



# FINANCE AND ADMINISTRATION

---

A review of the human resources strategy stressed that human resources management must be linked to business strategy. Numerous innovative information technology solutions increased efficiency.

The human resources strategy (2005–2007) sought to establish a more merit-based human resources management system to support ADB’s vision and objectives. These included an ADB-wide competency framework, an improved recruitment and selection system, a consolidated curriculum-based learning and development program, and a new performance management system. Many of the actions completed under the strategy were continuously improved to better support the needs of ADB.

ADB committed to reviewing the strategy after the 3-year implementation period. A staff engagement survey was conducted in March by external experts with the goal of promoting positive organizational change. With more than 80% of staff participating, the results identified categories perceived favorably, such as ADB’s goals and objectives, work environment, job satisfaction, and working relationships. The results also identified a number of key priority areas for ADB to focus on to raise the level of staff engagement, such as the reward system, career development, performance management, and communication. ADB took interim follow-up actions for a number of these key priority areas, including salaries and benefits, performance management, learning and development, work-life balance, and career progression. To assess progress in human resources management, it was decided that a staff engagement survey would be conducted every 2 years, with the next scheduled for 2010.

The survey results were considered in ADB’s comprehensive review of the strategy, which was conducted with the assistance of external experts. The review underscored the importance of linking ADB’s human resources management to its business strategy to support and deliver the results required by Strategy 2020. A Board paper on the subject was issued in December. As a next step, a detailed action plan will be drawn up, based on the external experts’ recommendations and the Board of Director’s comments, among other inputs.

**ADB decided to conduct a staff engagement survey every 2 years to assess progress in human resources management**



As of 31 December, ADB’s staff totaled 2,506 from 57 of its 67 members

## STAFFING

ADB’s staff as of 31 December totaled 2,506 from 57 of its 67 members: 5 members of Management, and 874 professional and 1,627 local staff, of whom 494, or about 20%, were in field offices. Appointments and departures numbered 1 each in Management, 115 and 88 among professional staff, and 144 and 108 among local staff. Although ADB is working hard on gender balance, the representation of women professional staff decreased from 29% (248 out of 847) at the end of 2007 to 28% (248 out of 874) of total professional staff at the end of 2008. Women at senior levels, however, increased from 14% (17 out of 125) at the end of 2007 to 18% (25 out of 137) of total senior professional staff at the end of 2008.

## COMPENSATION AND BENEFITS

Consistent with ADB’s market-based compensation system, the Board approved a 4.3% average increase in the professional staff salary structure effective 1 January 2009 and a 5.1% performance-related salary increase. The performance bonus pool remained unchanged from 2008. The Board also approved an average increase of 9.0% for national officers and administrative staff at headquarters for 2009 and an overall weighted average increase of 16.1% for national officers and administrative staff in 28 field offices. The online salary increase and bonus distribution process was introduced, improving timeliness and efficiency.

For greater efficiency and better service delivery to clients, several initiatives to streamline benefits administration were introduced. The leave management system was fully implemented at headquarters and field offices. An electronic medical file management system project for the Medical Center was initiated to improve efficiency. The online pension statement was rolled out in September, reducing staff time and mailing costs of sending out the monthly pension pay slips.

## INTERNAL ADMINISTRATIVE EXPENSES

Internal administrative expenses totaled \$347.7 million, compared to the budget of \$357.2 million. Of the savings of \$9.5 million or 2.7%, \$7.1 million or about 2% is being carried forward to 2009. The overruns in certain budget items in operational and administrative budget categories were fully met through reallocations from savings within the same budget categories, while the overrun in the offices of the directors under the Board of Directors budget category was met through reallocation from the general contingency. Key drivers contributing to the overall savings were staff vacancies, closer adherence to the staff consultant cost accrual methodology, and restructuring of the various contractual services and equipment maintenance agreements. These savings

were partly offset by overrun in the staff benefits, which was primarily because of additional contributions to the staff retirement plan to meet increasing funding requirements.

For 2009, the net internal administrative expenses budget is \$388.9 million, including the independent evaluation department budget of \$8 million. The increase of \$31.7 million or 8.9% over the 2008 budget reflects a price growth of 6.6% and a volume growth of 2.3%. The 2009 budget is net of \$5.2 million of service charges estimated to be recoverable from administrating trust funds of multilateral and bilateral institutions.

In addition to internal administrative expenses, the 2009 budget also includes an annual capital budget of \$4.1 million, mainly to fund cyclical capital expenditures for headquarters and field offices as well as allocation for security and safety-related expenditures.

## ADMINISTRATIVE SERVICES

The Office of Administrative Services (OAS) improved overall service delivery and efficiencies by upgrading workplace safety and environment, rehabilitating buildings, optimizing costs, and reducing staff.

The in-country business continuity facility was completed and inaugurated in August. It serves as the backup facility for ADB headquarters' critical business operations



In March, more than 80% of staff participated in a staff engagement survey with the goal of promoting positive organizational change

in case of emergencies. The offshore facility was commissioned as part of the business continuity management strategy.

To improve travel services through competition, OAS established the dual-agency model, with two new in-plant agencies in place since October. The events management unit, which became fully operational in July, organized over 50 events. A hotelling facility for consultants was set up to increase space for staff.

OAS and the Office of Information Systems and Technology jointly launched Electronic Storage and Retrieval (eSTAR), an enterprise-wide electronic documents repository system, to make records management more efficient while ensuring security of information. OAS used information technology in communication and printing to boost service delivery. To support knowledge management under Strategy 2020, information coordinators were appointed to support research on the environment, education, finance, infrastructure, and regional cooperation.

OAS launched its first greenhouse gas emissions report in June to help set emission reduction targets. Its conservation and environmental initiatives saved over \$110,000 in electricity, water, and paper consumption.

OAS continued to identify ways to upgrade efficiency and service. It strengthened crisis management and disaster-preparedness capabilities, and collaboration to deal with field office building safety and security issues.

## INFORMATION SYSTEMS AND TECHNOLOGY

The Office of Information Systems and Technology made progress in information technology (IT) governance, and information management and collaboration.

The office extensively reviewed and improved its IT governance processes and controls of financial systems to comply with industry standards on ensuring the integrity of ADB financial data. Strengthening the security of these information systems continued to be a priority, with new processes and policies put in place for the secure access of internal and external users. As a result, risk management and change management practices were introduced, together with the proper documentation and validation of internal controls. A new business continuity facility was established to ensure that ADB's critical operations would

## Financial and administrative audits at headquarters and in resident missions assessed the reliability of financial data and the effectiveness of operations

be functional in the event of a major disruption at headquarters.

New channels on information sharing, such as instant messaging, web conferencing, and collaboration workspaces, were explored to enable more direct and efficient communication among ADB staff members, and between ADB and external partners. Aside from rolling out a new electronic document repository system, the office continued delivering innovative IT solutions to minimize the need for business travel and improve administrative efficiency.

Extensive training and workshops on the new information systems were provided to staff members at headquarters and in field offices. Significant efforts were made to update IT staff skills.

While expanding the time and geographic coverage of IT services, the office also developed a number of major IT solutions to support ADB's growing operations, including a new facility for consultants and suppliers to register online for ADB business opportunities. Connectivity was significantly improved for a number of field offices, and a new connection was made to support the establishment of the field office in Armenia.

## OFFICE OF THE AUDITOR GENERAL

### Financial, Administrative, and Information Systems Division

The division conducted independent audits of ADB's loan, grant, and technical assistance operations; financial, accounting, risk management, and administrative processes; and information systems. The audits were based on a risk assessment and geared to strengthen internal control, risk management, and governance processes; ensure compliance with ADB policies, procedures, and regulations; and enhance effectiveness, efficiency, and economy in the operational, financial, and IT areas. The



Raising awareness of ADB's anticorruption policy among stakeholders is an important part of the Integrity Division's work

division also worked with PricewaterhouseCoopers, ADB's external auditors, to ensure proper coordination of audit activities.

The division completed 24 audits in 2008. Loan, grant, and technical assistance portfolios of selected headquarters divisions, countries, and resident missions were reviewed in terms of compliance with ADB policies and procedures and with relevant contractual agreements; accuracy, reliability, and timeliness of significant financial, managerial, and operating information; timely achievement of significant loan and grant objectives; propriety of disbursements of operational activities; and safeguarding of assets. Financial and administrative audits were conducted at headquarters and in selected resident missions to assess the reliability of financial data and effectiveness of operations. Information system reviews covered the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system, IT infrastructure and security of the Asian Development Bank Institute, and independent verification and validation of several IT systems. Business continuity review and disaster recovery testing of critical systems were conducted at the new fallback sites.

## Developing member countries formed part of the audit team for the procurement-related audits, enabling the transfer of vital anticorruption skills and knowledge

The division reviewed selected borrowing, loan disbursement, and administrative expense transactions. Several consultant contracts were audited to ensure the authenticity of consultant claims.

The division issued five internal audit certifications to donors of trust and grant funds, upon the request of the Office of Cofinancing Operations and in compliance with the technical assistance letters of agreement and/or memoranda of understanding.

The division continually monitored the progress of outstanding recommendations, with an emphasis on high-risk recommendations.

## Integrity Division

The division received 186 complaints, conducted and finalized 89 investigations, conducted 4 project procurement-related audits, and raised awareness of ADB's anticorruption policy among staff, partners, borrowers, participants, and stakeholders. The division concluded investigations of 13 complaints against ADB staff members during the year, and recommended to the Budget, Personnel, and Management Systems Department disciplinary action and enhancements to operational procedures.

ADB debarred 41 firms and 38 individuals from participating in ADB-financed activity for designated periods. It recommended ways to deter and prevent fraud and corruption to departments, resident missions, borrowers, and service providers. The procurement-related audits identified potential indications of fraudulent and corrupt activity, and recommended ways to deter abuse in ADB-financed projects. Significantly, representatives of the supreme audit institution of some developing member countries formed part of the audit team for the procure-

ment-related audits, enabling the transfer of vital anticorruption skills and knowledge.

Division-sponsored anticorruption workshops in the Kyrgyz Republic and Papua New Guinea were attended by ADB resident mission staff, government officials, project officers, and supreme audit institution representatives. In the countries where procurement-related audits were conducted, supreme audit institution representatives attended training workshops that drew on their procurement-related audit experience.

The division published its inaugural quarterly e-newsletter in April and *Frequently Asked Questions on Anticorruption and Integrity* in July. It updated the Operations Manual anticorruption section, and translated ADB's anticorruption policy and *Integrity Principles and Guidelines* into Lao.

The division continued to collaborate with the Joint International Financial Institutions Anticorruption Task Force. The resultant harmonized efforts and shared information created a united front against corruption. The division regularly reviewed its activities and approaches to ensure its outputs were aligned with ADB's stated direction and strategy.