

Progress Report on the Implementation of the Asian Development Bank's Reform Agenda

May 2005

Asian Development Bank

I. PROGRESS OF THE IMPLEMENTATION OF THE REFORM AGENDA: OVERVIEW

1. The reform agenda adopted in June 2004, is a comprehensive and challenging framework for institutional change and renewal, and will help ADB achieve better development results. The first progress report was prepared in January 2005. This second report identifies areas of recent progress in the implementation of the reform initiatives, the major institution-wide issues and next steps. Of the 19 initiatives under the reform agenda, ADB has completed (i) the strengthening of the performance-based allocation (PBA) policy, (ii) the establishment of a results management unit, and (iii) an independent assessment (IA) of the 2002 ADB reorganization. Except for delays in some initiatives, implementation of the remaining initiatives is generally on track and is expected to be completed largely during 2005–2006.

2. There have been several achievements in 2005 under the agenda. Among them, ADB adopted a new Performance Management System (PMS) as part of the implementation of the new Human Resources (HR) Strategy. The PMS was approved in January 2005 and will provide a meaningful assessment of staff performance with a clear focus on results.

3. Secondly, the ADB adopted a new Public Communications Policy (PCP) on 22 April 2005. This policy gives the public improved access to documents and information and commits ADB to greater openness and dialogue with stakeholders. The policy will also help ADB to better engage its stakeholders, and open up new ways to increase the effectiveness of development programs. As part of the implementation of PCP, the Office of External Relations (OER) will be upgraded to a department and representative offices will be placed within the new department to strengthen ADB's external relations.

4. Thirdly, under the Innovation and Efficiency Initiative (IEI), ADB prepared Board papers on less restrictive cost sharing arrangements and expanding items that are eligible for ADB financing (expenditure eligibility) and on the development of four new pilot financing instruments and modalities, namely, local currency financing, sub-sovereign lending, refinancing, and a multi-tranche financing facility. These papers were submitted for Board discussion in June 2005. The proposed changes will enable ADB to reduce transaction costs to its clients, be more flexible, increase its efficiency, expand and innovate its financial instruments, and harmonize ADB's financing regime with that of other multilateral development banks (MDBs). A paper proposing changes to country strategy and programs (CSPs), and project processing and implementation was submitted to Management in May 2005. This will reduce the preparation time for projects and improve project implementation.

5. Fourthly, under the Management for Development Results (MfDR) initiative, results-based CSPs are being prepared for 8 developing member countries (DMCs) as part of the mainstreaming of results-based management in country planning. To sharpen the focus on results at the project level, revised design and monitoring frameworks (DMFs) were introduced in March 2005 under the Project Performance Management Systems (PPMS) initiative. This new framework helps to identify results early on, along with more specific indicators to monitor progress.

6. Finally, Management endorsed most of the non-structural follow-up changes recommended in the IA final report for immediate implementation. A paper on the latest status of the follow up actions to the report and organizational adjustments to implement the new PCP was circulated to the Board in April 2005. The Board approved the paper's recommendations on the change in the reporting lines of the Office of Cofinancing Operations (OCO) and the upgraded OER on 20 May. In addition, the paper outlines functional and other adjustments in

the Regional and Sustainable Development Department (RSDD) and next steps for further implementation of the IA report's recommendations, including the establishment of an independent and integrated risk management function within ADB.

II. IMPLEMENTATION STATUS OF THE AGENDA INITIATIVES

A. Improving Operational Policies, Strategies, and Approaches

7. **Review of the Private Sector Development Strategy.** A draft report was prepared, and external and internal consultations are ongoing. A final report will be completed in the third quarter of 2005.

8. **Review of the Governance and Anticorruption Policies.** An internal and external consultation desk-based reports were completed in December 2004. Consultation reports were posted on the website in March 2005 and a final report containing the review recommendations and action plan for the next five years will be completed in the third quarter of 2005.

9. **Prepare a Regional Cooperation Strategic Approach.** A draft initiating paper has been completed and will be finalized in September 2005. The Office of Regional Economic Integration, replacing the Regional Economic Monitoring Unit, was established on 1 April 2005 to strengthen ADB's unique role in promoting closer regional cooperation and integration.

10. **Strengthen the Performance-Based Allocation Policy.** The Board approved the revised policy in December 2004 and the staffing of the PBA focal point is underway. ADB is now applying the new PBA policy to allocate Asian Development Fund (ADF) IX loan and grant resources to ADF borrowers on the basis of economic management, socially inclusive development, governance, and portfolio performance (with increased emphasis on governance in allocation). The first MDB Technical Meeting on PBA methods was held in Manila in January 2005. In addition, regional workshops on the new policy were conducted for DMCs' officials and civil society in the Fiji Islands and Thailand in April 2005.

11. **Review of the Graduation Policy.** The second interdepartmental review of the draft policy paper is completed and final revision is expected to be ready for Board discussion in the third quarter of 2005.

12. **Review of the Medium-Term Strategy (MTS).** Narrative assessment of the MTS I (2001–2005) action plan (based on inputs from all departments) is underway and the review will be completed in the second quarter of 2005. Discussions are also ongoing for the preparation of MTS II (2006–2010). The MTS II will set out specific priorities ADB intends to address over 2006–2010. These priorities will be achieved within the context of ADB's unique strategic goal of enhancing regional cooperation and integration.

13. **Enhanced Middle Income and OCR Borrowing Countries Partnership Framework.** Consultations with three countries (India, Pakistan, and the People's Republic of China) were completed in 2004. Further consultations were conducted in the Philippines in April-May 2005. In January 2005, an informal Board seminar was conducted to introduce overall rationale and strategic intents. This was followed by consultations with the World Bank in February 2005, and by a meeting of MDB heads in March 2005 wherein approaches to middle income countries were discussed. A Board Information Paper containing a provisional action plan is under preparation and will be circulated in June 2005. Strategic directions and key action plans will be finalized in the third quarter of 2005 for subsequent implementation.

14. **Review of Approaches to Strengthen Capacity Development of DMCs.** The capacity development classification system was introduced in January 2005. ADB participated actively in the MDB Working Group on Capacity Development. An approach paper, including a medium-term action plan for 2005–2010, will be submitted for Management approval in the third quarter of 2005.

B. Mainstreaming Management for Development Results (MfDR)

15. MfDR requires revised systems for planning, monitoring, evaluation, reporting and use of performance information at all levels of the organization. ADB formulated an MfDR framework and action plan to enhance results orientation at country, institution, and project levels. Successful implementation of this initiative entails changes in the organizational culture and strong management support.

16. In order to assist DMCs boost their capacity for results management ADB organized two regional workshops (Bangkok and Bishkek) with development partners to stimulate discussion and the sharing of experience.

17. Several resident missions are assisting DMCs in MfDR-related activities. For example, the Nepal Resident Mission is working closely with the National Planning Commission of Nepal to deliver a results-based CSP in a volatile political environment. In Pakistan, the Resident Mission has established a Results Management and Development Effectiveness Unit to help build capacity for results-based monitoring within the Government of Pakistan. Bangladesh Resident Mission started work on results-oriented portfolio management and reporting.

18. The MfDR Cooperation Fund¹, aimed at promoting the adoption of results-based approaches in DMCs' public sector management, became fully operational in December 2004. As of end April 2005, five technical assistance (TA) proposals were endorsed by the Fund Review Committee for a total amount of \$1.65 million, which is 100% of the Canadian and the Netherlands contributions.

19. A number of activities have also been initiated to assist in DMCs' results management and statistical capabilities through TAs and learning events. TA programs are being prepared to strengthen MfDR practice in Bangladesh, Maldives, Nepal, and Pakistan. TAs are being formulated in the People's Republic of China to develop a results-based National Monitoring and Evaluation System for key projects, and in Viet Nam to strengthen institutional capacity for a results-based monitoring of poverty reduction and growth. A comprehensive assessment of the Monitoring and Evaluation system in selected South Asia DMCs will be undertaken to harmonize the system.

20. *At the institutional level*, steps are being taken to strengthen ADB's corporate strategic planning and budgeting. As part of mainstreaming results-based management, results-based CSPs are being prepared for Bangladesh, Bhutan, Fiji Islands, Indonesia, Mongolia, Philippines, Uzbekistan, and Viet Nam. Also, regional cooperation strategies and programs for the East and Central Asia, Mekong, and Pacific regions are being prepared. Interim guidelines were issued for the preparation of CSPs, and good practice notes will later be developed based on experience. The South Asia Department, meanwhile, established a team in 2004 to mainstream

¹ In addition to Canada and the Netherlands' contributions, Norway recently confirmed another \$970,000, bringing the total of MfDR Fund to about \$2.7 million equivalent.

MfDR in its operations. Subsequently, other regional departments set up their MfDR focal points and teams. A comprehensive monitoring and results reporting system has also been developed as part of the process of enhancing the Poverty Reduction Strategy (PRS). Based on the experiences gained through the first annual report on PRS implementation, now being prepared, the system will be further developed and refined.

21. *Through partnerships at the global level*, particularly the 2004 Marrakech Roundtable on Results and the 2005 Paris High-Level Forum on Aid Effectiveness, ADB has been actively involved in sharing experiences and developing common approaches. ADB also holds the inaugural chair of the MDB Working Group on MfDR and co-chairs the Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) Joint Venture on MfDR. ADB has also consulted extensively with other development partners, including the World Bank (WB) and the Inter-American Development Bank on various aspects of the MfDR agenda, and is at the forefront of establishing a “Community of Practice” in the field of MfDR in Asia and the Pacific Region.

22. **Enhanced Project Performance Management Systems.** *To sharpen the focus on results at the project level*, ADB adopted an action plan for enhancing PPMS. As part of the PPMS, revised design DMFs were introduced in March 2005, followed by a series of training workshops for mission leaders and briefings for sector and country directors. This new framework helps identify results early on, along with more specific indicators to monitor progress. Regional departments prepared their PPMS action plans and refined their quality assurance systems for DMFs and Project Performance Reports. Preparations are underway to build staff competencies in the resident missions and DMC executing agencies. An informal Board seminar on the enhanced PPMS confirmed the Board’s support for this reform initiative. New staff guidelines are under preparation. A pool of local consultants will be created to facilitate stakeholder participation in project design and implementation. At the institutional level, systems for retrospective assessment of quality-at-entry of CSPs and projects are being developed.

C. Refining Organizational Process and Structure

23. **Conduct an Independent Assessment of the 2002 Reorganization.** The final report of the IA panel suggested a set of options and recommendations covering four major areas: (i) strategic focus, (ii) sectoral strength and resources, (iii) quality assurance, and (iv) operational effectiveness. Most non-structural changes proposed in the final report were endorsed by Management for immediate implementation. To this end, an action plan was approved by the President on 28 January 2005 and will be implemented during 2005–2006. The plan identifies the principal implementing units, mechanism, timeframe, and methodology for introducing necessary adjustments. Many of the non-structural issues endorsed are integrated into various ongoing reform initiatives. A Board information paper outlining the status of follow-up actions was circulated in February 2005.

24. Further studies are being undertaken for options and recommendations of the final report on structural and functional changes that would require careful analysis for a balanced solution or optimal arrangement. A draft paper on “Organizational Adjustments for Enhanced Operational Effectiveness (Follow-up Actions to IA Panel’s Report)” was circulated to the Board in April 2005. The paper presents the latest status of the follow-up actions to the final report, and organizational adjustments to implement the new PCP. It also recommends the change in the reporting line of OCO from Vice President (Finance and Administration) to Vice President (Knowledge Management and Sustainable Development) and the change in the reporting line of

the Department of External Relations (previously Office of External Relations) from Vice President (Knowledge Management and Sustainable Development) to the President to support effective implementation of the new PCP. The Board approved the above recommendations on 20 May. In addition, the paper outlines functional and other adjustments in RSDD as well as the next steps envisaged for further implementation of the IA panel's options and recommendations, such as the establishment of an independent and integrated risk management function within ADB and the creation of critical mass of technical expertise in ADB operations.

25. **Innovation and Efficiency Initiative.** Informal discussions with Board members on the objectives and scope of the initiative were held in December 2004 and January 2005. Reforms under the initiative cover procurement, cost sharing and eligibility, financial products and risk assessment, CSP and business processes related to processing, approvals and implementation and safeguards. Two Board papers on policy change proposals in the areas of consulting services and procurement are being prepared and will be ready for Board consideration in mid-2005.

26. Board papers on cost sharing and expenditure eligibility and on new pilot financing instruments were circulated for Board discussion scheduled in June 2005. These papers propose less restrictive cost sharing arrangements and expanding items that are eligible for ADB financing and on the development of four new pilot financing instruments and modalities namely, local currency financing, sub-sovereign lending, refinancing, and a multi-tranche financing facility. The proposed changes will enable ADB to reduce transaction costs to its clients, be more flexible, increase its efficiency, expand and innovate financial instruments, and harmonize ADB's financing regime with that of other MDBs.

27. A paper on changes to CSP, business processes, and internal procedures and practices related to project and technical assistance processing, approvals, and implementation was submitted to Management in May 2005. This will reduce the preparation time for projects and will also improve project implementation. A review of current safeguard policies is underway and is expected to be completed by end 2005 or early 2006.

28. The proposed changes under this initiative will enable ADB to reduce transaction costs to clients, be more flexible and timely in its operations, align its business to country cycles, increase its efficiency, expand and innovate its financial instruments and become a more responsive and effective partner.

29. **Harmonization and Alignment for Aid Effectiveness.** The action plan on harmonization and alignment of practices and procedures in the DMC on agreed areas is being implemented. ADB, together with other MDBs, United Nations Development Programme (UNDP), and OECD-DAC, recently co-sponsored the Second High-Level Forum on "Joint Progress Toward Enhanced Aid Effectiveness: Harmonization, Alignment, and Results" in Paris in February 2005. The Forum concluded with the adoption of Paris Declaration, committing MDBs, donor nations, developing countries, and partner organizations to a series of actions designed to significantly increase aid effectiveness. ADB fielded joint country portfolio review missions to Kazakhstan, the Kyrgyz Republic, and Tajikistan with the World Bank, and prepared Cambodia's CSP jointly with World Bank, United Nations (UN) and Department for International Development (DFID), United Kingdom. A joint results-based Viet Nam CSP with the World Bank is planned for this year.

30. **Solve yearend Bunching Problem.** Monthly reports containing yearend bunching projections are being prepared for tighter planning and monitoring of Board schedules. ADB is

considering a reform of the planning process to allow greater allocation of resources per project that would increase control over the project scheduling process. Other measures to limit bunching include greater flexibility in business processes to free up capacity for improved project scheduling. The introduction of a multiyear resource allocation cycle for OCR loans and TAs is being considered. A biennial cycle for ADF loans is already in place. A Board retreat to discuss the bunching problem was held on 20 May 2005.

D. Reinforcing Knowledge Management (KM)

31. **Implement KM Framework Action Plan.** A KM framework including its action plan is being implemented and will be completed in 2007. Meetings of departmental coordinators (appointed in September 2004) were held in January and March 2005 to discuss the implementation of the KM action plan. Project teams on document repository, content management and skills database were also established in March 2005. An initial assessment of ADB's KM activities was conducted by Teleos-MAKE (Most Admired Knowledge Enterprises) in October 2004. As a result of the delay in establishing the Program Management Office (PMO) within the Office of Information Systems and Technology (OIST), the Information Technology (IT)-related KM initiatives will be delayed as well. The procedural guidelines for the preparation of the 3-year Knowledge Products and Services ADB-wide work plan were approved by the President on 14 April 2005.

32. **Prepare and implement a Public Communications Policy.** The ADB adopted the new PCP on 22 April 2005. The PCP replaces the policy on Confidentiality and Disclosure of Information and the Information Policy and Strategy, and will help ADB engage its stakeholders, enhance their trust in ADB, and thereby find new ways to increase the effectiveness of development programs. This places ADB at the forefront of MDBs in terms of transparency and access to information. The policy aims to promote (i) awareness and understanding of ADB activities, policies, strategies, objectives and results; (ii) exchange of development knowledge; (iii) greater two-way flow of information between ADB and its stakeholders; and (iv) the transparency and accountability of ADB operations. The policy takes effect on 1 September 2005. As part of the PCP implementation, OER will be upgraded to a department and representative offices will be placed within the new department to strengthen ADB's external relations.

33. **Implement the Second Information Systems and Technology Strategy (ISTS II).** The Board approved ISTS II in June 2004, but the PMO was established under OIST only in March 2005. As a result of the delay, development and implementation activities are behind schedule. Major work, however, will be completed by 2007; and the overall program will be completed on time (by 2009). The information system technology infrastructure and information technology governance initiatives are currently being developed.

E. Improving Human Resources (HR) Management and Staff Incentives

34. **Formulate and implement a new HR Strategy.** The implementation of the new HR Strategy has begun and will be completed in 2007. This strategy will enhance organizational capability, establish an effective performance management system, and strengthen leadership and accountability. A new Performance Management System (PMS) was approved in January 2005. The PMS is being rolled out and will provide a meaningful assessment of staff performance with a clear focus on results. This will promote increased accountability at the individual level and as part of staff contributions to teams, divisions, and departments. The new

PMS will be fully operational by the end of 2005. A paper on “Enhanced Separation Program” was approved by the Board on 19 May 2005.

35. Staff core competencies (technical knowledge, client orientation, teamwork, etc.) and ADB-wide competencies for its major business functions were developed. The first phase of a diversity training program was conducted in April 2005. An improved learning strategy was developed to align training and development programs with HR Strategy and competencies. A review of compensation and benefits policies (including incentive system and processes) is underway, with a Board paper scheduled for Board discussion in July 2005. The review of ADB’s recruitment and selection process has been completed.

III. MAJOR ISSUES AND NEXT STEPS

36. This year witnessed several achievements under the agenda. However, implementing the many initiatives for institutional change and renewal coherently and on time remains a challenging task; thus, there have been implementation delays in some activities. Under the reform agenda, 16 initiatives are ongoing, and 12 are planned for completion this year. In addition, 15 initiatives (e.g., review of additional policies, strategies, and administrative reforms) are being implemented during 2005–2006. It is a heavy workload and further delays may result.

37. There are several interrelated and/or multiple department-related initiatives. This calls for closer coordination and tighter planning for effective implementation. Implementing significant changes at the country and institutional levels will require continuous training and activities to raise awareness in ADB and the DMCs.

38. Because many initiatives are planned for completion this year, closer and more frequent monitoring will be undertaken. The Reform Coordination Committee will suggest actions to address implementation issues and challenges. A progress report will be submitted to Management on a regular basis to seek timely guidance for follow-up actions.

**ASIAN DEVELOPMENT BANK REFORM AGENDA: MAJOR INITIATIVES
AND ACHIEVEMENTS**
(as of May 2005)

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
<p>A. Improving Operational Policies, Strategies, and Approaches</p> <p>1. Review implementation of ADB's private sector development strategy.</p> <p>2. Review implementation of ADB's governance and anticorruption policies.</p> <p>3. Prepare a regional cooperation strategic approach.</p> <p>4. Strengthen performance-based allocation policy.</p>	<ul style="list-style-type: none"> • Third quarter 2005 • Third quarter 2005 • September 2005 • Completed in December 2004 	<ul style="list-style-type: none"> • A draft review report prepared in April 2004. • Draft report revised based on conclusions of an informal Board presentation held in May 2004. • External and internal consultations with stakeholders on the draft report initiated through the website. • Revised paper to be circulated for interdepartmental comments in June 2005. • Desk-based review report completed in October 2004. • Internal and external consultations with stakeholders completed in December 2004. Consultation reports published in the website in March 2005. • Draft initiating paper completed. • Comments received from the Regional Cooperation Committee being incorporated. • Office of Regional Economic Integration (OREI), replacing the Regional Economic Monitoring Unit established on 1 April 2005 to strengthen ADB's goal of enhancing regional cooperation and integration. • New policy paper approved by the Board on 10 December 2004. • Staffing of the PBA focal point underway. • First MDB Technical Meeting on PBA methods held in Manila in January 2005. 	<p>RSDD</p> <p>RSDD</p> <p>RSDD</p> <p>SPPI, SPD</p>

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
5. Review of the Graduation Policy.	<ul style="list-style-type: none"> • Third quarter 2005 	<ul style="list-style-type: none"> • Regional capacity building workshops on the new policy conducted for DMC officials and civil society in Suva and Bangkok in April 2005. • Second interdepartmental review of the draft paper is completed. 	SPPI, SPD
6. Review of the Medium-Term Strategy (MTS).	<ul style="list-style-type: none"> • Second quarter 2005 	<ul style="list-style-type: none"> • The review of the MTS I (2001-2005) based on departmental inputs currently being completed. • Discussions ongoing for the preparation of MTS II (2006-2010). 	SPPI, SPD
7. Review and recommend ways to improve ADB modalities and approaches to meet the needs of middle income countries (MICs) eligible for funding from ordinary capital resources (OCR).	<ul style="list-style-type: none"> • Third quarter 2005 	<ul style="list-style-type: none"> • Issue note prepared and discussed with heads of departments and Management in February 2004. • Consultations with India, Pakistan, and the People's Republic of China completed in 2004. • Consultations with the Philippines conducted in April-May 2005. • A Board Information paper on provisional action plan to be completed in June 2005. • Strategic directions and key action plans to be finalized in the third quarter of 2005. 	SPPI, SPD
8. Review and recommend ways to improve ADB's approaches to supporting capacity development of DMCs.	<ul style="list-style-type: none"> • Third quarter 2005 	<ul style="list-style-type: none"> • The capacity development classification system developed in November 2004 and introduced in January 2005. • Active participation in MDB Working Group on Capacity Development, Governance, and Anticorruption. • The approach paper, including an action plan for 2005-2010, to be submitted for Management approval in the third quarter of 2005. 	RSDD

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
<p>B. Mainstreaming Management for Development Results (MfDR)</p> <p>9. Establish a Results Management Unit.</p> <p>10. Design and implement action plan for MfDR.</p> <ul style="list-style-type: none"> • Improve results orientation in DMCs. • Improve results orientation at the institutional level in ADB. • Improve results through partnerships with other institutions. 	<ul style="list-style-type: none"> • Completed in February 2004 • 2006 	<ul style="list-style-type: none"> • Established and functional since February 2004. • A team was established in 2004 in South Asia Department to mainstream MfDR in its operation. Subsequently, other regional departments set up their MfDR focal points and/or teams. • Framework and action plan formulated in December 2003. • Preparation of status report on MfDR setting-out an enhanced framework and action plan ongoing. • ADB organized two regional workshops (Bangkok and Bishkek) with other development partners to stimulate discussions and sharing lessons on MfDR among DMCs in 2004. • A number of activities initiated to assist developing DMCs (such as Bangladesh, Maldives, Nepal, Pakistan, the People's Republic of China, and Viet Nam) results management and statistical capacities through technical assistance. • The MfDR Cooperation Fund fully operational to support pilot DMC initiatives for the adoption of results-based approach in public sector management and five TA proposals endorsed. • Interim guidelines issued for the preparation of CSPs. • The first pilot results-oriented CSP for Nepal approved by the Board in October 2004. • Work initiated on further results-based CSPs for Bangladesh, Bhutan, Fiji Islands, Indonesia, Mongolia, Philippines, Uzbekistan, and Viet Nam, as well as for regional cooperation strategies and programs for Pacific, Mekong, and East and Central Asia regions. • A comprehensive monitoring and results reporting system developed as part of the process of enhancing the PRS. 	<p>SPRU, SPD</p> <p>SPRU, SPD, and RDs</p>

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
11. Implementation of the action plan for project performance management systems (PPMSs).	<ul style="list-style-type: none"> • July 2006 	<p>ADB actively involved in sharing experiences and developing common approaches through the 2004 Marrakech Roundtable on Results and the 2005 Paris High-Level Forum on Aid Effectiveness.</p> <ul style="list-style-type: none"> • ADB organized the establishment of a “Community of Practice” in the field of MfDR in Asia and the Pacific Region. • An action plan for enhancing PPMS adopted in 2004. • PPMS action plans specific to regional departments established. • A revised design and monitoring framework introduced in March 2005. • Informal Board seminar on the enhanced PPMS conducted. • Staff competencies on revised DMF enhanced through series of training workshops for mission leaders and briefings for sector and country directors. • Program for capacity development in DMCs and RMs under preparation. 	COSO and RDs
<p>C. Refining Organizational Process and Structure</p> <p>12. Independent Assessment of ADB’s 2002 Reorganization.</p>	<ul style="list-style-type: none"> • Review completed in November 2004 	<ul style="list-style-type: none"> • Final report circulated for Board information in December 2004. • Management endorsed most non-structural changes proposed in the final report for immediate implementation: <ul style="list-style-type: none"> - Much of these being undertaken under the auspices of other ongoing reform initiatives. - Action plan identifying the principal implementing unit, mechanism, timeframe, and methodology for introducing necessary arrangement approved in January 2005. • Status of follow-up actions provided to Board for information in February 2005. • Further studies being undertaken on options and recommendations on structural and functional changes 	BPMSD, SPMS, and SPD

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
<p>13. Innovation and Efficiency Initiative—change proposals to modify ADB’s existing business model in key areas, the aim of which is to increase efficiency and responsiveness to client needs and market practices.</p>	<ul style="list-style-type: none"> • 2005 	<p>requiring careful analysis for a balanced solution or optimal arrangement.</p> <ul style="list-style-type: none"> • A paper on Organizational Adjustments for Enhanced Operational Effectiveness (Follow-up Actions to Independent Assessment Panel’s Report) circulated to the Board in April 2005. • Change in the reporting line of OCO and upgraded OER approved by the Board in May 2005. • Informal discussions with Board members held in December 2004 and January 2005. • First set of changes in procurement arrangements made in October 2004 and became effective in January 2005. • Future changes in the procurement policy being prepared for Board consideration in mid-2005. • Review of safeguard policies ongoing and to be completed by end 2005 or early 2006. • Paper on changes to CSP and business processes to be submitted to Management in May 2005. • Draft Board papers on sharing and expenditure eligibility, financial instruments and risk management to be submitted to the Board in June 2005. 	<p>RSDD and COSO</p>
<p>14. Harmonize and align practice and procedures in DMCs in agreed-on areas.</p>	<ul style="list-style-type: none"> • 2005 	<ul style="list-style-type: none"> • ADB action plan on harmonization and alignment for aid effectiveness with other MDBs on agreed-on areas approved in September 2004. • Regional workshop in Bangkok in October 2004 organized. • Joint country portfolio review missions fielded to Kazakhstan, Kyrgyz Republic, and Tajikistan with the WB. • Joint Cambodia CSP with other development partners, such as, the WB, the UN and DFID. • Joint results-based Viet Nam CSP with WB planned. • ADB’s commitment to the declaration of the High-level Forum on Aid Effectiveness: Harmonization, Alignment, and Results conducted in Paris in February/March 2005. 	<p>SPPI, SPD</p>

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
15. Solve yearend bunching problem (projects for Management and/or Board approval).	<ul style="list-style-type: none"> • 2005 	<ul style="list-style-type: none"> • Established monthly monitoring mechanism together with yearend projections for tighter planning and monitoring of Board schedules. • Examining a reform in planning process allowing greater allocation of resources per project, and thereby increasing control over the project scheduling process. • Examining introduction of greater flexibility in business process, and thereby freeing up capacities for improved project schedules. • Considering introduction of multiyear resource allocation cycles for OCR loans and TA for consideration. • Biennial cycle for Asian Development Fund loans in place. • Board retreat on bunching problem held in May 2005. 	SPMS, SPD
D. Reinforcing Knowledge Management 16. Implement the action plan under the knowledge management (KM) framework. 17. Prepare and implement a unified Public Communications Policy (PCP). 18. Implement the second Information Systems and Technology Strategy (ISTS II).	<ul style="list-style-type: none"> • 2007 • Second quarter 2005 • 2009 (major work to be completed by 2007) 	<ul style="list-style-type: none"> • The KM framework and action plan adopted in June 2004. • KM center established in October 2004. • First-phase action plan ongoing. • ADB-wide department KM coordinators appointed in September 2004, and two meetings held in 2005. • Conducted Initial assessment of ADB's KM activities by Teleos-MAKE (a knowledge enterprise) in October 2004. • The procedural guidelines for the preparation of the 3-year ADB-wide Knowledge Products and Services work plan approved by the President on 14 April 2005. • Working paper circulated in December 2004, discussed by the Board in February 2005, and revised draft completed. • Policy paper approved by the Board on 22 April. • Policy becomes effective on 1 September. • ISTS II approved by the Board in June 2004. • Program Management Office established in the Office of Information Systems and Technology in March 2005. 	KM Center, RSDD OER PMO, OIST

Results Area/Initiatives	Target Date of Completion	Status/Achievements	Focal Department/Office
		<ul style="list-style-type: none"> Information system technology infrastructure and information technology governance initiatives under development. 	
<p>E. Improving HR Management and Staff Incentives</p> <p>19. Formulate and implement a new Human Resources Strategy.</p>	<ul style="list-style-type: none"> 2007 	<ul style="list-style-type: none"> The HR strategy approved by the Board in October 2004. HR Strategy Action Plan being implemented. ADB-wide competencies developed for ADB's major business functions. Staff core competencies (such as technical knowledge, client orientation, teamwork, etc.) developed. Gender Action Program being implemented. First phase of the Diversity training program conducted in April 2005. New PMS approved in January 2005 and being rolled-out. Enhanced Separation Program paper approved by the Board in May 2005. Review of compensation and benefits policies (including incentives system and processes) underway with Board paper to be prepared in June 2005. Review of ADB's recruitment and selection process completed and recommendations outlined. 	BPHR, BPMSD

BPHR = Human Resources Division, BPMSD = Budget, Personnel and Management Systems Department, COSO = Central Operations Services Office, CSP = country strategy and program, DMC = developing member country, DFID = Department for International Development, DMF = design and monitoring framework, HR – Human Resources, ISTS = Information Systems and Technology Strategy, KM = knowledge management, MDB = Multilateral Development Bank, MfDR = management for development results, MICs = middle-income countries, MTS = medium-term strategy, OCR = ordinary capital resources, OER = Office of External Relations, OIST = Office of Information Systems and Technology, OREI = Office of Regional Economic Integration, PBA = performance-based allocation, PCP = Public Communications Policy, PMO = Program Management Office, PPMS = project performance management system, RSDD = Regional and Sustainable Development Department, RM = resident mission, SPD = Strategy and Policy Department, SPPI = Strategic Planning, Policy, and Interagency Relations Division, SPMS = Management Support Division, SPRU = Results Management Unit, UN = United Nations

Source: Inputs and updates from focal departments/offices concerned.