

**ASIAN DEVELOPMENT FUND (ADF)
ADF IX DONORS' MEETING
Lisbon, 9-11 March 2004**

**MANAGING FOR DEVELOPMENT RESULTS:
STATUS REPORT ON ACTION PLAN**

**Asian Development Bank
February 2004**

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CSP	–	country and strategy program
DMC	–	developing member country
HR	–	human resource
IDA	–	International Development Association
IFI	–	International Financial Institution
LTSF	–	Long-term Strategic Framework
MDB	–	multilateral development bank
MDG	–	Millennium Development Goals
MFR	–	managing for development results
OECD	–	Organization for Economic Cooperation and Development
OED	–	Operations Evaluations Department
PRS	–	Poverty Reduction Strategy
SPD	–	Strategy and Policy Department

CONTENTS

	Page
I. INTRODUCTION	1
II. RESULTS INITIATIVES IN ADB	1
III. ADF DONORS' MEETING IN TOKYO	3
A. Performance Indicators	3
B. The Indicative Action Plan	4
C. Human Resources Strategy	7
IV. RECENT PROGRESS	8
V. ISSUE	10
 Attachment	
Results Management Unit: Outline of Responsibilities	11

I. INTRODUCTION

1. As stated at the ADF IX Donors' Meeting in Tokyo¹, the Asian Development Bank (ADB) is committed to pursue an accelerated approach to improve its development effectiveness by adopting a coherent approach to measuring, monitoring, and managing for development results. Although a number of aspects of this approach are already in place and provide a good foundation to improve ADB's development effectiveness, more is needed.

2. The Tokyo meeting provided an occasion for ADB to take stock of the initiatives already taken to improve our focus on results. In Tokyo, ADB provided the Donors with an Indicative Action Plan to implement the steps needed to develop a more comprehensive approach to managing for development results. Donors and DMC representatives discussed and advised on the best approach for ADB to tackle the challenges as it endeavors to implement its Action Plan.

3. ADB also took stock of its results oriented initiatives when a progress report on managing for development results was prepared as part of our preparations for the Second International Roundtable on Managing for Development Results, and related meetings, which were held in Marrakech during 4-6 February 2004 ("the Second Results Roundtable"). All MDBs provided similar inputs for the purposes of the preparation of a joint-MDB synthesis report on progress made in MFR at MDBs.² We report on the Second Results Roundtable later in this paper.

4. The remainder of this paper is structured as follows: Chapter II provides a brief recap of existing initiatives in ADB to improve, or contribute to the improvement of ADB's results focus. Chapter III addresses certain concerns that emerged in Tokyo such as the current Action Plan, including intended phasing and sequencing of steps. Chapter IV explains recent progress made by ADB since December 2003 in implementing the Action Plan, including our participation in the Marrakech meetings. Chapter V raises one remaining issue for further guidance from Donors.

II. RESULTS INITIATIVES IN ADB

5. ADB's aims are to (i) continue to strengthen focus on results, both for our DMCs and as an institution; (ii) assist in building results management capacity in our DMCs; (iii) develop the ability to measure and analyze progress made toward those results, as well as the ability to use information on results to manage operations and resources with a view to improving future performance, (iv) specify accountability for results at all staff levels, (v) complement its results approach with a merit-based human resource management system, and (vi) ensure staff awareness and ownership of the results agenda as part of the strategic directions of ADB.

6. As outlined in more detail in the Tokyo Paper³, ADB has taken various initiatives that contribute to our results agenda, including:

- **Creating a clearer strategic focus.** ADB embarked on a stronger results focus when it adopted poverty reduction as its overarching objective in 1999, followed by the Long-Term Strategic Framework (LTSF) in 2000. The 2002 reorganization was aimed at more efficient implementation of our strategic agenda and operating

¹ See "Enhancing Effectiveness: Managing for Development Results", dated November 2003 ("the Tokyo Paper")

² See "Managing for Development Results in Multilateral Development Banks: Progress Report", February 2004, available at http://www.adb.org/Documents/Events/2004/Managing_Development_Results/default.asp

³ See Tokyo Paper, paragraphs 6-15; and the Appendix.

principles, and new business processes were also put in place to improve the quality and efficiency of operations. This further clarified staff responsibilities and accountabilities, created a greater country and sub-regional focus, and allowed for better coordination of all interventions at the country and sub-regional levels. The ongoing review of the Poverty Reduction Strategy has also identified ways to further align operations with the overarching objective of poverty reduction.

- **Strengthening results techniques at project-level.** ADB strengthened the results-orientation of projects and programs by requiring that all lending and non-lending project design documents contain a log-frame to identify the medium to long-term impact on potential beneficiaries. The Project Performance Report (PPR) documentation has been improved to include assessments and ratings of achievement of project strategic development objectives, in addition to traditional criteria such as disbursement volume and contract awards. An action plan for an enhanced Project Performance Monitoring System (PPMS) aims at improving the effectiveness of the PPMS by strengthening its monitoring and data quality, monitoring project quality at entry, building capacity in executing agencies to manage for results, and enhancing the alignment of projects with country and institutional strategy. Technical Assistance Performance Reporting (TPR) for reporting on TA portfolio performance results will be effective from 31 March 2004.
- **Managing for development results at country level.** ADB continues to make efforts at the country level to focus better on development results in conjunction with DMCs' national poverty reduction strategies (PRSPs); this is helping to better align our country strategies and programs with the PRSPs towards jointly accepted development results. In doing so, ADB also seeks to nurture the capacity (and demand) within its DMCs for improved techniques to manage for development results, including attainment of the MDGs and related targets.

ADB has (i) supported improvements in country statistical capacity; and (ii) provided technical assistance for both results-based sector development and results-orientation at the national government level in DMCs.

- **ADB contributions to global initiatives,** ADB has been proactive in contributing to global initiatives, including the MDBs' evaluation cooperation group, presentation of discussion papers at the first international Roundtable on Results⁴, actively participating in the Second Results Roundtable and active membership of the MDB Working Group on Managing for Development Results and the OECD-DAC Joint Venture on Managing for Development Results.

⁴ Roundtable on Measuring, Monitoring and Managing for Development Results, Washington D.C., June 2002.

III. ADF DONORS' MEETING IN TOKYO

7. At the Tokyo meeting, Donors provided ADB with useful and constructive comments on the proposed scaling up of institutional efforts to manage better for development results. Many of these comments ranged from the need to address staff incentives to embrace results management, to the critical role of Management as a champion of the process, to the fundamental importance of country ownership and capacity. Donors stressed harmonization, alignment, coordination and collaboration. ADB has analyzed Donors' guidance in detail and is setting about addressing these points as part of the implementation of the action plan. The initial internal assessment is that ADB already has important elements of a results-based system in place, though our results techniques must become more systematic and comprehensive. In this regard, detailed discussions at the Marrakech meetings suggest that ADB's agenda is at a similar stage of implementation as the other regional MDBs.

8. Apart from these wide-ranging issues, three topics that emerged at the Tokyo meeting deserve further elaboration: namely, performance indicators; ADB's Indicative Action Plan; and the relationship between the results agenda and human resources initiatives.

A. Performance Indicators

9. Donors urged ADB to provide more detail on its approach to identify a set of performance indicators for measuring and monitoring results.

10. On the issue of performance indicators, ADB is proceeding in line with the Core Principles⁵ and Global Action Plan⁶, both endorsed in the Joint Marrakech Memorandum.⁷ With assistance from external consultants, and internal expertise, ADB's results management will be based on specific, quantifiable indicators connected to a timeline with baseline data and periodic assessments of project and program performance against defined targets.⁸ ADB aims primarily to identify performance indicators to monitor and report progress at the country level; over time, ADB will also be developing sets of indicators to monitor and report on progress at the institution level and in relation to ADB's role as a partner. Sub-sets of indicators will be identified to track (i) outputs, and (ii) outcomes (2-4 years). As outlined in the review of the Poverty Reduction Strategy, the desired impact on poverty reduction at the regional level will be measured through achievements on the 11 targets and 31 indicators contained in MDGs 1 to 7, though such impacts cannot be solely attributed to ADB's efforts.

11. **Performance indicators at the country level.** Having regard to the concurrent needs to align with DMC priorities and improve DMC statistical systems, ADB will identify well-defined outcomes and measurable indicators that are directly related to program support. The experts will develop the sets of performance indicators having regard to the following:

- Indicators should clearly articulate outputs and intermediate outcomes sought by ADB, and enable a realistic and measurable indication of progress.

⁵ Promoting a Harmonized Approach to Managing for Development Results: Core Principles for Development Agencies ("the Core Principles")

⁶ Action Plan on Managing for Development Results ("the Global Action Plan")

⁷ See Joint Marrakech Memorandum:

http://www.adb.org/Documents/Events/2004/Managing_Development_Results/joint_memorandum.pdf

⁸ Third Core Principle.

- In the context of specific CSPs, and to the extent possible, indicators will be taken from the national poverty reduction strategies.
- A modest set of indicators in a CSP should be measurable, monitorable and linked to the performance of the CSP interventions.
- They should include both country-specific indicators, as well as common indicators that enable results measurement across groups of DMCs.
- ADB has started to take stock of current indicators for monitoring progress at sector and country levels as they currently appear in various CSPs.⁹ These will be compared with indicators used by other organizations, such as IDA and the European Commission, and those related to monitoring of MDGs.

12. Final selection of the sets of suggested CSP performance indicators will be subject to consultation with DMCs and interdepartmental review, particularly by the Regional Departments.

13. **Performance indicators at the institutional level.** The Core Principles contemplate that institutional indicators should be based on clearly defined performance criteria, and involve consultations with DMCs. ADB has prepared a set of suggested indicators of progress made at the institutional level toward achieving its desired long-term impacts, particularly poverty reduction. These suggested institutional indicators¹⁰ will be subject to internal review and discussion by the Board of Directors in the coming months.

B. The Indicative Action Plan

14. At the Tokyo meeting, while Donors endorsed ADB's Indicative Action Plan, they requested ADB to provide further and better particulars on key aspects of that Plan.

15. The Indicative Action Plan has now been revised to reflect the adoption of the Joint Marrakech Memorandum at the Second Results Roundtable, including the endorsement of the Core Principles and the Global Action Plan. Just as the Core Principles and the Global Action Plan are intended to serve as "the initial foundation" for taking effective action in future, ADB's revised Action Plan must also be considered a "work in progress" and will be regularly updated to reflect learning and experience. In summary, ADB's Action Plan has three components:

- To help DMCs to introduce and improve management for development results at the project and country level and to incorporate such actions as part of a wider approach to better align ADB's own actions with each DMC's national strategies (PRSP or equivalent);
- To undertake internal initiatives to help improve institutional performance; to be clear on what we are seeking at all five logical levels of a results chain: inputs, activities, outputs, outcomes, and impact (goals); the action we will take to achieve these; and our commitment to monitor and evaluate our performance; and

⁹ See Tokyo Paper, Box 2: Sample Long-Term Outcome Indicators at the Country Level.

¹⁰ Review of ADB's Poverty Reduction Strategy, Paper for Discussion, paragraph 96; Appendix 9.

- To improve in ADB's role as a partner with other donors and stakeholders, since this is a key component of efforts to improve ADB's contribution to development effectiveness and its own performance.

16. The Action Plan been reviewed interdepartmentally and assignment of responsibilities is now being formulated. A summary of the revised Action Plan is set out below.

Action Plan On Managing for Development Results Summary			
Desired IMPACT of ADB interventions and other factors: Within 2015, achieving poverty reduction in the Region			
	Elements of the results chain for which ADB can be held accountable		Will depend on many factors only some of which are undertaken by ADB
	ACTIVITIES	OUTPUTS (2004)	OUTCOMES (2005 and beyond)
PILLAR 1: Improving results orientation at the DMC level	<p>Develop and implement appropriate approaches to capacity building in DMCs.</p> <p>Efforts will include awareness raising, dialogue, regional workshops, and production of toolkits.</p> <p>The Marrakech Roundtable on Results will be followed by stocktaking of initiatives on results at country level, seminars and workshops, dialogue, and dissemination of best practices.</p> <p>ADB's technical assistance to DMCs to formulate and implement results-oriented national poverty reduction strategies will continue.</p>	<p>DMC participation at relevant workshops and consultations.</p> <p>Materials produced.</p>	<p>By the end of 2005: Results orientation being implemented in national plans in at least 5 DMCs.</p> <p>Progress measured by the increasing number of DMCs producing results-oriented national development plans.</p>

PILLAR 2: Improving result orientation at the institutional level in ADB	Awareness raising, coaching, and capacity building efforts at the institutional level.	Meetings, workshops and seminars for staff	By the end of 2005: Increased performance of ADB as assessed by a set of indicators to be developed.
	Individual departments will prepare results-oriented work programs and, in the process, familiarize staff with concepts of MFR.	Developing results-oriented departmental work plans.	Beyond 2005, progress measured by use of indicators as developed above.
	Focused coaching and workshops for senior management to clarify and support the role and responsibilities of management in MFR.	Relevant information materials produced	
	Informal sessions with Board of Directors.		
	Stocktaking and assessment of readiness.	Report produced	Action plan updated regularly
	Develop template for results-based country strategies, combined with a set of indicators to measure and monitor progress of implementation of the CSPs.	Minimum of two results-based country strategies as pilots be initiated.	Results based CSPs mainstreamed in ADB by 2006
	Develop and implement adequate support mechanisms such as information technology, HR strategy, etc.	Implementation of adequate support mechanisms	Beyond 2005, progress measured by use of indicators
	Improve result orientation of lending and non-lending projects/programs. ¹¹	Action plan prepared.	Procedures in place by end of 2005
PILLAR 3: Improving results through partnerships with other institutions	Participate in partnerships with MDBs, OECD-DAC and other partners	Visible presence in all relevant partnerships	An Asian and Pacific perspective influencing and influenced by international perspectives. Same as above

17. Each component of the Action Plan will be executed, to the extent practicable, in a sequenced manner including:

- (i) *Awareness raising* – to develop a common understanding among those involved, of the reasons for implementing the managing for development results approach

¹¹ Implementing the PPMS action plan will contribute to this by helping to improve the ex ante specification of expected results and the monitoring and evaluation of actual results obtained.

and to build commitment for change. This would also involve the production of “toolkits” for internal capacity building within ADB and in DMCs.

- (ii) *Stocktaking* – to explore in detail the basis for implementation, existing achievements in ADB departments and offices and their ongoing efforts. (In Tokyo, ADB was encouraged to begin the implementation process by completing this detailed stocktaking of existing results-based actions and assess ADB's readiness.)
- (iii) *Implementation* – in the short term, through design and piloting of new methods, procedures and behavior and, in the long term, by institutionalizing experience and mainstreaming best practices.
- (iv) *Continuous learning* – to periodically adjust and update methods, procedures and approaches to fit changing challenges and demands.

C. Human Resources Strategy

18. **Progress has been made in developing a new human resources strategy.** There are three key components of results management as it relates to human resources management: (i) accountability for results at all staff levels, (ii) a merit-based human resources management system, and (iii) staff awareness and ownership of the results agenda. A draft new Human Resources Strategy was discussed by ADB's Management Committee in February 2004 that aims to:

- Enhance organizational capability, transparency and effectiveness by determining the skills needed to meet ADB's business needs, assessing the current skills available within ADB, dealing with redundant skills issues, providing a framework for acquiring, developing and retaining the required skills, and establishing clear policies and procedures that support ADB's HR decision-making processes. An important initiative will be to establish core and technical competencies to define the skills and qualifications (including behavioral attributes) required for each job. The introduction of a comprehensive competency system will provide a more effective and transparent basis for decisions on recruitment, selection, staff development, and promotion.
- Establish a new performance management system that provides for meaningful distinctions in performance, links performance to outcomes, and focuses on work plans, staff training and career development. An important corollary will be the development of an incentives system that rewards good performance by establishing stronger links between performance evaluations and annual salary increases and between performance and HR decisions on staff selection and promotion.
- Strengthen leadership and accountability by charging managers at all levels with greater responsibilities and accountabilities in all aspects related to the management of their staff. Special emphasis will be placed on developing and implementing a coaching and mentoring program to ensure managers' leadership effectiveness. Effective management of staff will form a significant component of managers' performance evaluations and will be an important consideration in decisions on individual managers' future assignments and careers.

19. Thus, the proposed new Human Resources Strategy will incorporate key features to complement the results agenda in ADB. The new Strategy is designed to effectively support improvements in the way we manage for development effectiveness. As part of the implementation of the new Strategy, appropriate incentives on the part of staff and managers to embrace results oriented behavior and practices need to be adopted. ADB is learning from the experiences of the other MDBs in this aspect of the results agenda.

IV. RECENT PROGRESS

20. ADB has continued to make progress in designing, preparing and implementing improved techniques to better manage for development results. The main achievements include the establishment of the Results Management Unit, the initiation of consultations with departments to discuss the results agenda and related issues, initial efforts to streamline terminology, and successful organization of, and participation in the Second Results Roundtable and related meetings in Marrakech. These efforts had created an increased results awareness among staff and development partners.

21. **Results Management Unit established.** The ADB Budget, approved on 16 December 2003, recognized the budgetary implications of the results agenda, including the establishment of a dedicated team to spearhead that agenda.¹² On 29 January 2004, the President approved the establishment of the Results Management Unit (“the Unit”) as part of the Strategy and Policy Department (“SPD”). The Head of the Unit reports directly to the Director General, SPD. The outline of responsibilities for the Unit is provided in the **Attachment**.

22. The Unit is now responsible for analyzing and facilitating the design and implementation of results management policies, actions, practices and procedures. The Unit will be complemented by the creation of specific working groups, consisting of expert staff drawn from relevant departments and offices, which will perform work needed for the implementation of the ADB’s results agenda.¹³ Implementation of ADB’s results agenda will be a Bank-wide responsibility, supervised by the respective Vice Presidents.

23. **Operations Evaluation Department now independent.** Effective 1 January 2004, the reporting and organizational arrangements of the Operations Evaluation Department (OED) were changed to enhance its independence and effectiveness. It now reports to the Development Effectiveness Committee (DEC) of the Board. The 2004 work program of OED was prepared in consultation with the DEC. This work program aims to (i) increase OED’s evaluation of ADB’s broader development agenda through increasing the number of sector and thematic evaluations, (ii) create a closer link between country assistance program evaluations and the CSP process, and (iii) improve the evaluative content of OED’s annual reports. The creation of closer linkages between project, sector/thematic and country evaluations is fully consistent with the results agenda. Further consideration is being given to determine OED’s role and approach in supporting the continued development and effective operation of the project performance management system, the performance assessment of results-oriented CSPs, and the overall assessment of ADB’s development effectiveness.

¹² R237-03, “Budget of the Asian Development Bank for 2004”, 17 November 2003.

¹³ Ad-hoc committees may also be established, as needed, by various departments/offices, and based on technical expertise and knowledge, to work on specific issues (e.g., upgrading results monitoring and evaluation, aspects of the human resource strategy, development of the sets of performance indicators, crafting of a results-oriented Annual Report, and so on).

24. **Staff training, coaching, and mainstreaming of results-oriented work planning have begun.** The Unit has teamed up with the Budget, Personnel and Management Systems Department to plan suitable training for staff. Coaching of Management and senior staff will be carried out with the help of qualified experts, including those with experience in working with other MDBs. The Unit is also working with some departments to pilot-test results-based departmental work programs for this year.

25. **The Second Results Roundtable and related meetings in Marrakech.** ADB, together with the African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and the World Bank, and in collaboration with OECD's Development Assistance Committee (OECD-DAC), sponsored the Second Results Roundtable in Marrakech on 4-5 February. President Chino led the ADB delegation. In addition to ADB staff, ADB also sponsored around 15 officials from at least 10 DMCs to participate in the Second Results Roundtable. ADB prepared a progress report on implementation of managing for results in ADB as part of the documentation for discussion at the Roundtable.¹⁴

26. At the conclusion of the Second Results Roundtable, President Chino together with the heads of the World Bank and the other regional MDBs and the chairman of OECD-DAC made commitments to align cooperation programs with desired country results, to clearly define expected contribution of support to country outcomes, and to rely on—and strengthen—countries' monitoring and evaluation systems to track progress and assess outcomes. The heads endorsed the Core Principles and the Global Action Plan as an initial foundation for building a broader consensus and taking effective action in the years to come, and promised to continue the refinement of these through further consultations emerging experiences.

27. The five Core Principles for managing for development results build on the 2003 Rome Declaration on Harmonization and the OECD-DAC Good Practice Paper on "Harmonizing Donor Practices for Effective Aid Delivery". The Core Principles also recognize that development agencies should provide support for sound national management systems and for reforms and institutions to enhance the business environment and foster the development of the private sector as the main engine of growth. This Global Action Plan identifies seven areas for global action in the coming year as part of a medium-term agenda on managing for development results: endorsement of the Core Principles; focus national strategies and systems on country results; alignment of cooperation programs with country results; harmonization of country reporting; improvement in statistical systems; assessments of development agencies' performance; and dissemination of good practices.

28. In addition, ADB chaired the second meeting of the **MDB Working Group on Managing for Development Results** and participated as MDB representative in the second meeting of the **OECD-DAC Joint Venture on Managing for Development Results**, both of which were also held in Marrakech immediately following the Second Results Roundtable. ADB's Action Plan is well aligned with the work programs of the Working Group and Joint Venture, respectively, particularly in the "regionalization" of the Global Action Plan through organizing regional workshops and contributing to the development of a "sourcebook" on emerging good practices.

29. **Donor assistance in support of the results agenda.** The Unit has already commenced the process of mobilizing Donor assistance to help fund specific tasks and features of the results agenda.

¹⁴ http://www.adb.org/Documents/Events/2004/Managing_Development_Results/default.asp

30. The Office of Cofinancing Operations has approached donors to seek interest in making funds available to support country level capacity building in managing for development results. The purpose is to strengthen DMCs' ability to manage for development results: to know what works and what does not, and how to better use information on performance and results to decide on future action. This would include clearer results orientation for the national plan, and encouragement of country level demand. This will be done through technical assistance to raise awareness, to assist in upgrading DMC's data and statistical quality, and to assist in their development and adoption of appropriate measuring, monitoring, reporting and evaluation techniques. The intention is to use additional donor funds to train DMC representatives, to develop tools appropriate for the Asian and Pacific context, to pilot different approaches and to assist in implementation at the DMC level. ADB's assistance in these areas will be based on each DMC's needs and closely aligned with other ADB and donor interventions

V. ISSUE

31. Do Donors agree that the Action Plan provides a sound basis for implementation of the results agenda in ADB, given that it may be adjusted as experience is gained?

RESULTS MANAGEMENT UNIT

Outline of Responsibilities

1. The Results Management Unit (“the Unit”) will spearhead ADB’s actions and initiatives over the next three years, to develop and introduce improved approaches, techniques, systems and procedures for better management for development results. The Unit will collaborate closely with all concerned departments and offices in ADB.
2. While the Unit will be established as part of Strategy and Policy Department, the Unit will facilitate regular and timely reports on ADB's results agenda to the Management Committee and, as directed by the President, to the Board and committees of the Board.
3. The Unit will complete the stocktaking of existing approaches, techniques, systems, and procedures in ADB to manage for development results, and will initiate the establishment of any specialized sub-groups or technical committees to undertake specific tasks for the results agenda, such as design of a results-based CSP, or the formulation of a regime of country development indicators.
4. The Unit will liaise and, as appropriate, collaborate with DMCs and other development partners, particularly other IFIs.
5. **Country Level Initiatives**
 - (i) Complete the stocktaking exercise as a benchmark for ADB's results agenda.
 - (ii) Design and support the implementation of a toolkit for Regional Departments as a guide to capacity building within DMCs for results management.
 - (iii) Consult with selected DMCs on ADB's results agenda, and disseminate information to all DMCs.
6. **Institutional Level Initiatives**
 - (i) Initiate awareness, training and coaching, as appropriate, for all organizational levels of ADB, including Board, Management, Department heads and staff.
 - (ii) Assist in the design of a regime of indicators of performance effectiveness, in collaboration with the DMCs and development partners.
 - (iii) Assist in the design and pilot testing of selected CSPs for development results, based on measuring, monitoring and managing appropriate targets and indicators set out in the CSPs.
 - (iv) Recommend appropriate revisions in ADB's business processes, operations manuals and support structures to reflect the increased emphasis on managing for development results.