annual loan disbursement training for finance and administrative officers in the RMs to support capacity development of EAs (commenced in April 2008).

CPM = country programming mission, CPS = country partnership strategy, CSO = civil society organization, EA = executing agency, MfDR = managing for development results, NGO = nongovernment organization, PTL = project team leadership, TA = technical assistance.

### Change Proposal B.3: Simplify and Accelerate Project Preparation TA

40. The proposed simplifications aim to (i) introduce flexibility in the allocation of project preparation resources at the department level, and (ii) refocus attention on the essential inputs needed to prepare a project, redirecting substantial staff and processing time toward implementation, which will improve project quality. PPTA streamlining will be based on the following key elements:

- (i) The COBP will not be required to indicate amounts for individual PPTA projects. The work program and budget framework will broadly identify—and the annual operational resource parameters will confirm more precisely—departmental allocations for PPTA, based on the number of projects to be prepared and the average cost of preparing a project. The directors general will be responsible for deciding the amount allocated for the preparation of each project.<sup>30</sup>

<sup>30</sup> Project preparation requires more resources, but can also benefit from local studies. This increases the difficulty of estimating the resource requirements for each PPTA project (and presenting such projects in a 3-year COBP). At the same time, most of the required studies are predictable: technical, financial, and economic analyses; environmental assessments and resettlement plans; and gender and indigenous people action plans, as needed. Project preparation can begin when the following are ready: TOR of consulting services, a related budget and

- (ii) PPTA processing procedures up to and including the fact-finding mission will not change. However, when presenting the initial concept paper for director general approval, mission leaders will be able to request retroactive financing up to a maximum equivalent to the small-scale technical assistance ceiling to finance recruitment of consultants for initial project scoping, or to accompany the PPTA fact-finding mission.<sup>31</sup>
- (iii) After fact-finding, mission leaders, with oversight from their sector directors,<sup>32</sup> will be responsible for subjecting the proposed terms of reference (TOR) and approach to review by the relevant departments and offices, as they deem necessary. The respective director general will endorse the final concept paper and submit it to the vice-president for approval. The vice-president of the relevant operations group will approve the PPTA.<sup>33</sup> The President will report approval to the Board of Directors through periodic updates on the use of PPTA resources.<sup>34</sup>

41. As a result of this streamlining, PPTA preparation time can be halved (Table 5), even if more time is allowed for concept paper preparation. This time saving is made possible by eliminating several steps that follow fact-finding (e.g., TA paper writing, review, circulation, commenting, consolidation of comments, staff review committee, editing). Each step is a potential choke point, because competing commitments for mission leaders or lengthy reply times from other departments can accumulate and lengthen the schedule. Additional time saving can be expected from the proposed revisions to the format of TA letters (paras. 44–45).

42. The streamlined PPTA approach will be a pilot for other types of TA. After an implementation period of 3 years, the new approach will be assessed to determine to what extent it can be extended to other TA types.

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implementation plan, and the initial poverty and social analysis (IPSA), which guides the social analysis to be carried out during project design.

<sup>31</sup> Director general approval of the initial concept paper will be the basis for initiating recruitment. Only external consultants and their related expenses (travel, per diem, and incidentals) and funding for consultation and participation (e.g., workshops) will be eligible for retroactive financing. After fact-finding, if a decision is made not to proceed with preparation of the project, the PPTA will be approved by the director general as a small-scale TA covering only the amount of retroactive financing, and promptly closed.

<sup>32</sup> Or country director, if the PPTA is processed by a resident mission.

<sup>33</sup> PPTA documentation will comprise the revised and final concept paper, TOR, financing and implementation plan, and IPSA. If the PPTA proposal is larger than the President's delegated approval authority, or if a director general feels that the complexity or sensitivity of a particular project requires a more formal and thorough review process, a full PPTA paper will be developed, reviewed interdepartmentally, and submitted for approval by the Board or the President, depending on the amount.

<sup>34</sup> To facilitate the flow of information and capture the knowledge generated during PPTA implementation, registered members of CoPs and other sector or thematic groups, as well as members of the proposed expert panels (para. 38), will be informed automatically when the PPTA has been approved. After PPTA completion, the CoP will receive a one-page briefing note, prepared by the PPTA team for the sector director, on the main lessons learned during preparation and implementation. CoPs and expert panel members will be responsible for ensuring that good practices are identified and shared with mission leaders who propose PPTA in similar areas.

**Table 5: Preparation Time for Project Preparatory Technical Assistance under the Current and the Proposed Streamlined Approach**

Activity	Current PPTA <sup>a</sup>	Streamlined PPTA <sup>b</sup>	Approximate time savings
Preparation of project profile and/or concept papers	30 days	40 days	10 days longer
Fact-finding	9 days	9 days	
Preparation of TA paper, TOR, and budget	119 days	28 days	91 days
Circulation and approval	8 days	2 days <sup>c</sup>	6 days
Total (average time of project development)	166 days	79 days	87 days

PPTA = project preparatory technical assistance, TA = technical assistance, TOR = terms of reference.

<sup>a</sup> Based on 2005 averages of PPTA projects.

<sup>b</sup> Staff estimates.

<sup>c</sup> The majority of streamlined PPTA is expected to be approved by the vice-president.

Source: ADB staff

#### **Change Proposal B.4: Adopt a No-Objection Approach to Signing of the TA Letter**

43. Following ADB approval, a TA letter referencing the TA framework agreement between ADB and the country is sent to and countersigned by the central government authorities. The TA then becomes effective and activities to field consultants are finalized. Significant delays often occur at this stage, as the TA letter is transferred from the government focal point to the Executing Agency (EA), and in some instances to the attorney general's office and even the prime minister's office, and then again back through the system—with little substantive review taking place through the process.

44. The main purpose of the TA letter is to ensure central government agreement to the TA content. The involvement of the central government authorities during the TA design stage will ensure stronger government ownership. The following approach is therefore proposed:

- (i) When TA preparation has been completed (typically after TA fact-finding), a memorandum of understanding (MOU) describing the TA and indicating any relevant technical and logistical arrangements and government commitments will be signed by ADB, the EA, and the government focal point responsible for ADB operations. If circumstances do not allow the signing of the MOU, an aide-memoire will be left by the mission, to be subsequently confirmed in writing by the EA and focal point.
- (ii) On the basis of the signed MOU or confirmed aide-memoire, following TA approval, ADB will send to the government<sup>35</sup> of the DMC and to the EA (if the EA is a legal entity different from the government) a TA letter<sup>36</sup> (with the TA paper<sup>37</sup> and MOU or confirmed aide-memoire attached) stating that if no objection is expressed within 21 calendar days of the date of the TA letter, the TA will be deemed to have been accepted by the government and, if the EA is a legal entity different from the government, by the EA.

<sup>35</sup> To the government focal point responsible for ADB operations.

<sup>36</sup> The TA letter will refer to the TA framework agreement.

<sup>37</sup> Or, in the case of a PPTA project, the documentation used by ADB to approve the PPTA.

- (iii) In exceptional cases where no MOU was signed or aide-memoire confirmed, a TA letter will be sent and countersigned by the government and the EA (if the EA is a legal entity different from the government) as is currently the case.<sup>38</sup>

45. Adoption of this measure would reduce the time between approval and consultant contract negotiation by almost 80%—from an average of 99 days to 21. Before the 21-day deadline, ADB staff will follow up the no-objection TA letter with the government, either through electronic communication or through the resident mission. For external relations purposes and visibility, particularly in the case of cofinanced TA, public signing of the TA letter, which has sometimes been done, would be replaced by (i) public delivery of the TA letter; (ii) other public events (e.g., an inception workshop, conferences, or other activities supported under the TA); (iii) press releases at TA approval and during implementation; and (iv) final events aimed at disseminating TA outcomes. For cofinanced TA, these activities would be organized in close collaboration with aid agencies of the cofinancing country.

## **C. Implementation of Technical Assistance**

### **1. Implementation Support**

46. The focus group discussions held by the TA reform task force and the special evaluation study on TA performance by OED (footnote 1) concluded that supervision during implementation must be improved. More emphasis and resources are provided during processing, while implementation is often characterized by fewer review missions and a high turnover of supervising officers. This results in excessive dependence on consultants to ensure successful outcomes. Monitoring of TA operations must be improved. The ADB management information system for TA is fragmented<sup>39</sup> and does not allow day-to-day monitoring of implementation, although initiatives have started in the Pacific Department and the Central and West Asia Department to develop a TA tracking system under the second information systems and technology strategy (ISTS II).

### **2. Feedback Mechanism**

47. Quality-at-exit checking is superficial. OED's evaluations of TA are very selective and limited in numbers. The objectivity of the TA completion report (TCR) varies, as it is reviewed only through ADB interdepartmental circulation. Inputs from the EA, consultants, or other parties involved in implementation are not required.

### **Change Proposal C.1: Redirect Resources from Processing to Implementation and Supervision**

48. In the medium and long term, supervision of implementation will become stronger and more focused by increasing delegation of administration to executing agencies and resident missions. In the short term, however, there is no substitute for increasing the amount of resources devoted to TA implementation, particularly staff time and mission travel for TA supervising officers, and, to the extent needed, input from staff consultants and expert panel

<sup>38</sup> DMC governments will be informed by the regional departments of the proposed change in procedures, and will have the option to request that the current approach of countersigning the TA letter be retained.

<sup>39</sup> The project processing information system (PPIS) focuses on the processing stage and TA amount, but does not track historical data such as changes in project officers. The technical assistance information system (TAIS) records financial disbursement data, while TA performance reports contain more detailed implementation updates.

members, especially for category A projects. This will be partly achieved by redirecting resources freed by continuing close monitoring of TA approvals, reduction in the number of ADTA projects being implemented, and procedural simplifications introduced in the processing of category B CDTA, PATA, and RDTA (paras. 35–38) and PPTA (paras. 40–42).

49. Monitoring of TA operations will be improved. ADB is developing a comprehensive TA management information system, which will allow access to data (including TA performance reports and completion reports) on all types of TA in one place, as well as generation of reports.<sup>40</sup> A key element in establishing a results-oriented TA management information system is the use of a TA project's design and monitoring framework as the benchmark against which progress in achieving results will be assessed.<sup>41</sup> This will help ADB to move from a financial perspective (monitoring of disbursements) to a more output-focused reporting system. Ideally, paper-based reporting will become minimal once the management information system is in place.

50. To increase development effectiveness, attention must be extended to facilitating the use of TA outputs during and after completion, sometimes a long time after consultant teams have completed their assignment. The reduction in the number of TA approvals since 2005, coupled with the closing of substantially completed TA projects, has improved the staff–TA ratio. However, additional attention and resources for TA implementation, coupled with stronger recognition of TA supervision in evaluating staff performance is necessary. Cost-effective implementation supervision requires a phased, three-pronged approach: (i) delegated TA administration; (ii) increased role of the resident missions; and (iii) improved feedback mechanisms.

### **Change Proposal C.2: Gradually Delegate TA Administration to Executing Agencies**

51. In the long term, the strategy is to shift from direct TA administration by ADB to ADB oversight of TA administered by EAs and other entities. As in loan projects, ADB staff will gradually prepare the EAs to assume administrative responsibility for consultant selection and contract administration by harmonizing national procedures and ADB standards.<sup>42</sup> The role of ADB staff will gradually shift to supervision, fiduciary control, quality assurance in design and implementation, and dissemination of knowledge outcomes. This transition needs to be carefully planned and gradually implemented, taking into account the readiness of country systems and, within countries, the capacity of EAs to ensure that significant delays or fiduciary risks are not

<sup>40</sup> An integrated TA MIS is part of the project processing and portfolio management (P3M) project of the Office of Information Systems and Technology (OIST) under the ISTS II. The system, which is expected to be in place in 2010, will allow online management of TA proposals from inception to closure. Such an approach should improve processing significantly and shorten the waiting time when circulating documents for comments and approvals. Details of what the system will include in terms of lessons learned and indicators of success are being defined. System development costs will be covered under ISTS II, but maintenance will need to be covered under IAE.

<sup>41</sup> Such an approach requires a renewed emphasis on the quality of the design and monitoring framework. OED's draft annual report on 2006 portfolio performance shows that there is scope to improve the quality of TA projects' design and monitoring framework.

<sup>42</sup> In a 2004 pilot study of Central Operations Services Office (COSO), executing agencies were delegated responsibility for consultant selection for 20 TA projects in 10 DMCs, subject to adherence to ADB guidelines and procedures. The pilot appears to have worked well in the People's Republic of China, where selection for all three pilot PPTA projects was completed in 2004. Of the two ADTA projects, one was completed in 2005, but one is still outstanding. As a result of the experiment and continuing requests from the DMCs, COSO provided the following clarification in its revised operational guidelines: "In order to increase ownership of TA projects and improve sustainability of project benefits, ADB may, in particular circumstances, delegate responsibility to a borrower ('delegated TA') to recruit and supervise TA consultants."

introduced (e.g., in consultant selection). Middle-income countries and experienced EAs that request this responsibility for TA administration could be the initial participants in this approach, using TA resources if needed to develop the EA's capacity. It is proposed that weaker EAs be invited to observe and contribute to ADB's consultant selection committees in the evaluation of consultants' technical proposals. This will provide an opportunity for EA staff to learn ADB's evaluation procedures and methodology. Delegation of TA administration to EAs would also comprise full involvement of the EAs in (i) identifying the indicators in the design and monitoring framework, (ii) monitoring and evaluating TA during implementation, and (iii) preparing completion reports.

52. To develop country-specific approaches and action plans, ADB will discuss delegation of TA administration with DMC governments through country programming missions, beginning in 2008. Working with the government, these missions will identify EAs qualified to administer TA, using such criteria as: (i) experience of working with ADB, (ii) familiarity with ADB procedures through experience with consultant selection and administration of contracts under ADB loans, and (iii) a strong future pipeline (to justify the investment in capacity). Criteria for the selection of EAs will also include (i) the extent of good governance, including accountability mechanisms in place; and (ii) available counterpart resources, including staff, budget, and logistics.<sup>43</sup>

53. The next step will be for ADB and the EA to conduct an organizational and institutional assessment to identify potential weaknesses. Difficulties encountered during consultant selection under loan operations will indicate areas where capacity development or more intense ADB assistance may be required. In parallel, the ADB Central Operations Services Office will review its consultant selection procedures to clarify the steps, expected duration, and ADB approval requirements, with the objective of reducing and simplifying these steps without compromising the integrity of the consultant selection and administration process. ADB will help countries to strengthen EAs' financial management capabilities and enable them to manage the fund flow, ensuring adequate financial controls and compliance with ADB's guidelines and procedures. However, delegation will only be allowed when the organizational and institutional assessment of the EA shows satisfactory results.

54. This gradual shift in TA management is justified since DMCs already recruit, manage, and supervise consultants and firms following procedures acceptable to ADB for loan-funded TA services. However, delayed recruitment and mobilization of consultants are major causes of loan implementation delays, which average about 21 months. This indicates that in some countries and for some EAs capacity needs to be developed before full administrative responsibility can be transferred, and that some countries and EAs may not be ready or willing to undertake these additional responsibilities. In some cases, ADB and the EA may decide on joint TA administration to overcome some limited organizational weaknesses or to build capacity through learning-by-doing. Nevertheless, if proper procedures are followed and administrative capacity is present in the EA, ADB's administration of consultant contracts adds little intrinsic value. From the point of view of the EAs and beneficiaries, administrative control is likely to result in greater ownership and supervision, enhancing the impact of the TA. A gradual shift in delegating TA administration to EAs is also needed to ensure that ADB can provide sufficient support during the transition period, given the current resource constraints. Delegation of TA

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<sup>43</sup> The country programming missions will also reconfirm continuity with the current approach regarding tax liability of consultants engaged by EAs under delegated TA. It is expected that the approach applied in the earlier pilot delegation of consultant recruitment and supervision to EAs (allowing the same privileges and immunities, including tax-exempt status, to consultants performing missions for ADB permitted under non-delegated TA) will also be followed by EAs under delegated TA. TA letter agreements signed by EAs for delegated TA will reflect this understanding.

administration is expected to require active support and coaching from ADB staff until the EAs are fully familiar with ADB guidelines and standards. However, in the long term, staff inputs can be reduced as more EAs fully understand ADB's procurement procedures. Resident mission staff will play a key role in this process. Resource requirements will be assessed during a 3-year implementation period (2008–2010).

### **Change Proposal C.3: Increase the Role of the Resident Mission**

55. In 2007, resident missions administered 136 TA projects, 22% of the active TA portfolio of the operations departments. In the medium term, a larger role can be assigned to the resident missions. Resident mission staff will bring a permanent presence, geographic proximity, and knowledge of the local context to TA supervision. These features are particularly important to support utilization of TA outputs and recommendations. A potential weakness is that resident mission staff may not have the in-depth expertise needed to manage high-level consultants in specialized areas. A gradual and pragmatic approach will therefore be required. The work program and budget framework (2008–2010) set a target of 29% of TA projects to be administered by resident missions by 2010. The extent of feasible delegation and the associated requirements in terms of staff strength and technical expertise are being analyzed further through the resident mission operations review.

### **Change Proposal C.4: Improve Feedback Mechanisms**

56. Feedback on TA operations will be enhanced at two levels. The first is the assessment of TA by OED. Given the statistically insignificant number of TA post-evaluation reports that OED currently prepares, the objectivity and quality control of TA completion reports must be enhanced. To this end, TCR findings will be supplemented by requesting the EA and TA consultants to assess TA performance upon completion through a simple feedback questionnaire. This feedback and the staff ratings will be taken into account in determining a validated overall TA completion rating.<sup>44</sup> Instead of conducting a post-evaluation of individual TA projects, OED will assess the role of TA in achieving results in the context of country assistance program evaluations, sector evaluation studies, and special studies.

57. The second level is feedback to external stakeholders. Lessons and reports from TA operations will be made publicly accessible. A web-based knowledge database containing lessons and final reports of TA operations will be established and made accessible to staff and the public. Staff and consultants will be encouraged to publish selected outcomes from TA in academic and professional journals. Staff participation in regional conferences to disseminate the most relevant results will be promoted. Such external reporting will be recognized in staff performance evaluations, along with their contribution to TA design and implementation.

## **D. Financial Management of Technical Assistance**

### **1. Ensuring Stable Financing**

58. Sources of financing have shifted in recent years. Financing from Technical Assistance Special Fund (TASF) resources has fallen significantly in real and percentage terms to about 42% of the TA program in 2007,<sup>45</sup> while the Japan Special Fund (JSF)<sup>46</sup> and trust funds from

<sup>44</sup> OED will function as the focal point for consolidating and validating technical assistance completion reports. The overall result of the validation will be shared with the respective regional and knowledge departments.

<sup>45</sup> The last voluntary contribution exceeding \$1 million to TASF came from the People's Republic of China in 2002. TASF has been stabilized in recent years through resource transfers from the Asian Development Fund (ADF) IX

external sources have filled the gap. TA financing from trust funds from external sources has grown from less than 10% of the total in 2000 to nearly 40% in 2005. ADB is administering 32 trust funds, ranging in size from \$400,000 to \$85 million. The diversification of funding sources has allowed ADB to maintain a sizeable and stable TA program in the face of fluctuations in financial flows. However, excessive reliance on trust funds from external sources carries two risks: (i) the objectives of the suppliers of funds may not be aligned with ADB or regional priorities, resulting in low utilization of the funds, or diversion of scarce ADB staff resources to lower-priority activities; and (ii) ADB staff and DMCs may incur substantial transaction costs in aligning themselves to different guidelines, procedures, and reporting requirements.

## 2. Cost of TA Services

59. Global inflation over the past 10 years, as measured by the International Monetary Fund's world price consumer index (a reasonable proxy for the increase in consulting fees, assuming consultants and firms aim to keep their global purchasing power intact) has been 51.9%. Average daily remuneration rates paid by ADB to international consultants have increased by 20.4% between 2000 and 2007. Staff have reported difficulty in engaging some consultants with higher qualifications, and, to respond to these concerns, average rates increased by 10.8% in 2007, with comparable adjustments in offer rates anticipated in 2008. During the same period, the US dollar has depreciated by 21% against the pound sterling, 35% against the Australian dollar, and 26% against the euro.<sup>47</sup> Hence, individual TA proposals will need to become larger if ADB is to be able procure services cost-effectively.

### **Change Proposal D.1: Align Trust Funds to Current Priorities through Financing Partnerships**

60. ADB has responded to shifts in TA financing through a financing partnership approach,<sup>48</sup> which envisages the creation of facilities or initiatives to support broad themes that address the priorities of ADB and Asia and the Pacific. Facilities or initiatives have been created for water, regional cooperation, and clean energy; and are under consideration for the urban sector. Each facility is accompanied by a fund, open to contributions from any donor, to finance TA and pilot initiatives. Through this process, cofinanciers are invited to align their resources to thematic priorities, contributing to a harmonized and coordinated approach. As of 30 June 2007, \$93.3 million had been mobilized for these thematic facilities, of which \$30 million came from ADB's resources. This approach will be continued.

### **Change Proposal D.2: Standardize Guidelines for Trust Funds**

61. The Strategy and Policy Department has compiled a list of best practices for trust funds, covering (i) screening and concept clearance processes, (ii) visibility and reporting requirements, and (iii) administration fees and funding restrictions (Appendix 4). Guidelines for each fund will be harmonized as far as possible to ensure that staff preparing projects can deal with a common approach, regardless of the source and purpose of the funds. Efforts will be

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replenishment and OCR income transfers. Approximately, 7% of all ADF IX basic burden share contribution goes to the TASF. Transfers from OCR operations into TASF totaled \$50 million in 2004, \$32 million in 2005, and \$20 million in 2006.

<sup>46</sup> In response to the high utilization of JSF funds, the Government of Japan has increased the annual JSF allocation significantly: from \$40 million in 2004 to \$65 million in 2006 and \$80 million in 2007.

<sup>47</sup> Depreciation between 31 December 1997 and 31 December 2007. Depreciation against the Euro is computed from 31 December 1998 to 31 December 2007.

<sup>48</sup> ADB. 2006. *ADB's Financing Partnership Strategy*. Manila.

made to encourage contributors to smaller bilateral trust funds to merge their funds with broader facilities and initiatives. This will help to ensure synergy, alignment, and optimal utilization of donors' financing and ADB's administrative resources.

### **Change Proposal D.3: Increase the Ceilings for Delegated TA Approval Authority**

62. The objective of delegating TA approval authority to the President within a prescribed limit is to allow the Board to focus on more substantial and substantive projects and issues. To maintain this principle in the current financial circumstances, this paper proposes raising the delegated approval ceiling for the President to \$1.5 million,<sup>49</sup> and the delegated authority of the vice-presidents and the Director General of the Operations Evaluation Department (OED) to \$750,000 for CDTA and PATA.<sup>50</sup> For PPTA, in line with paras. 40–42, the delegated approval authority of the vice-presidents would be up to \$1.5 million.

**Table 6: Technical Assistance Projects by Approval Size, 2003–2007**  
(number of projects)

<b>Amount</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total</b>	<b>%</b>
Equal to or Below \$225,000 (SSTA)	74	53	66	43	43	279	19%
Equal to or Below \$1 million but Above \$225,000	225	257	222	179	160	1,043	72%
Equal to or Below \$1.5 million but Above \$1 million	7	5	4	11	6	33	2%
Above \$1.5 million	9	8	8	27	33	85	6%
<b>Total</b>	<b>315</b>	<b>323</b>	<b>300</b>	<b>260</b>	<b>242</b>	<b>1,440</b>	<b>100%</b>

SSTA = small-scale technical assistance.

### **Change Proposal D.4: Increase the Ceiling and Delegate Approval Authority for Small-Scale TA to Heads of Departments**

63. Small-scale TA has proven a useful and flexible response to requests for focused and urgent assistance. The adequacy of the current \$150,000 limit for the use of simplified approval procedures has been eroded by inflation and changes to exchange rates (para. 59). It is proposed that the limit be increased to \$225,000. Based on TA projects approved from 2002 to 2006, this would result in only a modest increase in the number of small-scale TA projects.<sup>51</sup> To enhance the flexibility of this instrument, it is also proposed that authority to approve small-scale TA up to \$225,000 be delegated to heads of departments. Vice-presidents would establish controls to ensure that approved small-scale TA projects fall within the directions provided by the CPS, RCS, and strategic forum recommendations, or, if they fall outside these directions, that they respond to urgent and high-priority requirements. All TA approvals would continue to be reported to the Board regularly.

<sup>49</sup> This is in line with current trends at other multilateral development banks: the Inter-American Development Bank is also proposing a \$1.5 million threshold for delegation of approval authority to the President.

<sup>50</sup> See ADB. 2004. *Delegation of Approval Authority to Director General, Operations Evaluation Department for Certain Technical Assistance Related Recommendations*. Manila. The Director General, OED, reports directly to the Board through the Development Effectiveness Committee of the Board. Neither the President nor the vice-presidents exercise managerial control over OED. Therefore, the paper proposes to request Board approval for an increase in the ceiling for delegation of TA approval authority to \$750,000 for the Director General, OED (para. 85).

<sup>51</sup> Of 1,521 TA projects approved during 2002–2006, 295 (19%) were below the current \$150,000 limit. If the limit had been \$225,000, an additional 27 TA projects would have been classified as small-scale TA, bringing the total to 322 (21%).

64. It has been argued that if countries had to share part of the costs of the TA they receive they would scrutinize projects more closely and still be able to receive assistance at a fraction of the full cost. Higher-income countries that are no longer borrowing from ADB could also receive TA on a reimbursable basis, if they value ADB assistance and the knowledge it imparts.

65. The issue of cost sharing for both loan and TA operations was addressed in 2005 under the innovation and efficiency initiative,<sup>52</sup> which adopted the approach that the share of TA operations<sup>53</sup> to be financed by ADB would be agreed upon for the aggregate portfolio for the DMC during preparation of the CPS or in a special memorandum submitted to ADB Management and the Board. Thereafter, the funding proposed for each TA could vary, reflecting sector focus and the nature and purposes of the TA, provided the aggregate portfolio ceiling is respected. Since then, ceilings have been established for 13 countries. In two cases (Indonesia and Viet Nam) the ceiling was set at 80%. It was set at 85% for Bangladesh, Lao People's Democratic Republic, Mongolia, and Nepal; and at 90% for Papua New Guinea. The remaining countries had 99% ceilings.<sup>54</sup> Some countries also supplement scarce grant resources by borrowing for capacity development and analytical activities under TA loans or components of investment loans. Some higher-income countries have used ADB TA on a reimbursable basis.<sup>55</sup> The key objectives of portfolio-wide ceilings were procedural consistency across instruments, responsiveness and harmonization with other funding agencies, and a reduction in transaction costs. Since the new cost-sharing policy and the other measures were introduced only recently, no changes are proposed at this time. The issue of cost recovery for countries with higher levels of income will be re-examined during the early phase of implementation of the new LTSF.

#### IV. IMPLEMENTING TECHNICAL ASSISTANCE REFORM

66. The reform outlined in this paper aims to increase the development effectiveness of TA over the medium term. Phased implementation could take up to 3 years, with annual assessments through the work program and budget framework. At the end of that period, ADB is expected to contribute more meaningfully to solving development issues in Asia and the Pacific through a predictable and well-funded TA program that mobilizes internal and external resources to help address DMC requirements.

67. Results expected from the proposed reforms include the following (see Table 9 for the detailed results and monitoring framework):

- (i) a stronger focus at the country level in core sectors of ADB operations, complemented by flexible use of a smaller share of TA resources to respond rapidly to compelling DMC requests for analysis and policy advice;
- (ii) clear prioritization of knowledge products and services provided through RDTA;
- (iii) a reduction by half in lead time for the fielding of PPTA consultants;
- (iv) a growing role for DMCs in the administration and supervision of TA;

<sup>52</sup> ADB 2005. *Innovation and Efficiency Initiative. Cost Sharing and Eligibility of Expenditure for Asian Development Bank Financing: A New Approach*, Manila.

<sup>53</sup> The ceiling would apply to TA financed as a grant, loan, or a combination.

<sup>54</sup> Afghanistan, Bhutan, Kyrgyz Republic, Maldives, Philippines, and Tonga.

<sup>55</sup> For example, technical assistance to Brunei Darussalam for the development of the capital market and a modernized payment and settlement system, which is currently awaiting Management approval.

- (v) a stronger role for ADB staff in TA supervision;
- (vi) better dissemination of knowledge outcomes; and
- (vii) a streamlined TA resource mobilization mechanism that emphasizes a few large multi-donor thematic funds rather than the current more numerous country- and subject-specific trust funds.

68. In addition to assessments of individual TA operations through validated TA completion reports, the corporate impact of the various TA types will also be assessed. The impact of PPTA will be assessed through the quality of design and success in implementing the resulting loans. The impact of CDTA and PATA will be assessed by OED's country assistance program evaluations (CAPE), which will determine how they complement other ADB lending or grant operations and contribute to ADB's overall efforts to increase development effectiveness in a given country. ADB's profile as a knowledge broker for development issues will mainly depend on the quality of the knowledge products that will result from RDTA processes. The success of ADB's RDTA will be measured by how well it positions ADB as a knowledge platform for Asia and the Pacific.<sup>56</sup>

69. Some systemic issues that affect TA effectiveness are outside the scope and influence of this paper. These include the ADB approach to career progression (which often involves a change in position), limitations on internal administrative expense resources, incentives that favor processing over implementation, the appropriateness of the current staff skill mix, and the role of resident missions.

#### **A. Systemic Issues and Risks**

70. The success of the proposed changes will depend on (i) establishing a sound accountability system that matches the increased delegation of responsibility; and (ii) addressing important factors linked to TA management, but not under direct control of the TA reform. The TA reform task force and OED have made it clear that human resource factors are essential to enhancing TA effectiveness.

71. The first requirement is to establish and communicate an incentive structure aligned with the objective of increasing TA effectiveness. There is a perception in operations departments that staff involved in lending operations and in loan processing (including PPTA) tend to be recognized more than colleagues involved in ADTA operations and implementation, and that younger and less experienced staff are assigned to TA processing to become familiar with DMCs and ADB procedures before moving on to more challenging tasks such as loan preparation. While learning-by-doing is a valid staff training method, this practice does not take into account the importance of TA in delivering development results, particularly in weakly performing countries and when change processes are introduced. Changing the incentives provided through rewards and recognition is essential for the success of reforms. ADB's performance and development plan needs to take fuller account of the results that well-designed and well-managed TA operations can deliver. This has begun, particularly in departments where TA operations constitute an important share of the assistance ADB provides, or are strongly requested by DMCs.

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<sup>56</sup> The Knowledge Management Center in the Regional and Sustainable Development Department (RSDD) will monitor the implementation of the strategic forum discussions and provide a regular report to Management on how ADB is positioned as a reputable and recognized knowledge platform.

72. The complexity and requirements of individual operations—TA, grants and loans—have changed, and this shift must be matched by staff with the skills to design and implement increasingly complex products. For capacity development and policy reform TA, listening, dialogue, negotiation, and communication skills are as important as technical skills. A good understanding of the political economy, the cultural and social background, and the institutional and organizational environment are essential to initiate and manage change processes. These skills can partially be enhanced through training (para. 39), but they must also be considered as requirements when recruiting new staff. ADB would probably benefit from a staff exchange or secondment program with other specialist agencies or with the private sector to promote on-the-job training.<sup>57</sup>

73. The approach outlined in chapter III does not address the frequent turnover of ADB staff supervising TA projects. The root causes of this issue are linked to the internal career progression system, which requires staff to apply for different positions to be promoted. Possible solutions to this problem are beyond the scope of this paper. However, to the extent that a team approach is adopted in the design and implementation of TA and the use of TA clusters increases, team members will be expected to be able to provide continuity during the transition phase, and possibly become the new team leader for the project, mitigating the adverse effects of personnel changes.

74. ADB also should consider establishing a standard for project design and management to ensure that experienced or trained staff process and implement TA designed to address complex development issues. For instance, ADB could require potential team leaders to go through a standard training program—covering the project performance management system, the design and monitoring framework, all project team leadership modules, and training on consultation and participatory methodologies—before they are assigned to process a category A project. This would ensure a consistent standard for project design and management. While staff shortages may make full implementation of this suggestion difficult, ADB could consider mechanisms to retain former staff as mentors for younger staff. The regional departments and the Human Resources Division have been exploring options to address on-the-job training more systematically, and will continue in these efforts.

75. These issues are essential for the success of TA reform. If the incentives, the human resources, and skill mix issues are addressed comprehensively, this will improve the impact of the TA program significantly.

## **B. Cost and Resource Implications**

76. The proposed TA reforms have been designed to improve the focus, effectiveness, and ownership of TA operations in order to enhance results. In the aggregate, the estimated net resource implications of the proposed reform are essentially neutral.<sup>58</sup> This is because emphasis and resources will be reassigned from formal review procedures at the design stage to a more substantive review focused on a smaller subset of more complex TA projects, and to TA supervision during implementation. Implementation will also be phased in gradually.

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<sup>57</sup> RSDD through the Capacity Development and Governance Division (RSCG) is processing a RETA project for implementation in 2008 to support capacity assessments in sector operations.

<sup>58</sup> Less than one additional staff year will be required on an ongoing basis, which can be absorbed within normal operational staffing levels, while there is a requirement for half a staff year and \$30,000 on a one-time basis.

77. Staff savings and additional requirements will be reflected in reductions or increases in the workload distributed among a large number of staff involved in TA operations, rather than in redundancies or the creation of specific positions. The reduction in the number of individual TA projects approved in recent years has already saved staff time and costs for processing and supervision. Continued discipline and monitoring of the number of TA projects will help to ensure that the reforms are resource-neutral. In addition, the proposed reforms will use ongoing and already funded initiatives (e.g., ISTS II, improvements to the CPS process, and training), redirecting their emphasis, without need for additional resource allocations. The ongoing CPS and RCS improvements will lead to greater strategic focus at country and subregional levels.

78. Table 7 summarizes the resource implications in terms of staff and the administrative budget for the main items of the TA reform agenda (see Appendix 5 for more details). Additional resources will be required only to organize and conduct the strategic forum. The simplifications introduced through the streamlined PPTA approach (elimination of the requirement to prepare and circulate a PPTA paper interdepartmentally, and the possible use of retroactive financing to fund the initial consultant and participatory activities) are expected to save considerable staff time and staff consultant costs. Part of these resources will be reinvested to improve the design quality of more complex (category A) CDTA, PATA, and RDTA. The remainder will be devoted to strengthening TA implementation supervision.

79. Shifting oversight for about 40 TA projects from headquarters to resident missions by 2010 will result in closer implementation supervision. Corresponding readjustments in staffing and strengthening of the sector skills of resident mission staff will be required to accommodate this shift. While skill strengthening will absorb some of the cost savings from the lower unit cost of resident mission administration, the result will be stronger internal capacity in the medium term.

**Table 7: Main Resource Implications of the Proposed TA Reform**

Action	Already part of budgeted activities	Net staff time (weeks)	Net IAE impact (\$,000)	One-time cost	Remarks
Enhanced Strategic Planning	Yes <sup>a</sup>	+8 <sup>b</sup>	+48 <sup>b</sup>		a. CPS improvements already ongoing b. Additional staff and organization costs for strategic forum
Adoption of a Streamlined PPTA Approach		(160) <sup>a</sup>	(1,400) <sup>b</sup>		a. Staff savings because of simplified process. b. IAE impact is the result of shift of scoping activities from staff consultants to the TA budget
Quality Enhancement for CDTA, PATA, and RDTA	Yes <sup>a</sup>	+31 <sup>b</sup>	+1,192 <sup>c</sup>		a. Training included in current budget b. Additional staff time and expert panels for quality enhancement (especially category A projects) c. Design support for category A projects by staff consultants
Enhanced Implementation	Yes <sup>a</sup>	+117 <sup>b</sup>	+130 <sup>c</sup>		a. MIS improvements funded under ISTS II b. Additional supervision time during implementation c. Additional mission travel for implementation supervision d. Shift to resident mission is assumed to be budget neutral
Financial Management				+22 staff weeks +\$20,000 business travel	One-time cost to negotiate bilateral trust fund consolidation
<b>Total Resource Impact (additional resources required)</b>	(mostly ISTS II; CPS/RCS enhancement; training activities)	+16	0	+22 staff weeks +\$20,000 business travel	

Footnote letters are explained in the remarks column.

( ) = negative, CDTA = capacity development technical assistance, CPS = country partnership strategy, IAE = internal administrative expense, ISTS II = second information systems and technology strategy, MIS = management information system, PATA = policy and advisory technical assistance, PPTA = project preparatory technical assistance, RDTA = research and development technical assistance, RCS = regional cooperation strategy, TA = technical assistance.

Source: ADB estimates.

### C. Accountability and Monitoring Frameworks for TA Operations

80. The framework in Table 8 shows how accountability and responsibility for TA operations would be allocated as a result of the proposed reforms. The framework highlights each stakeholder's role and obligations, subject to adjustments that may be required during implementation. These accountabilities will be taken into account during year-end and periodic performance reviews.

81. Accountability for improving TA design rests largely with the team leaders, with oversight provided by their sector or country directors, and with technical support from expert panels. Department directors general will play the primary role in managing financial and staff resources involved in TA delivery, including retroactive financing of PPTA activities, with oversight provided by the respective vice-presidents, who maintain ultimate responsibility for the consistency and resource balance of TA operations within their operations group and for PPTA approval. However, accountability is not confined to ADB; it needs to be extended to the EAs.

They must be prepared to commit time and resources during the identification and design stage to ensure that TA is responsive to their requirements.

82. Accountability for improving TA implementation rests at various levels within ADB. The team leader will continue to be responsible for direct TA supervision, including updating of information in the management information system. ADB should take into account feedback from the EA and consultants when assessing the team leader's performance. Middle management within the operations departments will be largely responsible for creating the preconditions for enhanced supervision. Sector directors will continue to be responsible for allocating business travel and other resources for adequate TA supervision, and for defining a succession plan and interim arrangements in case of staff turnover. In cooperation with country directors and under the overall coordination of regional directors general, sector directors will also be responsible for identifying TA projects that can be delegated to EAs and for defining a program for transferring TA supervision to resident missions. The Office of Information Systems and Technology will need to make available the required information systems.

**Table 8: Accountability and Responsibility Framework**

<b>Accountability</b>	<b>Responsibility</b>
<b>President:</b> Strategic guidance	Provide strategic guidance. Account for the overall use of TA resources. Approve TA based on delegated authority. Regularly report to the Board on the use of TA resources.
<b>Vice-Presidents:</b> Strategic prioritization and selectivity. Resource allocation at the operations group level	All vice-presidents: Ensure the strategic focus of the TA within their group. Monitor and report on the overall use of TA resources. Allocate TA resources within their group. Encourage and monitor knowledge generation from highly successful TA activities.  V-President, Knowledge Management: Chair the strategic forum that will provide direction for ADB-wide TA and knowledge products.
<b>Directors General:</b> Strategic focus. TA categorization. Resource allocation at department level	Ensure strategic alignment of individual loan and TA activities with CPS and country priorities. Approve concept papers and make final decisions on capacity development TA (CDTA), policy and advisory TA (PATA), and research and development TA (RDTA) categorization. Allocate TA resources to TA teams. Ensure that knowledge generated through TA informs new TA operations.
<b>Expert Panels:</b> Quality enhancement	Review CDTA, PATA, and RDTA concept papers. Review PPTA papers on demand. Provide support for quality enhancement of category A and B CDTA, PATA and RDTA. Meet regularly to discuss lessons learned from TA operations.
<b>Country Director:</b> Consistency with country priorities	Confirm alignment of proposed TA with the CPS and country priorities. Monitor TA implementation at the country level to enhance development effectiveness.
<b>Sector Director:</b> Quality control and management of division resources	Provide guidance on concept papers, TOR, and budget. Provide a technical check on TA quality. Monitor progress of the division's TA program. Supervise implementation and ensure that knowledge generated through TA activities is shared with partners inside and outside ADB.
<b>TA Team Leader and TA Team:</b> Processing and implementation	Prepare concept papers, TOR, and budget. Ensure compliance with ADB requirements and procedures in consultation with OCO, OGC, COSO, and CTL. Prepare a note on lessons learned in designing and implementing TA to be shared with the CoPs and expert panels. Prepare notes and publications to share knowledge generated through TA with the regional and/or global development community. Monitor the implementation of a TA against the objectives and targets established in the DMF.
<b>Executing Agencies:</b> Processing and implementation	Provide input on TA design and participate in implementation. Help prepare and implement TA according to ADB's processing and implementation standards in case of delegated TA management. Ensure own staff commitment and liaison with other in-country stakeholders, and provide support to ADB TA team. Provide feedback on lessons learned and implementation of the TA to ADB. Monitor the implementation of a TA against the objectives and targets established in the DMF.

CDTA = capacity development technical assistance, CoP = community of practice, CPS = country partnership strategy, CTL = Controller's Office, DMF = design and monitoring framework, OCO = Office of Cofinancing Operations, OGC = Office of the General Counsel, PATA = policy and advisory technical assistance, RDTA = research and development technical assistance, SPD = Strategy and Policy Department, TA = technical assistance, TOR = terms of reference, WPBF= work program and budget framework.

Source: Asian Development Bank staff.

83. A summary of the change proposals and a monitoring framework for Management to monitor their implementation are presented in Table 9. The number of measures and/or indicators that can be monitored is limited to 19 to keep the framework simple and operational in terms of data availability and reporting requirements. Management will use the following instruments to monitor TA reform implementation:

- (i) quarterly operations review meetings to track actual TA processing against planning figures based on the operational resource parameters;
- (ii) portfolio review meetings at the department or office level to follow the implementation progress of individual TA projects; and
- (iii) an annual assessment of the monitoring framework (Table 9) and reporting on progress in implementing the TA reform through the work program and budget framework.

**Table 9: Technical Assistance Reform Monitoring Framework, 2008–2011**

Expected outcomes	Change proposals	Indicators	Targets
1. Overall development impact of the ADB TA program increased	<p>Monitor and evaluate the corporate impact of PPTA, CDTA, PATA, and RDTA</p> <p>PPTA: Develop sustainable investment projects</p> <p>CDTA and PATA: Strengthen the operations of government organizations</p> <p>RDTA: Generate knowledge on development challenges in the Asia and Pacific region</p>	<ul style="list-style-type: none"> <li>• PPTA: Number and evaluation rating of loans developed through PPTA</li> <li>• CDTA/PATA: Alignment with other ADB operations (loans, grants) in a country</li> <li>• RDTA: Number of academic and professional publications as a direct result of the RDTA</li> <li>• Significant improvement in number of TA projects rated “successful” and “highly successful”</li> </ul>	<ul style="list-style-type: none"> <li>• 60-70 loan projects approved a year</li> <li>• Significant correlation between TA and other ADB operations (grants, loans) in any given country</li> <li>• One flagship document every two years based on TA</li> <li>• Increase TA rated “successful” and “highly successful” to 65% in 2009; 70% in 2010; 80% in 2011 (baseline 2006: 63%)</li> </ul>
2. Strategic planning of TA operations at country and bank-wide level strengthened	<p>A.1: Redefine the types of TA to reflect the outcome of different TA products</p> <p>A.2: Strengthen TA programming in country partnership strategies</p> <p>A.3: Guide ADB’s knowledge agenda through a strategic forum</p> <p>A.4: Strategically allocate TA resources</p> <p>A.5: Control TA portfolio size</p> <p>A.6: Strengthen longer-term engagement through TA clusters</p>	<ul style="list-style-type: none"> <li>• Number of PPTA, CDTA, and PATA projects planned through the CPS and RCS framework</li> <li>• Number and percentage of RDTA projects approved based on priorities identified by the strategic forum</li> <li>• Number of active TA projects in the portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• 75% of country-specific TA planned through the CPS and RCS framework</li> <li>• 75% of RDTA projects support priorities identified by the strategic forum</li> <li>• Stable TA portfolio of 750-850 active TA projects a year (2008: 830)</li> </ul>
3. Quality enhancement mechanisms improved	<p>B.1 Identify complex CDTA, PATA, and RDTA projects and allocate technical inputs accordingly</p> <p>B.2: Train ADB staff to design effective TA</p>	<ul style="list-style-type: none"> <li>• Significant improvement in TA design rating (quality-at-entry review), in particular the quality of DMFs</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of all TA DMFs increases to 75% in 2008, 80% in 2009 and 85% in 2010 (2005: 35%)</li> </ul>
4. Procedures and internal reviews streamlined	<p>B.3: Simplify and accelerate project preparation TA</p> <p>B.4: Adopt a no-objection approach to signing of the TA letter</p>	<ul style="list-style-type: none"> <li>• Duration of the PPTA processing cycle (concept paper to fielding of consultants)</li> <li>• Percentage of TA projects using</li> </ul>	<ul style="list-style-type: none"> <li>• Processing of PPTA projects reduced from 166 days to 77</li> <li>• TA projects with using no objection TA letter approach to</li> </ul>

Expected outcomes	Change proposals	Indicators	Targets
		no-objection TA letter approach to approval	approval: 50% in 2009, 90% in 2010
5. Country ownership increased	C.1: Redirect resources from processing to implementation and supervision C.2: Gradually delegate TA administration to Executing Agencies C.3: Increase the role of the resident mission	<ul style="list-style-type: none"> <li>• Budgetary resources for TA implementation and supervision</li> <li>• Number of TA projects administered by EAs</li> <li>• Number of TA projects managed by resident missions</li> </ul>	<ul style="list-style-type: none"> <li>• 5% p.a. increase in budget allocation for TA implementation and supervision between 2009 and 2011</li> <li>• 5% decrease in budget allocation for TA processing between 2009 and 2011</li> <li>• 5-10% of TA projects administered by EAs in 2010 (2007: 0%)</li> <li>• 29% of TA projects administered by resident missions in 2010 (2007: 22%)</li> </ul>
6. Learning from TA operations institutionalized	C.4: Improve feedback mechanisms	<ul style="list-style-type: none"> <li>• Number of TCRs with feedback from EAs and consultants</li> <li>• Number of thematic or sector studies/reports published based on TA</li> </ul>	<ul style="list-style-type: none"> <li>• 90% of all TCRs based on structured feedback from stakeholders (EAs and consultants)</li> </ul>
7. Management of TA resources improved	D.1: Align trust funds to current priorities through financing partnerships D.2: Standardize guidelines for trust funds D.3: Increase the ceiling for delegated TA approval authority D.4: Increase the ceiling and delegate approval authority for small-scale TA to heads of departments	<ul style="list-style-type: none"> <li>• Stable TA program over the medium term</li> <li>• Number of trust funds</li> <li>• Resources mobilized for TA</li> <li>• Alignment of Trust Funds with LTSF priorities</li> </ul>	<ul style="list-style-type: none"> <li>• TA program: \$300 million a year</li> <li>• TA resources financed through trust funds increased to \$100 million a year (2008: \$85 million)</li> <li>• Number of trust funds reduced to 25 by 2011 (2007: 32)</li> <li>• 80% of trust funds and TA projects aligned with ADB priorities as described in the long-term strategic framework (2008-2020)</li> </ul>

CDTA = capacity development technical assistance, CPS = country partnership strategy, DMC = developing member country, DMF = design and monitoring framework, EA = executing agency, OM = operations manual, PATA = policy and advisory technical assistance, PPTA = project preparatory technical assistance, RCS = regional cooperation strategy, RDTA = research and development technical assistance, TASF = technical assistance special fund, TA = Technical assistance.

## V. CONCLUSION AND RECOMMENDATIONS

84. This paper recommends a number of measures to be taken by Management to increase the impact of the ADB technical assistance (TA) program, as presented in paras. 18–63.

85. The President recommends that the Board approve the following changes to the policy on TA:

- (i) an increase in the ceiling for delegation of TA approval authority to the President to \$1.5 million;
- (ii) an increase in the ceiling for delegation of TA approval authority to the Director General of the Operations Evaluation Department to \$750,000; and
- (iii) an increase in the ceiling for the use of simplified approval procedures for small-scale TA to \$225,000, with approval authority delegated to heads of departments or offices.

## PREVIOUS TECHNICAL ASSISTANCE REFORM EFFORTS (1986–2005)

1. A paper on technical assistance (TA) funding in 1986<sup>1</sup> concluded, “Future technical assistance operations should place increased emphasis on: (i) institutional development, particularly in Group A developing member countries (DMC); (ii) conducting more sectoral and issues-oriented studies; (iii) focusing increased attention on the needs of the less- and least-developed DMCs and the small island DMCs; (iv) making more use of technical assistance to support and complement Asian Development Bank’s (ADB) evolving operational strategy; (v) enhancing ADB’s role as a regional resource center; and (vi) making greater and more imaginative efforts to improve regional cooperation.”

2. A paper on streamlining technical assistance operations<sup>2</sup> in 1988 recommended that the Board approve “(i) an increase in the initial grant ceiling for project preparatory technical assistance (PPTA), from \$350,000 to \$600,000; (ii) an increase in the grant limit for PPTA, from \$150,000 to \$250,000; (iii) provision of grant-financing of up to \$250,000 for each feasibility study carried out under a technical assistance program loan; (iv) an increase in the ceiling for small-scale technical assistance (SSTA) from \$75,000 to \$100,000; and (v) an increase in the delegated authority of the President to approve technical assistance, from \$350,000 to \$600,000.”

3. A review of technical assistance operations in 1997<sup>3</sup> recommended “(i) adjustment of the ceiling for initial grant financing of PPTA from \$600,000 to \$1 million; (ii) the introduction of a technical assistance (TA) cluster instrument...that would be subject to review after three years of implementation; (iii) increase in the ceiling for local currency financing under TA grants from 15 to 25 percent; (iv) more extensive use of pilot testing of project approaches under TA funding (normally not exceeding 30 percent of ADB’s financing of an individual TA); (v) use of regional technical assistance (RETA) for detailed engineering of subregional projects as an initial grant, subject to appropriate arrangements for reimbursement; (vi) use of PPTA to assist DMCs in handling build-operate-own and/or build-operate-transfer projects, through advice on project financing and legal structuring, and assistance for packaging projects for bidding, evaluating bids, and negotiating deals with project sponsors; the instrument would be subject to review after three years of implementation; (vii) adjustment of the ceiling for TA grant-approving authority delegated to the President from \$600,000 to \$1 million; (viii) use of the no-objection procedure for Board approval of TA grants; and (ix) increase in the ceiling for SSTA from \$100,000 to \$150,000.”

4. Another review in 2002<sup>4</sup> emphasized delegation of authority and recommended that “(i)...The President should be authorized to assign to the vice-presidents the appropriate levels of authority to approve TA. The President will continue to be the reporting authority of such approvals to the Board. The President will retain approval authority for TAs that are not included in the country strategy and program and/or country strategy and program update, emergency TA, and other exceptional TA, regardless of the amount of the TA. (ii)...The President should be authorized to assign to the vice-presidents the approval of a major change in scope of the TA, and report such approval to the Board. (iii)...All PPTA funded from Technical Assistance Special Fund and ordinary capital resources current income approved on or after 1 January 2002 will no

<sup>1</sup> ADB. 1986. *Technical Assistance Operations and Funding Arrangements*. Manila.

<sup>2</sup> ADB. 1988. *Streamlining of Technical Assistance Operations*. Manila.

<sup>3</sup> ADB. 1997. *Review of the Bank’s Technical Assistance Operations*. Manila.

<sup>4</sup> ADB. 2002. *Review of the Management and Effectiveness of Technical Assistance Operations of the Asian Development Bank*. Manila.

longer be subject to cost recovery. Full cost recovery for PPTA for private sector operations will continue.”

5. A pilot study on delegated TA approved by the Board in late 2003 allowed developing member countries (DMCs) to select and manage consultants.<sup>5</sup> Results were mixed. Initially, 20 TA projects were selected for inclusion in the pilot study, representing a mix of PPTA and advisory TA in various sectors, with executing agencies (EAs) located in both small and large DMCs. Of these pilot projects, five each were selected from the People’s Republic of China (PRC) and India, with the remaining ten chosen from other DMCs. The procedure for delegation to EAs followed the approach undertaken to recruit consulting services under ADB-financed loan projects, with small adjustments. The results were not encouraging, and highlighted the need to proceed gradually and focus on cases where DMCs show strong commitment. Four of the delegated TA projects in the PRC produced satisfactory results. The study concluded that it was not clear whether EAs for pilot TA projects would have been equally committed to expedite consultant selection if the central governments (through their ministries of finance) had not taken a special interest in demonstrating success. However, the pilot study recognized the potential of delegated TA, and guidelines on the use of consultants published by Central Operations Services Office in April 2006 allow the delegation of responsibility to a DMC EA for the recruitment and supervision of TA consultants.<sup>6</sup>

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<sup>5</sup> ADB. 2003. *A Pilot Study for Delegation of Consultant Recruitment and Supervision under Technical Assistance to Executing Agencies*. Manila.

<sup>6</sup> ADB. 2007. *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*. Manila. Page 3, footnote 9.

## STRENGTHS AND WEAKNESSES OF ASIAN DEVELOPMENT BANK TECHNICAL ASSISTANCE

### A. The International Debate on Technical Cooperation

1. ADB is not alone in trying to reform its technical assistance (TA). The development community has witnessed several stages of TA reform over the past three decades. In the 1970s, participatory and process approaches to design emerged, while the term “technical assistance” evolved into “technical cooperation” to underline a mutual learning process rather than a one-way transfer of knowledge from developed countries and development agencies to developing countries. The 1980s emphasized domestic capacity building with less reliance on foreign expertise. The 1990s highlighted the need to understand the complex socioeconomic, cultural, and political context that TA is often trying to influence.<sup>1</sup> More recently, the Paris Declaration<sup>2</sup> and Monterrey Consensus<sup>3</sup> have emphasized alignment with national strategies, ownership, mutual accountability, managing for development results, and harmonization. While some sectors of civil society have defined TA as “overpriced and ineffective”,<sup>4</sup> a recent Organisation for Economic Co-operation and Development (OECD) report concluded that, “Although heavily criticized, Technical Co-operation is not ‘good’ or ‘bad’ – it depends on *how* it is used”.<sup>5</sup>

2. Specifically, the Paris Declaration and Monterrey Consensus have emphasized the importance of (i) predictability of aid flows, including TA; (ii) country leadership in prioritizing external assistance, based on national development or poverty reduction strategies; (iii) harmonization among aid sources in demarcating areas of assistance, within the broader international framework of the Millennium Development Goals; (iv) reduction of transaction costs by untying aid and adopting, where possible, national systems and procedures; (v) enhanced role of recipient countries in the design and procurement of TA programs; (vi) due regard to the special needs and implementing capacity of developing countries, particularly those with weaker capacity; and (vii) more effective use of local TA resources. As Table A2.1 shows, ADB TA is reasonably well aligned with the Paris and Monterrey principles, although some improvements can be made, particularly regarding local involvement in implementation and pooling of resources to enhance coordination.

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<sup>1</sup> Banerjee, N. V. Leonel, and M. Mkandala. 2002. Is the Development Industry Ready for Change? *Development Policy Journal* Vol. 2 (December): 131–159; Mitzlaff K. von, and A. Vermehren. 1994. The end of technical cooperation: Or just a change of concept? *Development and Cooperation* No. 3 (May–June): 23–25.

<sup>2</sup> High Level Forum. 2005. *Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability*. Paris, 28 February 28–2 March 2005.

<sup>3</sup> United Nations. 2003. *Monterrey Consensus of the International Conference on Financing for Development*. Monterrey, 18–22 March 2002.

<sup>4</sup> See, for example: ActionAid International. 2006. *Real Aid – 2: Making Technical Assistance Work*. Johannesburg.

<sup>5</sup> OECD. 2006. *Technical Co-operation: Its role in Capacity Development*. Issues Paper. Istanbul, 12–13 October 2006, page 3.

**Table A2.1: Alignment of ADB Technical Assistance with Paris and Monterrey Principles**

Paris and Monterrey Principles <sup>a</sup>	ADB TA Practice
Predictability of aid flows	TA is programmed on a 3-year rolling basis in consultation with the government.
Country leadership in prioritization, based on national strategy	TA is guided by the country partnership strategy, which is developed in consultation with the government and other stakeholders, based on national strategies.
Harmonization among aid sources	Coordination is pursued at the country level. ADB administers cofinanced TA, but maintains separate accounting of funds.
Untying of assistance	Procurement is open to all ADB member countries.
Use of national systems and procedures	ADB procures and administers services for grant-funded TA following ADB procedures. <sup>b</sup>
Role of recipients in design	The executing agency in charge of external aid management participate in fact-finding meetings and sign the memorandum of understanding.
Role of recipients in procurement	Procurement can be delegated to the executing agency. <sup>b</sup>
Regard to recipient's implementing capacity	Capacity considerations are considered in TA design.
Use of local TA resources	Local consultants or firms are associated with 43% of contracts. Consultants or firms from developing member countries accounted for 56% of contracts in 2006.

ADB = Asian Development Bank, TA = technical assistance.

<sup>a</sup> The first six items are based on the Paris Declaration, the remaining three are from the Monterrey Consensus.

<sup>b</sup> Recipients procure consulting services using national systems and procedures compatible with ADB regulations in the case of loan-financed TA and consulting services.

Sources: ADB staff, Paris and Monterrey Declarations.

## B. Prioritization of TA Based on Active Portfolio Size

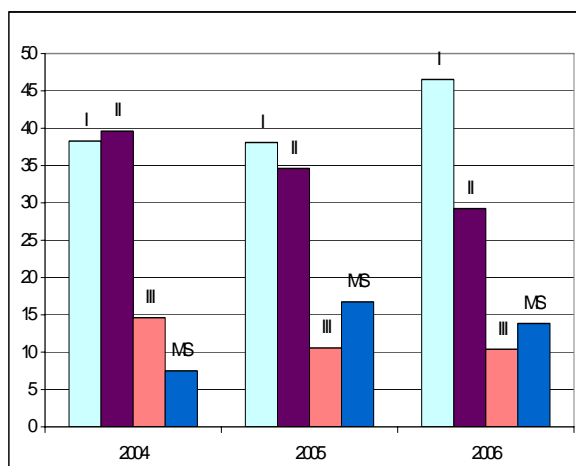
3. Following an increase in the number of TA projects from 301 in 2000 to 323 in 2004, Management imposed a cap on new TA approvals in 2005. A parallel effort was undertaken to reduce the number of TA projects being implemented: 409 were closed in 2005 and 282 in 2006. As a result, the size of the active ADTA and RETA portfolio shrank from 813 at the end of 2004 to 707 as of 31 May 2007. The reduction in new approvals has been partially compensated for by combining smaller TA projects into larger ones with broader scope and by the use of TA clusters. Thus, the resource requirements for managing the TA portfolio have not necessarily been reduced correspondingly.

4. In parallel with the reduction in numbers, the medium-term strategy II (2006–2008)<sup>6</sup> encouraged ADB operations (including TA) to focus on fewer key sectors. Figures A2.1 and A2.2 show the initial results: a significant increase in TA supporting group I sectors (from 38% in 2004 to 47% in 2006), and a reduction in the share of TA supporting group II (from 39% in 2004 to 29% in 2006) and group III (from 15% in 2004 to 10% in 2006) during the same period.<sup>7</sup> Since a similar trend has been observed for lending operations, the result is a closer sector alignment of all ADB activities.

<sup>6</sup> ADB. 2006. *Medium-Term Strategy II (2006–2008)*. Manila.

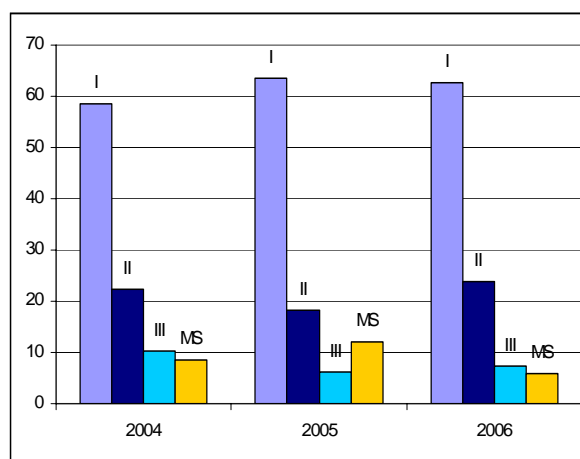
<sup>7</sup> For a listing of the sectors in the three groups, see *Medium-Term Strategy II*, p. 17.

**Figure A2.1: MTS II Priority Groups and Sectors: Technical Assistance, 2004–2006**  
(% of Total Number of Projects)



MS = multisector.  
Source: Asian Development Bank

**Figure A2.2: MTS II Priority Groups and Sectors: Lending and ADF Grants, 2004–2006**  
of Total Number of Projects)



MS = multisector.  
Source: Asian Development Bank

5. Constraints on the number of TA projects and closer alignment with MTS II priorities have reduced the margin for TA to respond to unanticipated country priorities. This has been compensated for by (i) allowing vice-presidents discretion in reallocating TA resources within their operations group (indicative planning figures are allocated to each vice-president), (ii) exempting small-scale TA projects from the cap on approval numbers, and (iii) resorting to ADB-financed staff consultant resources when feasible financed through administrative resources.

### C. Strengths and Weaknesses of ADB Technical Assistance

6. Internal assessments by the TA reform task force and the special evaluation study (SES) on TA performance by the ADB Operations Evaluation Department (OED)<sup>8</sup> point out strengths and weaknesses in the ADB TA program. The strengths include the following.

- (i) **ADB TA is a unique instrument.** ADB combines under one roof grant-funded TA operations and loan or equity-based support for investment projects, which it can combine. For example, the Small and Medium Enterprise Development Program<sup>9</sup> loan for Viet Nam in 2004 supported legal reforms to improve the business environment, was prepared using PPTA funds, and was accompanied by a \$1.4 million advisory TA (ADTA) project to help design the required laws and regulations.<sup>10</sup>

<sup>8</sup> ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila

<sup>9</sup> ADB. 2004. *Capacity Building for Small and Medium Enterprise Development*. Manila.

<sup>10</sup> In a striking example of cofinancing, the PPTA was funded by the Italian trust fund, and the ADTA was cofinanced by the governments of Switzerland (\$600,000) and Denmark (\$300,000). Additional parallel TA was provided by Kreditanstalt für Wiederaufbau (KfW) (\$400,000) and Agence Française de Développement (AFD) (\$350,000). AFD (€25 million) and KfW (€20 million) also financed part of the \$80 million cluster program loan.

- (ii) **The ADB TA program is financially sound, strong, and predictable.** From 2002 to 2006, ADB approved on average 304 TA projects worth \$198 million a year.<sup>11</sup> While the importance of cofinancing has grown, TA is still financed largely through ADB's core resources.<sup>12</sup> When necessary, transfers from ordinary capital resources (OCR) income have been used to supplement them. All trust funds managed by ADB are untied, while other multilateral development banks (MDBs) rely mainly on a more cumbersome system of partially tied trust funds.<sup>13</sup>
- (iii) **The ADB TA program can respond quickly to challenges.** When needed, TA can be processed very rapidly. A significant part of ADB's emergency response to the 2004 tsunami in South and Southeast Asia was prepared through TA. Further, TA was used to facilitate implementation of this assistance.
- (iv) **The ADB TA program is flexible and can adapt easily to different country contexts.** In the face of significant changes in the Asia and Pacific region since the 1960s, and considerable diversity among ADB DMCs, TA has proved highly flexible and able to cater to various clients—ranging from middle-income to weakly performing countries. For example, for 10 years starting in 1992, ADB helped rebuild and strengthen the public administration system in Cambodia as the country emerged from conflict through 32 TA projects totaling \$28.9 million. TA was used in the Marshall Islands to design a delivery model for youth services through civil society organizations, including businesses, to complement government departments that had been unable to deliver services adequately.<sup>14</sup> In the People's Republic of China, ADB helped formulate a provincial socioeconomic development strategy to take advantage of globalization and address emerging disparities.<sup>15</sup> More generally, middle-income countries are increasingly demanding TA to help them understand and design measures to address the negative side effects of rapid economic growth, e.g., to reduce air and water pollution, increase energy efficiency, and address growing social inequalities through innovative solutions. Regional TA supporting national agriculture research and extension systems has enhanced farmers' incomes and livelihoods in Bangladesh, India, Nepal, and Pakistan.<sup>16</sup>
- (v) **ADB TA helps develop local expertise in DMCs.** TA operations typically combine international and local expertise, contributing to knowledge exchange. Local consultants and officials learn best international practices, while international experts tap into local knowledge. Regional and ADB-wide studies, conferences, and workshops have allowed ADB to provide a platform for discussion of regional and global issues, as well as to present the perspectives of Asia and the Pacific to the international community.

<sup>11</sup> Approval numbers and amounts were fairly stable throughout the period. During 2002–2006, the number of TA approvals per year ranged from 260 to 323, while the amounts ranged from \$176.5 million to \$241.6 million. In 2006, ADB approved both the highest amount and the lowest number of TA projects. The active portfolio has declined from 946 TA projects on 30 June 2005 to 832 on 31 August 2007.

<sup>12</sup> The Technical Assistance Special Fund (45%) and Japan Special Fund (20%) accounted for 65% of all TA grant resources in 2002–2006.

<sup>13</sup> Other MDBs see ADB as a model. In a round table on cofinancing in April 2005, MDBs urged ADB not to consider tied funding because such a decision would undermine their own strategy to shift to untied funding.

<sup>14</sup> ADB. 2003. *Technical Assistance to the Marshall Islands for Preparing a Youth Services Project*. Manila.

<sup>15</sup> ADB. 2002. *Technical Assistance to the People's Republic of China for Hebei Provincial Development Strategy*. Manila.

<sup>16</sup> ADB. 2004. *Regional Technical for Ninth Agriculture and Natural Resources Research at International Agricultural Research Centers*. Manila.

- (vi) **ADB's individual TA operations have generally been successful.** The SES (footnote 8) confirmed that nearly three quarters of the TA projects studied and almost two thirds of TA projects independently evaluated by OED were rated "successful" or "highly successful". This success rate, however, falls short of the 70% target adopted by ADB for projects evaluated by OED.<sup>17</sup> Successful TA projects have common features: high-quality design, focus on outputs and outcomes, commitment and ownership by all relevant stakeholders, and implementation by skilled ADB staff and proficient consultants.

**Table A2.2: Technical Assistance Program, 2003–2007**  
(\$ million)

	2003		2004		2005		2006		2007		Total 2003-2007	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
PPTA	74	46,390	76	46,207	68	43,005	73	60,869	66	40,577	357	237,048
ADTA	165	79,243	175	108,062	152	85,850	98	78,516	94	100,212	684	451,883
RETA	76	50,906	72	42,321	80	70,016	89	102,242	82	102,653	399	368,138
<b>TOTAL</b>	<b>315</b>	<b>176,539</b>	<b>323</b>	<b>196,590</b>	<b>300</b>	<b>198,871</b>	<b>260</b>	<b>241,627</b>	<b>242</b>	<b>243,442</b>	<b>1,440</b>	<b>1,057,069</b>

ADTA = advisory technical assistance, PPTA = project preparatory technical assistance, RETA = regional technical assistance.

7. These positive considerations should not obscure the fact that there is ample room to enhance the effectiveness of TA. While reviews of TA operations in 1988, 1997, 2000, and 2002<sup>18</sup> focused mainly on procedural or administrative issues, the TA reform task force and the SES on TA performance called for a comprehensive TA reform program with both procedural and product changes. Areas needing improvement can be summarized as follows (see paragraphs 18–63 of the main paper for a more detailed discussion).

- (i) **Strategic planning of TA has been weak.** This weakness can be seen at the country level and even more for regional and research-oriented TA.
- (ii) **The depth of institutional analysis has been inadequate.** TA initiatives have often not been based on in-depth institutional and organizational analysis.
- (iii) **Time horizons for implementing complex TA projects has been too short.** More continuity is required to establish a longer-term operational focus on key sectors and themes at the country level.
- (iv) **Guidance to staff on TA processing focuses mostly on procedures, rather than on content.** The Operations Manual focuses mostly on procedural requirements, while interdepartmental circulation was found to add value only in half of the cases studied.

<sup>17</sup> ADB. 2006. *2005 Annual Poverty Reduction Report: Progress in Implementing the Poverty Reduction Strategy*. Manila. para. 21.

<sup>18</sup> ADB. 1988. *Streamlining of Technical Assistance Operations*. Manila; ADB. 1977. *Review of the Bank's Technical Assistance Operations of the Asian Development Bank*. Manila; and ADB. 2000. *Review of the Management and Effectiveness of Technical Assistance Operations of the Asian Development Bank*. Manila; and ADB. 2000. *Sustainable Financing of Knowledge Products and Services in the Asian Development Bank*. Manila.

- (v) **ADB focuses too much on processing, not enough on implementation.** Frequent changes of ADB staff and weaknesses in the handover process have undermined project supervision and relationships between ADB staff, EAs and consultants.
- (vi) **Ownership of TA initiatives remains low.** EAs report low levels of involvement in decisions related to consultant selection, supervision, and evaluation, and, in some cases, even in the selection, prioritization, and development of TA. Because of contractual relationships, consultants view ADB, not the EAs, as their primary client.
- (vii) **A comprehensive management approach to TA operations is missing.** Resource allocation at the corporate level favors large loan operations. Results orientation in individual TA operations is weak. Management of knowledge generated through TA is not systematic, and the information provided in TA performance reports and TA completion reports is not fully analyzed or utilized to design new TA operations.

8. Many of these weaknesses apply in varying degrees to all ADB TA operations. However, as different types of TA serve different purposes, the nature of the issues and the required solutions are different.

9. **Project Preparatory Technical Assistance.** PPTA is used to prepare for ADB loans whose overall content and scope has been clearly agreed upon and identified when preparing the country operations business plan (COBP). Given the size of the ensuing project and financial commitment, loans and PPTA projects are subject to a high degree of ownership and scrutiny by the recipient DMC and ADB. The main concern expressed by DMCs regarding PPTA has been the speed of ADB's delivery. Average PPTA processing (from concept paper to signing of the TA letter, which allows negotiations with consultants to start) exceeds 7 months, and consultant recruitment averages 4 months. As a result, almost 1 year can pass before consultants are fielded to undertake feasibility analysis. A second shortcoming is the potential duplication of the country's own analyses. To be safe, PPTA terms of reference often cover all aspects of a project, instead of focusing on identified gaps. This sometimes dilutes scarce resources. Speed, flexibility, and adequate funding are the main areas needing attention to improve PPTA results.

10. **Advisory Technical Assistance.** ADTA usually addresses sector analysis and more complex capacity development and policy reform concerns. Since ADTA results are less targeted, involve complex change processes, and have an impact over a longer time frame than other forms of TA, the two keys to success are (i) strategic alignment with national priorities, other ADB operations, and/or other development partners; and (ii) ownership. As the outputs generated and issues addressed by ADTA are not standard, the essential requirements for success are the quality of design based on a thorough context assessment, high-level expertise and careful implementation to ensure recommendations are applicable to the country, and long-term engagement to allow the change processes to take hold.

11. **Regional Technical Assistance.** The two main types of RETA are (i) subregional RETA, which covers more than one country in the framework of a regional cooperation strategy, and is subject to the same considerations as PPTA and ADTA; and (ii) ADB-wide RETA, which addresses global and regional issues relevant to the future development of the Asia and Pacific region. The knowledge generated by RETA flows back directly or indirectly to DMCs. For

instance, a RETA on air quality management in Asia<sup>19</sup> has contributed to subsequent country approaches to reducing pollution levels in many Asian cities. However, strategic prioritization of ADB research areas in light of Asia's development issues has been inadequate.

12. Building on the strengths and addressing the weaknesses of the ADB TA program will require changes in TA procedures and products. Procedural changes must refocus scarce ADB resources by retaining or introducing only those steps that add significant value to processing and implementation. Product changes are needed to produce more responsive TA and to increase development effectiveness of the TA program. For both to be successful, attitude changes and strong management support will be required.

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<sup>19</sup> ADB. 2005. *Technical Assistance for Rolling Out Air Quality Management in Asia*. Manila.

## ENHANCING TECHNICAL ASSISTANCE EFFECTIVENESS IN WEAKLY PERFORMING COUNTRIES

1. Technical assistance (TA) has been the major source of Asian Development Bank (ADB) support for weakly performing countries (WPC). As discussed in a recent paper,<sup>1</sup> the challenge of enhancing the effectiveness of TA support in WPCs is more pronounced than in other countries. Capacity building requirements, the ability of governments to plan and engage in TA activities, the absorptive capacity of executing agencies, the strength of counterpart support, and the sustainability of TA inputs are all fundamentally more difficult in WPCs. As noted in the paper, these issues have important implications for the kind of TA projects ADB should plan and program in such countries, as well as for the design, implementation, and financing arrangements it should put in place.

2. From 2003 to 2007, ADB TA to WPCs averaged about \$32 million per year, with Afghanistan, Lao People's Democratic Republic, and Nepal the biggest recipients. With effect from 2008, the work program and budget framework has committed ADB to a 20% increase in assistance to WPCs per year, starting from the average of the 2004–2006 period (Table A3.1). In 2008, ADB will provide approximately \$37 million of TA to WPCs. For comparison, the approvals for middle-income countries (MIC) are provided in Table A3.2.<sup>2</sup>

**Table A3.1: Technical Assistance Approvals in Weakly Performing Countries, 2003–2007**

Country	2003		2004		2005		2006		2007	
	No. of Projects	\$'000	No. of Projects	\$'000	No. of Projects	\$'000	No. of Projects	\$'000	No. of Projects	\$'000
Afghanistan	9	10,450	14	13,606	11	8,485	5	7,950	2	4,500
Kiribati	1	300	1	800			1	630		
Lao PDR	7	3,340	11	6,120	7	3,024	8	4,640	5	4,143
Nepal	9	4,185	10	3,184	4	2,155	13	6,380	10	7,220
Papua New Guinea	2	1,050	1	500	3	2,150	4	4,239	5	1,874
Marshall Islands, Rep of	2	1,000	2	910	1	300	2	400		
Solomon Islands			3	1,850	2	1,095			2	2,800
Tajikistan	9	3,360	5	2,800	6	4,000	6	4,450	5	3,261
Timor Leste	1	550	3	900	2	1,200	1	1,000	1	15,000
Uzbekistan	9	3,200	6	2,500	5	2,300	5	2,150	2	1,400
Vanuatu	2	400	2	1,300			1	800	1	600
<b>Total WPC</b>	<b>51</b>	<b>27,835</b>	<b>58</b>	<b>34,470</b>	<b>41</b>	<b>24,709</b>	<b>46</b>	<b>32,639</b>	<b>33</b>	<b>40,798</b>
<b>Total TA Approvals</b>	<b>315</b>	<b>176,539</b>	<b>323</b>	<b>196,590</b>	<b>300</b>	<b>198,871</b>	<b>260</b>	<b>241,627</b>	<b>242</b>	<b>243,442</b>
<b>% to Total TA Approvals</b>	<b>16%</b>	<b>16%</b>	<b>18%</b>	<b>18%</b>	<b>14%</b>	<b>12%</b>	<b>18%</b>	<b>14%</b>	<b>14%</b>	<b>17%</b>

Source: 2003-2007: Loan, TA, Grant & Equity Approvals Database.

<sup>a</sup> A 20% increase is projected when compared with the average of 2004-2006 period.

<sup>1</sup> ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries (The Asian Development Bank's Approach to Engaging with Weakly Performing Countries)*. Manila.

<sup>2</sup> For middle-income countries (MICs), TA approvals averaged about \$97 million annually from 2003 to 2007, with the People's Republic of China, Pakistan, and India receiving almost half of the amounts approved. Table A3.2 demonstrates that MICs still have significant levels of poverty. In absolute numbers, the vast majority of poor people in the Asia and Pacific region reside in rural areas in MICs.

**Table A3.2: Technical Assistance Approvals in Middle-Income Countries, 2003–2007**

Country	Poverty Incidence (\$2 a day)	2003		2004		2005		2006		2007	
		No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
<b>Group C</b>											
Fiji Islands		4	2,103	3	895	3	1,600	3	1,500	1	250
Kazakhstan	17.04	6	1,777	4	1,700	3	1,300	1	600	2	660
Malaysia	9.77							1	150		
Philippines	43.58	7	4,350	10	5,995	7	4,620	5	4,650	4	2,650
Thailand	25.81	2	210			7	3,345	4	1,531	2	1,000
Turkmenistan	2.11									1	150
<b>Group B2</b>											
China, P.R.	37.76	26	14,300	32	16,704	34	18,335	27	13,580	33	20,482
India	79.63	22	14,695	16	11,200	9	6,328	12	30,570	11	10,800
Indonesia	52.89	20	12,465	24	17,577	6	10,330	7	7,050	8	6,160
Nauru						2	478				
Palau										2	1,700
Papua New Guinea		2	1,050	1	500	3	2,150	4	4,239	5	1,874
Uzbekistan		9	3,200	6	2,500	5	2,300	5	2,150	2	1,400
<b>Group B1</b>											
Armenia	30.29					1	150	1	150	3	900
Azerbaijan	33.25	5	2,400	5	2,550	5	2,940	1	430		
Bangladesh	81.71	10	5,120	12	6,290	13	7,450	7	5,710	8	7,693
Cook Islands		2	650			1	600			1	700
Marshall Islands		2	1,000	2	910	1	300	2	400		
Micronesia		3	1,233	3	850			1	600	1	400
Pakistan	59.97	20	10,028	23	28,920	25	15,276	11	7,601	10	20,233
Sri Lanka	41.47	11	5,350	4	3,950	8	3,113	4	2,310	1	600
Tonga		3	915	3	700	1	700	2	910		
Viet Nam	43.16	15	8,610	16	7,680	20	12,250	15	16,524	20	13,125
<b>Total MIC</b>		<b>169</b>	<b>89,456</b>	<b>164</b>	<b>108,921</b>	<b>154</b>	<b>93,564</b>	<b>113</b>	<b>100,655</b>	<b>115</b>	<b>90,776</b>
<b>Total TA Approvals</b>		<b>315</b>	<b>176,539</b>	<b>323</b>	<b>196,590</b>	<b>300</b>	<b>198,871</b>	<b>260</b>	<b>241,627</b>	<b>242</b>	<b>243,442</b>
<b>% to Total TA Approvals</b>		<b>54%</b>	<b>51%</b>	<b>51%</b>	<b>55%</b>	<b>51%</b>	<b>47%</b>	<b>43%</b>	<b>42%</b>	<b>48%</b>	<b>37%</b>

Sources: (i) Loan, TA, Grant &amp; Equity Approvals Database, (ii) Key Indicators 2007.

## A. Strengthening Programming

3. In addition to the recommendations provided in paras. 23–32 of the main text, TA programming in WPCs also will emphasize the following principles.

- (i) Given the need to provide long-term and predictable levels of financing, country partnership strategies (CPSs) may need to have a longer time horizons of 5–10 years. Country programs will contain more long-term and larger TA projects, including greater use of TA clusters.
- (ii) Recognizing the unique needs of WPCs, ADB will consider unique approaches. For example, TA projects in WPCs may focus, partly or entirely, on support for project implementation activities to supplement the typically extremely weak implementation capacity and to develop long-term project management expertise. Similarly, TA projects may provide support for capacity supplementation in WPCs with small populations and weak human resource bases. Such capacity supplementation may need to be long-term.
- (iii) Given the weak absorptive capacities of WPCs, ADB may need to provide TA support jointly with other development partners to minimize overlaps and transaction costs. Pooling resources will need to be accompanied by harmonized approaches to, for example, procurement and disbursement.

## **B. Enhancing TA Quality**

4. The changes proposed in paras. 35–45 of the main paper will help to improve TA designs in WPCs. However, the following additional features will need to be considered to provide flexibility in TA design in WPCs.

- (i) Given the frequently uncertain policy and macroeconomic contexts, as well as the need for longer-term engagement, TA projects in WPCs should be allowed to include higher levels of contingencies than normal to ensure flexibility and rapid response in case re-adjustments are needed.
- (ii) TA outcomes in WPCs may not be immediately sustainable, as they often provide a short-term input to a longer-term evolutionary development of capacity. In the quality control process, a long-term perspective must be used when assessing the sustainability of individual TA projects.
- (iii) While efforts will be made to maximize the use of local or regional consultants, notably to help strengthen the understanding of the political economy, in certain fragile situations and for some specific technical and professional skill sets, local expertise may be unavailable and international expertise will have to be used.
- (iv) Where country capacity is weak or nonexistent, some TA projects may look beyond traditional executing agencies, to nongovernment organizations (NGOs), development partners, or, exceptionally, ADB itself. In such cases, parallel efforts will continue to develop government capacity to implement and monitor the TA.
- (v) Given the challenging political economy of WPCs, extensive consultation and participation will be even more important than usual to establish effective ownership of TA.

## **C. Strengthening Implementation**

5. TA implementation in WPCs is more resource-intensive than in other countries. To compensate for weak EA capacity, the following precautions are generally advisable in WPCs.

- (i) ADB will follow a cautious approach in adopting country systems and delegating TA implementation to WPCs.
- (ii) In many situations, TA projects will need to be implemented without adequate counterpart staff, or without any counterpart staff at all. In such cases, ADB will have to provide additional resources for implementation and monitoring.

## **D. TA Financial Management**

6. In addition to the approaches suggested in paras 60–63 of the main paper, financing of TA support in WPCs will include the following features.

- (i) Consistent with the recommendations in ADB's policy on cost sharing and eligibility of expenditures,<sup>3</sup> the requirements governing counterpart funds will be used flexibly. In WPCs where the governments cannot provide counterpart financing, ADB TA projects will not require counterpart financing, but may require in-kind contributions.
- (ii) Acknowledging the critical need to work closely with other partners, ADB will be flexible in prescribing fees for administering funds from cofinanciers in WPCs. While the overall principle of full cost recovery for administering cofinanced funds will be respected, ADB Management may allow deviations from standard administrative fees in WPCs on a case-by-case basis.

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<sup>3</sup> ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

## BEST PRACTICES FOR TRUST FUNDS

1. **Size of the Facility or Funds.** The Asian Development Bank (ADB) should consider a minimum size for new funds.
2. **Funding Sources.** As many donors as possible should be encouraged to support a thematic fund.
3. **Screening and Frequency.** To the extent possible, approval for funding of specific projects should be delegated to ADB, within agreed parameters, and subject to periodic review if necessary. If the funding source requires involvement in the screening process, proposals should be submitted as they are ready, or in frequent batches, to allow maximum flexibility.
4. **Concept Clearance Document.** Concept clearance documents should be standardized and additional space allowed for fund-specific information. The standard ADB format should be reviewed and improved across the board, if necessary, but kept uniform for all funds.
5. **Approval Process.** The value of an additional technical peer review (in addition to ADB's standard review procedures) as a part of the selection process should be examined. For single donor funds, the approval process by the donor governments should be reviewed across the various funds to ensure consistency and remove potential bottlenecks.
6. **Reporting Requirements.** To the extent possible, the formats, processes, and frequency of reports should be standardized across the funds. Progress reports may be combined with annual meetings if these are held. These meetings should not be held more often than once a year and ideally they should follow the release of progress reports.
7. **Post-Evaluation Requirements.** ADB should assess, through its Operations Evaluation Department and together with concerned donors, whether standard post-evaluation procedures should be applied to the evaluation of the various funds, with a possible additional evaluation at the end of the fund's planning cycle. The fund should cover the cost of this evaluation.
8. **Visibility Requirements.** A standard approach should be developed that allows the desired visibility for the funding source, without unnecessarily delaying or distorting implementation.

## RESOURCE IMPLICATIONS

1. One of the guiding principles of the technical assistance (TA) reform described in this paper is to reallocate resources and focus away from processes that add limited value to TA outcomes and concentrate them in areas that can improve the quality and results the most. The main proposed shift is from generalized formal review procedures in the final phase of the design stage to (i) substantive design review focused on more complex TA projects, and (ii) TA supervision during implementation. In addition, synergies with ongoing and already funded initiatives (e.g., the second information systems and technology strategy [ISTS II], improvements to the country partnership strategy process, and training) have been exploited. As a result, the proposed reforms are essentially budget-neutral, resulting in an incremental increase of about half a staff-year, which can be absorbed within normal operations staffing levels, plus about half a staff-year and \$30,000 on a one-time basis.

2. The resource implications are summarized in paras. 76–79 of the main paper. This note provides more details on the basis for these estimations. In general, the reductions and additional staff requirements will result in a gradual shift and readjustment in workload. Specialists who are processing individual TA projects will dedicate the time saved from speedier processing of project preparatory technical assistance (PPTA) and category B capacity development technical assistance (CDTA) and policy and advisory technical assistance (PATA) to (i) increased supervision of their own TA projects during implementation; and/or (ii) helping colleagues in the design review of category A TA projects, if they are members of the proposed expert panels. Therefore, departments will be able to absorb the estimated one half additional staff-year required, resulting in small additional amounts of work to be undertaken by a number of staff, rather than the creation of a specific position. In the case of the administrative budget, the most significant adjustment will involve a shift of consulting input requirements for initial project scoping from the staff consultant budget to the PPTA budget by providing the opportunity for retroactive financing. The freed up resources will be reinvested by providing additional inputs (business travel and staff consultants) to improve the design—and hence the success potential—of the more complex TA projects, and to strengthen implementation supervision of all TA projects.

3. **Strategic Planning.** The recently revamped country partnership strategy and regional cooperation strategy processes will improve strategic planning at the country and subregional level, and therefore will not entail additional costs. The one-time cost for developing a management information system to track TA clusters will be included in the ISTS II initiative. The only additional strategic planning cost will be the annual strategic forum, which will require an estimated 8 staff-weeks, including approximately 4 weeks of secretariat support and 20 staff-days for the participants in the forum (1 day each for 20 staff). The estimated \$48,000 additional budget requirement will be used to organize the forum and to solicit the views of developing member countries (DMCs) on the research priorities that the strategic forum should take into account in its deliberations through mission travel or staff consultants.

4. **Streamlined PPTA Approach.** The proposed streamlined PPTA approach is expected to result in considerable savings. About 2 staff-weeks will be saved for each of about 80 PPTA projects processed in a year, for a total of 160 staff-weeks or about 3 staff-years.<sup>1</sup> In addition, up to \$1.4 million of the staff consultant budget currently charged to internal administrative

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<sup>1</sup> The TA team leader will save 1 week by not preparing, circulating, reviewing, and editing the TA paper. Approximately 3 staff-days will be saved by abolishing interdepartmental review, and 1 additional day will be saved by avoiding the staff review committee (currently required in about 20% of cases).

expenditure (IAE) will be shifted to PPTA funding by using the retroactive financing option, according to staff estimates. This assumption should be monitored during reform implementation, as the empirical basis for this estimate is limited.<sup>2</sup> Depending on the extent to which the streamlined PPTA approach will result in higher recruitment of individual consultants, as opposed to firms, additional staff resources also may be required to process these recruitments. The amount of such resources has not been quantified, but will need to be monitored—and adjusted, if needed—during implementation.

5. **Quality Enhancement.** About half of the staff time savings and all of the staff consultant budget savings generated by the streamlined PPTA approach are expected to be absorbed by quality enhancements for CDTA, PATA, and research and development technical assistance (RDTA). This is based on the assumption that approximately 20% of the average 180 CDTA, PATA, and RDTA projects approved every year will be classified as category A (about the same as the percentage of TA projects currently exposed to scrutiny by the staff review committee). If more requests for category A status and accompanying resources are received, they may need to be prioritized up to the indicated limit in the initial years of implementation. Upgrading the training program for staff in operations is expected to be covered under the current training and development budget by redesigning and retargeting training opportunities.

6. For each category A project, the additional requirements for staff time are based on allowing 1.5 additional weeks of TA team staff and approximately 3 days of expert technical review. In some cases, the expert reviewer may join the TA team, and the relative allocation of time between the TA team and the expert would be adjusted correspondingly. This would result in the investment of about 94 additional staff-weeks in the design of the TA projects addressing more complex development issues. This increase would be partly offset by about 45 weeks saved by the simplified review process adopted for category B projects.<sup>3</sup>

7. The additional IAE requirements for quality enhancement stem essentially from the recruitment of staff consultants and the fielding of one additional ADB staff member during TA fact-finding to assist with processing more complex category A projects. In specialized areas where ADB staff resources and expertise are insufficient or lacking, staff consultants may need to be hired, possibly on a retainer basis, to perform the review function that staff on expert panels would typically discharge.<sup>4</sup>

8. **Improving TA Implementation Supervision.** Additional staff, and to a lesser extent IAE resources, will be required to improve implementation supervision. Assuming that at least 36 of the category A TA projects being implemented each year will receive intense supervision, the staff time impact is estimated at 54 additional weeks, with additional business travel cost of \$130,000 per year.<sup>5</sup> Measures to increase ownership will also have resource implications.

<sup>2</sup> The assumption is that half of the 80 PPTA would use half of the 10% retroactive financing ceiling, or \$35,000 based on the average PPTA size of approximately \$700,000 during 2004–2006.

<sup>3</sup> In the initial years it is estimated that about a quarter of all TA projects (excluding PPTA) would be subject to simplified review, for a total of 45 TA projects a year. This number includes the additional small-scale TA projects that would result from the increase in the small-scale TA ceiling from \$150,000 to \$225,000. Time savings for each simplified review can be quantified in the same way as for streamlined PPTA, e.g., 1 week (4 days of staff time in reviewing and revising the document at various stages, and 1 day on average for avoidance of the staff review committee). Gradually, the number of TA projects subjected to simplified review is expected to increase, but this could be partially offset by a matching increase in category A TA projects.

<sup>4</sup> For each of the 36 category A TA projects, 1 month of staff consultant inputs and 1 week of mission travel have been assumed. In addition, 1 week of expert staff consultants on a retainer basis has been budgeted to cover areas where ADB has insufficient expertise to assist the review of TA design through internal experts.

<sup>5</sup> These figures are based on 2 additional weeks of staff time per TA, one of which will be spent in the field.

Delegation of implementation to executing agencies (EAs) in the initial period is likely to require more, rather than less, interaction between ADB and EA staff. Involvement of the EA and consultants in providing final feedback for TA completion reports also will add a small burden in terms of following up and consolidating the information.<sup>6</sup>

9. **Knowledge Management.** These initiatives have envisaged an initial focus on the dissemination of selected TA outcomes and outputs through academic and professional publications, as well as participation in regional conferences, with a modest impact in terms of staff time and travel budget.<sup>7</sup>

10. **Trust Fund Management.** The realignment of the financial arrangements of trust funds is envisaged as a one-time initiative, requiring 6 months of staff time and business travel to visit the relevant development partners.

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<sup>6</sup> Two additional weeks per delegated TA have been assumed, and 1 staff day for each of the 180 TA completion reports.

<sup>7</sup> The initial estimate is based on 10–20 articles per year and business travel to participate in 10 regional events.

## **INCREASING OWNERSHIP THROUGH DELEGATION OF TECHNICAL ASSISTANCE ADMINISTRATION TO EXECUTING AGENCIES**

### **A. Ownership and Technical Assistance Administration**

1. The main stages of technical assistance (TA) operations are identification, design, and implementation. The relationship between the Asian Development Bank (ADB), the executing agency (EA) and consultants changes at the various stages.

2. TA identification should be mainly driven by the government and the EA, with ADB ensuring alignment with the country partnership strategy (CPS) to identify strategic objectives. This usually happens during CPS or country operations business plan (COBP) preparation through a dialogue with all relevant stakeholders about the development objectives of the developing member country (DMC), and the role ADB can play in supporting it in areas prioritized for ADB assistance. In this process, ADB will align the TA with other grant or lending operations to ensure synergies and greater development impact. In the design phase, ADB's role is to bring technical expertise and best practices based on region-wide experience and knowledge. In an ideal case, the EA will prepare the documentation needed but ADB staff will have a key role in ensuring the technical quality of the proposal. For countries or EAs with weak capacity, ADB staff will play a more prominent role. In the first part of the implementation phase, the focus is on recruiting consultants who can provide the best expertise to address a specific development challenge. An EA with consultant selection experience should be able to accomplish this task, with ADB's role mainly confined to ensuring that the EA is following ADB guidelines and that it complies with international standards in procurement of consultant services. In the case of less experienced EAs, ADB assistance in identifying suitable candidates and firms and in supporting the selection process may be needed. The technical lead by the consultant starts after the fielding of the consultant team. In this phase, the EA and ADB provide a supervisory function; ADB to ensure quality control and the EA to guide the consultant toward the expected results.

3. The closing of a TA should be the joint responsibility of the EA and ADB. However, for successful implementation of a consultant report in a critical area of intervention, ADB may need to stay engaged beyond the completion of an individual TA project to ensure that the investment is indeed achieving the development impact as planned.

### **B. Selection of Eligible Executing Agencies**

4. Delegating TA administration to an EA can prove a burden when it is not able to follow ADB's procurement guidelines. It is important that ADB (i) is selective in identifying EAs that are capable of performing the TA administration tasks; and (ii) determines the level of support an EA may require. This will require ADB and the government to agree on selection criteria for EAs to carry out TA administration.

5. The following criteria should be considered:

- (i) experience of the EA with ADB, e.g., as a recurrent TA recipient;
- (ii) experience of the EA with other multilateral development banks or bilateral donor agencies;
- (iii) familiarity with ADB procedures through experience with consultant selection and administration of contracts under ADB loans; and
- (iv) a strong future pipeline of TA projects, to justify the investment in capacity development.

6. Country programming missions will explore the interest of the government in EA-administered TA and in identifying suitable EAs and specific TA projects.

### **C. Capacity Assessment**

7. Once ADB and the government have agreed on a list of EAs and specific TA projects for delegation of TA administration, a careful assessment of an individual EA's capacity will be required. The organizational and institutional assessment will particularly focus on the EA's capacity to manage the TA administration according to ADB standards. The Central Operations Services Office (COSO) will take the lead in conducting this capacity assessment until sufficient capacity is built within the regional departments to enable them to take on this task.

8. The assessment will consist of three parts: (i) an evaluation of the general procurement environment (e.g., the local consultant market); (ii) an appraisal of the specific EA through a questionnaire completed by the EA; and (iii) a report and recommendations.

9. The current capacity assessment questionnaire (covering procurement of goods and works, and recruitment of consultants) will be field tested and modified to focus exclusively on recruitment of consultants. Mission leaders will be expected to assess other areas, such as implementation arrangements and availability of EA staff and their knowledge of the subject.

10. The capacity assessment will determine whether an EA is suitable to implement the TA and will identify capacity gaps to be addressed by training provided by ADB.

### **D. Technical Assistance Administration**

11. The intention to delegate consultant recruitment and supervision for TA projects to the government and EAs will be indicated in the TA paper (or in the revised concept paper for project preparatory TA [PPTA]). EAs will need clear guidance on what is expected from them for TA administration. Procedural guidelines and templates will be developed by COSO and provided and explained to the selected EA.

12. EAs will follow the ADB *Guidelines on the Use of Consultants*.<sup>1</sup> These provide requirements and procedures for submissions from EAs to ADB for approval at different stages of the selection process for all selection methods for loan projects. For delegated TA projects, EAs will generally follow submission procedures that are similar to those of loans. The frequency and depth of prior reviews and post reviews will be linked to the capacity of individual EAs and agreed during country programming missions and the design stage for individual TA projects, based on an assessment of the EA's procurement capacity.

13. Coordination will be required with the Controller's Department to ensure that TA funds are disbursed according to the criteria used for loan projects. EAs will submit withdrawal applications that must be endorsed by the mission leader before approval and disbursement by the Controller's Department. Table 6.1 shows the roles and responsibilities of the EA and ADB in low and high level scenarios of delegation of TA administration.

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<sup>1</sup> ADB. 2007. *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*. Manila.

**Table A6. 1: Delegation of TA administration to Executing Agencies—Roles and Responsibilities**

STEP	ROLE OF EA STAFF		ROLE OF ADB STAFF
	Low level of EA delegation	High level of EA delegation	
<p><b>TA identification</b></p> <ul style="list-style-type: none"> <li>Identify areas where TA support is crucial to achieve the development objectives of the DMC</li> </ul>	Work with the government and ADB to identify potential TA activities		<ul style="list-style-type: none"> <li>Facilitate dialogue between relevant stakeholders and government</li> <li>Ensure synergy between the TA activities and those of other ADB operations, such as grants and loans</li> </ul>
<p><b>TA design</b></p> <ul style="list-style-type: none"> <li>DMF</li> <li>Draft TA paper</li> <li>TOR and cost estimates</li> </ul>	Develop DMF, draft TA paper, TOR and cost estimates		<ul style="list-style-type: none"> <li>Prepare the concept note and the TA paper together with EA, with varying degrees of support as needed</li> <li>Prepare IPSA for PPTA projects</li> <li>Secure funding and approval by management</li> </ul>
<p><b>Consultant selection</b></p> <ul style="list-style-type: none"> <li>Advertising</li> <li>Long list of consultants</li> <li>Shortlist of consultants</li> <li>Request for proposals</li> <li>Receipt of proposals</li> <li>Evaluation of technical proposals</li> <li>Public opening of financial proposal</li> <li>Evaluation of financial proposal</li> <li>Ranking of proposals</li> </ul>	<p>Submit short list of consultants and request for proposals to ADB for prior review</p> <p>Submit technical evaluation report to ADB for prior review</p> <p>Submit financial evaluation report and final ranking to ADB for prior review</p>	<p>Submit the technical evaluation report; financial evaluation report and final ranking to ADB for post review</p>	<ul style="list-style-type: none"> <li>Assist in the process and assess the consultant selection process step-by-step if there is a low level of delegation and after selection if there is a high level of delegation</li> <li>Apply consultant recruitment activity monitoring (CRAM), which subdivides the recruitment process for TA into activities and assigns “norms” (working days) to compute target dates for each activity and the overall process. CRAM also assigns accountability to those involved in (a) implementing activities, (b) monitoring actual against target dates, and, where appropriate, (c) taking timely actions</li> </ul>

STEP	ROLE OF EA STAFF		ROLE OF ADB STAFF
	Low level of EA delegation	High level of EA delegation	
<b>Contracting</b> <ul style="list-style-type: none"> <li>• Negotiations and signing of contract</li> <li>• Publication of the award of contract</li> <li>• Debriefing</li> </ul>	<p>Complete contract negotiations with ADB support as needed</p> <p>Contracts should be between the EA and the consultant</p> <p>ADB will be an observer in contract negotiations</p> <p>Initiate disbursement requests</p>	<p>Complete contract negotiations and submit to ADB for review and concurrence</p> <p>Initiate disbursement requests</p>	<ul style="list-style-type: none"> <li>• Work closely with less experienced EAs in fund management, e.g., ensure that EAs provide supporting evidence that funds are used in accordance with the TA paper</li> <li>• Ensure timely release of funds to meet agreed payment schedules</li> </ul>
<b>Implementation</b> <ul style="list-style-type: none"> <li>• Work closely with the consultant in implementing the TA</li> </ul>	<p>Engage with the consultant in technical discussions and review documents produced by the consultant. Work with ADB to resolve potential conflicts between the EA and consultants</p>		<ul style="list-style-type: none"> <li>• Supervise the work of the consultants and review consultant reports</li> <li>• Participate in tripartite and other meetings with the EA and consultants to discuss TA implementation progress (documented in BTORs)</li> </ul>
<b>Evaluation</b> <ul style="list-style-type: none"> <li>• TCR</li> <li>• Evaluation of the performance of the consultants</li> </ul>	<p>Prepare TCR together with ADB mission leader and submit evaluation of performance of the consultant to OED</p>	<p>Prepare TCR and submit evaluation of performance of consultants to OED</p>	<ul style="list-style-type: none"> <li>• Evaluate the consultant performance</li> <li>• Request feedback (questionnaire) from the EA and consultant on TA implementation</li> <li>• Submit the TCR and EA and consultant inputs to OED for TCR validation</li> <li>• Assess the feedback from the EA and the consultant (OED)</li> </ul>
<b>Procurement Compliance Audit</b>			<ul style="list-style-type: none"> <li>• Conduct procurement compliance assessments for selected TA projects</li> </ul>

ADB = Asian Development Bank, BTOR = back-to-office report, CRAM = consultant recruitment activity monitoring, DMC = developing member country, DMF = design and monitoring framework, EA = executing agency, IPSA = initial poverty and social analysis, OED = Operations and Evaluation Department, PPTA = project preparatory technical assistance, TA = technical assistance, TCR = technical assistance completion report, TOR = terms of reference.

## **E. Training**

14. ADB will conduct training workshops every year for the EAs selected for TA delegation. The training will cover (i) the project performance management system (including the design and monitoring framework); (ii) recruitment of consultants (including procedures, method of selection, evaluation, and contract variation); (iii) preparation of TOR and the TA paper; (iv) supervision and management of consultants and their outputs and outcomes; (v) TA disbursement procedures (including accounting, financial management and the TA management information system).

15. ADB may consider providing additional support to selected EAs by using experienced ADB staff, staff consultants, or former ADB staff to help the EA to understand ADB requirements. In countries with many delegated EAs selected for TA delegation, the resident mission may conduct training programs in close collaboration with COSO and the Controller's Department.