

December 2006

Progress Report on the Implementation of the
Asian Development Bank's Reform Agenda
(January–October 2006)

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPS	–	country partnership strategy
CSP	–	country strategy and program
DFID	–	Department for International Development of the United Kingdom
DMC	–	developing member country
GACAP II	–	second governance and anticorruption action plan
IEI	–	innovation and efficiency initiative
ISTS	–	information systems and technology strategy
IT	–	information technology
MfDR	–	Managing for Development Results
MTS II	–	Medium-Term Strategy II
MDB	–	multilateral development bank
OCR	–	ordinary capital resources
OECD-DAC	–	Organisation for Economic Co-operation and Development– Development Assistance Committee
PBA	–	performance-based allocation
PCP	–	public communications policy
PDP	–	performance and development plan
PID	–	public information document
PSD	–	private sector development
RCI	–	regional cooperation and integration
SPRU	–	Results Management Unit
TA	–	technical assistance

NOTE

In this report, “\$” refers to US dollars.

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I. BACKGROUND

1. ADB has completed the second year of implementing its reform agenda. The formulation and adoption phase for policies, strategies, approaches, and other change measures is now almost over and the regional departments are now putting the reforms into operation. To compile this report, the Reform Coordination Committee Secretariat obtained information from the focal departments and offices responsible for each initiative and from the regional departments on (i) major achievements of reform initiatives in 2006; (ii) issues and challenges in implementing the reform agenda, including coordination among the focal departments and offices and regional departments; and (iii) proposed actions to address these issues and challenges. A meeting of regional departments' focal points in August 2006 discussed broad issues and challenges related to the implementation of the agenda. Based on the conclusions of that meeting, further discussions were held with focal points of selected reform initiatives.

2. Previous progress reports on implementing the agenda were circulated to the Board in February 2005,¹ June 2005,² and April 2006.³ This progress report covers the period January–October 2006.

II. OVERALL PROGRESS

3. ADB has implemented many institutional changes and reached a number of important milestones in its implementation of the reform agenda. There has been significant progress in refining business processes and organizational structures. Most of the planned reforms (policies, strategies, programs, financial instruments, organizational structure, corporate planning, and business processes) have been adopted and are being implemented. Given that these reforms will be felt ADB-wide and that the implementation period is still relatively short, their results will not be felt for at least another year.

4. To date, ADB has adopted eight policies, strategies, and approaches out of the ten planned under the agenda (see Table 1). Five were adopted in 2006. It is expected that the policy on strengthening the capacity of developing member countries (DMCs) will be completed before the end of 2006 and that the graduation policy will be revised in the second quarter of 2007. The formulation and adoption of action plans for the rest of the initiatives⁴ have been completed. The formulation and adoption phase of the reform agenda is therefore expected to have been concluded by the second quarter of 2007. Appendix 1 contains a complete list of the 19 reform initiatives under the agenda and the status of their implementation as of October 2006.

¹ ADB. 2005. *Progress Report on the Asian Development Bank's Reform Agenda*. Manila.

² ADB. 2005. *Progress Report on the Implementation of the Asian Development Bank's Reform Agenda*. Manila.

³ ADB. 2006. *Annual Progress Report on the Implementation of the Asian Development Bank's Reform Agenda*. Manila.

⁴ (i) Establish the Results Management Unit (SPRU), (ii) design and implement an action plan for managing for development results (MfDR), (iii) implement the project performance management system (PPMS) action plan, (iv) implement the innovation and efficiency initiative, (v) conduct an independent assessment of the 2002 ADB reorganization and undertake follow-up actions, (vi) harmonize and align practices and procedures for aid effectiveness in agreed areas, (vii) solve the year-end "bunching" problem, (viii) implement a knowledge management action plan, and (ix) implement the information systems and technology strategy 2004–2009.

Table 1: Status of Strategies, Policies, and Approaches under the Reform Agenda

Strategy, Policy, or Approach	Status
1. Medium-Term Strategy II 2006–2008	Adopted in March 2006
2. Regional Cooperation and Integration	Adopted in July 2006
3. Private Sector Development: A Revised Strategic Framework	Adopted in February 2006
4. Enhancing Asian Development Bank Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources	Adopted in August 2006
5. Second Governance and Anticorruption Action Plan	Adopted in July 2006
6. Approaches to Strengthen Capacity Development of Developing Member Countries	For completion before the end of 2006
7. Graduation Policy	For completion in second quarter 2007
8. Performance-Based Allocation Policy	Adopted in December 2004
9. Public Communications Policy	Adopted in April 2005
10. Human Resources Strategy	Adopted in October 2004

Sources: Focal departments and offices implementing the reform initiatives.

III. MAJOR ACHIEVEMENTS AND MILESTONES⁵

A. Medium-Term Strategy II (2006–2008)

5. The medium-term strategy II (MTS II)⁶ adopted in March 2006 is the second in a series of medium-term strategies designed to flesh out the long-term strategic framework (2001–2015)⁷ and to adjust operational priorities in response to evolving conditions in each period. To address ADB's overarching goal of poverty reduction and to enhance its relevance and development impact in a dynamic and rapidly changing region, the strategy identified five priorities: (i) catalyzing investment as a prerequisite for sustaining high growth, employment creation, and rising productivity; (ii) strengthening inclusiveness and the poverty reducing impact of growth through rural infrastructure development and social development; (iii) promoting regional cooperation and integration (RCI) as a means of reinforcing national poverty reduction strategies at the regional level; (iv) managing the environment to ensure that economic growth is also environmentally sustainable; and (v) improving governance and preventing corruption.

6. The strategy also proposes some revisions to ADB's business model, including a more selective sector focus. Selected key sectors identified for future operations include education, energy, the financial sector, road transport, rural infrastructure, and urban infrastructure. MTS II emphasizes the role of ADB in leveraging additional development investment through financing partnerships and cofinancing, as well as the strengthening of project implementation to achieve

⁵ Three of the 19 agenda initiatives were fully completed: (i) establish the SPRU, (ii) strengthen the performance-based allocation (PBA) policy, and (iii) implement the PPMS action plan. SPRU, under the Strategy and Policy Department, became functional in February 2004 and is implementing the MfDR action plan. The revised PBA policy was completed in December 2004 and implementation of the PPMS action plan was completed in January 2006. The PBA and PPMS are being mainstreamed in ADB operations.

⁶ ADB. 2006. *Medium-Term Strategy II 2006–2008*. Manila.

⁷ ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001-2015)*. Manila.

development results. An informal Board seminar on 23 October 2006 discussed the draft paper “A Distinct Strategic Approach for Weakly Performing Countries”, a companion paper to the MTS II.

B. Regional Cooperation and Integration Strategy

7. The regional cooperation and integration strategy⁸ adopted in July 2006 is designed to support ADB’s overarching goal of poverty reduction through regional collective actions that lead to greater physical connectivity; expansion of trade and investment; development of financial systems and macroeconomic and financial stability; and better environmental, health, and social conditions. The strategy aims to build and deepen integration in four interrelated pillars: (i) regional and subregional programs on cross-border infrastructure and related services, (ii) trade and investment, (iii) money and finance, and (iv) regional public goods such as the prevention of communicable diseases and environmental degradation. ADB will play four distinct roles in supporting and promoting RCI as (i) a bank (by providing financial resources for RCI projects, programs, and related technical assistance [TA] and helping DMCs to mobilize additional funding and TA); (ii) a knowledge bank (by creating, consolidating, and disseminating knowledge and information on RCI); (iii) a capacity builder (by helping countries and regional or subregional bodies build institutional capacity to manage RCI); and (iv) an honest broker (by serving as a catalyst and coordinator of RCI for developing nations).

C. Revised Framework for Private Sector Development

8. ADB adopted a revised framework for private sector development (PSD)⁹ in February 2006, the main features of which were incorporated into MTS II. The successful implementation of this framework will help ADB deliver market-oriented finance and knowledge products and services to help DMCs attract, keep, and replicate more private investments. Through the implementation of the PSD framework, ADB will use its special relationship with DMC governments and its range of financial products and services to help DMCs give investors what they need: certainty, predictability, and confidence.

9. The operational vice presidents are leading the implementation of the framework. In May 2006, they issued a joint memorandum, which emphasized the importance of the country strategy and program (CSP) in defining ADB’s role in supporting the development of a given DMC’s private sector. The enhanced CSP processes adopted in August 2006 incorporated this point by integrating PSD initiatives into the CSP and the sector road maps supporting the program. The vice presidents’ memorandum also revised the business processes for concept clearance related to private sector proposals and clarified the accountabilities for processing non-sovereign lending transactions. This new process will encourage more collaboration among operational departments. Coordination across departments is also being improved. For example, representatives from the Private Sector Department are now involved in the country teams that prepare CSPs.

⁸ ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

⁹ ADB. 2006. *Private Sector Development: A Revised Strategic Framework*. Manila

D. Enhancing Asian Development Bank Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources

10. ADB adopted a paper on *Enhancing ADB Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources*¹⁰ in August 2006. The main objective of the paper was to provide a coherent framework for the measures being undertaken or considered to enhance support to middle-income countries and borrowers from ordinary capital resources (OCR). Details of individual measures are elaborated in more specific policy and strategy papers. Three broad groups of initiatives are proposed. The first aims to reduce the costs of doing business with ADB. OCR lending products are being reviewed to ensure they are competitive, while policies, strategies, and processes are being streamlined to ensure that ADB does not impose unnecessary costs on clients. The second group aims to expand the menu of instruments and modalities, which includes pilot-testing of new instruments through the innovation and efficiency initiative (IEI), improving existing instruments such as TA, as well as credit enhancement and risk management products. The third group of initiatives aims to enhance the quality of ADB's services.

E. Second Governance and Anticorruption Action Plan

11. ADB adopted the second governance and anticorruption action plan (GACAP II)¹¹ in July 2006. GACAP II, guided by the priorities of MTS II, is sensitive to the constraints facing both DMCs and ADB; prioritizes sector governance and institutional development; emphasizes partnership and a program-based approach with common performance indicators; adopts a risk management approach to improve quality-at-entry in CSPs and project design; incorporates sound preventive measures in project design; and strengthens supervision during project implementation.

12. GACAP II is organized into four key results areas: (i) improving the assessment of the risks that poor governance, weak institutions, and corruption represent for a country's social and economic development; (ii) ensuring that risks are taken into account when projects are designed; (iii) improving the work that is done with executing agencies to minimize the risks when projects are implemented; and (iv) upgrading ADB's ability to deal with governance issues by improving the skills of its staff and adopting better operational practices. Under the new plan, ADB will undertake effective oversight to preserve and enhance its reputation as a responsible lending institution with "zero tolerance" for corruption in ADB projects. Assessment of public financial management, procurement, and corruption risks will be mandatory in CSPs and in projects and programs. A risk management plan will be included in all ADB operations. More joint supervision missions for projects will be undertaken with other donors. Borrowers will be required to make public all contract awards, and to publish on ADB's website all contracts over \$1 million. Avenues to report allegations of fraud and corruption will also be improved.

13. To allow for a preparatory "learning by doing" phase, ADB will implement the action plan in two phases: the start-up phase, which will involve its implementation in selected countries and sectors; and the institutional phase, which will cover other DMCs and sectors. ADB will undertake risk assessment in a limited number of countries to help develop the methodology.¹²

¹⁰ ADB. 2006. *Enhancing Asian Development Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources*. Manila.

¹¹ ADB. 2006. *Second Governance and Anticorruption Action Plan*. Manila.

¹² During the start-up phase, ADB will prepare risk assessments and risk management plans in two priority sectors in each of five new country partnership strategies (CPS). Countries identified for initial implementation include Afghanistan, People's Republic of China, Sri Lanka, and Samoa.

TA funds will be used initially to support the preparation of sector analysis, risk assessments, and risk management plans.¹³

14. In February 2006, the heads of MDBs agreed on the need to standardize their definition of corruption. They established a taskforce to develop a uniform framework for preventing and combating fraud and corruption. At a meeting in September 2006, ADB, other multilateral development banks (MDBs), and multilateral financial institutions agreed to implement the following actions to combat fraud and corruption: (i) to adopt standard definitions of fraudulent and corrupt practices; (ii) to agree on common principles and guidelines for investigations; (iii) to strengthen exchange of information, as appropriate and with due attention to confidentiality, in connection with investigations into fraudulent and corrupt practices; (iv) to implement general integrity due diligence principles relating to private sector lending and investment decisions; and (v) to explore further how compliance and enforcement actions taken by one institution can be supported by others. The MDBs and other multilateral financial institutions agreed to continue to work together to assist their DMCs to strengthen governance and combat corruption in cooperation with civil society, the private sector, and other stakeholders, such as the media and the judiciary. In October 2006, ADB adopted definitions of corrupt, coercive, collusive and fraudulent practices (as formulated by the MDB taskforce) under its anticorruption policy.¹⁴

F. Approaches to Strengthen the Capacity Development of Developing Member Countries

15. This initiative aims to develop an operational medium-term framework and budgeted action plan for enhancing the client-orientation, effectiveness, efficiency, and sustainability of ADB-supported capacity development interventions, including proposals for updating related business processes. ADB prepared a draft paper on *Integrating Capacity Development into Country Programs and Operations: Proposed Medium-Term Framework and Action Plan*,¹⁵ which was discussed during an informal Board seminar in July 2006. The paper is expected to be finalized and adopted before the end of 2006.

G. Graduation Policy

16. ADB's 1998 graduation policy is being reviewed with respect to: (i) Asian Development Fund (ADF) and OCR eligibility criteria, the country classification framework, and frameworks for graduation from ADF and OCR; and (ii) the country classification review process and procedure. In addition, the review analyzes and discusses the DMC status of Hong Kong, China; Republic of Korea; Singapore; and Taipei, China. A management review meeting on 23 August discussed a working paper on a review of ADB's 1998 graduation policy. The final review will be completed in the second quarter of 2007.

H. Managing for Development Results

17. ADB is making sound progress in implementing actions to strengthen development effectiveness through the application of managing for development results (MfDR) in DMCs, within ADB, and through global partnerships. This is in line with the revised MfDR action plan

¹³ Approximately \$4 million of TA financing will be set aside for specific activities under GACAP II in 2007. This is in addition to lending and nonlending operations to support governance and anticorruption initiatives that have been already programmed.

¹⁴ ADB. 2006. *Anticorruption Policy: Harmonized Definitions of Corrupt and Fraudulent Practices*. Manila.

¹⁵ ADB. 2006. *Integrating Capacity Development into Country Programs and Operations: Proposed Medium-Term Framework and Action Plan*. Manila.

(2006–2008)¹⁶ adopted in August 2006, which has been revised and now focuses on six outcomes: (i) capacity building for results management in DMCs, (ii) the quality of results-based country partnership strategies (CPSs),¹⁷ (iii) a stronger results focus at the project level through better design and monitoring frameworks, (iv) ADB corporate-level performance management, (v) internal capacity building through staff learning and development programs in MfDR, and (vi) support for MfDR knowledge sharing and harmonization. Implementation of the revised action plan will be monitored and assessed using a results framework. Vice presidents will drive the process and will report to the Management Committee on its progress.

18. ADB supports the DMCs in building their MfDR capacity through TA funded by the MfDR Cooperation Fund and through MfDR awareness-raising at the country level. To date, 13 MfDR TA projects have been approved by ADB. A regional community of practice on MfDR supported by ADB was launched in March 2006 and has conducted a series of online discussions on such issues as MfDR in the Asian context, linking planning and budgeting, and establishing a results-based monitoring and evaluation system.

19. At the institutional level, ADB has mainstreamed MfDR in its operations, particularly in the preparation of results-based CSPs (to be replaced by CPSs, see footnote 17). To date, ADB has adopted results-based CSPs for 11 countries (see Table 2). In 2006, the South Asia Regional Cooperation Strategy and Program was adopted. Specific steps to introduce MfDR techniques have been taken through the strategic planning process, including the work program and budget framework, the annual report on the implementation of the poverty reduction strategy, and other policy documents and reports, including MfDR tools, such as results matrixes. Operational vice presidents have convened development effectiveness meetings with heads of departments to focus on performance issues, take stock of progress in managing departments for outcomes, and exchange emerging best practices among departments. ADB has introduced a more systematic MfDR curriculum to promote staff learning and development at various levels in ADB. This includes workshops on preparing results-based CSPs, training in the crafting of a results-based sector road map for results-based CSPs, and training in MfDR for directors and as part of the induction program for new staff. ADB continues to train staff and DMC officials on design and monitoring framework and is working to create a template for a design and monitoring framework for private sector operations.

20. A colloquium was convened in October 2006 for ADB's vice presidents and senior public sector executives from Canada with experience in managing public sector organizations for results. The vice presidents examined MfDR issues in institutions such as ADB, particularly corporate level strategic frameworks; accountability issues; reporting on results; incentives for MfDR; and continuing challenges and issues. As a consequence, the vice presidents are including the use of MfDR "checklists" to address MfDR elements in each CSP and in policy papers, and are considering recommendations on the introduction of a corporate performance management system.

21. ADB continues to be an active participant in global partnerships on MfDR. It is the chair of the MDB working group on MfDR and the co-chair of the Organisation for Economic Co-operation and Development–Development Assistance Committee (OECD-DAC) joint venture on MfDR. ADB initiated the first MDB common performance assessment system report, which was published on 21 April 2006. In sharing knowledge and experience among MDBs through

¹⁶ ADB.2006. *Managing for Development Results in ADB: Revised Action Plan*. Manila.

¹⁷ Effective 2007, the CSP will be replaced by the CPS, as recommended by the paper on "Further Enhancing Country Strategy & Program and Business Processes". (ADB. 2006. *Further Enhancing Country Strategy & Program and Business Processes*. Manila).

workshops and training programs, ADB has worked closely with the World Bank results secretariat and colleagues in all other MDBs on the MfDR agenda. More ADB results-based CSPs are being processed in conjunction with the World Bank's results-based country assistance strategy.

Table 2: Approved Results-based Country Strategies and Programs

Results-Based Country Strategies and Programs	Date of Approval
1. Nepal, 2005–2009	October 2004
2. Cambodia, 2005–2009	February 2005
3. Philippines, 2005–2007	July 2005
4. Bhutan, 2006–2010	September 2005
5. Mongolia, 2006–2008	October 2005
6. Bangladesh, 2006–2010	October 2005
7. Uzbekistan, 2006–2010	March 2006
8. Papua New Guinea, 2006–2010	July 2006
9. Viet Nam, 2007–2010	October 2006
10. Lao People's Democratic Republic, 2007–2011	October 2006
11. Indonesia, 2006–2009	October 2006

Source: ADB's e-board calendar.

I. Innovation and Efficiency Initiative

22. ADB has adopted and is implementing all the proposals under the IEI, except those related to the safeguards policy. These include changes to (i) cost sharing and expenditure eligibility, (ii) financial instruments and modalities, (iii) procurement and consulting services, (iv) country strategies, and (v) business processes.

23. Of the three new pilot financial instruments, demand has been greatest for the multitranche financing facility,¹⁸ with \$2.22 billion worth of financing availability for four projects¹⁹ approved so far. Nine more multitranche financing facility projects are being processed. With regard to the non-sovereign lending to public sector entities facility,²⁰ the Private Sector Operations Department has processed and the Board has approved two projects²¹ worth a total of \$150 million. No transaction has yet been proposed under the refinancing facility.²² Pilot testing of new IEI financing instruments and modalities will continue to be conducted until September 2008. The safeguards policy review is underway, and proposals relating to its implementation are expected to be adopted in 2007.

¹⁸ The multitranche financing facility is similar to a standby and noncontingent line of credit, with financing being provided either as a loan or a guarantee.

¹⁹ ADB. 2005. *Proposed Multitranche Financing Facility and Proposed Loan-National Highway Development Sector Investment Program (Pakistan)*. Manila.

ADB. 2005. *Proposed Multitranche Financing Facility-Rural Roads Sector II Investment Program (India)*. Manila.

ADB. 2006. *Proposed Multitranche Financing Facility-Uttaranchal Power Sector Investment Program (India)*. Manila.

ADB. 2006. *Proposed Multitranche Financing Facility and Technical Assistance Grant-Railway Sector Investment Program (Bangladesh)*. Manila.

²⁰ Non-sovereign lending to public sector entities facility allows for direct lending to state-owned enterprises and local governments, without central government guarantee.

²¹ ADB. 2006. *NTPC Capacity Expansion Financing Facility (India)*. Manila.

ADB. 2006. *South Sumatra to West Java Phase II - Gas Pipeline Project (Indonesia)*. Manila.

²² The refinancing facility helps restructure and expand fundamentally sound projects with high development impact but weak financing plans.

24. ADB has made changes to make CSPs more relevant, effective, and streamlined by (i) enhancing ownership, reflected in the change of the name to CPS, (ii) replacing annual CSP updates with a midterm review report and annual indicative rolling country operations business plans; and (iii) subjecting project concept papers to Management review, rather than bundling them in CSPs and CSP updates as at present. ADB is finalizing the draft operations manual section and detailed guidelines on the CPS, as well as the CPS, midterm review, country operations business plan templates, which will be ready by the end of 2006.

J. Independent Assessment of the ADB Reorganization in 2002 and Follow-Up Actions

25. ADB has implemented many of the structural, non-structural, and functional changes recommended in the independent assessment report²³ in 2004. The recommendation to build a critical mass of sector and thematic staff is being put into effect by reassigning 38 positions to priority areas of MTS II. This process was facilitated by the interdepartmental staff position redeployment during the staff sequestration and regional department realignment in 2006, as well as by vacancies created through the enhanced separation program. Following the report's recommendation, the Operations Evaluation Department is due to complete a review of the feasibility of shortening the time between project completion and finalization of project performance audits by December 2006. Efforts are ongoing to improve the sectoral strength, resources and accountability of departments, and specifically to develop the capacity of resident missions and national officers. The follow-up actions to the independent assessment of the reorganization in 2002 will be completed by December 2006.

K. Harmonization and Alignment

26. ADB has worked closely with other MDBs in many areas to harmonize and align its practices and procedures (see footnote 6 of Appendix 1). As part of the Paris Declaration on Aid Effectiveness, the MDBs agreed to work together with partner governments to strengthen the use of country systems and institutions. Strengthening DMCs' capacity and ownership is one of the reform initiatives and is a major part of ADB's efforts on harmonization, alignment, and MfDR. ADB and other MDBs are also harmonizing disbursement processes in many areas, such as fiduciary control frameworks, common withdrawal application forms, anti-money-laundering activities and combating financing for terrorists, and post-conflict and natural disaster recovery programs. Efforts to harmonize information and communications technology include the establishment of a \$20 million Republic of Korea: e-Asia and Knowledge Partnership Fund²⁴ at ADB on 1 June 2006.

27. ADB and the other MDBs have worked to harmonize (i) issuance of requests for proposals for engagement of consultants, (ii) development of country procurement laws and common procurement documents for local competitive bidding, (iii) issuance of a guide on electronic government procurement, and (iv) development of a guide on environmentally responsible procurement.

28. In 2006, as part of the harmonization efforts with MDBs, ADB participated in the (i) meeting of heads of procurement of MDBs in Manila; (ii) meeting of heads of MDBs in Washington, which issued a joint statement on ways to combat corruption; (iii) MDB round table

²³ ADB. 2004. *Independent Assessment of the Effectiveness of the Reorganization of the Asian Development Bank Diagnostic Report*. Manila.

²⁴ ADB. 2006. *Republic of Korea e-Asia and Knowledge Partnership Fund*. Manila.

on trust fund administration and cofinancing in Luxembourg; (iv) meetings of the evaluation cooperation group of MDBs, the United Nations Evaluation Group, and the OECD-DAC Evaluation Network in Paris; (v) the 13th Round Table on Harmonization, Alignment, And Results in Washington, and (vi) high-level quadrilateral consultations on donor coordination involving ADB, the Department for International Development (DFID) of the United Kingdom, the Government of Japan, and the World Bank, organized by DFID and hosted by ADB.

29. ADB is actively involved in global discussions on development effectiveness, and participates in forums such as the MDB working group on MfDR and the OECD-DAC joint venture on MfDR. ADB will co-sponsor the 3rd International Roundtable on MfDR in Hanoi in February 2007. In addition, preparatory work to harmonize the ADF IX grants allocation framework with that adopted under the World Bank's International Development Association 14 started in 2004 and is scheduled for completion before the ADF IX midterm review in December 2006. With regard to the performance-based allocation (PBA), ADB actively participated in the Second MDB Technical Meeting on PBA Methods held in Tunisia in March 2006. ADB monitors the harmonization efforts of different departments and offices at the institutional and country levels and reports on progress regularly through its action plan on harmonization and alignment. The action plan is updated twice a year, most recently on 31 July. Harmonizing ADB procedures with those of other development partners will be pursued and applied systematically and routinely across DMCs, sectors, and themes.

L. “Bunching”

30. Management and operational departments continued to take action to reduce end of year “bunching” (defined as project approvals that take place in the fourth quarter), including tighter planning and monitoring of the project processing schedule by regional departments; provision of monthly reports to Management on the scheduling of project approvals, with the focus on items for Management decision; and the inclusion of bunching issues in Management Committee meetings on operations. There was a significant improvement in the bunching rate of loan projects, which was reduced from 75% in 2004, to 51% in 2005, as well as the bunching rate for TA projects, which went down from 60% in 2004 to 49% in 2005. In 2006, two regional departments²⁵ introduced project readiness filter checklists for use during project processing, and other regional departments will introduce country-specific readiness filters after consultation with borrowing countries during this year's country portfolio review missions. Management will continue to monitor bunching based on monthly reports. Containing bunching this year has been very challenging, especially due to the realignment of country groupings in the regional departments and the unusually large number of reform-based program loans.²⁶ However, bunching is expected to be maintained at 52% by postponing the Board consideration of 11 projects to the first quarter of 2007.

²⁵ South Asia Department and Pacific Department.

²⁶ Program loans tend to come late in the year because borrowers are looking for disbursements by the end of their fiscal years.

M. Knowledge Management

31. ADB increased its dissemination of relevant and high-quality knowledge to DMCs and other shareholders, and enhanced knowledge capturing and sharing within ADB. In January 2006, *Knowledge Matters*, a web-based newsletter offering the latest lessons learned and best practices in knowledge management within ADB and other knowledge organizations, was launched. ADB was selected as one of the 23 finalists for the 2006 global most admired knowledge enterprises (MAKE) award, which recognizes leading global organizations for their ability to leverage enterprise knowledge to deliver superior performance in the areas of innovation, operational effectiveness, and excellence in products and services.

32. Through a TA grant, ADB is developing knowledge hubs in selected DMCs to support and strengthen research and to disseminate new development concepts and technologies. In 2006, ADB signed agreements to establish knowledge hubs in the areas of (i) clean energy at The Energy and Resources Institute of India (22 June); (ii) public finance at the Center for Public Finance and Regional Economic Cooperation at the Asian Institute of Management in the Philippines (14 July); (iii) the “reduce, reuse, and recycle” practices for material flows in economic activities at the Asian Institute of Technology in Thailand, with support from the United Nations Environment Programme Regional Resource Centre for Asia and the Pacific (7 August); and (iv) climate change at Tsinghua University in the People’s Republic of China (26 October). An eminent speaker’s forum was launched in 2006 to discuss emerging issues related to ADB’s work in the DMCs.

33. Ten communities of practice²⁷ were launched in August 2005 to capture and share information. In conjunction with this, ADB also developed compact strategic views on sector and thematic areas and started the pilot testing of ADB’s communities of practice tools (C-Cube),²⁸ C-Cube will be formally launched in November 2006. Activities that will continue for the rest of 2006 include (i) systems for capturing, classifying, and accessing information under the information systems and technology strategy 2004–2009 (ISTS II); and (ii) the first phase of intranet and internet harmonization initiated in 2005 and to be completed in 2007. Major work on the knowledge management framework will be completed by 2008.

N. Public Communications Policy (PCP)

34. September 2006 marked the first anniversary of the implementation of the public communications policy (PCP). In 2006, ADB strengthened its external relations strategy and introduced a proactive disclosure policy to increase accountability and transparency. The new InfoUnit under the Department of External Relations manages the PCP’s disclosure requirements. PCP awareness-raising and orientation workshops were conducted in four DMCs (Bangladesh, India, Indonesia, and Nepal) and in one donor country (United States).

²⁷ The 10 communities of practice cover: (i) education, (ii) energy, (iii) environment, (iv) finance and trade, (v) gender and social development, (vi) governance, (vii) health, (viii) RCI, (ix) transport, and (x) water.

²⁸ C-Cube is a set of information technology tools that link members of communities in ADB through the web or internet environment. It allows members—both internal and external—to communicate ideas and insights through publishing, chat, discussion forums, and on online meetings and/or conference tools; coordinate tasks and events through project management tools such as calendar and task tools; and collaborate with members in different locations through document sharing and online meeting and/or conference.

35. Under the policy, ADB is required to post project information documents (PIDs)²⁹ on ADB's website 30 days after a project's concept paper approval for public sector operations and 30 days before consideration of the project by the Board of Directors of ADB for private sector operations. To help operational staff plan and manage project documents for disclosure, ADB has developed a disclosure management system,³⁰ which became fully operational in November 2005. In February 2006, the disclosure management system became the only conduit through which staff may send project-related documents or country regional strategies for disclosure.

36. During the last quarter of 2006, ADB will (i) finalize a translation framework for management approval, (ii) complete ADB's first perceptions survey,³¹ and (iii) review the depository library program and develop a proposal to upgrade public information centers in member countries. An annual report assessing the implementation of the PCP will be circulated to Management and the Board in the last quarter of 2006.

O. Information Systems and Technology Strategy 2004–2009

37. The revised project schedule for the information systems and technology strategy 2004–2009 (ISTS II), approved by the IT Committee, attempts to make up for the delayed start to ISTS II by bringing forward more urgent initiatives, especially in the operational and knowledge management areas. Based on the approved revised timetable, several initiatives are ahead of schedule and are well within budget. However, projects under the project processing and portfolio management initiative have been delayed, as an integrated approach has been proposed instead. A concept paper was prepared for an integrated project processing and portfolio management information system that provides end-to-end pipeline and portfolio management support for ADB operations. The paper will be reviewed by the IT committee.

38. In 2006, progress was achieved in the knowledge management and server consolidation and upgrades initiatives with regard to (i) establishment of a document repository; (ii) the IT support for C-Cube (see footnote. 28) to be launched in November; and (iii) an upgrade of the e-mail infrastructure, resulting in more efficient e-mail storage and archiving facility, completed in October. The Pacific Department reports automation was completed and will be extended to other regional departments. A new mainframe computer and operating system has been installed ahead of schedule, and migration of data and applications from the old to the new mainframe is in progress, although it was postponed for 3 months due to end-of-year financial system processing requirements. The communities of practice—MfDR website and the automation of the PIDs (see footnote 29) under the PCP were developed. Substantial work will be undertaken by the end of 2006 to deliver some prioritized activities that are prerequisites for

²⁹ The PID is a factual summary of information on an ADB-assisted project. A PID is generated when a record for a TA, loan or grant project is created in project processing information system (PPIS). It is a web template that works in conjunction with PPIS, project performance reports and/or TA performance reports (PPR/TPR), and the eBoard calendar. After a PID is developed for a given project, it will replace the project profile currently on ADB's website. The PID is updated every quarter and posted on ADB's website.

³⁰ Disclosure management system is a lotus domino-based tool for planning and managing project-related documents and country regional strategies. It is linked to the PPIS, eBoard, the board documents system, PPR/TPR, and knowledge management applications.

³¹ The first independent ADB perceptions survey was conducted from April to June 2006, with the findings to be released in November 2006. The key findings, based on views of more than 700 opinion leaders in 30 member countries, acknowledge ADB's contribution to the development progress of Asia and the Pacific region. On its core mission of poverty reduction, ADB is viewed as doing at least an average job and often good or excellent in its work. A solid majority of opinion leaders also noted ADB's operational excellence, particularly in infrastructure and RCI initiatives. However, opinion leaders also found that ADB lacked capacity and is sometimes spread too thinly. Other weaknesses identified were its procedures, which some opinion leaders characterized as too bureaucratic.

PCP and knowledge management action plan implementation. Most activities under ISTS II will have been completed by 2008.

P. Human Resources Strategy

39. The second year of implementation of the human resources strategy was completed. The performance and development plan (PDP), introduced in 2005 as one of the core components of the performance management system, is mid-way through its second cycle. The plan was further enhanced in April 2006 to include (i) a uniform rating system to be used for results, behavioral, and overall assessment; (ii) streamlining of the signature process; (iii) more opportunity for supervisors and staff to comment; (iv) full implementation of the learning and development plan; and (v) modification of the box 3 rating (a “generally satisfactory”³² rating was introduced to replace the “partially satisfactory” rating). The PDP support program has continued throughout the year. In line with the bonuses orientation of the new compensation system for professional staff approved in 2005, a team bonus is being developed and will be introduced in 2007. The team bonus will complement the performance bonus for professional staff rated “exceptional” under the 2006 PDP. Like the performance bonus, the team bonus is a reward to individual staff members and will be awarded to eligible staff who consistently displayed an exemplary cooperative approach and outstanding teamwork and team spirit in 2006.

40. In 2006, ADB established and will implement a new technical career stream, allowing technical progression beyond level 6. This will create a very select group of highly-skilled senior technical specialists in operational areas of strategic significance. Sixteen vacancies created through the enhanced separation program are being used to meet the need for strategic institutional skills, including those required for implementing IEI and MTS II.³³ The results-based generic job descriptions for professional staff positions have been developed to include competencies and generic job titles. As job descriptions are the basis for recruitment, selection, career development, and evaluation, this is a major contribution to increasing transparency and merit-based human resources decision making. Using the generic job titles, a position-based skills inventory is nearing completion. Workforce planning can be improved by comparing the workforce profile against the required profile to identify gaps and redundancies.

41. Other key human resources actions in 2006 include (i) developing the gender action plan III, (ii) developing an enhanced human resources policy framework for resident missions and representative offices, (iii) revising the staff complement system to improve alignment of the ratios among functional groups, and (iv) establishing the assessment and development center. A consulting firm will be engaged in 2006 to design and pilot a competency-based assessment and development center to improve procedures for assessment and development of prospective senior professional staff. Strengthening the role of resident missions in project implementation will be considered under the review of resident mission operations, which is currently being prepared and will be completed in first quarter of 2007. ADB will convene focus groups and carry out short on-line surveys on priority actions later this year and in 2007. The implementation of individual actions will be completed by the end 2007. A comprehensive staff engagement survey will be conducted by an external agency in early 2008.

³² Generally satisfactory performance is defined as performance which generally meets requirements but needs improvement in specific areas.

³³ The enhanced separation program created 28 vacancies to be refilled, 12 of which were refilled without significant change in job description (as they were critical supervisory and thematic or focal point positions).

IV. MAJOR ISSUES AND CHALLENGES

42. The major challenges and issues³⁴ facing implementation of the reform agenda are as follows.

1. Timely Implementation of Many Action Plans and Resource Constraints

43. Progress has been slower (against the target date of completion)³⁵ than planned for several initiatives. Under the reform agenda, ADB is implementing 14 action plans, five of which were adopted in 2006 (see para. 3). Many action plans are being implemented concurrently, coherently, and on time with limited resources. Timely implementation of key reforms is essential for the efficiency and effectiveness of ADB. Efforts should continue to identify and remove any constraints that were not adequately reflected in the action plans.

44. In 2006, staff and budget requirements for implementing reform initiatives were met entirely from currently available resources within the approved budget. Additional resources, particularly staff with the essential skills, are required to implement the new, complex, and challenging action plans that were approved in 2006. Staff and budgets will need to be selectively reallocated to accelerate the implementation of vital initiatives.

2. Effective Coordination

45. Under the reform agenda, many action plans and activities are being concurrently implemented. Implementation of several initiatives depends on the availability of required inputs from related initiatives. For example, inputs from ISTS II are prerequisites for the knowledge management action plan and PCP implementation. The sequencing of the implementation of vital reform activities under interrelated initiatives needs to be clarified. Many departments (including all operational and several non-operational departments) are involved in implementing most of the initiatives. ADB will therefore continue to improve coordination and synchronization among operational departments, non-operational departments, and focal departments for initiatives to attain the overall action plan targets.

3. Planning and Prioritizing Key and Vital Initiatives

46. Concurrent implementation of many action plans within tight resource constraints will require careful planning, synchronization, and prioritization of reform actions, such as those related to key ADF IX commitments.³⁶ Management involvement and guidance in steering the agenda is needed to accelerate implementation of the action plans.

V. NEXT STEPS

47. **Expeditious and Rigorous Implementation.** Expeditious and rigorous implementation of adopted policies and strategies is essential for the success of the agenda and the efficiency and effectiveness of ADB. The adoption of new or revised policies and strategies indicates the

³⁴ Specific issues concerning the implementation of individual initiatives are not within the scope of this report.

³⁵ ADB. 2005. *Progress Report on the Asian Development Bank's Reform Agenda*. Manila.

³⁶ (i) Prepare a revised framework for private sector development and implement a new action plan, (ii) review the implementation of ADB's governance and anticorruption policies, (iii) design and implement an action plan for MfDR, (iv) harmonize and align practices and procedures for aid effectiveness in agreed-on areas, (v) prepare and implement a PCP, and (vi) formulate and implement a new human resources strategy.

progress on the agenda, but it is their actual implementation that will produce results and development impacts.

48. **Incorporation of Agenda Action Plans into the Work Programs of Operational Departments and Close Monitoring by Management.** The formulation and adoption phase of the agenda is almost over. As a result, operational departments have to implement many action plans and myriad of activities concurrently and coherently. Operational departments should incorporate all reform actions into their work programs, in close consultation with focal departments and offices. They should take into careful consideration the time and resources (staff with skills and financial resources) required to complete each activity.

49. Operational vice presidents will take the lead in implementing action plans and providing guidance. They will conduct regular meetings with heads of departments to remove implementation constraints. Complex action plans may require all vice presidents to be involved in the decision making process.

50. **Close and Regular Monitoring by Focal Departments.** Focal departments and interdepartmental working groups responsible for drawing up action plans should continue to coordinate and monitor their implementation. Focal departments should provide regular feedback to the Reform Coordination Committee on the status of implementation.

51. **Measuring Progress.** A new framework will be used to measure, monitor, and report progress toward achieving the five broad outcomes envisioned in the reform agenda (Appendix 2).³⁷ The benchmark data for outcome indicators were established in August 2006 using 2004 (or the most recent available year) data. The benchmark data were established in consultation with focal departments, offices responsible for reform initiatives, and regional departments. The new framework and a table of benchmark data and data for 2005 (or the most recent available year) appear in Appendix 3. Future annual reporting on the progress of the agenda will be based on these indicators.

52. **Enhanced Communication.** Implementing significant changes at country and institutional levels will require information to be disseminated regularly through various communication channels to deepen the understanding of and support for the reform agenda among both staff and external stakeholders. In April 2006, the reform agenda internet and intranet websites were revamped to provide a one-stop site for stakeholders. The intranet site had 247,500 hits in May and 225,274 hits in September. These figures reflect the effectiveness of communicating the progress of the agenda to ADB's stakeholders. A "chronology of events" and a list of "recent major achievements" are posted on both websites periodically. The progress of the reform agenda will also be communicated through various seminars, training programs, and conferences.

³⁷ (i) Improved operational policies, strategies, and approaches; (ii) mainstreamed MfDR; (iii) refined organizational process and structure; (iv) reinforced knowledge management; and (v) improved human resource management and staff incentives.

REFORM INITIATIVES AND STATUS OF IMPLEMENTATION

Reform Initiative	Status of Implementation (as of October 2006)
A. Review, prepare, and implement medium-term strategy 1. Review medium-term strategy, 2001–2005 2. Prepare medium-term strategy II, 2006–2008 (MTS II) 3. Implement MTS II	Completed in February 2006 Completed in March 2006 To be implemented until 2008
B. Prepare ADB's strategy for regional cooperation and integration 1. Prepare the strategy 2. Implement the strategy	Completed in July 2006 To be implemented until 2010
C. Prepare a revised framework for private sector development and implement a new action plan 1. Review implementation of the strategy 2. Prepare a revised framework 3. Implement the action plan	Completed in August 2005 Completed in February 2006 To be implemented until 2008
D. Review and recommend ways to enhance ADB support to middle-income countries and OCR borrowers 1. Review the approaches prepare a framework and action plan 2. Implement the action plan	Completed in August 2006 To be implemented until 2009
E. Review the implementation of ADB's governance and anticorruption policies 1. Review implementation of the policies and prepare a revised framework and action plan 2. Implement the action plan	Completed in July 2006 Start-up phase – 2007 Institutionalization phase – 2010
F. Review of approaches to strengthen DMCs' capacity development 1. Review the approaches and prepare a framework and action plan 2. Implement the action plan	To be completed before the end of 2006 Implementation to be determined (TBD)
G. Review ADB's Graduation Policy 1. Review the policy and prepare a revised framework and action plan 2. Implement the action plan	To be completed in second quarter 2007 Implementation TBD
H. Strengthen the Performance-Based Allocation Policy	Completed in December 2004
I. Establish the Results Management Unit	Completed in February 2004
J. Design and implement an action plan for Managing for Development Results 1. Design an action plan 2. Implement the action plan	Completed in August 2006 To be implemented until 2008
K. Implement the Project Performance Management System action plan 1. Prepare an action plan 2. Implement the action plan	Completed in April 2004 Completed in January 2006 (Training is continuing activity)

Reform Initiative	Status of Implementation (as of October 2006)
L. Implement the Innovation and Efficiency Initiative 1. Cost sharing and expenditure eligibility ^a 2. New financial instruments and modalities ^b 3. Procurement guidelines ^c 4. Guidelines on consulting services ^d 5. Update of safeguards policies 6. CSPs and business processes related to processing approvals and implementation ^e	To be completed by the end of 2008 Continuing activity Pilot testing until September 2008 Completed in April 2006 Completed in April 2006 To be completed by the end of 2007 TBD
M. Conduct an independent assessment of the 2002 ADB reorganization and undertake follow-up actions 1. Review the 2002 reorganization 2. Undertake follow-up actions	Completed in November 2004 To be completed in December 2006
N. Harmonize and align practices and procedures for aid effectiveness in agreed-on areas^f 1. Prepare an action plan 2. Implement the action plan	Formulated and Initiated in September 2004 Continuing activity
O. Solve year-end “bunching” problem	Continuing activity
P. Implement a knowledge management action plan 1. Prepare a framework and action plan 2. Implement the action plan	Completed in June 2004 To be implemented until 2009
Q. Prepare and implement a Public Communications Policy 1. Prepare a policy 2. Implement the action plan	Completed in April 2005 Continuing activity
R. Implement the Information Systems and Technology Strategy, 2004–2009 (ISTS II) 1. Prepare a strategy 2. Implement the strategy	Completed in June 2004 To be implemented until 2009
S. Formulate and implement a new human resources strategy 1. Formulate a strategy 2. Implement the action plan	Completed in October 2004 To be implemented until 2007

ADB = Asian Development Bank, DMC = developing member country, MTS II = Medium-Term Strategy II, OCR = ordinary capital resources, TBD = to be determined.

^a ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

^b ADB. 2005. *Pilot Financing Instruments and Modalities*. Manila.

^c ADB. 2006. *Revising the Procurement Guidelines*. Manila.

^d ADB. 2006. *Use of Consultants by the Asian Development Bank and Its Borrowers*. Manila.

^e ADB. 2006. *Further Enhancing Country Strategy & Program and Business Processes*. Manila.

^f The areas that have been agreed are: evaluation, environment and social safeguards, financial management, capacity building, governance and anticorruption, procurement including consulting services, gender, managing for development results, private sector, information and communication technology, legal documentation, and disbursement.

Sources: Focal departments and offices implementing the reform initiatives.

FRAMEWORK FOR MONITORING AND REPORTING THE PROGRESS OF THE IMPLEMENTATION OF THE ASIAN DEVELOPMENT BANK'S REFORM AGENDA

1. The reform agenda aims to enhance the ability of the Asian Development Bank (ADB) to manage its financial and human resources and activities so it can deliver products and services to developing member countries more efficiently. To achieve this, the agenda commits ADB to deliver the following broad outcomes related to internal changes and realignment: (i) improved operational policies, strategies, and approaches; (ii) mainstreamed managing for development results (MfDR); (iii) refined organizational process and structure; (iv) reinforced knowledge management; and (v) improved human resources management and staff incentives. There are 19 initiatives under the agenda.

2. In line with the MfDR agenda, and based on the conclusions of the fourth Reform Coordination Committee (RCC) meeting, a core set of outcome indicators has been identified to assess ADB-wide progress in implementing the reform agenda. This proposed framework is a tool to measure, monitor, and report on progress toward achieving the five broad outcomes envisaged for the reform agenda. The main purpose of the framework is to measure the ADB-wide impact of the implementation of reform agenda initiatives in terms of improved organizational capabilities. The core indicators were identified by the RCC secretariat following consultations with the Results Management Unit and the focal departments and offices implementing the reform initiatives. The indicators were selected because they were:

- (i) relevant to and measured the outcome of a specific initiative(s),
- (ii) at the institutional level, and
- (iii) information related to them could be produced by focal departments and offices on a regular basis from existing databases.

3. Following formal comments and feedback from focal departments and offices and the RCC, a core set of 17 indicators has been identified and endorsed by the RCC. These have been harmonized as far as possible with the results indicators of the work program and budget framework and the poverty reduction strategy.

4. The benchmark data for the indicators (2004 or the most recent available year) have been compiled. The data for 2005 or the most recent available year have also been compiled and compared with the benchmark data (Appendix 3). The indicators have been tested and reviewed and improvements have been made if necessary. These data were circulated to the focal departments and offices responsible for the reform initiatives and to regional department reform agenda focal points.

5. Future reporting on progress of the agenda will be based on these indicators and a qualitative assessment. Focal departments and offices will report progress to the RCC. The progress report will also cover submissions by focal departments and offices on progress on specific initiatives.

BENCHMARK AND MOST RECENT AVAILABLE YEAR DATA FOR THE OUTCOME INDICATORS FOR MONITORING AND REPORTING ON PROGRESS OF THE IMPLEMENTATION OF THE ASIAN DEVELOPMENT BANK'S REFORM AGENDA

Indicator	Benchmark (2004 or most recent available year)^a	2005 (or most recent available year)	% Change
A. Improved Operational Policies, Strategies, and Approaches			
1. Annual lending volume ^b (\$ million)			
a. ADF ^c	1,242	1,376	11
b. OCR ^d	3,997	4,421	11
c. Total lending	5,239	5,797	11
d. Equity Investments	164	217	32
e. Guarantees	10	68	580
2. Annual loan disbursement levels (\$ million)			
a. ADF ^c	1,055	1,247	18
b. OCR ^d	2,508	3,498	39
c. Total loan disbursements	3,563	4,745	33
d. Equity Investments	41	132	222
3. Percentage of reform agenda policies, strategies, and approaches approved by Management and/or Board of Directors (cumulative from 2004) ^e	20.0%	30.0%	50
B. Mainstreamed Managing for Development Results			
1. Number of DMCs ^f with results-oriented CSPs (cumulative from 2004)	1	6	500
2. Percentage of outcome statements of project design and monitoring frameworks rated "satisfactory" ^g or above	68.0%	79.0%	16
3. Percentage of outcome statement of TA design and monitoring frameworks rated "satisfactory" ^g or above	23.0%	60.0%	161
4. Number of loans "at risk" ^h as a percentage of total loans:			
a. Number of loans "at risk"	69	44	-36
b. Percentage of total loans	14.1%	8.6%	-39
C. Refined Organizational Process and Structure			
1. Loan ⁱ processing time: average number of months between beginning of PPTA fact-finding (or loan approval fact-finding if project is processed without	23	22	-4

Indicator	Benchmark (2004 or most recent available year) ^a	2005 (or most recent available year)	% Change
PPTA) and Board approval for loans approved during the year			
2. Number of joint CSP and CPRMs conducted annually ^j CSP missions: a. Total number of CSP missions conducted b. Total number of CSP missions conducted jointly with World Bank and other development partners c. Percentage of joint CSP missions to total CPRMs: a. Total number of CPRMs conducted b. Total number of CPRMs conducted jointly with World Bank and other development partners c. Percentage of joint CPRMs to total	4 1 25.0% 19 5 26.0%	9 3 33.0% 16 6 38.0%	125 200 32 -16 20 46
3. Projects submitted for Board approval in fourth quarter a. Number of fourth quarter public and private sector approvals b. Total number of approvals c. Percentage of fourth quarter to total	49 75 65.0%	43 84 51.0%	-12 12 -22
4. Professional staff ^k on board per project approved in a year	12	12	0
5. Lending projects administered by resident missions a. Number of lending projects administered by resident missions b. Percentage of total lending projects	137 27.9%	173 33.8%	26 21
D. Reinforced Knowledge Management			
1. ADB's score on MAKE ^l survey on effectiveness of knowledge management a. External survey b. Staff survey	49 (2005) 39.55 (2005)	Next available data (2006)	
2. Number and size of active networks or communities of practice (CoPs) in ADB a. Total CoPs ^m b. Total CoP meetings ⁿ	19 (2005) 76 (2005)	Next available data (2006)	
3. Number of unique users of a. Knowledge management portal in intranet ^o	97,140 (2005)	Next available data (2006)	

Indicator	Benchmark (2004 or most recent available year) ^a	2005 (or most recent available year)	% Change
b. ADB website	1,816,129	2,323,200	28
E. Improved Human Resource Management and Staff Incentives			
1. Percentage positive change in engagement score as measured every 3 years Score in staff engagement survey (%) ^p	48.0% (2003)	Next available data (2008)	
2. Budgeted PS and NOs in resident missions as a percentage of total PS and NO			
a. PS	10.6%	12.0%	13
b. NO	38.0%	38.7%	2
c. Total (% to total PS and NO)	19.7%	21.5%	9

ADB = Asian Development Bank, ADF = Asian Development Fund, CoP = community of practice, CPR = CPRM = country portfolio review mission, CSP = country strategy and program, DMC = developing member country, MAKE = Most Admired Knowledge Enterprises, NO = national officer, OCR = ordinary capital resources, PPTA = project/program preparatory technical assistance, PS = professional staff, TA = technical assistance.

^a For indicators 13, 14, 15a, & 16, benchmark data for 2004 are not available and data for 2005 and 2003 are used.

^b Excludes multitranchise financing facility and new lending-related transactions that do not result in a loan in the year of approval.

^c Public sector loans only.

^d Includes public and private sector loans.

^e There are 10 policies, strategies, and approaches under the reform agenda: (i) medium-term strategy, (ii) regional cooperation and integration, (iii) revised framework for private sector development, (iv) approaches to middle-income countries and OCR borrowers, (v) governance and anticorruption policy, (vi) approaches to strengthen capacity development of DMCs, (vii) graduation policy, (viii) performance-based allocation policy, (ix) public communications policy, and (x) human resources strategy.

^f Number of DMCs of the department with approved results-based CSP at the end of the year (cumulative from 2004). With effect from 2007, CSPs will be replaced by country partnership strategies.

^g The design and monitoring frameworks (DMFs) form the basis for the project performance management system (PPMS), their quality determines the success of eventual performance. The DMF summarizes a proposed project/program design and is contained as an appendix in a key loan-document—the Report and Recommendation of the President (RRP) to the Board of Directors of ADB. The DMF also forms the basis for subsequent project/program monitoring of implementation activities and evaluation of results. Independent assessments of each DMF on the basis of several factors at the impact, outcome, and output levels were done. A four-point ordinal rating scale was used to rate each factor at each DMF level: highly satisfactory, acceptable, major shortcomings, and totally inadequate. An overall rating is considered satisfactory or better if the average score was 2.0 or higher.

^h The project/program performance report (PPR) is an important part of ADB's PPMS. The PPR is updated following each project mission, at the end of every quarter, and at other times appropriate. In the PPR, the project is rated separately on the actual implementation progress and on the likelihood that the development objectives will be achieved, using a four-level scale: highly satisfactory (HS), satisfactory (S), partly satisfactory (PS), and unsatisfactory (U). All projects with a PS or U rating are considered to be *problem projects*, and projects with 4 or more *flags* marked among 11 rating criteria are also considered to be *potential problem projects*. Problem projects and potential problem projects both fall into the category of *projects at risk*, which should receive extra attention through ADB missions and other means until such time as their performance improves enough to earn them at least a satisfactory rating.

ⁱ Restricted to OCR and ADF public sector loans (as private sector loans do not have PPTA fact-finding mission).

^j Total number of joint CSP and CPRMs (with at least one other donor) undertaken by the department during the year.

^k Total number of PS at the beginning of the year (1 January) based on Budget, Personnel, and Management Systems Department's report.

^l Based on the methodology developed by the MAKE program. MAKE uses eight knowledge performance dimensions: ability to (i) create and sustain an enterprise knowledge-driven culture; (ii) develop knowledge workers through senior management leadership; (iii) develop and deliver knowledge-based projects and services; (iv) manage and maximize the value of enterprise intellectual capital; (v) create and sustain an enterprise-wide collaborative knowledge-sharing environment; (vi) to create and sustain a learning organization; (vii) manage client knowledge to create value and enterprise intellectual capital; and (viii) transform knowledge to reduce poverty and improve clients' standard of living. For 2004, there was no external survey and the staff survey was not conducted. In 2005, for staff survey, Teleos conducted an electronic survey of selected ADB staff to determine their perceptions about ADB's knowledge management implementation process. The findings were benchmarked against the eight recognized MAKE knowledge performance dimensions to determine "high-level" knowledge management trends at ADB. For the external survey, ADB was named one of 49 finalists out of 150 finalists by an independent panel of experts. Selection was based on organizations' ability to transform corporate knowledge into enterprise intellectual capital and shareholder wealth using the eight knowledge performance dimensions.

^m In 2004, there were 43 sector or thematic committees or networks. These were reconstituted as communities of practice in August 2005. ADB has 10 formal committees and 9 informal networks and they all meet four times a year.

ⁿ In 2004, the number of meetings of communities of practice was not measured.

^o Tool to monitor intranet usage introduced in second quarter 2005. The annual benchmark figure was derived from the total number of unique users in July-December 2005 = 48,570 x 2 = 97,140

^p The first engagement survey was completed in 2003. 833 employees responded to the survey with a response rate of 42%. The survey analyzed staff perceptions of (i) ADB's work environment and conditions, including leadership; (ii) their commitment to the mission of the organization; (iii) their salary and benefits; (iv) work-life balance; (v) performance management; and (vi) career opportunities. The final score was determined from their responses to these six questions.

Sources: Data obtained from departments, offices, and databases.