

**ASIAN DEVELOPMENT BANK**

**REORGANIZATION  
OF THE  
ASIAN DEVELOPMENT BANK**

**September 2001**

## ABBREVIATIONS

ADB	–	Asian Development Bank
APEC	–	Asia-Pacific Economic Cooperation
ASEAN	–	Association of Southeast Asian Nations
COSO	–	Central Operations Services Office
CSP	–	country strategy and program
DMC	–	developing member country
ERD	–	Economics and Research Department
ESW	–	economic and sector work
IDB	–	Inter-American Development Bank
IST	–	information systems and technology
LTSF	–	long-term strategic framework
MDB	–	multilateral development bank
MTS	–	medium-term strategy
NGO	–	nongovernment organization
OED	–	Operations Evaluation Department
OESD	–	Office of Environment and Social Development
OGA	–	Office of the General Auditor
OGC	–	Office of the General Counsel
OPO	–	Office of Pacific Operations
ORM	–	operations review meeting
PSO	–	private sector operations
PSOD		Private Sector Operations Department
RM	–	resident mission
RO	–	representative office
RSDD	–	Regional and Sustainable Development Department
SPD	–	Strategy and Policy Department
TA	–	technical assistance

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## I. INTRODUCTION

1. Throughout the 1990s, the Asian Development Bank (ADB) has faced numerous challenges and taken on new, complex policy initiatives, culminating in the adoption of the Poverty Reduction Strategy<sup>1</sup> in 1999. All these initiatives have been consolidated in the Long-Term Strategic Framework, 2001-2015 (LTSF),<sup>2</sup> which charts ADB's agenda for the next 15 years.

2. The LTSF recognizes that implementing ADB's strategic agenda requires a review of its organization, business processes and products. On 18 January 2001, the President established a framework for a review of the organization of ADB. The objective of the review is to assess the capacity of the current organization of ADB to effectively and efficiently implement the LTSF, and to recommend changes where necessary.

3. The review has been guided by the President who chairs a steering committee of senior ADB staff. A working group<sup>3</sup> undertook detailed work, with the support of a small secretariat. The review was divided into three phases: phase I undertook a diagnosis of the current organization; phase II developed and analyzed options to address the issues raised by the diagnosis; and phase III, in which the selected option was developed in detail. Previous organizational changes in ADB and the experience of other development agencies were taken into account.<sup>4</sup> Staff were consulted through focus groups and individual meetings, and three external advisers were invited to provide guidance during the early stages of the review.<sup>5</sup> A working paper<sup>6</sup> with proposals for changes in the organization was presented to the Board on 31 July 2001.

4. Following the Board discussion of the working paper, the issues raised have been addressed in a detailed Question and Answer paper, and through a Board seminar. This paper presents the revised recommendations for organizational change.

## II. CHANGES IN DEVELOPMENT ENVIRONMENT AND AGENDA

5. ADB's Charter requires it to "foster economic growth and cooperation in the region" and "to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually." The Charter states that "the operations of the Bank shall provide principally for the financing of specific projects..." In its initial years, ADB translated this mandate into the role of a project financing institution. This

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<sup>1</sup> R179-99: *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, 19 October.

<sup>2</sup> SEC.M17-01: *The Long-Term Strategic Framework of the Asian Development Bank*, 21 February.

<sup>3</sup> The members of the working group were Geert van der Linden (Chair), Shamshad Akhtar, J. Warren Evans, Rajat Nag, Ann Quon, Cedric Saldanha, and Kunio Senga. The secretariat consisted of Shyam Bajpai, Robert Yeung, Laura Campbell, and Qifeng Zhang. Masakazu Sakaguchi and Shoji Nishimoto acted as advisors to the working group.

<sup>4</sup> African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Department for International Development (DFID) of the United Kingdom, Inter-American Development Bank (IDB), and World Bank (WB).

<sup>5</sup> The three external advisers were Richard Stern (ex-Vice President, World Bank); Peter McCawley (Deputy Director-General, Australian Agency for International Development [AusAID] and former Director of the Board of ADB); and Barrie Ireton (Director-General, Programmes, Department for International Development [DFID]).

<sup>6</sup> Working Paper 4-01: *Review of the Organization of the Asian Development Bank*, 5 July.

approach was based on the assumption that growth and development would result from the transfer of capital and technology to ADB's developing member countries (DMCs). For 20 years, under this paradigm, ADB successfully implemented an extensive project finance program in its DMCs.

6. In the late 1970s, a major change in development paradigm focused on the importance of improving the overall policy and investment environment. This led to a broader view of ADB's development mandate: promoting improvements to the policy environment, in addition to the provision of capital to DMCs. A new modality of program lending was developed to address policy reform. During this period (mid-1980s to mid-1990s), ADB acted both as project financier and promoter of policy reforms in DMCs.

7. In the 1990s, development thinking evolved further. At the same time, the dimensions of development grew in scale and complexity. DMC governments increasingly took the role of catalyzers and promoters of development, with a clear shift of focus to policy formulation and strengthening institutional frameworks. This changing role of government also required ADB to expand objectives and services to DMCs to focus on governance and institutional issues.

8. In the last two years, ADB has further reassessed the development needs of the Asia Pacific region. While much has been achieved by some DMCs, the region still houses the majority of the world's poor and disadvantaged. The achievements of some Asian DMCs only highlight what has yet to be achieved in the rest. Confronted with this reality, combating poverty in the Asia and Pacific region has become ADB's fundamental challenge. ADB has adopted poverty reduction as its overarching goal, and developed a comprehensive strategy to combat poverty in the region. Building on this strategy as well as other policy initiatives, ADB has recently adopted its LTSF, which commits ADB to supporting the International Development Goals. Recognizing the important role of the private sector in development, ADB has also adopted a wide-ranging private sector development strategy.<sup>7</sup> The Medium-Term Strategy (MTS),<sup>8</sup> which has been submitted to the Board, provides more detailed guidance on how ADB should work with its DMCs to achieve these goals. With this, the strategic reorientation process has been completed.

9. ADB always has been responsive to the changing needs of the environment, as articulated in the LTSF: "To remain an effective institution relevant to the changing needs of the region, ADB has continually been adapting its priorities, assistance modalities, and organizational structure, and has transformed itself from what was essentially a project financier to a full-fledged development institution."<sup>9</sup> On the organizational front, major changes have included

- (i) creating the Private Sector Division (1986);
- (ii) restructuring the single country department into two departments: programs east and west (1987);
- (iii) increasing regionalization into east and west groups (1987-1991);
- (iv) establishing the Environment Division (1987-1989) and Social Dimensions Unit (1992);
- (v) establishing the Strategic Planning Unit (1991);

<sup>7</sup> R78-00: *Private Sector Development Strategy*, 9 March.

<sup>8</sup> SEC.M101-01: *Medium-Term Strategy (2001-2005)*, 17 September.

<sup>9</sup> President's Preface to SEC.M17-01: *The Long-Term Strategic Framework of the Asian Development Bank, 2001-2015 (LTSF)*, 21 February.

- (vi) implementing a number of major changes in 1995:
  - (a) creating regional vice presidencies, each with one programs and two projects departments (east and west);
  - (b) establishing the Office of Pacific Operations (OPO);
  - (c) merging the Office of Environment and the Social Dimensions Unit into the Office of Environment and Social Development (OESD), reporting to the President;
  - (d) merging the Development Policy Office and Strategic Planning Unit to create the Strategy and Policy Office, (now Strategy and Policy Department [SPD]); and
  - (e) upgrading the Cofinancing Division into the Office of Cofinancing Operations; and
- (vii) strengthening resident missions (RMs) under a new policy (2000).<sup>10</sup>

10. With ADB's strategic reorientation, the next step is to review the organization's ability to deliver the new agenda. In addition, three other "triggers" call for institutional change:

- (i) ADB's clients and shareholders expect greater responsiveness to their concerns in an increasingly dynamic development environment. ADB's structure and processes should change to meet these expectations.
- (ii) Other multilateral and bilateral development partners look to ADB for evolving and stronger partnerships. ADB's structure and organization should be fully capable of effectively engaging these partners in development.
- (iii) Internal reviews, surveys, and discussions with staff indicate the need for change. There is growing feeling that the current organizational systems result in unnecessary internal transaction costs and create avoidable impediments and stress for staff.

11. In response to these imperatives for change, ADB has already started to address organizational issues with the redesign of operational business processes and the RM Policy. These changes must now be carried forward in a more comprehensive way.

### **III. THEMES FOR ORGANIZATIONAL EFFECTIVENESS**

12. The diagnostic phase (phase I) undertook a detailed review of the impact of the changes outlined in chapter II, and of the strategic agenda of the LTSF on ADB's current organization, and identified a number of key themes that affect ADB's capacity to deliver its agenda. These are discussed here. Many of these themes require a multidimensional response. Some cannot be fully addressed by organizational change and need to be addressed by ADB's shareholders and other stakeholders. Organizational change can be divided, for the purposes of this paper, into structural and nonstructural matters. Accordingly, chapters IV to VI deal with structural matters, while recognizing that structural change needs to be complemented and supported by nonstructural changes. These complementary changes, including human resources, business processes, and incentives, are discussed in chapter VII.

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<sup>10</sup> R57-00: *Resident Mission Policy*, 27 January.

## **A. Managing Multiple Goals**

13. A unitary vision and strategy is important to the effective delivery of development services. ADB's vision is of an Asia and Pacific region free of poverty. Its overarching goal is poverty reduction. To this end, it has adopted a number of supportive and complementary goals, including sustainable economic growth, good governance, environment protection, inclusive social development, gender, and private sector development. ADB's organizational structure must now be realigned to achieve this vision. Over the past several years, the adoption of different goals and objectives has resulted in a multiplicity of policies, guidelines, organizational units, and reporting relationships. Any organizational change should integrate and simplify these as much as possible.

14. Other multilateral development banks (MDBs) are also coping with goal congestion. The African Development Bank (AfDB), Inter-American Development Bank (IDB), and World Bank (WB) are making concerted efforts to become strategically more focused, concentrating essentially on the overarching objective of poverty, and being more selective as to how they address other thematic objectives in the context of poverty.

## **B. Balancing Country and Sector Considerations**

15. Broad-based issues such as poverty reduction, good governance, and strengthening of public sector capacity require a countrywide approach and strong country leadership and ownership of the development agenda. Clearly, poverty in a DMC can only be effectively analyzed and addressed on a cross-sectoral and countrywide basis. The causes of poverty are complex and deeply embedded in the political, governance, and social frameworks of a country; its capacities for effective economic and public management; and the capacity of civil society to make government more accountable. ADB needs a structure that enables it to better understand and handle these complex dimensions of poverty in an integrated, cross-sectoral manner. At the same time it is essential that ADB maintain high levels of technical expertise and excellence in each sector.

16. Different MDBs have dealt with the organizational aspect of this issue in different ways. The World Bank has introduced a "matrix-type" of reporting by sector and country staff, as well as a number of specialist vice presidencies and directorates. IDB has adopted a different approach: a regionally oriented operational structure with specialist units for policy development and advice.

## **C. Managing Quality and Policy Compliance**

17. Quality assurance and policy compliance are continuing concerns and must be addressed effectively. The principal areas of concern are as follows:

- (i) Clearer accountability: the responsibility for specific activities of ADB should be clarified further. For instance, programs and projects departments are both responsible for achieving the objectives of a country strategy, and for delivering the overall program of loans and technical assistance (TA). Some RMs share responsibility for programming, portfolio management, and economic and sector work (ESW) with headquarters. Technical support for poverty-focused lending is provided by the Poverty Reduction Unit in SPD, and Social Development Division in OESD.

- (ii) Development impact is substantially dependent on effective portfolio management and implementation of ADB's interventions. These should therefore have equal priority with programming and project preparation. However, in practice, implementation gets lower priority than these activities. The majority of operational staff are assigned to project design and processing, rather than to project implementation. It is essential for project implementation to receive equal recognition with project preparation.
- (iii) Balancing substantive and procedural matters: as projects become more complex, the need for in-depth analysis and intensive in-country consultations is increasing. Substantive discussion of development options in the field with key stakeholders, and with colleagues within ADB should be enhanced. However, currently, considerable time is dedicated to getting the documentation right. This greatly increases internal transaction costs, consuming time that could be devoted to substantive matters. It is important to achieve a healthy balance between substance and process.
- (iv) Compliance with ADB policies, especially "safeguard policies," is a critical area. A number of units in ADB are considered responsible for such compliance, such as Social Development Division, Environment Division, Poverty Reduction Unit, Operations Evaluation Department and Office of the General Counsel. In reality, however, they have multiple roles and functions. It is necessary to clarify whether these units should be "enforcers" of policy compliance, technical advisers and catalysts, or they should themselves undertake operations. These roles are not necessarily compatible and can sometimes lead to unnecessary confusion.

#### **D. ADB as a Resource and Knowledge Center**

18. As mandated by the LTSF, ADB must become a "knowledge catalyst" for the region. There is considerable potential to use ADB's regional mandate and resources as a knowledge catalyst for Asia and the Pacific. The outcome of the organization review should enable ADB to build on and use its economic and sector talent for the benefit of DMCs through knowledge dissemination. For example, ADB has a large group of macroeconomists who can be used to build a high quality source of economic research and advice for the region. Existing programs and activities need to be improved: ADB invests substantial resources in ESW and capacity building, and these need to be better programmed and implemented. Knowledge dissemination and capacity building work should be a key part of staff work plans and assessments.

19. The training function needs greater attention. Training is essential to internal and external capacity building and this is well recognized in other MDBs. ADB should work toward developing a greater capacity in this area. Training for external agencies is currently done by different units in ADB. It should be professionalized and better coordinated.

#### **E. Promoting a Strategic Regional Focus**

20. ADB's Charter mandates it to promote regional cooperation. This has been reaffirmed as a crosscutting strategic theme in the LTSF. ADB is currently revising its regional strategy to respond more effectively to this mandate. As a regional institution, ADB has a clear comparative advantage in promoting regional cooperation. There is a need for a stronger institutional structure to coordinate this activity. However, no office or group has an incentive to promote

region-wide initiatives, or to engage other regional groupings such as the Association of Southeast Asian Nations (ASEAN) or Asia-Pacific Economic Cooperation (APEC), except on a sector by sector basis. With the growth of such regional groupings, and the increasing focus on global and regional public goods, a focal point for regional cooperation in ADB is necessary.

21. Among the regional MDBs, IDB has a dedicated department for regional and subregional affairs. Through this department, IDB has established strong links with regional and global organizations.

## **F. Public Profile and Information**

22. ADB should have a more active approach to its external relations activities. The information and communications technology revolution, increasing civil society attention to MDBs, and adoption of an agenda that deals with complex and sensitive issues such as governance will result in greater public scrutiny of ADB. The LTSF has recognized that ADB must have a proactive external relations and media strategy, a commitment to a more active public profile, and a structure that can deliver a unified external image of ADB. There is a strong case for better coordination of the different units that currently generate and channel knowledge and information in ADB.

## **G. Partnerships**

23. Enhancing strategic alliances and partnerships is a strategic operating principle of the LTSF. Some funding agencies and nongovernment organizations (NGOs) have indicated that ADB should build broader partnerships, rather than focusing on specific joint activities such as cofinancing projects. ADB should work with the development agencies as equal partners in achieving shared goals for DMCs. ADB should consider NGOs and other civil society groupings as valuable partners in development activities, and should develop better mechanisms and products for such active engagement.

## **H. Risk Management**

24. Each institution faces risks, defined as threats to the integrity, stability, reputation, and survival of the institution. Risks are mitigated by policies and procedures that seek to minimize the possibility of their occurrence, and to contain them if they materialize. Risk management in ADB has largely been seen in terms of treasury-related risks or credit risks in private sector transactions and not in terms of ADB's public sector loans. ADB has made some attempts to evaluate country risk, but these have not materialized explicitly in any policies or procedures. At the project level, risks are generally handled in terms of financial viability, and environment and social impact. ADB's policies for these areas are sufficient for risk management, but depend for their effectiveness on rigorous and objective enforcement. ADB needs to address risk management more thoroughly.

## **I. Summary**

25. Some of the themes outlined in paras. 13-24 need to be addressed at the strategic and policy level. Some can be addressed through organizational change, which is discussed in Chapters IV-VI.

#### IV. OBJECTIVE AND PRINCIPLES OF ORGANIZATIONAL CHANGE

26. The overall objective of organizational change is to enhance ADB's development impact by strengthening its capacity to deliver its strategic agenda through a carefully planned, selective, country-focused, and technically excellent program of assistance to its DMCs and subregions. Drawing on the discussion in chapter III, a number of principles have been developed to guide the analysis of options to meet this objective.

- (i) **Mainstream Governance and Capacity Building, Environmental and Social Development, and Private Sector Development.** Operational departments should be responsible for addressing and delivering products for meeting these objectives—a process often known as “mainstreaming.” Delivery of products and services in these areas should be organizationally separated from policy development and compliance oversight.
- (ii) **Balance Country and Sector Considerations.** Country considerations and priorities should drive sector and project decisions. However, measures are also needed to ensure that sectoral expertise is preserved. The functional responsibilities of sector units should be realigned with ADB's current strategic priorities.
- (iii) **Strengthen ADB's Regional Role and Identity.** The country and sector focus should also support ADB's regional role. The organization structure should institutionalize the regional role of ADB and facilitate linkage with regional institutions.
- (iv) **Greater Client and Stakeholder Orientation.** Whatever organization structure is adopted, ADB should become a more outward-looking, client focused, and collaborative development partner.
- (v) **Maintain Technical Excellence and Skills.** Maintenance of technical excellence is essential for effective project design and delivery.
- (vi) **Emphasize Effectiveness and Efficiency.** Development impact depends on the efficiency and effectiveness of assistance. ADB justifiably takes pride in being the most “efficient” of the MDBs. It is also important to find means to enhance effectiveness through structural changes that emphasize implementation and outputs that can be monitored for their impact.
- (vii) **Maintain Checks and Balances Consistent with Effectiveness.** Every organization needs a clear set of checks and balances to ensure compliance with its policies and procedures; maintain the quality of its output, and reduce the impact of conflicts of interest. However, such checks and balances should not stifle initiative or reduce the effectiveness of delivery of services to DMCs.
- (viii) **Clarity of responsibility and Value Addition.** Each separate unit and position within an organization should be justified on the basis of the value it adds to output and should be held accountable for a unique set of results. There is great potential to streamline, increase productivity, and improve motivation by the application of the value-added principle to units, positions, and processes, all of which finally contribute to overall organizational effectiveness. Duplication of

responsibility should be avoided.

- (ix) **Ownership of Change.** Organizational change must have the backing and ownership of the staff affected by it, so that staff morale is maintained and the changes can be smoothly and successfully implemented.
- (x) **Continuity in Change.** Changes should be made only where they add value to the organization, and should be implemented in ways that minimize disruptions to operations and in services to clients, maintain continuity of approach, and preserve institutional memory.

## V. ANALYSIS OF OPTIONS

27. As stated in paragraph 2, the purpose of the organization review was to assess the capacity of the organization to effectively deliver ADB's strategic agenda. The findings of the diagnostic phase outlined in chapter III, and the objectives and principles presented in chapter IV are directly related to the delivery of the agenda. The operations departments are ADB's principal instruments for such delivery, and accordingly the review concentrated on examining options for structural change in these departments. In the case of other departments, changes were considered only where required to provide more efficient and effective support to the operations departments.

28. Keeping the themes of Chapter III and principles in chapter IV in mind, a detailed analysis of options was undertaken by examining three models. Initially, two models were developed as polar opposites. Model 1 had a sector/technical focus, and stressed the need for delivering products through strong technical or sector departments at headquarters and moving programming issues to RMs. Model 2 focussed on programming and product delivery through self-contained operational teams, combining country and sector priorities at the lowest operational unit: the division. A third, intermediate model was also developed, with integration of country and sector perspectives at department level (Model 3).

29. These models were then examined in detail and their strengths and weaknesses were identified. The results of this analysis are summarized in this chapter.

### A. Model 1

30. Model 1 combined two principles: (i) to provide strong country and client focus by strengthening RMs and transferring the country strategy and programming functions and other specialized skills fully to the field; and (ii) to build on ADB's technical skills through reconstituting headquarters' sector departments and strengthening their capacity to implement the strategic development agenda. Model 1 proposed establishment of a single operational complex to deal with all DMCs. This would include upgraded RMs in each DMC, and three large sector departments, reconstituted to reflect ADB's strategic agenda. RMs would be fully responsible for strategy and programming functions in close collaboration with sector departments. Sector departments would be strengthened and made fully and directly accountable for delivering ADB's development agenda in line with the country priorities set by RMs. Coordination between sector departments and RMs would be handled by a group of regional coordinators who would integrate country and sector perspectives. This group would also align the operational program and allocate resources with country risk and performance considerations. In addition, the model proposed (i) establishment of a regional cooperation complex to help build regional knowledge,

networks, and subregional cooperation; and (ii) establishment of a coordination and compliance complex comprising nonoperations offices and a quality assurance group.

31. Model 1 had the advantage of (i) enhancing client and country focus through RMs, which have the advantage of proximity to DMCs; (ii) exploiting synergies of stronger technical and sector expertise at headquarters; (iii) harmonizing and unifying policy execution across the region; and (iv) reconciling competing country and sector imperatives through a new mechanism for allocation of resources. However, model 1 would create (i) an over-centralized, very large operational complex that would be difficult to manage and administer; (ii) large sector departments that would not be able to attain a country focus, with a risk of the “project-driven” approach to ADB assistance returning; and (iii) imbalance in the responsibilities and workload of the departments in ADB, with the operational complex dominant.

## **B. Model 2**

32. The principle of this model was to combine all services to the client at the lowest possible managerial level within ADB, the division. This would provide the DMC with a single point of contact within ADB for all services—economic assessment, the country strategy and program, programming, project design, and portfolio management. This would also ensure clear accountability within ADB, greater flexibility in adjusting the service program to the needs of the DMC, and greater efficiencies in responding to DMC needs.

33. Under this model, a divisional manager is both a program and a project manager for specific DMCs. The manager is provided with a staffing mix that can address all of the essential services offered to a DMC. This implies skills in economic assessment and monitoring, sectoral skills for project design, and project management skills for portfolio management. The operations division is thus primarily country-focused, and is self-contained with regard to the required authority to respond to the DMC and the skills needed to provide related services.

34. This model is the one being used successfully by OPO. However, in simulations to scale it up and apply it ADB-wide, the model has proved to have one major limitation. Since the scale of ADB operations in the Pacific DMCs is relatively limited in terms of the sectors addressed, it has been possible to provide OPO with all the skills necessary in a “one-stop-shop” division. However, this will not be possible for services to a larger set of DMCs. Technical and sectoral expertise will be too fragmented across the organization, and such “one-stop-shop” country divisions will often lack the critical mass of the diverse technical expertise required to adequately address large DMC needs.

## **C. Model 3**

35. Model 3 gives primacy to country needs and priorities, while simultaneously avoiding the undue fragmentation of sectoral expertise by integrating all operations functions in country-based departments; and concentrating policy, advisory, and compliance functions in a separate, nonoperational “knowledge-based department.” The model also strongly emphasizes regional cooperation.

36. The model integrates “projects” and “programs” functions at the level of the regional department, each of which will be responsible for a number of countries. Regional departments will contain units to undertake all strategic programming, ESW, subregional cooperation, and project work under one umbrella, with a single line of accountability to the head of the regional department. While regional departments will undertake subregional cooperation, a separate

department will promote regional cooperation. This department will also provide technical support; and ensure quality and compliance with safeguard policies, policy coherence, and application of best practices ADB-wide.

37. A close variant of this model was considered in the 1995 reorganization. Though the model was then recognized as the best way to integrate country and sector considerations, it was not pursued because of the risk of fragmenting sectoral expertise to unacceptable levels. The current model seeks to overcome this through establishing a specialized department for technical advice and knowledge dissemination.

38. No single model is ideal: all have strengths and weaknesses. On careful consideration of all models, model 3 with integration at department level, provided the best combination of increased efficiency and effectiveness, reconciling country, thematic, and sector priorities; balanced spans of responsibility and control; continuity in change; and implementation with minimum disruption. It was therefore selected for development. The organizational changes presented in Chapter VI are based on this model.

39. A more detailed presentation of the models and analysis of them is in Appendix 1.

## **VI. MAIN FEATURES OF ORGANIZATIONAL CHANGE**

40. The current organizational structure is shown in Appendix 2. The major features of the proposed structure are presented in this chapter. A chart showing details of the proposed structure is in Appendix 3.

### **A. New Geographic Regions**

41. The core of the proposed reorganization is to unify accountability for all ADB services to a DMC under one regional department each for a defined geographic area. All DMCs will be grouped into five geographically contiguous areas.

42. A range of criteria has been applied in considering the appropriate number of regions. These include enhancing country focus, preserving sectoral strength and expertise, operational efficiency, managerial requirements and strengthening subregional cooperation. A larger number of regions will strengthen country focus, but risk fragmenting sectoral expertise, require more staff resources, and complicate subregional cooperation. Having fewer regions will have the opposite effect. The proposal for five regions strikes the most reasonable balance between these trade-offs.

43. The geographic areas included in the five regions have been identified on the basis of a number of considerations such as geographic proximity, similarity in social and cultural background and features, similarity in economic and social systems, stage of development, operational convenience, scope for subregional cooperation and linkages with existing subregional groups, and least disruption to ADB operations.

44. The identified groupings are East and Central Asia, the Mekong, the Pacific, South Asia, and Southeast Asia.<sup>11</sup> The merits of this grouping are that (i) South Asia forms a coherent group and the prospects of ADB playing an active role in subregional cooperation are maintained; (ii) the growing cooperation between PRC and Central Asia is recognized;<sup>12</sup> (iii) the Mekong sub-region, which is a recognized subset of ASEAN, and a successful grouping for regional cooperation, remains together; (iv) the Pacific, which is working well, is left undisturbed; (v) since these groupings are close to present arrangements, the disruption to ADB operations will be less than in any other configuration; and (vi) for the same reason, loss of institutional memory will be less than in other configurations.

45. South Asia and the Mekong region will report to one operational Vice President, and East and Central Asia, Southeast Asia, and the Pacific to the other. In terms of workload and span of control of staff, these are broadly balanced. There will be two regional departments responsible for ASEAN countries: the Mekong and Southeast Asia departments. As these will report to different operational Vice Presidents, all possible steps will be taken to ensure adequate coordination of ADB operations between them.

## **B. Enhancing Country Focus: New Regional Departments**

46. As stated in para. 15, broad-based issues such as poverty reduction, good governance, and strengthening of public sector capacity require a countrywide approach. Poverty in a DMC can only be effectively analyzed and addressed on a cross-sectoral and countrywide basis. The same arguments also apply to the other items on ADB's strategic agenda such as social development, environmental sustainability and private sector development. They can be better understood and more coherently addressed by taking a perspective that focuses on the totality of country needs, and goes beyond the traditional sector-based programs of assistance. To achieve this holistic perspective, the present projects and programs departments will be restructured and combined into four new regional departments, corresponding to the regions mentioned in para. 44 (excluding the Pacific Department, currently OPO, where these roles are already combined). Combining programs and projects functions in one department will enable ADB to better implement its strategic agenda in individual DMCs. It will place country focus at the center of ADB's operational programs.

47. Country focus includes having in-depth knowledge of a country, being responsive to a country's needs and having clearly established accountabilities for ADB's work in a DMC. It means ensuring that country considerations and priorities drive sector and project decisions. From a DMC perspective, it means having a readily identifiable and accessible staff member who is responsible for ADB work in a country.

48. ADB has steadily moved from a "projects and sector focus" to a country focus, since the 1995 reorganization into east and west regions. The RM Policy of 2000 was another major step in increasing country focus. In addition to these organizational steps, operational business processes for country programming were redesigned and implemented from 2001 to ensure that

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<sup>11</sup> Details of country groupings are as follows: East and Central Asia includes Azerbaijan; People's Republic of China; Hong Kong, China; Kazakhstan; Republic of Korea; Kyrgyz Republic; Mongolia; Taipei, China; Tajikistan; Turkmenistan; and Uzbekistan; the Mekong includes Cambodia, Lao PDR, Myanmar, Thailand, and Viet Nam; the Pacific includes Pacific DMCs; South Asia includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka; Southeast Asia includes Indonesia, Malaysia, Philippines, and Singapore.

<sup>12</sup> A formal structure for Central Asia regional cooperation is expected to be launched at a ministerial conference in Urumqi, PRC in November 2001.

the country strategy drives ADB's program of activities in all DMCs.<sup>13</sup> The central tool for this is the country strategy and programming process, resulting in the country strategy and program (CSP). The CSP process will gain considerable coherence and effectiveness by having the country team (para. 56) now under one department.

49. These changes will be carried further by the new structure. ADB's knowledge of its DMCs will be improved through well-staffed RMs in each DMC; also, each staff member at HQ will work in a smaller number of countries and sector managers will cover fewer countries and know them better. Responsiveness to DMCs will be improved through the unified regional structure with single point decision-making, and the increase in and strengthening of RMs following the approval of the RM Policy in 2000. Accountability for ADB operations in a DMC will be significantly enhanced as one staff member, the regional director at department level, will be accountable for each DMC. The CSP will be prepared jointly by a country team from within the regional department. Finally, on accessibility, the resident representative is the principal point of contact for the DMC.

50. A merged programs and projects department will also take a more comprehensive subregional perspective in both design and delivery of a program of assistance to DMCs. It will enable a more holistic and integrated approach to subregional cooperation.

### **C. Function and Structure of Regional Departments<sup>14</sup>**

51. Regional departments will be responsible for implementing ADB's strategic agenda (the six strategic areas and themes adopted in the LTSF: sustainable economic growth, inclusive social development, governance, private sector development, regional cooperation, and environmental sustainability) in the countries they cover. They will undertake the full range of ADB's activities in each DMC, starting with the CSP process and extending through the planning, design and implementation of all projects and ESW.

52. Each regional department will have a regional management team, comprising the director, deputy director, managers and resident representatives. While the ultimate responsibility for performance rests with the director, this management team will jointly be responsible for achieving the departments' objectives and implementing its work program.

53. Each regional department will normally consist of one operations coordination division, four sector divisions<sup>15</sup> and RMs; however, variations to this pattern may be made depending on operational requirements in each region.

54. At headquarters, each regional department will normally have the following five divisions:

- (i) An operations coordination division (or unit, depending on size), responsible for macroeconomic work, general country relations, inter-country matters, such as subregional cooperation (such as the Central Asia Regional Economic

<sup>13</sup> The redesigned operational business processes were presented to the Board in seminars on 8 March 2000 and the CSP process on 15 February 2001.

<sup>14</sup> OPO will be retained as it is, but redesignated as the Pacific Department.

<sup>15</sup> The areas and sectors of responsibility of the current project divisions reflect an older set of objectives and thematic priorities. There is a strong case for redefining the sector groupings and areas of work to correspond more closely to ADB's strategic priorities, and to establish better intersectoral linkages. This approach also responds to the need for activities such as governance and environment to move from largely advisory and compliance work to direct delivery of products and services to DMCs.

Cooperation Unit [CARECU] and Greater Mekong Subregion [GMS] units), IPF allocations and performance-based assessments for Asian Development Fund (ADF) borrowers. They will ensure consistency of country strategy and programming across all countries in the region. Programming for each DMC will be led by the RM where programming is delegated to it, or by these divisions.

- (ii) An infrastructure division will be responsible for all ADB activities in the energy, transport, and communications sectors. This will include preparation and administration of all loans and TAs, and ESW in these sectors.
- (iii) An agriculture, environment and natural resources division will be responsible for all ADB project work and ESW in the agriculture and natural resources sectors. Importantly, it will be responsible for preparing freestanding environment projects. The division will also provide environment-related services for the entire department.
- (iv) A social sector division will be responsible for all ADB work in education and health, water supply and urban development. The division will also operationalize ADB's social development agenda (gender, participation, and social protection). It will also provide support on all social development matters for the entire department.
- (v) A governance, finance, and trade division will, recognizing the close linkages between governance, financial sector, and private sector development issues, seek to integrate ADB's activities in these areas in DMCs. It will also operationalize the governance agenda and deliver all products in this area. An area of new emphasis will be the provision of trade-related products and services to DMCs.

Sector divisions will also undertake subregional cooperation activities within their sectors.

55. The divisions are not intended to be “water-tight compartments” but to collaborate closely in the delivery of the program of assistance to the DMCs in the region. In doing so, they are expected to share resources where necessary.

56. The team concept is of paramount importance in the functioning of the regional departments. For each country there will be a country team, headed by the principal desk officer at HQ or the RM, and consisting of staff from throughout the regional department. These teams will be supplemented by staff from other departments as needed. The objective of the country team is to maintain a country perspective for all operations, to collectively prepare the country program of assistance through the CSP and the CSP Updates for the country, and to regularly review country operations. The country team leader will report either to the resident representative or the manager of the operations coordination division.

57. For project preparation, a project team will be formed for each project. This team will be led by the sector division specialist staff assigned to that project, and will include staff from the sector division as well as other divisions in the department as needed. In special cases, staff from other departments may be included. The project team will report to the sector manager of the division to which the project has been assigned. The heads of the regional departments will have flexibility in allocating work, and in forming project teams across divisions, as most appropriate to the country and project. An important distinction between country and project

teams is that country teams will be of a permanent nature, while project teams will be established separately for preparing each project.

58. The RMs in each region will report to the head of the regional department. The exact structure and responsibilities allocated to each RM will, in conformity with the RM Policy, be determined on a country basis by the regional department concerned. This approach is working well in practice and takes account of country needs and of RM capacity. Within this overall approach, it is expected that over time, more activities will be undertaken by the RMs.

59. Terms of reference of regional departments are given in Appendix 4.

#### **D. Establishment of a new Regional and Sustainable Development Department**

60. A unique element of the new structure is the establishment of the new regional and sustainable development department (RSDD). RSDD has four major responsibilities. First, to maintain quality and technical excellence across ADB. Thus, RSDD will be the sector and thematic center of knowledge for ADB. Second, to ensure ADB-wide consistency, RSDD will develop and monitor policies and guidelines for all thematic and sector areas. Third, it will be ADB's center for compliance oversight. In this function, it will monitor compliance with all sector and thematic policies in general. More specifically, however, it will be mandated to ensure compliance with ADB's safeguard policies. Fourth, RSDD will support ADB's regional development functions; and develop and strengthen ADB's role in linking the region to global networks and partnerships. The terms of reference of RSDD are in Appendix 4.

61. For these functions the department will be organized in four groups:

- (i) an environment and social safeguards division, responsible for compliance with ADB's safeguard policies,
- (ii) two divisions responsible for ADB's thematic agenda:
  - (a) a poverty reduction and social development division
  - (b) a governance and regional cooperation division
- (iii) two divisions responsible for the technical and sector agenda:
  - (a) a finance and infrastructure division
  - (b) an agriculture, natural resources and social sectors division; and
- (iv) the NGO center.

62. Many of OESD's current responsibilities, as well as those of the governance and poverty groups of SPD will be merged into this new department. To maintain high levels of technical excellence and quality standards in ADB, RSDD will be staffed by experienced staff with recognized qualifications and abilities in their fields.

63. With respect to its role in quality assurance, while the quality of ADB operations will remain the responsibility of the regional departments, RSDD will provide support for quality improvement to regional departments by developing and sharing best practices as quality standards for project operations; developing guidelines and tools for the use of operational staff; and supporting staff skills development. RSDD will be responsible for establishing medium term and annual sector work programs. RSDD will maintain a database on sector work in each sector, and ensure collection and dissemination of relevant sector work through external

networks. Sector work may be undertaken by RSDD staff, or by operational staff depending on the need and expertise available. RSDD's quality assurance role is particularly important in capacity building. The governance and regional cooperation division will include expertise in this area. It will support the regional departments by providing best practice advice, guidelines, and information.

64. To ensure that knowledge is horizontally integrated across the different departments in ADB, sector and technical experts in those departments must be closely linked in communities of practice. For this purpose, it is essential to establish effective mechanisms through internal sectoral and thematic networks. Networks will be formalized so that the interaction of RSDD specialists with operational staff is clearly defined and effectively implemented to ensure a continuing dialogue amongst them. Internal networks will be managed by RSDD staff. Periodic sector operational review meetings will be held by RSDD with sector managers to review practices, performance, and human resource issues. Similar meetings will be held by thematic networks. Specific processes for the effective functioning of networks will be developed by the Working Group on Business Process Change (para. 95).

65. To meet its responsibility for policy development, RSDD staff will work through the networks in determining the areas for policy development, and in ensuring that policy development benefits form the widest possible range of expertise available in ADB. RSDD will also utilize its external networks to incorporate the latest developments in these areas into ADB policies, and for wide consultation in the policy preparation process. RSDD will monitor policy implementation through periodic reviews, as well as through its association with the regional departments through the networks. In these reviews it will work closely with OED. Finally, in the overall development and monitoring of sector and thematic policies RSDD will work closely with SPD to ensure their consistency with the overall strategic priorities of ADB.

66. RSDD is explicitly mandated to ensure compliance with ADB's safeguard policies. The Environment and Social Safeguard Division of RSDD will take the lead and coordinate this departmental function. At important stages in the project cycle such as MRM, RSDD will provide formal advice to the Chair and concerned departments giving its views on the project quality and compliance with safeguard policies. At this stage, this is considered sufficient to ensure that compliance matters are fully attended to by regional departments and no "sign-off" by RSDD is required. Should it become necessary, a more formal clearance procedure can be considered in future. To avoid any conflict of interest, RSDD will however not normally be involved in the design of individual projects, or operational work.

67. RSDD will be responsible for ADB's regional cooperation strategy. This will strengthen ADB's regional focus and operations, and its linkages with regional institutions; establish ADB as a "knowledge catalyst" and a recognized regional center for development; and cultivate and strengthen ADB's role in linking the region to global networks and partnerships. External networks will also be important sources of information sharing at both the regional and the global level. The regional departments will be responsible for participating in existing subregional networks and developing new networks. At the global level, networks already exist among the multilateral finance institutions for environment and social development. There are similar global and regional sectoral networks in other sectors. RSDD staff will participate in and represent ADB in these networks. Staff from operational departments will be encouraged to participate as necessary for professional development. RSDD's regional cooperation activities will be undertaken at three levels:

- (i) At the regional level, RSDD will facilitate cooperation in sectoral and thematic

areas by monitoring regional developments extending beyond the subregional programs. It will undertake cooperation activities that go beyond the remit of the regional departments, such as climate change, rural Asia studies, and regional energy cooperation. In consultation with regional departments, RSDD will implement the regional cooperation strategy currently under development. It will ensure the strategic use of regional TA funds, by acting as the secretariat for the RETA Screening Committee, within the overall TA management system coordinated by SPD.

- (ii) At the subregional level the five regional departments will be responsible for all regional cooperation activities. RSDD would only get involved when its help is needed for subregional work that crosses the geographical lines between departments. RSDD would have a quality assurance role for all subregional cooperation programs, similar to its role for sectors and thematic areas.
- (iii) RSDD will be responsible for regional cooperation with other multilateral bodies on thematic and sectoral issues. (Cooperation at the institutional level will continue to be undertaken by SPD).

As RSDD is a new type of department for ADB, its role, responsibilities, staffing and work processes may need fine-tuning in the light of experience. This will be undertaken after internal reviews at the appropriate time.

#### **E. Role and Responsibilities of Vice Presidents**

68. As members of the management team, the principal role of the Vice Presidents in ADB is to support the President in managing the institution, and by acting on his/her behalf in various areas. The operations Vice Presidents will be expected to deliver ADB's strategic agenda in the regions allocated to them and in particular to: (i) ensure that individual country strategies and programs are aligned with ADB's strategic agenda; (ii) ensure that these programs are adequately resourced through the allocation of country IPFs, and adjust these as needed; (iii) regularly monitor annual work plans at the regional level through Operations Review Meetings (ORMs), which will now be delegated to them; (iv) at the project level, provide Management guidance through the MRMs, which will be delegated to them (except for certain key categories of projects such as program loans); (v) chair interdepartmental steering committees set up for specific tasks, either singly or jointly and (vi) undertake representational and external relations work in their regions, and in international gatherings related to those regions. While Vice President (F&A) will continue to be responsible for the financial and administrative services of ADB, his role has been better aligned with the new organizational structure. The role and responsibilities of Vice Presidents will continue to be examined.

#### **F. Establishment of a Management Committee**

69. With the increasing complexity of ADB's operations, and with five regional departments responsible for operations, it will be important to ensure that there is a well-coordinated management system in place. For this purpose, there will be a Management Committee to provide high-level advice and support to the President from an ADB-wide perspective.

70. The Management Committee will consist of the President, as the Chair, and the three Vice Presidents. Senior staff will be invited to participate according to the agenda. The Committee will meet weekly. Secretariat services will be provided by the Office of the Secretary.

71. The Committee is expected to focus on the following areas: (i) serve as the principal management forum for considering ADB-wide strategic and policy matters; (ii) discuss annual and medium-term ADB-wide work plans; (iii) discuss major operational matters at ADB-wide level; (iv) formulate consistent and coherent responses to external issues and agencies; (v) provide a forum for the free and frank exchange of ideas and proposals at the higher levels of ADB; and (vi) consider other issues of importance to ADB.

### **G. Strategy and Policy Department**

72. SPD will continue to be responsible for core strategic, policy, coordination and management support activities of ADB. The poverty and governance units of SPD will be transferred to RSDD. SPD will consist of two divisions with the following principal activities:

- (i) A strategic planning, policy and interagency relations division responsible for policy preparation, maintenance and monitoring; resource mobilization through ADF; interagency coordination with multilateral and bilateral development institutions and donors. Since thematic and sector policies will now be done by RSDD, SPD will concentrate on ADB-wide policies such as the medium-term strategy, review of lending modalities, TA operations and so on. SPD will also coordinate the prioritization of policy work across ADB to avoid duplication. Coordination with other development institutions is becoming an increasingly important area of activity for SPD, and more resources will be devoted to this activity.
- (ii) A management support division responsible for ADB-wide operations coordination and monitoring. With five regional departments, it will be essential to ensure that there is a coherent and consistent ADB-wide operating framework in terms of objectives, targets, resource allocation and portfolio monitoring. SPD will maintain real time management information on operational matters, and provide support for management review mechanisms such as the quarterly ORMs. This division will also be responsible for process change. With reorganization, improving business practices will be even more important in order to derive the maximum efficiency gains.

73. The Representative Offices (ROs) can be a very valuable resource to develop ADB's relations with all stakeholders (including governments, media, financial communities, development agencies and civil society groups) in developed countries. It is important that they become much more proactive in both acquiring information from and disseminating it to these stakeholders, on (i) ADB's ongoing and forward program of operations, (ii) ADB's strategies, policies and operational practices starting with the LTSF, and going on to lending policies and procurement procedures, (iii) the development issues and constraints faced by DMCs and how ADB is helping address these, and (iv) the resource requirements of ADB. ROs must build excellent relationships with these stakeholders and act as ADB's liaison with them. In this context, the question of how best they should be supervised has been carefully considered. OER and SPD were both considered as possible supervisory departments. Since SPD has the broadest overview of ADB's strategies, policies, operations and inter-agency relationships, it is best placed to guide the ROs in the broad range of activities mentioned earlier. Accordingly, ROs will henceforth report to SPD.

74. The terms of reference of SPD are in Appendix 4.

## **H. Upgrading the Private Sector Group to a Private Sector Operations Department**

75. The LTSF recognizes that “involvement with the private sector is expected to increase substantially in the years to come” and that “for ADB’s private sector operations to have a meaningful and relevant impact, it must undertake a critical mass of private investment.” The LTSF, the Private Sector Development (PSD) strategy and the Poverty Reduction Strategy all recognize the importance of catalyzing the private sector and private capital flows as part of the long-term solution to poverty reduction. Private sector development has three main thrusts: (i) enabling environments; (ii) business opportunities; and (iii) private sector operations (PSO). Primary responsibility for mainstreaming the first two elements of the strategy will be with the Regional Departments. To help strengthen the regional departments’ private sector development work, specialists in the RSDD will provide support through the PSD network and provide information about best practices. The Steering Committee established by the President to oversee implementation of the PSD strategy will continue to develop ways of enhancing the integration of the public and private sector, and resolving ADB-wide policy issues.

76. The issue of whether to put private sector units into the operations department was considered. PSO began in ADB as a unit within a public sector operations department. The lesson learned from that experience was that due to the nature of private sector transactions, which require specialized skills and expertise and different operational processes and procedures, ADB-wide PSO should be the responsibility of a single dedicated group within ADB. As a result, PSG was formed in 1995. To now split up PSG into departmental units was not considered appropriate as (i) the loss of critical mass in putting together PSO transactions would adversely affect portfolio quality; (ii) it would increase the possibility of conflicts of interest between ADB’s public and private sector activities, and (iii) it may be seen as a “downgrading” of PSO.

77. In the light of ADB’s renewed commitment to private sector development, upgrading PSG to a Private Sector Operations Department (PSOD) with a full-time director is a natural progression for PSO within ADB. It will enable PSOD to effectively fulfill the new challenges presented by the changing environment, implement the PSO operational strategy, address the span of control issue (which is currently over-stretched) and enable PSOD to respond flexibly to client needs. PSOD will have two divisions, and will be responsible for project finance, capital markets, investment funds management, and risk management. As an operations department, PSOD will report to one of the operational Vice Presidents. Appropriate procedures will be put in place to ensure that each operational Vice President has responsibility for PSO in his/her region.

78. In addition to its core activities of PSO, PSOD will participate in mainstreaming the PSD strategy and will use its private sector expertise in several ways: (i) the head of PSOD will continue to be part of the Steering Committee established by the President to oversee implementation of the PSD strategy; (ii) a full-time director for PSOD will be dedicated to promoting PSO within ADB and will have a more focused agenda to ensure PSO is integrated with ADB’s country programs; and (iii) at least one PSOD staff will be designated as the focal point for the PSD strategy and work primarily in the areas of privatization, corporatization and public-private partnerships. Integration of all ADB’s support for private sector development within the CSP will be achieved through participation of private sector operations staff in country strategy and programming activities. Heads of the Regional Departments will need to ensure that all private sector projects are consistent with the strategy for each country within his or her department and that each country program reflects the PSD strategy.

## **I. Office of External Relations**

79. ADB faces a changing external environment, more competition for funding resources, aggressive scrutiny by NGOs and civil society, and pressure to be more transparent and accountable. The LTSF makes an explicit commitment to a more proactive external relations and media strategy for ADB. Recognizing this, ADB's external relations efforts must become more substantive and meaningful, focusing on proactively projecting ADB's policies, programs and projects to gain broader support and understanding for its development agenda. In the age of instant information, ADB cannot afford to be merely reactive. It is also essential for ADB to disseminate knowledge in a more organized and pro-active manner.

80. As part of the group of knowledge departments, OER will report directly to the President. The key external relations figure at ADB and its chief spokesperson is the President. OER must give direct support where it is most needed. By directly reporting to the President, OER can best support him/her in (i) developing effective external relations policies and programs; (ii) advising on external events and developments that directly affect ADB; (iii) advising on appropriate responses to comments in the media; (iv) enhancing internal communications at ADB, and (v) preparing and presenting the President's position and key messages through media interviews, speeches, briefings. A direct reporting line from OER to the President will also match the current situation in several other international organizations.

81. External relations cannot be the sole responsibility of OER alone. OER will lead all external relations activities of ADB. In this, it will work closely with the five regional departments and SPD in developing programs and activities to make country strategies and lending programs more widely known and understood. With each regional department, OER will have a major role to play in publicizing projects, programs and initiatives; providing information materials and briefings; and media training.

## **J. Economics and Research Department**

82. As a major knowledge department of ADB, ERD will report directly to the President. The focus of the department will be on the generation of high quality policy research and analysis; its dissemination; and networking of researchers, policy makers, and institutions in the region. It will also be the focal point of an internal network of economists to enhance the quality of ADB's economic work. To reflect this orientation, Economics and Development Resource Center will be renamed the economics and research department (ERD) and will comprise of three divisions. It will be engaged in ADB activities at three important levels: macroeconomic policy studies, country level research, and operational support. As at present, the ERD will focus on policies and research of operational significance, while the ADB Institute will focus on long-term issues.

## **K. Office of the Secretary / Office of the General Counsel**

83. Because of the importance of their functions in advising the President and the Board, OGC and OSEC will report directly to the President on substantive matters within their respective jurisdictions. However, the two offices will continue to report to the Vice President (F&A) for administrative purposes.

## **L. Knowledge Management**

84. As stated in para 18, ADB makes considerable investments in research and knowledge

generation. These can broadly be grouped into three types of knowledge products:

- (i) Economic products, such as the Asian Development Outlook (ADO) and country economic reports.
- (ii) Sectoral products such as sector reviews and studies at the regional or country level.
- (iii) Thematic products, in areas such as gender, social development and environment.

These products are developed by many departments and offices in ADB, particularly ERD, RSDD, regional departments, Regional Economic Monitoring Unit (REMU), and ADB Institute (ADBI). However, the activities of these departments need better coordination, to ensure synergy, avoid duplication and establish accountability. It is important to organize ADB's store of knowledge more efficiently and coherently, and ensure better dissemination both internally and externally. For this purpose, greater use has to be made of information technology.

85. An ADB-wide Knowledge Management Committee, chaired by the President, and including senior representatives from ADBI, ERD, RSDD, REMU, SPD and OER will oversee ADB's program and progress of delivery of knowledge products. The President may nominate one of the heads of departments to chair the meetings of the Committee on his/her behalf. ERD and RSDD will assist the Committee in consolidating the forward program and reviewing it periodically for priorities and related adjustments. They will monitor progress and maintain the consolidated information database. The Committee will periodically evaluate progress on products by region, DMCs, thematic areas and sectors. The Knowledge Management Committee will also be responsible for an ADB-wide strategy and system for knowledge dissemination. Procedures for the effective functioning of the committee will be established by the Working Group on Business Process Change (para 95).

## **M. Project Administration and Portfolio Management**

86. ADB's development impact depends substantially on the effective implementation of its projects and how well they meet their objectives. With over 400 projects under implementation at any given time, portfolio management is an important part of ADB's work. It is important to clearly establish responsibilities in this area.

87. Regional departments will be responsible for project administration and management of the country portfolio. It is their responsibility to periodically review the country portfolios and discuss remedial measures with governments. Internally, they are responsible for providing timely updates for ADB-wide databases and information systems on the portfolio, maintained by Central Operations Services Office (COSO). The management support division of SPD will undertake portfolio monitoring for purposes of reporting ADB-wide status and analyzing trends for management. That division will thus have the overview of the entire range of ADB's operations from project preparation to implementation. OED will be responsible for all evaluation work of the portfolio. COSO will be responsible for services relating to consulting, procurement, and project administration, and will continue to maintain the databases.

## **N. Risk Management**

88. ADB faces several different types of risks. There are already systems in place to manage these in ways appropriate to the type of risk. Operational and reputational risks involving environmental, social and other policy related risks will be handled, in the first

instance, by the regional departments. In addition, under the new structure, the Environment and Social Safeguard Division within RSDD will be staffed with individuals with high levels of experience to provide an independent review of project documents and periodic reviews of high-risk projects in the field.

89. Similarly governance-related risks are mitigated, in the first instance at the operations level, through careful project design and implementation. Compliance is monitored and dealt with by distinct units in ADB such as the anticorruption unit in the Office of the General Auditor (OGA); and COSO and OGC by way of their independent review of procurement documents, evaluation reports and consultant selection.

90. Project level risks are managed on the public sector side in several ways. In the first instance, projects are prepared following ADB's guidelines for financial and economic analyses which are designed to ensure a thorough assessment of the viability of the proposals. These analyses are reviewed by ERD as part of the MRM process. Country exposure limits are established through the IPFs for each country. The Graduation Policy and Performance Based Allocation all relate to management of these risks. Similar risks on the private sector side are managed through a credit committee review of proposed projects and a risk management unit with PSOD.

91. In the above context, the appropriateness of establishing a single risk management unit needs to be considered. There is currently a study under way to assess the structure and operation of country credit risk assessment policies. After this is completed, the question of a unified risk management structure will be examined in depth.

## **O. Checks and Balances**

92. It is important to ensure that the new organization structure provides for adequate quality control and check and balance systems. The new structure will provide checks and balances and safeguards in several ways:

- (i) RSDD is explicitly mandated to ensure compliance with safeguard policies. To ensure its independence, RSDD will be located outside the operational areas of ADB and will report to the President. A separate Environment and Social Safeguard Division is being created in RSDD to focus on compliance.
- (ii) RSDD will independently review ADB products, and provide the originating department as well as Management with written advice on the quality of design as well as adherence to policies.
- (iii) By placing technical expertise in RSDD, and separating it from operational work, any possible conflict of interest on the part of reviewers will be removed.
- (iv) Departments such as ERD, OGC, OED will continue to review all relevant products at the appropriate stages in the product cycle.
- (v) Business processes for the new structure are being reviewed and developed by a Working Group on Business Process Change (para. 95) to ensure that there is no loss of rigor in quality assurance. Quality control mechanisms will be built into the revised practices. This exercise will be completed by December 2001.

## VII. COMPLEMENTARY CHANGES

93. The proposed organizational changes are necessary, but not sufficient, to make ADB more effective in delivering its agenda. They will need to be complemented by changes in other key areas. These include staff skills, business process changes and incentives, documentation and information management, and information systems and technology.

### A. Staff Skills Requirements

94. From a broader perspective, and independently of the reorganization, ADB must continuously ensure that it has the right skills to effectively deliver its agenda. ADB increasingly operates as a “change agent,” catalyzing a dynamic change process within its DMCs. To be credible and effective, ADB must acquire skills to better understand the effect of policies, institutions, legal frameworks, and social structures on the development process. ADB needs staff who are able to develop holistic development strategies for its DMCs. Over the past five years or so, ADB has systematically pursued a realignment of staff skills to meet these requirements. While significant progress has already been achieved, the assessment of ADB’s skills base over the medium term will continue to be pursued, especially in light of the new structure. It will also be necessary to develop and provide resources for a significant training and reskilling exercise.

### B. Business Processes and Incentives

95. Changes in operational business processes will be needed to make the reorganization work. These changes can be categorized into two: (i) those that are consequential to the changes in structure, such as the routing of documents, designations, and so on; and (ii) those that will make the reorganization more effective. These will include processes for the functioning of the sector and thematic networks; the functioning of the Knowledge Management Committee; and arrangements to ensure close coordination and consultation among the regional departments themselves, as well as with the “knowledge” departments. In addition to changes in business practices, there must be changes in accountability and incentives, so that staff are motivated to make the new structure work effectively, and to deliver the overall goal of greater development impact. Changes in all these important areas need to be identified, developed and made available to staff simultaneously with the implementation of reorganization. The President has established a Working Group on Business Process Change to review all relevant business processes that are required to achieve the objectives of reorganization and to recommend necessary changes and simplifications. The Working Group has begun work on 21 August and is expected to complete its recommendations by December 2001.

### C. Documentation and Information Management

96. Documentation requirements have expanded over the years to the extent of often becoming counter-productive. Major gains in efficiencies and effectiveness can be obtained through a thorough rationalization of the current extensive written documentation requirements. Ongoing efforts in this area, such as the rationalization of the country strategy and programming documents, have yielded good results. The objective should be the introduction of brevity, succinctness, and strict adherence only to substance. There is also scope to discuss with the Board a rationalization of Board documentation, including Report and Recommendation of the President, CSPs and other key documents. The maintenance of records and documents could be modernized.

## D. Information Systems and Technology

97. To maximize the efficiency of the new structure and to enable the regional departments and RMs to work as a team, ADB's information systems and technology (IST) must be upgraded on an urgent basis. The requirements for IST should be reviewed jointly by the Office of Information Systems and Technology and the user departments. If considered necessary, ADB's IST strategy should be updated.

## VIII. CHALLENGES AND RESPONSES

98. Chapter III identified the major challenges faced by ADB, Chapter IV the principles of change, and Chapters VI and VII have identified the proposed organizational and complementary responses. It is important to assess how effective and comprehensive the responses are. This is summarized in the table below, which also presents an overview of the main features of change.

### Challenges and Responses

Issues	Responses
A. Manage multiple goals	<ul style="list-style-type: none"> <li>(i) New structure to realign operational units to better achieve ADB's vision and strategy</li> <li>(ii) Establish a Management Committee to ensure strategic direction and coordination</li> </ul>
B. Balance country and sector consideration	<ul style="list-style-type: none"> <li>(i) Create regional departments to enhance country focus by combining 'projects' and 'programs' functions to take an integrated view of country operations</li> <li>(ii) Create sector divisions to maintain critical mass of sectoral expertise, and RSDD to enhance technical excellence</li> <li>(iii) Rationalize reporting line between RMs and HQ</li> <li>(iv) Establish country teams of staff working on a country to prepare CSPs</li> </ul>
C. Greater client and stakeholder orientation	Fewer countries under each region permits better country focus and closer staff interaction. Regional Management team of Director/Deputy Director/ Managers/RRs enables full attention to DMCs and integrated response
D. Mainstream governance, capacity building, environmental and social development, and private sector development	<ul style="list-style-type: none"> <li>(i) Sector divisions reconstituted to be better aligned with strategic agenda</li> <li>(ii) All delivery of products in these areas to be handled by sector divisions, not by advisory units</li> <li>(iii) Regional departments to mainstream two major elements of the PSD strategy, i.e. creating enabling conditions and generating business opportunities</li> <li>(iv) PSG upgraded to PSOD with full time Director, in charge of catalyzing private investments. PSOD shares responsibility for implementing the PSD strategy</li> </ul>

E. Maintain technical excellence and skills	<ul style="list-style-type: none"> <li>(i) Create a new RSDD to enhance the quality of ADB's operations, promote technical excellence within ADB, and strengthen ADB's thematic and sector work</li> <li>(ii) Creation of internal networks along thematic and sectoral lines to disseminate and promote best practices</li> <li>(iii) 5-region model permits sufficient 'critical mass' in sector divisions</li> <li>(iv) Assignment of environmental and social dimensions specialists in the divisions of the regional departments to be members of country and project teams, enhancing knowledge of crosscutting concerns and safeguard policies in operations units</li> </ul>
F. Maintain checks and balances consistent with effectiveness	<ul style="list-style-type: none"> <li>(i) Separation of quality/compliance functions from operations</li> <li>(ii) RSDD to review independently ADB products, and provide the originating department as well as Management with written advice on the quality of design and adherence to policies</li> <li>(iii) RSDD's new Environment and Social Safeguard Division specifically mandated to ensure compliance with safeguard policies</li> <li>(iv) Quality control will be built into the business practices being reviewed by a Working Group on Business Process Change</li> </ul>
G. Emphasize effectiveness and efficiency	<ul style="list-style-type: none"> <li>(i) Clearer accountability for delivery of programs</li> <li>(ii) Combined 'programs' and 'projects' functions at departmental level will lower internal transaction costs</li> <li>(iii) Better country coordination between RMs and sector divisions in HQ</li> <li>(iv) Rationalize staffing through redeployment</li> <li>(v) Review of business processes being undertaken to improve efficiency</li> </ul>
H. Promote a strategic regional focus, strengthen ADB's regional role and identity	<ul style="list-style-type: none"> <li>(i) RSDD to concentrate specifically on strengthening ADB's regional focus, regional cooperation strategy and work plans, linkages with other regional institutions</li> <li>(ii) Sub-regional cooperation is part of regular work programs of regional departments</li> </ul>
I. ADB as a resource and knowledge center	<ul style="list-style-type: none"> <li>(i) Combine all knowledge and policy departments under the President for synergy and coordination</li> <li>(ii) New Knowledge Management Committee chaired by the President whose membership will include ADBI, ERD, RSDD, REMU, SPD and OER to coordinate and oversee ADB's program on development and delivery of knowledge products</li> <li>(iii) Clear role of coordination and accountabilities for the development and delivery of major types of knowledge products, i.e. ERD for economic area, and RSDD for sector and thematic areas</li> </ul>

J. Partnerships	<ul style="list-style-type: none"> <li>(i) SPD will continue to be responsible for managing interagency relationships at the institutional level, such as MOUs</li> <li>(ii) RSDD will be responsible for regional cooperation with other development partners on thematic and sectoral issues, through external networks</li> <li>(iii) NGO center in RSDD will continue to serve as focal point to further develop the existing NGO Cooperation Network</li> </ul>
K. Public profile and information	<ul style="list-style-type: none"> <li>(i) OER to report directly to the President and to lead all external relations activities with close coordination with five regional departments in publicizing ADB's activities in the DMCs</li> <li>(ii) OER to be a member of the Knowledge Management Committee</li> <li>(iii) ROs to report to SPD and to become more proactive in providing information to and liaising with stakeholders in developed country members on ADB's strategies, policies, ongoing and forward program of operations</li> </ul>
L. Risk management	ADB's risk management structure will be considered upon completion of an ongoing study on country credit risk
M. Each organizational unit should have clear responsibility and add unique value	<ul style="list-style-type: none"> <li>(i) Reduced 'overlap' through combination of 'projects' and 'programs' in one department</li> <li>(ii) Clear demarcation between operations and advisory functions</li> <li>(iii) Accountability strengthened by making heads of regional departments responsible for all ADB work in their region</li> </ul>
N. Ownership of and continuity in change	<ul style="list-style-type: none"> <li>(i) Changes proposed only where necessary</li> <li>(ii) Regional groupings broadly maintained for preserving institutional memory and minimizing disruption</li> <li>(iii) Staff consultations through focal groups, presentations, briefings by Heads of Departments</li> </ul>

## IX. BUDGET IMPLICATIONS AND IMPLEMENTATION PLAN

### A. Budget Implications

99. The reorganization is broadly staff and budget neutral and is designed to maximize ADB's effectiveness within the currently available resources.<sup>16</sup> Efficiency gains are expected from the rationalization of functions and the reduction of transaction costs through:

- (i) integration of "programs" and "projects" into regional departments which will eliminate duplication and overlaps, streamline coordination and communication processes, and create significant strategic, functional and skills-related

<sup>16</sup> The proposed reorganization will incur expenses associated with the cost of relocating staff within ADB. The overall cost is estimated at about \$200,000 which can be accommodated within this year's administrative budget.

synergies, including with the RMs;

- (ii) consolidating the functions related to maintaining ADB-wide policy coherence and technical excellence, and for safeguards compliance in one department which will streamline quality assurance and compliance processes, increase the efficiency and effectivity of internal checks and balances, and reduce the transaction costs associated with the current dispersion of these responsibilities across the institution; and
- (iii) providing a more cohesive and better-consolidated knowledge management structure, which will result in more effective use of the important resources devoted to this area.

100. The above rationalization of functions will permit a more efficient allocation of staff resources. Staff currently assigned to operations front offices and programming functions will be moved to sector divisions. This will strengthen ADB's front-line operational capacity through the mainstreaming of current coordination and support functions. Some staff positions relating to quality assurance and compliance will be consolidated in RSDD, while others will move to operations. The allocation of professional staff positions under the present and proposed organization structure is provided in Appendix 5. It should be noted that as the final staffing structure is determined through the budgetary process, the allocation for the new structure is only indicative.

101. However, the efficiency gains of reorganization are not a substitute for addressing ADB's overall staff shortages. As argued in previous strategic and budget planning documents (i) the considerable expansion of ADB's strategic and policy agenda, particularly the LTSF, (ii) the adoption of more programmatic and process-oriented approaches, and (iii) an increased focus on quality and safeguards, have dramatically increased the resource intensiveness and complexity of ADB operations. This has taken place in a severely constrained budget environment and led to extraordinary work pressures on staff. While the reorganization will rationalize staff allocation, the resource base will remain the same. This is not adequate to serve the expanded agenda.

102. In particular, regardless of the reorganization, ADB continues to face important resource gaps for meeting the requirements of existing priority strategies and policies. Many of the institution's mandates still simply lack a critical mass of staff for effective implementation and delivery. Among others, this applies to private sector development, the governance action plan, environment sustainability, social development and safeguards, and regional cooperation. In addition, recently approved or expected new mandates over the 2001-2002 period (PSO and social protection strategies, performance-based allocation, and Libor-based loan products, for example) must be adequately resourced if they are to be implemented effectively. These and other staff requirement issues will be addressed in detail in the Work Program and Budget Framework (2002-2004) Paper and the 2002 Budget document.

## **B. Implementation Plan**

103. It is intended that the reorganization becomes effective 1 January 2002. This implementation date is the most appropriate to maintain continuity of ADB operations. ADB's financial year runs from 1 January to 31 December, and all operational cycles are geared to these dates. The first quarter of the year, for example, is the period of country programming missions as well as most loan fact-finding missions for the year's program. In order to ensure a

smooth transition, detailed planning and preparation will be needed on a number of fronts. Following Board approval of the proposals, such action will be initiated immediately.

104. In particular, following Board approval, staff will be informed of the process to be followed for new assignments. The basic principles to be followed will be to minimize disruption of the workflow as much as possible, and to maintain high staff morale.

105. Within the overall features of the reorganization presented above, there may be need for further minor adjustments and fine-tuning as implementation proceeds. These will be made by the Management in accordance with the overall structure presented here.

## **X. CONCLUSION**

106. The changes in ADB's operating environment, and its strategic response to them, require to be matched by an organization structure which maximizes development impact. To develop this, ADB has undertaken a detailed review of its organization, through a process of extensive consultations and intensive analysis of available options. The reorganization and complementary changes presented in Chapters VI and VII are essential and timely. They will enhance country focus, maintain strong technical knowledge and skills across ADB, enable better subregional cooperation, clarify accountability for program delivery and implementation, and strengthen ADB's knowledge activities. With these changes, ADB will be organizationally equipped to respond to the challenging tasks it has set for itself.

## **XI. RECOMMENDATIONS**

107. Pursuant to Article 35 of the Agreement Establishing the ADB, the President recommends that the Board approve the redesignation and reassignment of the functions and duties of the Vice Presidents, effective 1 January 2002, as follows:

- (i) Mr. Myoung-Ho Shin, presently Vice President (Region West), as Vice President (Operations Group 1), in charge of the South Asia and Mekong Departments, and Private Sector Operations Department;
- (ii) Mr. Joseph B. Eichenberger, presently Vice President (Region East), as Vice President (Operations Group 2), in charge of the East and Central Asia, Southeast Asia, and Pacific Departments, and Central Operations Services Office;
- (ii) Mr. John Lintjer, presently Vice President (Finance and Administration), to continue with that designation, in charge of Budget, Personnel and Management Systems Department; Office of Administrative Services; Controller's Department; Treasurer's Department; Office of Cofinancing Operations; Office of Information Systems and Technology; and for administrative matters, Office of the Secretary and Office of the General Counsel.

**APPENDIXES**

<b>Number</b>	<b>Title</b>	<b>Page</b>	<b>Cited on (page, para.)</b>
1	Summary of Organizational Options Considered	29	10, 39
2	Current Organization Chart	36	10, 40
3	Proposed Organization Structure	37	10, 40
4	Departments' Terms of Reference	38	14, 59 onwards
5	Professional Staff Positions of Present and Proposed Organization	46	26, 100

## **SUMMARY OF ORGANIZATIONAL OPTIONS CONSIDERED**

1. In analyzing organizational options, two models were initially considered as polar opposites:

- (i) A model built around large technical or sector departments, with the country perspective provided by resident missions, or relatively small country divisions at headquarters. This model strengthens technical and sector expertise and exploits benefits of critical mass and networking by building on ADB's technical skills. However, it makes it difficult to reconcile competing country and sector imperatives. Large sector departments would bring back the risk of the supply-driven orientation and prevent ADB from attaining a country focus. This was the early model of most MDBs.
- (ii) A model which places all the expertise required for implementing a country program within a country unit, preferably in the country. This model has the sharpest country focus and provides the DMCs with a single point of contact in their countries for all services, while ensuring the clearest accountability within ADB. This is however not practicable, since it would require ADB to replicate the whole range of expertise for each DMC. This would not only be very costly, but it would also lead to professional isolation of sector specialists. There would be very limited flexibility in adjusting staff inputs to the changing needs of the DMCs.

### **A. Model 1: Sector and Technical Focus**

2. Model 1 combines two principles: (i) to provide strong country and client focus by strengthening RMs and transferring the country strategy and programming functions and other specialized skills fully to the field; and (ii) to build on ADB's technical skills through reconstituting headquarters' sector departments and strengthening their capacity to implement the strategic development agenda. The model proposes a rationalization of the grouping of ADB's functions into homogenous functional "complexes."

3. Model 1 proposes establishment of a single operational complex to deal with all DMCs. This would include upgraded RMs in each DMC, and three large sector departments, reconstituted to reflect ADB's strategic agenda. RMs would be fully responsible for strategy and programming functions in close collaboration with sector departments. Sector departments would be strengthened and made fully and directly accountable for delivering ADB's development agenda in line with the country priorities set by RMs. Coordination between sector departments and RMs would be handled by a group of regional coordinators who would integrate country and sector perspectives. This group would also align the operational program with country risk and performance considerations. In addition, the model proposes (i) establishment of a regional cooperation complex to help build regional knowledge, networks, and subregional cooperation; and (ii) establishment of a coordination and compliance complex comprising nonoperations offices and a quality assurance group.

4. The underlying premise for the structure of model 1 was to (i) improve country focus, (ii) rationalize the sector departments, and (iii) enhance research capacity. Model 1 would constitute a significant shift away from the traditional organization of departments on a

subregional basis, while preserving some of the inherent strengths of the Asian Development Bank's (ADB) operations.

## 1. Key Features

5. This model was based upon the establishment of functional complexes.<sup>1</sup> The complexes would include

- (i) an operations complex comprised of
  - (a) the head of operations planning, with a central country risk management and regional coordinator for each of the following: central asia, east asia, south asia, and southeast asia;
  - (b) a private sector transactions department;
  - (c) a resident or regional mission (RM) for each borrowing developing member country (DMC); and
  - (d) three sector departments.
- (ii) a regional policy and cooperation complex comprised of
  - (a) an economic surveillance and outlook department,
  - (b) a regional and subregional cooperation department,
  - (c) a sustainable development policy department,
  - (d) a law and policy reform office, and
  - (e) a capacity building and training office (linked with the Asian Development Bank Institute (ADBI)).
- (iii) a coordination and compliance complex comprised of
  - (a) a compliance, monitoring and central portfolio department;
  - (b) a quality assurance group; and
  - (c) a procurement and consulting services support office.

## 2. Strengths

6. Greater country focus would be achieved through empowered RMs. RMs would carry the primary responsibility for developing ADB's strategy and operations to closely reflect the client and country perspective and requirements. To ensure effective support, additional economic and sector skills would be located in the RMs. The sector skills would be primarily the thematic skills such as governance, poverty, private sector development, and social sector specializations.

7. Sector departments would be reconstituted and aligned to more closely reflect the priorities of the long-term strategic framework. The sector departments would be primarily responsible for delivering ADB's overarching goal of poverty reduction, within the country context established by the RMs. The sector departments would include thematic specialists as part of the front-line operations, rather than as sideline commentators. Sector departments would be able to pool their synergies and expertise to allow ADB to emerge as a knowledge center in the region.

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<sup>1</sup> A schematic chart of this model is on page 6 of this appendix.

8. The research capacity of ADB would be enhanced by establishing a regional approach to economic work. A new regional department would be primarily responsible for regional cooperation, the research mandate of ADB, and coordination of the economic surveillance and development outlook activities.

### **3. Weaknesses and Conclusions**

9. The largest risk with this model rests with the composition and functioning of the operations complex. The central operations planning group would be key to the success of such a reorganization and if not appropriately headed would run the risk of creating an overly centralized, very bureaucratic operation. This complex would have a disproportionately large span of control compared to the other nonoperational complexes.

10. The unifying of the sector departments would mean that each sector department would cover all DMCs. The head of each department would be required to focus on broad strategic and technical issues in his or her sector and would not be able to focus at a country level. There was also concern that establishing very strong unified sector departments would lead to “sector-driven” or “project-driven” agendas, not necessarily in line with or reflecting the country requirements or needs. This would be contrary to increasing country focus.

11. Linkages between the RMs and headquarters and between country programming and the products deliverable by ADB would not be clearly established under this model, which may consequently diminish, rather than increase, country focus.

12. For the reasons stated here, this model was not considered to be an optimal structure for ADB.

## **B. Model 2: Integration of all Operations at Division Level**

### **1. Rationale**

13. The principle of this model is to combine all services to the client at the lowest possible managerial level within ADB, the division. This would provide the DMC with a single point of contact within ADB for all services—economic assessment, the country strategy and program, programming, project design, and portfolio management. This would also ensure clear accountability within ADB, greater flexibility in adjusting the service program to the needs of the DMC, and greater efficiencies in responding to DMC needs.

14. Under this model, a divisional manager is both a program and a project manager for specific DMCs. The manager is provided with a staffing mix that can address all of the essential services offered to a DMC. This implies skills in economic assessment and monitoring, sectoral skills for project design, and project management skills for portfolio management. The operations division is thus primarily country-focused, and is self-contained with regard to the required authority to respond to the DMC and the skills needed to provide related services.

15. The basic premise for model 2 was to organize ADB around the Office of Pacific Operations (OPO) model. Many people believe that the OPO model provides the proper balance and synergy between country focus and sector-driven projects and that it should be applicable ADB-wide. In OPO, the projects and programs functions are unified at the division or

manager level. Each division is staffed with resources responsible for country programming; economic and sector work; and project design, processing, and implementation for all sectors.

## **2. Key Features**

16. The key features of model 2,<sup>2</sup> in addition to applying the OPO model to the operational departments of ADB, include:

- (i) creation of four regional directors to oversee country groupings;
- (ii) creation of a quality assurance support unit;
- (iii) mainstreaming of private sector operations by having a private sector division within each regional department;
- (iv) creation of a central technical support division to maintain sector quality; and
- (v) dividing the Operations Evaluation Department into two units, one to provide oversight and ensure compliance with safeguard policies, and the other to carry out operations evaluations.

17. The four operations departments would comprise country divisions. Each country division would consist of the staff at the RM and the headquarters staff. The manager of the division would be responsible for the overall program in the country, both country programming and project processing and implementation.

## **3. Strengths**

18. Country focus is strengthened through combining the country program and sector specialists at the division level, and by minimizing the number of countries within the scope of one division. This model also facilitates the implementation of the team approach to project design and processing, one of the key features of the new business processes.

19. Private sector transactions would be more country-focused by including a private sector unit within each region, and thereby reducing the country coverage for each unit.

20. The quality of project design and processing would be strengthened by (i) establishing a quality assurance unit and (ii) separating oversight and compliance functions for sustainable development from line operations. Project implementation would benefit from (i) facilitating devolution of responsibility to managers and RMs, and (ii) focusing operations on a country basis. Both design and implementation of projects should improve with the increased level of knowledge of any given country.

## **4. Weaknesses and Conclusions**

21. The main weakness of the scaled-up OPO model is the lack of critical mass in sector expertise in any division or department of ADB. Each division, and division manager would be expected to have a very diverse sector coverage. There would be a severe risk of "de-skilling" ADB staff through the elimination of all sector departments. Staff would be required to work, periodically, in sectors in which they have limited expertise, which would likely adversely affect the quality of projects.

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<sup>2</sup> A schematic chart of this model is on page 7 of this appendix.

22. In order to effectively manage the workflow, this model requires a very high degree of flexibility, coordination, and staff movement between different divisions. The degree of flexibility required for this model exists in a smaller unit of ADB, such as OPO, but would be much more difficult to manage across the organization.

23. Therefore, while the OPO model is being successfully applied in the unique grouping of Pacific DMCs, the model may not be successfully replicable across ADB. The lack of critical mass in sector expertise would be very likely to affect project quality and relevance to DMCs, which require more and more sophisticated technical expertise. For these reasons, the OPO model was not considered to be an optimal structure for ADB.

### **C. Model 3: Integration of Sector and Country Functions at Department Level**

24. This model gives primacy to country needs and priorities, while simultaneously avoiding the undue fragmentation of sectoral expertise. This is achieved by combining all operations functions in country-based departments, and concentrating policy, advisory, and compliance functions in a separate, nonoperational “knowledge-based department.” The model also strongly emphasizes regional cooperation.

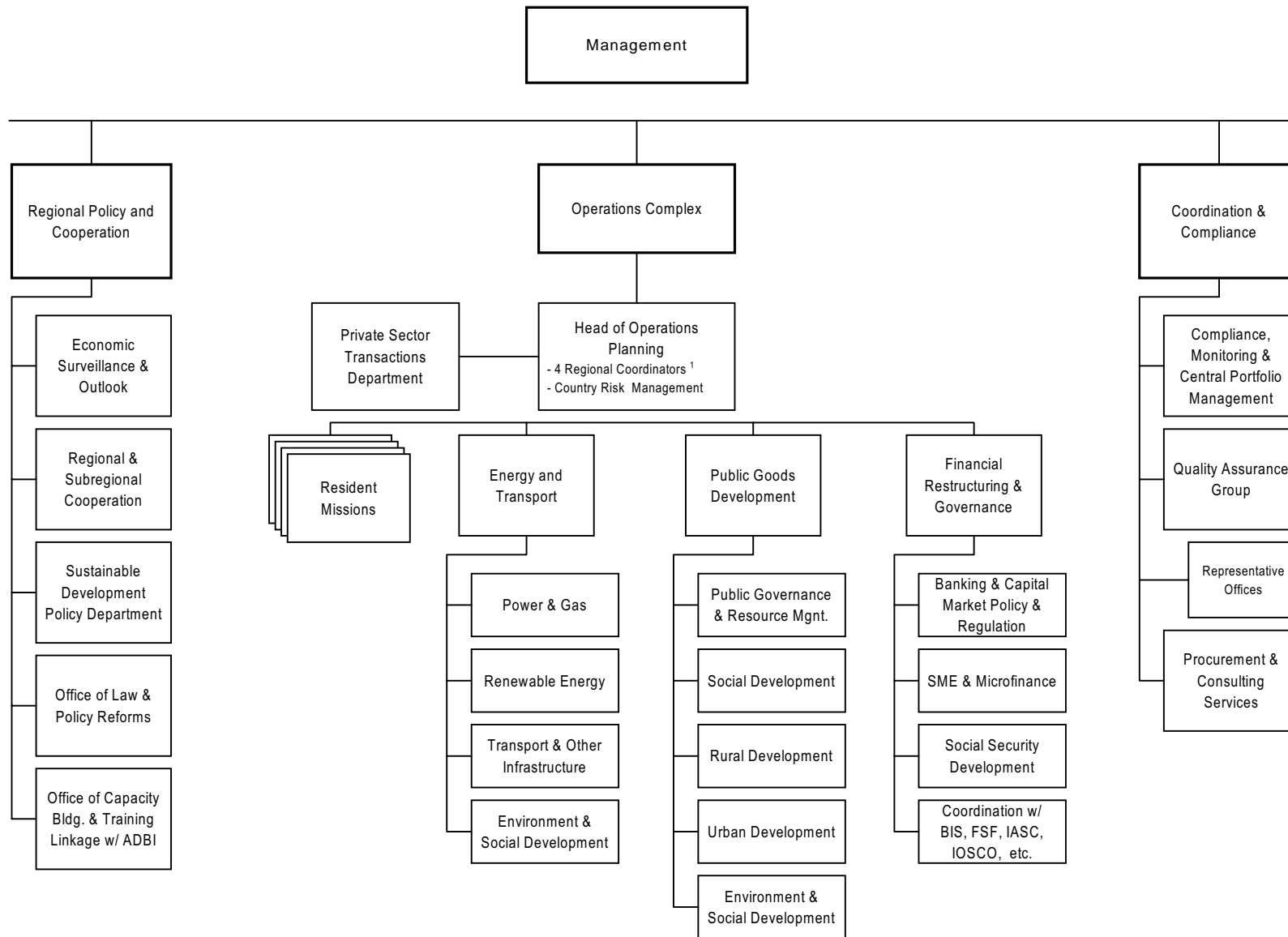
25. The model integrates “projects” and “programs” functions at the level of the regional department, each of which will be responsible for a number of countries. Regional departments will contain units to undertake all strategic programming, ESW, subregional cooperation, and project work under one umbrella, with a single line of accountability to the head of the regional department. A separate department will promote regional cooperation; provide technical support; and ensure quality and compliance with safeguard policies, policy coherence, and application of best practices ADB-wide.

26. A close variant of this model was considered in the 1995 reorganization. Though the model was then recognized as the best way to integrate country and sector considerations, it was not pursued because of the risk of fragmenting sectoral expertise to unacceptable levels. The current model seeks to overcome this through establishing a specialized department for technical advice and knowledge dissemination.

### **D. Conclusion**

27. No single model is ideal or will resolve all the issues of organizational change. All have strengths and weaknesses. On careful consideration of all models, integration at department level (Model 3) provided the best combination of increased efficiency and effectiveness, reconciling country, thematic, and sector priorities; balanced spans of responsibility and control; continuity in change; and implementation with minimum disruption. It was therefore selected for further development.

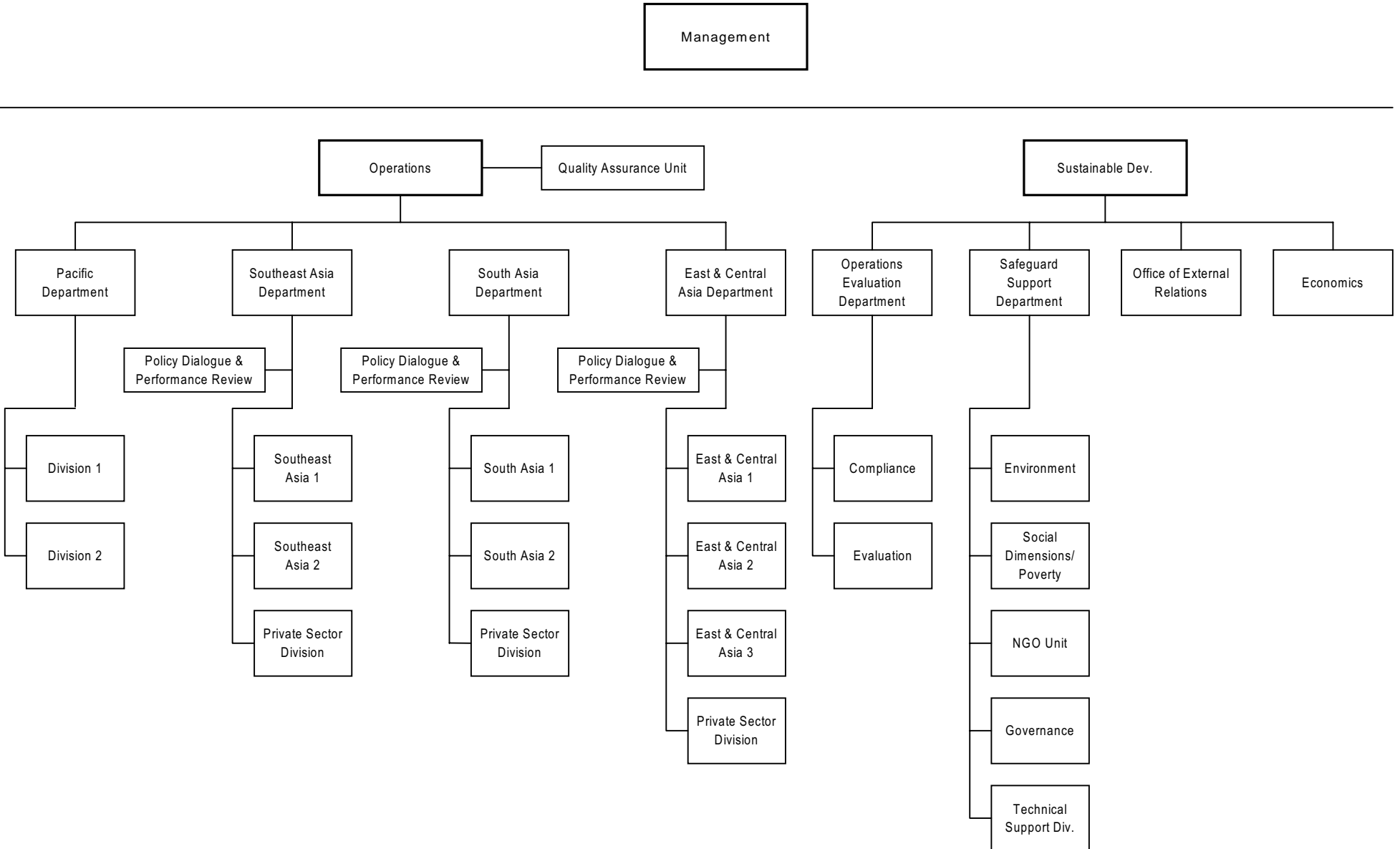
**Model 1**



BIS - Bank for International Settlements; FSF - Financial Stability Forum; IASC - International Accounting Standards Committee; IOSCO - International Organization of Securities Commission

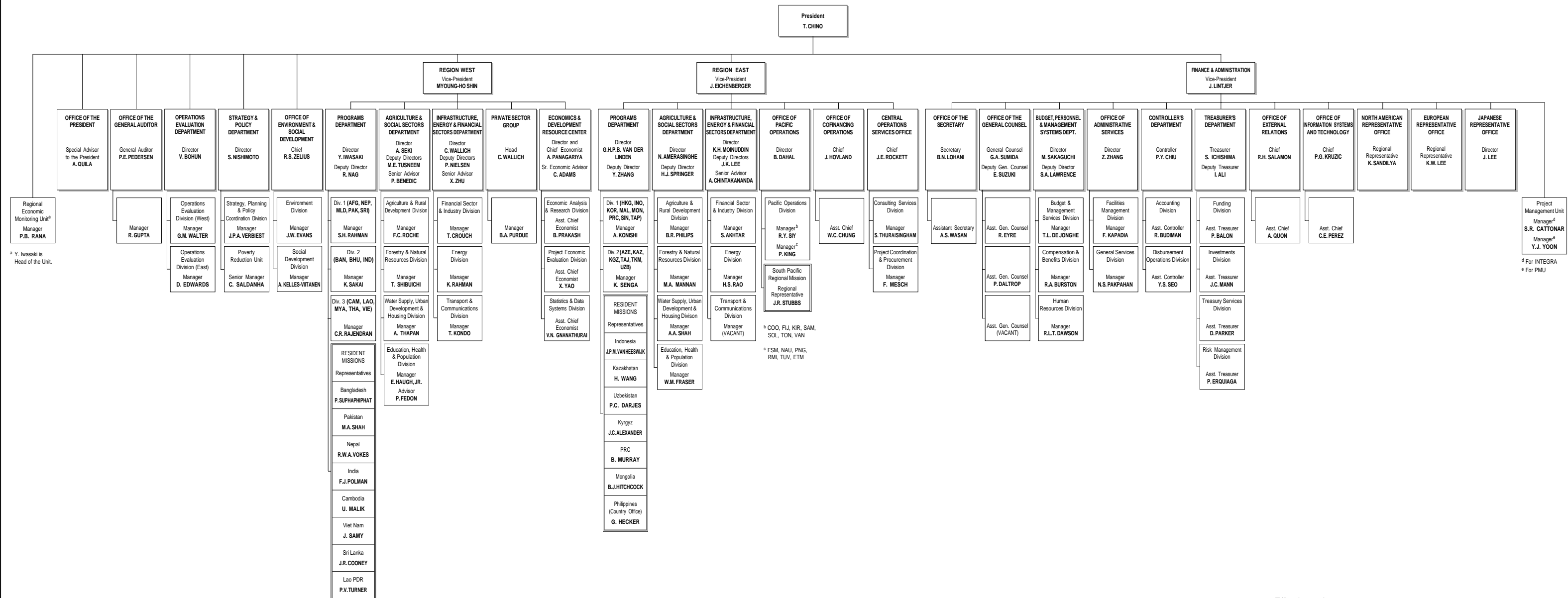
<sup>1</sup> Four regions would include Central Asia, East Asia, South Asia, and Southeast Asia.

## Model 2





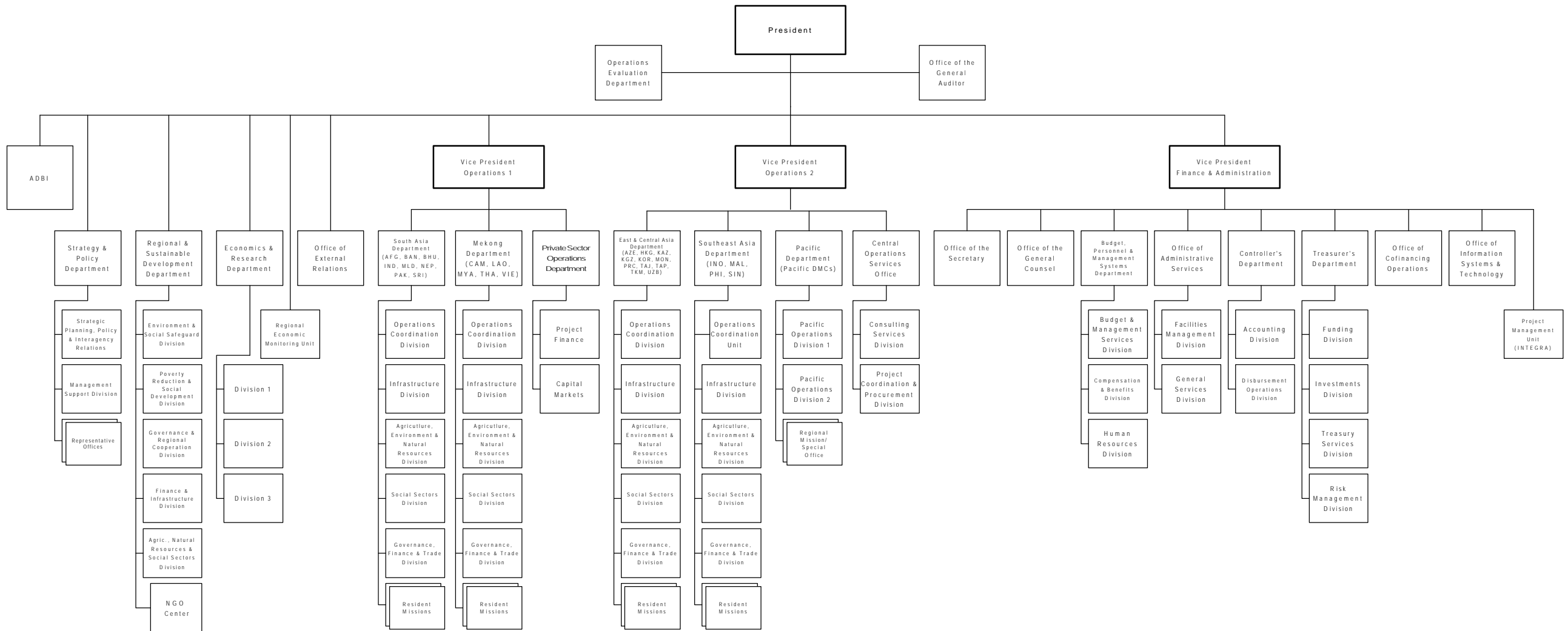
# ORGANIZATION CHART



<sup>a</sup> Y. Iwasaki is Head of the Unit.

<sup>d</sup> For INTEGRA  
<sup>e</sup> For PMU

PROPOSED ORGANIZATION STRUCTURE



## DEPARTMENTS' TERMS OF REFERENCE

### A. Regional Departments

#### 1. Objectives

1. The regional departments will be responsible for implementing the strategic agenda of the ADB in the DMCs. Each department will have the following main objectives:

- (i) Establish and maintain relationships on all matters concerning ADB operations with the concerned DMCs in the subregion, and with other multilateral and bilateral development agencies and other sources of development finance on matters relating to the subregion.
- (ii) Undertake relevant economic and sector work (ESW) on matters of development concern to the DMCs and provide an analytical foundation for ADB operations.
- (iii) Be fully responsible for developing CSPs for the DMCs in the subregion and for subregional cooperation, for the public and private sector, in line with ADB's objectives and policies and the DMCs' own development priorities, programs, and prospects.
- (iv) Prepare public sector loan and technical assistance (TA) projects, and undertake project administration and supervision in line with established ADB policies and procedures.
- (v) Follow developments in the concerned DMCs, including all development financing activities, at the subregional, national, and sectoral levels, and undertake reviews and prepare reports for Management and the Board as required.

#### 2. Structure

2. The departments will usually comprise an operations coordination division (or unit) and four sector divisions: (i) infrastructure; (ii) agriculture, environment, and natural resources; (iii) social sectors; and (iv) governance, finance, and trade. The departments will be responsible for the resident missions (RMs) in the concerned DMCs.

3. The department head will report to a Vice President and be accountable to the Vice President for all policy and public sector operational matters in the concerned DMCs.

4. Heads of operations coordination, sector divisions, and RMs will report to the department head. To ensure adequate country focus and sectoral depth in all aspects of ADB operations, staff in operations coordination and sector divisions, together with RMs will work in country and project teams. The divisions at headquarters and RMs will cooperate and coordinate with the Regional and Sustainable Development Department (RSDD) to ensure that sector strategies and ESW are effectively and efficiently conducted.

5. The head of the regional department will coordinate with head, PSOD concerning private sector operations in DMCs. The head of the regional department will be responsible for programming private sector projects; however, the head of the PSO department will be responsible for PSO matters and the technical quality of private sector transactions.

### **3. Terms of Reference**

6. The detailed terms of reference of the operations coordination division/RMs and sector divisions follow.

#### **a. Operations Coordination Division/RMs**

7. The responsibilities of the operations coordination division or RMs as the case may be, in respect of the DMCs covered by the department, include the following:

- (i) Establish and maintain relationships on all matters concerning ADB operations with the concerned DMCs and with other multilateral and bilateral development agencies and other sources of development finance. Coordinate these efforts with similar efforts of the sector divisions in certain specialized fields. Keep abreast of economic, social, and political developments in the concerned DMCs.
- (ii) Prepare economic and such other reports as may be required covering the DMC's development programs, prospects, and constraints. In accordance with ADB's policies and objectives and the DMCs' own development plans and priorities, prepare a CSP, and revise the strategy from time to time as required.
- (iii) Through the country teams, undertake annual programming exercises in DMCs, and revise and update multiyear lending and TA programs in line with the CSP for each DMC, including judgments on priorities among sectors and lending modalities.
- (iv) Coordinate and monitor in conjunction with concerned sector divisions ADB's ESW programs. Participate in sector studies and analyses undertaken by the sector divisions so as to introduce the findings thereof into the country strategies and programs.
- (v) Collaborate with the sector divisions concerned on the processing and subsequent implementation of projects. Monitor and evaluate the progress of operational work in the DMCs against the approved programs. Undertake annual country portfolio reviews in consultation with and cooperation of sector divisions concerned.
- (vi) Assist DMCs in mobilizing cofinancing from external sources for development projects. Promote and participate in aid coordination with multilateral and bilateral development agencies and other aid organizations.

#### **b. Sector Divisions**

8. Broadly, the sector and subsector responsibilities of the four sector divisions include the following:

- (i) infrastructure divisions will be responsible for
    - (a) power, gas and renewable energy;
    - (b) transport; and
    - (c) communications;
  - (ii) agriculture, environment, and natural resources divisions will be responsible for
    - (a) water resource management,
    - (b) forestry and land resources,
    - (c) livestock and fisheries,
    - (d) crop development,
    - (e) agriculture research and extension,
    - (f) environmental management and stand-alone environmental projects, and
    - (g) ecotourism;
  - (iii) social sectors divisions will handle
    - (a) education;
    - (b) health and population;
    - (c) water supply and sanitation;
    - (d) urban development and housing; and
    - (e) operationalization of ADB's agenda in gender, participation, and social protection; and
  - (iv) governance, finance, and trade divisions will handle
    - (a) public resources and expenditure management;
    - (b) governance of public and private sectors (including corporate governance);
    - (c) banking, capital markets, pensions, and insurance;
    - (d) financial intermediation;
    - (e) small and medium enterprises;
    - (f) privatization and restructuring;
    - (g) national and subregional trade issues; and
    - (h) operationalization of ADB's governance agenda.
9. The responsibilities of the sector divisions for each sector they cover are as follows:
- (i) As members of the country team, contribute to the preparation of the country strategy and program (CSP) including identification of projects for possible financing and assist DMCs to prepare projects when such assistance is requested or required.
  - (ii) Follow developments in relevant sectors and subsectors. Plan and undertake sector reviews of DMCs as well as regional surveys. Make recommendations on operational policies, priorities, and programs for specific DMCs or sectors/subsectors, including plans for subregional or regional cooperation on sector subjects.

- (iii) Undertake relevant sector work to guide and assist in ADB operations in the concerned sector.
- (iv) Participate in and contribute to sector/subsector networks established by RSDD. Ensure compliance with ADB's policies, and quality standards. In cooperation with the RSDD, contribute to policy and regionwide sector work.
- (v) Process ADB loan and TA proposals.
- (vi) Undertake project administration and supervision to ensure the sound execution and operation of projects.
- (vii) Implement TA projects, including those for regional TA, in cooperation with other divisions and offices, as necessary.

## **B. Regional and Sustainable Development Department**

### **1. Objectives**

10. The objectives of the Regional and Sustainable Development Department (RSDD) are:
- (i) maintain quality and technical excellence across ADB;
  - (ii) develop and monitor policies and guidelines for all thematic and sector areas;
  - (iii) act as ADB's center for compliance oversight; and
  - (iv) support regional cooperation work and linkages with regional institutions.

### **2. Structure**

11. The five divisions and center of the RSDD will be:
- (i) an environment and social safeguards division, responsible for compliance with ADB's safeguard policies;
  - (ii) two divisions responsible for ADB's thematic agenda:
    - (a) a poverty reduction and social development division,
    - (b) a governance and regional cooperation division;
  - (iii) two divisions responsible for the technical and sector agenda:
    - (a) a finance and infrastructure division,
    - (b) an agriculture, natural resources and social sectors division; and
  - (iv) the NGO center.

12. Each division will include technical experts responsible for each subsector. The detailed position descriptions of these experts will reflect the terms of reference of RSDD in their application to the thematic area or sector supervised by the concerned expert.

13. The experts will be involved in the selection of technical staff for operations; training of staff in state-of-the-art issues pertinent to each theme and sector; the internal networking of ADB specialists in each thematic area and sector; and the linking of these internal networks to regional and global networks.

### 3. Terms of Reference

14. The thematic and sector divisions will undertake the following activities:<sup>1</sup>

#### a. Thematic and Sector Policy and Strategy

- (i) prepare, update, monitor, and report ADB's policies and strategies for thematic areas (poverty and social dimensions, governance, private sector development, etc.) and sectors. Prepare periodic reports on outputs and impacts achieved by ADB in these areas and sectors;
- (ii) monitor developments in the thematic areas and sectors, globally and within the region, and their implications for ADB's policies, strategies and operations; and
- (iii) coordinate with development partners on reviewing and updating policies and strategies.

#### b. Enhance Quality and Technical Excellence

- (i) act as the focal point within ADB for each thematic area and subsector;
- (ii) establish quality standards for ADB's TA and project operations for each thematic area and subsector;
- (iii) monitor and check TA and project quality by reviewing key concepts and documents (TA papers, project briefs, draft Report and Recommendations of the President);
- (iv) develop guidelines and tools for the use of staff for diagnostics, design, and management of development interventions;
- (v) provide expertise on capacity building;
- (vi) develop and maintain a consultant database of excellence for each thematic area and key sector, for use by operational staff and regional institutions;
- (vii) develop and maintain a skills inventory of ADB for each thematic area and key sectors; this includes the specific competencies per area of specialization, and related availability of skills within ADB; and
- (viii) support recruitment of technical staff for the thematic areas and subsectors; and directly provide and/or support technical training of ADB staff.

#### c. Enhance Quality and Coordinate Thematic and Sector Work

- (i) develop ADB-wide agencies for sector and thematic study and research, and act as the repository for these studies;
- (ii) ensure the quality of ADB's thematic and sector work, establish quality standards and strategic priorities, and monitor and check quality by reviewing key concepts and documents; and
- (iii) develop and maintain the regional database for the thematic areas and key sectors: regional departments will generally provide inputs.

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<sup>1</sup> The NGO Center will continue to function according to its existing TOR.

**d. Regional Cooperation**

- (i) coordinate ADB's regional cooperation strategy and program for each theme and sector. While subregional cooperation programs will be managed by the regional departments, broader cross-regional cooperation initiatives for each key theme and sector will be coordinated by the RSDD;
- (ii) ensure that the subregional cooperation strategies and programs of ADB are synchronized with ADB's broader strategic and regional cooperation thrusts;
- (iii) RSDD will manage the regional TA (RETA) budget and act as the Secretariat to the RETA Screening Committee;
- (iv) support regional departments in disseminating results of thematic and sector study and research across all regions; and
- (v) lead and/or support regional cooperation initiatives for all thematic areas and sectors.

**e. Promote Internal and External Networks and Partnerships**

- (i) in the thematic and sector areas, coordinate policy positions, quality standards, and operational approaches, thereby ensuring that all regional departments operate consistently in line with overall ADB interests;
- (ii) establish formal internal networks among staff on a thematic and sector basis, for a continuing exchange of professional knowledge, best practice and operational matters;
- (iii) stay current with the state-of-the-art in each thematic area and sector, and ensure internal networks are regularly briefed on developments;
- (iv) maintain external networks linking ADB with key regional institutions, and work with regional departments to provide them support;
- (v) assist the participation of ADB and regional institutions in global initiatives in sector and thematic areas; and
- (vi) promote partnerships with development agencies and NGOs in each thematic area and sector, and take the lead coordinating role for the region, where appropriate.

15. In addition to the above functions, the Environment and Social Safeguard Division will undertake the following:

- (i) monitor the implementation of ADB's safeguard policies in all its operations and advise Management of compliance;
- (ii) provide advice, guidance and training to operations departments in the implementation of safeguard policies; and
- (iii) from time to time, advise Management of the overall status of implementation of safeguard policies.

## **C. Strategy and Policy Department (SPD)**

### **1. Objectives**

16. The objectives of SPD are to provide the ADB with a strategic planning perspective and direction, ensure policy and operations coordination, and maintain institutional relations with the international development community, especially on matters relating to resource mobilization.

### **2. Structure**

17. SPD will consist of two divisions:

- (i) a strategic planning, policy and interagency relations division; and
- (ii) a management support division.

### **3. Terms of Reference**

18. SPD activities will include the following:

- (i) coordinate the management of ADB's strategy and policy development work;
- (ii) develop and maintain nonsector, nonthematic strategic and policy papers;
- (iii) assist Management in resource mobilization, in close consultation with the Treasurer's Department, by coordinating the exercises for replenishment of ADB's Asian Development Fund and the general capital increase for the ordinary capital resources;
- (iv) coordinate ADB's relationship with other multilateral development banks, international organizations, and bilateral agencies at the institutional level (including finalizing memoranda of understanding);
- (v) plan, coordinate and monitor all aspects of ADB's operations, including the preparation of long-term and medium-term strategies, work program and budget frameworks, planning directions, TA management, and portfolio monitoring;
- (vi) support operations review meeting/operations coordination group, and other management forums as required;
- (vii) lead business process changes ADB-wide, and maintain updated business process documents, operations manual, staff instructions, and guidelines for policies developed by this department;
- (viii) guide and supervise the activities of ADB's Representative Offices; and
- (ix) provide support to the Office of the President as required.

## PROFESSIONAL STAFF POSITIONS OF PRESENT AND PROPOSED ORGANIZATION

### A. Professional Staff Positions of Present Organization

#### Management

##### Office of the President (2)

2 Professional Staff

##### Offices of the Vice Presidents (3)

3 Professional Staff

##### Office of the General Auditor (11)

1 General Auditor

1 Manager

9 Professional Staff

##### Operations Evaluation Dept. (22)

1 Director

2 Managers

19 Professional Staff

##### Strategy and Policy Dept. (18)

1 Director

2 Managers

15 Professional Staff

##### Office of Environment & Social Development (29)

1 Chief

2 Managers

26 Professional Staff

##### Regional Economic Monitoring Unit (4)

1 Manager

3 Professional Staff

<b>Subtotal : 89</b>
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2 Directors
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2 Chief/General Auditor
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8 Managers
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77 Other Professional Staff
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<b>89 Subtotal at HQ</b>
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#### Operations and Operations Support

##### Programs Department (West) (37)

1 Director

1 Deputy Director

3 Managers

32 Professional Staff

##### Resident Missions (RMs) (33)

(BRM, CARM, INRM, LRM, NRM,  
PRM, SLRM, TRM, VRM)

9 Resident Representatives

24 Professional Staff

##### Agriculture & Social Sectors Dept. (West) (65)

1 Director

1 Deputy Director

4 Managers

59 Professional Staff

##### Infrastructure & Financial Sectors Dept. (West) (56)

1 Director

1 Deputy Director

3 Managers

51 Professional Staff

##### Programs Department (East) (28)

1 Director

1 Deputy Director

2 Managers

24 Professional Staff

##### Resident Missions (RMs) (28)

(IRM, KARM, KYRM, MNRM,  
PhCO, PRCM, URM)

7 Resident Representatives

21 Professional Staff

##### Agriculture & Social Sectors Dept. (East) (63)

1 Director

1 Deputy Director

4 Managers

57 Professional Staff

##### Infrastructure & Financial Sectors Dept. (East) (55)

1 Director

1 Deputy Director

3 Managers

50 Professional Staff

##### Office of Pacific Operations (21)

1 Chief

2 Managers

18 Professional Staff

##### Regional Mission/Special Office (4)

(SPRM, Special Office)

2 Regional Representative/Head

2 Professional Staff

##### Private Sector Group (20)

1 Manager

19 Professional Staff

##### Central Operations Services Office (29)

1 Chief

2 Managers

26 Professional Staff

##### Economics & Development Resource Center (29)

1 Chief Economist

1 Senior Economic Advisor

3 Assistant Chiefs

24 Professional Staff

##### Office of Cofinancing Operations (10)

1 Chief

1 Assistant Chief

8 Professional Staff

<b>Subtotal : 478</b>
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<b>HQ</b>
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6 Directors
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4 Chiefs
----------

6 Deputy Directors
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1 Senior Economic Advisor
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28 Managers
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368 Other Professional Staff
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<b>413 Subtotal at HQ</b>
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<b>RMs</b>
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18 Resident/Regional Representatives
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47 Other Professional Staff
-----------------------------

<b>65 Subtotal at Field Offices</b>
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**Finance and Administration**Office of the Secretary (11)

- 1 Secretary
- 1 Assistant Secretary
- 9 Professional Staff

Office of the General Counsel (28)

- 1 General Counsel
- 1 Deputy General Counsel
- 3 Assistant General Counsels
- 23 Professional Staff

Budget, Personnel & Management Systems (27)

- 1 Director
- 1 Deputy Director
- 3 Managers
- 22 Professional Staff

Office of Administrative Services (16)

- 1 Chief
- 2 Managers
- 13 Professional Staff

Controller's Department (19)

- 1 Controller
- 2 Assistant Controllers
- 16 Professional Staff

Treasurer's Department (24)

- 1 Treasurer
- 1 Deputy Treasurer
- 4 Assistant Treasurers
- 18 Professional Staff

Office of External Relations (13)

- 1 Chief
- 1 Assistant Chief
- 11 Professional Staff

Office of Information Systems & Technology (14)

- 1 Chief
- 1 Assistant Chief
- 12 Professional Staff

Representative Offices (ROs) (6)

- (ERO, JRO, NARO)
- 3 Regional Representatives
- 3 Professional Staff

**Subtotal : 158****HQ**

- 4 Directors/Sec./General Counsel/Treasurer
- 4 Chiefs/Controller
- 3 Dep.Dir./Dep. GC/Dep. Treasurer
- 17 Mgrs./Asst. Chiefs, Sec., GCs, Treas, CTLs
- 124 Other Professional Staff

**152 Subtotal at HQ****ROs**

- 3 Regional Representatives
- 3 Other Professional Staff
- 6 Subtotal at Field Offices**

**TOTAL : 725****HQ**

- 12 Directors/Sec./General Counsel/Treasurer
- 10 Chiefs/General Auditor/Controller
- 9 Dep.Dirs./Dep. GC/Dep. Treasurer
- 1 Senior Economic Advisor
- 53 Mgrs./Asst. Chiefs, Sec., GCs, Treas, CTLs

**85 Senior Staff Positions**

- 569 Other Professional Staff

**654 Subtotal at HQ****RMs/ROs**

- 21 Resident/Regional Representatives
- 50 Other Professional Staff

**71 Subtotal at Field Offices**

Note: Not including the President and Vice Presidents.

**B. Professional Staff Positions of Proposed Organization****Management**Office of the President (2)

2 Professional Staff

Offices of the Vice Presidents (3)

3 Professional Staff

Office of the General Auditor (11)

1 General Auditor

1 Manager

9 Professional Staff

Operations Evaluation Dept. (22)

1 Director

2 Managers

19 Professional Staff

Strategy and Policy Dept. (14)

1 Director

2 Managers

11 Professional Staff

Representative Offices (ROs) (6)

(ERO, JRO, NARO)

3 Regional Representatives

3 Professional Staff

Regional & Sustainable Development Dept. (50)

1 Director

1 Deputy Director

5 Managers

43 Professional Staff

Economics & Research Department (29)

1 Director &amp; Chief Economist

1 Senior Economic Advisor

3 Managers

24 Professional Staff

Regional Economic Monitoring Unit (4)

1 Manager

3 Professional Staff

Office of External Relations (13)

1 Chief

1 Assistant Chief

11 Professional Staff

**Subtotal : 154****HQ**

4 Directors

2 Chief/General Auditor

1 Deputy Director

1 Senior Economic Advisor

15 Managers/Asst. Chiefs

125 Other Professional Staff**148 Subtotal at HQ****ROs**

3 Regional Representatives

3 Other Professional Staff**6 Subtotal at Field Offices****Operations and Operations Support**South Asia Department (91)

1 Director

1 Deputy Director

5 Managers

84 Professional Staff

Resident Missions (RMs) (22)

(BRM, INRM, NRM, PRM, SLRM)

5 Resident Representatives

17 Professional Staff

Mekong Department (60)

1 Director

1 Deputy Director

5 Managers

53 Professional Staff

Resident Missions (RMs) (11)

(CARM, LRM, TRM, VRM)

4 Resident Representatives

7 Professional Staff

East & Central Asia Department (84)

1 Director

1 Deputy Director

5 Managers

77 Professional Staff

Resident Missions (RMs) (14)

(KARM, KYRM, MNRM, PRCM, URM)

5 Resident Representatives

9 Professional Staff

Southeast Asia Department (50)

1 Director

4 Managers

45 Professional Staff

Resident Missions (RMs) (14)

(IRM, PhCO)

2 Resident Representatives

12 Professional Staff

Pacific Department (21)

1 Director

2 Managers

18 Professional Staff

Regional Mission/Special Office (4)

(SPRM, Special Office)

2 Regional Representative/Head

2 Professional Staff

Private Sector Operations Department (22)

1 Director

2 Managers

19 Professional Staff

Central Operations Services Office (29)

- 1 Chief
- 2 Managers
- 26 Professional Staff

<b>Subtotal : 422</b>	
<b>HQ</b>	
6	Directors
1	Chief
3	Deputy Directors
25	Managers
<u>322</u>	Other Professional Staff
<b>357</b>	<b>Subtotal at HQ</b>
<b>RMs</b>	
18	Resident/Regional Representatives
<u>47</u>	Other Professional Staff
<b>65</b>	<b>Subtotal at Field Offices</b>

**Finance and Administration**

Office of the Secretary (11)

- 1 Secretary
- 1 Assistant Secretary
- 9 Professional Staff

Office of the General Counsel (28)

- 1 General Counsel
- 1 Deputy General Counsel
- 3 Assistant General Counsels
- 23 Professional Staff

Budget, Personnel & Management Systems (27)

- 1 Director
- 1 Deputy Director
- 3 Managers
- 22 Professional Staff

Office of Administrative Services (16)

- 1 Chief
- 2 Managers
- 13 Professional Staff

Controller's Department (19)

- 1 Controller
- 2 Assistant Controllers
- 16 Professional Staff

Treasurer's Department (24)

- 1 Treasurer
- 1 Deputy Treasurer
- 4 Assistant Treasurers
- 18 Professional Staff

Office of Cofinancing Operations (10)

- 1 Chief
- 1 Assistant Chief
- 8 Professional Staff

Office of Information Systems & Technology (14)

- 1 Chief
- 1 Assistant Chief
- 12 Professional Staff

<b>Subtotal : 149</b>	
4	Director/Sec./General Counsel/Treasurer
4	Chiefs/Controller
3	Dep.Dir./Dep. GC/Dep. Treasurer
17	Mgrs/Asst.Chiefs, Sec., GCs, Treas, CTLs
<u>121</u>	Other Professional Staff
<b>149</b>	<b>Subtotal at HQ</b>

<b>TOTAL: 725</b>	
<b>HQ</b>	
14	Directors/Sec./General Counsel/Treasurer
7	Chiefs/General Auditor/Controller
7	Deputy Directors/Dep.GC/Dep.Treasurer
1	Senior Economic Advisor
<u>57</u>	Mgrs./Asst.Chiefs, Sec.,GCs, Treas, CTLs
<b>86</b>	<b>Senior Staff Positions</b>
<u>568</u>	Other Professional Staff
<b>654</b>	<b>Subtotal at HQ</b>
<b>RMs/ROs</b>	
21	Resident/Regional Representatives
<u>50</u>	Other Professional Staff
<b>71</b>	<b>Subtotal at Field Offices</b>

- Notes: 1) Not including the President and Vice Presidents.  
 2) Figures of P/S positions in proposed organization are subject to adjustments within the framework of the annual budget.