



Finance and Administration

The quality of ADB's service can be only as good as the quality of its people and of their working environment. Over the past year, major steps were taken to secure this outcome. Following President Kuroda's emphasis on the importance of better human resource management in improving institutional effectiveness, ADB mainstreamed reforms in staff recruitment, performance, learning and development, and compensation.

Savings were sought and achieved in ADB's internal operations, both through conservation and cost-reduction measures and through the use of more advanced technology. While facilitating access to its documents and databases, ADB also improved its security systems.

Measures were taken to address the possibility of fraud, corruption, and abuse in ADB-funded projects and operations. Independent and comprehensive audits were undertaken to maintain the highest level of professional integrity and performance in ADB and compliance with established rules and regulations.

HUMAN RESOURCES

The human resource strategy is in its third and final year of implementation. Many of the envisaged actions under the strategy, a key element of ADB's reform agenda, have been completed and have become part of ADB's human resource management and administration. The strategy commits ADB to improving the effectiveness of its human capital, to introducing a new performance management and rewards system, and to improving leadership throughout ADB.

Recruitment and selection improved in quality and timeliness with reduced average hiring time and more focus in strategic recruitment on achieving the necessary skills mix. After a skills-mix assessment, job descriptions were updated to integrate skills requirements and competencies.

Consultations with and feedback from staff led to an improved, streamlined, and automated performance and development plan. Staff consider performance management important and recognize the plan as a useful tool for distinguishing performance.

A total of 2,633 staff members took part in 110 learning programs, which were delivered in 177 sessions. A total of 7,175 person-days were spent in learning and development programs aligned with ADB's business strategies and designed to strengthen staff capacity and leadership effectiveness.

The curriculum approach to learning was further developed for four key learning tracks: leadership, managing for development results, operational and business processes, and financial management. Technology was key in developing an online leadership program survey for heads of divisions, a learning and development plan for staff in the online performance and development plan, and an interactive learning and development website.

ADB established a systematic talent management process to identify and develop staff with leadership potential. The first two sessions of the assessment and development center were completed and three more are scheduled for 2008.

Planning for the staff engagement survey started with the selection of an external expert to develop, design, and implement the survey. External experts will also assist in a comprehensive review of the human resource strategy in the second half of 2008.

STAFFING

ADB's staff on board as of 31 December 2007 totaled 2,443 from 55 of its 67 members: 5 members of Management, and 847 professional and 1,591 local staff, of whom 479, or about 19.6%, were in field offices. Appointments and departures numbered 1 each in Management, 99 and 108 among professional staff, and 159 and 112 among local staff. Women accounted for 29% of the professional staff.

COMPENSATION AND BENEFITS

Consistent with ADB's market-based compensation system, the Board approved a 4.1% weighted average increase in the professional staff salary structure, which took effect on 1 January 2008. The Board also approved a 4.7% salary budget increase, 4.1% of which will be used for performance-related salary increases and the rest for performance bonuses. The Board also approved a weighted average increase of 8.9% for national officers and administrative staff at headquarters for 2008. The overall weighted average increase in 25 field offices is 13.6%.

As part of the cost-containment measures for the Group Medical Insurance Plan, the generics drug program, which provides full reimbursement for generic drugs purchased in the Philippines, was expanded to include purchases made in the US and other developed countries.

Benefits administration underwent several improvements. The compensation and benefits website now provides life event information. Alerts to staff remind them to keep staff information up-to-date and provide automatic reminders and comprehensive information about important matters. The enhanced fee structure for duty-station school education significantly simplified application processing. The online application and approval of leave, which became fully operational throughout ADB in November, increased efficiency by eliminating paper applications, improving data

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accuracy and workflow, and shortening application processing.

INTERNAL ADMINISTRATIVE EXPENSES

Internal administrative expenses totaled \$325.5 million, compared with the original budget of \$332.9 million. Despite the continuing appreciation of the Philippine peso against the US dollar, the overruns in certain budget items in the operational and administrative budget categories were fully met through reallocations from savings within the same budget categories. The decrease in staff costs was offset by increases caused by the appreciation of the Philippine peso, higher staff consultant requirements arising from new initiatives, and business travel for various activities, such as responding to emergencies in developing member countries.

For 2008, the net internal administrative expenses budget is \$357.2 million. The increase over the 2007 budget reflects a price growth of 6.1% and a volume growth of 1.2%. About \$5.2 million is expected to be recoverable from administering trust funds of multilateral and bilateral institutions.

The 2008 budget also includes an annual capital budget of \$4.1 million, mainly to fund cyclical capital expenditures for headquarters facilities and information technology equipment, and to meet the replacement and acquisition requirements of field offices.

ADMINISTRATIVE SERVICES

The Office of Administrative Services reinforced overall service delivery and efficiencies through improvements in business processes and in workplace safety and environment, cost reduction, and automation.

Business process improvements resulted in better responsiveness and savings in staff resources in addition to hard and soft savings of up to \$700,000.

The office sustained its conservation and environmental initiatives and received ISO 14001 and OSHAS 18001 recertification in December. Savings in paper, water, and electricity use totaled about \$100,000, an amount that was partly offset by increases in utility costs. The office also focused on reducing ADB's corporate footprint and conducted its first greenhouse gas inventory in November.

As a knowledge management center, the office gives advice and guidance on information gathering and packaging during project cycles. It launched its Events Management Unit in November to take on all conferences, seminars, and workshops held at ADB headquarters starting July 2008.



Six Sigma training helped staff maintain quality service

In July, the office leased property for the new business continuity facility. Construction began in December and full operation of the facility is expected by October 2008. The office continued to undertake building rehabilitation and restoration projects to preserve and improve the ADB headquarters building.

The office further reviewed ADB's security services and systems. It introduced a new identification system, and developed a mechanism to continuously inform staff, including those at the resident missions, about security concerns and issues.

OFFICE OF INFORMATION SYSTEMS AND TECHNOLOGY

The Office of Information Systems and Technology made great strides in enhancing ADB's information technology (IT) services, giving clients better access to knowledge and information anywhere and anytime.

The office progressed in developing the project processing portfolio management (P3M) project, to be completed in mid-2009. P3M offers an integrated IT solution for managing projects, from country partnership strategy to post evaluation. The eSTAR (electronic storage and retrieval system) facilitates access to documents. The management information system executive dashboard, launched by the office, draws information from existing databases to simplify management reporting.

Two IT governance committees were created to align IT with ADB's business goals. The Portfolio Management Unit (IT-PMU) manages the IT portfolio and provides status reporting. The Investment Working Group, chaired by the IT-PMU, reviews client business cases and ensures overall fiscal and technology accountability.

The Customer Support Group was formed to provide a direct line of communication and productivity tools to client groups. It deployed new com-

puters and installed a web-based IT service request system, an upgraded help desk, and an online IT service catalog.

Field offices received server upgrades, additional videoconference facilities, more efficient links, and provisions for local Internet access. A high-level information and data security risk assessment was completed to identify and mitigate IT-related risks. The offsite backup facilities of the office were enhanced to include ADB's high-priority systems. Administrative Order 4.05, governing the delivery and security of IT resources and data, was approved by Management.

To strengthen internal controls for financial reporting and attestation, the office continued adopting the COBIT and ITIL frameworks for IT governance by training and certifying 50 staff members.

The office implemented a new mainframe computer and migrated data and applications, besides upgrading Oracle and SWIFT applications.

OFFICE OF THE AUDITOR GENERAL

Integrity Division

The division addressed allegations of corruption and fraud in ADB activities, conducted staff workshops and training, and worked with national audit institutions of developing member countries (DMCs) in project procurement-related audits. The division also conducted regional anticorruption seminars in Beijing and Jakarta for participants from 21 DMCs to increase awareness of and compliance with ADB's anticorruption policy and integrity principles and guidelines among borrowers and executing agencies, and the capacity to detect and prevent fraud and corruption.

ADB barred 61 firms and 48 individuals from participating in ADB-financed activities as a result of the division's investigations. As of 31 December, 398 firms and individuals had been declared ineligible. During the year, the division received 211 complaints, of which 11% were about ADB staff. It referred findings on 10 staff cases to ADB's Budget, Personnel, and Management Systems Department for further action.

The division conducted five project procurement-related audits to reduce weaknesses that may allow fraud, corruption, or abuse in ADB-financed projects. The supreme audit institutions of borrower countries took part in some of these audits, reinforcing ADB's ability to share this audit knowledge and support capacity development.

The division continues to coordinate with the Joint International Financial Institutions Anticorruption Task Force on matters of mutual interest.

Financial, Administrative, and Information Systems Division

The division conducted independent audits of ADB's operations; its information systems; and its financial, accounting, and administrative processes. These audits helped strengthen internal controls and risk management; compliance with ADB policies, procedures, and regulations; and effectiveness, efficiencies, and economy in finance, operations, and IT. The office worked with PricewaterhouseCoopers, ADB's external auditors, to properly coordinate required audit activities.

The office completed 25 audits, including financial, administrative, and operational audits of resident missions, representative offices, and the Asian Development Bank Institute. Loan and technical assistance portfolios of selected headquarters divisions were reviewed for compliance with established rules and regulations. Information systems reviews covered telecommunications, the independent verification and validation of the development of several IT applications, data security of ADB's network, and disaster recovery testing of critical systems.

The office also reviewed selected borrowing, loan disbursement, and administrative expense transactions. Several consultant contracts were audited to check the authenticity of consultant claims. Eight internal audit certifications were issued to funding agencies of trust or grant funds at the request of the Office of Cofinancing Operations. Activities of the Office of Administrative Services, such as library management and office supplies, were reviewed.

To ensure that the findings were being acted on, the division regularly monitored the progress of outstanding audit recommendations.

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