



March 2006

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

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CSP	–	country strategy and program
COMPAS	–	common performance assessment system
CoP	–	community of practice
DER	–	Department of External Relations
DFID-UK	–	Department for International Development of the United Kingdom
DMC	–	developing member country
EA	–	executing agency
HR	–	human resources
IEI	–	innovation and efficiency initiative
IMF	–	International Monetary Fund
ISTS	–	information systems and technology strategy
IT	–	information technology
KM	–	knowledge management
MAKE	–	Most Admired Knowledge Enterprises
MDB	–	multilateral development bank
MDG	–	Millennium Development Goal
MfDR	–	managing for development results
MIC	–	middle-income country
MTS	–	medium-term strategy
NGO	–	nongovernment organization
OCR	–	ordinary capital resources
OECD-DAC	–	Organisation for Economic Co-operation and Development– Development Assistance Committee
OED	–	Operations Evaluation Department
OIST	–	Office of Information Systems and Technology
OREI	–	Office of Regional Economic Integration
PBA	–	performance-based allocation
PCP	–	public communications policy
PDP	–	performance and development plan
PPMS	–	project performance management systems
PPR	–	project performance report
PRC	–	People's Republic of China
PRS	–	poverty reduction strategy
PSD	–	private sector development
PSOD	–	Private Sector Operations Department
RCC	–	Reform Coordination Committee
RCSP	–	regional cooperation strategy and program
RSDD	–	Regional and Sustainable Development Department
SPD	–	Strategy and Policy Department
SPRU	–	Results Management Unit
TA	–	technical assistance
WPBF	–	work program and budget framework

NOTE

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

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I. INTRODUCTION

1. While poverty in Asia and the Pacific region has decreased in the last decade, it remains a major challenge. The needs of developing member countries (DMCs) of the Asian Development Bank (ADB) have rapidly changed, resulting in more challenges as well as new opportunities for ADB. The global development community has collectively launched common development goals and frameworks such as the Millennium Development Goals (MDGs). To meet the emerging challenges and opportunities, ADB reviewed the poverty reduction strategy (PRS), 2004 to obtain feedback and to examine its relevance to major regional and global changes. The review recommended internal changes to enhance ADB's organizational capabilities.

2. On 25 August 2004, ADB adopted a comprehensive and ambitious reform agenda¹ to enhance the development effectiveness of all its operations by reforming its processes, policies, strategies, and programs. The agenda² aims to make ADB more effective in delivering country development outcomes and in reducing poverty in the DMCs. The agenda consists of 19 ADB-wide reform initiatives to deliver five broad outcomes related to internal changes and realignment: (i) improving operational policies, strategies, and approaches; (ii) mainstreaming managing for development results (MfDR); (iii) refining organizational process and structure; (iv) reinforcing knowledge management (KM); and (v) improving human resources (HR) management and staff incentives.

3. In 2005, the President reiterated ADB's firm commitment in delivering the agenda. These reforms are expected to improve ADB's development effectiveness, thereby achieving measurable results. He emphasized that the accelerated implementation of the agenda is crucial. In this regard, ADB is working closely with its DMCs to align its strategies with theirs, and to help them develop and strengthen their capacities to manage the development process. ADB will continue to strengthen its focus and prioritize its efforts to achieve results on the ground within an enhanced and more solid institutional framework.

4. The responsibility and ultimate accountability for carrying out this reform agenda lies with ADB's Management. Under the overall guidance of the President, vice presidents are playing a key role in steering the agenda and communicating internally and externally ADB's commitment to the agenda. The main responsibility for implementing a specific reform initiative (such as the development and implementation of a new or revised policy, strategy, and framework) and monitoring its progress lies with the focal department and office³ concerned. However, line management throughout the organization is also responsible for implementing adopted policies or strategies under the agenda.

5. The Reform Coordination Committee (RCC)⁴ was established in 2004 to (i) coordinate the implementation of the agenda, (ii) monitor its progress, and (iii) communicate with staff and stakeholders. It consists of 10 senior staff members, led by the managing director general, and assisted by a principal reform coordination specialist (RCC secretariat).

¹ During the Asian Development Fund (ADF) IX negotiations, ADB made specific commitments (see Appendix 1 on the list of commitments) to improve its effectiveness. The recommendations of the Enhanced PRS, 2004 and ADF IX commitments formed the core of the reform agenda.

² President's note dated 25 August 2004 defining the agenda. Available: <http://reformagenda.asiandevbank.org>.

³ A list of reform agenda initiatives and focal departments implementing the agenda initiatives is in Appendix 2.

⁴ The structure of the RCC is in Appendix 3.

6. A new monitoring framework using a core set of outcome indicators was developed to enhance monitoring and to better report the progress of the agenda's implementation. The common agenda indicators were harmonized with those for the work program and budget framework (WPBF) and the implementation of the PRS, 2004. The framework⁵—with 17 outcome indicators—will be used to measure, monitor, and report on the progress in achieving the five broad outcomes envisioned for the agenda.

7. Followed by the launch of an internet website⁶ (<http://www.adb.org/ReformAgenda>) in September 2004 to ease communication with external stakeholders, an intranet website was launched in October 2005 for internal communication and information sharing. The website has links to sites of major initiatives. "Chronology of Milestones and Activities" since the launch of the agenda and "Recent Major Achievements" are also available on the site.

8. The first and second progress reports on implementing the agenda were circulated as Board information papers in February (IN.37-05) and June 2005 (IN.121-05). This paper is ADB's annual progress report for 2005. Section II presents the overall progress of the agenda during 2005 and early 2006. Section III assesses ADB's achievements in implementing the reform initiatives from January 2005 to February 2006, as well as the planned activities for 2006. The last section presents the major institution-wide issues and challenges and next steps.

II. OVERVIEW OF PROGRESS IN IMPLEMENTATION OF THE REFORM AGENDA FROM JANUARY 2005 TO FEBRUARY 2006

A. Overall Progress

9. During 2005, ADB made progress in implementing the reform agenda in all five results areas (see para. 2). Most notable is progress in refining business processes and organizational structure. As a result of the institutional changes undertaken to date, ADB is becoming more relevant, responsive, and results-oriented as it works to achieve sustainable economic development and poverty reduction in its DMCs. More work needs to be done. The reform agenda is a process of continuous change. Not only must ADB move to accelerate the implementation of initiatives under the reform agenda where it has lagged (such as slow progress in a few key initiatives) but it must also thoroughly operationalize the changes already adopted. Reform of process, structure, policies, strategies, and incentives can change behavior, but that change requires robust implementation and time. Management is committed to achieving that change.

B. Major Achievements and Milestones

10. **Business processes and organizational structures improved.** The Enhanced PRS, 2004 underscored the need for more quality- and results-oriented approach to operations supported by flexible financing modalities. ADB's business processes and organizational structures must, therefore, be improved continuously to support the implementation of operational policies, strategies and approaches. Through the innovation and efficiency initiative (IEI), ADB is becoming more efficient, results-oriented, and relevant; and responsive to DMCs' needs. In August 2005, ADB adopted three significant change proposals to streamline some of

⁵ The framework is in Appendix 4.

⁶ Contents of the reform agenda internet site are in Appendix 5.

its business processes and to develop new financing instruments and modalities. The first proposal will allow ADB to determine the cost-sharing limits in a more flexible manner and expand the eligible expenses that ADB can finance to include land acquisition and payments for right-of-way, taxes and duties, and bank charges and secondhand goods. This step will align ADB processes with those used by the market and ADB's development partners.

11. Under the second proposal, ADB is pilot-testing five financial modalities and instruments to provide ADB and its DMCs with alternatives to better respond to their financing needs: (i) a multi-tranche financing facility similar to a standby and noncontingent line of credit relevant for both debt equity and guarantee finance (pilot testing began in 2005 with two transactions, one in India and another in Pakistan); (ii) direct financing to subsovereign, quasi-sovereign, and state-owned enterprises responding to decentralization taking place in the region and allowing ADB to service a new set of clients; (iii) refinancing facility enabling ADB to help with the restructuring and/or expansion of existing projects with inappropriate financing plans; (iv) new forms of cofinancing through active financial syndications and risk sharing with commercial financing partners to finance public and private sector investments; and (v) a local currency financing for public and private sectors to address the potential mismatch between borrowing in foreign currency and income streams in local currency, particularly in the case of public services, utilities, and infrastructure. The third proposal is enabling ADB to expand its coverage into local currency lending through bond issues and commercial swaps.

12. Since October 2004, ADB has been improving its approaches, practices, policies, and procedures on consulting services, and guidelines on procuring goods and works, and harmonizing them with those of ADB's development partners. ADB adopted the proposals following the recommendation of the Board papers on "Use of Consultants by the ADB and Its Borrowers" and "Revising the Procurement Guidelines" in February 2006. These changes will help improve ADB's business processes by removing bottlenecks that constrain its capacity to respond better and more quickly to its clients.

13. Following the recommendations of the independent assessment of the 2002 reorganization, ADB strengthened its organizational structure to better support and enhance operations. To strengthen and integrate credit and financial risk management systems based on international standards and best practices, ADB established an independent Risk Management Unit under the President's Office. Further, ADB reorganized the Regional and Sustainable Development Department (RSDD) to make it more effective in (i) driving the renewal of ADB's key business, (ii) supporting quality enhancement and innovation of key sector operations, (iii) promoting sustainability and inclusiveness of ADB investments, and (iv) improving Knowledge Management in ADB. ADB established the Office of Regional Economic Integration (OREI) to provide strategic focus in regional cooperation and integration. The Office of External Relations became the Department of External Relations (DER), upgraded to enable management of expanded responsibilities and to support ADB's new public communications policy (PCP).

14. To reduce transaction costs for its DMCs and to improve the efficiency and effectiveness of its development assistance, ADB is harmonizing and aligning its standards and practices with those of other multilateral development banks (MDBs) in agreed-on areas, such as evaluation and monitoring; environmental assessment and social safeguards; addressing corruption and anticorruption investigation; disbursement, procurement and consultant recruitment; and trust fund administration and cofinancing. ADB was involved in preparing the "Paris Declaration on Aid Effectiveness". ADB, in cooperation with other MDBs, jointly prepared and circulated a progress report, "Update on Cooperation Among MDBs", on the direction and progress in strengthening coherence and building partnerships among MDBs during 2004 and early 2005.

15. **Key operational policies, strategies, and approaches strengthened.** ADB is reviewing and improving several major policies, strategies and approaches to focus them more sharply on reducing poverty and to better align them with its strategic agenda and operating principles. ADB adopted and implemented the revised performance-based allocation (PBA) policy. The 2005 country performance assessment exercise was completed, applying the new PBA policy to allocate Asian Development Fund (ADF) IX loan and grant resources to ADF borrowers with increased emphasis on governance (see Appendix 7 for more details).

16. ADB prepared a draft medium-term strategy II (MTS II) for 2006–2008 to enhance ADB's relevance and development impact. It identified the following priorities: (i) catalyzing investment, (ii) ensuring inclusiveness, (iii) promoting regional cooperation and integration, (iv) managing the environment, and (v) improving governance and containing corruption. ADB will start implementing MTS II this year, after it is finalized.

17. ADB completed a draft strategy on regional cooperation and integration, which is guided by client orientation, selection of priority areas, and open regionalism. The strategy concentrates on the following priority areas: (i) regional and/or subregional economic cooperation programs focusing mainly on cross-border infrastructure and, (ii) trade and investment cooperation and integration, (iii) monetary and financial cooperation and integration, and (iv) regional public goods in health, energy, and environment. By implementing the strategy, ADB will act as a focal institution in supporting and promoting Asian regional cooperation and integration. ADB will start implementing the strategy this year.

18. Based on the review of the existing private sector development (PSD) strategy, ADB has adopted the "Private Sector Development—A Revised Strategic Framework". The new strategic framework aims to (i) create an enabling environment intervention, and a level playing field for instruments; (ii) mobilize finance for PSD; and (iii) develop new ways of financing public goods and services. By implementing the framework, ADB is delivering market-oriented and client-focused finance and knowledge products and services to DMCs in an effort to attract, keep, and replicate more private sector investments.

19. ADB prepared and posted the final draft "Improving Governance and Fighting Corruption: Implementing the Governance and Anticorruption Policies of ADB" on its website for external stakeholder consultations. The major action areas are (i) combating corruption more effectively and explicitly in programs and projects; (ii) identifying and mitigating governance, institutional, and corruption risks in the sectors and/or themes identified in country strategies and programs (CSPs); (iii) systematic mainstreaming of governance, institutional development, and anticorruption measures into infrastructure sectors; and (iv) facilitating transfer to country public financial management and procurement systems on the basis of the agreed plans. ADB will start implementing the action plan this year.

20. The new PCP became effective in September 2005. By implementing the policy, ADB is improving public access to documents and information, and providing greater openness and dialogue with stakeholders. ADB is better engaging its stakeholders and opening new ways to provide quality development programs.

21. **MfDR results being mainstreamed.** MfDR is the golden thread—the foundation upon which the reform agenda rests. It entails results-based CSPs, the primary guide to development strategy in each DMC. ADB made progress in preparing results-based CSPs, enhancing the results focus in project design, and adopting results frameworks for recent strategy and policy

documents. ADB mainstreamed results-based management in country planning for Bangladesh, Bhutan, Cambodia, Mongolia, Nepal, and Philippines by adopting results frameworks for CSPs that include objectives and clear indicators for monitoring progress. Results-based CSPs for Azerbaijan, Fiji Islands, Indonesia, Kyrgyz Republic, Lao People's Democratic Republic, Papua New Guinea, Uzbekistan, and Viet Nam are being developed.

22. ADB started enhancing the results orientation in corporate planning notably "The Progress of the 2004 Enhanced Poverty Reduction Strategy" and "Work Program and Budget Framework for 2006–2008", which are based on identified results indicators as the main tools to monitor and report on the progress. To support the establishment of a regional community of practice on MfDR, ADB is implementing a technical assistance (TA) project to promote learning and knowledge exchange for public managers and organizations in Asia and the Pacific region on how to lead and manage for results. This will be instrumental in enhancing capacity and demand for MfDR in DMCs. Based on the recommendations of an independent assessment of MfDR action plan and past experience, ADB prepared a revised draft action plan, which will be implemented during 2006–2008.

23. In January 2006, ADB completed the implementation of the Project Performance Management Systems (PPMS) action plan. Under the PPMS initiative, ADB has adopted the results-based approach at the project level by introducing a revised design and monitoring framework in March 2005 that improves the way ADB conceptualizes, designs, implements, monitors, and evaluates projects. This new framework is helping to design projects with greater development impact, and bringing greater discipline and objectivity to the measurement of progress and results.

24. **HR management improved.** By implementing the HR strategy, ADB is ensuring high quality of human resources and a merit-based, transparent, and effective HR management system. A new performance management system clearly defines staff responsibilities and accountabilities in an annual work plan agreed between staff and managers. Under the new performance management system, ADB has implemented the performance and development plan (PDP) to better align individual staff work plans with the organizational key results areas to provide a more meaningful assessment of staff performance. These measures are bringing greater efficiency and effectiveness by improving processes and procedures. The gender action program II has continued to mainstream gender concerns and promote gender equality in ADB.

25. The expected dates of completion of the initiatives and the milestones achieved in implementing the initiatives from January 2005 to February 2006 are given in Appendix 2 and 6, respectively.

III. IMPLEMENTATION STATUS OF THE ONGOING AGENDA INITIATIVES FROM JANUARY 2005 TO FEBRUARY 2006

A. Improving Operational Policies, Strategies, and Approaches

26. **Review Implementation of Medium-Term Strategy I.** Implementation of MTS I was reviewed to assess its progress during 2001–2005, and summarize the actions that have been taken in this regard. The review is based on departments' inputs on its implementation, the findings of the PRS review, the IEI background diagnostics, the internal progress report on reorganization, and the independent assessment of ADB's 2002 reorganization. The review helped lay the foundation for preparing MTS II. The review paper was circulated for

interdepartmental comments in October 2005 and was discussed by the Management Committee on 18 January 2006. Based on the meeting's conclusion, the document was revised and circulated to the Board of Directors as a background paper along with a preliminary draft of MTS II in February 2006.

27. **Prepare and Implement MTS II.** MTS II has been prepared within the framework of the Long Term Strategic Framework for 2001–2015 to enhance ADB's relevance in meeting the challenges of Asia and the Pacific region. In view of the rapid and far-reaching changes taking place in the region, ADB's response to these changing conditions will require strategic adjustments that have operational implications beyond the medium term. Accordingly, MTS II is limited to 3 years (2006–2008) to enable the early introduction of MTS III in 2009, which will reflect a more comprehensive strategic adjustment based on a review of the Long Term Strategic Framework.

28. The Board and Management discussed the key strategic priorities for MTS II at a retreat held on 6–7 October 2005. This discussion took into account: (i) the issues identified by DMCs during the review of ADB's PRS, (ii) consultations on ADB's support for middle income countries (MICs) and ordinary capital resources (OCR) borrowers, (iii) a similar consultation with ADF borrowers conducted through the Resident Missions during November-December 2005, and (iv) the annual programming discussions in all DMCs. An internal consultation survey on staff members' views on key issues was also conducted from December 2005 to February 2006, with more than 300 staff members responding. A preliminary draft of MTS II was presented in an informal Board discussion on 24 February 2006, followed with a discussion by Management and heads of departments and offices on 27 February 2006. The MTS II paper is scheduled for circulation to the Board on 10 March 2006 for discussion on 31 March 2006.

29. MTS II includes the following strategic priorities: (i) catalyzing investment, (ii) ensuring inclusiveness, (iii) promoting regional cooperation and integration, (iv) managing the environment, and (v) improving governance and containing corruption⁷. These priorities reflect themes already identified in MTS I and carry forward its unfinished agenda. The difference is that MTS II is focused on specific means of operationalizing and implementing the strategic agenda. To implement these priorities, several adjustments in the operational model are proposed: (i) focus on selectivity and core operational sectors; (ii) realignment of the organization; (iii) more strategic and efficient use of TA resources; (iv) increased use of financing partnerships and cofinancing; (v) introduction of new products and process innovations; and (vi) enhanced emphasis on project implementation, portfolio performance, and results-based systems. These will be elaborated and pursued through specific policy and strategy papers, which are under review or preparation.

30. **Prepare ADB's Strategy for Regional Cooperation and Integration.** The strategy is guided by client orientation, selection of priority areas, and open regionalism. The draft strategy identifies four pillars: (i) regional and/or subregional economic cooperation programs (cross-border infrastructure and software); (ii) trade and investment cooperation and integration (free trade agreements, intraregional investment, World Trade Organization issues); (iii) monetary and financial cooperation and integration (regional policy dialogue, regional reserve pooling, financial market development, exchange rates); and (iv) regional public goods (environment, clean energy and energy efficiency, natural disaster responses, communicable diseases such as HIV/AIDS and avian flu, governance, money laundering, human and drug trafficking).

⁷ This refers to a draft of the MTS II document as of 28 February 2006, which incorporates Board comments at the informal Board discussion of 24 February 2006.

31. By implementing the strategy, ADB will act as a regional focal institution in supporting and promoting Asian regional cooperation and integration. ADB will play four distinct roles in promoting regional cooperation and integration in Asia and the Pacific: (i) providing financial resources for regional cooperation and integration projects, programs, and related TA (money bank) and/or helping DMCs mobilize them; (ii) creating, consolidating, and disseminating knowledge and information on regional cooperation and integration to the DMCs (knowledge bank); (iii) helping DMCs and regional/subregional bodies build their institutional capacity to manage regional cooperation and integration (capacity builder); and (iv) acting as facilitator, catalyst, and coordinator for regional cooperation and integration for the DMCs (honest broker). The first draft report, completed in December 2005, was discussed by the Management Committee in February 2006. It will be discussed at an informal Board seminar on 17 March 2006. The final paper will be completed in April 2006, and discussed by the Board in the second quarter of 2006.

32. **Prepare a Revised Framework for Private Sector Development and Implement an Action Plan.** The “Review of the Implementation of ADB’s PSD strategy” was started with a draft report prepared in April 2004, revised based on the conclusions of an informal Board presentation held in May 2004. After internal and external consultations with stakeholders, the final report was completed and presented to the Board at an informal seminar on 26 August 2005. After the seminar, it was decided that Management prefer a new strategy moving forward, namely: “Private Sector Development—A Revised Strategic Framework”. A task force was established for this purpose by the President on 30 August 2005.

33. The final report was circulated to the Board for information on 9 February 2006. The new strategic framework aims to create an enabling environment intervention, and a level playing field for instruments; to mobilize finance for private sector development; and to develop new ways of financing public goods and services. By implementing the framework, ADB is delivering market-oriented and client-focused finance and knowledge products and services to DMCs in an effort to attract, keep, and replicate more private sector investments.

34. During 2006 under the action plan, ADB will (i) establish PSD as a core business theme in MTS II; (ii) change CSP approach and format; (iii) systematically screen and monitor PSD transactions; (iv) review restrictions on private sector operations; (v) clarify reporting of sovereign, non-sovereign, and cofinancing operations in ADB’s annual report as well as Management reports, and develop a separate reporting line for non-sovereign operations with public borrowers; (vi) clarify accountabilities for all activities within the business cycle and define business processes for enforcement; (vii) clarify accountabilities of other departments and offices in relation to PSD activities; (viii) prepare a strategy paper on cofinancing; (ix) implement ongoing initiatives under IEI and explore the need for new business lines and financial instruments; (x) develop and begin implementing a skills development program; (xi) create an incentive system for teamwork; (xii) establish clear policies and procedures for independent risk assessment and management, and provide resources for the Risk Management Unit; and (xiii) adopt a more systematic approach to managing client relationships.

35. **Prepare a Paper on Enhancing ADB Support to Middle-Income Countries and Ordinary Capital Resources Borrowers.** One of the key challenges is to continue offering relevant, responsive, and effective services to OCR borrowers and MICs whose needs have changed. Therefore, ADB launched this initiative which aims to analyze and propose enhancement of ADB’s OCR operations to MICs.

36. ADB undertook external consultations with client countries, international and commercial partners, and international and domestic nongovernment organizations (NGOs). Consultations with India and Pakistan were completed in 2004, and with Indonesia, People's Republic of China (PRC), and Philippines in 2005. Several consultations with heads of multilateral and bilateral development institutions took place under an interagency working group created by the World Bank in 2005 to explore common approaches and mechanisms to support MICs. ADB has been an active proponent of this working group. In the March 2005 meeting of heads, MDBs endorsed global collaboration, but also encouraged regional and country customization of the approach given the considerable cross-regional and cross-national variations. In September 2005, the heads of multilateral financing institutions continued the discussions and reconfirmed the strategic importance of the institutions' continued engagements with MICs. The subsequent meeting of MDB senior staff members (in September 2005 during the World Bank's annual meeting) examined operations, issues, and options.

37. At the meeting of MDB heads (February 2006), they agreed to move ahead on two fronts: (i) conducting joint MDB consultations with client countries in each region over the coming months, and (ii) jointly preparing a policy paper on blending in MIC. ADB and the World Bank are jointly organizing a consultation meeting with Asian MICs in Manila on 7 April 2006. Preparations for the consultation are well under way. The objectives of the consultation are to (i) assess whether the set of reforms under adoption/implementation by MDBs are sufficient to meet MIC development needs, (ii) identify challenges in implementing the reforms, and (iii) identify areas where policy and procedures may need further adaptation to MIC and MDB needs. As for blending, work is under way to explore the possibilities of blending bilateral grant and multilateral lending resources to support interventions in countries with high poverty, taking into account some borrowers' inadequate creditworthiness, and to finance global public goods. The working group, led by the World Bank, is preparing a draft paper to help forge a common approach. The paper will serve as the basis for discussion with donors.

38. ADB prepared an informal discussion paper, "Building Partnership with MIC and OCR Borrowers" in December 2005. It was discussed at an informal Board seminar on 20 January 2006. The seminar's objective was to facilitate more informal exchanges of views on key issues and proposals. The paper synthesizes findings and provisional proposals from a review of operations financed from OCR. The paper highlights the strategic rationale for ADB's continued engagement in MICs and countries that borrow from OCR and focuses on (i) the critical role of these countries in globally attaining the MDGs as well as their contribution to global stability, and (ii) ADB's continuing relevance in these countries as a regional MDB. The paper also examines the constraints of ADB's traditional operational approaches, and proposes new approaches to better match the operational context and needs of clients. The measures proposed to enhance the relevance, responsiveness, and effectiveness of OCR operations to client countries were grouped into four: (i) reducing the cost of doing business with ADB; (ii) enhancing service quality; (iii) enhancing and expanding the range of instruments; and (iv) adopting more responsive operations management, planning, and monitoring systems.

39. Based on the feedback received from the Board during the informal seminar and the outcome of the country consultations to be held in April 2006, the paper will be finalized and presented to the Board in the second quarter of 2006.

40. **Review the Implementation of ADB's Governance and Anticorruption Policies.** This review aims to improve the collective understanding on how effectively governance and anticorruption policies have been operationalized in ADB's CSPs, country governance assessments, thematic and sector assessments and plans, and lending and non-lending

activities. The main output of the review is a medium-term action plan for the governance and anticorruption policies for 2006–2009, including a framework to monitor and report on the results.

41. The major action areas are concerned with (i) combating corruption more effectively and explicitly in programs and projects; (ii) identifying and mitigating governance, institutional and corruption risks in the sectors and/or themes identified in CSPs; (iii) systematic mainstreaming of governance, institutional development, and anticorruption measures into infrastructure sectors; and (iv) facilitating transfer to country public financial management and procurement systems on the basis of the agreed plans.

42. Based on internal and external consultations, a desk-based consultation report was completed in December 2004, and posted on the ADB website in March 2005 for further external consultation. In October 2005, the Management Committee endorsed the final draft report and directed the governance community of practice, with support from RSDD, to coordinate and manage the development of an action plan. The action plan will be multidimensional and will cover (i) operations, (ii) support to operations, (iii) KM, and (iv) harmonization and aid effectiveness. National actions will be informed by corporate priorities and focus that have emerged from the review. The final draft of the review paper “Improving Governance and Fighting Corruption: Implementing the Governance and Anticorruption Policies of ADB” was posted on the ADB website for external stakeholders to review and comment on until 15 February 2006. On 20–21 March 2006, a retreat will be held to develop a medium-term governance and anticorruption action plan following the review of implementation of ADB’s governance and anticorruption policies. The final report and action plan will be circulated for Board information by May 2006.

43. **Review of Approaches to Strengthen DMCs’ Capacity Development.** The 2004 review of ADB’s PRS concluded that in order to achieve inclusive growth, DMCs needed to enhance their capacity to formulate and implement policies, reforms, and investments to reduce poverty. Therefore, ADB is reviewing approaches to strengthen DMCs’ capacity development. A capacity development working group was established in 2004. The working group was tasked with (i) developing a classification system for capacity development; and (ii) recommending a medium-term framework and budgeted action plan for improving the effectiveness, efficiency, and sustainability of ADB capacity development interventions, including proposals.

44. The capacity development classification system became effective in January 2005. The “Draft Report on Integrating Capacity Development into Country Programs and Operations—Proposed Medium-Term Framework and Action Plan 2006–2010” was prepared in 2005. Its objective is to propose integrating capacity development into country programs and operations to make ADB’s assistance more demand-driven, efficient, and effective.

45. ADB’s efforts have been closely coordinated with the development community through the Learning Network on Capacity Development, Organisation for Economic Development-Development Assistance Committee (OECD-DAC) and the MDB Harmonization Working Group for Capacity Building, Governance, and Anticorruption. According to the new consensus between partners and DMCs, evidenced by the Paris Declaration and approved by the OECD-DAC Steering Committee of a Capacity Development Good Practice Paper, the capacity development is primarily the responsibility of DMCs with donors playing a supportive role. The report is expected to be presented to the Management Committee and to the Board in the second quarter of 2006.

46. **Review ADB's Graduation Policy.** The review will cover (i) ADF/OCR eligibility criteria, the country classification framework, the framework for graduation from OCR, and post-graduation relationship; and (ii) the country classification review process and procedures. After an interdepartmental review of the draft paper in 2005, Management Committee discussed the paper on 18 January 2006. Based on the meeting's conclusion, an informal Board seminar will be held on 5 April 2006.

B. Mainstreaming Managing for Development Results

47. **Design and Implement Action Plan for MfDR.** The MfDR is the most challenging and important initiative as the key underlying objective of the reform agenda is focused on results. ADB formulated an MfDR framework and action plan in December 2003 to enhance results orientation at the country, institution, and project levels. The action plan is organized into three pillars: (i) development results at DMC level, (ii) results orientation at ADB's corporate level, and (iii) ADB's contributions to MfDR as part of a global partnership. The MfDR action plan interfaces with other ADB-wide initiatives. MfDR requires revised systems for planning, monitoring, evaluating, reporting, and use of performance information at all levels of the organization. ADB established the Results Management Unit (SPRU) in February 2004 to implement the action plan. The initiative's success entails changes in the organizational culture and strong management support.

48. At the DMC level, 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. The Pakistan Resident Mission has established the Results Management and Development Effectiveness Unit to help build capacity for results-based monitoring within the Government of Pakistan. The Bangladesh Resident Mission introduced results-oriented portfolio management and reporting. The PRC Resident Mission adjusted the country programming to fit the PRC's public investment planning cycle. On donor harmonization, resident missions conducted joint portfolio reviews with other donors in all Central Asian countries. In the Kyrgyz Republic, ADB started the process of working with major donors to develop a joint country support strategy.

49. A number of activities have also been initiated to assist in DMCs' results management and statistical capabilities through TA projects and learning events. To help DMCs boost their capacity for results management, ADB organized two regional workshops in Bangkok and Bishkek in 2004, with over 70 DMC participants to stimulate discussion and share their experiences. A workshop on results-based management was also conducted at ADB Institute in June 2005. As part of CSP preparation, three workshops were organized by the Uzbekistan Resident Mission on 7–8 July 2005 to discuss an ADB-funded governance system and practice, and make recommendations for government consideration. A stakeholder consultation workshop was conducted in Manila on 15 June 2005 to involve stakeholders in formulating the RCSP, and to ensure strategic alignment between the regional initiative and the developing priorities of the Government of the Philippines and the private sector.

50. The capacity to adopt a results orientation varies from country to country. As a major action under the MfDR action plan, ADB will help DMCs develop their capacity and strengthen country systems for MfDR. Various TA projects (such as in PRC, Philippines, and South Asian countries) were initiated to assist in DMCs' results management. The MfDR Cooperation Fund became fully operational in December 2004 to promote the adoption of results-based approaches in public sector management in DMCs such as the Lao People's Democratic Republic, Nepal, and Viet Nam.

51. To support the establishment of a regional community of practice on MfDR (CoP-MfDR)⁸, ADB initiated a TA in November 2005 to promote learning and knowledge exchange for public managers and organizations in Asia and the Pacific region on how to lead and manage for results. This will be instrumental in enhancing capacity and demand for MfDR in DMCs. On 22–23 March 2006, ADB will launch the CoP-MfDR with leading results management practitioners from 11 countries in the region and representatives of development partners. The objective of the launch is to facilitate ongoing dialogue and information sharing among the practitioners and international results management experts on MfDR beginning with this working group meeting.

52. At the institutional level, steps are being taken to strengthen ADB's corporate strategic planning and budgeting. As part of mainstreaming results-based management in country planning, all CSPs have been required to adopt a results framework since August 2004, which is the centerpiece of results-based CSPs. A results-based CSP puts in place a matrix of objectives and clear indicators for monitoring progress, and provides the flexibility to zero in on developmental constraints of each DMC. In 2004, a pilot results-based CSP for Nepal was adopted to include tools to enable the program to be managed for development results. In 2005, five results-based CSPs have been adopted: Bangladesh (31 October), Bhutan (30 September), Cambodia (15 February), Mongolia (14 October), and Philippines (8 July). Eight results-based CSPs, including Azerbaijan, Fiji Islands, Indonesia, Kyrgyz Republic, Lao People's Democratic Republic, Papua New Guinea, Uzbekistan, and Viet Nam, will be completed in 2006. RCSP updates (2006–2008) for East and Central Asia were adopted on 7 November, and for the Mekong region on 30 August 2005. The RCSP (2006–2008) for South Asia was adopted on 21 February 2006, and the RCSP update (2007–2009) will be considered by the Board in August 2006. The Pacific strategy for 2005–2009, adopted in November 2004, is also designed to be managed for results.

53. As the next step to support mainstreaming of results-based CSPs in 2006, the emerging experience and lessons learned in preparing them were incorporated into a practice note issued on 7 September 2005. This note is designed to provide practical support to the preparation and implementation of results-based CSPs. It is intended to be a "living" document and will continue to evolve as experience is gained. Staff instructions on results-based CSPs will be developed in the first half of 2006, building on lessons learned from more practices and experiences.

54. Various initiatives have been pursued to strengthen staff capacities for developing results-based CSPs, such as participation of the country directors for Nepal and Viet Nam in a workshop on results-based programming, organized by OECD-DAC and the Department for International Development of the United Kingdom (DFID-UK). In-house workshops for country team leaders on results-based CSPs were organized in June 2005, in cooperation with the World Bank, to discuss country-specific experiences and practical approaches.

55. To assess the improvements in the quality of ADB-funded projects and country strategies brought about by the agenda's implementation, a panel was established on 23 January 2006 for the inaugural quality-at-entry assessment of results-based CSPs and projects. The assessment will allow ADB to track trends in quality at entry and manage for continuous improvement. The panel's work will be organized in three phases: (i) review the body of international experience on quality-at-entry assessment as an input to developing ADB's

⁸ The first phase will be the establishment of a virtual learning network to help DMC capacity development, and will consist primarily of DMC representatives, but will also include results practitioners from bilaterals, and other international financial institutions.

standards and criteria; (ii) assess all CSPs in 2004 and 2005, along with a random sample of 25% of loan projects approved in 2004 and 2005, covering public and private sector operations; and (iii) prepare the final assessment and report. The first panel report is expected to be completed by mid-2006. Based on the pilot experience, the assessment process may be adjusted for quality-at-entry assessment, which is envisaged to be carried out every 2 years.

56. To enhance the results orientation in the corporate planning process, results frameworks—based on identified results indicators—have been designed as part of recent strategy and policy documents, and particularly as the main tools to monitor and report on the progress of the Enhanced PRS, 2004; WPBF for 2006–2008; and the agenda at the institutional level. The first results-based WPBF⁹ and annual report on the Enhanced PRS, 2004¹⁰ were produced in September and December 2005, respectively. The South Asia Department established a team in 2004 to mainstream MfDR into its operations. Subsequently, other regional departments set up their MfDR focal points and teams.

57. On 1 December 2005, a consultant's report, "Independent Assessment of MfDR at ADB", was released by Universal Management Group Ltd. It was based on a series of extensive interviews with ADB Management and staff members at all levels, briefings and working sessions with SPRU, a "rapid" and modest staff survey, a brief review of MfDR at other MDBs, and a desk review of documents. The major concerns raised in the assessment include the following: (i) the strategy was not clearly presented; (ii) the way to manage the change process was not sufficiently introduced; (iii) many actions were too broad and complex; (iv) the timelines were not consistently spelled out; and (v) the expected results, the tracking indicators, and responsibility were not specified. The report noted that while the current action plan provided the useful "jumpstart" that was required initially, it is now more appropriate to revise the strategy (including action plans) to accelerate the mainstreaming of MfDR into ADB.

58. Following the recommendations of the review of the MfDR action plan, a draft paper on the revised strategy for 2006–2008 and an action plan was prepared in February 2006. The revised paper will be submitted for the Management Committee meeting on 10 March 2006. The paper "MfDR in ADB: Revised Action Plan" approved by Management Committee will be circulated to the Board by 15 March, followed by an informal seminar on 29 March 2006. The revised action plan will be implemented during 2006–2008 (see appendix 8 for more information).

59. Through emerging partnerships at the global level, ADB has shared its experiences with development stakeholders and developed common approaches with them. In the 2005 Paris High-Level Forum on Aid Effectiveness, ADB—together with more than 100 developed and developing countries and major international organizations—endorsed the Paris Declaration with far-reaching and monitorable actions to reform the ways aid is managed. An informal Board seminar on the Paris Declaration on Aid Effectiveness will be held on 24 March 2006. The seminar will canvass (i) the current status of the Paris Declaration (global), (ii) issues for DMCs and ADB, and (iii) the pursuit of the partnership commitments. ADB continues to hold the inaugural chair of the MDB Working Group on MfDR¹¹ and co-chairs the OECD-DAC Joint Venture on MfDR. ADB plans to co-sponsor the 3rd International MfDR Roundtable of DMC Officials in Hanoi in early 2007.

⁹ ADB. 2005. *Work Program and Budget Framework (2006–2008)*. (Sec.M80-05). 20 September. Manila.

¹⁰ ADB. 2005. *Annual Report on the Implementation of the Poverty Reduction Strategy, 2004: An Assessment of the Asian Development Bank's Progress and Changes Introduced to Fight Poverty*. (IN.336-05). 16 December. Manila.

¹¹ Composed of African Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, World Bank, and ADB.

60. ADB initiated the joint development of the MDB common performance assessment system (COMPAS) with the members of the MDB Working Group on MfDR, which will assess collectively each year how they are progressing on mainstreaming MfDR, based on a variety of indicators. COMPAS will be done at the country, institutional, and global levels, and will, each year, contribute to World Bank/International Monetary Fund (IMF) Global Monitoring Report. The 2005 COMPAS report is being prepared as a pilot annual report and will be released in March 2006. ADB also actively participated in global initiatives such as the World Bank, OECD-DAC, and others, the development of the definitive mutual-learning tool for practitioners in this field, the MfDR Sourcebook on Emerging Good Practices, built around the Marrakech Core Principles on MfDR.

61. **Implement the Project Performance Management Systems Action Plan.** The results-based approach is also adopted in the project level under the PPMS. ADB adopted an action plan on 29 April 2004 to enhance the PPMS by improving design and monitoring framework of loans, programs, and TA projects. The implementation of the action plan will sharpen focus on project results and will improve ADB's loan and TA portfolio management. The plan has four broad areas of actions: (i) reinforced quality assurance of project framework and project performance reports (PPR) (intradepartmental actions), (ii) improved quality control of project framework and PPR (interdepartmental and/or office action), (iii) institutionalized responsibility for PPMS, and (iv) all staff members have a minimum level of competence in PPMS. In 2004, the following were completed: (i) establishment by regional departments of a quality assurance system for project framework and PPRs, and (ii) institutionalization of PPMS.

62. In February 2005, an informal Board seminar was organized to discuss ADB's thinking and evolving approach to design frameworks for country programs and projects and the link between those, and the efforts to improve design and monitoring framework as a core element of improving project performance management. In March 2005, the revised design and monitoring framework was introduced to identify results early on, along with specific indicators to monitor progress. Regional departments developed their PPMS action plans and refined their quality assurance systems for design and monitoring framework and PPRs. The new frameworks are results-based participatory instruments that help conceptualize, design, implement, monitor, and evaluate projects. In December 2005, ADB issued a guideline that provided a succinct, user-friendly, and practical supplement during project design, which will help project teams develop more results-focused projects, and stakeholders make informed decisions about development activities.

63. To build staff competencies, 16 design and monitoring framework training programs and workshops for 344 staff members—including 12 senior staff members—were conducted during 2005. To build the capacity of executing agencies (EAs), training programs on results-focused project design and management for 50 project directors from the EAs were conducted in Kyrgyz Republic, Nepal, and Viet Nam during September–December 2005. The implementation of the action plan adopted in 2004 was completed in January 2006. The proper use of the revised framework is expected to provide a consistent structure for all lending and non-lending operations, clarify outcomes by harmonizing better with other aid agencies, describe a project's "results chain", and enhance the formulation of expected development outcomes by identifying performance indicators.

64. By June 2006, the PPMS action plan will be reviewed and updated. The Operations Evaluation Department (OED) will monitor annually the quality of the design and monitoring frameworks prepared for loans and TA projects, and provide feedback on them. OED completed

the analysis for 2005 loans and TA projects and expanded the analysis back to 2000. The final report will be submitted around the end of March 2006, and the results reported in OED's *Annual Report on Loan and TA Portfolio Performance*. An inaugural quality-at-entry assessment of projects will be undertaken 2006 onward (para. 55).

C. Refining Organizational Process and Structure

65. **Implement the Innovation and Efficiency Initiative.** The IEI aims to enable ADB to reduce its transaction costs to its clients, be more results-oriented, be more flexible and timely in its operations, align its business to country cycles, increase its efficiency, expand and innovate financial instruments and/or services, and become a more responsive and effective development partner. Reforms under IEI cover (i) procurement, (ii) consultancy, (iii) cost sharing and expenditure eligibility, (iv) country strategies and business processes related to processing, approvals and implementation, (v) new financial instruments and modalities, (vi) safeguards policies, and (vii) local currency loan products for the public sector.

66. In August 2005, ADB adopted three change proposals under the IEI. First, a new approach to cost sharing and expenditure eligibility will improve ADB's project financing capability more consistently with market practices. For client responsiveness and harmonization with development partners, the approach involves a more flexible determination of cost-sharing limits, and expands the eligible expenses that ADB can finance to include land acquisition and payments for rights-of-way, taxes and duties, and other expenses (such as bank charges and secondhand goods). Under the second proposal, to better meet increasingly sophisticated client needs, ADB will pilot-test new financial modalities and instruments over the next 3 years, such as (i) a multi-tranche financing facility,¹² (ii) direct financing to subsovereign, quasi-sovereign, and state-owned enterprises,¹³ (iii) refinancing facility,¹⁴ (iv) new forms of cofinancing,¹⁵ and (v) local currency financing.¹⁶ This will provide ADB and its DMCs with alternatives to better respond to their development financing needs. Finally, ADB will expand its coverage into local currency lending through bond issues and commercial swaps. This will enable ADB to offer a new local currency loan product tailored to meet the financing requirements of public and private sector borrowers in DMCs.

67. In November 2005, ADB adopted a revised policy on supplementary financing¹⁷ that (i) expanded policy coverage to include private sector operations and investment operations financed by the ADF grants; (ii) modified the policy scope to enable ADB to help borrowers complete, restructure, or expand, where warranted, investment operations; (iii) provided clearer and more detailed due-diligence procedures for appraisal of supplementary financial assistance

¹² The facility is similar to a standby and noncontingent line of credit relevant for both debt equity and guarantee finance. The facility targets mainly investment programs, large projects, and credit lines. Pilot testing began in 2005 with two transactions, one in India and another in Pakistan.

¹³ This new instrument responds to the decentralization process taking place in the region and allows ADB to service a new set of clients.

¹⁴ This allows ADB to help with the restructuring and/or expansion of existing projects with inappropriate financing plans.

¹⁵ ADB has seen an increased interest from commercial financial institutions, from both the private and public sectors, to enter into risk-sharing agreements—cofinancing through active financial syndications and risk sharing with commercial financial partners. The new arrangements will expand cofinancing and partnership opportunities for all parties involved.

¹⁶ This is now applicable to both the public and private transactions. It addresses the potential mismatch between borrowing in foreign currency and having income streams in local currency. This is especially relevant in the case of public services, utilities, and infrastructure projects.

¹⁷ ADB. 2005. *Review of the Policy on Supplementary Financing: Addressing Challenges and Broader Needs* (R.303-05). 7 November. Manila.

proposals; and (iv) streamlined processing procedures, including subjecting such proposals to the Board-approved general rules for summary procedure. The revised policy intends to enhance development impact, improve the responsiveness of ADB's investment operations to borrowers' evolving needs, and reduce transaction costs.

68. The IEI aims to improve approaches, practices, and policies covering consultancy services and procurement of goods and works, and harmonize with those of other development partners. Several initial changes were made in October 2004, which focused on increasing delegated authority to regional departments and EAs for reviewing bidding documents and evaluation bids. Additional changes were recommended and ADB proposed revisions to the guidelines to (i) streamline procurement processes, (ii) harmonize its regulations with those of other multilateral institutions, (iii) enhance transparency, and (iv) allow greater flexibility and innovation in the procurement procedures of borrowers. ADB proposed improvements in the guidelines on the use of consultants by ADB and its borrowers including (i) increased flexibility and performance monitoring, (ii) assessing EA and country procurement capacity, (iii) promoting country ownership, (iv) increasing the focus on developing national consulting industries, and (v) simplifying selection of smaller (including national) NGOs. In this regard, ADB adopted on 6 February 2006 two policy papers, "Revising the Procurement Guidelines" and "Use of Consultants by the ADB and Its Borrowers". The successful implementation of these initiatives will help improve ADB's business process by removing bottlenecks that constrain its capacity to respond better and more quickly to its clients.

69. The IEI is proposing changes to improve country strategies for clarity and results orientation, quality-at-entry projects, and subsequently the development of a sound business pipeline. It will also enhance ADB's business processes through better approaches, procedures, and practices to develop a lending pipeline and conversion of the same into operations. In May 2005, a draft paper on CSPs and business processes change proposals was prepared by an IEI subgroup on CSPs and business processes to improve efficiency in programming and project and TA processing, and submitted for discussion at a Management Committee meeting. In January 2006, the SPD was assigned to further develop and finalize these proposals in line with its overall responsibility for CSP and business processes. To discuss with the Board and get its feedback on key recommendations to reform CSPs, an informal Board seminar will be held in March 2006. The main objective of the CSP reform is to make ADB programming more responsive, relevant, and results-oriented. The proposed changes target (i) strategic clarity at the country level, sector focus, and selectivity in pipelines; (ii) results orientation; (iii) operational quality at entry; and (iv) overall efficiency improvements. The strategy paper is expected to be finalized by 2007.

70. The review of the current environment and social safeguard policies to enhance their effectiveness and relevance is underway. During January–June 2006, OED will independently evaluate the safeguard policies as an input to the update. In line with OED's evaluation schedule, the review and update are postponed and expected to be completed by the end of 2007.

71. **Conduct an Independent Assessment of the 2002 Reorganization and Undertake Follow-Up Actions.** The scope of the independent assessment of the 2002 reorganization was expanded to cover its follow-up actions. The independent assessment report was completed in November 2004. The final report of the independent assessment panel suggested a set of options and recommendations covering (i) strategic focus, (ii) sectoral strength and resources, (iii) quality assurance, and (iv) operational effectiveness. The options and recommendations involve structural, nonstructural, and functional changes and are grouped into two broad

categories: (i) those that can be implemented fairly quickly, and (ii) those that required detailed study and careful analysis for a balanced solution (actions followed by further decisions to be taken by Management). Most nonstructural changes proposed by the independent assessment report were endorsed by Management for immediate implementation. To this end, an action plan for 2005–2006 was adopted on 28 January 2005. Many of the nonstructural issues have been integrated into various ongoing reform initiatives. Two follow-up actions to the independent assessment report will be reported under MfDR: (i) empower managers and staff by setting clear goals, providing resources, tracking progress, and holding people and units accountable for results; and (ii) regularly conduct surveys to measure client satisfaction. Some of the follow-up actions that will be reported under the IEI are (i) conduct a principal review of project at the concept stage; (ii) integrate specialized and safeguard staff into project teams at an early stage; (iii) institute a peer-based quality enhancement function on a demand-driven (occasionally mandatory) basis; and (iv) establish an institutional mechanism to track quality in real time and over time.

72. Some of the options and actions proposed by the independent assessment panel regarding the business process, such as project-readiness certification, conduct of Management review meetings, and increased involvement of vice presidents in long-term strategic and policy high-level management issues, were implemented in 2004. Following the recommendations of the independent panel, and as a prerequisite for pilot-testing the financial modalities, an independent Credit Risk Management Unit (later changed to the Risk Management Unit) was established directly under the President's office to (i) formulate policy and assess credit risk in operations; (ii) assess and assign the internal credit rating of borrowing member countries and for any or all individual projects in the public and private sectors; and (iii) independently assess credit risk of any or all individual transactions and work with the project teams.

73. In April 2005, the OREI was established replacing the Regional Economic Monitoring Unit to provide strategic focus in regional cooperation and integration. The Office of External Relations was upgraded to the DER effective June 2005 to enable management of expanded responsibilities and to support ADB's new PCP.

74. On 1 July 2005, RSDD was reorganized to make it more effective in (i) driving the renewal of ADB's key business, (ii) supporting quality enhancement and innovation of key sector operations, (iii) promoting sustainability and inclusiveness of ADB investment, and (iv) improving KM in ADB. The reorganization relocated RSDD's ADB-wide sector and thematic coordination and support functions that were not critical to it to other departments and offices such as agriculture, finance, microfinance, industry and trade, anti-money laundering, PSD, and regional cooperation. The functions and staff for the microfinance function were transferred to the South Asia Department, and anti-money laundering function to the Office of the General Counsel. Other transfers were (i) agriculture to the East and Central Asia Department, (ii) finance to the South East Asia Department, (iii) industry and trade to OREI, and (iv) regional cooperation to OREI.

75. An assessment of the PSD specialist posting (or location) is ongoing, and a decision on their location will be made by December 2006. OED will also study the feasibility of shortening the time between project completion and finalization of the project performance audits. A decision and recommendation from the assessment will be made in the annual evaluation review in June 2006. ADB enhanced the mechanisms of measuring the real costs of doing business for regional departments in 2005. This information will be used to enhance organizational effectiveness. By September 2006, the mechanism will cover the Private Sector

Operations Department (PSOD) and will subsequently be refined on a continuing basis. Work to improve the cost information mechanism will be performed on a continuing basis.

76. Harmonize and Align Practices and Procedures for Aid Effectiveness in Agreed-On Areas. To reduce transaction costs for its DMCs and to improve the efficiency and effectiveness of its development assistance, ADB is harmonizing and aligning its standards and practices with those of other MDBs in evaluation and monitoring; environmental assessment and social safeguards; addressing corruption and anticorruption investigation; disbursement, procurement and consultant recruitment; and trust fund administration and cofinancing. ADB adopted an action plan on harmonization and alignment of practices and procedures in the DMCs in agreed-on areas on 23 September 2004. Harmonization efforts of different departments and offices of ADB are monitored and reported under the initiative to form the basis of the action plan. The action plan is regularly updated, most recently on 31 January 2006. The plan represents ADB's ongoing activities to support the Rome Declaration as committed by the President at the Rome High-Level Forum in February 2003, and reaffirmed at the Marrakech Roundtable on Results and Heads of MDBs Meeting in February 2004, and again reiterated during the Eleventh MDB Roundtable on Harmonization hosted by ADB on 7–8 June 2004. The plan is fully reflective of ADB's commitment on harmonization work in several partner countries. This initiative has now been classified as a continuing activity.

77. ADB co-sponsored the Second High-level Forum on Joint Progress Toward Enhanced Aid Effectiveness: Harmonization, Alignment, and Results, held in Paris on 28 February–2 March 2005, with other MDBs, United Nations Development Programme, and OECD-DAC. The Forum concluded with the adoption of the Paris Declaration on Aid Effectiveness, committing MDBs, donor nations, developing countries, and partner organizations to a series of actions designed to significantly increase aid effectiveness. ADB, in cooperation with other MDBs, jointly prepared and circulated in early April 2005 a progress report, "Update on Cooperation Among MDBs", on the direction and progress in strengthening coherence and building partnerships among MDBs during 2004 and early 2005. A Board information paper containing the summary of ADB initiatives directly or indirectly related to the implementation of the Paris Declaration was circulated on 15 November 2005.

78. ADB hosted the 11th MDB Roundtable on Harmonization on 7–8 June 2004 in Manila to (i) follow up commitments made at the 10th Roundtable held in Tunis, (ii) provide updates on various country-level harmonization efforts, and (iii) discuss the progress of various MDB technical working groups. The European Bank for Reconstruction and Development hosted the 12th Roundtable on 28–29 June 2005 in London to discuss (i) emerging issues related to the harmonization and MfDR agenda, and (ii) the Paris Declaration and the ongoing work on baseline and target setting. ADB hosted the Evaluation Cooperation Group Meeting on 17–19 October 2005 to strengthen cooperation among evaluations and harmonize evaluation methodology among its member institutions. Multilateral Financial Institutions—Working Group on Environment met in Tunis in April 2005, and again in November 2005 in Washington, DC, to discuss, among other things, (i) environmentally and socially responsible procurement, (ii) current status of safeguard policy updates process among multilateral financial institutions, and (iii) environmental/sustainability reporting by multilateral financial institutions. ADB hosted the meeting of heads of procurement of MDBs, with all major MDBs participating, on 14–16 February 2006, to discuss harmonization of procurement policies and procedures and various recent procurement issues faced by MDBs.

79. ADB is collaborating with development partners on key economic, sector, and thematic work and increasingly using harmonized approaches to develop results-oriented CSPs. In 2005,

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 the World Bank, United Nations, and DFID-UK. The Viet Nam CSP is being prepared jointly with the World Bank. On 5 July 2005, ADB and the World Bank shared experiences in working in conflict situations at the Third Harmonization Retreat in Nepal. ADB is also implementing TA projects to help achieve the MDGs in Asia and the Pacific region, and harmonization and MfDR in the Philippines.

80. On 18 February 2006, at the Heads of MDBs Meeting, a consensus was arrived at on the broad policies and practices to address internal and external problems of corruption. The MDBs agreed on the need to standardize their definition of corruption, to improve the consistency of their investigative rules and procedures, to strengthen information sharing, and to assure compliance and enforcement actions taken by one institution and supported by all others. A task force was established to report bimonthly on progress made to develop a uniform framework for preventing and combating fraud and corruption, with the goal of concluding an agreement by the September Annual Meetings of the World Bank Group and IMF. On 21 February 2006, ADB participated in the MDB Roundtable Meeting in Luxembourg to discuss the administration and policy reform of trust funds, role of trust funds in responding to specific crises, and cofinancing.

81. **Solve Year-End Bunching¹⁸ Problem.** Bunching of projects for Management and/or Board approval at the end of the year can reduce ADB's operational effectiveness. A study was undertaken to identify the causes of the problem and the measures to redress the situation. The guiding principles of the study are (i) ADB and DMC processes and cycles are aligned, (ii) diverse contexts of DMCs are recognized, and (iii) balanced attention is paid to quality of outputs and efficiency of processes. Measures such as (i) preparation of monthly reports containing year-end bunching projections for tighter planning and monitoring of Board schedules, (ii) reform of the planning process to allow greater allocation of resources per project that would increase control over project scheduling, and (iii) greater flexibility in business processes to free up capacity for improved project scheduling have been introduced. However, a medium-term approach is needed to address fundamental issues such as (i) greater alignment of programming and project processing cycles with DMC cycles, (ii) the need to integrate the project readiness filter under (i), and (iii) staffing issues.

82. The monthly bunching reports to Management raised the awareness of the likely scale of bunching and allowed corrective actions to be taken. On 20 May 2005, a Management and Board retreat identified options for reducing bunching and compared ADB's performance with other MDBs'. In August 2005, during the quarterly Management Committee meeting on operations, Management introduced and enforced an anti-bunching norm/ceiling of 65% on project proposals for Board consideration in the last quarter. This proved to be useful in limiting bunching and will continue to be applied as necessary. The bunching rate of the lending program of 51% in 2005 was much lower than 75% in 2004. The bunching rate for TA was at 49% at the end of 2005, lower than 60% in 2004. During 2006, the monthly bunching report to Management will continue as well as the quarterly Management Committee meeting on operations and bunching.

83. Ways to reduce bunching were also proposed in the *Action Plan to Improve Loan and TA Portfolio Performance*¹⁹. For example, (i) operations departments will be required to adopt a

¹⁸ Defined as project approvals that take place in the fourth quarter.

¹⁹ ADB. 2005. *Action Plan to Improve Loan and TA Portfolio Performance in Response to the 2004 Annual Report of the Operations Evaluation Department* (IN. 292-05). 10 November. Manila

checklist to monitor the status of each project-readiness filter before each project-processing stage; and (ii) internal pressures contributing to bunching will continue to be reduced, including the application of the new PBA policy, which makes country allocations every 2 years and addresses the incentive for approving projects by the end of any given year. The new PDP process will stress outcome and output achievement and deemphasize the role of yearly project approvals in staff's performance evaluation. The reduction in number of TA projects will free up staff resources to allow greater control over project processing and scheduling. Management will reinforce the application of project-readiness filters by monitoring the project-processing schedule. The bunching initiative has now been classified as a continuing activity without a specific target date of completion.

D. Reinforcing Knowledge Management²⁰

84. **Implement KM Action Plan.** The KM framework was approved in June 2004 and identifies five distinct but complementary outcomes: (i) improved organizational culture for knowledge sharing; (ii) improved management system of knowledge products and services; (iii) improved business processes and information technology (IT) solutions for knowledge capture, enrichment, storage and retrieval; (iv) establishment of well-functioning CoPs or networks; and (v) expanded knowledge sharing, learning, and dissemination through external relations and networking. The successful implementation of the KM framework will increase assimilation and dissemination by ADB of relevant and high-quality knowledge to DMCs and other stakeholders, and enhance learning—knowledge capture and sharing—within ADB. In achieving these goals, ADB seeks to establish itself, and be recognized, as a learning institution.

85. An initial assessment of ADB's KM activities was conducted by Teleos-MAKE (Most Admired Knowledge Enterprises) in October 2004, and a report was submitted in December 2004. The result of the assessment revealed that while the KM framework indicates a well-thought-out plan incorporating the latest thinking and approach to KM as a culture change mechanism, the timeframe given to implement the initiative and the resources available to it is ambitious. The 2004 assessment also indicated that based on meeting and interviews conducted with selected departments/offices' staff and Management, staff do not understand the process of operating CoPs, thus, their work, roles, and activities should be reviewed and clarified. A MAKE assessment survey²¹ for ADB staff was conducted from May to June 2005 to assess ADB's KM activities and to benchmark its level of maturity and commitment against eight recognized MAKE knowledge performance dimensions. The MAKE report to benchmark ADB with knowledge organizations, such as the World Bank, and Asian and global MAKE leaders, was submitted in September 2005. These reports identified the following areas that need attention: (i) gap between management and staff on KM awareness; and (ii) lack of understanding and support for the knowledge strategy of national officers, junior professionals, support staff, and some departments. Teleos will conduct a semiannual survey of selected ADB staff members to determine how they perceive the KM implementation process and benchmarking.

86. ADB established 10 CoPs in August 2005 to institutionalize the use of CoPs in capturing and sharing information. The CoPs were established taking into consideration the concerns raised during the 2002 internal assessment on the performance of the sector and thematic

²⁰ Knowledge management is the way organizations create, capture, enhance and reuse knowledge to achieve organizational objectives. The word "management" is a misnomer, as knowledge cannot be managed. What needs to be managed are the processes by which knowledge is created, acquired, stored, accessed, validated, disseminated and applied.

²¹ Based on a sample size of 66 respondents.

committees and networks such as the role of the committees and resources made available to them. Since January 2006, ADB started publishing a web-based newsletter titled “*Knowledge Matters*” every other month, offering the latest in lessons learned and best practices in knowledge management within ADB and other knowledge organizations. The first phase of intranet and internet harmonization was initiated in 2005 and will be completed in 2007. Through a TA grant, ADB will develop knowledge hubs in selected DMCs (such as India, PRC, and Thailand) to support and strengthen research and disseminate new development concept and technologies.

87. The implementation of the KM framework, particularly the activity under output 3 of the action plan—improved business processes for knowledge capture, enrichment, storage and retrieval—is dependent on the progress of the implementation of the information systems and technology strategy, 2004–2009 (ISTS II). Based on the ISTS II revised timeframe (as of February 2006), IT-related KM activities will be completed in phases. The CoP tools, and skills database; and document repository, search, and retrieval system among others will be implemented in 2006 and 2007 respectively and the remaining components will be completed in the fourth quarter of 2008. The implementation of the KM action plan is expected to be completed in 2009.

88. **Prepare and Implement a Public Communications Policy.** With respect to the improved systems for managing knowledge, ADB adopted in April 2005 a new PCP, which became effective on 1 September 2005. The PCP will help ADB engage its stakeholders enhance their trust in ADB, and thereby find ways to increase the impact of development programs. It gives the public improved access to documents and information and commits ADB to greater openness and dialogue with stakeholders. 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 among ADB constituents, other stakeholders, and the public; (ii) sharing and exchange of development knowledge and lessons learned so as to provide fresh and innovative perspectives on development issues; (iii) participatory development, ensuring a greater two-way flow of information between ADB and its stakeholders, including project-affected people; and (iv) transparency and accountability in ADB operations. This is classified as a continuing activity without target date of completion.

89. The PCP includes a strategy on external relations, primarily to build strong external relationships by making ADB widely-known and understood among its key constituents. The action plan to implement the strategy consists of work in (i) strategic leadership, (ii) media and relationship building, (iii) staff capacity building and training, (iv) accountability, and (v) knowledge dissemination and public awareness. This program of work will (i) clearly define ADB’s external relationship priorities and target audiences; (ii) facilitate the strengthening of existing external relationships and the development of substantive new relationships with target audiences; and (iii) establish and implement systems to ensure that ADB research, policies, and views on defined external relations priority areas are communicated to target audiences successfully.

90. As part of the PCP, the Office of External Relations was upgraded to a department—DER—and representative offices were placed within the new department to strengthen ADB’s external relations. DER now comprises five units—Media Relations, Internal Communications, Publishing, Web and Information Disclosure, and Public Affairs—as well as representative offices in Europe, Japan, and North America. The new InfoUnit (as part of the Web and Information Disclosure Unit) manages PCP’s disclosure requirements. DER has developed

communication tools and strategies to raise awareness of borrowers and the private sector on the new disclosure requirements. Awareness raising through web, print, and face-to-face briefings is planned from September 2005 to December 2006.

91. During 2006, the action areas to be undertaken are (i) strategic leadership: establishment of the External Relations Management Committee and effective communication to ADB staff of Management views on external relations priority areas; (ii) media and relationship building: ADB target audiences for external relations clearly defined; target audience perceptions of ADB surveyed, understood, and integrated into external relations planning; and strong relationships built with target audiences to promote understanding of ADB's mission to build trust in the institution, and to foster cooperation with external stakeholders for development of Asia and the Pacific region; and (iii) knowledge dissemination and public awareness: ADB knowledge outputs to support global campaigns on external relations priority areas and relationship-building activities identified, packaged, and disseminated.

92. **Implement the Information Systems and Technology Strategy, 2004–2009.** The successful implementation of the ISTS II, adopted in June 2004, will greatly enhance operational effectiveness, internal efficiency, services for DMCs and other external stakeholders, as well as address business requirements. It will provide collaborative tools to help create, cultivate, and disseminate knowledge across ADB. The strategy has the following objectives: (i) provide systems and data that support ADB's results-based agenda and action plan for MfDR; (ii) deliver a framework for KM solutions that provides for internal and external exchange of information; (iii) institutionalize the business and IT partnership to foster the appropriate degree of ownership and direction; and (iv) develop enabling IT infrastructure and services that are secure, available, responsive, and reliable. The initiatives can be grouped into three components: (i) development of high-priority information systems needed to meet business requirements, (ii) implementation of the underlying technology infrastructure necessary to run the systems, and (iii) IT governance required to implement the strategy.

93. Due to the delayed start of ISTS in establishing the Project Management Office until March 2005 under the Office of Information Systems and Technology (OIST)—which is the focal office for the implementation of ISTS II—the schedule of development and implementation activities has been revised. Substantial work will be undertaken in 2006 with early delivery of some prioritized activities. The overall program will be completed on time (by 2009). OIST was organizationally realigned during September–December 2005, putting in place the (i) Technology Division, (ii) Solutions Delivery Division, and (iii) Infrastructure Unit. The new structure will position OIST to successfully implement the ISTS II and better support ADB's operations. An informal Board seminar was held on the ISTS II update on 1 February 2006. ADB is simplifying its IT environment more efficiently and cost-effectively under the infrastructure optimization sub-initiative. With respect to information systems, ADB is identifying requirements for better information sharing support of decision making and KM. Under ISTS II and KM initiatives, ADB is working on changing how people use each information system.

E. Improving Human Resources Management and Staff Incentives

94. **Formulate and Implement a New Human Resources Strategy.** This initiative is a critical component of the agenda. The HR strategy, approved by Management in October 2004, contains 20 actions to be implemented over three years. The objective of the strategy is to establish a merit-based, transparent, and effective HR management system in support of ADB's vision and strategies to better serve the DMCs. The strategy supports ADB's organizational

structure and must, therefore, be flexible in accommodating any changes in the structure. It also encompasses all staff and pursues three mutually reinforcing objectives: (i) enhance organizational capability, (ii) establish an effective performance management system, and (iii) strengthen leadership and accountability. It aims to (i) improve HR management; (ii) enhance greater efficiency and effectiveness (through process and procedural improvements); (iii) increase staff morale, motivation, and engagement; and (iv) generate general savings through efficiency measures.

95. In 2005, ADB crossed the following milestones in implementing the HR strategy: (i) establishment of a competency framework for staff (application of technical knowledge and skills, client orientation, achieving results, working together, learning and knowledge sharing) in January; (ii) development of a new performance management system in January, which will provide a meaningful and objective assessment of staff performance with a clear focus on results and will increase accountability; (iii) approval of the enhanced separation program in May; (iv) improvement of the recruitment and selection process in May; (v) adoption of the comprehensive review of compensation and benefits for professional staff in November; (vi) alignment of the learning and development programs with ADB's strategic direction in December; and (vii) adoption of the review of staff retirement plan benefit provisions and assumptions for actual valuation.

96. The ADB-wide competency framework will provide the basis for a uniform and streamlined approach to recruit, select, and promote staff, as well as to evaluate performance and develop staff. Together with the streamlining of recruitment and selection processes planned for 2006, the competency framework will result in a more transparent and objective basis for personnel-related decisions. It will be integrated with recruitment, selection, and promotion systems in 2006.

97. The performance management system clearly defined staff responsibilities and accountabilities in an annual work plan agreed between staff and managers. Under the performance management system, ADB adopted the PDP to better align the individual staff's work plan with the organizational key results areas, and with responsibilities and accountabilities more clearly defined. It will also provide more specific information about individual staff performance with active involvement of supervisors, meaningful distinctions in performance, a sound basis to help staff improve, and will also establish a clear link between performance and pay. The PDP process will be fine-tuned during the 2006 exercise.

98. The enhanced separation program will facilitate separation (earlier than their normal retirement date) of selected staff members from ADB who have stagnated in their careers, lack the potential for career advancement, or are becoming less able to meet the full requirements of their position. The resultant vacancies will enable ADB to adjust the composition of the workforce to ensure that staff possesses the appropriate skills, competencies and motivation. This action is a key to achieve the HR Strategy outcomes. This will be finalized by June 2006. A completion report will be done by the end of 2006.

99. The recruitment and selection processes to improve timeliness and quality at entry and transparency were approved for implementation. The processes included the implementation of structured two panel interviews for external recruitment of non-senior professionals to validate skills and employment potential and also the streamlining of recruitment. Integration of the competency framework into the revised selection process will result in a more transparent and objective basis for personnel-related decisions. The recruitment and selection process was further improved by delegating some oversight functions to the vice president for finance and

administration and by using external specialized recruitment firms for senior positions in PSOD and the Risk Management Unit.

100. The aim of the comprehensive review of compensation and benefits for professional staff is to align the HR management objective for a performance-based culture within ADB with a cost-effective and streamlined way to administer professional staff benefits. The review proposed a new methodology for determining salary increases of professional staff, including the payment of nonpensionable and nonrecurring bonus for exceptional performers.

101. The Learning and Development Unit was established in 2005 to optimize the use of learning and development resources, support a more efficient approach to learning and development, and adopt a more strategic approach to identifying learning needs within the business environment. Key elements of the 2006 learning and development program will emphasize promoting institutional efficiency and effectiveness, redesigning leadership programs, and improving technical programs. These programs are expected to enhance organizational capability and develop staff's technical and operational capabilities as well as their leadership skills.

102. During 2006, ADB will (i) establish skills inventory and results-oriented job descriptions, (ii) develop the gender action plan III, (iii) develop an enhanced HR policy framework for resident missions and offices, (iv) review the staff complement system, (v) implement the assessment and development center, and (vi) implement the technical career stream. The implementation of the new HR strategy will be completed in 2007.

IV. MAJOR CHALLENGES AND NEXT STEPS

103. The successful implementation of the reform agenda will make ADB a more effective, dynamic, and results-driven catalyst for poverty reduction. In 2005, there were several achievements under the agenda and important milestones were reached. However, the agenda's implementation must be accelerated. Therefore, ADB needs to identify the major challenges ahead and take steps to address them.

Major Challenges and Issues

104. **Ambitious Time Frame.** Under the agenda, 17 initiatives were ongoing in 2005. In addition, several activities such as reviews of additional policies, strategies, and administrative reforms were undertaken. These entailed a heavy workload for staff. Most of the initiatives have ambitious implementation timeframes under their action plans, which did not fully consider the timeframe and sequence of activities of related initiatives. Further, (i) implementation of several initiatives depends on providing required inputs from related initiatives; (ii) the time required for internal and external consultations took longer than expected; and (iii) resource constraints arose out of ADB's response to sudden catastrophes, such as the tsunami, the South Asia earthquake, and the avian flu outbreak. As a result, progress in several initiatives has been slower.

105. **Planning and Coordination.** There are several interrelated and complementary initiatives. Better coordination and tighter planning is needed.

106. **Prioritization and Sequencing of Key Initiatives.** In 2006, staff and budget resources will have to be met entirely from currently available resources within the approved budget. In

view of the resource constraints, better prioritization is required in 2006. The sequencing of the implementation of major activities of key initiatives needs to be clarified.

Next Steps

107. **Expeditious and Rigorous Implementation.** As emphasized by the President, the adoption of new or revised policies and strategies indicates the progress of the agenda, but it is their actual implementation that will produce results and development impacts. Expeditious and rigorous implementation of adopted policies and strategies is crucial for the success of agenda.

108. **Regular Forum for Focal Points.** A regular forum of focal points/heads of focal departments and offices and regional departments will be established. The first focal point meeting will be held in March 2006. The forum will ensure better formulation and implementation (including the sequencing of activities), and minimize overlap and inconsistency among the initiatives.

109. **Preparation of Revised Action Plans.** As the action plans of most initiatives were ambitious and did not fully take into consideration the timeframe of related initiatives and/or the time required for internal and external consultation, it has become difficult to meet targeted completion dates. The completion of some reform initiatives depends on the provision of required inputs from related initiatives and/or consultations within ADB and with external stakeholders. Therefore, the focal point of each initiative, in close consultation with focal departments and offices and regional departments, will produce a revised action plan with an achievable implementation timeframe. A consolidated action plan for the agenda will be prepared, and the RCC will monitor progress of agenda based on the revised plan.

110. **Closer and More Frequent Monitoring.** Because the completion of many initiatives is planned for 2006, closer and more frequent monitoring will be undertaken. Quarterly meetings of focal points, or as required for major initiatives, will be organized by the RCC secretariat. Members will exchange views, discuss, and identify major interrelated implementation issues and challenges, and propose actions to address them. The RCC will review these proposals and recommend actions for Management's attention.

111. **Measuring Progress.** As already mentioned, a new framework will be used as a tool for measuring, monitoring, and reporting on progress toward achieving the five broad outcomes envisioned in the agenda. The benchmark for outcome indicators will be established in the second quarter of 2006 using 2004/2005 data. These indicators will be tested and reviewed and adjusted, if necessary.

112. **Enhanced Communication and Management Guidance.** Continuous Management involvement and guidance in steering the agenda will be needed to accelerate implementation. Implementing significant changes at country and institutional levels will require continuous training and activities to raise awareness in ADB and DMCs. The chronology of events since the launch of the agenda and "recent major achievements" that have been posted on the agenda internet and intranet websites will be updated every 2 months. Periodic progress reports will be prepared and submitted to Management.

LIST OF ASIAN DEVELOPMENT FUND IX COMMITMENTS

1. Results agenda as key priority
2. Development of results methodologies
3. Results-based country strategy and program
4. Harmonization of results indicators
5. Review of the Performance-Based Allocation system
6. Human Resources Strategy
7. Addressing “Bunching”
8. Independent review of reorganization
9. Unified Public Communications Policy
10. Review of governance and anticorruption policies
11. Review of Private Sector Development Strategy
12. New accountability mechanism
13. Independent Operations Evaluation Department
14. Review of the Poverty Reduction Strategy
15. Strengthening Asian Development Bank’s senior management team
16. Reviewing and mobilizing resources

Source: *Asian Development Fund IX Donors’ Report: Development Effectiveness for Poverty Reduction*. (Doc. R111-04). 22 July 2004.

**FOCAL DEPARTMENTS AND OFFICES
IMPLEMENTING REFORM AGENDA INITIATIVES**

Results Area and Initiatives	Focal Dept/Office	Target Date of Completion
A. Improving Operational Policies, Strategies, and Approaches		
1. Review, prepare, and implement Medium-Term Strategy (MTS): ^a		
(i) review MTS I,	SPD/SPPI	Completed in February 2006
(ii) prepare MTS II, and	SPD/SPOD MTS II Committee	2006
(iii) implement MTS II.	SPD/SPOD MTS II Committee	2008
2. Prepare ADB's Strategy for Regional Cooperation and Integration.	OREI	2006
3. Prepare a Revised Framework for Private Sector Development (PSD) and implement an action plan: ^b		
(i) review implementation of PSD Strategy,	RSDD/RSCG	Completed in August 2005
(ii) prepare Revised Framework, and	PSD Task Force	Completed in February 2006
(iii) implement action plan.	Depts./Offices concerned	2008 ^c
4. Prepare a paper on Enhancing ADB Support to Middle-Income Countries and Ordinary Capital Resources Borrowers.	SPD/SPMS	Second quarter 2006
5. Review the implementation of ADB's governance and anticorruption policies.	RSDD/RSCG	May 2006
6. Review of approaches to strengthen developing member countries' capacity development.	RSDD/RSCG	June 2006
7. Review ADB's Graduation Policy.	SPD/SPPI	2006
8. Strengthen the Performance-Based Allocation Policy.	SPD/SPOD	Completed in December 2004 ^d
B. Mainstreaming Managing for Development Results (MfDR)		
9. Establish the Results Management Unit.	SPD/SPRU;	Completed in February 2004

Results Area and Initiatives	Focal Dept/Office	Target Date of Completion
10. Design and implement action plan for MfDR: (i) design action plan, and (ii) implement action plan. 11. Implement the Project Performance Management Systems action plan: (i) prepare action plan, and (ii) implement action plan.	SPD/SPRU; RDs COSO/ COOD; RDs	2008 Completed in April 2004 Completed in January 2006
C. Refining Organizational Process and Structure 12. Implement the Innovation and Efficiency Initiative. 13. Conduct an independent assessment of the 2002 reorganization and undertake follow-up actions: ^f (i) review 2002 reorganization; and (ii) undertake follow-up actions. 14. Harmonize and align practices and procedures for aid effectiveness in agreed-on areas: (i) prepare action plan, and (ii) implement action plan. 15. Solve year-end bunching problem.	RSDD/RSOD Special Initiatives Group BPMSD/BPBM; SPD/SPMS SPD/SPPI SPD/SPMS	2008 ^e (Five sub-initiatives adopted by early 2006 and two will be adopted by 2007) Completed in November 2004 December 2006 Formulated and Initiated in September 2004 Continuing activity Continuing activity
D. Reinforcing Knowledge Management 16. Implement Knowledge Management Action Plan: (i) prepare framework and action plan, and (ii) implement action plan. 17. Prepare and implement a Public Communications Policy: (i) prepare public communications policy, and (ii) implement action plan.	RSDD/RSDD-KM DER	Completed in June 2004 2009 ^g Completed in April 2005 Continuing activity

Results Area and Initiatives	Focal Dept/Office	Target Date of Completion
18. Implement the Information Systems and Technology Strategy, 2004–2009 (ISTS II): (i) prepare strategy, and (ii) implement strategy.	OIST/Solution Delivery	Completed in June 2004 2009 ^h (Major work to be completed by 2008)
E. Improving Human Resources Management and Staff Incentives 19. Formulate and implement a new human resources strategy: (i) formulate strategy, and (ii) implement action plan.	BPMSD/ BPHR	Completed in October 2004 2007

ADB = Asian Development Bank, BPBM = Budget and Management Services Division, BPHR = Human Resources Division, BPMSD = Budget, Personnel and Management Systems Department, COOD = Office of the Principal Director, COSO, COSO = Central Operations Services Office, DER = Department of External Relations, OIST = Office of Information Systems and Technology, OREI = Office of Regional Economic Integration, RD = regional department, RSCG = Capacity Development and Governance Division, RSDD = Regional and Sustainable Development Department, RSDD-KM = Knowledge Management Center, RSOD = Office of the Director General, RSDD, SPD = Strategy and Policy Department, SPOD = Office of the Director General, SPD, SPPI = Strategic Planning, Policy, and Interagency Relations Division, SPMS = Management Support Division, SPRU = Results Management Unit.

^a Original initiative “Review the MTS I” was expanded to cover “Preparation and implementation of the MTS II”.

^b Original initiative “Review Implementation of PSD Strategy” was superseded by “Prepare a Revised Framework for PSD and Implement Action Plan”.

^c Three activities: (i) adopt a systematic approach to screening and monitoring PSD transactions^c; (ii) implement ongoing initiatives under the innovation and efficiency initiative and explore the need for new business lines and financial instruments; and (iii) adopt a more systematic approach to managing client relationships will be implemented in 2006–2008. The rest of the activities under the action plan will be completed by 2006.

^d Systems were subsequently put in place during 2005 to implement the revised PBA policy, and the first cycle of the new PBA exercise was completed in December 2005 (see Appendix 7).

^e Remaining sub-initiatives: (i) country strategies and business processes related to processing approvals and implementation, and (ii) safeguards policies, will be adopted by 2007, but their implementation will be completed by 2008.

^f Scope of initiative “Independent Assessment of the 2002 Reorganization” was expanded to include the follow-up actions to the assessment.

^g Two activities—(i) improve management systems of knowledge products and services, and (ii) establishment of well-functioning “communities of practice” or networks—have now been classified as continuing activities. The implementation of the activities under output 3—improved business processes for knowledge capture, enrichment, storage and retrieval—is dependent on the progress of the implementation of ISTS II.

^h This is being implemented according to the ISTS and capital expenditure requirements 2004–2009.

Source: Focal departments and offices implementing the initiatives.

STRUCTURE OF THE REFORM COORDINATION COMMITTEE

1. To ensure the effective implementation of the reform agenda, the President established the ADB Reform Coordination Committee (RCC) on 23 July 2004. The RCC secretariat was established on 15 September 2004 with the appointment of a principal reform coordination specialist.
2. The RCC is headed by the Managing Director General with 10 senior staff as standing members. Other heads of departments or offices are invited to meetings on specific issues, while management advisors are invited as observers.

Figure A3: The RCC Structure



A 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 Asian Development Bank's (ADB's) organizational effectiveness to manage its financial and human resources and activities so it can deliver products and services to developing member countries (DMCs) more efficiently. To achieve this objective, the agenda commits ADB to deliver the following specific outcomes related to internal changes and realignment: (i) improving operational policies, strategies, and approaches; (ii) mainstreaming management for development results; (iii) refining organizational process and structure; (iv) reinforcing knowledge management; and (v) improving human resources management and staff incentives. There are 19 initiatives under the agenda.

2. In line with the management for development results 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 in the previous paragraph.

3. The core indicators were identified by the RCC secretariat following consultations with the Results Management Unit (SPRU) 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 (not at the country level), and
- (iii) capable of being produced by focal departments and offices on a regular basis from existing databases.

4. Following formal comments and feedback from focal departments and offices, a core set of 17 indicators has been identified. Following consultations with focal points, common agenda indicators have been harmonized with results indicators of the work program and budget framework and of the poverty reduction strategy (Table A4).

5. Future reporting on progress of the agenda will be based on these indicators. Focal departments and offices will report progress on the indicators to the RCC. In 2006, benchmarks for these indicators will be compiled and an annual progress report will be prepared. The report will also cover submissions by focal departments and offices on progress on specific initiatives. The indicators will be tested and reviewed during 2006 and improvements will be made if necessary.

Table A4: Outcome Indicators for Monitoring and Reporting the Progress of the Implementation of the Reform Agenda^a

Results Areas	Outcome Indicators	Compiling Unit	Reporting Frequency	Link with PRS and WPBF Indicators^b
A. Improving Operational Policies, Strategies, and Approaches	1. Annual lending volume ^c (\$ million): ^d a. Asian Development Fund (ADF) ^e , and b. Ordinary Capital Resources (OCR) ^f .	COSO	Annual	work program and budget framework (WPBF) and poverty reduction strategy (PRS)
	2. Annual disbursement levels (\$ million): ^d a. ADF, ^e and b. OCR. ^f	COSO	Annual	WPBF and PRS
	3. Percentage of revisions of key policies, strategies, and approaches approved by Management or ADB's Board of Directors. ^g	SPD	Biannual	
B. Mainstreaming Managing for Development Results	4. Number of DMCs ^h with results-oriented CSP (including a results matrix) ⁱ	SPRU/SPD	Annual	WPBF and PRS
	5. Percentage of outcome statement of project design and monitoring frameworks rated "satisfactory" or above ^d	OED ^j	Annual	
	6. Percentage of outcome statement of TA design and monitoring frameworks rated "satisfactory" or above ^d	OED ^j	Annual	
	7. Number of lending projects "at risk" as a percentage of total lending: ^d a. program loans, and b. project loans.	SPD	Biannual	WPBF
C. Refining Organizational Process and Structure	8. Loan ^k processing time: average number of days between the beginning of the PPTA fact-finding and loan approval ^l	COSO	Annual	WPBF
	9. Number of joint CSPs and joint country portfolio reviews conducted annually ^m	SPRU/SPD	Annual	WPBF and PRS

Results Areas	Outcome Indicators	Compiling Unit	Reporting Frequency	Link with PRS and WPBF Indicators ^b
	10. Proportion of projects submitted for Board approval in fourth quarter compared with last year	SPD	Annual	
	11. Professional staff ⁿ on board per loan project ^o approved	COSO	Annual	
	12. Number of lending projects administered by resident missions as a percentage of total lending projects	SPD	Biannual	WPBF
D. Reinforcing Knowledge Management	13. ADB's score on MAKE ^p survey	KM Center	Annual	
	14. Number and size of active networks or community of practices in ADB	KM Center	Annual	
	15. Number of unique users of (i) the knowledge management portal in ADB's intranet, and (ii) ADB's website	KM Center and DER	Biannual	PRS
E. Improving Human Resources Management and Staff Incentives	16. Percentage positive change in engagement scores as measured every three years by staff engagement survey ^q	BPHR	Once in 3 years	PRS
	17. Budgeted PS and NO in resident missions as a percentage of total PS and NO	BPHR	Annual	WPBF and PRS

ADB = Asian Development Bank, ADF = Asian Development Fund, BPHR = Human Resources Division, COSO = Central Operations Services Office, CSP = country strategy and program, DER = Department of External Relations, DMC = developing member country, KM = knowledge management, MAKE = Most Admired Knowledge Enterprises, NO = national officer, OCR = ordinary capital resources, OED = Operations Evaluation Department, PPTA = project preparatory technical assistance, PRS = poverty reduction strategy, PS = professional staff, SPD = Strategy and Policy Department, SPRU = Results Management Unit, TA = technical assistance, WPBF = work program and budget framework.

^a Prepared by the Reform Coordination Committee Secretariat.

^b Harmonized with PRS and/or WPBF results indicators.

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

^d The indicator reflects the five results areas of the reform agenda.

^e Public sector loans only.

^f Includes public and private sector loans.

^g There are 10 policies, strategies, and approaches in the reform agenda.


^h Number of DMCs of the department with approved results-based CSP at the end of the year (cumulative from 2004).

ⁱ By 2007, OED will have completed a number of performance evaluations of CSPs using a consistent methodology.

^j Compiling unit for 2005–COSO–has established quality targets for 2005 and, depending on results, new targets will be set for 2006.

- ^k Restricted to Ordinary Capital Resources (OCR) and ADF public sector loans (as private sector loans do not have PPTA fact finding).
 - ^l Also indicates the progress towards achieving results areas A and E of the reform agenda.
 - ^m Total number of joint CSPs and joint portfolio review mission (with at least one other donor) undertaken by the department during the year.
 - ⁿ Total number of PS at the beginning of the year (1 January) based on Budget, Personnel, and Management Systems Department report.
 - ^o Total public and private sector loans (OCR and ADF combined).
 - ^p Based on the methodology developed by the MAKE research program.
 - ^q Next engagement survey will take place in 2007.
- Source: RCC Secretariat

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ADB'S Reform Agenda: Achieving Development Effectiveness Together


ADB is committed to development effectiveness through a broad-ranging reform effort that will make us a more effective, dynamic, and results-driven catalyst for poverty reduction and prosperity in Asia and the Pacific. ADB's management places the highest priority on enhancing development effectiveness.

As the world around us changes, ADB must also change to remain relevant and be able to better serve the needs of our clients.

- [An Article on the Implementation of the Reform Agenda](#) by Biswa Bhattacharyay
Find out what initiatives are making ADB a more results-oriented organization
- Read the [first progress report](#) on the implementation of ADB's Reform Agenda (January 2005)

Spotlight

[Second Progress Report on the Implementation of ADB's Reform Agenda 2005](#)



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MILESTONES ACHIEVED IN JANUARY 2005–FEBRUARY 2006

A. Improving Operational Policies, Strategies, and Approaches

Initiative		Milestone	Completion Date
Review Medium- Term Strategy (MTS) I	1.	“MTS (2001–2005): A Review” circulated for interdepartmental comments	28 October 2005
	2.	“MTS (2001–2005): A Review” discussed during Management Committee meeting	18 January 2006
	3.	Background Paper on “A Report on the Implementation of MTS I” completed	3 February 2006
Prepare and Implement MTS II	1.	MTS II task force and advisors panel established	21 September 2005
	2.	Strategic issues discussed during a Board and Management retreat	6 and 7 October 2005
	3.	Draft outline in the form of an issues paper discussed during Management Committee meeting	22 November 2005
	4.	First draft (outline) of MTS II discussed with Management	23 January 2006
	5.	Report on MTS II survey results released	7 February 2006
	6.	Informal Board seminar conducted on draft MTS II	24 February 2006
	7.	Stakeholder consultations completed	February 2006
Prepare ADB’s Strategy for Regional Cooperation and Integration	1.	Office of Regional Economic Integration (OREI) established	1 April 2005
	2.	Initial draft report circulated to the Board for information and to the Regional Cooperation Committee for comments	19 and 20 May 2005
	3.	Draft report discussed during Management Committee meeting	26 August 2005
	4.	Conference on Central Asia Regional Economic Cooperation (CAREC) ^a held in Bishkek, Kyrgyz Republic	7 November 2005
	5.	First draft report completed	December 2005
	6.	Zero draft report on “ADB Strategy for Regional Cooperation and Integration” circulated for interdepartmental comments	January 2006
	7.	Interdepartmental review completed	8 February 2006
	8.	First draft report discussed during Management Committee meeting	15 February 2006
	9.	Country and external consultations begun	27 February
Prepare a Revised Framework for Private Sector Development (PSD) and Implement an Action Plan	1.	Final report on “Review Implementation of ADB’s PSD Strategy” completed after external and internal consultations and presented during informal Board seminar	26 August 2005
	2.	A special task force anchored in Regional and Sustainable Development Department (RSDD) but directly reporting to the vice president for knowledge management and sustainable development (VP-KM & SD) established by the President	30 August 2005
	3.	Revised paper on “The Strengthening of ADB’s Role in PSD” discussed during Management Committee meeting	2 November 2005
	4.	Draft report discussed during informal Board seminar	7 November 2005
	5.	Draft final report discussed during Management Committee meeting	1 December 2005
	6.	Final report “PSD: A Revised Strategic Framework” circulated to the Board for information	9 February 2006
Prepare a Paper on Enhancing ADB	1.	MIC and OCR partnership framework and the innovation and efficiency initiative’s (IEI) overall rationale and strategic intents jointly presented during informal Board seminar	25 January 2005

Initiative		Milestone	Completion Date
Support to Middle-Income Countries (MICs) and Ordinary Capital Resources (OCR) Borrowers	2.	Consultations with World Bank started	February 2005
	3.	Meeting of multilateral development bank (MDB) heads conducted. Schedule of MDB working group adjusted as per World Bank's request. Discussions resumed in September 2005.	March 2005
	4.	A Board information paper on provisional action plan completed	June 2005
	5.	Zero draft Board information paper circulated interdepartmentally for comments and discussed during a meeting held on 18 August 2005	9 August 2005
	6.	Country consultations conducted with the Philippines on 25 April to 9 May 2005. Additional consultations conducted with People's Republic of China (PRC) on 4–6 April 2005. Process completed with the consultations with Indonesia on 24–27 October 2005	April to October 2005
	7.	Draft Board information paper containing proposals to enhance the relevance and responsiveness of OCR operations discussed during Management Committee meeting	23 November 2005
	8.	Draft paper on "Enhancing ADB Support to MIC and OCR Borrowers" discussed during informal Board seminar	20 January 2006
	Review the Implementation of ADB's Governance and Anticorruption Policies	1.	Consultation reports published on the Asian Development Bank (ADB) website
2.		Further research and analysis conducted based on consultation findings and interdepartmental group directions	April 2005
3.		First draft report circulated for interdepartmental comments	10 June 2005
4.		Second draft report completed in September and discussed during Management Committee meeting in October 2005	14 October 2005
5.		Condensed version of the report completed and posted on ADB website. Copies released to external stakeholders including participants of earlier consultations	December 2005
6.		Draft report discussed during informal Board seminar	3 February 2006
7.		Heads of departments and offices asked to nominate focal persons for the "Review of the Implementation of the Governance and Anticorruption Policies: Preparation of Action Plan"	3 February 2006
8.		Summary of proceedings of the informal Board seminar released to Management Committee	10 February 2006
Review of Approaches to Strengthen DMCs' Capacity Development	1.	Classification system for capacity development introduced	10 January 2005
	2.	Draft report on "Integrating Capacity Development into Country Programs and Operations: Proposed Medium-Term Framework and Action Plan 2006–2010" circulated for interdepartmental comments	8 December 2005
	3.	Revised draft circulated for interdepartmental comments	21 April 2006
	4.	Draft report provided to Management Committee for review	5 May 2006
Review ADB's Graduation Policy	1.	Revised draft working paper circulated for interdepartmental comments	10 January 2005
	2.	Second interdepartmental review of the draft paper completed	March 2005
	3.	"Review of ADB's 1998 Graduation Policy" discussed during Management Committee meeting	18 January 2006

B. Mainstreaming Managing for Development Results

Initiative		Milestone	Completion Date
Design and Implement Action Plan for Managing for Development Results (MfDR)	A.	Improve results orientation in DMCs	
	1.	Routine country consultations on MfDR as part of the results-based country strategy and program (CSP) processes conducted	2005
	2.	Second Greater Mekong Subregion (GMS) Summit of Leaders in Kunming hosted by the PRC with ADB assistance focused on results, at ADB's urging. The progress of the program of action under the 13th GMS Ministerial Conference in 2004 was reviewed and short-term actions and deliverables contained in the plan already realized were presented	3–5 July 2005
	3.	Technical Assistance (TA) projects designed to support capacity development and statistical capacity for MfDR in some developing member countries (DMC) approved and funded out of the MfDR Cooperation Fund ^b	Ongoing
	4.	Various TA ^c projects initiated to assist in DMCs' results management	
	5.	Communities of Practice (CoPs) on MfDR initiated including discussions with GMS countries	First quarter 2006
	B.	Improve results orientation at the institutional level in ADB	
	1.	At the project level, results-based CSPs introduced	2005
	2.	Interim guidelines for the preparation of CSPs issued	January 2005
	3.	Project Performance Management Systems (PPMS) action plan by regional departments implemented with support from Central Operations Services Office (COSO)	2005
	4.	At the institutional level, results elements were introduced as part of recent strategy and policy documents, including the reform agenda, the poverty reduction strategy (PRS) review, knowledge management (KM) strategy, human resources (HR) strategy, public communications policy (PCP), and policy on supplementary financing.	2005
	5.	A report on the progress of MfDR presented and challenges and key questions discussed during informal Board seminar	21 April 2005
	6.	Status and proposed next steps of the approach to results-based-CSPs approach discussed during Management Committee meeting	21 July 2005
	7.	Practice note on results-based CSPs issued	7 September 2005
	8.	Briefing note discussed during Development Effectiveness Committee (DEC) briefing	24 November 2005
	9.	Independent assessment of MfDR at ADB by Universal Management Group Ltd. (Canada) released	1 December 2005
10.	Retrospective review of the CSPs and projects discussed during Management Committee meeting	23 January 2006	
11.	Draft initiating paper of Viet Nam CSP discussed during informal Board seminar	23 January 2006	
12.	Panel of senior staff to conducted ADB's first quality-at-entry assessment of CSPs designated by the President	23 January 2006	
13.	First retrospective review of quality at entry of CSPs and projects initiated	3 February 2006	
14.	Draft initiating paper of Papua New Guinea CSP 2006–2010 discussed during informal Board seminar	17 February 2006	
15.	South Asia regional cooperation strategy and program (RCSP) (2006–2008) approved by the Board	21 February 2006	
16.	Draft paper "MfDR in ADB" circulated for focal points' comments	20 February 2006	

Initiative		Milestone	Completion Date
	C.	Improve results through partnerships with other institutions	
	1.	Second High-level Forum on "Joint Progress Toward Enhanced Aid Effectiveness: Harmonization, Alignment and Results" held in Paris	28 February to 2 March 2005
	2.	Active participation in MDB Working Group on MfDR and the Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) Joint Venture on MfDR	2005
	3.	MfDR Sourcebook on Emerging Good Practices released by OECD-DAC Joint Venture on MfDR. ADB made a significant contribution to the development of this MfDR tool for practitioners	December 2005
	4.	MDB common performance assessment system (COMPAS) initiated	2005
Implement the PPMS Action Plan	1.	Enhanced PPMS discussed during informal Board seminar	14 February 2005
	2.	Realignment of the Central Operations Services Office (COSO) approved by the President	22 November 2005
	3.	Realignment of COSO became operational	16 January 2006
	4.	PPMS guidelines issued	15 December 2005
	5.	"Revised Operations Manual Section J1: PPMS" and retirement of "Staff Instructions on the Use of Logical Framework for Bank-Assisted Loan and TA Projects" approved by the President	26 January 2006
	A.	Implementation of the PPMS action plan	
	1.	PPMS action plans specific to regional departments established	2005
	2.	Revised design and monitoring framework introduced	March 2005
	3.	Series of training workshops conducted on revised design and monitoring framework	2005
	4.	In addition to specified action plan:	
	5.	Training on results-focused project design and management conceptualized and implemented in executing agencies (EAs) and resident missions	2005
	B.	Selected executing agencies apply results-focused approaches to project design and management	
	1.	Results-focused and client-led organizational development approach to capacity building of EAs pilot-tested. Four EAs implemented their respective capacity-building plans as per agreed schedule	2005

C. Refining Organizational Process and Structure

Initiative		Milestone	Completion Date
Implement the Innovation and Efficiency Initiative (IEI)	1.	MIC and OCR partnership framework and the IEI introducing the overall rationale and strategic intention jointly presented during informal Board seminar	25 January 2005
	2.	"Proposed Revisions to Consulting Services Guidelines" discussed during informal Board briefing	7 February 2005
	3.	Draft Board paper on "Eligibility of Expenditures for ADB Financing: A New Approach" circulated for interdepartmental comments. The main theme of the proposals is harmonization with World Bank policies and with ADB's own program and project financing.	18 February 2005
	4.	"Procedures on the Use of Consultants by ADB and Its Borrowers" discussed during informal Board seminar	7 March 2005

Initiative		Milestone	Completion Date	
	5.	"IEI: CSP and Business Processes" discussed during Management Committee meeting	7 June 2005	
	6.	Working papers: "Pilot Financing Instruments and Modalities" and "Cost Sharing and Eligibility of Expenditures for ADB Financing: A New Approach" approved by the Board	17 June 2005	
	7.	"Review of the Policy on Supplementary Financing: Addressing Challenges and Broader Needs" discussed during informal Board seminar	20 June 2005	
	8.	"Revisions to Procurement and Consulting Services Policies and Guidelines" discussed during informal Board seminar	7 July 2005	
	9.	Creation of Independent Risk Management Unit approved by the President	1 August 2005	
	10.	"Asian Development Fund (ADF) Currency Proposals" discussed during informal Board seminar	22 August 2005	
	11.	Policy papers on "Pilot Financial Instruments and Modalities", "Cost Sharing and Eligibility of Expenditure for ADB Financing", and "Local Currency Loan Product" approved by the Board	25 August 2005	
	12.	Policy paper on "A Review of the Policy on Supplementary Financing: Addressing Challenges and Broader Needs" approved by the Board	28 November 2005	
	13.	Working papers on "Revising the Procurement Guidelines and Policies" and "Procedures on the Use of Consultants by ADB and Its Borrowers" circulated to the Board	29 August 2005	
		Working paper on "Review of the Policy on Supplementary Financing: Addressing Challenges and Broader Needs" discussed by the Board	19 September 2005	
	14.	Revised working papers: "Revising the Procurement Guidelines and Policies"; and "Procedures on the Use of Consultants by ADB and Its Borrowers" discussed by the Board	20 September 2005	
	15.	Policy papers on "Revising the Procurement Guidelines and Policies" and "Procedures on the Use of Consultants by ADB and Its Borrowers" completed	28 November 2005	
	16.	Revised policy papers on "Use of Consultants by the ADB and Its Borrowers" and "Revising the Procurement Guidelines" circulated to the Board	12 January 2006	
	17.	Second draft of the "Revised Institutional Procurement Policy for Goods and Services" circulated by Office of Administrative Services (OAS) for interdepartmental comments	16 January 2006	
	18.	Policy papers on "Revising the Procurement Guidelines" and "Use of Consultants by ADB and Its Borrowers" approved by the Board	6 February 2006	
	Conduct an Independent Assessment of the 2002 Reorganization and Undertake Follow-up Actions	1.	Action plan approved by the President	27 January 2005
		2.	Status of follow-up actions provided to the Board for information	February 2005
		A.	Strategic Focus	
		Other Non-structural Changes		
1.		At the country and project levels, CSPs as driver of strategy begun	2005	
B.		Sectoral Strength and Resources		
		Structural Changes		
1.		"Organizational Adjustments for Enhanced Operational Effectiveness (Follow-up Actions to the Independent Assessment Panel's Report)" ^d approved by the President	29 April 2005	
2.		"Organizational Adjustments for Enhanced Operational Effectiveness (Follow-up Actions to the Independent Assessment Panel's Report) approved by the Board	20 May 2005	
3.		Functional adjustments and reorganization of RSDD approved by the President	1 July 2005	
4.	Suggestions on panels, committees, and networks completed. Paper on the reorganization of CoPs and networks finalized, incorporating recommendations of the Independent Assessment.	August 2005		

Initiative	Milestone	Completion Date
	Incentives of technical leaders worked out as part of performance and development plan (PDP) implementation	
	5. Independent Credit Risk Management Unit [®] approved by the President	1 August 2005
	6. Office of Cofinancing Operations (OCO) kept as a unit and placed under VP-KM & SD	1 June 2005
	Other Non-structural Changes	
	7. Number of national officers reviewed as part of the work program and budget framework (WPBF) and budget formulation process	Ongoing
	8. Capacity and integration of work on PSD built under PSD policy review	Ongoing
	C. Quality Assurance	
	Structural Changes	
	1. "Comments on quality" discontinued as per RSDD reorganization paper and Option 2-limited/adjusted RSDD's mandate to fit existing resources as per Board information paper of April 2005	1 July 2005
	Functional Changes	
	2. RSDD carried out its functions in more focused and targeted manner as per new structure	1 July 2005
	3. Director generals (DGs) made fully responsible for overall project quality and the conformity of projects to the country strategic goals as per RSDD restructuring paper	1 July 2005
	4. Sector directors made accountable for technical quality as clarified in the RSDD restructuring paper	1 July 2005
	5. A position in regional departments made responsible for effective line management of the quality assurance system and risk management, and for tracking the quality of project implementation and supervision. DGs to decide on detailed arrangements in light of regional departments' specific situations	1 July 2005
	Other Non-structural Changes	
	6. Principal review of a project at the concept stage being conducted. Make "go/no go" decision at this upstream review to be reported under MfDR (first review of quality at entry of CSPs and projects initiated on 3 February 2006, page 37, item B-13)	Ongoing
	7. Specialized and safeguard staff being integrated into project teams at an early stage (to be reported under IEI)	Ongoing
	8. A peer-based quality enhancement function on demand-driven (occasionally mandatory) basis instituted and (to be reported under IEI)	Ongoing
	9. An institutional mechanism established to track quality in real time and over time already mandated under PRS review.	Ongoing
	10. Project performance audit carried out by the Operations Evaluation Department (OED) immediately following the completion of projects. Review for appropriate timing for project/program performance audit report is on going. Interdepartmental consultation and mission leaders' survey completed	2005
	D. Organizational Effectiveness	
	Structural Changes	
	1. Library modernized and integrated more fully into ADB's information and KM systems. Library working closely with KM Center.	Ongoing
	Other Non-structural Changes	

Initiative		Milestone	Completion Date
	2.	Managers and staff empowered by setting clear goals, providing resources, tracking progress, and holding people and units accountable for results to be reported as part of MfDR and HR strategy—through the performance and development plan (PDP)—implementation	Ongoing
	3.	Enhanced accountability: clarifying roles, responsibilities, and accountabilities of each job under the enhanced PDP and is being pursued under the new HR strategy	Ongoing
	4.	Real costs of doing business being measured. Cost information mechanisms and indicators enhanced in 2005 to cover regional departments	Ongoing
Harmonize and Align Practices and Procedures for Aid Effectiveness in Agreed-on Areas	1.	Second High-level Forum on "Joint Progress Toward Enhanced Aid Effectiveness: Harmonization, Alignment and Results" held in Paris	28 February to 2 March 2005
	2.	12th MDB Roundtable Meeting on Harmonization, Alignment and Results held in London hosted by European Bank for Reconstruction and Development	28 and 29 June 2005
	3.	MDB heads reached a consensus on policies and procedures on corruption	18 February 2005
	4.	ADB and World Bank Third Harmonization Retreat in Godavari, Nepal	5 July 2005
	5.	Semiannual Meeting of Evaluation Cooperation Group held at ADB Headquarters	17–19 Oct 2005
	6.	Various TA ¹ projects designed to support harmonization and alignment initiated	2005
	7.	ADB action plan updated. Updating of action plan done regularly (original Action Plan approved by the President in 2004 has been updated four times)	Semiannually (last update: 31 January 2006)
	8.	MDB Roundtable Meeting on Trust Funds held in Luxembourg	21 February 2006
Solve Year-End Bunching Problem	1.	Options for reducing bunching (the grouping of projects for approval at the end of the year) and ADB's performance in relation to other MDBs discussed during Management and Board retreat	20 May 2005
	2.	Bunching included as key issue in Management Committee meetings. Direct discussions between Management and staff on bunching held to develop consensus	Quarterly
	3.	Management ceiling for bunching introduced and enforced	August 2005
	4.	Anti-bunching norms enforced for Board calendar. Provided additional limits on number of projects for Board approval in the last quarter	December 2005
	5.	2005 status report on bunching discussed during Management Committee meeting	16 December 2005
	6.	Biennial cycle for ADF loans in place	2005

D. Reinforcing Knowledge Management

Initiative		Milestone	Completion Date
Implement Knowledge Management (KM) Action Plan	A.	Organizational Culture	
	1.	KM competencies identified and included in the new HR strategy (implemented through the PDP exercise). The Human Resources Division (BPHR) guided staff in understanding the importance of KM concept to changing the ADB work culture	March 2005
	2.	KM workshops conducted to improve the organizational culture for knowledge sharing.	28 November to 2 December 2005

Initiative		Milestone	Completion Date
	3.	<i>Knowledge Matters</i> online newsletter released. Published bimonthly.	31 January 2006
	B.	Improved Management System	
	1.	Procedural guidelines of the first 3-year ADB-wide knowledge products and services (KPS) action plan approved by the President	14 April 2005
	2.	"Project Definition Report of Document Repository Project" drafted by working group	November 2005
	3.	KM applications (KMApps) strategy reviewed. Four modules of KMApps were launched in 2004. Position paper prepared in 2005 after the review recommended the freezing of further development of KMApps modules	2005
	4.	Two working groups ⁹ established: (1) data on consulting firms (DACON) database/data on individual consultants (DICON) database and (2) internal staff skills	May and August 2005
	C.	New CoPs	
		Establishment of 10 CoPs approved. 19 CoP meetings held	15 August 2005
	D.	Expanded Knowledge Sharing:	
	1.	Inventory of external networks	August 2005
	2.	New PCP implemented	1 September 2005
	3.	Center for Learning Information Communication and Knowledge (CLICK) established and supported by regional TA project: establishment of regional knowledge hubs	December 2005
	4.	Benchmarking: Most Admired Knowledge Enterprises (MAKE) survey conducted from May to June 2005. Final MAKE report submitted to benchmark ADB with knowledge organizations.	September 2005
	5.	Knowledge Services KM helpdesk ^h launched. KM helpdesk satisfactorily served 157 staff	11 April 2005
Prepare and Implement a Public Communications Policy (PCP)	1.	PCP working paper considered by Board Meeting	10 February 2005
	2.	Expanded external relations strategy for the PCP discussed during Management Committee meeting	14 March 2005
	3.	Final policy paper (R Paper) on PCP approved by the Board	22 April 2005
	4.	"Organizational Adjustments for Enhanced Operational Effectiveness (Follow-up to the Independent Assessment Panel's Report)" adopted changing the reporting line of the Department of External Relations (DER) from VP-KM & SD to the President	29 Apr 2005
	5.	Upgrading of Office of External Relations to DER' became effective	1 June 2005
	6.	InfoUnit established	July 2005
	7.	"PCP: Action Plan on External Relations" (a strategy for external relations, realignment of the DER organizational structure and alignment of the skills mix to support the policy's new strategic directions on external relations) discussed during Management Committee meeting	21 July 2005
	8.	"PCP: Action Plan on External Relations" approved by the President integrating the representative offices with DER since the representative offices' major function will be external relations	22 July 2005
	9.	Bank Information Center published a summary of how civil society recommendations were reflected in ADB's PCP. According to the Bank Information Center, the process may represent the best policy review to date, not only at the ADB, but across the MDBs.	2 August 2005
	10.	External relations capacity building program for representative offices/resident missions' external	22 August 2005

Initiative		Milestone	Completion Date	
		relations staff and focal points conducted.		
	11.	Briefings for operational staff including those with COSO, Private Sector Operations Department (PSOD), RSDD, and representative offices/resident missions on disclosure requirements conducted. (80% of all operational staff trained).	July to October 2005	
	12.	New PCP became effective	1 September 2005	
	13.	Operations manual section on the new PCP replaced the old section L3 entitled "Confidentiality and Disclosure of Information".	5 September 2005	
	14.	A planning tool and automated workflow developed to aid mission and country team leaders in document disclosure and to enable InfoUnit to monitor compliance. Information technology (IT) system rolled-out in November 2005. As of 31 December 2005, 40% of target participants trained (80% of operational supporting staff). Staff guidelines also developed.	Fourth quarter 2005	
	15.	Communication tools developed to raise awareness of borrowers and private sector project sponsors regarding the new disclosure requirements. Face-to-face briefings held in three countries.	2005	
	16.	External relations intranet website launched. The site offers comprehensive guidance on how to better reach out to ADB's key audiences.	28 October 2005	
	17.	DER realignment became effective	7 December 2005	
Implement the Information Systems and Technology Strategy 2004–2009 (ISTS II)	1.	Organizational realignment of Office of Information Systems and Technology (OIST) completed	December 2005	
	2.	ISTS II Update discussed during informal Board seminar	1 February 2006	
	A. Information Systems			
	(i) KM			
	1.	Document repository: "Requirements Definition Report" approved by the project working group	November 2005	
	2.	Skills knowledge base: Project working groups established Draft "Requirements Definition Report" developed	First quarter 2005 December 2005	
	3.	DACON: project working groups established and requirements for DACON identified by stakeholders	First quarter 2005	
	4.	CoP: developed draft "Requirements Definition Report"	December 2005	
	(ii) Project Processing and Portfolio Management			
	1.	Management information system: software tools to be used identified and procurement in progress	November 2005	
	(iii) Enterprise Architecture			
	1.	Enterprise architecture development: Enterprise architecture framework and an optimization plan completed to capitalize on existing hardware and software, and to govern future IT and ISTS II initiatives and investments	July 2005	
	B. Technology Infrastructure			
	(i) Server Consolidation and Upgrade			
	1.	Email server upgrades: design of new Lotus/Domino architecture completed and procurement of new e-mail servers in progress	2005	
2.	Server upgrades and consolidation: replacement of outdated servers in line with network rationalization completed in NARO, SLRM, and MNRM	2005		
3.	Mainframe upgrade: platform that will support the legacy applications identified and new	2005		

Initiative		Milestone	Completion Date
		mainframe hardware and operating system procured	
		(ii) Telecommunications Network Improvement	
	1.	Telephone and videoconferencing equipment upgrades: videoconferencing equipment in AZRM, KARM, KYRM, IRM (Medan), PLCO, PNRM, PRCM, and PARD installed	December 2005
		C. IT Governance	
		(i) Program and Project Management	
	1.	Project Management Office established	March 2005
	2.	Realignment of OIST's structure implemented	September 2005
	3.	Analysis of staff skills completed, IT skills gaps identified; all OIST staff job descriptions finalized	June 2005
	4.	An OIST user engagement model and process for establishing user requirements decision making and accountability implemented	July 2005
		2. IT Security	December 2005
	1.	Draft information and data security policy completed	

E. Improving Human Resources Management and Staff Incentives

Initiative		Milestone	Completion Date
Formulate and Implement a New Human Resources (HR) Strategy	1.	ADB-wide competency framework approved by the President; job families and job profiles completed	January 2005
	2.	New performance management system approved and rolled out	First quarter 2005
	3.	Learning and Development Unit established	July 2005
	4.	Focus and objectives of the Learning and Development Unit outlined and revised guidelines on the application of the staff development budget for external training issued	3 February 2006
	5.	Systems for recruitment and selection quality at entry and transparency improved	May 2005
	6.	Structured two panel interviews for non-senior professionals to validate technical skills and employment potentials approved	November 2005
	7.	Enhanced separation program approved by the Board. Through this program, ADB will recruit and promote staff with appropriate skills, competencies and motivation to better meet its strategic objectives and staff motivation	19 May 2005
	8.	Development and Implementation of national officers/administrative staff gender action program	December 2005
	9.	Under the gender action program, spouse engagement as consultants adopted on a 2-year trial basis	April 2005
	10.	Learning and development	
	a.	Learning and development strategy aligned with ADB's strategic direction developed and implemented	December 2005
	b.	ADB-wide training needs assessment at all levels carried out as part of the implementation of the new performance management system through the individual staff learning and development plan	December 2005

Initiative	Milestone	Completion Date
	c. Training programs that emphasize leadership coaching to strengthen leadership and accountability conducted	December 2005
	11. Comprehensive review of compensation and benefits policies including incentives system and processes completed	March and October 2005
	12. Development and implementation of job rotation pilot for national officers in resident missions	September 2005
	13. Managing for diversity	
	a. First phase of diversity awareness program conducted	April 2005
	b. Revised young professionals program approved and implemented	July 2005
	14. Leadership and accountability	
	a. Training and coaching for managers in performance management, work planning, coaching and development of staff conducted in support of the roll out of new performance management system	June 2005
	b. Flexibility in staff work conditions – Revision in occasional absence adopted for a more efficient administration – Draft paper on flexible working practices prepared for further consideration	March 2005 December 2005

ADB = Asian Development Bank, ADF = Asian Development Fund, AZRM = Azerbaijan Resident Mission, BPHR = Human Resources Division, CLICK = Center for Learning Information, Communication and Knowledge, CoP = community of practice, COSO = Central Operations Services Office, COMPAS = common performance assessment system, CSP = country strategy and program, DACON = Data on consulting firms, DER = Department of External Relations, DICON = Data on individual consultants, DMC = developing member country, EA = executing agency, GMS = Greater Mekong Subregion, ERO = European Representative Office, HR = human resources, IRM = India Resident Mission, ISTS = information systems and technology strategy, IT = information technology, JRO = Japan Resident Office, KARM = Kazakhstan Resident Mission, KM = knowledge management, KMApPs = knowledge management applications, KPS = knowledge products and services, MAKE = Most Admired Knowledge Enterprises, KYRM = Kyrgyz Resident Mission, MDB = multilateral development bank, MfDR = management for development results, MIC = middle-income country, MNRM = Mongolia Resident Mission, MTS = medium-term strategy, NARO = North America Resident Office, OAS = Office of Administrative Services, OCO = Office of Cofinancing Operations, OCR = ordinary capital resources, OED = Operations Evaluation Department, OIST = Office of Information Systems and Technology, OREI = Office of Regional Economic Integration, PARD = Pacific Department, PCP = public communications policy, PDP = performance and development plan, PLCO = Pacific Liaison and Coordination Office in Sydney, Australia, PNRM = Papua New Guinea Resident Mission, PPMS = project performance management systems, PRC = People's Republic of China, PRCM = PRC Resident Mission, PRS = poverty reduction strategy, PSD = private sector development, PSOD = Private Sector Operations Department, RCSP = regional cooperation strategy and program, RSDD = Regional and Sustainable Development Department, SLRM = Sri Lanka Resident Mission, TA = technical assistance, VP-KM & SD = vice president for knowledge management and sustainable development, WPBF = work program and budget framework.

^a This Ministerial Conference brought together representatives from nine Central Asia Regional Economic Cooperation (CAREC) countries and six multilateral institutions to review the progress of CAREC activities and set priorities for economic cooperation.

^b ADB 2005. *Technical Assistance to the Lao People's Democratic Republic for Capacity Development for Monitoring Development Results of the National Growth and Poverty Eradication Strategy*. Manila (TA 4624-LAO); and ADB 2005. *Technical Assistance to the Socialist Republic of Viet Nam for Results-Based Monitoring of Poverty Reduction and Growth*. Manila (TA 4612-VIE) were endorsed by the Fund Review Committee on 26 July 2005 and 14 July 2005, respectively.

^c ADB. 2004. *Technical Assistance for Decentralization in Social Sectors*. Manila (TA 6218-REG); ADB. 2005. *Technical Assistance to the People's Republic of China for Developing a Result-Based National Monitoring and Evaluation System for Key Projects*. Manila (TA 4581-PRC); ADB. 2005. *Technical Assistance to the Republic of the Maldives for Developing a Results-Oriented 7th National Development Plan*. Manila (TA 4591-MLD); ADB. 2005. *Technical Assistance for Results-Focused Project Design and Management*. Manila (TA 6256-REG); ADB. 2005. *Technical Assistance to the Republic of the Philippines for Harmonization and Managing for Results*. Manila (TA 4686-PHI); ADB. 2005. *Technical Assistance for Preparation and Pilot of the Community of Practice on*

- Managing for Development Results*. Manila. (TA6269-REG); ADB. 2005. *Technical Assistance to the Islamic Republic of Pakistan for Results-Based Monitoring of Projects*. Manila (TA 4749-PAK); Manila. 2003. *Technical Assistance for Supporting the Sector Approach and Results-Based Management in ADB Operations*. Manila (TA 6096-REG). ADB. 2002. *Technical Assistance for Strengthening Results-Based Management for Sector Agencies*. Manila (TA 6089-REG); and ADB. 2006. *Technical Assistance for Mainstreaming MfDR in Support of Poverty Reduction in South Asia*. Manila (TA 6306-REG).
- ^d This changed the reporting line of OCO from the vice president for finance and administration to vice president for knowledge management and sustainable development VP-KM & SD, and of DER from VP-KM & SD. It also outlines various functional and other adjustments in RSDD as well as next steps envisaged for further implementation of the independent assessment 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.
- ^e Transfer of market and/or treasury-related risks assessment and management function of the Risk Review and Compliance Unit (TDOT-RR) to Credit Risk Management Unit approved by the President on 4 October 2005. Credit Risk Management Unit was renamed Risk Management Unit to reflect its broader functions approved by the President on 1 November 2005.
- ^f ADB. 2004. *Technical Assistance for Supporting the Achievement of the Millennium Development Goals in the Asia-Pacific Region*. Manila (TA 6197-REG, approved by the President on 4 November 2004); ADB. Manila. *Technical Assistance for Supporting the Achievement of the Millennium Development Goals in Asia and the Pacific region: Phase II*. Manila (TA 6274-REG, approved by the President on 30 November 2005); and ADB. 2005. *Technical Assistance for Harmonization and Managing for Results*. Manila (TA 4686-PHI, approved by the President on 4 November 2005).
- ^g Dependent on early resolution of OIST resource issues and implementation of ISTS II schedule. Alternatively, KM Center may consider either outsourcing its IT support needs or use off-the-shelf applications that are compatible to ADB standards.
- ^h A joint initiative of RSDD and OAS (building on the library's reference and research services augmented by the analysis capabilities of RSDD) will provide analysis and in-depth research on development topics. Currently, there is a further need to strengthen and disseminate the service as a source of information.
- ⁱ This change strengthened ADB's external relations strategy and prepared for implementation of PCP. Under the new structure, DER will now comprise five units – Media Relations, Internal Communications, Publishing, Web and Information Disclosure, Public Affairs—as well as ERO, JRO and NARO.
- Source: Focal departments and offices implementing the initiatives, various Board papers, and ADB Today.

IMPLEMENTATION OF ASIAN DEVELOPMENT BANK'S REVISED PERFORMANCE-BASED ALLOCATION POLICY

1. The performance-based allocation (PBA) policy and its implementation is a central theme of the negotiations for the eighth replenishment of the Asian Development Fund (ADF IX). A review of the PBA policy was approved by the Asian Development Bank (ADB) Board of Directors on 10 December 2004. The policy governs allocation of resources under the ADF, which provides loans and grants to poorer countries on highly concessional terms.
2. Under the revised PBA policy, allocation of ADF resources to a country is determined by country needs and country performance as assessed through country performance assessment (CPA) exercise. The CPA measures policy performance in economic management, socially inclusive development, governance and portfolio management. In 2005, allocations were based on the revised PBA policy and CPA for the first time. The CPA is based on the World Bank's country policy and institutional assessment (CPIA) questionnaire, as required by the revised policy.
3. Starting with the 2005 CPA exercise, special efforts have been made to strengthen consultations on the draft CPAs with government authorities. CPA missions fielded by regional departments prepared preliminary CPAs, and consulted with developing member countries' governments about the preliminary CPA ratings.
4. To ensure that CPAs are prepared rigorously and with due diligence, ADB has put in place a review and oversight system. The system is transparent, objective and ensures consistency across countries. The CPA process is managed by the PBA focal point in the ADB's Strategy and Policy Department, which is outside the operational departments.
5. Preliminary ADF allocations for 2007–2008 were computed on the basis of the approved ratings, with both ratings and allocations communicated to governments.
6. ADB will soon reach an important milestone in the implementation of the PBA Policy, when numerical CPA ratings are released for the first time in the public domain. ADB is likely to be the first major multilateral development bank to release such information.
7. In 2005, ADB undertook a number of important steps to harmonize its PBA policy with that of the World Bank. The most important was the adoption by ADB of the World Bank's CPIA questionnaire for use in ADB's CPA exercise. Other steps included: (i) two multilateral development bank technical meetings on PBA, the first one hosted by ADB in January 2005 and the second by the African Development Bank in March 2006; (ii) regional technical PBA workshops conducted jointly with the World Bank; (iii) a training workshop on the debt sustainability framework hosted by World Bank; and (iv) participation in the World Bank's CPIA benchmarking exercise in November 2005 to ensure consistency in the conduct of assessments and ratings exercises.

MANAGING FOR DEVELOPMENT RESULTS ACTION PLAN

1. The MfDR action plan is being implemented in phases. This approach is based on pilot-testing, revisions made from lessons learned, and, mainstreaming. In November 2005, the Development Effectiveness Committee (DEC) of the Board of Directors was briefed on the progress of the MfDR action plan. DEC members concluded, among other things, that the current action plan needed to be revised.¹ An independent assessment of MfDR also made a series of recommendations aimed at upgrading and mainstreaming MfDR in ADB and, in effect, called for revisions in the current action plan.² In view of the above, a revised action plan is now being finalized. The proposed plan “MfDR in ADB: Revised Action Plan (March, 2006)” will provide specific, concrete guidance on better MfDR in ADB. The plan will entail much greater Management guidance and supervision. The final revisions to the action plan will take into account guidance and comments from the Board during the informal seminar. The main features of the proposed revised action plan under each pillar are as follows.

2. **Pillar 1: Support DMC capacity to manage for development results.** The intended outcome will be to increase the understanding and use of results management in DMCs. This will be pursued through three main activities: (i) the CSP will continue to be the primary entry point for MfDR capacity development, (ii) MfDR capacity development innovations will be integrated with operations, and (iii) DMCs will learn through the new Community of Practice-MfDR (CoP-MfDR).

3. **Pillar 2: Enhance ADB’s results orientation and institutional effectiveness.** The first outcome is to improve the quality of results-based country strategy and programs (CSPs) through (i) mainstreaming improved designs of results-based CSPs, as a priority in ADB, and (ii) results-based CSPs are to be managed for results and evaluated by results-based CSP completion reports. The second outcome is to improve the results focus at the project level to better link projects to results-based CSPs and improve quality through better design and monitoring frameworks. The third outcome is to institutionalize results reporting in ADB corporate management systems, in particular, the following actions: (i) the use of results approaches in the strategic planning and management process, (ii) the possible design of a corporate-level performance management system, and (iii) adoption of the International Development Association 14 measurement system for Asian Development Fund reporting purposes. The fourth outcome is to increase ADB’s internal MfDR knowledge, primarily through (i) development of ADB’s internal capacity for MfDR, (ii) greater focus on learning and development at senior staff level, and (iii) improved communications regarding MfDR throughout ADB.

4. **Pillar 3: Maintain effective results partnerships.** The intended outcome is increased visibility for ADB and its role to support MfDR knowledge sharing and harmonization efforts, particularly through collective reporting initiatives among multilateral development banks.

5. The revised action plan also supports the adoption of a specific results framework. The MfDR results framework, which will continue to be refined over time, is proposed as a tool for monitoring and reporting on the implementation of MfDR and for communicating with stakeholders.

¹ See DEC Report on MfDR at <http://lxapp1/adbmdr/modules/cjaycontent/content/DEC-Report-on-MfDR.pdf>

² *Independent Assessment of MfDR at ADB, Universalia, November 25, 2005* (the “Universalia Report”) available at www.adb.org/Documents/Reports/Consultant/MfDR/Independent-Assessment-of-MfDR-at-ADB.pdf