



## Policy Paper

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

This working paper may not reflect the views of ADB's Board of Directors. Comments may be submitted to Kazu Sakai, Director General, SPD ([ksakai@adb.org](mailto:ksakai@adb.org)); Alessandro A. Pio, Director, SPMS ([apio@adb.org](mailto:apio@adb.org)); and Guido Geissler, Planning and Policy Specialist, SPMS ([ggeissler@adb.org](mailto:ggeissler@adb.org)).

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 expenses
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 resources
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	–	South East 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
TPR	–	technical assistance performance report

## 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 that ADB and its developing member countries (DMC) agree upon; and (ii) indirect assistance, which is part of ADB's wider role of advancing and disseminating knowledge on development issues in the Asia and Pacific region.

During 2004–2006, ADB provided annually an average of 294 TA projects for \$213 million, which is equivalent to 3% of ADB operations. While DMCs generally appreciated ADB TA, the Operations Evaluation Department's special evaluation study on TA performance concluded that about two thirds of ADB's TA activities have been evaluated as "successful". This is still below the 70% success rate target, indicating that the scope for improving the development effectiveness of TA operations is considerable.

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 TA that has tangible development impact through (i) synergy between ADB lending and nonlending products at the country and regional level; and (ii) stronger DMC involvement and ownership at all levels, working towards the use of national systems.

Strengths of ADB TA operations include a systematic programming process at the country level, which ensures long-term predictability; flexibility in responding to diverse country and sector circumstances; and steady provision of financing to address DMC developmental issues and constraints. Weaknesses include (i) an apparent lack of focus of parts of the TA program 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 compared against the Paris Declaration, ADB TA falls behind in the use of national systems and procedures, as well as in the role of recipients play in procurement, because it is largely administered by ADB.

These strengths and weaknesses do not affect all TA instruments uniformly. For example, strategic alignment to country programs and ownership are strong for project preparatory technical assistance., Speed of delivery and potential duplication of the country's own analysis are important shortcomings. Quality of design, implementation supervision, and country ownership are central problems for advisory technical assistance, while strategic prioritization to ensure responsiveness to regional priorities is the main challenge for regional technical assistance.

Increasing the development effectiveness of ADB TA requires a comprehensive set of actions to (i) strengthen strategic planning; (ii) improve quality-enhancement mechanisms; (iii) increase the use of knowledge generated through TA operations; (iv) increase country ownership; (v) streamline procedures; and (vi) rationalize the financial management of TA resources.

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. The second medium-term strategy (2006–2008) highlighted the need for improved strategic focus of TA and closer links with lending activities at the country level. Reform efforts already have shown results. The country partnership strategy process has been redesigned, leading to fewer and more prioritized TA initiatives, and the Operations Evaluation Department reports some improvement in the quality of design and monitoring frameworks.

This W-paper seeks Board guidance on proposed 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:

- (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 strategic direction for research and development TAs, Management will set priorities through a strategic forum, drawing from the advice of knowledge and operational departments, as well as from DMC inputs.
  - (c) Streamline the processes for project preparatory TA to shorten processing time, leading to faster loan project development.
  - (d) Encourage more extensive use of TA clusters to promote longer-term engagement and approaches. For this purpose only the subprojects that are approved and become effective in a given year will be registered against the annual TA allocation.
  - (e) Reform the technical assistance completion reports to focus on outputs and outcomes, requiring inclusion of inputs from executing agencies and other primary stakeholders.
- (ii) Procedural reforms to improve quality and ownership of TA, including:
  - (a) Better tailor the quality management system to the diversity of TA projects. Projects which are intended to address development issues of higher complexity would receive closer scrutiny, including from expert panels, and additional funding to ensure thorough design. The current interdepartmental commentary circulation system would be reduced correspondingly for more straightforward TA projects.
  - (b) Strengthen institutional and organizational analysis during identification and design of TA proposals.
  - (c) Enhance engagement of DMCs and executing agencies in TA identification, design, consultant selection, and implementation.

- (d) Delegate gradually authority and contracting accountability to executing agencies, accompanied by a process to build their capacity.
  - (e) Establish an integrated TA management information system, including a TA knowledge database.
- (iii) Financial management improvements, including:
- (a) Align TA trust funds with ADB's strategic priorities, and adopt standardized implementation guidelines.
  - (b) Allow bridge financing through the Technical Assistance Special Fund (TASF) for cofinanced TAs that are experiencing delays in obtaining external approvals.
  - (c) 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. This relies 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 TA projects, which address complex development issues; and (ii) TA implementation supervision. In addition, synergies with ongoing initiatives (e.g., the second information systems and technology strategy, improvement of country partnership strategy process, and training activities) 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. They include (i) 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 ADB TA, the special evaluation study (SES) on TA performance by the Operations Evaluation Department (OED) concluded that about two thirds of ADB's TA activities have been rated "successful".<sup>1</sup> This is still below the 70% success rate target, indicating the scope for improving the development effectiveness of TA operations is considerable.<sup>2</sup>

2. The objective of the paper is to increase the development effectiveness of ADB TA operations. The desired outcome is summarized in Box 1.

### Box 1: Proposed Goal for ADB's Technical Assistance

The Asian Development Bank (ADB) provides high-quality technical assistance that has tangible development impact through (i) synergy between ADB lending and nonlending products at the country and regional level; and (ii) stronger involvement and ownership of developing member countries at all levels, working towards the use of national systems.

3. Greater development effectiveness of ADB 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 presented in the paper, the proposed TA reform program focuses on the following interrelated objectives:

- (i) **Robust strategic planning.** Strong integration of lending and nonlending operations at the country level<sup>3</sup> to maximize the synergy between scarce TA, loan, and grant resources, and between ADB and other sources of development financing to achieve the development results outlined in country partnership strategies (CPS) and regional cooperation strategies (RCS) results frameworks. Better integration of country-based TA and ADB-wide TA to promote the generation and dissemination of relevant knowledge and practices.
- (ii) **Solid quality enhancement mechanisms.** High quality standards in TA design and implementation supervision to meet DMC expectations and achieve the results identified in the design and monitoring frameworks (DMF).
- (iii) **Learning from TA operations.** Adoption of the practices of a learning institution that recognizes the importance of knowledge products, invests in the strength and skills of its staff, rewards cooperation across divisions and departments, and

<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 the poverty reduction strategy. The objective is to increase the share of projects rated "highly successful" and "successful" for the 2008–2010 average to 70% by 2010. ADB. 2006. *2005 Annual Poverty Reduction Report: Progress in Implementing the Poverty Reduction Strategy*. Manila.

<sup>3</sup> At the Asian Regional Forum on Aid Effectiveness hosted by ADB 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).

accepts occasional failures if they improve future operations. The interface between country-specific and bank-wide TA will make ADB a primary source and platform for exchange of knowledge in the Asia and Pacific region.

- (iv) **Country ownership.** Reassessment of the roles ADB and DMCs play in TA design, administration, and implementation with a view to progressively transferring responsibility to DMCs and moving towards utilization of country systems, while retaining and developing ADB's role in overall supervision, fiduciary control, quality assurance, and dissemination of knowledge outcomes.
- (v) **Streamlined procedures.** Adoption of procedures that ensure substantive quality and administrative controls at critical steps, but minimize formal review and comment, and shorten the time for TA processing.
- (vi) **Rationalized management of TA resources.** Alignment of trust fund resources with ADB's priorities, and simplification of procedures for staff to access trust funds; increased flexibility in resource management through better resource planning at the corporate level and increased delegation of TA approval authority.

4. The paper analyzes issues that affect ADB TA operations and proposes measures to maximize their impact and results. The proposed reforms address the way ADB identifies TA opportunities; allocates TA resources; selects, designs, implements, and monitors TA; and learns from the successes and failures of TA interventions.<sup>4</sup> The analysis and recommendations are based on intensive consultations, driven by the realization that changes in norms and procedures will not be sufficient.<sup>5</sup>

5. Achieving the overall objective of this TA reform effort—increasing the development effectiveness of TA—will require all stakeholders to change and adapt. This includes internal stakeholders (ADB staff and Management) and external ones (executing agencies, consultants and DMC governments). Previous reform efforts have shown the difficulty of implementing such changes (Appendix 1). Hence, the analysis and proposed solutions are based on a “systems thinking” approach<sup>6</sup> to ensure that interdependencies are considered and reform proposals support each other to increase the impact of ADB's TA program.

6. Chapter II of this paper describes the role of TA operations in ADB's business model. Chapter III systematically outlines how ADB proposes to change internal processes and products to improve the quality and impact of the TA program, and to become recognized as a

<sup>4</sup> The issues and recommendations presented in this paper are the result of a comprehensive review of past TA reform efforts; which included (i) focus group sessions with experienced staff, and discussions with the vice presidents and senior staff members, including heads of departments and offices; (ii) consultations with government officials, executing agencies (EA), TA consultants, and resident mission staff in selected developing member countries (Cambodia, People's Republic of China, Fiji Islands, Kyrgyz Republic, and Thailand); (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 (OED) [ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila].

<sup>5</sup> A large part of the analysis was conducted by the TA Reform Task Force. Established in March 2005, the task force comprised K. Gerhaeusser, East Asia Department (EARD); C.R. Rajendran, South Asia Department (SARD); Y. Kojima, South Asia Department (SARD); 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).

<sup>6</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; or Sterman, J. D. 2000. *Business Dynamics – Systems Thinking and Modeling for a Complex World*. Boston: Irwin McGraw-Hill.

source and platform for knowledge exchange across the diverse Asia and Pacific region. Chapter IV presents a framework for managing and tracking implementation of the change program and highlights its resource implications. Chapter V summarizes Management proposals to improve TA effectiveness and highlights which of the proposed changes would require Board consideration.

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

### A. The Current Situation

7. ADB's DMCs have always sought knowledge and advice on international best practices, and valued their adaptation and implementation, often in conjunction with investment projects, to solve specific development problems. TA, as a key instrument to develop and apply knowledge for the Asia and Pacific region, is as an integral part of ADB's business model. ADB provides TA to its DMCs either (i) directly, through TA projects anchored in country partnership strategies (CPS) and regional cooperation strategies (RCS) for project preparation (PPTA), or advisory services (ADTA), which include sector analysis, institutional development, and capacity building; or (ii) indirectly, through knowledge-based products and services often funded as regional technical assistance (RETA). The latter are 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, such as cross-border environmental and health issues. TA is a tangible element in the partnership among ADB, its DMCs, and development partners in providing ideas and finance for development solutions that reduce poverty in the Asia and Pacific region.

8. As Table 1 shows, more than two thirds of ADB TA is provided 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 build capacity to ensure that investment benefits are fully realized. 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 (e.g., tariff mechanisms and independent regulatory bodies) that ensure sustainability of project benefits. The importance of a strong synergy between lending and nonlending operations has been recently reinforced by the Medium-Term Strategy 2006–2008 (MTS II).<sup>7</sup>

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<sup>7</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." (paragraph 63).

**Table 1: ADB's Technical Assistance Program in the Past 10 and 3 years**

<b>ADB's TA Program</b>	<b>Amount (\$ million)</b>	<b>Number of TA Projects</b>	<b>Average Size (\$ '000)</b>
ADB's TA program 1997–2006	1,500	2,800	536
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 staff and annual reports.

9. In addition, TA is used at the country, subregional, and regional level to analyze sector and macro development issues, design policy reforms and the supporting legal and regulatory framework, and develop a base of cross-country knowledge. ADB's role and potential as a knowledge institution lies at the interface between country-specific and regional analysis and practices. Country-based TA helps to identify the relevant issues and current practices, and strives to develop locally applicable solutions. Regional research-oriented TA combines cross-country experience from Asia and the Pacific with international best practice to enhance the understanding of development issues affecting the region, as well as to identify approaches and ranges of solutions that can be customized to local circumstances.

## **B. Increasing Development Effectiveness of ADB's TA**

10. The TA Reform Task Force and OED have analyzed extensively the strengths and weaknesses of ADB's 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, which ensures long-term predictability; (ii) have proven considerably flexible in responding to diverse country and sector circumstances; and (iii) have provided a steady source of financing to address DMC developmental issues and constraints. Weaknesses include (i) apparent lack of focus of parts of the TA program 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 compared against the harmonization agenda of the Paris Declaration, ADB TA falls behind in the use of national systems and procedures, as well as in the role recipients play in procurement, because it is largely ADB-administered.

11. Examples and supporting data are provided in chapter III in the discussion of issues and proposed solutions. The above strengths and weaknesses do not affect all TA instruments uniformly. For example, strategic alignment to country programs and ownership is quite strong for PPTA projects, but speed of delivery and potential duplication of the country's own analysis are important shortcomings. Quality of design, implementation supervision, and country ownership are central problems for ADTA, while strategic prioritization to ensure responsiveness to regional priorities is the main challenge for RETA.

12. The presentation of the analysis and proposed reform measures in chapter III follows the main steps in TA operations (programming, design, implementation, and financing). For

purposes of monitoring reform implementation, the relationship of individual change proposals to the desired outcomes identified in para. 3 is summarized in a monitoring framework (Table 7).

13. 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 extend to the executing agencies (EAs) and consultants involved in TA implementation. The accountability framework for TA operations resulting from the proposed changes is discussed briefly at the end of each section, and presented in Table 6.

### **III. IMPROVING TECHNICAL ASSISTANCE MANAGEMENT**

14. The TA reform program has already started. In April 2005, when initiating preparation of the work program and budget framework (WPBF) 2006–2008, the President identified improvement of TA effectiveness as one of the five main challenges. The MTS II highlighted the need for improved strategic focus of TA and closer links with lending activities at the country level. Reform efforts have already shown results: the CPS process has been redesigned, and is translating into fewer and better prioritized TA initiatives, while the vice presidents' offices report improvement in the quality of TA concept papers and proposals submitted to them. However, the OED study and the TA Reform Task Force analysis demonstrate that ADB still has a considerable way to go to fully realize the potential of its unique TA instrument.

15. This chapter discusses proposed changes to improve TA operations. After a brief review of the issues, each section focuses on proposed solutions, covering (i) strategic planning and programming of TA operations, (ii) enhancement of design quality, (iii) strengthening of implementation and country ownership, and (iv) TA financial management.

16. Within the reform, special consideration needs to be given to weakly performing countries (WPC), where TA is an essential instrument of ADB's support. However, as discussed in the WPC 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 counterpart support, and the sustainability of TA input all present greater 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 bring improvements that also will benefit WPCs, some specific features of ADB's approach to enhancing TA effectiveness in WPCs are discussed in detail in Appendix 3.

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

##### **Issue A.1: ADB's TA Program Evolved Over Time But the Organization Maintained Its Categorization System**

17. The main objectives and categories of ADB's TA have not changed since the first guidelines for TA were adopted in 1969<sup>9</sup> to steer TA operations, as provided in the Charter. They sometimes reflect the type of services or geographic coverage (advisory, regional TA)

<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 (April).

<sup>9</sup> See ADB. 1969. Sec. M13-69, dated 21 February 1969.

rather than the objective and outcomes expected from the assistance. The current reform process provides an opportunity to reflect critically on the categorization related to TA and better align the terms used to describe the instruments of technical cooperation in ADB with the outcomes they support.<sup>10</sup>

### **Solution A.1.1: Adjust the Categorization to Better Reflect the Outcome of ADB TA Products**

18. ADB's TA program delivers four main types of products: (i) bankable projects, (ii) capacity, (iii) policy advice, and (iv) knowledge products and services that inform development practice. It seems appropriate to adjust the ADB categorization system to reflect more closely the results that TA activities strive to produce. Accordingly, the four main TA categories would be defined as (i) project preparation TA (PPTA),<sup>11</sup> (ii) capacity development TA (CDTA), policy and advisory TA (PATA), and research and development TA (RDTA). Table 4 shows the relationship between TA objectives and the new and old categorization.<sup>12</sup>

**Table 2: Old and New Categorization for Technical Assistance**

<b>Objectives</b>	<b>Current categorization</b>	<b>Proposed categorization</b>
Identifying, formulating, and preparing development projects (country or subregion)	project preparatory TA (PPTA)	project preparatory TA (PPTA)
Enhancing the capacity of executing agencies and other development partners, including support to implement projects	advisory TA (ADTA)	capacity development TA (CDTA)
Formulating and coordinating development strategies, plans, and programs	ADTA, regional TA (RETA)	policy and advisory TA (PATA)
Undertaking sector-, policy-, and issues-oriented studies (country or subregion)	ADTA	PATA
Undertaking sector-, policy-, and issues-oriented studies (Asia and Pacific region)	RETA	research and development (RDTA)
Promoting the transfer of technology at the country and/or regional level	ADTA, RETA	CDTA, PATA, RDTA

TA = technical assistance.

Source: ADB staff.

19. The proposed adjustment goes beyond a simple redefinition of terminology and acronyms. The new categorization would signal a shift from a focus on process (preparation, advice) to a focus on outcomes (an investment project or program, capacity development, policy

<sup>10</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 might be preferable to retain the overall term "technical assistance".

<sup>11</sup> The term project preparatory TA (PPTA) will be maintained because the term is already capturing well the main purpose of this TA and has a high recognition value with ADB's DMCs.

<sup>12</sup> In some cases it might 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.

reform, research and knowledge), in line with ADB's emphasis on managing for development results. It would also allow easier compilation of statistics on ADB support for these objectives, notably capacity development, policy reform and knowledge generation through research and development.<sup>13</sup> The RDTA category would identify initiatives that contribute to greater knowledge of development issues in the region and enable ADB to inform country-level TA operations and advice to DMCs. While RETA would be dropped as a category, a suffix or other marker could be used to identify TA meant to assist more than one DMC. A similar approach could be used to identify small-scale and cluster TA.<sup>14</sup> The proposed nomenclature is utilized in the remainder of this paper, except when referring to historical data and classification.

## **Issue A.2: Lack of Strategic Focus at Country or Subregional Level**

20. At the country or subregional level, PPTA is by definition aligned with lending activities, as they are provided to complete the feasibility analysis of projects for ADB financing. In fact, the SES found that EAs regarded 98% of PPTA and 92% of ADTA projects as high government priorities.<sup>15</sup> The assessment of TA programming by the TA Task Force and SES country studies,<sup>16</sup> however, found that on average, 62% of TA projects approved in 2002–2005 had not been included in the country strategy and program (CPS) and country strategy and program updates (CSPU). In some countries, this share was as high as 80%. This indicates high flexibility and probably responsiveness to government demands, but casts doubts on the predictability and analytical basis for selection of TA activities. Further, it suggests the need for better balance between planning and responsiveness, particularly with regard to ADTA.

### **Solution A.2.1: Enhanced Country Partnership Strategies and Sector Road Maps**

21. The solution to the problem of unfocused ADTA programs has been identified and is already under implementation. CPS and RCS remain the appropriate instruments to program country and subregional TA operations. Through the review of country strategy and programming,<sup>17</sup> ADB has emphasized the requirement for sector analysis through sector road maps as the basis for programming lending and TA operations.<sup>18</sup> Enhanced sector road maps will from now on include a more in-depth analysis of binding constraints to development, such

<sup>13</sup> TA projects approved up to 31 December 2007 would not be reclassified. However, to maintain consistency with historical data, when reporting trends in TA operations, CDTA and PATA would be considered equivalent to the former ADTA, and the sum of RDTA and regional CDTA, PATA and PPTA projects equivalent to the former RETA. Given the relatively shorter duration of TA projects, the reference to the old classification would no longer be relevant in a few years.

<sup>14</sup> For example, TA projects processed for more than one DMC could be identified as XXTA-R. PPTA-R would indicate the preparation of a subregional project and CDTA-R a training program covering more than one DMC. Likewise, small-scale TA could be identified as XXTA-S and cluster TA as XXTA-C.

<sup>15</sup> ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila, paragraph 32.

<sup>16</sup> ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila, paragraphs 136 - 139. The sources of the programmed TA are the country assistance plans, country strategy and programs (CSP), and country strategy and program updates (CSPU) covering 2002–2005. The source of TA approvals is the loan and TA approvals database.

<sup>17</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>18</sup> The Second Governance and Anticorruption Action Plan also requires governance, institutional and corruption risk assessments at country level and sectors in DMCs in which ADB is active. These diagnostics 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.

as stakeholder analysis, organizational and institutional capacity assessment, the political economy context, accountability mechanisms, and change management strategies.<sup>19</sup>

22. In defining country programs and identifying TA projects, country teams also assess: (i) the constraints to transforming traditional economies into knowledge-based economies, (ii) the lessons learned from past TA interventions, and (iii) needs to enhance the countries' knowledge base. This is done within the CPS and/or RCS process, but requires looking at development constraints from a different angle, resulting in a sharper assessment of the DMC needs for tangible knowledge products.<sup>20</sup> Strengthened participatory and consultative processes also have been mandated to ensure alignment with national strategic priorities and harmonization with the operations of other development partners. As a consequence of this review, recent results-based CPSs produce a more integrated country program, demonstrating how all operations, including TA, are linked.

23. To highlight the link between planned TA and lending operations, country operations business plans (COBP) will be requested to include—in addition to the listing of lending and nonlending operations by year—summary tables at the sector or thematic level that list the loan, TA, and (to the extent available) grant and nonsovereign pipeline to emphasize how the different types of operations are interlinked in the main areas. A “residual” table also would give a sense of the level of unplanned and flexible use of TA to respond to special circumstances. At the individual TA level, when reviewing a TA concept paper that is the basis for fielding of a fact-finding mission, the mission leader's sector director should also consider whether the results pursued through the TA operations are aligned with the results framework of the CPS or RCS.<sup>21</sup>

#### **Solution A.2.2: Prioritization of TA Based on Active Portfolio Size**

24. Following the increase in TA 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 by combining smaller TA projects into larger ones with broader scope and the use of cluster TA. Thus, the resource requirements for managing the TA portfolio have not necessarily been reduced correspondingly.

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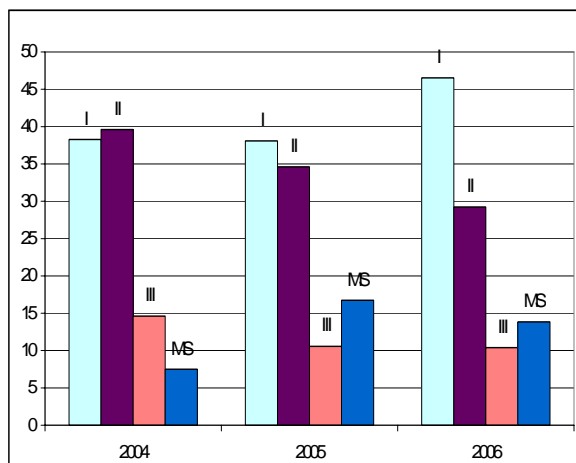
<sup>19</sup> Basing CPSs on stronger analytical work and more extensive participation and consultation requires adequate resources. In particular, interaction between the originating regional department and knowledge departments, such as the Economics and Research Department (ERD) and Regional and Sustainable Development Department (RSDD), should be strengthened, given the proposed ADB role as a knowledge platform. This might require a review of the staff coefficients for CPS preparation, particularly with reference to the role of knowledge departments in the process.

<sup>20</sup> A knowledge-focused approach to analyzing development constraints requires complementing the conventional approaches to knowledge development strategies (through investment in education, promotion of hardware and software infrastructure, use of modern technology in business sectors and government, and legal reforms such as copyright protection) with the development of knowledge hubs and knowledge clusters (learning regions), transfer of technology through global production networks, and the use of comparative advantages of local knowledge. For further discussion of development strategies for knowledge-based economies see, for example, Evers H.D., S. Gerke, and T. Menkhoff. 2006. Little-understood knowledge trap. *Magazine for Development and Cooperation*, 06/2006. ([www.inwent.org/E+Z/content/archive-eng/06-2006/tribune\\_art1.html](http://www.inwent.org/E+Z/content/archive-eng/06-2006/tribune_art1.html)).

<sup>21</sup> A checklist will be developed to assist the project teams in assessing 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 the full accountability for the sound planning of the TA within the CPS or the RCS. It is recommended that the checklist is provided as a mandatory cover for each TA when approval is requested or reported to Management.

25. In parallel with the reduction in numbers, the MTS II encouraged focusing ADB operations (including TA) on fewer key sectors. Figures 1 and 2 shows the initial results: a significant increase in TA supporting group I sectors, from 38% in 2004 to 47% in 2006, and reduction in the share of group II and II TA from 39 to 29% and from 15 to 10% respectively during the same period. Since a similar trend has been observed for lending operations, the result is a closer sector alignment of all ADB activities.

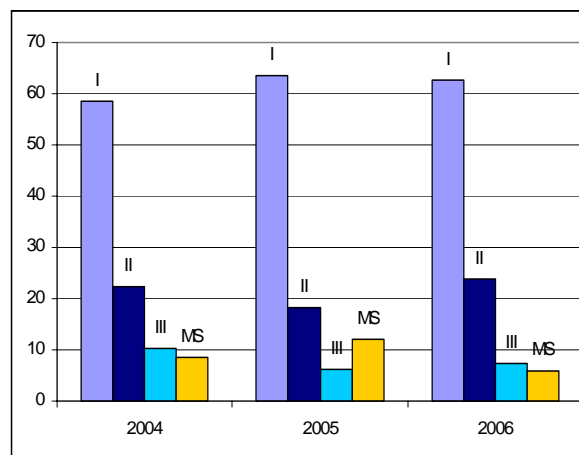
**Figure 1: MTS II Priority Groups and Sectors:  
Technical Assistance, 2004–2006  
(% to Total Number)**



MS = multisector.

Source: Asian Development Bank

**Figure 2: MTS II Priority Groups and Sectors:  
Lending and ADF Grants, 2004–2006  
(% to Total Number)**



MS = multisector.

Source: Asian Development Bank

26. Constraints on TA numbers and closer alignment to MTS II priorities have reduced the margin for TA responsiveness to unanticipated country priorities. Recently this has been managed 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 when feasible to ADB-financed staff consultant resources. For the future, a two-stage approach is proposed.

27. As a first step, the cap on new TA approvals should be replaced with a ceiling on the number of active TAs in the portfolio.<sup>22</sup> Under this approach, timely closure of old and essentially completed TA projects would create space for new operations. Management will continue to monitor closely the number of TA operations through the annual operations resource parameters (ORP) and operational review meetings within and across Operations Groups.

28. In the medium term, ADB should move further towards an outcome-oriented TA management system, by estimating more accurately the internal resources required to deliver the desired outcomes outlined in the CPS and COBPs. Departmental and overall TA operations

<sup>22</sup> For planning purposes, a TA would 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 would be considered financially closed when the Controller's Department has received and processed all the necessary documentation and closes the TA account. Project staff would remain accountable to assist and follow up as needed to achieve financial closure.

would be adjusted to available resources, or budgets would be adjusted to accommodate the work program, depending on the guidance received from Management and the Board. This may require further selectivity in the number of TAs, or adjustments in the staff size assigned to TA operations.

### **Solution A.2.3: Strengthening Longer-Term Engagement Through Cluster TA**

29. Recognizing the need for long-term engagement in sectors or thematic areas, the 1997 TA review recommended the establishment of cluster TA, allowing ADB to commit resources over a multiyear time frame for related TA subprojects.<sup>23</sup> Subprojects under a cluster TA could first support sector-level analytical work; then project preparation accompanied by advisory services to develop a conducive policy environment; and subsequently EA capacity building and project implementation, or they could support linked analysis, policy advice, and capacity development interventions. A cluster TA provides planning security to the DMC, because resources are committed over a medium-term time frame. Given its programmatic approach and longer time frame, a cluster TA is also better suited for developing a results framework and monitoring development outcomes that go beyond delivery of each subprojects' outputs.

30. In the past 10 years, of about 2,800 TA projects, only 12 were processed as TA clusters. The main reason for the lack of demand for cluster TA can be found in internal accounting standards, as well as a lack of clear guidance to staff on how to design and process a cluster TA. The full amount of a cluster TA currently is accounted against the TA funds allocated to a country program through the indicative planning figure (IPF) in the same year of approval, even if the cluster includes subprojects that will commit funds in future years. Hence, a cluster TA can crowd out (often completely, if the cluster size is large) competing TA proposals for the country in a given year.

31. The proposed solution is to change the accounting procedure and consider each TA within the cluster like a loan subproject within a multitranche financing facility (MFF). Under this approach, fund commitment under a cluster TA will be accounted against the IPF only when the TA letter for the subproject has been signed or tacitly approved, and each subproject will be assigned a separate account.<sup>24</sup>

32. ADB could aim to provide a growing share of its TA program through TA clusters. Such an approach would reduce processing requirements, simplify approval procedures, and reinforce teamwork, since the different nature and focus of TA subprojects in the cluster would require a multidisciplinary approach.

### **Issue A.3: Regional Technical Assistance Lacks Strategic Guidance**

33. ADB does not have tools to set priorities for regional TA, except for those that address subregional issues and are linked to regional cooperation strategies (RCS). The current ADB-wide RETA program lacks strategic focus and a medium-term planning framework. Up to 2002, the RETA Screening Committee was in charge of prioritizing these activities. The role of the committee, however, was to review approximately 40 RETA proposals originating from the

<sup>23</sup> Depending on size, TA clusters are approved by the Board or Management, while the head of the relevant department approves subprojects.

<sup>24</sup> Currently, since a cluster is counted as a single project, administration of individual subprojects has to be tracked manually with significant extra clerical burden to the TA supervising unit. Once the Project Processing and Portfolio Management project of the Office of Information Systems and Technologies is completed in 2009, information could be consolidated for subprojects belonging to the same cluster.

various departments. Given the many RETA projects and voluminous documentation, the committee could perform only a cursory review, and essentially endorsed the majority of proposals. Thus, it neither provided strategic direction nor ensured in-depth quality review.

34. Starting in 2005, a 3-year knowledge products and services (KPS) work plan was prepared and approved by management. While it provided a useful ex-post assessment of ADB's research agenda, the 3-year KPS plan also was mainly a bottom-up collection of departmental proposals. As a result, they did not add up to a consistent and interrelated body of knowledge strongly linked to ADB operations and challenges.

### **Solution A.3.1: Guide ADB's Knowledge Agenda Through a Strategic Forum**

35. A strategic forum will be organized annually during the planning period to shape ADB's R&D and knowledge agenda. The strategic forum will be chaired by the Vice-President Knowledge Management and Sustainable Development and attended by operational and knowledge departments<sup>25</sup>, including representation from the communities of practice (CoPs). The strategic forum will not review individual RDTA proposals, but will identify areas that require funding to address issues affecting ADB's DMCs. The strategic forum is expected to (i) review the past activities and status of operations funded through RDTA, (ii) identify key development challenges, (iii) define ADB's medium-term research program by identifying 4–5 priority areas for the coming biennium, to be embodied in the planning directions to staff.

36. 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.

37. The approaches discussed in this section are expected to address the most relevant challenges in TA programming. A summary of the main change proposals is in paragraph 103.

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

38. Design and processing issues differ depending on the type of TA. For capacity development and policy and advisory TA, the key issue is strengthening the design of TA projects that address more complex development issues through enhanced staff resources, quality control, and staff capacity. For project preparation TA, the main concern is to accelerate the process by eliminating some unnecessary and time-consuming review and approval steps. In both cases, streamlining of final government concurrence through signing of a TA letter would allow faster delivery of the services requested by DMCs.

39. Improvements in TA design can be achieved without significant budgetary impact by shifting resources to where they can produce the most impact—e.g., away from processing routines and towards stronger institutional, organizational, and political economy analysis, and stronger consultation and participation during conceptualization. This is likely to demand larger design teams, more thorough field visits, and/or stronger resident mission involvement.<sup>26</sup> The proposed approach relies on (i) categorizing CDTA, PATA, and RDTA projects by level of complexity of the development issues they must address, and providing additional resources and scrutiny to the more complex ones; (ii) investing in the skills of ADB staff to produce higher-

<sup>25</sup> Office of Regional Economic Integration (OREI), Economics and Research Department (ERD), Regional and Sustainable Development Department (RSDD), etc.), and Asian Development Bank Institute (ADBI).

<sup>26</sup> See ADB. 2007. *Integrating Capacity Development into Country Programs and Operations – Medium-Term Framework and Action Plan*. (IN.9-07)

quality TA projects; (iii) simplifying and accelerating the steps needed to access TA resources for project preparation; and (iv) accelerating the fielding of consultants by streamlining the procedures for TA letter signing.

### **Issue B.1: Inadequate Quality Enhancement Mechanisms for ADTA and RETA**

40. TA design must strike a balance between timely response and sound quality control. TA operations currently go through the same preparation and review process, regardless of the level of complexity. The main elements of quality enhancement are intra- and interdepartmental circulation (on average a TA paper is reviewed by 11 professional staff from other departments) and the Staff Review Committee (SRC). The following issues can be identified in the current process:

- (i) The more complex ADTA projects do not necessarily receive additional resources or attention during preparation.<sup>27</sup> Interdepartmental review is performed by too many sources, too superficially, and too late in the design process (typically after fact-finding) to affect the design significantly. The more in-depth review process, provided by the SRC, was applied in the past 3 years to about 21% of the approved TA projects.
- (ii) TA design must blend country knowledge, international best practice, technical expertise, and awareness of the institutional and organizational context. This is best achieved through teamwork, but in virtually all cases only the mission leader took part in the TA fact-finding mission due to resource limitations. In 44% of ADTA projects in the SES sample, mission leaders estimated that the EAs contributed less than 20% to the design and monitoring framework (DMF). Institutional and organizational analysis in TA papers is usually weak.<sup>28</sup>
- (iii) Most TA projects and technical assistance completion reports (TCRs) still focus on outputs, and not sufficiently on outcomes.
- (iv) Methodologies and training to support the preparation of more complex TA projects are not readily available and are underutilized. The 2002 review recommended introduction of a toolkit to be drawn from OECD evaluation. RSDD also was to prepare guidelines and a training package for capacity building. In practice, neither the toolkit nor the training package was prepared.<sup>29</sup> SPD produced a toolkit and management checklists, but they are rarely used because staff was not aware of them.

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<sup>27</sup> More than 33% of ADTA projects focused primarily on capacity building, 23% on change management, and 15% on policy development. See ADB. 2007. *Special Evaluation Study of Technical Assistance Performance*. Manila. Appendix 8, paragraph 68. Management has started to address some of the design issues. For instance, the recently approved Capacity Development Action Plan proposes measures to build and develop internal expertise for capacity development. See ADB. 2007. *Integrating Capacity Development into Country Programs and Operations – Medium-Term Framework and Action Plan*. Manila.

<sup>28</sup> ADB. 2007. *Special Evaluation Study of TA Performance*. Manila, paragraphs 42–44.

<sup>29</sup> Starting in 2003, ADB has taken a more systematic approach to capacity development. Capacity development was adopted as a thematic priority in 2004, and following extensive analysis and discussion, a *Capacity Development Framework and Action Plan* was adopted in January 2007. A workshop on mainstreaming capacity development into sector operations in March 2007 developed tools for the analysis of (i) the context, (ii) existing capacity, (iii) reform and change readiness, and (iv) change management capacity. Sector specialists suggested that the tools be refined and turned into a capacity development sector toolkit, which is now available upon request. A revised version will be available in the fourth quarter of 2007.

### **Solution B.1.1: Differentiate the Quality Enhancement Mechanism for CDTA, PATA, and RDTA**

41. Compared with the relatively predictable technical inputs and design issues involved in project preparation, the objectives and complexity of development issues addressed by CDTA, PATA and RDTA can be very diverse. Therefore, it becomes important to (i) differentiate the intensity of review according to the purpose of the TA and complexity of the development issues; (ii) ensure that meaningful inputs are provided in the early stages, when the design concept is still flexible; and (iii) allocate the resources needed for proper design to TA projects of higher complexity.

42. To optimize the allocation of resources for quality enhancement of CDTA, PATA and RDTA, a two-stage process is proposed. The first stage involves classification of these TA projects into two categories, with different levels of scrutiny and resources for preparation. The second stage entails providing additional technical inputs and/or check by experts, if the TA is addressing highly complex development issues or with higher risk of failure. The proposed categorization system is shown in Box 2.

#### **Box 2: Proposed TA Categorization System**

**Category A:** Technical assistance (TA) that is expected to address more complex development issues, such as capacity development or policy reform. Criteria such as the experience of the Asian Development Bank (ADB) in the country and sector, and the institutional capacity and ownership, should be considered in deciding the categorization. These TA projects are expected to need significantly more technical inputs during design and implementation. Cluster TA and large scale capacity development TA automatically would be categorized as class A.

**Category B:** TA that is closely related to an existing ADB operation, or that is expected to be straightforward with little complexity. This category comprises usually TA for assisting in a narrow policy area, in the implementation of a loan, supplementary TA, small-scale TA, or TA for conferences.

43. The following approach and procedures would apply:

- (i) The team leader will propose the categorization of a CDTA, PATA or RDTA as category A or B in the TA concept paper, under the oversight of her or his sector and/or country director, taking into account the views expressed by the departments and offices that review the TA concept paper, and any advice from a member of the relevant expert panel as described in paragraph 44.
- (ii) The director general will make the final decision on the TA categorization at the time of concept paper approval. During the ensuing processing and preparation of the TA paper, current 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, class A TA projects will benefit from dedicated inputs and review by a member of the relevant expert panel.

(b) Category B TA papers will be subjected to simplified interdepartmental review by key offices and departments, before submission for approval, unless the originating department opts for a more thorough review process.

44. To meet the potential requests for additional technical support for quality enhancement at the design and implementation stage, a new mechanism is required: the formation of expert panels. Standing expert panels would consist of a roster of experts available to provide technical inputs and review.<sup>30</sup> Members would be largely ADB staff, recognized for their expertise in a given sector or theme. They would be drawn from the relevant CoP or, if none exists, from the recent skills inventory and informal networks. If no skills are available internally in a given field, they would be procured externally through retainer arrangements. Experts would be free to consult peers, or the CoP, but would be individually responsible for comments. The number of times they are requested to provide inputs and comments would be limited through a rotation mechanism, and their availability and contribution would be recorded in their work program, reviewed through the performance development plan (PDP) process, and recognized accordingly.

### **Solution B.1.2: Improve ADB Staff Capacity to Design Effective TA**

45. Given their smaller size and financial implications for DMCs, TA projects not leading to a loan tend to be assigned to relatively younger and less experienced mission leaders, even though TA often addresses complex development issues of capacity development and institutional change. At the same time, ADB's internal training program does not contain many offerings focused on TA preparation and implementation, institutional and policy analysis, and capacity assessment. Modules on managing change were introduced only recently.

46. A more comprehensive menu of training opportunities needs to be developed and offered regularly, catering to headquarters and resident mission staff. These offerings would also be relevant for staff processing loans. Examples of such offerings include:

- (i) sector institutional and organizational assessment, including political economy;
- (ii) stakeholders analysis;
- (iii) sector analysis and preparation of sector road maps;
- (iv) managing change;
- (v) policy analysis (for key sectors of ADB operations);
- (vi) design of TA operations (e.g., TA planning cycle);
- (vii) preparation of requests for proposals, including development of terms of reference (TOR) and results-oriented requests for proposals and TOR;
- (viii) recruitment of consultants (already available);
- (ix) TA implementation supervision; and
- (x) managing for development results.

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<sup>30</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.

47. Training should be supplemented by preparation of a handbook containing references and links to the relevant information. This should be complemented with on-the-job learning through field-testing of the tools in a “real life” setting, where learning objectives are merged with concrete deliverables (e.g., making capacity development assessments, preparing capacity development support interventions). In parallel, consideration must be given to recruiting staff who possess skills in these areas when filling available positions.

### **Issue B.2: Lengthy PPTA Processing Delays Loan Preparation**

48. While DMC capacity to design projects has grown, the scope of activities necessary to prepare a bankable project also has expanded, as ADB adopted broader social and environmental safeguards. Project preparation now requires more resources, but can also benefit from more developed local studies. This increases the difficulty of estimating the resource requirements for each PPTA (and presenting them 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. Essential inputs to start project preparation are the TOR of consulting services, a related budget and implementation plan, and the initial poverty and social analysis (IPSA), which guides the social analysis to be carried out during project design. Once the loan concept is identified and the IPSA, TOR, and budget defined, preparation of a formal TA paper and interdepartmental review add limited value. However, these steps increase processing time considerably. 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>31</sup> Scoping activities before PPTA design can add even more time to the process.

#### **Solution B.2.1: Simplify and Accelerate TA for Project Preparation**

49. The proposed simplifications of PPTA 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. ADB and DMC governments scrutinize project preparatory TA design, because of the importance and financial commitment of the ensuing loan. The streamlined PPTA approach allows substantial staff and processing time to be redirected towards implementation, which is expected to improve project quality. The proposed PPTA streamlining has the following key elements:

- (i) While the COBP will continue to list the loans planned for ADB financing in any year, amounts for individual PPTA projects no longer will be identified. The WPBF will broadly identify—and the annual operational resource parameters (ORP) will more precisely confirm—departmental allocations for PPTA.<sup>32</sup> The directors general will be responsible for deciding the amount allocated for the preparation of each project.

<sup>31</sup> On average, 63 days are required after ADB approval for TA letter signing, a requirement to proceed with negotiations with the first-ranked consultants. Procedures for PPTA processing already are 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.

<sup>32</sup> Departmental allocations would be based on the number of projects to be prepared and the average cost of preparing a project, (\$696,000 in 2004–2006 for sovereign loans), adjusted to reflect average escalation in consultants’ fees and the cost of including project readiness measures. Allowances may be needed for preparation

- (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 for up to a maximum equivalent to the SSTA ceiling to finance recruitment of consultants for initial project scoping, or to accompany the PPTA fact-finding mission.<sup>33</sup>
- (iii) The most significant simplification will occur after fact-finding. Mission leaders, with oversight from their sector directors,<sup>34</sup> will be responsible for subjecting the proposed TOR and approach to review by the relevant departments and offices, as they deem necessary. The vice president of the relevant operations group will approve the PPTA.<sup>35</sup>
- (iv) 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. 44), will be informed automatically when the PPTA has been approved. After PPTA completion, the CoP will receive a copy of 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.

50. As a result of this streamlining, PPTA preparation time can be halved (Table 3), even if more time is allowed for concept paper preparation.<sup>36</sup> This reduction is made possible by eliminating several steps that follow fact-finding (e.g., TA paper writing, review, circulation, commenting, consolidation of comments, SRC, 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 savings can be expected from the proposed revisions to the format of TA letters (paras. 54–55).

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of more complex MFF. Total amount of PPTA to be funded from JSF will be determined in due time, based on indications received from the Government of Japan, and subject to confirmation.

<sup>33</sup> Director general approval of the initial concept paper will be the basis to initiate recruitment. Only external consultants and their related expenses (travel, per diem, incidentals) and funding for consultation and participation (e.g., workshops) will be eligible for retroactive financing. If after fact-finding 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>34</sup> Or country director, if the PPTA is processed by a resident mission.

<sup>35</sup> PPTA documentation will comprise the revised and final concept paper, TOR, financing and implementation plan, and IPSA. In case the PPTA proposal is larger than the President's delegated approval authority, or when directors general feel 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 Board or President approval, depending on TA amount.

<sup>36</sup> For urgent projects, such as emergency assistance, preparation of the concept paper, fact-finding mission, finalization, and approval could be compressed further, thus expediting the delivery of essential assistance

**Table 3: Comparison of Preparation Time Streamlined and Current Project Preparatory Technical Assistance**

Activity	Streamlined PPTA <sup>a</sup>	Current PPTA <sup>b</sup>	Approximate time savings
Preparation of project profile/concept papers	40 days	30 days	10 days longer
Fact-finding	9 days	9 days	
Preparation of TA paper/TOR, budget	28 days	119 days	91 days
Circulation and approval	removed	8 days	8 days
Total (average time of project development)	77 days	166 days	89 days

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

<sup>a</sup> Staff estimates.

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

Source: ADB staff

51. The streamlined PPTA approach can be considered a pilot for other types of TA. After an implementation period of 3 years, the PPTA experience should be assessed to determine if (and what elements of) the approach can be extended to other TA instruments.

### **Issue B.3: Signing of the TA Letter Can Significantly Delay Implementation**

52. The signing of TA letters is one additional area that lends itself to streamlining and improvement, though it has a bearing on ownership. TA projects become effective after a letter sent by ADB to the country focal point (often the external resources department of the Ministry of Finance or Central Bank) is returned countersigned by the DMC authorities. The TA letter recalls the provisions of the ADB Charter and of TA framework agreements signed with most countries, and carries as an attachment the approved TA paper.

53. TA letter signing is a major factor in delaying TA implementation. Until the TA letter is signed, consulting contracts cannot be negotiated and teams cannot be mobilized. Time elapsed from TA approval to TA letter signing has grown, from approximately 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 specific TA projects.

#### **Solution B.3.1: Adopt a No-Objection Approach to Signing of the TA Letter**

54. Signing of the TA letter can be considered the ultimate test of ownership. In many cases, however, it is a sign of formal rather than substantive ownership. Delays in TA letter signing can be caused by lack of commitment, but are more often simply the result of bureaucratic procedures in the participating DMC. If commitment is the issue, the problem must be addressed upstream and at the root. Alignment between the TA content and EA requirements can be ensured by (i) encouraging the EA requesting a TA to develop a concept note; (ii) involving government officials in TA fact-finding workshops and field visits; and especially (iii) waiting for formal EA comments before TA approval. This removes a potential cause for DMC hesitation at the time of TA letter signing. Bureaucratic procedures, however, are beyond ADB control. Often, significant delays occur as the TA letter is transferred from the DMC focal point to the 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.

55. As an alternative, following approval, ADB could send a TA letter with attached TA paper<sup>37</sup> on a “no-objection” basis, stating that if no contrary opinion is expressed within 21 calendar days the TA will be deemed as accepted by the DMC, and will be implemented according to the appropriate references to the TA framework agreement, provided that technical and logistical arrangements would have been spelt out and confirmed in the memorandum of understanding (MOU), signed by ADB and the government<sup>38</sup>. For external relations purposes and visibility, particularly in the case of cofinanced TA, public signing of the TA letter, sometimes done in the past, would be replaced as appropriate by (i) public delivery of the TA letter; (ii) other public events (e.g., 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. The above activities would be organized in close collaboration with relevant aid agencies of the (co)financing country. Some DMCs consulted on this approach have expressed agreement in principle, provided an MOU with the government had been signed on the content of the TA paper, opportunity to comment had been provided during processing, and the government has the possibility to communicate its objection before a reasonable deadline. Adoption of this measure would reduce the time between approval and consultant contract negotiation by 80%—from 99 days on average to 21.

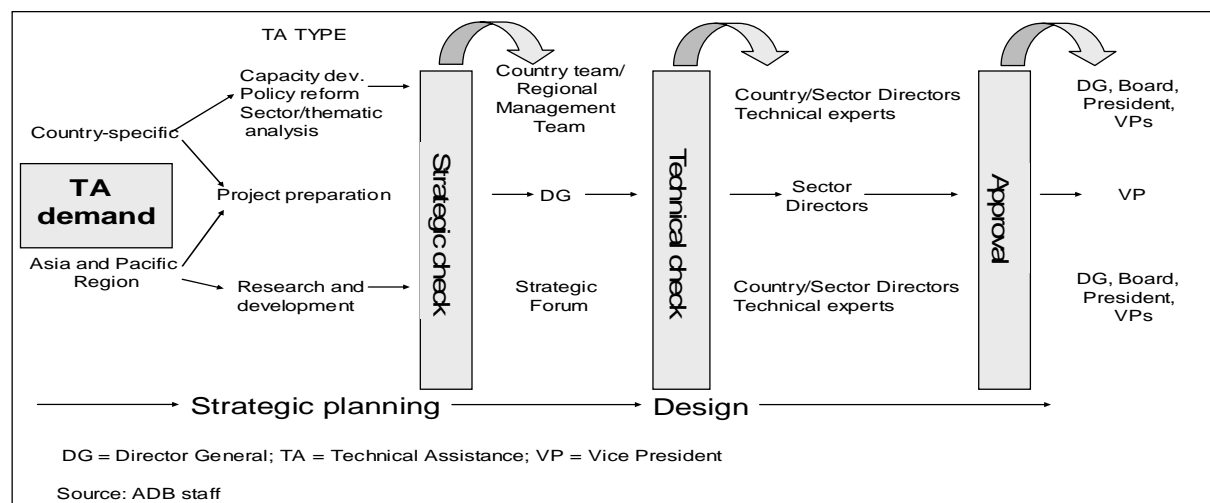
56. Figure 3 summarizes the approach, quality control mechanisms, and approval processes described in Sections A and B of this chapter. It shows how accountability for improving TA design rests largely with the team leaders, under the oversight of their sector or country directors and with the technical support provided by expert panels. It assigns to department directors general the primary role in managing the financial and staff resources involved in TA delivery, including retroactive financing of PPTA activities, under the oversight of 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, given the implications on the lending program. However, accountability is not confined to ADB; it needs to extend to the EAs. EAs must be prepared to commit time and resources during the identification and design stage to ensure that TA is responsive to their requirements. A summary of the main change proposals affecting the design phase is shown in paragraph 104.

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<sup>37</sup> Or the documentation used by ADB to grant approval, in the case of project development technical assistance.

<sup>38</sup> In exceptional cases where no signed MOU is available, a TA letter agreement shall be sent and countersigned by the respective government as is presently the case.

**Figure 3: Proposed Strategic and Quality Control Approach in the TA Reform**



## C. Implementation of Technical Assistance

### Issue C.1: Inadequate Supervision of TA During Implementation

57. The focus group discussions held by the TA Reform Task Force and the SES country studies concluded that supervision during implementation must be improved. This implies some redefinition of the roles of ADB staff, consultants, and governments. Specifically:

- (i) ADB tends to favor processing over implementation. More recognition and resources are provided for TA preparation up to management or Executive Board approval, than to the implementation phase.
- (ii) While a fact-finding mission is fielded for nearly every TA processed, only 25% of active TA projects had a dedicated review mission during 2005, although additional oversight might have been provided during other missions.<sup>39</sup>
- (iii) Frequent turnover of project officers reduces the effectiveness of TA supervision. The project officer changed during implementation for 52% of ADTA projects, in many cases with little or no formal handover.<sup>40</sup> Some DMCs feel dependency on TA consultants is excessive and project officers are not involved enough during implementation.

<sup>39</sup> ADB. 2006. *Annual Report on Loan and Technical Assistance Portfolio Performance for the Year Ending 31 December 2005*. Manila: ADB. Review missions are not the only relevant input for TA supervision. TA deliverables can be monitored without missions as communication is facilitated through up-to-date IT tools.

<sup>40</sup> ADB. 2007. *Special Evaluation Study of Technical Assistance Performance*. Manila. Appendix 8, paragraph 116.

- (iv) ADB's management information system for TA is fragmented<sup>41</sup> and does not allow day-to-day monitoring of implementation, although initiatives have started in the Pacific Department (PARD) and the Central and West Asia Department (CWRD) to develop a TA tracking system under the Information and Systems and Technology Strategy (ISTS II).
- (v) The SES found that quality- and cost-based selection of consulting services can be unsuitable for complex capacity development and policy reform TA, which require more skilled and experienced consultants with change management experience.<sup>42</sup> Quality-based selection, or to the extent applicable the recently introduced "flexible weighting" option under quality- and cost-based selection, and other consultant selection procedures, should be used in these cases, but staff might not have fully familiarized themselves with all available options.<sup>43</sup>
- (vi) Quality-at-exit checking is superficial. OED's evaluations of TA are very selective and limited in numbers. Objectivity of the TCR varies, as only non-TA stakeholders screen it through ADB interdepartmental circulation; and inputs from the EA, consultants, or other parties involved in implementation are not required.

### **Solution C.1.1: Redirect Resources From Processing to Implementation and Supervision**

58. While 86% of the EAs and consultants questioned in the SES rated the quality of ADB supervision as "satisfactory" or better,<sup>44</sup> several OED reports<sup>45</sup> have pointed out that supervision of TA is insufficient. To increase development effectiveness, attention must not stop at supervising TA activities during implementation. It must extend to facilitating utilization of TA outputs during and after completion, sometimes considerably after the 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-to-TA ratio. However, additional attention and resources for TA implementation, coupled with stronger recognition of TA supervision in evaluating staff performance, is necessary. Improving implementation supervision in a cost-effective manner requires a phased, three-pronged approach.

59. In the long term, the strategy must be to shift from direct TA administration by ADB to ADB oversight of TA administered by recipient EAs and other entities. Just as in loan projects, ADB staff should gradually prepare the EAs to assume administrative responsibility for

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<sup>41</sup> The project processing information system (PPIS) focuses on the processing stage and TA amount, but does not track historical data such as change in project officer. The technical assistance information system (TAIS) records financial disbursement data, while TA performance reports contain more detailed implementation updates.

<sup>42</sup> To improve the chances of success under this method, firms may not field the best experts for the task, if they have high fees. Selected interviews with consultants in 2006 and 2007 confirmed this observation. Several consultants described a scenario where ADB and World Bank were hiring a team for similar tasks. Firms would include top-end consultants in the World Bank proposal and second-tier consultants in their submission to ADB because of the fee structure. The firms felt that top-end consultants were too costly for ADB projects.

<sup>43</sup> See ADB. 2006. *Use of Consultants by the Asian Development Bank and Its Borrowers*. Manila (R12-06). Flexible weighting allows allocation of a higher weight to the technical proposal. Fixed budget selection is based on technical ranking alone within a specified budget envelope and consultant qualification selection allows selection based on experience and competence information provided in the expression of interest; both are more suitable for smaller assignments.

<sup>44</sup> EAs rated ADB supervision "very satisfactory" in 34% of the cases, and consultants did so in 46% of the cases.

<sup>45</sup> For example ADB. 2006. *Annual Report on Loan and Technical Assistance Portfolio Performance*. Manila.

consultant selection and contract administration by harmonizing national procedures and ADB standards.<sup>46</sup> The role of ADB staff should 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 introduced (e.g., in consultant selection). Middle-income countries and experienced EAs that request this transition could be the initial participants in this approach, using TA resources if needed to develop the EA's capacity. Even for weaker EAs, the role in consultant selection can be enhanced immediately by asking them to participate in the ranking of the technical proposals together with the ADB officer or committee in charge of consultant selection, and/or to nominate—within an established time frame to avoid delaying the recruitment process—a representative to attend in person or via videoconference the consultant selection proceedings.

60. In the medium term, a larger role in TA administration can be assigned to the resident missions. In 2005, resident missions administered 142 TA projects, equivalent to 22% of the active ADTA portfolio of the Operations Groups. Permanent presence, geographic proximity, and knowledge of the local context are strengths that resident mission staff can bring to TA supervision. These features are particularly important to support utilization of TA outputs and recommendations. A potential weakness is that resident mission staff might not have the in-depth expertise needed to manage high-level consultants in specialized areas. For this reason, a gradual and pragmatic approach is required. The 2008–2010 Work Program and Budget framework (WPBF) sets the objective that resident missions will administer 30% of TA projects 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 ongoing resident mission operations review.

61. 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, inputs from staff consultants and expert panel members, especially for category A TA projects. This will be partly achieved by redirecting resources freed by continuing close monitoring and reduction in the number of ADTA projects being implemented (from 813 in 2004 to 762 in 2006) and by the procedural simplifications introduced in the processing of PPTA (paragraphs 49–51) and category B CDTA, PATA and RDTA (paragraphs 41–44).

### **Solution C.1.2: Improve Feedback Mechanisms**

62. Feedback on TA operations must be enhanced at various levels. The first level concerns the monitoring of planned and ongoing TA operations. Improvement and integration of ADB's corporate management information systems (MIS) has started only recently. With regard to TA, ADB is developing a comprehensive TA management system, which will allow access to all necessary data (including technical assistance performance reports [TPRs] and TCRs) on all types of TA in one place, as well as generation of flexible reports in real time. To add maximum

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<sup>46</sup> In a 2004 COSO pilot study, EAs 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."

value, the system should encompass lessons learned and measurable indicators of success. This requires consideration of these aspects during TA design and the definition of the MIS.<sup>47</sup> A key element in establishing a results-oriented TA MIS is the use of the TA's DMF as the benchmark to monitor the progress in achieving results through a TA operation.<sup>48</sup> This will assist ADB in shifting from a financial perspective (monitoring of disbursements) to a more output-focused reporting system. Ideally, paper-based reporting will become minimal once the MIS system is in place.

63. The second level is internal feedback on completed TA operations. Given the small and statistically insignificant number of TA post evaluation reports that OED currently prepares, the objectivity and quality control of TCRs must be enhanced. To this end, TCR findings will be supplemented by requesting the EA and TA consultants to also assess TA performance upon completion through a simple feedback questionnaire. This feedback and the staff ratings will be taken into account to determine a validated overall TA completion rating. Instead of conducting a post-evaluation of individual TA projects, OED would assess the role of TA in achieving results in the context of country assistance program evaluations, sector evaluation studies, and special studies.

64. The third level is feedback to external stakeholders. Lessons and reports resulting from a TA operation will be made publicly accessible. A web-based knowledge database containing lessons and final reports of the TA operation will be established and made accessible for staff as well as 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 the contribution to TA design and implementation.

### **Solution C.1.3: Promote Country Ownership of TA Operations**

65. The 2005 Paris Declaration and the current development debate underline the importance of ownership in any developmental undertaking—and TA is no exception. Measures to strengthen TA ownership at various stages have been proposed throughout this paper. This section and Table 4 provide a summary of the proposed approach.

66. At the planning stage, ownership will be ensured through the strengthened CPS and RCS process, including sector road maps, based on consultation and participation of country and regional stakeholders. Countries will be encouraged to strengthen procedures for robust prioritization of the TA pipeline by developing, for example, concept notes and holding preliminary screening sessions before discussing the TA program with country programming missions. The specific TA and loan activities that translate the CPS into action will continue to be the subject of annual agreement between ADB and DMCs, as recorded in signed MOUs at the end of country programming missions and embodied in the ensuing COBPs. Inputs from member countries also will be sought during preparation of the strategic forum that will help

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<sup>47</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 or shorten 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 under definition. System development costs will be covered under ISTS II, but maintenance will need to be covered under the IAE.

<sup>48</sup> Such an approach requires a renewed emphasis on the quality of the DMF. OED's draft annual report on 2006 portfolio performance shows that the quality of TA projects' DMFs can be improved further.

shape the ADB-wide knowledge agenda. Participatory planning principles should be mandatory at each TA processing step in order to allow all relevant stakeholders to develop ownership.

**Table 4: Systematic Approach to Enhancing Ownership of TA Operations**

TA Stage	Specific Actions
Strategic Identification of TA	<ul style="list-style-type: none"> <li>• CPS and RCS are based on country strategies and priorities, and developed through consultative processes.</li> <li>• DMCs are encouraged to develop their own concept papers and screening mechanisms.</li> <li>• DMC consultation leading up to ADB-wide strategic forum will help set the direction for RETA program.</li> </ul>
TA Design	<ul style="list-style-type: none"> <li>• EA and resident mission staff participate actively in TA design and fact-finding mission. Where appropriate, RMs can take lead in 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 pre-SRC or pre-approval comments matrix.</li> </ul>
TA Implementation	<ul style="list-style-type: none"> <li>• Depending on capacity, EAs provide inputs, attend or conduct consultant selection.</li> <li>• Key EAs are identified for TA implementation delegation. A plan to build their capacity is developed and funded, if needed.</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 prepare a one-page assessment upon TA completion.</li> <li>• EA and consultant inputs, together with ADB staff evaluation, are the basis for “validated” TA completion rating.</li> </ul>

ADB = Asian Development Bank; CPS = country partnership strategy; DMC = developing member country; EA = executing agency; RETA = regional technical assistance; RM = resident mission; SRC = staff review committee; TA = technical assistance.

Source: ADB staff.

67. At the design stage, supporting the participation of stakeholders and government officials in workshops and other consultative activities during TA fact-finding will be possible through the retroactive financing option under the streamlined PPTA approach. Participation of a resident mission member in TA fact-finding activities also will enhance consideration of country-specific institutional and cultural dimensions in TA design. In addition, inclusion of EA comments on the draft TA paper in the matrix of comments (category A) or at the time of submission for approval (category B) will ensure that DMC concerns are addressed before ADB makes a decision. The proposed switch to “no objection” TA letters is not expected to weaken ownership, as implementation arrangements and EA contributions would be agreed between the sector division and EA management and recorded in MOUs. Further, DMC governments would have the option of following the formal signing process if they need more time before confirming agreement.

68. At the implementation stage, ownership enhancement implies stronger EA empowerment. At the consultant selection stage, as discussed in paragraph 59, the EA role can be enhanced along a continuum—from the EA providing inputs for the assessment of technical proposals, to attending in person or via videoconference the consultant selection proceedings, to complete delegation of the consultant recruitment process, depending on the level of institutional capacity. During implementation, ADB will continue to encourage EAs and local steering committees to take an active role in providing guidance and feedback to the consultants, and ADB staff will facilitate this interaction and oversee more closely consultant performance and outputs. When TA implementation is concluded, the requirement of

considering EA inputs (collected through a simple questionnaire) to determine the TA project rating in the TA completion report will ensure that the EAs opinion is considered and recorded.

69. The gradual shift in DMC and ADB roles 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 one of the main causes of loan implementation delays, which average about 21 months. This indicates that in some countries and for some EAs capacity needs to be built before full administrative responsibility can be transferred. Nevertheless, if proper procedures are followed and administrative capacity is present, ADB's administration of consultant contracts adds little intrinsic value. From the point of view of the EAs and beneficiaries, on the other hand, administrative control is likely to result in greater ownership and supervision, enhancing the impact of TA.

70. Improving TA implementation depends on actions to be taken at various levels within ADB. The team leader will continue to be responsible for direct TA supervision, including updating of information in the MIS. ADB should take into account feedback provided by the EA and consultants when assessing his or her performance. However, middle management within the operating 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 also will be responsible for identifying cases for TA delegation to EAs and defining a program for transferring TA supervision to the resident mission. Success ultimately will depend on (i) OIST making available the required information systems and (ii) budgetary and human resources being allocated through the ADB budget. A summary of the main change proposals to improve the implementation phase is in paragraph 105.

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

71. The TA reform also provides an opportunity to address some issues and measures related to TA financial management.

##### **Issue D.1: Donors' Supply Strongly Influenced Past TA Resource Mobilization**

72. Sources of financing have shifted in recent years. Technical Assistance Special Fund (TASF) resources have fallen significantly in real and percentage terms to about 38% of the TA program in 2006, while Japan Special Fund (JSF)<sup>49</sup> and trust funds from external sources have filled the gap. In the absence of significant new contributions,<sup>50</sup> TASF has been stabilized in recent years through resource transfer from the Asian Development Fund (ADF) IX replenishment and OCR income transfers.<sup>51</sup> Trust funds from external sources have grown from less than 10% of TA financing in 2000 to nearly 40% in 2005. ADB is administering 32 trust funds, ranging in size from \$400,000 to \$85 million.

<sup>49</sup> Responding to high utilization, the Government of Japan has increased the annual JSF allocation significantly in the past 2 years—from \$40 million in 2004 to \$65 million in 2006 and \$80 million in 2007.

<sup>50</sup> The last voluntary contribution exceeding \$1 million to TASF came from the People's Republic of China in 2002. The current TASF volume is mainly determined by the ADF replenishment.

<sup>51</sup> 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.

73. 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 might not be aligned with ADB's or with the region priorities, resulting in low utilization or diversion of scarce ADB staff resources to lower-priority activities; and (ii) ADB staff and DMCs can incur substantial transaction costs to align to different guidelines, procedures, and reporting requirements if they are different for the various funds. In addition to pursuing adequate replenishment of TASF in the course of Asian Development Fund X (ADF X) replenishment negotiations, the following approaches will be adopted.

#### **Solution D.1.1: Align Trust Funds to Current Priorities Through Financing Partnerships**

74. ADB has responded to these trends through a financing partnership approach,<sup>52</sup> which envisages the creation of facilities or initiatives to support broad themes that address the priorities of ADB and the Asia and Pacific region. 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 in support of its objective. 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.

#### **Solution D.1.2: Standardize Guidelines for Trust Funds**

75. Even within this harmonized approach, different guidelines and procedures might complicate the process of accessing the funds. SPD has compiled a list of best practices based on the experience of ongoing trust funds, concerning (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 to ensure that staff preparing projects can deal with a common approach regardless of the source and purpose of the funds. In parallel, efforts will be undertaken to approach the contributors to bilateral trust funds of modest entity to explore their willingness to merge their funds within the broader facilities and initiatives. This would help to ensure synergy, alignment, and optimal utilization of donors' financing and ADB's administrative resources.

#### **Issue D.2: TA Resource Allocation Is Mainly Based on Historical Trends**

76. ADB's system for allocating TA resources makes little attempt to prioritize the use of TA across ADB. Allocation of TA budget to departments largely reflects historical patterns, although some allocations have shifted in response to changes in ADB corporate priorities.

#### **Solution D.2.1: Strategically Allocate TA Resources at the Corporate Level**

77. Through the WPBF and annual Operational Resources Parameters (ORP), Management will continue to indicate and refine the broad allocation of TA resources, according to corporate priorities. As a first step, TA funds for project preparation will be allocated based on the number of projects to be prepared and average PPTA cost. As a second step, taking into account the priorities emerging from the strategic forum, Management will make an overall allocation to the

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<sup>52</sup> ADB. 2006. *ADB's Financing Partnership Strategy*. Manila.

RDTA program, also taking into account availability of external funding through, for example, thematic funds. Funds for CDTA and PATA then will be allocated to the operations groups, taking into account the priorities and requests emerging from the CPS and RCS.

### **Solution D.2.2: Promote Flexible Utilization Based on Demand**

78. 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 Operations Group based on requests and needs, as determined in the CPS and RCS and the respective COBP and/or regional operations business plans (ROBP). Vice presidents may retain a small pool of funds unallocated to address unexpected requirements, and to provide incentives where appropriate to encourage the regional departments to augment available TA resources through cofinancing, innovative TA resource pooling arrangements with other development partners and/or prompt cancellation of completed TA.

### **Issue D.3: Processing Time for Cofinancing Can Delay Response to DMC Requests**

79. Occasionally, cofinanced projects are delayed because the necessary approvals from the external funding source are not forthcoming. This can be caused by a mismatch in approval deadlines or the need for additional information before a decision can be reached. For some urgent projects, this can discourage use of cofinancing sources that would be ideally suited for a particular TA.

### **Solution D.3.1: Allow Bridge Financing With TASF to Jump-Start TA Implementation**

80. If a TA project is considered an urgent priority, Management may allocate TASF resources as bridge financing to allow prompt implementation of the project, not exceeding the President's delegated approval authority for each individual TA. Such bridge financing would allow the TA project to be approved and consultant recruitment to start. Once the cofinancing source approves the TA, the official funding source would replace TASF funds. If the bilateral source decides against financing the TA, funding from TASF would continue to be used. Bridge financing will only be used if the respective development partner has explicitly expressed agreement to such an arrangement.

### **Issue D.4: Ceilings for Delegated TA Approval Authority Have Been Eroded**

81. The President's delegated authority to approve TA projects was raised from \$800,000 to \$1 million in 1997. Global inflation in 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%. During the same period, the US dollar has depreciated by 17% against the pound sterling, 20% against the Australian dollar, and 13% against the euro.<sup>53</sup> Hence, individual TA proposals will need to become larger in order to procure the services required to meet the objectives. In order to maintain the number of TAs which require Board approval within a reasonable limit, an increase of the delegated TA approval authority is proposed.

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<sup>53</sup> Depreciation between 31 December 1997 and 31 May 2007. Depreciation against the euro is computed from 31 December 1998.

#### **Solution D.4.1: Increase the Ceilings for Delegated TA Approval Authority**

82. 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 the principle in the current financial circumstances, this paper proposes raising the delegated approval ceiling for the President to \$1.5 million, and the delegated authority of vice presidents to \$750,000 for CDTA and PATA. For PPTA, in line with paragraphs 49-51, the vice president's delegated approval authority would be up to \$1.5 million.

#### **Solution D.4.2: Increase the Ceiling and Delegate Approval Authority for Small-Scale TA**

83. Small-scale TA has proven useful and flexible in responding 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 the same inflation and exchange rate considerations (paragraph 81). As such, this paper proposes to increase the limit to \$200,000. Based on TA projects approved from 2002-2006, this would result in only a modest increase in the number of small-scale TA projects.<sup>54</sup> To enhance the flexibility of this instrument, this paper also proposes that authority to approve small-scale TA up to \$200,000 be delegated to heads of departments. Vice presidents would establish appropriate controls as needed to ensure that the approved small-scale TA projects fall within the directions provided by the CPS, RCS, and strategic forum recommendations, or respond to urgent and priority requirements of the DMCs, if addressing issues that fall outside the approved strategic directions. All TA approvals would continue to be reported to the Board.

84. The proposed approaches are expected to improve the financial management and responsiveness of TA, while reducing the administrative burden. A summary of the main change proposals related to TA financial management is in paragraph 106.

### **IV. IMPLEMENTING THE TECHNICAL ASSISTANCE REFORM**

85. The reform outlined in this paper aims to systematically 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 (WPBF). At completion, ADB is expected to contribute more meaningfully to solving development issues in the Asia and Pacific region through a predictable, well-funded, and untied TA program that mobilizes internal and external resources to help address DMC requirements.

86. Results expected from the proposed reforms include the following (see Table 7 for a detailed results and monitoring framework):

- (i) a stronger focus of the TA program 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;

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<sup>54</sup> Of 1,521 TA projects approved during 2002–2006, 295 (19%) were below the current \$150,000 limit. If the limit had been \$200,000, an additional 27 TA projects would have been classified as small-scale TA, bringing the total to 322 (21%).

- (iii) reduction by at least half in the time required to field the expertise needed to prepare bankable projects;
- (iv) a growing role for most middle-income countries in the administration and supervision of TA;
- (v) a stronger ADB staff role in overall supervision, fiduciary control, and quality assurance during the design and implementation stage;
- (vi) better dissemination of knowledge outcomes; and
- (vii) a streamlined TA resource mobilization mechanism that emphasizes a few large multidonor thematic funds over the current more numerous country- and subject-specific trust funds.

87. This paper makes specific recommendations to address the issues identified. However, some systemic issues are outside the scope and influence of this paper, and should be addressed in other appropriate venues. These issues include the approach to career progression through change of positions, limitations on IAE resources, incentives that favor processing over implementation, appropriateness of the current staff skill mix, and the role of resident missions.

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

88. The success of the proposed changes will depend on (i) establishing a sound accountability system that matches increasing levels of delegated responsibility with managing for development results; and (ii) addressing important factors linked to TA management, but not under direct control of the TA reform. The TA Reform Task Force and the SES have made clear that human resource-related factors are essential to enhancing TA effectiveness.

89. In operations departments, staff involved in lending operations and in loan processing tend to be recognized more than colleagues involved in TA operations and implementation. In general, TA receives more attention when it is required for preparing a loan. The perception within ADB is 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, such a system does not take into account the importance of TA in delivering development results, particularly in WPCs and when change processes are introduced. Changing the incentives provided through reward and recognition cannot be subject of the TA reform, but is essential for the success of reform efforts. ADB’s PDP can take fuller account of the results that well-designed and well-managed TA and grant operations can deliver. This has started to happen, particularly in departments where TA operations constitute an important share of the assistance ADB provides, or are strongly requested by DMCs.

90. The complexity and requirements of individual operations have changed, and this shift must be matched with staff who possess the necessary skills to design and implement increasingly complex products. Capacity development and policy reform TA require a different set of skills and capabilities. Soft skills, such as listening, dialogue, negotiation, and communication, are as important—and in some cases probably more important—than technical skills. A good understanding of the political economy and the cultural and social background in

Asian and Pacific societies is essential to initiate and manage change processes. The SES has emphasized that many TA projects are preceded by insufficient diagnostics of the institutional and organizational environment. This review has highlighted how the training program can be adjusted to respond to this requirement and how these requisites should also be considered in recruitment.

91. The approach outlined in chapter III does not address significantly 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 to different positions to be promoted. Possible systemic solutions to this problem are, therefore, beyond the scope of this TA review. 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 are expected to be able to step in during the transition phase, and possibly become the new team leader for the project, mitigating the adverse effects of ADB personnel changes.

92. Training has limitations if the objective is to alter significantly the skill mix or enhance staff capacity in important areas, such as capacity development and policy reform. However, it can be a useful instrument to address the potential skills mismatch. The current training program caters mainly to the needs of lending operations and internal management. Few training modules are available on policy reform or managing change processes. Given the increasing number of TA aimed at capacity building and development and policy reform, specific training programs in these areas need to be developed. ADB would probably also benefit from an enhanced staff exchange or secondment program to other specialist agencies or the private sector to promote on-the-job training.<sup>55</sup> Some suggestions for TA-related training were advanced in paragraph 46.

93. ADB also should consider establishing a standard for project design and management to ensure that experienced or trained staff process and implement TA which is aimed to address complex development issues. For instance, ADB could require potential team leaders to go through a standard training program—Project Performance Management System (PPMS) DMF, all project team leadership modules, and training on consultation and participatory methodologies—before she or he is assigned to process a class A TA. Such an approach will ensure that a consistent standard for project design and management is established. While staff shortages might make full implementation of this recommendation 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.

94. While outside the scope of the TA review, these issues are essential for its success. If the incentives, the human resources and skill mix issues are not addressed comprehensively, the proposed measures to increase the impact of the TA program are likely to deliver suboptimal results.

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

95. The proposed TA reforms have been designed to improve focus, effectiveness, and ownership of TA operations to enhance results. In the aggregate, the estimated net resource

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<sup>55</sup> RSDD through the Capacity Development and Governance Division (RSCG) is processing a RETA for implementation in 2008 to support capacity assessments in sector operations.

implications of the proposed reform are essentially neutral.<sup>56</sup> The resource impact has been kept neutral by redirecting emphasis (and corresponding resources) from formal review procedures at the design stage to substantive review focused on a smaller subset of more complex TA projects, and TA supervision during implementation.

**Table 5: 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 (staff wks/\$,000)	Assumptions/remarks
<b>Enhanced strategic planning</b>	Yes <sup>1</sup>	+8 <sup>2</sup>	+48 <sup>2</sup>		1. CPS improvements already ongoing. 2. Additional staff and organization cost for strategic forum
<b>Adoption of a streamlined PPTA approach</b>		(160) <sup>1</sup>	(1,400) <sup>2</sup>		1. Staff savings due to simplified process. 2. IAE impact is the result of shift of scoping activities from staff consultant to TA budget
<b>Quality enhancement for CDTA, PATA, and RDTA</b>	Yes <sup>1</sup>	+31 <sup>2</sup>	+1,192 <sup>3</sup>		1. Training included in current budget. 2. Additional staff time and expert panels for quality enhancement (especially class A TAs). 3. Design support for class A TAs by staff consultants.
<b>Enhanced implementation</b>	Yes <sup>1</sup>	+117 <sup>2</sup>	+130 <sup>3</sup>		1. MIS improvements funded under ISTS II. 2. Additional supervision time during implementation. 3. Additional mission travel for implementation supervision. 4. Shift to RM is assumed to be budget neutral.
<b>Knowledge management</b>		+20 <sup>1</sup>	+30 <sup>2</sup>		1. Staff time to prepare and present publications. 2. Business travel for dissemination of TA results.
<b>Financial management</b>				+22 staff weeks +\$20 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 business travel	

Explanatory notes to the figures are provided in the assumptions/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, RM = resident mission, TA = technical assistance.

Source: ADB Staff estimates.

96. The specific staff savings and additional requirements will be mainstreamed in the operations departments. This will result in diffused reductions or increases in workload distributed among a large number of staff involved in TA operations, rather than redundancy or

<sup>56</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.

creation of specific positions. The reduction in the number of individual TA projects approved in recent years has already saved some staff time and costs for processing and supervision. Continued discipline and monitoring of TA numbers is expected to help ensure resource neutrality. In addition, the proposed reforms will use ongoing and funded initiatives (ISTS II, improvement of CPS process, and training activities), redirecting their emphasis, without need for additional resource allocation.

97. Table 7 summarizes the resource implications in terms of staff and administrative budget for the main items of the reform agenda (see Appendix 5 for more details). Greater strategic focus at the country and subregional level will be a byproduct of the ongoing CPS and RCS improvements. Additional resources are 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 interdepartmentally a PPTA paper, possible use of retroactive financing to fund the initial consultant and participatory activities) are expected to yield considerable savings in staff time and staff consultant budget. Part of these resources will be reinvested to improve the design quality of more complex (class A) CDTA, PATA, and RDTA. The remainder will be devoted to strengthening TA implementation supervision.

98. The shift of oversight for about 40 TA projects from headquarters to resident missions by 2010 will result in closer implementation supervision. Corresponding readjustments in staffing and appropriate 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.

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

99. The framework in Table 6 shows how accountability and responsibility for TA operations would be allocated as a result of the proposed reforms. It highlights each stakeholder's role and obligations, subject to adjustments that might be required during implementation. These accountabilities will be taken into account during the year-end and periodic performance reviews.

100. A monitoring framework is proposed in Table 7 as a tool for Management to monitor the implementation of the TA reform proposals. The framework focuses on the dimensions identified as necessary to achieve the goal of increased development effectiveness of TA operations. The number of measures and/or indicators that can be monitored is limited to 15 to keep the framework simple and operational in terms of data availability and reporting requirements. Management will use several instruments to monitor the TA reform implementation:

- (i) quarterly operations review meetings to track actual TA processing versus planning figures based on the operational resource parameters (ORP);
- (ii) portfolio review meetings at the department or office level to follow implementation progress of individual TA projects; and
- (iii) annual assessment of the monitoring framework (Table 8) and reporting on progress in implementing the TA reform through the WPBF.

**Table 6: 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 about the use of TA resources.
<b>Vice Presidents:</b> Strategic prioritization and selectivity. Resource allocation at the Operations Group level	All VPs: 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.  VP Knowledge Management: Chair the strategic forum that provides 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 the 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 class 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 the proposed TA utilization 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; and provide 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 respective partners inside and outside of ADB.
<b>TA Team Leader/TA Team:</b> Processing and implementation	Prepare concept papers, TOR, and budget; and 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.
<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 the respective authorities in ADB.

CDTA = capacity development technical assistance; CoP = communities of practice; CPS = country partnership strategy; CTL = Controller's Office; 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..

Source: Asian Development Bank staff.

**Table 7: Technical Assistance Reform Monitoring Framework, 2008–2011**

Expected outcomes	Change proposals	Measures/Indicators
Strengthen strategic planning of TA operations at country and bank-wide level	A.1.1: Change the terminology to better reflect the products ADB is delivering through its TA program (outcome and output focus) A.2.1: Enhance country partnership strategies and road maps A.2.2: Prioritize TA based on active portfolio size A.2.3: Strengthen longer-term engagement through cluster TA A.3.1 Guide ADB's knowledge agenda through a strategic forum	<ul style="list-style-type: none"> <li>• No. of PPTA, CDTA, and PATA planned outside of the CPS and RCS framework</li> <li>• No. (and percentage) of RDTA approved based on priorities identified through the strategic forum</li> <li>• No. of active TA in the portfolio</li> </ul>
Improve quality enhancement mechanisms	B.1.1: Differentiate the quality enhancement mechanism for CDTA, PATA, and RDTA B.1.2: Improve ADB staff capacity to design effective TA	<ul style="list-style-type: none"> <li>• Significant improvement of TA design rating (quality-at-entry review)—quality of DMF of TAs</li> <li>• Ratio of category A/B TAs</li> </ul>
Streamline procedures and internal reviews	B.2.1: Simplify and accelerate project preparation through the project development TA approach B.3.1: Adopt a no-objection approach to signing of the TA letter	<ul style="list-style-type: none"> <li>• Duration of the PPTA processing cycle (concept paper to approval)</li> <li>• Percentage of TAs with no-objection approval</li> </ul>
Institutionalize learning from TA operations	C.1.1: Redirect resources from TA processing to implementation and supervision C.1.2: Improve feedback mechanisms	<ul style="list-style-type: none"> <li>• Increase in budgetary resources for TA implementation and supervision</li> <li>• No. of reports based on TA published</li> </ul>
Increase EA and DMC ownership	C.1.3: Promote country ownership of TA operations in strategic planning, design, implementation, and evaluation	<ul style="list-style-type: none"> <li>• OM section on TA mandates use of participatory planning principles for all TAs</li> <li>• No. of TAs administered by EAs</li> <li>• Structured feedback from DMCs on status of ownership</li> </ul>
Improve management of TA resources	D.1.1 Align trust funds to current priorities through financing partnerships D.1.2 Standardize guidelines for trust funds D.2.1: Allocate TA resources strategically at the corporate level D.2.2: Promote flexible utilization based on demand D.3.1: Allow bridge financing with TASF to jump-start TA implementation D.4.1: Increase the ceilings for delegated TA approval authority D.4.2: Increase the ceiling and delegated approval authority for small-scale TA	<ul style="list-style-type: none"> <li>• No. of trust funds reduced but mobilization of resources for TA increased</li> <li>• Stable TA program over the medium term</li> <li>• No. of TA managed by resident missions</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.

Source: ADB staff

## V. CONCLUSION

### A. Summary of Change Proposals

101. A summary and overview of the change proposals discussed in each section is presented below:

102. Proposals related to strategic planning and programming are:

- (i) Change the categorization related to TA to better reflect the results that TA activities strive to produce.
- (ii) Continue to use CPS and RCS as the main vehicles for programming of country-based and subregional TA operations. CPS and RCS DMFs will show how lending and nonlending operations reinforce each other and contribute to the country's strategic objectives. Sectoral or thematic synthesis of lending and nonlending operations will be included in annual COBPs.
- (iii) Continue to prioritize TA operations through control of the number of TAs, shifting the target from caps on the number of new approvals to ceilings on the number of active TA operations. This will be monitored by the vice presidents. The methodology for estimating staff requirements for TA operations will be strengthened.
- (iv) Encourage the use of TA clusters by counting only approved TA subprojects against annual allocations, with the objective of channeling a growing share of TA operations through this instrument in the medium term.
- (v) Coordinate RDTA throughout ADB via dialogue between knowledge and operations departments in an annual strategic forum to assist Management in the development of this medium-term knowledge and research agenda for ADB.

103. Proposals related to enhancement of TA quality at the design stage are:

- (i) Differentiate the approach to resource allocation and processing between TA for project preparation and other types of TA. Simplify and streamline TA processes for project preparation.
- (ii) Differentiate the review process for CDTA, PATA, and RDTA, distinguishing between TA operations that address complex development issues and straightforward, recurrent TA operations. Strengthen more complex TA operations through a more thorough technical review and additional resources for preparation.
- (iii) For more complex TA projects addressing more complex development issues, replace the current interdepartmental circulation with an expert-based review, performed by members of staff expert panels or external experts (where necessary).
- (iv) Adopt a no-objection approach to the signing of TA letters for TASF on a pilot basis.
- (v) Invest through training in staff capacity to design TA projects.

- (vi) Strengthen ownership through (a) greater use of consultation and participatory approaches during TA design, including EA representatives; (b) resident mission participation in TA fact-finding; and (c) inclusion of comments from the government and EA in the pre-SRC or pre-approval comments matrix.

104. Proposals aimed at improving TA implementation and supervision are:

- (i) Redirect staff resources released through the simplification of processing procedures towards implementation, and adjust business travel allocations for TA supervision.
- (ii) Gradually transfer administrative responsibility to the EAs that request it and show adequate capacity. In the interim, invite EAs to participate in the ranking of the technical proposal, and invite them to nominate—within well-defined deadlines—a representative to participate (possibly via videoconference) in consultant selection proceedings.
- (iii) Gradually increase delegation of TA supervision to resident missions, commensurate to their strength and capacity.
- (iv) Develop under ISTS II an MIS that covers all stages of TA operations, and allows staff and Management to track TA progress and performance online from identification to closure.
- (v) Provide incentives to staff who engage in knowledge dissemination through preparation of academic or professional publications.
- (vi) Strengthen TCR objectivity by requiring inputs from the EA and consultants involved in TA implementation.

105. Proposals aimed at simplifying and strengthening financial management are:

- (i) Adopt a strategic approach to resource mobilization that combines use of ADB resources (JSF and TASF, augmented by transfers from ADF resources and OCR income) with thematic trust funds from external sources, aligned with regional and ADB priorities and governed by harmonized guidelines and procedures.
- (ii) Use of TASF when needed to provide bridge financing to allow prompt implementation of TA projects that are experiencing delays from cofinancing sources.
- (iii) Increase the level of delegated TA approval authority to account for inflation and currency depreciation since the last adjustment in 1997.
- (iv) Increase the size and delegate responsibility for small-scale TA approval to department directors general.

## **B. Issues Requiring Approval by the Board of Directors**

106. Most of the suggested reform proposals are within the authority of ADB Management. However, the following change proposals will require Board approval:

- (i) Increase in the ceiling for delegation of TA approval authority to the President to \$1.5 million and the ceiling for delegated approval authority to the vice presidents to \$750,000 for all TA and up to \$1.5 million for PPTA.

- (ii) Increase in the size of small-scale TA to \$200,000 and delegation of small-scale TA approval authority to the heads of departments or offices.

## PAST TECHNICAL ASSISTANCE REFORM EFFORTS 1986–2005 – POLICY CHANGES

1. ADB. 1986. *Technical Assistance Operations and Funding Arrangements*. Manila. The paper 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. ADB. 1988. *Streamlining of Technical Assistance Operations*. Manila. The paper 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. ADB. 1997. *Review of the Bank’s Technical Assistance Operations*. Manila. The review 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. ADB. 2002. *Review of the Management and Effectiveness of Technical Assistance Operations of the Asian Development Bank*. Manila. The review 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 longer be subject to cost recovery. Full cost recovery for PPTA for private sector operations will continue.”
5. 2003–2005 Pilot Study—“Delegated TA”. Approved in late 2003, the pilot study to allow DMCs to select and manage consultants under Asian Development Bank (ADB) TA showed

mixed results. Initially, 20 TA projects were selected for inclusion in the pilot study, representing a reasonable mix of PPTA and advisory TA in various sectors, with the Executing Agency (EA) located in smaller and larger DMCs. Of these pilot TA projects, five each were selected from the People's Republic of China (PRC) and India, with the remaining 10 chosen from other DMCs. The procedure for delegation to EAs under the pilot study approved by the Board 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. Only four of the delegated TA projects in PRC showed satisfactory results. The study concluded that it is not clear whether EAs for pilot TA projects would have been equally committed to expedite consultant selection if the central Government (through the Ministry of Finance) had not taken special interest in demonstrating success. However, the pilot study recognized the potential of delegated TA, and the *Guidelines on the Use of Consultants* (2007, as amended from time to time) published by Central Operations Services Office in April 2006 allows the delegation of responsibility to a DMC EA for the recruitment and supervision of TA consultants.<sup>1</sup>

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<sup>1</sup> ADB. 2006. *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'S TECHNICAL ASSISTANCE

### A. The International Debate on Technical Cooperation

1. ADB is not alone in its endeavor to reform 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 the mutual learning process rather than the 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” (for example, see ActionAid International. 2006. *Real Aid – 2: Making Technical Assistance Work*. Johannesburg), a recent Organisation for Economic Co-operation and Development (OECD) report summarized the debate and concluded that, “Although heavily criticized, Technical Co-operation is not ‘good’ or ‘bad’ – it depends on *how* it is used”.<sup>4</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 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> OECD. 2006. *Technical Co-operation – its role in Capacity Development*. Issues Paper. Istanbul, 12–13 October 2006, page 3.

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

<b>Paris and Monterrey Principles<sup>a</sup></b>	<b>ADB TA Practice</b>
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 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	Executing agency and agency in charge of external aid management participate in fact-finding meetings and sign memorandum of understanding.
Role of recipients in procurement	ADB procures all grant-financed TA. Procurement can be delegated to executing agency. <sup>b</sup>
Regard to recipient's implementing capacity	Capacity considerations should be included 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. Strengths and Weaknesses of ADB's Technical Assistance**

3. Internal assessments by the TA Reform Task Force and OED's recently concluded SES point out strengths and weaknesses in ADB's TA program. The strengths include the following:

- (i) **ADB's TA is a unique instrument.** ADB combines under one roof grant-funded TA operations and loan or equity-based support for investment projects, and can use them in synergy. For example, the 2004 *Small and Medium Enterprise Development Program*<sup>5</sup> loan for Viet Nam, which supported legal reform to improve the business environment, was prepared with PPTA funds and accompanied by a \$1.4 million ADTA to help design the needed laws and regulations.<sup>6</sup>
- (ii) **ADB's TA program is financially sound, strong, and predictable.** From 2002 to 2006, ADB approved on average 304 TA projects for \$198 million a year.<sup>7</sup> While the importance of cofinancing has grown, TA is still financed largely through ADB's core

<sup>5</sup> ADB. 2004. *Capacity Building for Small and Medium Enterprises Development*. (IN.182-07). Manila.

<sup>6</sup> In a remarkable example of cofinancing, the PPTA was funded by the Italian trust fund, and the ADTA was cofinanced by 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 in parallel the \$80 million cluster program loan.

<sup>7</sup> Approval numbers and amounts are fairly stable throughout the years. During 2002–2006, the number of TA approvals 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 lowest number of TA projects. The active portfolio has declined from 946 TA projects on 30 June 2005 to 832 on 31 August 2007.

resources.<sup>8</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 (MDB) rely mainly on a more cumbersome system of partially tied trust funds.<sup>9</sup>

- (iii) **ADB's 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) **ADB's TA program is flexible and can adapt easily to the country context.** In the face of significant changes in the Asia and Pacific region since the 1960s, and considerable diversity among ADB's DMCs, TA has been highly flexible and able to cater to various clients—ranging from middle-income countries 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 also 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>10</sup> In the People's Republic of China, ADB helped formulate a provincial socioeconomic development strategy to take advantage of the increasing globalization and address emerging disparities.<sup>11</sup> More generally, middle-income countries are increasingly demanding TA to help them understand and design measures to address the negative side effects of fast economic growth, e.g., reduce air and water pollution, increase energy efficiency, and address through innovative solutions the growing social inequalities. Regional TA supporting the capability of national agriculture research and extension systems has enhanced farmers' incomes and livelihoods in Bangladesh, India, Nepal, and Pakistan.<sup>12</sup>
- (v) **ADB's TA helps develop local expertise in DMCs.** TA operations typically combine international and local expertise, contributing to a 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 to discuss regional and global issues, as well as to present the perspectives of Asia and the Pacific to the international community.
- (vi) **ADB's individual TA operations generally have been successful.** The SES confirmed that nearly three fourths of the TA projects studied and almost two thirds of TA projects independently evaluated by OED were successful. This success rate, however, falls short of the 70% target adopted by ADB.<sup>13</sup> Successful TA projects have

<sup>8</sup> The Technical Assistance Special Fund (45%) and Japan Special Fund (20%) accounted for 65% of all TA grant resources in 2002–2006.

<sup>9</sup> Other MDBs see ADB as a model. In a roundtable 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>10</sup> ADB. 2003. *Technical Assistance for Preparing a Youth Services Project*. Manila.

<sup>11</sup> ADB. 2002. *Technical Assistance for Hebei Provincial Development Strategy*. Manila.

<sup>12</sup> ADB. 2004. *Regional Technical for Ninth Agriculture and Natural Resources Research at International Agricultural Research Centers*. Manila.

<sup>13</sup> ADB. 2006. *2005 Annual Poverty Reduction Report: Progress in Implementing the Poverty Reduction Strategy*. Manila. paragraph 21.

common features: quality design, focus on outputs and outcomes, commitment and ownership by all relevant stakeholders, and implementation by skilled ADB staff and proficient consultants.

4. These positive considerations should not obscure that there is ample room for enhancing the effectiveness of TA. While past reviews of TA operations in 1988, 1997, 2000, and 2002<sup>14</sup> focused mainly on procedural or administrative issues, the TA Reform Task Force and the recent SES on TA Performance called for a comprehensive TA reform program comprising of procedural and product changes. Areas needing improvement can be summarized as follows (see Chapter III for more detailed discussion):

- (i) **Strategic planning of TA has been weak.** The weakness is seen at the country level, and even more so for regional and research-oriented TA.
- (ii) **The depth of institutional analysis and time horizon for implementation have been inadequate.** TA initiatives often were not based on in-depth institutional and organizational diagnostic analyses. More continuity is required to establish a longer-term operational focus on key sectors and themes at the country level.
- (iii) **Guidance to staff on TA processing focuses mostly on procedures, rather than content.** The Operations Manual focuses mostly on procedural requirements, while interdepartmental circulation was found to add value only in half of the cases studied.
- (iv) **ADB focuses too much on processing, not enough on implementation.** Frequent changes of ADB staff and weaknesses in the handover process undermined supervision and the engagement of ADB staff with EAs and consultants.
- (v) **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.
- (vi) **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 (TPR) and TA completion reports (TCR) is not fully analyzed and utilized to design new TA operations.

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

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<sup>14</sup> ADB. 1988. *Streamlining of Technical Assistance Operations*. Manila; ADB. 1977. *Review of the Bank's Technical Assistance Operations*. Manila; 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.

6. **Project Preparatory Technical Assistance.** PPTA is used to prepare for ADB financing 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 higher 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 one year can pass before the required expertise is 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.

7. **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 impact over a longer time frame, 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 less standardized, 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.

8. **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 are 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 they generate flows back directly or indirectly to DMCs. For instance, a RETA on air quality management in Asia<sup>15</sup> has informed through subsequent country activities the approach to reducing pollution levels in many Asian cities. To ensure relevance, strategic prioritization of the areas of research in light of Asia's development issues is essential, but has been inadequate in ADB's past approach.

9. To achieve the potential and work towards the goal for ADB TA, it is necessary to build on the strengths and address the weaknesses of ADB's TA program. This requires 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 TA processing and implementation. Product changes are needed to produce more responsive TA and 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>15</sup> ADB. 2005. *Technical Assistance for Rolling Out Air Quality Management in Asia (Financed by the Government of Finland)*, amounting to \$655,000. (R421-05). Manila.

## **CHALLENGES AND APPROACHES TO ENHANCE TECHNICAL ASSISTANCE EFFECTIVENESS IN WEAKLY PERFORMING COUNTRIES**

1. Technical assistance (TA) has been the major source of Asian Development Bank (ADB) support in weakly performing countries (WPC). As discussed in the WPC 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 challenging in WPCs. These issues have important implications for the kind of TA projects ADB should plan and program in WPCs, as well as the design, implementation, and financing arrangements it should put in place. Some of these approaches have been described in the WPC paper. ADB will implement these approaches as follows.

### **Strengthening Programming**

2. In addition to the recommendations provided in paragraphs 21-32 of the W-paper, TA programming in WPCs also will emphasize the following principles:

- (i) Given the need for providing longer-term and predictable levels of financing, country partnership strategies (CPS) may have a longer time horizons of up to 5–10 years. Country programs will contain more long-term and larger TA projects, including greater use of the TA clusters.
- (ii) Recognizing the unique needs of WPCs, ADB will consider approaches that might not usually be applied in other country programs. For example, TA projects in WPCs might focus, partly or entirely, on support for project implementation activities to supplement the extremely weak implementation capacity and develop long-term project management expertise. Similarly, TA projects might provide support for capacity supplementation in WPCs with small populations and weak human resource bases. Such capacity supplementation might need to be long term.
- (iii) Keeping in view the weak absorptive capacities, ADB might need to provide TA support in WPCs jointly with other development partners to minimize overlaps and transaction costs. This might require pooling resources with other partners subject to the appropriate approaches (e.g., harmonized procurement and disbursement procedures).

### **Enhancing TA Quality**

3. Changes proposed in paragraphs 41–47 of the W-paper will help to improve TA designs in WPCs. However, the following additional features will need to be considered during the quality control process to provide necessary flexibility in TA design in the WPC contexts:

- (i) Given the frequently uncertain policy and macroeconomic context, as well as the need for longer-term engagement, TA projects in WPCs should be allowed to

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<sup>1</sup> ADB. 2007. SecM30-07. *Achieving Development Effectiveness in Weakly Performing Countries (The Asian Development Bank's Approach to Engaging with Weakly Performing Countries)*. Manila.

include more than the usual levels of contingencies to ensure flexibility and rapid response in case re-adjustments are warranted.

- (ii) TA outcomes in WPCs might not be immediately sustainable, as they provide a short-term input for a longer-term evolutionary development of capacity. In the quality control process, sustainability of individual TA projects must be assessed with a long-term perspective.
- (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 might be unavailable and international expertise will have to be used.
- (iv) Where capacity is weak or nonexistent at the country level, some TA projects might use nontraditional executing agencies, including nongovernment organizations (NGO), a development partner, and exceptionally ADB. In such cases, parallel efforts will continue to develop government capacity for implementation and monitoring of the TA.
- (v) Given the challenging political economy of WPCs, extensive consultation and participation will be even more important to help establish effective ownership for TA.

### **Strengthening Implementation**

4. TA implementation in WPCs is more resource intensive than in other countries. To compensate for weak EA capacity, the following precautions are generally applicable 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 any or with inadequate counterpart staff. In such cases, ADB will have to provide additional resources for more proactive implementation and monitoring of the TA.

### **TA Financial Management**

5. In addition to approaches suggested in paragraphs 74–83 of the W-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>2</sup> the requirements of 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 inputs and contributions.
- (ii) Acknowledging the critical need to work closely with other partners, ADB will be flexible in prescribing the fee for administering funds from cofinanciers in WPCs.

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<sup>2</sup> ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

While the overall principle of full cost recovery for administering cofinanced funds will be respected, ADB Management may allow deviation in the levels of administrative fees in WPCs on a case-by-case basis.

## LIST OF BEST PRACTICES—TRUST FUNDS

1. **Size of the Facility or Funds.** The Asian Development Bank (ADB) should consider a minimum size threshold for the creation of such funds.
2. **Funding Sources.** Multiple donors 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 ex-post review if necessary. If the funding source requires involvement in the screening process, proposals should be submitted as they are ready, or through frequent batches to allow maximum flexibility.
4. **Concept Clearance Document.** Concept clearance documents should be standardized with additional space 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 (aside from ADB's standard review procedures) as a part of the selection process should be seriously examined and questioned. For single donor funds, the approval process by the government should be reviewed across the various funds with the objective of ensuring consistency and removing potential bottlenecks.
6. **Reporting Requirements.** To the extent possible, formats, processes, and frequency should be standardized across the various funds. Progress reports may be combined with annual meetings if these are held. The frequency of these meetings should not exceed once per year. The timing of these meetings ideally should follow the release of the progress reports.
7. **Post-Evaluation Requirements.** ADB should assess, with the Operations Evaluation Department and concerned donors, whether standard post-evaluation procedures could apply to the evaluation of the various funds, with a possible additional evaluation at the end of the planning cycle. The fund should cover the cost of this evaluation.
8. **Visibility Requirements.** A standardized 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 the 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 shift proposed is from generalized formal review procedures in the final phase of the design stage to (i) substantive design review focused on a subset of more complex TA projects, and (ii) TA supervision during implementation. In addition, synergies with ongoing and funded initiatives—information systems and technology strategy II (ISTS II), improvement of the country partnership strategy process, and training activities—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 have been summarized in paragraphs 95–98 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 diffused shift and readjustment in workload. This is because Asian Development Bank (ADB) 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 class A TA projects, if they are members of the proposed expert panels. Therefore, the relevant departments can 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 involves a shift of consulting input requirements for initial project scoping from the staff consultant budget to the PPTA budget through 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 management information systems development needed to improve tracking of TA clusters will be included in the ISTS II initiative. The only additional strategic planning cost is to conduct the annual strategic forum. For this purpose, an estimated 8 staff-weeks will be required, including approximately 4 weeks of secretariat support and 20 staff-days for the participants in the forum (1 day for 20 staff). The estimated \$48,000 additional budget requirement will be used to organize the forum and solicit the views of developing member countries (DMCs) on the research priorities that the strategic forum should take into account in its deliberations. This will be achieved through mission travel or invitation of selected DMC representatives, and limited staff consultant inputs.

4. **The Streamlined PPTA Approach.** The streamlined PPTA approach is expected to result in considerable savings. About 2 staff-weeks will be saved for each of about 80 PPTA

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 staff consultant budget currently charged to internal administrative 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 base 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 might 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 is 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 180 CDTA and PATA, and RDTA projects approved on average in a year will be categorized as class A, a number comparable to the number of TA projects currently exposed to the closer scrutiny of Staff Review Committee. If more requests for class A status and accompanying resources are received, they might need to be prioritized up to the indicated limit in the initial years of implementation. Upgrading the training program relevant for staff operations is expected to be covered under the current training and development budget through redesign and retargeting of training opportunities.

6. For each class 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 might join the TA team, and the relative allocation of time between the two 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 class B TA 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 during TA fact-finding to assist with processing more complex class A TA projects. In specialized areas where ADB staff resources and expertise are insufficient or lacking, staff consultants might need to be hired, possibly on a retainer basis, to perform the review function that expert panels staff members typically discharge.<sup>4</sup>

<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 in the approximately 20% of the cases that currently require it.

<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, according to estimates, about a quarter of all TA projects (excluding PPTA) would be subject to simplified review, for a total of 45 TA projects. 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 \$200,000. Time savings for each simplified review can be quantified similarly to the case of the streamlined PPTA approach, e.g., 1 week (4 days of staff time in reviewing and revising the document at various stages, and 1 day on average for Staff Review Committee avoided). 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 class A TA projects.

<sup>4</sup> For each of the 36 class 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.

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 class A TA projects being implemented each year will receive more 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 also will have resource implications. 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 consultant in providing final feedback for TA completion reports also will add a small burden to follow up and consolidate the information.<sup>6</sup> The one-time costs to improve the TA management information systems have not been calculated, as they will be included in the ongoing ISTS II initiative.

9. **Knowledge Management.** These initiatives envisaged focusing initially 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> 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>5</sup> These figures are based on 2 additional weeks of staff time per TA, one of which is spent in the field.

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

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