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INSTITUTIONAL MATTERS

Since its last reorganization in 1995, the Asian Development Bank (ADB) has faced new challenges, expanded its mandate, and taken on new and complex policy initiatives, including the Poverty Reduction Strategy in 1999. The Long-Term Strategic Framework (LTSF) 2001–2015, approved in 2001, consolidates those initiatives and experiences and charts ADB’s agenda for the next 15 years.

Consequently, ADB President Tadao Chino appointed a steering committee, working group, and secretariat to assess how best to implement the LTSF. After consulting with the Board of Directors, stakeholders, and external advisors, the steering committee recommended and the Board approved a reorganization plan for ADB.

The new organizational structure will enhance ADB’s effectiveness in meeting the needs of its developing member countries (DMCs) by strengthening the relevance of strategic planning and resource allocation and by ensuring that strong technical knowledge and skills are spread across ADB. At the heart of the new structure is a strong country and subregional focus that will improve the quality of ADB’s assistance to individual DMCs, promote subregional

cooperation, and, within ADB, strengthen the accountability for all services to the DMCs.

DMCs will be grouped into five geographically contiguous areas: East and Central Asia, Mekong, Pacific, South Asia, and Southeast Asia. These departments replace the former projects and programs departments. Each regional department will be responsible for implementing ADB’s strategic agenda in the countries it covers. They will undertake a full range of activities in their respective DMCs, beginning with the country strategy and program process; extending to planning, designing, and implementing projects; and undertaking economic, thematic, and sector work. For the most part, each regional department will consist of one operations coordination division, four sector divisions (infrastructure; agriculture, environment, and natural resources; social sectors; and governance, finance, and trade), and resident missions in the DMCs concerned. Each DMC will have a country team, headed by a principal desk officer at headquarters or the resident mission.

The reorganization will improve ADB’s work in other ways as well, such as enhancing the efficient management of knowledge and resources.

The new Regional and Sustainable Development Department (RSDD) will be responsible for maintaining

quality and technical excellence across ADB and for developing and monitoring policies and guidelines for all thematic and sector work. RSDD will support regional cooperation and strengthen ADB's role in linking the region to global networks.

RSDD will also monitor ADB's compliance with its own policies. An ADB-wide Knowledge Management Committee will be established to oversee ADB's program for knowledge products and monitor the progress in delivering such products. ADB's Private Sector Group has been strengthened and upgraded to a department, reflecting ADB's increased emphasis on private sector development.

The new organizational structure of ADB and the accompanying changes in the business processes essential for meeting the goals of the reorganization became effective on 1 January 2002. *For a chart of the new structure, see Appendix 6.*

Human resource management, training, and development

In 2001, human resource management programs focused on attracting, retaining, and motivating staff, and on developing and implementing human resource policies to support ADB's goal of reducing poverty. In addition to recruiting highly qualified professional and support staff, staff members were redeployed to help attain the desired skills mix and promote professional development.

Also in 2001, ADB began a review of its gender action program and outlined steps to integrate the program into its strategic policies. The role of the spouse liaison officer was expanded to include assisting spouses of new professional staff in settling in Manila. ADB continued to recognize staff for their meritorious contribution to ADB's operations through the Performance Recognition Program and for long-term employment through the Service Awards.

In line with the Resident Mission Policy, approved in February 2000, human resource issues in the resident missions were identified and systems were implemented to align practices of the resident missions and the headquarters. Internal and external recruitment of professional and support staff was intensified to help each resident mission achieve its functional requirement.

In the area of training, ADB focused on strengthening existing modules, developing new programs, and exploring new ways of delivering training sessions. Modules were added to the mission leadership program,

taking into consideration the widening role and responsibility of a mission team. A mentoring component was added to the mission leadership program. Videoconferencing enabled resident mission staff to take part in orientation seminars. Staff participated in policy and strategy awareness sessions and structured technical training in sector and thematic areas, including poverty analysis and reduction, governance, economic analysis, resettlement, and microfinance. Through seminars and general briefings, staff were familiarized with the new business processes. ADB continued to send staff to external learning events to acquire technical skills not provided in-house. Several staff attending the in-house Masters in Business Administration program entered their final year.

ADB provided government officials, staff from other international organizations, and graduate students an opportunity to learn more about ADB through the Orientation Program for DMC Officials, Secondment Program, and the Internship Program, respectively.

At the end of 2001, ADB had 2,163 staff from 47 of its 59 members. The total comprised 763 professional staff¹ and 1,400 support staff,² of which 295 staff³ or about 13.7% are located in the field offices. During the year, there were 86 appointments and 55 departures among professional staff, while 128 support staff joined ADB and 53 left. The number of women professional staff increased from 184 or 25.3% of total professional staff at the end of 2000, to 198 or 26.1% at the end of 2001. *For more about careers at ADB, see <http://www.adb.org/Employment>.*

Compensation

Consistent with ADB's market-driven compensation system, a 4.3% increase in the professional staff salary structure was approved (effective 1 January 2002). For support staff salaries, the local salary survey for 2001 resulted in a 9.6% salary increase effective 1 January 2001 (the salary effectivity date was moved from 1 April to 1 January to coincide with the fiscal year and the annual performance evaluation).

Upon recommendation of the Pension Committee, revisions to the Staff Retirement Plan were approved, which enhanced the commuted lump sum and the early retirement benefits. The review of the terms and service conditions for professional staff in the field offices continued in 2001 with further streamlining of the implementation guidelines announced in June 2001.

Administrative services

Security was tightened in 2001: additional security equipment was installed and close cooperation between ADB and the Philippine Government and foreign embassies continued.

Anticipating the reorganization and continuing efforts to cut costs, ADB further streamlined its business processes. For example, more paper forms were converted to electronic templates and the use of ADB's Intranet was expanded. Shipping and marine insurance policies and procedures were made more effective and, as a result, several difficult insurance claims were resolved satisfactorily. Improvements in business processes also included prequalifying suppliers and awarding contracts for procuring various information technology products.

Inventory and procurement management improved with enhancement of the new server-based software system in ADB's commissary. Commissary services improved with the assumption of the new management services contractor.

Budget

Actual internal administrative expenses (IAE) for 2001 amounted to \$220.7 million, a saving of \$6.2 million against the original budget of \$226.9 million. The saving resulted mainly from the Philippine currency depreciation; net saving realized in various operational and administrative expenses; not using the 1% general contingency; and effective budget monitoring, including midyear review of work program and budget allocations.

The IAE budget for 2002 of \$240.0 million is the first under the reorganized ADB. The budget was formulated under the LTSF and the Medium-Term Strategy, with the work programs based on ADB's 3-year rolling work plan outlined in the Work Program and Budget Framework paper (2002–2004). ADB's 2002 budget is aimed principally at accelerating the translation of its strategic agenda into tangible outcomes at the country and subregional levels. Budgetary resources, therefore, will be targeted primarily at the effective direct delivery of quality products and services. The 2002 budget's volume growth was contained at 1.8%, demonstrating ADB's continuing efforts toward strict budgetary discipline. Major increments for 2002 include 30 new professional staff positions to enhance the delivery capacity of frontline operations in headquarters and resident missions, cater to fiduciary and other requirements of the new London interbank offered rate

(LIBOR)-based loan products, and strengthen anticorruption work; and other expenses for ongoing and planned upgrading of information technology systems, and for enhancing the communications capacity of resident missions.

In addition to internal administrative expenses, the 2002 budget also includes an annual capital budget of \$4.0 million, mainly for improving infrastructure at ADB headquarters, enhancing technology and automation systems, and meeting the field offices' regular capital expenditure requirements. *For details, see Appendix 9.*

RSDD will support regional cooperation and strengthen ADB's role in linking the region to global networks.

Audit and anticorruption

The Office of the General Auditor (OGA) conducts periodic, independent, and objective appraisals of ADB activities to ensure adequacy and effectiveness of controls and to identify the means for improving economy and efficiency in the use of resources in carrying out ADB's development mission. OGA is also the focal point in ADB's drive against corruption and in dealing with alleged incidents of corruption or fraud in its projects or by its staff. OGA reports directly to the President. The Audit Committee of the Board of Directors reviews OGA's activities.

Internal audits in 2001 led to recommendations for better controlling and supervising building maintenance work and contractors' monthly billings; clearing all outstanding audit recommendations in audited project accounts in Bangladesh; preparing timely completion reports and settling advances for project preparation technical assistance; strengthening follow-up procedures for loans with overdue payments; implementing appropriate measures for controlling various administrative processes in the Nepal Resident Mission; and strengthening control over mail delivery and communications costs. OGA also audited six consultants' contracts in 2001 with the assistance of appointed auditors. These audits further strengthened the control procedures to ensure accurate and factual declaration of information in the consultants' financial proposals and other documents submitted to ADB.

In 2001, OGA implemented measures to streamline and standardize further various audit functions to maximize the use of available resources in producing value-added audit services. To promote interaction with

other multilateral development banks (MDBs) and comply with the requirements for professional practice in internal auditing, OGA arranged to have internal auditors from the European Bank for Reconstruction and Development (EBRD) conduct a peer review for determining the extent to which OGA has implemented best practices in its audit processes. The question of carrying out peer reviews has been discussed with other MDBs on a continuous basis, and OGA is likewise prepared to conduct such peer review, as it did on EBRD in 1998.

ADB's Anticorruption Unit (<http://www.adb.org/anticorruption>), established in 1999, is the point of contact for reporting allegations of fraud and corruption among ADB-financed projects or its staff. To date, the Anticorruption Unit has investigated more than 190 allegations of fraud and corruption, treating the sources of allegations with utmost confidentiality and discretion. In 2001, the Anticorruption Unit increased awareness of the Anticorruption Policy and the Anticorruption Unit through presentations, seminars, and publications.

OGA continued to audit project procurement-related activities, helping prevent and detect corruption or fraud. OGA also continued to strengthen its exchange of information with Supreme Audit Institutions (SAIs) and other MDBs through meetings, international conferences, and the annual meeting of MDBs' auditors general. OGA has played an active role in helping upgrade the audit capability of SAIs in DMCs. In 2001, OGA was involved in training programs for the Asian Organization of

Supreme Audit Institutions and the South Pacific Association of Supreme Audit Institutions, and upgrading the audit capabilities of the Government of the People's Republic of China and government auditors in three countries in Central Asia.

OGA continued to participate in the ongoing implementation of the financial management and human resource management information system, focusing on security and control aspects in data conversion and acceptance testing of the system; the preimplementation activities of the Treasury Risk Management System to ensure that security and control aspects are addressed; fallback tests for the Society for Worldwide Interbank Financial Telecommunications (SWIFT, an electronic funds transfer system) and ADB's mainframe facilities, conducted in 2001 at the backup sites; and various administrative procurements, providing comments and observations to ensure compliance with procurement guidelines.

OGA provided integrated assistance to ADB's external auditors in their continuing audit of ADB's annual financial statements throughout the year, and in certifying interim financial statements for ADB's various bond offerings. In 2001, the external auditors made a presentation on developments in International Accounting Standards and the extent of use and acceptance of these standards in selected DMCs. The presentation, attended by various departments, also provided an overview of developments in financial reporting in these countries.

Notes

- 1 Includes Management, i.e., the President and Vice-Presidents, Director's Advisors, staff on secondment and special leave without pay, and staff on loan to ADB Institute.
- 2 Includes staff on special leave without pay.
- 3 Includes 61 professional staff and 234 support staff.