

ADB

Resident Mission Policy

Asian Development Bank



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Asian Development Bank

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Abbreviations

ADB	-	Asian Development Bank
DMC	-	developing member country
EBRD	-	European Bank for Reconstruction and Development
IADB	-	Inter-American Development Bank
RM	-	resident mission
TA	-	technical assistance

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

Introduction

Objective

This paper reviews the current role and responsibilities of the Asian Development Bank's (ADB) resident missions (RMs) and proposes a policy framework to enable RMs to contribute more effectively to ADB's support for its developing member countries (DMCs).

The need for a comprehensive RM policy arises from several factors.

- (i) Client orientation and proximity are essential to increasing development impact. The RMs' roles must be geared to such a client orientation.
- (ii) ADB is undertaking major changes in its strategic orientation: these present new opportunities and challenges for all its units, including the RMs.
- (iii) The last policy paper on RM-related issues¹ was approved in 1986. Since then, the circumstances in which ADB operates have changed and ADB has gained considerable experience in the working of RMs. It is therefore appropriate to update the RM policy framework.

¹ R108-86: *Establishment of Bank Resident Offices in DMCs*, 22 October.

Approach

This paper presents background information on the evolution of RMs and their current status and responsibilities, identifies the challenges of change for RMs, and proposes a policy framework to respond to these challenges. The organizational and resource requirements of the policy framework are assessed. Reviews of experience in implementing the new policy after one year, and of pilot testing of key functions after two years are proposed. Major policy conclusions are presented for Board approval.

Background

Evolution of resident missions

ADB opened its first RM² in Bangladesh³ on 20 July 1982 on an experimental basis. An interim review of its operations in 1984 concluded that (i) within its limited capacity, the RM had made a useful contribution to ADB's operations and activities in Bangladesh; and (ii) drawing from this experience, the establishment of field offices could improve ADB operations. This conclusion validated the RM concept and provided the basis for future expansion. Following a review of ADB operations in the South Pacific DMCs, ADB's Board of Directors approved the opening of the South Pacific Regional Mission on 24 January 1984.⁴ In 1986, the Board approved a policy paper⁵ that set out criteria for establishing RMs. The formal criteria are that the DMC in which an RM is to be opened should

- (i) receive over 10 percent of ADB's annual lending, and
- (ii) have a loan portfolio with over 10 percent of ADB's ongoing loans by value and number.

The policy paper recognized that smaller borrowing countries may not meet these criteria and that there may be special circumstances when an RM needs to be opened even when the criteria are

2 Prior to January 1995, resident/regional missions were referred to as resident/regional offices. For clarity, the term mission is used throughout this paper.

3 R103-81: *Establishment of a Bank Resident Office*, 21 September.

4 R39-83: *A Review of Bank Operations in the South Pacific Developing Member Countries*, 19 October.

5 R108-86: *Establishment of Bank Resident Offices in DMCs*, 22 October.

not fully met. The most important of such circumstances involve problems in project implementation. A poor disbursement ratio (25 percent below ADB average) was considered to be an appropriate indication of such problems, but was not the only special circumstance possible. Others include (i) enhancement of policy dialogue through close government contact; (ii) aid coordination, especially participation in consultative meetings; (iii) the need to help ensure counterpart funding; (iv) special needs of transitional economies; (v) the need to explain ADB procedures to governments; and (vi) better identification of cofinancing opportunities.

Following approval of the policy paper, over the next six years the Board approved the establishment of RMs in four DMCs. Three RMs were opened in larger borrowing countries that fully met the volume criteria: Indonesia in 1987, Pakistan in 1989, and India in 1992. Although Nepal did not fully meet the criteria, an RM was established in 1989 in view of special circumstances. Thereafter, seven new RMs were established.⁶ None met the formal criteria, rather each was justified on the basis of special needs and country circumstances. Another response to specific country needs has been the fielding of extended missions.⁷

By early 2000, ADB will have 12 operational RMs⁸ with country-specific assignments, a regional mission in Vanuatu for the South Pacific DMCs, and three extended missions⁹ administering specific projects and programs.

Clearly, the criteria established in 1986 proved too narrow to meet ADB's expanding role and activities in the field. The special circumstances identified in the 1986 Board paper are now the norm rather than the exception; in the current operational environment, ADB's approach to establishing RMs needs to be revised.

Current responsibilities and functions

Historically RMs were established in the context of project administration, and the functions formally assigned to them reflect this. In

6 Cambodia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Sri Lanka, Viet Nam, and Uzbekistan.

7 Extended missions consist of headquarters-based staff temporarily residing in a DMC to undertake specific assignments.

8 Resident missions in Bangladesh, Cambodia, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam.

9 Extended missions in Indonesia, Papua New Guinea, and Thailand.

Board papers, the functions are classified as (i) activities assigned to the RM and (ii) items of work that are handled from headquarters, supported and/or facilitated by the RM. Item (i) includes delegated authority to sign loan and project and technical assistance (TA) agreements, project implementation functions, and internal administrative functions. Item (ii) comprises support tasks for economic and sector work, country programming, project processing, aid coordination, and cofinancing. In this approach, the RM facilitation role by definition relegates RMs to supporting headquarters-managed activities. Initially, they were assigned only to monitor projects. Their role expanded as projects were delegated to them for administration, but this was only recently formalized.

As with the policy for establishing RMs, this approach to defining the RM responsibilities has outlived its relevance. The activities actually performed by most RMs today are much broader than those assigned in their operational manuals. Recognizing this, there have been several efforts to review RM functions and to prioritize their activities. Participants in the annual RM consultations in 1997 and 1998 considered that the primary functions of RMs were (i) loan and TA administration, (ii) aid coordination, (iii) government liaison, (iv) information dissemination, and (v) nongovernment organization coordination. These remain valid, but should be updated and expanded in the context of ADB's strategic reorientation.

Current organization, staffing, and costs

The current set of RM organization structures reflects different stages of development and responsibility. When first established, an RM usually serves as a liaison office and primarily assumes facilitating functions. Accordingly, it is staffed with one headquarters-based staff (the resident representative); two locally recruited national officers, one handling finance and administration and the other project/programming work; and a number of administrative supporting staff. The Cambodia, Kazakhstan, Kyrgyz, and Uzbekistan RMs are currently organized in this manner. After gaining operating experience, an RM also assumes responsibility for administering a limited number of delegated projects. This usually involves the transfer of three to five projects to an RM. To supervise these projects, the RM is provided

with four additional project administration staff: one headquarters-based staff and three locally recruited staff consisting of a national officer, technical assistant, and secretary. The Sri Lanka RM¹⁰ and Viet Nam RM are currently organized in this manner. Increasingly, these RMs have also begun to take on an expanded range of functions such as aid coordination.

The next phase in the RM's staffing structure is less well defined and has been dictated, in part, by country considerations, including portfolio size and mix, implementation considerations, and the availability of the required quantity and quality of local staff. The older RMs-in Bangladesh, India, Indonesia, Pakistan, and the Pacific-are in this category. These RMs administer more delegated projects. Many of them have taken on increased responsibility for a wider range of activities, such as policy dialogue, economic and sector work, and more proactive support of project processing. Some have also taken on expanded project administration functions, for example, reviewing contract awards and partially processing withdrawal applications for disbursement. Other RMs actively promote ADB's private sector operations. Depending upon their mix of activities, the older RMs have 3-6 headquarters-based staff, 4-9 national officers, and 8-23 supporting staff. Appendix 1 presents RM staff size in 1999.

ADB has a relatively low proportion of its staff in RMs: 9 percent of total staff and 5 percent of professional staff. In comparison, other multilateral development banks have a considerably higher proportion of field staff. As of December 1998, the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IADB) had approximately 21 and 27 percent of their total staff, and 15 and 14 percent of their professional staff in field offices. The World Bank currently has approximately 40 percent of its regional¹¹ staff and 10 percent of its regional professional staff working in its country offices. The International Finance Corporation is also consolidating its country-based activities with those of the World Bank.

10 Delegated projects are currently being transferred to the Sri Lanka RM.

11 Regional staff includes all those who work full time in the operations regions and presently number about 4,725.

A review of RM expenses over the last 18 years (Appendix 2) shows that ADB expanded its local presence without significantly increasing the RM share (in percentage terms) of the internal administrative expenditure budget. While total RM expenses have increased annually in absolute terms, they appear to have stabilized at around 6 percent of ADB's overall internal administrative expenditure budget.

Achievements and constraints

Achievements

The effectiveness of RMs has not been comprehensively assessed. Part of the problem has been the absence of a clear set of RM objectives. There are considerable difficulties in isolating the impact of RMs on key country performance indicators such as contract awards, disbursements, and disbursement ratios.¹² Many variables affect country performance including complexity of project design and implementation, varying size and frequency of contracts, availability of counterpart funds, and portfolio composition. Despite these difficulties, an attempt has been made to analyze the historical performance of key indicators for each of the five countries where RMs were established prior to 1993. Appendix 3 compares the indicators before and after the establishment of RMs. Contract awards and disbursements have substantially increased in the five countries after RM establishment, and the disbursement ratio has tended to improve. Even allowing for the impact of other factors, this is still a significant RM contribution. A more rigorous methodology for reviewing RM effectiveness will be developed through the study of RMs to be undertaken in 2000 by the Operations Evaluation Office.

The Office of the General Auditor has audited the Indonesia RM and attempted to assess its performance using a variety of indicators. The results generally indicate that the Indonesia RM was effective in improving implementation performance (Box 1) and making a positive contribution to ADB's operational effectiveness.

12 Available documentation from the World Bank suggests that so far it has not been possible to segregate the impact of its decentralization on performance from other factors.

Box 1: Effectiveness of the Indonesia Resident Mission

The audit of Indonesia Resident Mission (IRM) highlights the following accomplishments:

- (i) The pace of completion of IRM-administered projects was significantly higher than of projects administered by headquarters during 1996–1998.
- (ii) IRM was more effective than headquarters at ensuring submission of project progress reports.
- (iii) IRM was more effective at ensuring that executing agencies submit audited statements (76 percent submission for loans administered by IRM against 65 percent for those administered by headquarters).
- (iv) In 1998 IRM administered 35 percent of the total number of loans in Indonesia, representing 20 percent of the total value of loans. However, IRM achieved 64 percent of the total replenishment of imprest fund accounts for all loan projects in Indonesia. The high turnover of imprest funds, coupled with the significantly faster pace of completion for loans administered by IRM, results from its active follow-up of projects it oversees.
- (v) IRM completed its processing of 71 percent of withdrawal applications within five days of receiving withdrawal requests. By checking applications at the RM and electronically forwarding payment requests to headquarters, the processing of withdrawal applications is significantly hastened.

RMs also make a positive contribution in qualitative terms. In this context, ADB's Task Force on Improving Project Quality¹³ noted that "the ADB experience with resident missions has been uniformly positive to date, although their potential for facilitating project implementation has not been fully realized." This contribution can be seen in three broad areas.

- (i) In project administration, RMs generally have quicker response times thereby reducing implementation delays. RMs have helped executing agencies improve their performance in key areas: (a) compliance with loan covenants (for projects) by regular monitoring, (b) speed of the decision-making process during project implementation, (c) contract award, (d) submission of audited accounts, and (e) follow-up with governments on problem projects.
- (ii) Although country programming is not a primary function of RMs, they have facilitated the preparation of ADB's country operational

13 ADB. 1994. *Report of the Task Force on Improving Project Quality*. Manila.

strategies and assistance plans, and played an important role in improving ADB's monitoring and communication with governments on the implementation of priority country development programs.

- (iii) A third major area of ADB operations consists of country interface. In many DMCs, regular interaction has improved communication with the government and other agencies, and helped build a relationship of trust. RMs have also supported better aid coordination and strengthened interaction with civil society and the media.

Box 2 provides country-specific examples of RM achievements.

Box 2: Specific Achievements of Resident Missions

- (i) In 1999, the Bangladesh Resident Mission (RM) conducted the first joint country portfolio review mission with the World Bank, strengthening the dialogue with the Government on project implementation.
- (ii) The Cambodia RM initiated and formalized regular local aid coordination meetings, chaired by ADB's resident representative.
- (iii) The India RM has established contacts with nongovernment organizations and the business community that have led to joint cooperative activities, nongovernment organization participation in ADB projects, and subregional collaboration with national chambers of commerce.
- (iv) The Indonesia RM has gradually taken over responsibility for substantial portions of loan disbursement functions since January 1998, leading to improved disbursement performance.
- (v) The Nepal RM played an active role from 1997 to 1999 in processing and implementing the Second Agriculture Program loan. The RM's efforts strengthened the consensus within Government and ownership of reforms in the sector required for approval of the loan, and the RM subsequently followed up to ensure that action was taken to meet second tranche conditions.
- (vi) The Sri Lanka RM initiated quarterly portfolio review meetings with all executing agencies and line ministries. Because of their usefulness, the Government requested other aid agencies to begin holding similar meetings.
- (vii) The Viet Nam RM convened a high-level policy seminar on the Asian crisis in December 1997 to explain to senior policymakers the origins of the crisis and the likely impact on Viet Nam.
- (viii) Private sector staff in RMs have played a major role in the resolution of problem loans. In the India RM, they were responsible for the full repayment of long overdue debt from a major company. Active involvement of Indonesia and Pakistan RM staff in restructuring and managing investee companies hit by the Asian crisis and rescheduling of nonperforming loans resulted in a much larger recovery of debt than might have been achieved from headquarters.

Constraints

Despite these achievements, most of ADB's RMs are unable to play the wide-ranging developmental role that the DMCs and ADB expect. The long-standing emphasis on project administration is no longer an adequate response to the increasingly complex development agenda.

There is a perception that in the changing approach to development work in DMCs, ADB's RMs are increasingly less relevant. More and more development issues and priorities are addressed within the DMCs, but as presently constituted, ADB's RMs sometimes cannot assume a major role in these discussions. They do not always have the resources to participate fully in aid coordination. Some other aid agencies' local offices can respond authoritatively to a variety of issues. ADB's RMs lack the delegated authority to do so, and must refer to headquarters for decisions in most areas. The potential effectiveness of an RM is therefore eroded as response time is considerably increased. ADB's RMs are also at times perceived as lacking in-depth knowledge on a range of broad country and development issues. Within ADB, RMs are not always viewed as integral parts of ADB's core activities as a whole, but as extensions of the programs departments. Communications difficulties between RMs and headquarters, and a lack of feedback between various ADB departments and RMs can aggravate this situation.

In project administration, the division of delegated and nondelegated projects between RMs and headquarters can result in different levels or standards of client service being offered, including response time, quality and frequency of supervision and assistance, and even of approaches to implementation problems.

Some of these constraints result from inadequate staff resources. While ADB cannot deploy as many staff as can some other multilateral development banks, the current levels limit the RMs' functional effectiveness. One-person missions are an example. Given the increasing tendency for aid coordination to occur locally, the rapidity of political and economic changes, unfamiliar and often unpredictable government procedures, and the difficulties of language and logistics, one headquarters staff cannot be an effective participant in development activities locally and handle the considerable requirements of headquarters departments and offices. While national officers

are a valuable RM asset, in many countries they lack access to higher levels of government and thus cannot effectively substitute for headquarters staff.

An important issue is the assignment of staff. As the head of ADB's office in a DMC, the resident representative must have the seniority, status, and experience to interact effectively with the highest levels of government. Resident representatives who do not have such qualifications have been constrained in their effectiveness.

A second staff issue is an incomplete or inappropriate skills mix at RMs. For example, ADB increasingly expects RMs to (i) provide information about and analyses of economic, financial, and social developments and (ii) support policy work in these areas. However, not all RM staff have the capacity to meet this requirement. Consequently, RMs are unable to act as they do not have the knowledge base to carry out work for which they are otherwise well positioned. It is also difficult to adjust the skills mix because of the lack of flexibility in deploying locally recruited staff.

Furthermore, sometimes RMs cannot attract the best headquarters staff. Because of perceived career and compensation issues, RM postings are not always seen as assignments that enhance career prospects. There are also concerns about reentry problems to headquarters.

The lack of adequate communications and information technology infrastructure has been a major handicap to the effectiveness and response time of RMs. In this respect, ADB lags behind some other multilateral and bilateral agencies.

The need for change

ADB's strategic reorientation

ADB is presently redefining its strategic orientation. While the complete formulation of the new strategy will be articulated in the long-term strategic framework, key elements are already in place. ADB's vision for the new millennium is of an Asian and Pacific region free of poverty. ADB's overarching objective is, therefore, to help the DMCs reduce poverty and improve the quality of life of all their people. This single objective will direct all ADB operations. Under the poverty reduction strategy, the fundamental emphasis will be to ensure that all operations contribute effectively to poverty reduction.

Poverty, in all its manifestations, is very much a local and grassroots problem. A key element in reducing poverty is to ensure that (i) global, regional, or national solutions are applied in a way that is relevant to local needs and capacities; (ii) the beneficiaries of poverty reduction programs participate in their design and implementation to ensure that services are delivered to poor beneficiaries; and (iii) misuse of resources is minimized. This requires local knowledge and local presence.

ADB recognizes that a key element in reducing poverty is growth, and that growth is strongest where it is led by the private sector. ADB is therefore developing a private sector strategy that will enable the private sector to contribute effectively to growth and poverty reduction. Implementing this strategy will call for much greater understanding of private sector dynamics in each DMC, greater interaction with the private sector, and a stronger link between ADB's public and private sector operations.

A key activity is supporting good governance in the DMCs. Economic development cannot occur in the absence of good governance, strong institutions, and appropriate policies. ADB's commitment to this area is defined by its policies on governance and anticorruption. Addressing governance problems requires greater local knowledge, persistent and long-term engagement, and willingness to be visibly active in addressing matters such as corruption. ADB recognizes that these may be sensitive and difficult areas, and that working on them requires patience, tact, and consensus building. These matters need detailed knowledge, a "feel" for the way things work, and easy access to many different stakeholders; all are difficult from a distance. Most studies on governance issues rely extensively on local expertise.

ADB's identity is defined by its unique mandate to foster development of the Asian and Pacific region. To fulfill this mandate, ADB must be relevant and responsive to the region's particular needs and problems. To do this effectively, ADB must, in principle, be present in all DMCs where practicable. As an agent of change and knowledge institution, ADB must be open and sensitive to changes in the global development environment. Its strength should be to translate these changes into models and solutions that are most appropriate for the region and each DMC. ADB must also represent regional concerns, views, and interests at global forums. ADB must accelerate its efforts to build greater regional and subregional cooperation. As a regional institution, ADB has earned the trust and confidence of its DMCs. This is a major asset and positions ADB to effectively promote regional cooperation.

Incorporating these new dimensions and strategies into concrete projects for implementation will expand the complexity of projects still further, creating new challenges for the capacity of ADB and the DMCs. Complex projects require more extensive ADB involvement and regular supervision and interaction; these can be most easily undertaken with a strong local presence.

External changes

Clearly ADB's strategic reorientation must respond to changes in the global economy and in development practice. This paper will not attempt to evaluate all such changes that affect ADB, which is better

done by the long-term strategic framework. However, several issues relate closely to the present topic.

The Asian crisis marks a watershed in Asia's development path in (i) the way that development is conceived and (ii) the actual implementation of development policies. Development institutions and developing countries have been forced to rethink these fundamental issues. As this debate continues, ADB is engaged in it at many different levels. Whatever may be the ultimate diagnosis, it is important that institutions such as ADB improve their capacity to respond quickly to future shocks and crises. Clearly, people working close to an economy are more likely to recognize and respond to the early signs of a crisis.

Stakeholder involvement, local participation, and ownership of a development strategy and of individual projects are essential to development success. This is often referred to as client orientation: the capacity to respond to the needs of the customer and to tailor the product accordingly. Development strategies and expertise imposed from above or outside often do not provide effective and sustainable outcomes. Participation and close stakeholder interaction is thus being increasingly built into all aspects of development practice. This in turn requires much more extensive field operations, knowledge of local society and culture, and long-term engagement with civil society. It also requires a more proactive effort at information dissemination and external relations to support greater outreach and interaction with DMC stakeholders.

All aid agencies are affected by the increasing scarcity of funds for financing investment, as well as by constrained administrative budgets. Because resources are scarce, duplication of work must be avoided, hence the growing emphasis on aid coordination and a clear division of labor among aid agencies. Opinions differ on the extent and the manner to which this should be carried forward, but there is a consensus that such coordination should be led by the DMC and include all stakeholders, and that much more should be done in the country. To participate effectively in this exercise, ADB must have a strong local presence.

Practices of other multilateral development banks

To varying degrees, the multilateral development banks have expanded their field-based operations. ADB can learn from their experiences but should approach the issue of strengthening its country presence from the point of view of maximizing the efficiency and quality of ADB's own functioning. This may or may not require action similar to that of the other multilateral development banks, but should not simply replicate them.

The World Bank

As part of its Strategic Compact,¹⁴ the World Bank has undertaken a major expansion of its field-based activities. Twenty-three of 51 country directors are locally resident, with considerable decision-making authority for programming and project preparation. The country director supervises development of the country strategy and program, and manages the operational and administrative budgets. In most cases, project preparation and processing are contracted out to headquarters-based staff with financing provided through the RM's operational budget. In-country staff numbers have been increased by shifting staff from headquarters and expanding local recruitment. RMs are also increasingly willing to be visibly engaged in policy dialogue. As of June 1999, the World Bank had approximately 700 staff working in

14 International Bank for Reconstruction and Development. 1997. *The Strategic Compact: Renewing the Bank's Effectiveness to Fight Poverty*. Washington, D.C.

ADB's DMCs, of which 90 were headquarters professional staff. The International Finance Corporation is also consolidating its work in the field with the World Bank to take advantage of the synergy between the two institutions.

The World Bank's initial assessment of its expansion effort is that, on a qualitative basis, local understanding and responsiveness have improved, but the benefits of decentralization are difficult to quantify. A more detailed cost-benefit exercise is expected to be completed by mid-2000. In the meantime, some lessons can be drawn from the World Bank experience. First, there is not single blueprint for DMC field activities, and a flexible and experimental approach is needed. Second, the World Bank field-based expansion has been part of a wider effort at restructuring its organization and business processes. Third, human resources issues relating to staff assignments, and the appropriate mix of headquarters and national officers continue to pose challenges. Fourth, field-based expansion is not budget neutral: staff, travel, and information technology costs increase. Fifth, the adequacy of administrative and fiduciary conditions must be ensured.

The Inter-American Development Bank

IADB has country offices in all 26 of its DMCs. The country offices play a key role in IADB's overall assistance strategy and are members of a country team. Field-based staff are involved in external relations activities and throughout the project cycle, including country programming, project design, and project implementation. The country offices traditionally had primary responsibility for all project administration. In 1998, IADB introduced several measures to strengthen its country offices, including

- (i) greater involvement in country programming and project design,
- (ii) business process reforms aimed at reducing routine contract administration procedures and increasing proactive project supervision,
- (iii) enhancements in the level of staffing and technical expertise available, and
- (iv) additional budget provisions for hiring consultants to resolve project implementation problems.

The country office generally has a professional staff complement that consists of a representative, deputy representative, financial specialist, administration officer, and a number of sector specialists; this may vary according to the country's work program. As a general principle, IADB purchases office space in private buildings to accommodate current staff as well as provide future expansion space. As of December 1998, IADB had 467 of 1,711 total staff (27 percent) in its country offices; this included 148 headquarters-based professional staff (14 percent) of 1,057 total professional staff.

The European Bank for Reconstruction and Development

EBRD has resident offices in all 26 of its DMCs plus a number of satellite offices in the Russian Federation. EBRD's operational priorities for the medium term¹⁵ (i) state that developments in the operational environment and EBRD's business focus reinforce the importance of a local presence, and (ii) conclude that the role of resident offices should be strengthened and staff based in headquarters should spend more time in the field. EBRD views resident office functions in two broad ways: representative (or interface) and operational. Representative functions are clearly more easily performed locally: country knowledge, building relationships, communications, and external relations. Operational functions include marketing, country strategy, project execution, and operating environment assessment. These can be done at resident offices that have a critical mass of business. EBRD is currently reviewing further delegation to resident offices. Issues being examined include the division of labor between resident offices and headquarters, the location of country directors, international and local staff increases, field office assignment terms, and staffing balances. However, the country-focused approach is becoming the norm, with more country directors relocating to the field and with increased decision-making and advisory responsibilities for operational functions. As of December 1998, EBRD has approximately 240 (21 percent) of 1,120 total staff in its resident offices; this included 100 (15 percent) of its 670 total professional staff.

15 EBRD. 1999. *Moving Transition Forward: Operational Priorities for the Medium Term*. BDS99-24 (Rev 1). London.

The African Development Bank

Earlier, the African Development Bank closed its four regional and three country offices, citing their ineffectiveness and failure due to lack of clear responsibility, lack of operational staff experience, poor management, lack of control and reporting mechanisms, and too wide a coverage by regional offices. However, in line with the trend among other multilateral development banks, it recently¹⁶ decided to reestablish field representation. It now proposes to establish 25 country/regional offices (covering more than one country) and eight national program offices (staffed only by locally recruited persons). The program will be implemented gradually, with the first six offices being opened in 1999-2000. The selection criteria for setting up field offices include

- (i) portfolio size,
- (ii) portfolio quality,
- (iii) pipeline for public sector lending,
- (iv) potential for promoting private sector development,
- (v) accessibility and distance from Abidjan,
- (vi) institutional capacity in the country, and
- (vii) prospects for promoting regional integration.

Given its past experience, the African Development Bank intends to focus the activities of its field offices on improving project implementation, through project administration and portfolio management activities. In other activities, such as programming and project processing, field offices will have a supportive role. The field offices will report to the directors of the country department concerned. The staffing structure will vary according to need but will consist of a minimum of the resident representative, one other staff from headquarters, and at least two local professional staff, one of whom will perform office administration functions.

16 African Development Bank 1999. *Proposal for Bank Presence in Regional Member Countries-Revised Version*. Abidjan.

Policy framework

Strategic reorientation and resident mission objectives

To provide effective support to DMCs' development efforts, ADB is reorienting its strategic agenda. The new agenda must be supported through greater country knowledge and closer interaction with DMC stakeholders, and intensified in-country activity. This will ensure that ADB's activities remain relevant and responsive to the needs of individual DMCs. RMs are an effective way for ADB to meet this requirement of greater country presence. ADB will, in principle, have an RM in each borrowing DMC, subject to operational and logistical considerations.

Delivering ADB's reoriented strategic agenda is a challenging multidimensional task. To enable RMs to undertake it, their role must be redefined, and the constraints on their efficient functioning must be removed. In their new role, RMs should be an extension of the full ADB *persona*. In the DMC, the RM should be seen as ADB.

In this new role, RMs will move from being predominantly concerned with project administration to focus on broad strategic and policy support functions. This redefined and enhanced role will be based upon a clear mission statement and a set of objectives that supports ADB's strategic priorities and increases development impact.

Mission statement

The RM provides the primary operational interface between ADB and the host DMC and strives to maximize the efficiency, effectiveness, and impact of ADB operations in the DMC.

Objectives

- (i) The strategic objectives are to (a) promote the implementation of ADB's overarching goal of poverty reduction and related strategic objectives in the DMC; (b) enhance policy dialogue with the DMC by providing high-quality and timely advice; (c) be a recognized intellectual resource and knowledge base on development issues in the DMC; and (d) enhance the visibility of ADB and its activities in the DMC.
- (ii) The partnership objectives are to (a) create strong partnerships with DMC development stakeholders including government, the private sector, and civil society; (b) enhance ADB's responsiveness to local needs and issues; (c) take leadership in aid coordination where possible, and build strong relationships with other funding sources; and (d) promote subregional cooperation.

Resident mission functions

To meet these objectives, the RM functions should be redefined. For analytical purposes, ADB's operational functions that are relevant to RMs can be grouped into two broad categories: standard functions and specific functions.

Standard functions

Standard functions are the functions an RM must perform as ADB's principal representative in the field. They include

- (i) government, civil society, and private sector relations;
- (ii) policy dialogue and support;
- (iii) country reporting;
- (iv) aid coordination; and
- (v) external relations and information dissemination.

Specific functions

Specific functions relate more directly to the delivery and implementation of ADB's products. Typically more complex and resource intensive, they include

- (i) country programming,
- (ii) project and TA processing,
- (iii) portfolio management and project administration, and
- (iv) economic and sector work and analytical work.

RM functions and country focus

This identification and categorization of functions provides the basis for analyzing and determining the responsibilities of individual RMs. The key concepts in determining each RM's responsibilities/functions will be country focus and priorities, and flexibility. The extent of each RM's involvement in each category of function will be determined by several country-specific considerations. It is useful to consider these as demand and supply considerations. Demand considerations include

- (i) the DMC's views about the role of the RM;
- (ii) qualitative issues: the development status of the DMC, complexity of development issues, the role that ADB can play in the DMCs' development agenda, and length of relationship with ADB; and
- (iii) quantitative issues: size of the country portfolio (number of loans/TAs and their amount), portfolio performance status, and the pipeline.

Supply considerations include

- (i) availability of appropriate headquarters staff for the proposed functions;
- (ii) availability of qualified local staff for the proposed RM functions; and
- (iii) logistical issues: transport, language, communications, and other country-specific factors that impose practical constraints on RM functioning.

While such demand and supply considerations provide a basis for assessing the functions of the RM in any particular DMC, the actual assessment will clearly be a matter of judgment and consultation with the DMC, rather than a mechanical exercise. Specific assessments will be undertaken for both new and existing RMs. Functions of

established RMs may have to be realigned. The outcome of the assessment will establish the levels and priorities of functions needed at each RM. For example, in some DMCs, ADB may pursue macro-economic policy dialogue at the central level, while in others, policy dialogue may be most effective at the local or sector levels. Transfer of project administration can be more extensive where qualified local staff are available, but may not be cost effective where they are not, as headquarters staff would need to be sent out to administer projects.

Structure and staffing of RMs will be based on the principle that form follows function. Because the functions of RMs will be decided on a flexible and country-specific basis, no prior classification of RMs is proposed.

Scope and responsibility for functions

This section discusses the scope and location of work to be undertaken for each of the standard and specific functions and assesses the relative advantages and disadvantages of undertaking these functions at RMs and headquarters. In some cases, pilot testing on a selective basis is proposed. The purposes of pilot testing are to (i) examine different options for accomplishing ADB's business; (ii) assess feasibility and constraints for each option; (iii) assess the impact on quality, efficiency, and responsiveness of these options; (iv) identify any needed changes in business processes; and (v) identify financial implications.

Government, civil society, and private sector relations; the ability to build enduring relationships with key DMC agencies and players; and outreach to stakeholders in the development process (such as nongovernment organizations, chambers of commerce, and advocacy and public interest groups) clearly are the comparative advantage of RMs, which are closest to them and can maintain better and more regular contact than can headquarters missions. RMs will therefore take the lead in this area.

Policy dialogue is defined to mean working with the government and relevant DMC agencies to improve the strategic and policy framework across a wide range of development issues. Policy dialogue will clearly be a dialogue between partners in development, and should not be perceived as synonymous with policy prescription.

Policy dialogue can be conducted at a number of levels, depending upon the country and operational circumstances. This is an area where both the RM and headquarters have a significant role to play. Country-level macroeconomic policy dialogue, and sector-level policy dialogue that relates to programming and government relations can be undertaken by both headquarters and RMs, depending on the importance of the topic, the RM's capacity, as well as the DMC's preferences. Project-related policy dialogue, and associated sector-specific dialogue will continue to be led by mission leaders and headquarters departments for all projects processed at headquarters.

For ADB's products and services to be relevant and responsive to the growing needs of a DMC, it must have accurate and up-to-date information on the latest economic, development, and political events. Reporting regularly on such events is an important RM function.

With more and more external aid activity being coordinated within DMCs, aid coordination will be a major area of RM effort. While some aid coordination will continue through headquarters, in general it will be led by RMs, which will take a proactive role. ADB could consider taking a lead role in organizing the consultative group of aid agencies for selected DMCs. Where there is the capacity to act as the lead aid agency, the RM will do so. Where this is not the case, the RM will strive to provide positive support to other agencies' efforts in the sector.

In the area of external relations and information dissemination, the lead at the country level will be taken by the RM, which is best placed to judge the approach, the media, and the issues to address. Too often, ADB is not known beyond the small circle of government and funding agencies. This restricts its ability to influence development and reduces its outreach in DMCs. At the same time, proactively projecting the DMC's and ADB's work is essential to build support for development assistance and to provide the wider global audience with a stronger direct involvement in the region and with ADB. Increasingly, international media organizations have bureaus in DMCs, and RMs must be able to work effectively with them.

Because the advantages of local knowledge and expertise are major reasons for establishing RMs in each DMC, RMs will assume additional responsibility for country-level economic and sector work

and other analytical work where staff skills permit. While macroeconomic and structural reform work may require the greater expertise, data, and cross-country experience of headquarters, RMs will provide greater inputs by undertaking specific assignments in these areas. Individual RMs and headquarters will agree upon an allocation of economic and sector work that incorporates the skills and local knowledge of RM staff, and avoids duplication of effort.

Country programming refers to the planning and scheduling of ADB's operations in a DMC. Country programming has a country rather than sector or project focus, and seeks to harmonize ADB's overall strategic objectives with the DMC's development priorities. This involves developing extensive knowledge of the country, understanding its development needs, assessing strengths and weaknesses in the development process, identifying specific development priorities and sectors, and matching these with ADB's available resources and capacities. The instruments by which this objective is achieved include the country operational strategy, the country economic review, the country assistance plan, and discussions regarding specific annual programs. Country programming relies for sector knowledge on inputs from projects departments, and the findings of portfolio reviews. Country programming is currently undertaken by programs divisions, subject to overall supervision by programs directors and Management. RMs provide inputs to this process, but the degree of RM involvement varies widely.

Given greater local knowledge, proximity to key DMC stakeholders, and quicker feedback, RMs seem to have a comparative advantage in programming. Having control over programming will also give RMs much greater credibility and the capacity to respond more quickly to DMC issues. Necessary sector knowledge, where not available in the RM, can be provided by involving headquarters sector staff, as is done for country programming missions. In principle, therefore, programming could be advantageously shifted to RMs. However, there are some possible disadvantages. Country programs are finalized in the context of overall priorities and resources regionwide and ADB-wide, through a complex iterative process of consultation between departments concerned. While RMs can be included in this process, there would be higher transaction costs. Secondly, programming

involves considerable prioritization, and headquarters missions may be better placed to make unpopular choices. Third, shifting programming to the RMs could disconnect the country program from the rest of ADB at the strategic as well as operational level, and reduce program and country knowledge available as inputs to headquarters. Finally, there is the support provided by programs divisions to project and TA processing, such as inputs to project design and preparation, conducting loan negotiations, Management and Board briefings, and involvement in procurement matters. These business processes would need review.

Notwithstanding these concerns, country programming is an area in which RM involvement must be increased if they are to undertake their new strategic role. As a first step, for all RMs, involvement in programming will be increased by having RM staff (i) included as members of the country team and country programming mission, (ii) attend key headquarters-based discussions on the program (management review meeting and informal Board discussions), and (iii) act as the primary government contact for any changes in the program. However, basic responsibility would remain with headquarters programs divisions. In addition, the transfer of responsibility for country programming to RMs under the overall supervision of the programs directors will be pilot tested in selected DMCs.

Loan and TA processing is a major function. RM involvement in the project cycle will be increased and will start at a very early, upstream phase. This will build ownership and bring the advantages of local expertise to bear in project design. RM staff will join all the relevant missions as members rather than just providing support. However, there are some constraints in going beyond such greater involvement to shifting complete responsibility for project processing to the RMs. One major constraint is ADB's current approval and procedural systems. Because the extensive process of interdepartmental coordination, review, and approvals (including management review meeting, staff review committee, and Board briefings) will still be needed, it may not be cost effective to have mission leaders constantly moving to headquarters. The South Pacific RM's experience with project processing demonstrated that because of this constraint, it is a time-consuming and complex exercise. It may

therefore be necessary to simplify some of the current business processes for such delegated project processing to work.

A second issue is the availability of qualified sector staff in RMs to process projects. Staff posted to RMs are unlikely to have the sector expertise needed for all projects in the pipeline. Given ADB's small size and the limited number of specialist staff in each area, it will not be possible to assign staff to RMs for project processing, unless they also undertake other RM work.

Nevertheless, some projects can be taken up by RMs, such as projects that are relatively simple, do not have complex technical or policy issues to resolve, and are consonant with RM staff expertise. These will be taken up as test cases. Therefore, it is proposed that project processing continue to be the responsibility of headquarters, but that RM-based processing be pilot tested for selected projects.

Given the local presence, knowledge, and proximity of RMs to the executing agencies, portfolio management and project administration are clearly areas where RM activities can be expanded. Portfolio management refers to managing the implementation performance of all ADB-approved loans and TAs in a DMC. Project administration can be defined as all the activities connected with the implementation and initial operations of projects financed by ADB. These include monitoring of project implementation, compliance with covenants, review of financial statements, procurement, and disbursement. As with other functions, the extent of RM activity in this area will be determined on a country basis. (As indicated on page 35, to ensure adequate control, procurement and disbursement functions will not be delegated to RMs beyond the existing arrangements.)

Some issues may need to be resolved: RMs may not have the necessary staff in each sector, and there may be insufficient experienced staff at headquarters to be sent to all RMs to undertake such work, even if they are assisted by competent local staff. If all project administration is done at RMs, there may be very little feedback and connection between project implementation and the preparation of new projects. It may be difficult to delegate complex and sensitive program loans. While there is some validity to these points, the clear advantages of being where the project is being implemented outweigh them, and as far as practicable, projects will be delegated to RMs.

The informal guidelines on the criteria for delegating projects to RMs will be updated and formalized. On the basis of such revised guidelines, the maximum number of projects will be delegated to RMs. In addition, the scope for delegating administration of all projects in a DMC to its RM will be pilot tested in selected RMs. In such cases, except for control and oversight functions and perhaps some program loans, the RM will have the full responsibility for managing all ongoing projects.

Some RMs are already leading the annual country portfolio review missions, where the close involvement of RMs with executing agencies provides ADB with intimate knowledge of implementation problems, as well as of government procedures and requirements. Where possible, more RMs will lead this activity. Where this is not possible, the RM will participate fully and actively in the mission.

Location of work: special cases

The proposed approach to RM functions will apply to all DMCs. However, the size and special problems of some DMCs may require that their RMs be structured differently.

Pacific operations

ADB's Pacific operations are unique, involving 12 mostly small DMCs, scattered over a wide geographic area, with poor communications. ADB is the lead development agency in these DMCs and is heavily involved in all aspects of development, especially macroeconomic management, structural reform, and governance. At the same time, because of their very small size and limited absorptive capacity, loan and TA operations are small, with a strong focus on TA. Portfolio management is therefore different than in other DMCs. Several different models of managing ADB's work in the Pacific have already been tested and found wanting, and useful lessons have been learned.

The reasons for a strong local presence apply to Pacific DMCs as much as to other DMCs. At the same time, size cannot be ignored. Establishing an RM in each Pacific DMC may not be appropriate for efficiency and effectiveness reasons. Establishing one single regional office was attempted earlier, with mixed results. There are two constraints on such an office: logistical and functional. Logistically,

there is no single location that is equally close to all the Pacific DMCs. Functionally, a regional office without considerable delegated authority has no advantage over headquarters-based operations. Thus, it is proposed that the needs of the Pacific region may best be served by adopting a subregional approach. A subregion will include several DMCs, based upon geographic and logistical contiguity. An RM will be established for each subregion and will cover all DMCs included in it. Functions and staffing will be decided keeping this special structure in view.

Small developing member countries

ADB also has a number of small DMCs outside the Pacific where it should have a local presence. However, geographic, logistic, and efficiency considerations may not support an RM. Their needs could be met by nearby RMs if this is acceptable to the DMCs concerned. Such RMs would be known as multicountry missions, and their functions and staffing structure would be designed to meet these requirements. DMCs that are not agreeable to such an RM will continue to be served from headquarters.

Satellite and extended missions

In addition to these types of RMs, adopting a flexible approach to a local presence will enable ADB to provide more specific responses to country needs. Two such responses are satellite missions and extended missions. Satellite missions within the country would be located away from the capital, and would report to the RM. These may be useful in countries such as the People's Republic of China, India, or Indonesia depending on the size of the portfolio and country circumstances (such as state-level operations in India). Extended missions of headquarters staff, such as those currently in Indonesia, Papua New Guinea, and Thailand, were intended to meet specific operational needs in the short term. The need for such extended missions will be reduced, if not eliminated, by the principle of having an RM in each borrowing DMC. However, the concept of extended missions to provide specific expertise remains valid, and qualified staff could continue to be posted to RMs for an extended period, rather than permanently, to undertake specific assignments.

Other missions

Two other types of mission have been suggested: (i) missions with operational authority to supervise RMs in an entire subregion, other than the Pacific (for example South Asia or the Central Asian republics), and (ii) regional/subregional cooperation missions to monitor and be responsible for ADB's involvement in regional cooperation initiatives. For the reasons given on page 29 for Pacific operations, a supervisory mission does not appear to be a useful option.

In principle, missions to exclusively undertake regional cooperation work are possible, although the current arrangement whereby headquarters divisions have responsibility for this activity is working reasonably well. If such a regional cooperation mission is established, it needs to be considered whether a physically separate mission is required, or whether staff working full time on regional cooperation but located in an appropriate country RM can serve the purpose. Having two separate offices in one DMC could lead to confusion among DMC clients, in addition to higher operating costs.

A related suggestion is to locate specialist staff in one RM, but with the mandate to cover several DMCs from that location. This would overcome the problem of underemployment of sector specialists assigned to only one RM, but it is not clear that this arrangement would be logistically any more efficient than basing the same staff at headquarters. This will be studied further.

Organizational and resource issues

Review of organizational implications

Organizational issues

On the principle that form follows function, the overall organizational response to the new challenges facing ADB will follow from the overall strategic direction to be articulated in the long-term strategic framework. This subject is beyond the scope of this paper. However, the proposed revision and expansion of RM functions will have a number of organizational implications for ADB.

The formulation and approval of ADB policies will clearly remain a function of headquarters. RMs are an agency of ADB, and their policy functions are to provide inputs for policy formulation and to implement policies effectively. There is some concern regarding possible isolation of RMs from headquarters, and the consequent fragmentation of policy implementation. One of the major tasks of headquarters departments will be to ensure that the integrity and consistency of ADB policies is maintained across DMCs.

Other consequences of possible isolation could include inadequate feedback of project concerns into policy dialogue and country programming, loss of quality control, and loss of cross-country experience and global best practice. These are not insurmountable concerns. The World Bank has tried to address the cohesion and feedback issues by developing country teams whose members are

geographically dispersed, but have a country- or task-specific orientation. A similar approach is suggested for ADB to provide the basis for maintaining integration: RM staff will be integral members of country and project teams. The team concept will require a strong commitment by the different organizational units concerned to act across their current boundaries.

With respect to the structure of ADB, there are two major issues. Transfer of a major responsibility for any function to an RM will entail a corresponding reduction of the responsibility at headquarters. For example, transfer of country programming will reduce the work of the programs departments. Similarly, transfer of portfolio management and project administration will impact on projects departments. The extent of this impact cannot be fully predicted at this stage, but will become clearer as the pilot tests proceed.

A second issue is the question of reporting and accountability relationships between RMs with specific functions and headquarters departments. For the present, the current reporting structure will be maintained: RMs will continue to report to directors of programs departments.

Delegation of authority is another important organizational issue. The advantages of local presence will be considerably diluted without the local capacity to respond quickly and decisively. However, it is important to define clearly what is meant by delegation. At one level, the increased responsibility for functions such as programming, project processing, and project administration (and, as applicable, complete transfer) is itself an increase in delegation. At the next level, delegation means providing RMs with the authority to exercise specific powers currently exercised by headquarters officers. An example is approving changes in the scope of ongoing projects. Resident representatives already have the authority to exercise the powers of the projects director for delegated projects. It may be necessary to provide such formal delegation in other areas as well. Possible approaches include (i) preparing a new set of delegations of authority that take into account lessons learned and the expected needs of RMs, and (ii) allocating to the resident representative the authority of headquarters officers at a level sufficient to permit effective functioning. These approaches will require a detailed review of current powers across a number of different functions and activities. Feedback from pilot testing

will also be important. This review will be completed within one year. Until then, formal powers will remain as they are at present.

Private sector operations entail different approaches and risks than do public sector activities. RM management of private sector operations will require providing a different set of staff skills and the resolution of issues regarding operational control and reporting of private sector operations. These will be worked out in the context of the approach developed in ADB's private sector development strategy.

Control and oversight

In view of ADB's strong commitment to good governance and anti-corruption, the benefits of RM expansion must be matched by the need to maintain integrity and transparency in all ADB activities. Delegation will not mean dilution of transparency, control, and oversight procedures. To the contrary, they will be strengthened where necessary. Appropriate fiduciary controls will be maintained, and the application of ADB's current procedures for procurement of goods and services ensured. Delegation of disbursement functions to RMs will be subject to the detailed guidelines on this subject to be issued by the Controller. ADB will ensure that effective internal control mechanisms are properly in place to prevent any misuse or abuse of delegated authority. Similarly, audit functions will need to be strengthened to ensure proper oversight. It may be necessary to increase the extent and frequency of supervision missions from headquarters in these key areas, and to provide enhanced staff capacity to ensure this.

Communication and information technology

Advanced information technology and telecommunication facilities are essential strategic tools to make the RM a real extension of ADB. This will enable rapid response times, fully integrate RM and headquarters functioning, and provide RMs with the same access to information and data as headquarters staff. This is critical to support the expanded functions of RMs and for effective pilot testing. Increased capacity will require increased investment in both infrastructure and staff. This information technology and communications upgrade will also require greater support capacity at RMs, which may be acquired in-house or through outsourcing, or a combination of the two.

Staffing issues

Staff structure

In principle, the form (including staffing) of each RM will depend on the functions assigned to it. The staffing structure of an RM will be decided after assessing its functional requirements. The established RMs will be reviewed to ensure that they can fulfill their assessed functions, or to change the staff complement if necessary. The composition of staff will be driven by two broad criteria: (i) functional requirement, and (ii) portfolio size based upon an agreed number of projects per staff. Immediate action will be taken to ensure that critical gaps in key function areas are filled as early as possible.

Notwithstanding this general approach, to carry out the expanded range of functions, every RM must have sufficient minimum staff. RMs with only one headquarters staff have not proven credible or effective. All RMs will therefore have at least two headquarters staff plus one national officer each for

- (i) financial and administrative work;
- (ii) project administration support; and
- (iii) economic and sector work, and programming support. This minimum structure will be implemented immediately for RMs to address their present responsibilities.

A resident representative must be able to function effectively at the highest levels in the host DMC, and manage the expanded work proposed for the RM: thus, only senior and experienced staff will be posted as resident representatives.

Human resource issues

RMs must attract the best-qualified staff to fill vacant positions. The primary incentive will be in terms of career development and progression. Without an incentive structure that is perceived to be appropriate, RM expansion may not be matched by an expansion in qualified available staff. Therefore, ADB's human resource policies will be reviewed to ensure that career opportunities for headquarters

staff are appropriate for and aligned with an expanded role for RMs. Issues such as assured reentry will form part of such a review.

As the number of RMs increases and more staff are assigned to them, the distinction between a headquarters and an RM assignment will diminish. However, locational issues influence the attractiveness of an RM assignment. These include the relative hardship of the posting, cost-of-living considerations, and personal and family circumstances. ADB will also review its compensation and benefits package for RM assignments.

Expanding RM activities will require a broader staff skills mix. However, it may not be possible to match all functions with the skill profile of headquarters staff. Accordingly, headquarters staff assigned to RMs will be provided training in areas where their skills may be deficient, for example, public relations, procurement, anticorruption, governance, project administration, private sector, poverty reduction, and local language. To date, training has been primarily ad hoc. In future, staff assigned to an RM will be trained and/or provided with short secondments to relevant headquarters departments to acquire the required knowledge and skills.

Locally recruited professional staff can provide valuable insights and linkages to the DMC. They are a cost-effective resource and can play a significant role in the expanded range of activities proposed for RMs. However, locally recruited staff have limited career opportunities given the relatively small size of each RM. Before significantly expanding the use of such staff, their career opportunities will be reviewed to ensure their jobs provide appropriate motivation and job satisfaction. There is also a need to expand the training provided to them. Given their high level of interaction outside the office and job requirements, they need to be conversant with all of ADB's strategic and crosscutting priorities. Information technology-based distance training can be a cost-effective means of providing such training.

The expansion of the RM role will increase the range of skills needed to meet RM responsibilities. It will not be possible to provide RMs with all the skills required for their expanded role through regular staff recruitment. This limits the capacity to quickly adjust the skills mix. Also, certain types of expertise are sometimes needed only for specific assignments, or for limited periods of time. To address this

issue, a more flexible and innovative approach is needed, for example, by hiring local staff for fixed-term assignments, outsourcing some functions, making greater use of domestic consultants, and where local expertise is not available, by locally recruiting third country nationals for RMs.

Expanding RM activities will require increased coordination of human resource issues. To provide appropriate focus and recognition for RMs, full-time staff will be provided to manage RM staff resource issues. This will facilitate the timely supply of resources, in particular, the appropriate sequencing of staff assignments (and training) to ensure that gaps are minimized between RM staff changeovers. Expanding RMs may also increase the workload of other headquarters support departments, and this will need to be addressed.

Facilities

Moving additional work to the RMs will mean more field-based staff, which in turn means increased office space requirements. Because most RMs do not have space available for expansion, some RMs will have to relocate. ADB has purchased offices in Kazakhstan and Uzbekistan, and is constructing an office in India. A decision on purchase, building, or leasing will depend on the specific circumstances in each country, and no uniform recommendation is therefore being made.

Assessment of budget implications

Because of the pilot approach and the process nature of this policy, it is difficult to provide precise estimates of the additional costs that will be incurred in implementation. Such costs will depend on the timing and functions of new missions, functional changes at existing missions, staffing changes, arrangements selected for RM accommodation, and the cost of communication and information technology required to effectively link RMs with headquarters. The World Bank's experience indicates that increasing the number of RMs and field-based staff is likely to increase capital expenditure and administrative expense.

While no precise estimates are possible, an attempt has been made to quantify the broad budgetary implications of the proposed changes

in two areas: the opening of new RMs, and the costs of pilot testing (Appendix 4). The cost of a new RM with two headquarters staff is likely to be about \$300,000 one-time capital expenditure, and about \$800,000 in annual recurring costs. The costs of larger RMs will necessarily be higher, as indicated in Appendix 4. Pilot testing at the level proposed in the paper is likely to cost about \$1.65 million extra annually. It is not possible to extrapolate from this projection to the cost of transfer of such functions to a large number of RMs because there may be significant changes during pilot testing. The results of the pilot tests will provide more accurate materials for determining such costs. The possible costs of adjustments to the functions of existing RMs have also not been estimated as these cannot be predicted prior to a review of functions and, if needed, of structure.

ADB has always used its resources in a very cost-effective manner. This practice will continue. Proposals for new RMs (and changes in RM functions) will continue to be rigorously examined to ensure that resources are used in the best possible way. The difference will be the approach to resource allocation, which will start with a review of DMC needs, then an assessment of the most appropriate RM functions and their level, followed by a realistic assessment of resource requirements and their allocation between headquarters and RMs. The Board will continue to approve the final decisions for new RMs individually, along with any additional resource requirements resulting from an expansion in the functions of existing RMs as part of the annual administration expense budget.

Recommendation

It is recommended that ADB

- (i) adopt the principle of establishing an RM in each borrowing DMC where it is practicable;
- (ii) adopt the RM mission statement and objectives that focus on promoting ADB's strategic priorities;
- (iii) redefine RM functions to ensure that they can achieve these objectives, and ensure that the functions are determined by country considerations and in full consultation with the DMC concerned;
- (iv) assess the scope for transferring more programming and project processing activities to RMs, and increase the number of projects delegated to them for administration;
- (v) provide RMs with sufficient qualified staff and infrastructure to achieve their redefined objectives and functions;
- (vi) ensure that enhancement of RM responsibilities preserves integrated ADB functioning and avoids fragmentation of ADB policy implementation, procedures that ensure good governance and incorporate anticorruption measures will be especially important for procurement, control, and audit functions;
- (vii) review and, if necessary, revise ADB policies and business processes to support the redefined functions; and
- (viii) review the implementation of the policy one year after Board approval of the R-paper, and the results of pilot testing after two years.¹⁷

¹⁷ Appendix 5 provides details of the planned implementation schedule.

Appendixes

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Resident Missions Staff Positions 1999

Position Title	BRM	SPRM	IRM
Professional Staff			
Resident Representative	1	1	1
Senior Project Implementation/Program Officer	1		
Senior Project Implementation Officer		1	2
Senior Programs Officer/Economist	1		
Senior Investment/Project Implementation Officer			
Senior Investment/Programs Officer			
Senior Investment Officer			1
Project Specialist	1	1	1
Project Implementation Officer			1
Project Administration/Implementation Officer			
Programs Officer/Economist			
Subtotal	4	3	6
National Officer			
Senior Project Officer	3		3
Senior Control Officer	1		
Senior Programs Officer			1
Senior Project Implementation Officer			
Senior Finance/Administration Officer			
Economist	1		
Project Implementation Officer	1	3	1
Project Implementation/Programs Officer			
Programs/Implementation Officer			
Programs/Economic Officer		1	
Control Officer			1
Control/Investment Officer			
Investment Officer			1
Finance Officer	1		1
Finance and Administrative Officer		1	
Administrative Officer	1		1
Subtotal	8	5	9

PRM	NRM	INRM	KARM	URM	SLRM	CARM	VRM	TOTAL
1	1	1	1	1	1	1	1	11
1								2
		1					1	5
								1
1		1						2
		1						1
								1
								3
1								2
	1							1
	1							1
4	3	4	1	1	1	1	2	30
								6
1								2
1	1							3
3								3
1								1
		1						2
1	2	2						10
						1	1	2
					1		1	2
			1	1				3
								1
		1						1
1		1						3
								2
			1		1		1	4
	1	1				1		5
8	4	6	2	1	2	2	3	50

Position Title	BRM	SPRM	IRM
Support Staff			
Executive Administrator			
Assistant Project Analyst	2	1	
Assistant Disbursement Analyst	1		2
Senior Disbursement Assistant	1		
Senior Project Assistant		1	
Senior Office Assistant			
Project Assistant		1	
Assistant Computer Systems/Disbursement Coordinator	1		
Assistant Finance/Operations Coordinator	1		
Executive Assistant	1		1
Senior Administrative Assistant			
Administrative Assistant	6	3	6
Assistant			1
Clerk			
Receptionist/Telephone Assistant	1		1
Senior Communication Service Staff			
Senior General Service Staff	5	1	4
General Service Staff	4	1	2
Subtotal	23	8	17
Total	35	16	32

BRM=Bangladesh Resident Mission; CARM=Cambodia Resident Mission; INRM=India Resident Mission; IRM=Indonesia Resident Mission; KARM=Kazakhstan Resident Mission; NRM=Nepal Resident Mission; PRM=Pakistan Resident Mission; SPRM=South Pacific Regional Mission; SLRM=Sri Lanka Resident Mission; URM=Uzbekistan Resident Mission; VRM=Viet Nam Resident Mission

PRM	NRM	INRM	KARM	URM	SLRM	CARM	VRM	TOTAL
		1						1
2	1	1					1	8
1								4
1		1						3
1								2
		1		1				2
								1
1								1
1	1	1	1	1	1		1	2
1		3						9
		2				1		4
3	2	2					1	23
								1
	1							1
1	1							4
1								1
2	1	3						16
	4	1						12
14	11	14	1	2	1	1	3	95
26	18	24	4	4	4	4	8	175

**Resident/Regional Missions Staff Strength and
Administrative Expenses, 1982–1999**

	1982	1983	1984
Total RM Staff Strength	25	31	39
Total HQ-Based Staff	3	3	6
Total Locally Recruited Staff	22	28	33
Total RMs' Expenses (\$'000)	455	547	858
Total IAE (\$'000)	62,750	70,329	74,676
% of RMs' Expenses to Total IAE	0.73	0.78	1.15
Expenses Per RM Staff (\$'000)	18.20	17.65	22.00
	1991	1992	1993
Total RM Staff Strength	112	117	120
Total HQ-Based Staff	24	26	29
Total Locally Recruited Staff	88	91	91
Total RMs' Expenses (\$'000)	6,520	7,788	9,449
Total IAE (\$'000)	130,099	141,750	151,756
% of RMs' Expenses to Total IAE	5.01	5.49	6.23
Expenses Per RM Staff (\$'000)	58.21	66.57	78.74

Note: HQ = headquarters; IAE = internal administrative expenses; RM = resident mission.
 HQ-based staff declined from 1995 following the reorganization of the Office of Pacific Operations
 and South Pacific Regional Mission.
 Does not include extended missions.

Actual					
1985	1986	1987	1988	1989	1990
44	47	68	79	92	94
7	8	13	15	18	20
37	39	55	64	74	74
1,389	1,674	2,383	3,664	3,982	5,468
80,127	84,468	89,547	96,482	106,296	117,276
1.73	1.98	2.66	3.80	3.75	4.66
31.57	35.62	35.04	46.38	43.28	58.17
Actual					Estimated
1994	1995	1996	1997	1998	1999
119	138	150	153	172	175
30	33	32	27	30	30
89	105	118	126	142	145
10,290	11,165	11,203	11,771	13,755	12,419
163,501	174,749	183,641	190,361	193,818	206,969
6.29	6.39	6.10	6.18	7.10	6.00
86.47	80.91	74.69	76.94	79.97	70.96

Key Indicators of Five Resident Missions

Year	Bangladesh			Indonesia			Contract Awards/ Commitment
	Contract Awards/ Commitment	Disburse-ments	Disburse-ments Ratio ^a	Contract Awards/ Commitment	Disburse-ments	Disburse-ments Ratio ^a	
1978	42.59	36.74	15.60				
1979	—	—	14.60				
1980	—	—	16.30				
1981	35.62	44.88	10.00				
1982	33.10	32.06	5.40	214.13	128.11	10.70	
1983	53.21	48.61	6.20	133.05	163.40	11.30	
1984	119.49	77.74	7.80	149.46	160.26	9.50	42.50
1985	171.86	145.49	12.20	189.63	167.50	8.00	36.67
1986	191.12	142.24	11.00	240.47	206.74	9.00	40.07
1987	170.92	177.05	14.60	334.48	352.40	12.00	40.02
1988	276.01	225.82	14.80	500.94	530.02	18.10	47.92
1989	303.60	320.30	18.61	666.60	700.90	21.02	66.10
1990	295.30	305.70	17.36	820.00	777.70	18.93	55.90
1991	232.90	273.30	17.90	498.20	583.50	19.42	64.90
1992	269.00	320.40	16.93	470.50	624.90	13.66	50.50
1993	140.70	229.60	17.89	916.70	667.30	13.26	90.90
1994	407.30	380.43	18.37	518.20	645.30	15.07	74.20
1995	302.80	279.18	21.14	421.20	699.90	16.84	37.90
1996	232.20	301.35	22.70	641.10	722.30	14.73	68.10
1997	204.80	193.01	16.91	425.30	676.60	14.73	164.20
1998	284.30	230.53	16.91	881.50	1,079.00	11.77	75.20

— not available

- a Disbursement ratio is defined as the ratio of the total disbursement in a given year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans that have become effective, less cancellations. "Net loan amount at the beginning of the year" includes all effective loans at the beginning of the year.

All figures exclude program loans.

- After establishing RMs

Nepal		Pakistan			India		
Disburse- ments	Disburse- ments Ratio ^a	Contract Awards/ Commitment	Disburse- ments	Disburse- ments Ratio ^a	Contract Awards/ Commitment	Disburse- ments	Disburse- ments Ratio ^a
37.26	14.40	122.48	163.05	14.70			
43.30	15.70	114.66	163.33	12.90			
35.55	11.50	160.55	167.21	10.30			
29.19	8.80	218.33	216.64	13.20	72.43	11.58	11.60
42.31	10.00	291.39	306.52	13.00	45.47	54.37	7.20
80.90	11.34	315.30	454.60	14.11	30.10	70.70	6.03
65.90	8.73	353.40	412.30	11.38	295.40	202.00	13.82
74.30	9.81	542.50	557.00	14.81	382.00	494.00	20.05
46.20	10.37	497.80	411.30	12.40	497.20	387.80	7.73
66.70	14.00	871.50	534.40	16.63	397.90	215.40	7.80
70.80	20.67	589.60	716.50	20.74	453.40	491.70	13.69
58.80	19.58	417.10	488.30	18.17	668.40	542.27	16.91
71.80	14.77	502.60	520.60	17.62	586.30	591.46	20.93
100.90	20.08	394.20	395.80	15.96	473.20	645.03	27.47
105.30	24.72	332.60	511.60	21.25	543.30	620.40	30.80

Indicative Cost Estimates to Implement Resident Mission Policy

Appendix 4

In order to arrive at an indicative cost estimate of implementing the policy, two types of costs have been considered: (i) costs relating to the establishment of new RMs, and (ii) costs relating to the implementation of the pilot tests. The costs for new RMs consist of one-time establishment costs to be financed under the capital expenditure budget, and operation costs under internal administrative expenses. The operation costs of pilot tests can be divided into three categories: (i) country programming, (ii) project processing, and (iii) portfolio management. Indicative cost estimates are provided below.

1. Cost of New RMs (\$) ^a

RM Size	Cost per RM		No. of RMs	Total Costs	
	One-Time	Annual		One-Time	Annual
	Establishment	Operation		Establishment	Operation
RM's w/2HQ staff	300,000	800,000	2	600,000	1,600,000
RM's w/3 HQ staff	600,000	1,200,000	2	1,200,000	2,400,000
RM's w/4 HQ staff	1,200,000	2,000,000	1	1,200,000	2,000,000
Total			5	3,000,000	6,000,000

2. Costs of Pilot Tests (\$) ^b

Type	Incremental	Annual	Operation Costs
	per RM	No. of RMs	Total
Country Programming	400,000	3	1,200,000
Project Processing	30,000	5	150,000
Portfolio Management	150,000	2	300,000
Total			1,650,000

- a The costs of new RMs are estimated based on costs of existing RMs with similar staff strengths. One-time establishment costs include (i) fitting-out costs depending upon location and size, (ii) furniture, and (iii) equipment including communications and information technology related. Operation costs include (i) staff costs, (ii) business travels, (iii) staff consultants, (iv) representation, and (v) other administrative costs including office rent and utility.
- b Actual costs of pilot tests may vary depending on size and staff composition of RMs as well as extent of delegation.

The proposed changes in resident mission (RM) objectives and functions will have an impact on areas such as the Asian Development Bank's (ADB) operational business processes, allocation of work between units, staffing, and budget and information technology. Implementing these changes will require considerable coordination within ADB and consultations with the developing member countries (DMCs). They will also require phasing to minimize logistical and resource impacts. The changes will therefore need to be tested, refined, and, as necessary, modified using a process approach. A three-phase implementation approach is therefore proposed.

1. Immediate
 - a. Assess the functions and staff requirements for DMCs currently without RMs, and seek Board approval of new RMs as required.
 - b. Assess and revise the functions of existing RMs on the basis of the approach proposed in this paper.
 - c. Increase RM staffing to at least two headquarters staff per mission.
 - d. Initiate pilot tests in selected RMs of (i) country programming in at least two DMCs, (ii) project processing of about five loan projects ADB-wide, and (iii) delegation of administration of all projects to two DMCs.
 - e. Issue instructions requiring RM staff to be included as full members of headquarters programming, project processing, and review missions.
 - f. Upgrade information technology and communications to support pilot testing.
2. Short term (within 12 months)
 - a. Review arrangements for all special location of work cases.
 - b. Upgrade information technology and telecommunications to bring all RMs to the standard commensurate with their redefined functions.
 - c. Review human resource, compensation, and benefits policies relating to RM staff.
 - d. Prepare guidelines for the delegation of projects to RMs and delegate projects accordingly.
 - e. Review and revise the delegation of authority to RMs in the context of their revised responsibilities.
3. Medium term (18–24 months)
 - a. Deploy staff to existing RMs in accordance with revised functions.
 - b. Issue guidelines to ensure integrity of disbursement, control, and procurement procedures consistent with redefined RM functions.
 - c. Review and introduce alternate recruitment procedures aimed at increasing RM staffing flexibility.
 - d. Review accommodation options and facilities for existing and planned RMs.
 - e. Review the organizational impact of the revised RM structure and revise business processes as necessary.