

Major Achievements of ADB's Reform Agenda

January-December 2006¹

Background

To remain relevant and become a more effective development institution, ADB committed on 25 August 2004 to an internal reform agenda aimed to improve operational policies, strategies, and approaches; mainstream managing for development results; refine organizational process and structure; reinforce knowledge management, and improve human resource management and staff incentives.

ADB has implemented many institutional changes and reached a number of important milestones in its implementation of the reform agenda. Some of the major achievements during January–December 2006 of the 19 reform initiatives:

- Review, prepare, and implement medium-term strategy
- Prepare ADB's strategy for regional cooperation and integration
- Prepare a revised framework for private sector development and implement a new action plan
- Review and recommend ways to enhance ADB support to middle-income countries and OCR borrowers
- Review the implementation of ADB's governance and anticorruption policies
- Review of approaches to strengthen DMCs' capacity development
- Review the ADB's Graduation Policy
- Strengthen the Performance-Based Allocation Policy
- Establish the Results Management Unit
- Design and implement an action plan for Managing for Development Results
- Implement the Project Performance Management System action plan
- Implement the Innovation and Efficiency Initiative
- Conduct an independent assessment of the 2002 ADB reorganization and undertake follow-up actions
- Harmonize and align practices and procedures for aid effectiveness in agreed-on areas
- Solve year-end "bunching" problem
- Implement a knowledge management action plan
- Prepare and implement a Public Communications Policy
- Implement the Information Systems and Technology Strategy, 2004–2009 (ISTS II)
- Formulate and implement a new human resources strategy

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Review, prepare and implement medium-term strategy

The review of [Medium-Term Strategy \(2001–2005\)](#) completed in February 2006 helped lay the foundation for the Medium-Term Strategy II (2006–2008) adopted in March 2006.

[Medium-Term Strategy II \(2006–2008\)](#) is the second in a series of medium-term strategies designed to flesh out the approach of the [Long-Term Strategic Framework 2001-2015](#) for shorter time periods and adjusting operational priorities in response to evolving conditions in each period.

MTS II identified the following priorities:

- (i) catalyzing investment,
- (ii) strengthening inclusiveness,
- (iii) promoting regional cooperation and integration,
- (iv) managing the environment, and
- (v) improving governance and preventing corruption.

These priorities reflect themes already identified in Medium-Term Strategy (2001–2005) and carry forward its unfinished agenda. Core sectors identified for future operations include road transport, energy, urban infrastructure, rural infrastructure, education, and financial sector. The role of ADB in leveraging additional development investment through financing partnerships and cofinancing and the strengthening of project implementation to achieve development results are emphasized.

- The report "[Medium-Term Strategy \(2001–2005\): A review](#)" was released on 3 February in keeping with the commitment to review MTS I prior to the formulation of MTS II. MTS I served as background paper of MTS II.
- ADB adopted [Medium-Term Strategy II \(2006–2008\)](#) on 31 March.
- A Management Committee Meeting and an informal Board seminar were held on 24 August and 23 October, respectively to discuss the paper "[Achieving Development Effectiveness in Weakly Performing Countries \(ADB's Approach to Engaging with Weakly Performing Countries\)](#)", a distinct strategic approach for weakly performing countries and companion paper to MTS II. Subject to further discussion with the Board, the approach is likely to be centered on ADB's country performance assessment undertaken under the Asian Development Fund [Performance-Based Allocation Policy](#) and supplemented by consideration of conflict and post-conflict vulnerability.

Prepare ADB's strategy for regional cooperation and integration

The [Regional Cooperation and Integration Strategy](#) adopted in July 2006 will promote open regionalism in Asia and the Pacific and regional collective actions that lead to greater physical connectivity; expansion of trade and investment; development of financial systems and macroeconomic and financial stability; and improved environmental, health, and social conditions. The strategy aims to build and deepen integration in four interrelated pillars:

- (i) regional and subregional programs on cross-border infrastructure and related software,
- (ii) trade and investment,

- (iii) money and finance, and
- (iv) regional public goods such as prevention of communicable diseases and environmental degradation.

- ADB adopted the [Regional Cooperation and Integration Strategy](#) on 25 July. ADB can play four distinct roles in supporting and promoting regional cooperation and integration (RCI):
 - as money bank by providing financial resources for RCI projects, programs, and related technical assistance and helping developing countries mobilize additional funding and technical assistance;
 - as knowledge bank by creating, consolidating, and disseminating knowledge and information on RCI;
 - as capacity builder by helping countries and regional or subregional bodies build institutional capacity to manage RCI; and
 - as honest broker by serving as catalyst and coordinator of RCI for developing nations.
- ADB is preparing subregional cooperation strategies and programs to ensure coherence and strategic prioritization for the five subregions covered by ADB's regional departments, with annual updates. In 2006, the following were adopted:
 - [South Asia: Regional Cooperation Strategy and Program \(2006-2008\)](#) [PDF] on 21 February
 - [Greater Mekong Subregion: Regional Cooperation Strategy and Program Update \(2007–2009\)](#) on 1 September
- ADB also promotes and supports several sub-regional and regional programs such as

Sub-regional:

- [Brunei, Indonesia, Malaysia, Philippines East ASEAN Growth Area \(BIMP-EAGA\)](#)
- [Greater Mekong Subregion \(GMS\) Program](#)
- [Indonesia, Malaysia, Thailand Growth Triangle \(IMT-GT\)](#)
- [South Asia Subregional Economic Cooperation \(SASEC\) initiative](#)

Regional:

- [Asia-Pacific Economic Cooperation \(APEC\)](#)*
- [Association of Southeast Asian Nations \(ASEAN\)](#)*
- [ASEAN+3](#)*
- [Asia-Europe Meeting \(ASEM\)](#)*
- [Network of Asian River Basin Organizations \(NARBO\)](#)
- [South Asian Association for Regional Cooperation \(SAARC\)](#)*
- [Central Asia Regional Economic Cooperation \(CAREC\)](#)
- [Pacific Islands Forum \(PIF\)](#)*
- [South East Asian Water Utilities Network \(SEAWUN\)](#)

- The [Asia Regional Integration Center \(ARIC\) website](#) was launched on 2 October. The website facilitates the tracking of progress in the Asia and Pacific region's efforts to promote regional cooperation and integration.

Prepare a revised framework for private sector development and implement a new action plan

After four years of implementation, a review of ADB's Private Sector Development Strategy of 2000 was completed in August 2005 and a [Revised Strategic Framework for Private Sector Development](#) [PDF] was adopted in February 2006. The new strategic framework aims to

- (i) create an enabling environment intervention and a level playing field for instruments,
- (ii) mobilize finance for private sector development, and
- (iii) develop new ways of financing public goods and services.

Through the implementation of the framework, ADB will leverage its special relationship with [developing member countries](#)' (DMCs) governments and its range of financial products and services to help DMCs give investors: certainty, predictability, and confidence.

- ADB adopted on 6 February the "[Private Sector Development: A Revised Strategic Framework](#)" [PDF].
- The operational vice presidents are leading the implementation of the framework. On 30 May, they issued a joint memorandum emphasizing the importance of the country strategy and program (CSP) in defining ADB's role in supporting the development of a given DMC's private sector. The [enhanced CSP processes](#) [PDF] adopted in August 2006 incorporated this point by integrating PSD initiatives into the CSP and the sector road maps supporting the program.

The memorandum also revised the business processes for concept clearance related to private sector proposals and clarified the accountabilities for processing non-sovereign lending transactions. This new process will encourage more collaboration among operational departments. Coordination across departments is also being improved, e.g., representatives from the Private Sector Department are now involved in the preparation of CSPs.

- An informal Board seminar was held on 21 August to discuss the report "Private Sector Development Framework: Progress on Implementation". The report outlines implementation measures, including nine "success factors" such as:
 - strategic clarity on [private sector development](#) at the corporate level,
 - CSP as the platform for private sector development in DMCs,
 - best practice policies and business processes,
 - clear accountabilities and teamwork,
 - role of [cofinancing](#),
 - market-oriented products and services,
 - capable and motivated staff,
 - risk management capability, and
 - client relationship management.

Review and recommend ways to enhance ADB support to middle-income countries and OCR borrowers

The initiative has three mutually reinforcing objectives:

- (i) to analyze development challenges faced by middle-income countries and ordinary capital resources (OCR) borrowers,
- (ii) to articulate OCR countries' demands and expectations on ADB's role in helping address these challenges, and
- (iii) to propose improvements in ADB's services to this diverse group of countries.

The paper "[Enhancing ADB Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources](#)", which was finalized in August 2006, provides a coherent framework for the various measures either being undertaken or planned to enhance ADB's support to OCR borrowers. These measures are grouped into three broad areas:

- (i) reducing costs of doing business with ADB;
 - (ii) expanding and enhancing ADB's operational instruments; and
 - (iii) enhancing quality of ADB's services.
- An [ADB-World Bank regional consultation meeting with middle-income countries](#) was held at ADB Headquarters on 7 April. The consultation was
 - an opportunity for multilateral development banks and participants to engage in a timely dialogue on how to strengthen and improve their partnership in the face of rapidly evolving development needs;
 - an important complement to bilateral discussions, both to learn from experience of other countries, and to bring the dual perspective of middle-income countries as shareholders and borrowers; and
 - a forum to highlight the diversity in country circumstances and needs that should be taken into account in shaping the response of multilateral development banks.
 - The paper "[Enhancing ADB Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources](#)" was discussed by the ADB Board on 22 August.

Review the implementation of ADB's governance and anticorruption policies

A comprehensive review of the implementation of ADB's first action plan, adopted in 2000 was conducted. The [Second Governance and Anticorruption Action Plan](#) (GACAP II) [PDF] adopted in July 2006 is based on the findings and conclusions of the review and guided by the priorities of ADB's [Medium-Term Strategy II \(2006–2008\)](#).

GACAP II is focused on four key areas:

- (i) Improving the assessment of the risks that poor governance, weak institutions and corruption represent for a country's social and economic development;
- (ii) Ensuring that risks are taken into account when projects are designed;
- (iii) Improving the work that is done with executing agencies to minimize the risks when projects are implemented; and

- (iv) Upgrading ADB's ability to deal with governance issues by improving the skills of its staff and adopting better operational practices.
- During the heads of multilateral development bank (MDB) meeting in Washington, DC on 17–18 February, the heads of MDBs agreed on the need to standardize their definition of corruption and established a taskforce to develop a uniform framework for preventing and combating fraud and corruption.

On 8 September, ADB adopted definitions of corrupt, coercive, collusive and fraudulent practices (as formulated by the MDB taskforce) under its anticorruption policy.

At a meeting on 17 September, ADB, other MDBs, and multilateral financial institutions agreed to implement the following [actions to combat fraud and corruption](#):

- to adopt standard definitions of fraudulent and corrupt practices;
 - to agree on common principles and guidelines for investigations;
 - to strengthen exchange of information, as appropriate and with due attention to confidentiality, in connection with investigations into fraudulent and corrupt practices;
 - to implement general integrity due diligence principles relating to private sector lending and investment decisions; and
 - to explore further how compliance and enforcement actions taken by one institution can be supported by others.
- ADB adopted the [Second Governance and Anticorruption Action Plan](#) (GACAP II) [PDF] on 31 July. It is being implemented in two phases, a start-up phase during the first 15 months, followed by an institutionalization phase. ADB has committed \$4 million to support initial implementation of the new plan that will enable developing member countries in partnership with ADB to design and deliver better quality projects and programs.
 - In December, a \$ 1.6 million proposed [Technical Assistance for Governance and Capacity Development Initiative](#) was submitted to the Board, which aims to improve awareness among developing member countries of the potential impact of governance, institutional, and corruption risks on sustainable development. This will strengthen the governance, institutional, capacity, and anticorruption orientation of up to five country partnership strategies to be prepared in 2007 and 2008.
 - Under GACAP II, borrowers will be required to make public all contract awards, and to publish on ADB's website all contracts over \$1 million. Facilities to report allegations of fraud and corruption will also be improved.
 - In November 2006, a principal governance specialist was recruited by Regional and Sustainable Development Department to act as ADB's institutional focal point for governance and anticorruption in the implementation of GACAP II.

Review of approaches to strengthen DMCs' capacity development

Under this initiative, a medium-term strategic framework and action plan for enhancing client-orientation, effectiveness, efficiency, and sustainability of ADB-supported capacity development interventions, including proposals for updating related business processes will be formulated.

- An informal Board seminar was held on 28 July to discuss the draft report "Integrating Capacity Development into Country Programs and Operations—Proposed Medium-Term Framework and Action Plan 2006-2010".
- The draft report on [Integrating Capacity Development into Country Programs and Operations: Proposed Medium-Term Framework and Action Plan](#) [PDF] was submitted to the President in November 2006.

Review ADB's Graduation Policy

The ADB's [1998 Graduation Policy](#), which is being used in reclassifying and even "graduating" [developing member countries](#) from [Asian Development Fund](#) (ADF)-and ADB-assistance; will be reviewed and revisions considered if any, to enhance the implementation of the policy in the following areas:

- (i) ADF eligibility criteria, country classification framework, and framework for graduation from [ordinary capital resources](#) (OCR), and
 - (ii) country classification review process and procedure.
- A Management Committee meeting and an Informal Board seminar were held on 18 January and 5 April, respectively to discuss key issues covered by the review of ADB's 1998 Graduation Policy.
 - A Management Review Meeting was held on 23 August to discuss the working paper on the review of ADB's 1998 Graduation Policy. The review covered the following issues: (i) ADF and OCR eligibility criteria, country classification framework, and frameworks for graduation from ADF and OCR; and (ii) country classification review process and procedure. In addition, the paper will consider status of graduates in ADB. Allocation of ADF resources is governed by a separate policy paper on ADF [Performance-Based Allocation Policy](#) framework.

Strengthen the Performance-Based Allocation Policy

The policy governs the allocation of resources under the [Asian Development Fund](#) (ADF), which provides loans and grants to poorer countries on highly concessional terms. The revised [Performance-Based Allocation Policy](#) (PBA) adopted in December 2004 seeks to

- (i) improve country performance assessments (CPAs),
- (ii) elevate the role of governance,
- (iii) strengthen the link between performance and allocations,
- (iv) sharpen ADF's focus on small countries,
- (v) clarify criteria for extra-formula allocations,
- (vi) deepen client involvement,
- (vii) improve transparency and accountability, and
- (viii) reduce costs.

This initiative was completed in December 2004. Activities currently ongoing represent mainstreaming of the policy in ADB operations.

- ADF resource allocation is now fully linked to country performance. ADB annually conducts CPAs (except for countries with population of less than 1 million for which assessments may be conducted every 2 years). Under the PBA Policy, country performance ratings are converted into allocation shares for ADF borrowers using a formula that takes into account CPA ratings and country needs at the same time paying special attention to the needs of smaller countries in the region.

The [2005 Country Performance Assessment](#) [PDF] together with country ratings were completed on 28 February and posted online on 5 April. ADB approved on 10 November the 2006 CPA ratings, which will be publicly disclosed by early 2007.

A CPA workshop was held on 21–25 August to discuss the 2006 CPAs of 20 countries in East Asia, Central and West Asia, South Asia, Southeast Asia and Pacific region. The focus was on macroeconomic management, structural policies, social equity and inclusion, governance and portfolio performance.

- ADB's PBA system is harmonized with the International Development Association and African Development Fund. The three institutions adopted a common CPA questionnaire and, thus, a common assessment framework. ADB also participates in multilateral development banks' technical meetings on PBA harmonization, the latest was the Second Multilateral Development Banks' Technical Meeting on PBA Methods held in Tunis, Tunisia on 8-9 March. The key objectives of the meeting were to
 - exchange experience and promote improvements in CPA, and
 - foster better understanding of PBA methods and their application in support of an efficient allocation of scarce concessional resources.

Design and implement an action plan for Managing for Development Results

[Managing for development results](#) (MfDR) is a management approach to improve the planning, monitoring and evaluation of operations in order to achieve and sustain the intended development results. The [action plan](#) [PDF] formulated in December 2003 rests on three pillars:

- (i) country capacity,
- (ii) institutional effectiveness, and
- (iii) effective partnerships.

The Results Management Unit (SPRU) under the Strategy and Policy Department became functional in February 2004 and has been spearheading the implementation of the MfDR action plan in ADB.

ADB adopted on 29 August the paper "[Managing for Development Results in ADB: Revised Action Plan](#)" [PDF]. The thrust of the revised strategy over the next 3 years is for ADB to focus on selected and achievable outcomes for the three pillars of MfDR in ADB, and to monitor and assess specific actions by departments and offices, which are designed to contribute to the achievement of those outcomes.

Country capacity

- Awareness raising and knowledge dissemination are key steps towards developing MfDR capacity in ADB's [developing member countries](#) (DMCs). Some of the major activities include:
 - A [Community of Practice on Managing for Development Results in Asia Pacific Region](#) (CoP-MfDR) launched on 22-23 March in Manila. Since then it has conducted several online discussions with more than 100 posted comments and 18 country case papers. A [CoP-MfDR review meeting](#) was held in Singapore on 30 August–1 September. The CoP members reconfirmed their strong support to sustain this new initiative and expected that it will lead to (i) enhanced demand and capacity for MfDR in developing countries; (ii) identification and dissemination of good practices, and (iii) development of a virtual/mutual learning network that will help CoP members improve their own skills in results management. In response to CoP members' request, ADB approved in December 2006 a regional technical assistance (TA) project on [Community of Practice on Managing for Development Results–Phase II](#) [PDF] to support CoP-MfDR activities for the years 2007 to 2009.
 - Workshops on project management and implementation for better development results in Bangladesh on 30 January, Indonesia on 13–17 November, and Papua New Guinea on 27 November–1 December.
 - Facilitators' Training Program on building sustainable capacity for results-focused project design and management on 31 July-9 August at ADB Headquarters and on 27 September–4 October in Kyrgyz Republic;
 - A seminar on MfDR organized by the Ministry of Finance on 6 November. Nepal Resident Mission presented ADB's assistance programs in Nepal.
 - ADB-Government–Nongovernment Organization/Civil Society Organization Cooperation: Strengthening Partnerships for Development Results on 14–15 November in Indonesia Resident Mission, which highlighted the value of [working with NGOs/CSOs](#) in consultative and participatory processes during all stages of the project cycle.
- ADB is supporting the introduction of MfDR approaches in ADB's DMCs through TA provided under the [MfDR Cooperation Fund](#) [PDF]. The fund established in April 2004, with contributions from Canada, the Netherlands, and Norway, currently amounts to \$2.9 million. TA projects approved under the fund in 2006:
 - [Operationalization of Managing for Development Results](#) (Nepal) on 13 February
 - [Development of a Monitoring and Evaluation System at the Local Level](#) (Kyrgyz Republic) on 16 June
 - [Strengthening Results Management in Support of Poverty Reduction](#) (Tajikistan) on 30 October
 - [Building Capacity for Independent Country Partnership Strategy and Country Performance Assessments in the Republic of the Marshall Islands – A Pacific Pilot](#) (Republic of Marshall Islands) on 5 December
 - [Support to the Afghanistan National Development Strategy \(co-financed by the Governance Cooperation Fund\)](#) [PDF] (Afghanistan) on 14 December
 - Supplementary Financing for TA on [Mainstreaming MfDR in Support of Poverty Reduction in South Asia](#) on 15 December. The [Poverty Reduction Fund](#) cofinanced this regional TA on 27 January.

Institutional effectiveness at ADB

- ADB's main efforts in MfDR centered on mainstreaming results-based [country strategies and programs](#) (RB-CSPs). An RB-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. Since August 2005, all new CSPs have been required to adopt a results framework, which is the design centerpiece of RB-CSPs.

Effective 4 August, CSP was renamed Country Partnership Strategy (CPS) to emphasize partnership with member countries and strengthen country ownership as recommended by the paper on "[Further Enhancing Country Strategy and Program and Business Processes](#)" [PDF]. This is also a change proposal under the Innovation and Efficiency Initiative.

In 2006, ADB adopted the following:

- [Uzbekistan: Country Strategy and Program \(2006-2010\)](#) on 17 March
- [Papua New Guinea: Country Strategy and Program \(2006-2010\)](#) on 25 July
- [Viet Nam: Country Strategy and Program \(2007-2010\)](#) [PDF] on 5 October
- [Lao People's Democratic Republic: Country Strategy and Program \(2007-2011\)](#) on 12 October
- [Indonesia: Country Strategy and Program \(2006-2009\)](#) on 25 October

As well as the following updates:

- [Kiribati: Country Strategy and Program Update \(2006-2007\)](#) [PDF] on 3 February
- [Azerbaijan: Country Strategy and Program Update \(2006\)](#) [PDF] on 16 February
- [Fiji Islands: Country Strategy and Program Update \(2006-2008\)](#) on 17 March
- [Vanuatu: Country Strategy and Program Update \(2006-2009\)](#) on 28 August
- [People's Republic of China: Country Strategy and Program Update \(2007-2008\)](#) on 31 August
- [Mongolia: Country Strategy and Program Update \(2007-2009\)](#) on 4 September.
- [Marshall Islands: Country Strategy and Program Update \(2007-2011\)](#) on 22 September
- [Palau: Country Strategy and Program Update \(2007-2009\)](#) on 22 September
- [Solomon Islands: Country Strategy and Program Update \(2007-2009\)](#) on 29 September

The [Greater Mekong Subregion: Regional Cooperation Strategy and Program Update \(2007-2009\)](#), which included a results framework was also approved in on 1 September:

At the project level, the results-based approach was mainstreamed through the adoption of revised design and monitoring framework under the [Project Performance Management System](#) (PPMS). Activities under the initiative are described under the PPMS section.

- Improving the quality of RB-CSPs continues to be a priority for ADB. ADB prepared the following reviews as a prelude to issuing detailed guidelines on the RB-CSP:
 - "[Learning by Doing: The Nepal Results-Based Country Strategy and Program - A Pilot for Achieving Country Outcomes](#)" released on 10 April. The Nepal RB-CSP provides valuable lessons from experiences of being the first and can be a practical guide to the preparation and implementation process of other RB-CSPs;
 - [Stocktaking Report of the Results-based Country Strategy and Program Process, 2006](#) [PDF] released on 7 September. The report covers seven RB-CSPs (Bangladesh, Bhutan, Cambodia, Mongolia, Nepal, Philippines, and Uzbekistan) and

focuses on the process rather than substantive elements of individual CSPs. The findings of this paper complement those of [Economic Analysis Retrospective 2005: Strengthening Quality-at-Entry of ADB Operations](#), which reviews the quality of economic analysis as it is applied in six RB-CSPs approved in 2004-2005 and 49 project documents approved in 2005.

- ADB's South Asia Department (SARD) supported changes in organization and work processes during the year, including (i) establishment at SARD of the Results and Portfolio Monitoring Unit and senior level Working Group on MfDR; (ii) results-based Country Portfolio Review in Bangladesh and Nepal (on pilot basis) utilizing CSP results-framework and its performance targets, Sector Result Profiles, and sector indicators; (iii) introduction of Project Administration Review Plan for each SARD unit and DMC; and (iv) Operational Risk Mitigation Team and Plan (ADB-World Bank) to address fiduciary and corruption risks in new and ongoing Bangladesh loan/TA portfolio following an MfDR approach.
- To develop internal capacity on MfDR, ADB disseminates guidelines, tools and other publications on MfDR to its managers and staff. These publications released are accessible through the on-line [Resource Center](#):
 - ["An Introduction to Results Management"](#) [PDF], a guide to results management - 22 February;
 - ["Capacity for Development Results"](#) [PDF], a guide to conducting a rapid assessment of country capacity to manage for results - 24 February;
 - ["Getting Better at Managing for Outcomes"](#) a self-assessment tool for managers - 6 July; and
 - [Assessment and Recommendations On the Development of a Corporate Performance Management Framework for Asian Development Bank](#) [PDF] – December 2006.
- ADB's continues to strengthen its internal capacity to manage for development results through the following series of learning initiatives in 2006 conducted in-house for managers and staff:
 - Integrated results-based management: New directions and challenges for developing countries and donor partners on 10 January;
 - Managing for Results – Challenges and Lessons on 15 February;
 - Managing for Developing Results: Moving from input monitoring to reporting on results on 21 March;
 - Workshop on MfDR for Directors on 26–27 June to introduce skills required for directors to meaningfully support MfDR implementation in ADB;
 - Workshop on sector roadmap for RB-CSPs on 3–4 July. The findings and recommendations from the workshop will contribute to the development of RB-CSP guidelines;
 - Working with Nongovernment Organization/Civil Society Organization (NGOs/CSOs): Strengthening Partnerships for Development Results on 6–7 July held at ADB headquarters.

- [Colloquium for Vice Presidents](#) on 4-5 October held in Manila. Participated by ADB vice presidents and executives from the Canadian International Development Agency (CIDA) and International Development Research Centre (IDRC), the forum considered solutions required for institutional challenges associated with MfDR.
- Workshop on Preparation of Country Partnership Strategies (CPSs) on 6-7 November, which provided participants with an understanding of the CPS process by: (i) disseminating the main features of the new CPS process; (ii) discussing the final draft of the CPS guidelines; (iii) clarifying details on new initiatives relating to CPS (i.e., integration of private sector, sub sovereign lending, multitranche financing facility, cost sharing and eligibility of expenditures); and, (iv) and sharing of lessons and practical experiences by selected country team leaders.
- Presentation on European Bank for Reconstruction and Development transition impact methodology and balanced scorecard on 22 November, which discussed performance management, in relation to private sector operations.
- Department for International Development (DFID) presentation on Multilateral Effectiveness Framework (MEFF) on 24 November. The methodology builds on previous experiences with the MEFF, the Multilateral Organizations Performance Assessment Network (MOPAN) and the Paris Declaration on Aid Effectiveness, and is based on a balanced scorecard approach.
- Workshop on Country Portfolio Management and Review on 4–5 December. The 2-day retreat provided participants with a venue to: (i) share country portfolio management and review experiences across countries; (ii) introduce and discuss the implications and challenges of RB-CPS on country portfolio management and review; and (iii) share/disseminate the experience and learnings from the recently piloted results based country portfolio management review missions.

Effective partnerships

- ADB was the inaugural chair of the Multilateral Development Bank (MDB) Working Group on MfDR established in 2004 by the Heads of five major MDBs—ADB, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank—as a forum to facilitate exchange of information and sharing of tasks among MDBs.

ADB led the preparation of the MDB's 2005 [Common Performance Assessment System \(COMPAS\) published on 21 April](#) jointly by the five MDBs. The report presents information collected through an innovative new system intended to provide consolidated data on how MDBs are organized and managed for development results, and how they may improve their contributions over time. The [2006 Global Monitoring Report](#)* drew on the findings of the COMPAS. Inter-American Development Bank will lead the preparation of the 2006 COMPAS.

- ADB is co-chair of the Organisation for Economic Co-operation and Development–Development Assistance Committee (OECD-DAC) Joint Venture on MfDR, one of several groups that operate under the auspices of the OECD-DAC Working Party on Aid Effectiveness and Donor Practices. The Joint Venture is an important forum for exchanging ideas and participating in discussions on the global trends in MfDR. The Joint Venture completed in March 2006 a [Sourcebook on MfDR](#),* a mutual learning tool for MfDR practitioners. It is clarifying the way forward in regard to the commitments on MfDR covered under the [Paris Declaration](#).*

- ADB is implementing a TA project adopted on 17 July to support the [Third International Roundtable on MfDR](#),* which will be held in Hanoi, Viet Nam in February 2007. The Third Roundtable will review the achievements since the Second Roundtable on MfDR held in Marrakech in 2004 and chart a way forward.

Implement the Project Performance Management System action plan

The action plan for enhancing the [Project Performance Management System](#) (PPMS), adopted in April 2004, aims to sharpen the focus on results at the project level with the following outcomes:

- (i) reinforced quality assurance of design and monitoring frameworks (DMFs) and project performance reports (intradepartmental actions);
- (ii) improved quality control of DMFs and project performance reports (interdepartmental/office action);
- (iii) institutionalized responsibility for PPMS; and
- (iv) increased level of competence in the PPMS of all staff

This initiative was completed in January 2006. Activities currently ongoing and planned until 2008 represent mainstreaming of PPMS in ADB operations.

- ADB adopted the Revised Operations Manual Section J1: Performance Management System on 24 January reflecting the modifications relating to the improved DMF and updated terminology that is harmonized with other development partners.
- ADB issued online the [Guidelines for Preparing a Design and Monitoring Framework](#) on 12 May. The framework is a results-based tool for analyzing, conceptualizing, designing, implementing, monitoring, and evaluating projects. Originally issued in hardcopy on 15 December 2005, the guidelines aim to help project teams develop more results-focused projects and stakeholders to make informed decisions about development activities affecting them.
- The PPMS continues to be mainstreamed through training programs in 2006 for ADB staff and relevant officials of ADB's [developing member countries](#) such as:
 - Country Seminars on Project Implementation System conducted for project directors, managers of ADB-funded interventions, and government officials from developing member countries. Discussed during the seminars was maximizing stakeholder participation by designing and managing results-focused projects and applying results-focused design and management tools. Sessions were held on 23–27 January (Tajikistan), 20–24 February (Lao PDR), 20–24 March (Philippines), 24–28 April (Kazakhstan), 29 May–2 June (Sri Lanka), 12–16 June (Fiji-regional), 10–14 July (Uzbekistan), 21–25 August (Mongolia), 13–17 November (Indonesia), and 27 November–1 December (Papua New Guinea).
 - An 8-day Facilitators' Training Program conducted in the Philippines on 31 July–9 August for participants from Afghanistan, Cook Islands, Fiji, and Philippines; and in Kyrgyz Republic on 27 September–5 October for participants from Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. This program aims to build the skills and competencies needed for participatory planning and decision making in the context of a multi-stakeholder project. The course focused more sharply on those facilitation competencies relevant to the application of results-focused project design and management.

- In-house workshops on the preparation of results-focused and realistic project timelines using the design and monitoring frameworks held on 16 February, 30–31 March, 4–5 July, 19–20 September, and 15 November.
- An in-house workshop on Introduction to Critical Path Method (CPM) for project scheduling and progress monitoring on 29–30 August and 1 September. This workshop introduced professional staff and national officers involved in project design and implementation participants to critical path analysis fundamentals and the linkage with Gantt charts, demonstrated critical path software, and enabled participants to experience manual CPM project implementation monitoring and decision-making.
- An in-house workshop on Indicators and Performance Targets on 15 September, which provided the opportunity for staff involved in technical assistance and loan processing to deepen their knowledge and get advice on practical issues relating to the selection of results based indicators, setting performance targets, and determining data sources which can be used to monitor the process. It also covered policy-based loan projects and clarify the myth that these require different indicators.

Implement the Innovation and Efficiency Initiative

Launched in November 2003, the Innovation and Efficiency Initiative's (IEI's) purpose is to increase ADB's effectiveness as a partner, deliver results, and respond more quickly and comprehensively to development challenges. Across its priority areas, the IEI aims to improve ADB's business model, align its programs more closely with client priorities, reduce bottlenecks in processing development assistance, and expand its product offerings. The IEI's priority action areas are:

- (i) Country Partnership Strategies – Results-based country strategies with strategic clarity covering investments to create future development impact;
- (ii) Simplified Business Processes – Approaches, procedures, practices, and operations related to developing and administering the investment pipeline;
- (iii) Procurement and Consulting Services – Guidelines relating to consultancy services and the procurement of goods and works;
- (iv) Cost-Sharing and Eligibility of Expenditures – Flexible cost-sharing arrangements and other financing parameters, and additional items eligible for ADB financing;
- (v) Financing Instruments and Modalities – New financing instruments, accompanied by an independent credit risk management function and improved processing and assessment procedures and practices; and
- (vi) Safeguard Policies – More output-oriented safeguard policies.

A separate report on the milestones and activities in each of the priority areas from 26 August 2005 to 31 December 2006 is being prepared.

Country Partnership Strategies and Business Processes

- ADB established on 24 January a panel of senior staff to conduct ADB's first quality-at-entry assessment of country strategies and program (CSPs) and projects. The panel's assessment completed on 25 October (i) established quality-at-entry standards for CSPs and projects; (ii) established a baseline for quality-at-entry to enable Management to monitor the trend of quality-at-entry and to manage for continuing improvements; and (iii) provided a learning tool for staff when developing new CSPs and projects. Future quality-at-entry assessments are envisaged to be carried out every 2 years.
- ADB adopted on 4 August the paper "[Further Enhancing Country Strategy and Program and Business Processes](#)" [PDF] specifying the following changes:
 - renaming CSP into a Country Partnership Strategy (CPS) to emphasize partnership with member countries and strengthen country ownership;
 - introducing changes in CPS structure that will consist of a strategy to be endorsed by the Board and an indicative rolling country operations business plan that will be approved by Management;
 - replacing annual CSP Updates with a CPS mid-term review report and the annual indicative rolling country operations business plans; and
 - subjecting project concept papers to a Management review, rather than bundling them in CSP and CSP Updates as currently practiced, and assigning a category of project complexity/risk level as part of this process to ensure better concept paper scrutiny, quality assurance, and appropriate level of upstream support in project preparation from non-operational departments.
- A workshop was conducted on 6–7 November on the preparation of CPSs by: (i) disseminating the main features of the new CPS process; (ii) discussing the final draft of the CPS guidelines; (iii) clarifying details on new initiatives relating to CPS (i.e., integration of private sector, subsovereign lending, multitranches financing facility, cost sharing and eligibility of expenditures); and, (iv) sharing of lessons and practical experiences by selected country team leaders.

Procurement and Consulting Services

- ADB adopted on 6 February the policy papers "[Use of Consultants by the ADB and Its Borrowers](#)" and "[Revising the Procurement Guidelines](#)". The new guidelines define ADB's policies and procedures in selecting, contracting, and monitoring consultants required for loan and technical assistance (TA) projects; and governing the procurement of goods, works, and services (other than consultant services) required for projects. The policies and associated new guidelines became effective on 1 April. The revisions to the procurement guidelines will
 - streamline procurement processes,
 - harmonize ADB's regulations with other multilateral institutions,
 - enhance transparency, and
 - allow greater flexibility and innovation in the procurement procedures of borrowers.

The following are the improvements in the guidelines on the use of consultants:

- increased flexibility and performance monitoring,
- assessing executing agency and country procurement capacity,

- promoting country ownership,
 - increasing the focus on developing national consulting industries, and
 - simplifying selection of smaller (including national) nongovernment organizations.
- The new consultants and procurement Operations Manual and Project Administration Instructions were updated in April 2006 to incorporate the revisions to the procurement and consulting services guidelines. A session for heads, deputy heads of departments, and directors and introductory seminars for staff were conducted from 24 April–18 May to familiarize them with the new guidelines.
 - ADB announced on 12 December that effective 1 January 2007, user divisions will use the revised request for proposals (RFP) for loans and the new RFP for TA projects for all selection methods as outlined in the guidelines for the use of consultants by ADB and its borrowers.
 - A policy paper was circulated to the Board on 12 December proposing a [Flexible Weighting Under Quality- and Cost-Based Consultant Selection](#) (QCBS) [PDF]. The paper recommends that the weighting for cost shall normally be 20%, but allows some flexibility for varying this weighting depending on the type of assignment. Adoption of a flexible weighting further harmonizes the approaches of ADB and other multilateral development banks.

Cost Sharing and Expenditure Eligibility

- ADB approved on 15 March the issuance of staff instructions on the new policy framework "[Cost Sharing and Eligibility of Expenditures for ADB Financing: A New Approach](#)". The staff instructions elaborate on certain aspects of the policy framework and provide implementation guidelines. With the adoption of the new policy and staff instructions on cost sharing arrangements, financing parameters for four [developing member countries](#) (Indonesia, Lao PDR, Papua New Guinea, and Viet Nam) have already been approved by ADB. For Mongolia, a section on country cost-sharing ceilings has been included in [Mongolia: Country Strategy and Program Update \(2007–2009\)](#).

Financing Instruments and Modalities

- The IEI team delivered several training courses, briefing sessions, and workshops on financing instruments and modalities at headquarters and in resident missions. Heads and deputy heads of departments, directors and staff were briefed on IEI, roles of the various service departments and pilot financing instruments and modalities. IEI also has made presentations directly to key agencies in some developing member countries.
- Of the three [pilot financial instruments](#) (i.e., multitranche financing facility [MFF], non-sovereign lending to public sector financing facility, and refinancing facility), the MFF has been the most successful. Staff instructions for MFFs were approved on 12 October. The MFF is similar to a standby and non-contingent line of credit, with financing being provided either as a loan or a guarantee. Ten programs, with \$5.333 billion worth of financing availability, have been approved so far:
 - [National Highway Development Sector Investment Program \(Pakistan\)](#) on 13 December 2005 for \$773 million,
 - [Rural Roads Sector II Investment Program \(India\)](#) on 20 December 2005 for \$750 million,
 - [Uttaranchal Power Sector Investment Program \(India\)](#) on 30 March 2006 for \$300 million,

- [Railway Sector Investment Program \(Bangladesh\)](#) on 10 October 2006 for \$430 million,
 - [Renewable Energy Development Sector Investment Program \(Pakistan\)](#) on 1 December 2006 for \$510 million,
 - [North Karnataka Urban Sector Investment Program \(India\)](#) on 6 December 2006 for \$270 million,
 - [Power Transmission Enhancement Investment Program \(Pakistan\)](#) on 12 December 2006 for \$800 million,
 - [Punjab Irrigated Agriculture Investment Program \(Pakistan\)](#) on 13 December 2006 for \$900 million,
 - [Gansu Heihe Rural Hydropower Development Investment Program \(People's Republic of China\)](#) on 13 December 2006 for \$50 million, and
 - [Uttaranchal State Road Investment Program \(India\)](#) on 18 December 2006 for \$550 million.
- The Non-Sovereign Public Sector Financing Facility (NSP) allows for direct lending to state-owned enterprises and local governments, without central government guarantee. Staff instructions and guidance notes on NSP were approved on 15 December. Since its adoption, NSPs have been undertaken mainly by the Private Sector Operations Department. In 2006, ADB approved two projects:
 - [National Thermal Power Corporation Capacity \(NTPC\) Expansion Financing Facility \(India\)](#) on 27 July for \$75 million with complementary financing scheme of \$225 million, and
 - [South Sumatra to West Java Phase II - Gas Pipeline Project \(Indonesia\)](#) on 10 August for \$75 million with complementary financing scheme of \$125 million.
 - No refinancing facility has been processed yet.

Safeguard Policy Update

- ADB embarked on a [safeguard policy update](#) to enhance the effectiveness of its safeguard policies, and ensure relevance to changing client needs and new lending modalities and instruments.
 - The Development Effectiveness Committee (DEC) of the ADB's Board of Directors requested the Operations Evaluation Department to undertake special evaluation studies of ADB's safeguard policies. The [Special Evaluation Study on Environmental Safeguards](#) were completed and discussed during the DEC meeting on 27 September and 9 October, respectively. A draft report based on a separate evaluation study on Indigenous Peoples Policy was circulated for interdepartmental comments.
 - ADB continued to review its safeguard policies—Environment Policy (2000), Policy on Indigenous Peoples (1998) and Policy on Involuntary Resettlement (1995). This review also took into account results of two special evaluation studies by the Operations Evaluation Department on environmental and [involuntary resettlement safeguards](#).

Conduct an independent assessment of the 2002 ADB reorganization and undertake follow-up actions

Under this initiative, the original scope of the reform agenda to assess the [2002 reorganization](#) was completed in November 2004. Nonetheless, key follow-up actions and recommendations emanating from the independent assessment are being monitored.

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). Some of the options and actions proposed regarding the business process were implemented in 2004.

Most nonstructural changes proposed were endorsed by Management for immediate implementation. To this end, an action plan for 2005–2006 was adopted on 28 January 2005. The action plan identifies the principal implementing units, mechanism, timeframe, and methodology for introducing necessary adjustments. Many of the nonstructural issues have been integrated into various ongoing reform initiatives.

- ADB approved the reassignment of the functions and duties of the operations vice presidents on 17 April as recommended in the paper "[Realignment of Regional Departments](#)" [PDF]: (i) Vice President Operations Group 1 will be in charge of the Central and West Asia Department (CWRD), South Asia Department (SARD), and Private Sector Operations Department (PSOD); and (ii) Vice President Operations Group 2 will be in charge of the East Asia Department (EARD), Southeast Asia Department (SERD), Pacific Department (PARD), and the Central Operations Services Office (COSO).
 - The organizational realignment of the regional departments approved on 18 April, took effect on 1 May. The realignment of the country groupings will enhance operational effectiveness by balancing portfolio sizes, improve regional departments' country focus, and strengthen the synergy between country and regional operations.
- A pilot job rotation scheme was developed to enhance skill and career development of national officers at resident missions. The pilot job rotation scheme is one of the initiatives to address the need referred to in the Human Resource Strategy and the Independent Assessment Panel Review. Under the program, a job opportunity in Kyrgyz Resident Mission was advertised on 5 January and in India Resident Mission on 22 May and 1 June.

Harmonize and align practices and procedures for aid effectiveness in agreed-on areas

To harmonize ADB's operational procedures with other multilateral development banks (MDBs) for reduced transaction costs for [developing member countries](#) (DMCs) and improved efficiency and effectiveness of development assistance. The action plan covers the following areas:

- (i) [Evaluation](#);
- (ii) [Environment and Social Safeguards](#);
- (iii) Financial Management;

- (iv) Capacity Building, [Governance](#) and [Anticorruption](#);
- (v) [Procurement](#) including [Consulting Services](#);
- (vi) [Gender](#);
- (vii) [Managing for Development Results](#);
- (viii) [Private Sector](#);
- (ix) Information and Communication Technology;
- (x) Legal Documentation; and
- (xi) Disbursement.

An informal Board seminar was held on 24 March on the [Paris Declaration on Aid Effectiveness](#)* [PDF] to canvass the current status of the Paris Declaration (global), issues for DMCs and ADB, and pursuit of the partnership commitments.

The note "[Update on Cooperation among Multilateral Development Banks, July 2006](#)" [PDF] was discussed at the MDB Heads' meeting on 18 February. The note was revised and updated by the five major MDBs, namely: African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), and the World Bank (WB) and released on 24 July.

ADB's participation in the activities of the MDB working groups on harmonization are as follows:

Evaluation

The heads of evaluation departments of five MDBs: AfDB, ADB, EBRD, IADB, and WB, formed the Evaluation Cooperation Group (ECG) in October 1995 and became its founding members. The ECG expanded its core membership to include the European Investment Bank (EIB), the Independent Evaluation Offices/Units of the International Finance Corporation (IFC), the International Monetary Fund (IMF), and the Multilateral Investment Guarantee Agency (MIGA) from the WB Group.

Two other institutions attend ECG meetings as observers: United Nations Development Programme (UNDP) as representative of the UN Inter-Agency Working Group on Evaluation and the [Organisation for Economic Co-operation and Development–Development Assistance Committee \(OECD-DAC\) Network on Aid Evaluation](#),* at whose meetings the ECG is also represented.

ADB participated in various forums in 2006 such as

- Meeting of the ECG of MDBs on 27–28 March in Paris, France to discuss issues on harmonization and standard setting in evaluation. On 1 July, IADB succeeded ADB as ECG chair.
- UN Evaluation Group (UNEG) Meeting on 29 March in Paris, France to discuss evaluation quality standards, evaluation systems and capacity development, peer reviews, country level evaluations, and opportunities for collaboration.
- OECD-DAC Network Meeting on 30–31 March in Paris to discuss evaluation of the [Paris Declaration](#)* [PDF], country level evaluations of total development assistance, impact evaluations, peer reviews, joint evaluations, evaluating general budget support, and evaluating quality standards.

The ECG uses two instruments to promote harmonization: (i) developing good practice standards (GPS), AND (ii) using the GPS to assess and compare ECG members in benchmarking studies. ADB's harmonization outputs within the ECG:

- ADB took the lead in GPS for the Evaluation of Policy-Based Lending by MDBs by applying the criteria and procedures of the GPS in evaluating its policy-based lending operations.
- The Project Performance Evaluation Reports (PPER) on Non-Sovereign Operations (NSO) harmonizes ADB's NSO evaluation procedures with those of other MDBs in ECG. NSO evaluations will be in line with the harmonized GPS of ECG for private sector evaluations. The [Guidelines for Preparation of Project Performance Evaluation Reports on Non-Sovereign Operations](#) [PDF] to be circulated in March 2007 are based on the GPS adopted by the ECG in 2006, and are expected to be updated periodically following reviews of the GPS. The most recent benchmarking review was in 2005. The next review of the ECG GPS for evaluation of private sector investment operations will take place by the end of 2009.
- ADB takes the lead role on GPS for Country Evaluation (Country Assistance Program Evaluation/CAPE) and also acts as the focal point for interaction with UNEG and OECD-DAC. ADB is currently preparing the final draft of the Background Paper (Phase I), which will be completed by end of 2007. The final draft of the GPS Report (Phase II) will be finalized by early 2008.
- The Evaluation of the Paris Declaration on Aid Effectiveness will be based on a four-track approach: (i) development of a common evaluation framework, (ii) country-led evaluation initiatives, (iii) thematic case studies across donors, and (iv) a medium to long-term program of synthesis and meta evaluation work. ADB's [Special Evaluation Study on the Effectiveness of ADB's Approaches to Partnering and Harmonization](#) will contribute to this initiative.
- Public Sector Project Lending evaluation – WB takes the lead in this exercise.
- The Task Force on Establishment of a Robust Peer Review Process—comprising the heads of the evaluation departments of EBRD, ADB, and IADB—is addressing issues such as (i) independence of the office and the role of management and the board, (ii) selection of evaluation topics, (iii) adherence to GPS, (iv) the quality of evaluation reports, (v) use of evaluation findings and recommendations, and (vi) staffing and budget matters.
- At the March 2006 meeting of the working group on Technical Assistance (TA)/Cooperation Evaluation, IFC presented a framework for comparing the practices among ECG members for completion reporting and independent review of TA/TC. AfDB, ADB, EBRD, IADB, EIB, IMF, and the WB Group are participating in this work.
- In March 2006, ECG members agreed that an integrated database of project/program ratings should be created. It was agreed that ECG members would forward their data bases to WB Group for integration but significant effort would be required to achieve a consistent data base.
- The focus of the ECG website ([ECGnet](#))* is to disseminate lessons from evaluations. At the ECG meeting held in Paris in October 2006, members agreed to revamp the ECGnet and ADB will be responsible for its administration, operation, maintenance, and development.

Environment and Social Safeguards

- ADB participated in the Multilateral Financial Institutions–Working Group on Environment (MFI-WGE) Meeting on 3–5 May at the Black Sea Trade and Development Bank in Thessaloniki, Greece, which discussed: (i) Equator Principles; (ii) land degradation and desertification; (iii) markets for environmental goods and services; (iv) clean energy and

climate change investment framework; (v) re-emergence of nuclear power; (vi) safeguards policy updates among MFIs; and (vii) ISO 14001 and EMAS.

- Another MFI-WGE meeting took place in 4th quarter 2006 and reviewed the safeguard policy updates of [MIGA](#)* of the WB Group and ADB.
- Activities of the MFI-WGE include (i) preparation of an Updated Version of the Pollution Prevention and Abatement Sourcebook; (ii) joint preparation of Indigenous Peoples Policy Handbook Guidebook; (iii) development of a joint work program for Use of Country Systems; (iv) consultation on each agency's respective safeguard policy updates; and (v) sharing experiences on environmental mainstreaming and the application of country environmental analysis.

Financial Management

- MDB Roundtable: Trust Fund Administration and Cofinancing in Luxembourg on 21 February. Discussions centered on trust funds administration and policy reform, role of trust funds in responding to specific crises, and cofinancing.
- MDB Technical Working Group Meeting on Financial Management Harmonization on 5–6 December in Manila to discuss the financial management approach to governance and anticorruption, sector-wide approaches and policy-based lending, Paris Declaration, country financial management diagnostics, and the forward work program for the working group.
- ADB work in progress includes: (i) audited financial statement and audited project accounts review checklists; and (ii) technical note on the preparation of cost estimates. ADB was also actively involved in the application of the PEFA framework, which was applied in the Kyrgyz Republic by the broader development community and ADB used this as input to the Country Strategy and Program.

Capacity Building, Governance and Anticorruption

- ADB participated in various forums in 2006 such as
 - Heads of MDBs Meeting in Washington, DC on 17–18 February. Wide-ranging discussions took place on cooperation in fighting corruption, energy efficiency, climate change, and the role of MDBs in middle-income countries. A major outcome of the meeting was a [joint statement](#) on ways to further combat corruption.
 - 13th Roundtable on Harmonization, Alignment and Results held in Washington, DC on 7 June to discuss (i) progress in strengthening country systems particularly on the issue of corruption, and (ii) progress in implementing and monitoring the Paris Declaration.
 - Heads of MDB breakfast meeting and the Heads of Multilateral Financial Institutions meeting on 17 September chaired by President Kuroda on the occasion of the International Monetary Fund/World Bank annual meeting in Singapore. The Heads of MDBs agreed on a [common framework for combating corruption and issued a joint statement](#). President Kuroda also participated as a panelist in a World Bank Program of Seminars session on "ASEAN and Pan-Asian Integration".
 - [ADB/OECD Anti-Corruption Initiative for Asia and the Pacific meeting](#) on 27–29 November held in Thailand. The 9th steering group meeting discussed the implementation of the anticorruption action plan for Asia and the Pacific and

provided input to the thematic review on mechanisms for mutual legal assistance, extradition, and recovery of proceeds from corruption.

- ADB worked closely with WB to conduct and harmonize processes for Public Expenditure Reviews (PERs) by carrying out joint-PERs in Philippines, Cambodia, Lao PDR, Maldives and Mongolia.
- Procurement reviews have also been conducted jointly in PRC, Indonesia, Pakistan, etc.
- Country Procurement Assessment Reports have been carried out collaboratively with the WB in PRC, Lao PDR, Mongolia, Philippines, Timor-Leste, Uzbekistan and Viet Nam. Close to 20 joint country portfolio reviews have been carried out.
- A knowledge exchange program on governance has been developed with the IADB.

Procurement and Consulting Services

- ADB participated in the Meeting of Heads of Procurement of MDBs on 14–16 February in Manila. The agenda included harmonization of procurement policies and procedures and various recent procurement issues faced by MDBs.
- ADB adopted the policy papers "[Use of Consultants by the ADB and Its Borrowers](#)" and "[Revising the Procurement Guidelines](#)" on 6 February, which were harmonized with those of other MDBs. Harmonization activities include (i) issuance of requests for proposals for engagement of consultants, (ii) development of country procurement laws and common procurement documents for local competitive bidding, (iii) issuance of a harmonized guide on electronic government procurement, and (iv) development of a guide on environmentally responsible procurement.
- A policy paper was circulated to the Board on 12 December proposing a [Flexible Weighting Under Quality- and Cost-Based Consultant Selection](#) (QCBS) [PDF]. The paper recommends that the weighting for cost shall normally be 20%, but allows some flexibility for varying this weighting depending on the type of assignment. Adoption of a flexible weighting further harmonizes the approaches of ADB with other MDBs.

Gender

- ADB participated in the MDB Gender Group Meeting on 5–6 July in Paris, France in conjunction with [OECD-DAC](#)* Network Meeting on Gender Equality (GenderNet). Ongoing areas of collaboration include: (i) publication of the Country Gender Assessment for Vietnam in 2006 in coordination with the World Bank, UNDP, Department for International Development of the United Kingdom (DFID-UK), and other development partners; and (ii) preparation of the ADB/WB joint [Country Gender Assessment for People's Republic of China](#) completed in mid-2006.

Managing for Development Results

- ADB participated in various forums in 2006 such as
 - [2006 Asian regional forum on aid effectiveness: Implementation, monitoring, and evaluation](#) on 18-20 October jointly sponsored by the Government of Japan, the DFID-UK, ADB, and the World Bank. The forum accomplished the following objectives: (i) identification of key elements of success and constraints, (ii) emphasis on evaluation, (iii) sense of "community of practice", and (iv) greatest achievement: renewed commitment for Paris Declaration.

- Second High Level Meeting on Aid Effectiveness in Microfinance on 20 October held in Paris. The meeting was convened jointly by the Consultative Group to Assist the Poor (CGAP), UNDP, and Agence Francaise de Developpement. The participants agreed on the following (i) funding agencies have a critical role to play in development of sustainable access to finance for billions of poor people who are unserved and under-served; (ii) funding agencies need to pay more attention to the quality of support they provide for microfinance development and this issue must be addressed effectively and urgently; and (iii) each individual agency has to take the full responsibility for improving effectiveness of its assistance.
 - ADB/DFID-UK/World Bank/Government of Japan joint retreat on Southeast and East Asia held on 16 October discussed country collaboration and implementation of the Paris Declaration on aid effectiveness, regional cooperation and integration, capacity building, and governance.
- As part of the [Paris Declaration](#)* [PDF], the MDBs agreed to work together with partner governments to strengthen the use of country systems and institutions. In this regard, strengthening DMCs' capacity and ownership is a major part of ADB's efforts on harmonization, alignment, and MfDR. Harmonization efforts of different departments and offices of ADB are monitored and reported under the initiative to form the basis of the action plan, which is regularly updated. The latest report "Semiannual Update of ADB Action Plan on Harmonization" was completed on 31 December.
 - MDB Heads endorsed a joint initiative to monitor MDB contributions to development results, under the common performance assessment system (COMPAS). The [first COMPAS report](#) was used as the backbone for the IFI section of the 2006 Global Monitoring Report. ADB led the preparation of the first COMPAS report.
 - ADB established a [Community of Practice on MfDR](#) at the regional level. This is aimed at helping to build capacity and awareness of MfDR among developing countries. The inaugural meeting was held in Manila in March 2006 with representatives of 11 DMCs as well as WB and OECD-DAC.
 - The Vietnam results based-country strategy and program (CSP) preparation process has been noteworthy for its many good practices so far, such as the country consultation, earlier start, close coordination and collaboration with the WB, Japan Bank for International Cooperation (JBIC), DFID and other development partners. A joint retreat was held between WB and ADB at ADB Headquarters to discuss the joint CAS/CSP process.

Private Sector

- ADB and WB have been carrying out joint surveys of the "Investment Climate" on a pilot basis. The following final reports were completed and disseminated (i) Philippines Investment Climate Assessment (ICA) in January 2005; (ii) Indonesia ICA in May 2005, and (iii) Sri Lanka ICA in June 2005. The joint ADB-WB final draft report for the Lao PDR ICA has been completed and concluding workshop to be held in March 2007. The Viet Nam ICA prepared by the WB team was submitted to the Government in December 2006. A releasing workshop and publication of the ICA report will follow the government's endorsement of the report.
- In the Pacific region, ADB, in close cooperation with IFC and FIAS, is leading harmonization efforts on private sector development approaches and communication. The ADB-organized PSD donor meeting for the Pacific in Sydney in May 2005 will be followed

by subsequent meetings to be hosted by FIAS and AUSAID and again by ADB in February 2007.

- Closely linked to private sector development efforts is an infrastructure coordinating task force that includes ADB, WB, AusAID, and NZAID (with ADB in the lead) established in December 2005 to coordinate various development partner activities in the area of infrastructure related economic and sector work, financing requirements, institutional and regulatory reform, and public-private partnerships. ADB elevated its partnership with AusAID in 2006 by cofinancing the Private Sector Development Initiative for the Pacific in 2006.

Information and Communication Technology

- ADB participated in the Global Alliance on ICT and Development (GAID) Inaugural meeting held on 19-20 June in Kuala Lumpur, Malaysia. At the meeting, e-governance, e-health, and e-entrepreneurship were selected as priority areas for assistance. GAID is an open multi-stakeholder platform to promote the effective use of ICT in achieving the Millennium Development Goals, and in particular, poverty, among development organizations.
- MDB ICT Information Sharing Initiative (ICTISI): Development Gateway Foundation (DGF) hosted the platform for MDBs at <http://topics.developmentgateway.org/mdbexchange>
- The [e-Asia and Knowledge Partnership Fund](#), set up with a \$20 million contribution from the Government of Korea, will also support knowledge management in the Asia and Pacific region. The fund will help DMCs reduce digital divide, promote information and communications technology, and share knowledge and experience.

Disbursement

- ADB participated in the MDB Working Group on Disbursement Meeting on 27 April to confirm the minutes of 3rd MDB Working Group Meeting on December 2005 in Washington DC and update on the status of current work program deliverables, such as (i) project milestone dates and other terminology, (ii) policy/procedure matrix, (iii) fiduciary control frameworks, (iv) common withdrawal application form, (v) imprest/special accounts and advance, (vi) MDB disbursement website, (vii) anti-money laundering, and (viii) post-conflict/natural disaster recovery programs. Another MDB technical working group meeting on disbursement harmonization was held on 4 December in Manila.

Solve year-end “bunching” problem

The initiative aims to reduce bunching (normally refers to the disproportionately large number of loans being brought to the Board for approval during the fourth quarter of each year) in order to maximize ADB's operational effectiveness and tighten planning and monitoring of Board schedules.

Continuing activities to limit bunching are:

- (vii) Provision of monthly reports to Management on the emerging status regarding the scheduling of project approvals in the fourth quarter, with focus on items for Management decision;

- (viii) Inclusion of bunching issues in the Management Committee meetings on operations, including definition of options for limiting bunching in the operational year; and
 - (ix) Operations departments are required to adopt a checklist to monitor the status of each project-readiness filter before each project-processing stage.
- In 2006, South Asia Department and Pacific Department introduced project readiness filter checklists for use during project processing.
 - The problem of year-end bunching diminished—51% of the public and private sector loans were approved during the fourth quarter of 2006. This was a clear improvement over the previous 65% in 2004 and 51% in 2005 of loans approved during the fourth quarter.

Implement a knowledge management action plan

Under this initiative, [ADB's knowledge management framework](#) was adopted in June 2004, which will pursue two mutually supportive goals:

- (i) Increased assimilation of and dissemination by ADB of relevant and high-quality knowledge to [developing member countries](#) (DMCs) and other stakeholders, and
- (ii) Enhanced learning—knowledge capture and sharing—within ADB and its DMCs.

In achieving these goals, ADB seeks to establish itself and be recognized as a learning institution. The framework's action plans are designed to achieve five distinct but complementary outcomes:

- (i) Improve ADB's organizational culture to be more supportive of knowledge sharing;
 - (ii) Manage ADB's knowledge services and products more effectively;
 - (iii) Update ADB's business processes and information technology solutions to capture, enrich, store, and retrieve knowledge;
 - (iv) Improve and enhance the functions of ADB's "[Communities of Practice](#)"; and
 - (v) Expand knowledge sharing, learning, and dissemination with external stakeholders and other parties.
- ADB supports and strengthens research and dissemination of new development concepts and technologies that will have a crosscutting impact on regional knowledge and information exchange and sharing in areas demanded by DMCs, for example the [development of knowledge hubs in selected developing countries](#). The project will be funded by an ADB [technical assistance \(TA\) grant of US\\$990,000](#), with four to six knowledge hubs set up over a 2 year period. In 2006 ADB signed agreements to establish a knowledge hub on
 - [clean energy](#) at [The Energy and Resources Institute \(TERI\)](#)* of India on 22 June that will provide a gateway of knowledge and information on clean energy, energy efficiency, and issues related to mitigation and adaptation of climate change. It will also be the focal point for the collection, structuring, and dissemination of knowledge from a variety of resources.
 - [reduce, reuse, and recycle](#) (3Rs) of material flows in economic activities on 7 August with Asian Institute of Technology, UNEP, and UNESCAP. The 3R knowledge hub will be the repository of information on proven and best available technologies, best practices, and tested policies and financing instruments on various aspects of 3R in the region. It will also draw new ideas and approaches from experts within and outside the region and package and provide information services to decision-makers. These activities are expected to create behavioral changes among

stakeholder groups including policy makers, the private sector and community leaders who can create demand for 3R programs and other interventions.

- [climate change](#) at Beijing, China's Tsinghua University on 26 October to (i) undertake research and disseminate new concepts on climate change to ADB's DMCs and other stakeholders; (ii) build research capacity to create knowledge on climate change; (iii) liaise with academic, research, and relevant scientific and technical institutions, [private sector](#), civil society; and (iv) design specific products and events that disseminate knowledge, such as a web site, workshops, and training courses.
- [public finance](#) at Philippines' Center for Research and Communication, Roberto F. De Ocampo Center for Public Finance and Regional Economic Cooperation on 16 December that will promote information exchange, knowledge sharing, and networking on fiscal policy and practice, anticorruption, and privatization. The knowledge hub will serve as a knowledge and information gateway on fiscal policy and practice, anti-corruption, and privatization.
- Public private partnership (PPP) in infrastructure at Emerging Markets Forum on 18 December to develop and disseminate data, information and knowledge on infrastructure development. The hub will have four human functions: (i) to collect data and case studies on PPP infrastructure development in emerging markets in Asia, (ii) to undertake analytical work comparing the experience in Asia with other regions of the world, (iii) to publish and disseminate findings on PPP infrastructure development, and (iv) provide inputs to discussions at the Emerging Markets meetings and at other gatherings of policy makers and private sector.
- On 1 June, the Board of Directors endorsed the set-up of a US\$20 million [Republic of Korea: e-Asia and Knowledge Partnership Fund](#) at ADB. The fund has two windows (i) the e-Asia program aimed at bridging the digital divide and Information and Communications Technology (ICT) promotion for development, and (ii) the knowledge partnership program aimed at capacity building and knowledge transfer and sharing. In 2006, four proposals were endorsed by the Korean government.
- The Knowledge Management (KM) Center conducts KM dissemination activities through brown bag seminars, workshops, and informal sessions to share lessons with other teams. In 2006
 - Knowledge Seminars were held on 3 May in Hyderabad, ahead of the official opening of ADB's [Annual Meeting](#) of the Board of Governors. Session 1: [Knowledge-Based Economies in the 21st Century](#) presented the broad framework of knowledge-based economies, including the potential and role of information and communication technologies (ICT) which can be instrumental in supporting sustainable development and economic growth. Session 2: [Transforming Asian Economies with E-Services](#) focused on the contributions that e-services can make in assisting the transformation of ADB's DMCs toward becoming knowledge-based economies.
 - A seminar series was launched on 9 June aimed to retain knowledge acquired by former ADB staff members. Former ADB staff Clay Wescott presented a CD-ROM of his work in good governance, regional cooperation, and networking in Asia and the Pacific.
 - The eminent speaker's forum was launched in 2006 as a venue for discussing emerging issues related to ADB's work in the DMCs. Five seminars have been held

to date on (i) Energy on 26 January, (ii) Climate Change on 14 March, (iii) Transport and Environment on 3 July, (iv) economic growth in the Republic of Korea on 17 November, and (v) the Future of Asia on 24 November.

- ADB and [ADB Institute \(ADBI\)](#) launched in a seminar on 13 July, two e-learning toolkits to improve transparency and accountability in the delivery of public services in Asia. The [launch of the e-learning toolkits](#) for the citizen report card, and continuous improvement and benchmarking brought together policymakers, service providers, and distinguished speakers.
- Since 31 January, ADB started publishing bi-monthly a web-based newsletter titled "*Knowledge Matters (KMatters)*", offering the latest in lessons learned and best practices in knowledge management within ADB and among other knowledge organizations. *KMatters* encourages its readers to share and contribute to this interactive newsletter.
- The ADB's "[Communities of Practice \(CoPs\)](#)" on priority sectors and themes are think tanks that provide advice on strategic direction in these areas. The 10 formal CoPs created in 2005 include: (i) Education, (ii) Energy, (iii) Environment, (iv) Finance and Trade, (v) Gender and Social Development, (vi) Governance, (vii) Health, (viii) Regional Cooperation and Integration, (ix) Transport, and (x) Water.

ADB completed 6 sector reports covering ADB operations in (i) energy, (ii) education, (iii) finance, (iv) industry and trade, (v) transport and communications, and (v) water supply and sanitation covering the year 2004. On 16 May, the four vice presidents met with sector leads and concerned CoP chairs to discuss the issues and recommendations found in the sector reports.

In conjunction with the formation of the CoPs, ADB launched on 14 November the CoP Tools—a set of collaboration tools internally called C-Cube—which links members of communities within/out ADB through the Web or Internet environment. C-Cube allows members to **C**ommunicate through publishing, chat, discussion forums and on-line meeting; **C**oordinate tasks and events through project management and calendaring tools; and, **C**ollaborate with members in different locations through on-line document and idea sharing. C-Cube presentations and roadshows for staff were held on 22 and 28 November; and 1, 5 and 7 December.

- The Heads of the four knowledge departments, i.e. ADBI, Economics and Research Department, Office of Regional Economic Integration and Regional and Sustainable Development Department during their first joint meeting on 3 March established new arrangements to avoid duplication and improve synergy in their knowledge creation efforts, which include
 - formation of a staff level working group to coordinate future work programs and regular meetings of the heads of four knowledge departments;
 - setting consistent ADB definitions of research (drawing from the OECD's work) and other [knowledge products](#) and services (KPS) to facilitate quality assessment and interdepartmental coordination;
 - coordination on future research and other KPS work programs to ensure synergy and alignment with strategic priorities and lending;
 - identification of a few major research or other KPS products where extensive collaboration and joint work will be useful; and

- introduction of a system of annual internal assessment of ADB-wide research and other KPS products, and establish quality standards for research and other KPS including expanded use of external peer reviews.
- The progress report on the implementation of the KM Framework (1 June 2004–December 2005) was released on 3 August. The report discusses the activities under the five action plans of the KM Framework, new initiatives undertaken by the KM Center, and incorporates a revised timeline with respect to KM information technology activities.
- ADB made it to the 23 finalists in the 2006 Asia's Most Admired Knowledge Enterprises (MAKE) study, which recognizes Asia's leading organizations for their ability to leverage enterprise knowledge in delivering superior performance in innovation, operational effectiveness, and excellence in products and services. Winners were announced at the World Knowledge Forum in Seoul on 18 October.

TELEOS, an independent knowledge management and intellectual capital research firm, administers the MAKE program, in association with [The KNOW Network](#),* a web-based global community of knowledge-driven organizations dedicated to networking, benchmarking and sharing best practices leading to superior performance.

To determine staff perceptions on the ADB KM implementation process, a second e-survey was conducted by MAKE/TELEOS in 2006. The survey was based upon MAKE's eight knowledge performance dimensions. This second survey compared the data findings against the 2005 results. While only 66 staff participated in the 2005 survey, 127 staff completed the survey in 2006. This is quite encouraging as more staff are now getting involve in the KM implementation process.

Staff awareness on knowledge management has been positively influenced by the implementation of specific KM activities in various regional departments notably Central and West Asia Department, East Asia Department, Operations Evaluation Department, and South Asia Department.

Prepare and implement a Public Communications Policy

The [Information Policy and Strategy](#) and the [Policy on Confidentiality and Disclosure of Information](#), adopted in 1994, were reviewed and a new [Public Communications Policy](#) (PCP) was prepared. The new policy adopted in April 2005 and took effect in September 2005, is a two-pronged communications policy, promoting:

- (i) proactive external relations, and
- (ii) improved access to information about ADB operations.

This translates to greater emphasis and importance on the external relations function of the Bank, and greater public disclosure of operational documents. It affects the way ADB does business—by making a greater effort to provide information and listen to the views and opinions of ADB's stakeholders, from project concept stage, to implementation and evaluation. It also aims to build institutional capacity within the Bank and in ADB's counterparts in developing member countries—by supporting participatory development and [learning from experience](#).

- An external relations training for resident mission/resident office staff was conducted from 21–25 August at the ADB headquarters. Plenary sessions with Management and senior staff on ADB's policy framework, capacity building sessions, open-space meetings to

discuss the future of ADB communications, and a field visit to ADB's project on the cleanup of the Pasig River were held.

- In 2006, as part of the implementation of the new PCP, ADB
 - developed a disclosure management system to aid operational staff in planning and managing project documents for disclosure. Start-up systems and procedures for [Project Information Documents](#)—a factual summary to be updated quarterly, reflecting project activities and issues, status of development objectives and covenants, and loan utilization—were developed;
 - held orientation workshops on the new PCP for project executing/implementing agencies and nongovernment stakeholders in [five Indian states](#) on 5–16 June, three Indonesian cities on 2–9 August, and Italy on 30 October;
 - created a [Public Disclosure Advisory Committee](#) (PDAC) as an oversight body to interpret, monitor, and review the disclosure requirements of the Policy. The PDAC reporting directly to the President, is composed of the (i) Managing Director General (serving as chair), (ii) Director General, Department of External Relations, (iii) Secretary, and (iv) General Counsel. PDAC meetings were held on 27 February and 20 September;
 - prepared a translation framework that outlines the ways ADB will expand the extent of information made available in languages other than English, the working language of ADB; and
 - conducted from April–June 2006 the first ever independent ADB perceptions survey to get the views of opinion leaders and ADB clients and partners across a range of countries and topics. The report "[ADB Perceptions Survey: Multinational Survey of Opinion Leaders 2006](#)" was released on 14 November. ADB is viewed as effective and largely successful in its work, but there is room for improvement, according to the survey conducted of more than 700 opinion leaders in 30 member countries.
- ADB's first internal communications survey was conducted from 18–29 September. The survey, sent at random to about 300 staff members, will help develop a strategy to communicate better with staff.

Implement the Information Systems and Technology Strategy, 2004–2009 (ISTS II)

The [strategy](#) [PDF], adopted in June 2004, will provide a broad course of action for ADB's information technology (IT) environment for the period 2004–2009 that would fulfill the following:

- provide systems and data that support ADB's results-based agenda and action plan on [Managing for Development Results](#),
- deliver a framework for [Knowledge Management](#) solutions that provides internal and external exchange of information,
- institutionalize the business and IT partnerships to foster the appropriate degree of ownership and direction, and
- develop an enabling IT infrastructure and services that are secure, available, responsive and reliable.

The action plan is grouped into three major components: (i) information systems initiatives, (ii) technology infrastructure initiatives, and (iii) IT governance initiatives.

An informal Board seminar was held on 1 February to discuss the ISTS II:

- achievements and current status of the initiatives,
- governance and organizational realignment of the Office of Information Systems and Technology (OIST),
- new developments affecting the initiative and modifications,
- operational cost and capital cost savings achieved, and
- challenges.

A Reform Agenda Working Group was established in OIST to implement IT service improvements through the development of an OIST Performance Management System. A kickoff meeting of the working group was held on 5 May. Participants identified the need for a unified vision and shared goals in building the roadmap together.

Management Information Systems (MIS)

- A concept paper was prepared for the development of a Project Processing and Portfolio Management (PPPM) information system that provides end-to-end pipeline and portfolio management support for ADB operations. An integrated approach and planning for the PPPM was completed in the second quarter of 2006. The proposal is for IT Committee endorsement and approval
- Work was initiated for an interim MIS to meet the immediate need for corporate performance monitoring
- The Pacific Department's Reports Automation (i.e. Monthly Budget Report, Ongoing TA Portfolio Report, and Ongoing Loan Portfolio Report) was completed in the second quarter of 2006 and will subsequently be implemented in other regional departments.
- Under the [Public Communications Policy](#), the Project Information Document was automated; and the Project Performance Report and TA Performance Report have been modified for project implementation reporting and now aligned with the Design and Monitoring Framework under the [Project Performance Management System](#).
- Community of Practice (CoP) tools, the first information system delivered under ISTS-II was launched on 14 November. The CoP Tool set, internally called C-Cube, links members of communities within/out ADB through the Web or Internet environment. C-Cube development was undertaken jointly by OIST and Regional and Sustainable Development Department.
- Development of the following websites and programs:
 - Development of the South Asia Department intranet website (sard.adb.org) with advanced features that provides access to latest economic data and other indicators for SARD countries and facilitates coordination of strategic and operational activities, launched on 20 December.
 - Project management program in collaboration with the Learning and Development Unit to provide staff with the foundation for managing IT projects effectively and the skills needed to make projects succeed. Participants during the program on 6–8, 11–13 December will take the examination in 2007 leading to an Associate Certificate in Project Management.

Technology Infrastructure

- Under the server consolidation and upgrade initiative, the upgrade of the ADB's email servers was completed in the second quarter of 2006. IT equipment resources were optimized by consolidating Lotus Notes servers. The upgrade provides users with increased email storage capacity and a more efficient and enhanced archiving capability.
- A new mainframe computer and operating system was installed during the first quarter of 2006. Required software licenses for updated version were also procured. Migration of data and applications to the new mainframe will be completed in February 2007.

IT Governance

- ADB approved on 15 November the OIST Security Rules and Regulations Framework for ADB, effective 1 January 2007. OIST is shifting its focus from technology to a more business-focused orientation. By aligning with the business, Information and Communications Technology (ICT) will become a strategic partner in maximizing institutional efficiency and effectiveness within a secure environment.
- In support of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework which addresses the internal controls over financial reporting, Control Objectives for Information and related Technology (COBIT) was adopted by OIST as it aligns closely with the standards required under the COSO framework.
- COBIT Foundation courses were held on 4–8 September. OIST will soon be deploying COBIT processes to promote IT governance and internal control. Twenty participants from Controller's Department, Office of the Auditor General, OIST, and Office of Administrative Services participated in this intensive e-learning program to prepare them for the COBIT Foundation Examination.
- In collaboration with the Learning and Development Unit, a project management training program was conducted to provide staff with the foundation for managing IT projects effectively and the skills needed to make projects succeed. Participants during the program on 6-8, 11-13 December will take the exam in 2007 leading to an Associate Certificate in Project Management.

Formulate and implement a new human resources strategy

The strategy paper, completed in October 2004, aims to establish a merit-based, transparent, and effective human resource management system in support of ADB's vision and strategies. The strategy endeavors to

- (i) enhance organizational capability,
- (ii) establish an effective performance management system,
- (iii) strengthen leadership and accountability, and
- (iv) reorient human resources (HR) functions.

An informal Board seminar was held on 10 July 2006 to discuss the update on the implementation of the [HR Strategy](#). The agenda included (i) the objectives of the HR Strategy; (ii) HR Strategy strategic thrust—key actions undertaken, key action ongoing, and impact of the actions; and (iii) reorienting the HR function.

Enhance organizational capability

- A pilot job rotation scheme was developed to enhance skill and career development of national officers at resident missions. The main objective of the program is to develop high-potential staff for positions of increased responsibility in the future, by exposing them to different areas of work in ADB. The pilot will cover rotations between resident missions in the same region. Under the program, rotations have taken place in India Resident Mission (INRM) and People's Republic of China Resident Mission (PRCM).
- ADB approved on 18 April the establishment of a new technical career stream (practice leaders) to enable non-managerial progression beyond Level 6, creating a very select group of highly skilled senior level technical specialists in operational areas of strategic significance. The positions created will reflect the strategic directions of [Medium-Term Strategy II \(2006–2008\)](#). The Practice Leader for Health was appointed in December 2006. The search for suitable candidates for other Practice Leader positions in the other strategic operational areas is ongoing.
- ADB approved on 31 July the adoption of Staff Representation on Selection Panels for promotion of Professional Staff Levels 3-6, and Selection Panels for National Officers/Administrative Staff Levels 5-9 on an ongoing basis.
- Under the generic job titles and skills inventory project
 - Results-based job descriptions—which support the Performance and Development Plan process and serve as the foundation for recruitment, promotion, and career development decisions—were implemented starting 1 August. The results-based job descriptions more accurately reflect the nature and complexity of work responsibilities appropriate to jobs at the same level. A briefing on the results-based job descriptions for Heads of Departments/Offices was held on 31 July; and
 - Consultation meetings with Directors at ADB headquarters concluded on 14 August to confirm staff generic job titles and initiate data collection for the high-level skills inventory database. The database includes the generic job titles, which will be useful in assessing if the current and potential skills mix is appropriate for meeting ADB's strategic objectives and facilitate decision making in relation to ADB's future resource planning. The final list of generic job titles for headquarters' professional staff levels 1-6 and resident offices/resident missions was approved on 14 September and 13 December, respectively. Data collection for the high-level skills inventory is completed.
- In its efforts to continuously develop staff's leadership skills, ADB has undertaken a full review of its leadership programs, and is focusing on a 3-tiered approach to learning and development for managers:
 - Executive education program supporting key strategic initiatives,
 - Coaching directors in leadership skills,
 - Providing tools and techniques in effective people management.

Learning programs and initiatives in 2006 included:

- A new page for Directors/Heads of Divisions on the intranet website "HR Online" under the Learning and Development page. This resource center was developed to support continuous learning and development in effective people management. It includes a selection of program materials, reading lists, articles, and links to relevant websites;

- Regular conduct of the Directors' Forum, a luncheon session where heads of divisions engage with selected in-house and external experts on a particular topic and share experiences and lessons with each other;
 - The new directors' orientation program, which provided new directors with a practical overview of their role as people managers within the context of HR systems and processes in ADB;
 - The Managing People series, which includes modules in Managing Performance, Managing Teams, and Managing Change. These modules were developed to provide tools and techniques to support them in their day-to-day management of staff. The focus of these programs is on practical, constructive and useful overview of process and techniques integral to effective people management supporting ADB's HR systems and processes;
 - Leader as Coach for Directors and Professional Staff, which introduced the use of coaching skills to enhance leadership and workplace performance of directors, unit heads, and professional staff with supervisory capacities;
 - Media Training for ADB Key Spokespersons, designed to develop and strengthen senior staff's communication and media skills as key spokespersons for ADB. This program for heads of departments, deputies, directors and other key staff includes customized media training and individual coaching sessions;
 - People Management for Professional Staff, a pilot program for level 6 professional staff in the finance and administration departments whose roles were appropriate to the program's structured approach. This program, based on the Louis Allen Management System, focuses on the fundamental functions and activities of leading, planning, organizing, and controlling.
- The review of [Gender Action Plan \(GAP\) II](#) was completed on 31 August. GAP III is being developed to further mainstream gender considerations and promote gender equality in ADB.
 - ADB approved amendments to Administrative Orders, such as
 - AO 2.01 (Recruitment and Appointment) on 15 November. The amendment seek, among others to: (a) provide clarification on the interpretation of fixed term appointment (Sec. 3.1); (b) provide that all candidates for positions may be required to undergo tests required by Human Resources Division (sec. 4.1); (c) provide that selection panels may be convened to review external applications for PS positions at levels 1-3 (sec. 4.2); (d) eliminate requirement of post bank professional experience while keeping 2-year cooling off period for recruitment of former staff members (sec. 6.1); (e) emphasize ADB's discretion to determine the nationality and residence of persons eligible to apply for national officer/administrative staff positions (sec. 10.5); (f) provide standard of suitability for confirmation of appointment (sec. 11.1); and (g) provide a broader definition of the term "spouse" in connection with the nepotism rule for this AO (Appendix 1).
 - AO 2.03 (Performance Management, Assignments, Lateral Transfers, Promotion of Staff, Position Classification, and Professional Staff Level Complement System) on 1 December. The amendment states that Practice Leader positions shall not be advertised. Instead, candidates for such positions shall be nominated by relevant Heads of Departments/Offices.

- AO 2.03 (Performance Management, Assignments, Lateral Transfers, Promotion of Staff, Position Classification and Professional Staff Level Complement System) on 1 December. The amendments relating to selection and promotion seek, among others to: (a) emphasize that ADB shall make selection decisions based upon merit (Section 1.4 of AO and Section 2 (b) of Appendix 1); (b) make changes in the rules on advertisement to ensure timeliness in filling vacancies (Sections 5.1 and 5.2); (c) incorporate additional requirements for promotion and lateral transfer (Section 5.4); and (d) update the selection panel composition (Section 6.2).
- AO 2.05 (Termination Policy) on 1 December to clarify the composition of the review panel for termination due to unsatisfactory service involving professional staff in OED and OCRP. Also, section 15 was reworded to remove the inconsistency with section 2.8 with regard to the proper beneficiary in case of a staff member's death.
- AO 2.04 (Disciplinary Measures and Procedures) on 13 December to expedite the disciplinary process and to ensure greater consistency and overall fairness of the review process.
- ADB approved on 7 December the revised job scopes and competency documents (i.e., Job Scope, Qualifications and Competency Steps; Competency Descriptions; and Competency Evaluation Guide) to strengthen diversity and teamwork, ensure consistency with changes in HR Strategy initiatives, and update experience statements. These are also key foundations of ADB's HR processes such as recruitment and selection, career development, performance management and learning and development.

Establish a new performance management system

- ADB approved the enhancements to the performance management system—the [Performance and Development Plan](#) (PDP) on 18 April to include
 - a uniform rating system to be used for results, behavioral, and overall assessment;
 - streamlining of the signature process;
 - more opportunity for supervisors and staff to comment;
 - full implementation of the learning and development plan; and
 - modification of the box 3 rating (a “generally satisfactory” rating was introduced to replace the “partly satisfactory” rating.)

The Board information paper “Human Resources Strategy: Performance and Development Plan” was circulated on 27 April reporting on the results of the first cycle and future important improvements and actions.

- Briefing sessions for the Interim Review were held on 14 June–20 July. As a result of the Interim Review discussions with the Vice Presidents and Heads of Departments/Offices, further revisions to the PDP Implementing Guidelines have been made. In particular, there has been a change in the definition of “Generally Satisfactory” overall rating and the additional formal performance monitoring procedures mandated for a “Generally Satisfactory” overall rating have been eliminated. The purpose of the change in the definition is to provide greater clarity in the “Generally Satisfactory” rating and a more precise differentiation of staff performance across the four overall ratings.
- The PDP Support Activities Program commenced to support managers in the conduct of the 2006 PDP and in preparation for the work planning phase of the 2007 cycle. In preparation for the 2006 PDP year-end exercise, briefings for staff were held on 21, 24, 27, and 28 November.

- The Budget Review Committee discussed on 19 July the paper “Human Resources Strategy Enhanced Separation Program” (ESP), which reports on the implementation of ADB’s ESP from 1 July 2005–30 June 2006. The ESP facilitated separation of staff who have stagnated in their careers and lack the potential for career advancement, or are becoming less able to meet the requirements of their position. Vacancies created through the ESP are being used to meet the strategic institutional skills needs under the Innovation and Efficiency Initiative and [Medium-Term Strategy II \(2006– 2008\)](#).
- ADB approved on 18 April the change in managerial progression for Directors, from level 7 to level 8, which will be based on the performance of the level 7 Director to determine suitability for promotion to level 8 over a period of at least 2 years and at least three PDPs at level 7 in addition to the Director’s capacity. The new practice reflects the HR Strategy’s focus on rewarding for performance.

Strengthen leadership and accountability

- ADB approved on 24 May the “Work-life balance: Expansion of Discretionary Time Off” with effect on 1 July, for a trial period of 1 year. The new discretionary time off allows staff (professional staff levels 1 to 6 and national officers) rest and recuperation without charge to annual leave following a mission and duty station work spanning the continuous duration of at least two full weeks and inclusive of two weekends. The new discretionary time off reflects the HR Strategy’s focus on the need for flexibility in work conditions, which in turn supports the recruitment, performance, and retention of staff.
- In its efforts to continuously develop staff’s leadership skills, ADB is redesigning the leadership programs. Learning programs and initiatives in 2006 included
 - A new page for Directors/Heads of Divisions on intranet website “HR Online” under the Learning and Development page launched on 28 August. This resource center was developed to support continuous learning and development in effective people management. It includes a list of in-house leadership development programs, program materials, references, articles, and links to relevant sites;
 - New directors’ orientation program conducted on 11–12 September, which provided new directors with a practical overview of their role as people managers within the context of HR systems and processes in ADB;
 - New leadership program on Managing Teams conducted on 29–30 August and 31 August–1 September. This second module of the Managing People program equipped 19 Directors with practical options and skills for effectively managing their Divisions in a team context;
 - 3rd session of Leader as Coach Program for 2006 on 13–14 September. This flagship leadership program introduces coaching as a tool to improve work performance and continually provides follow-up executive coaching sessions to help and build Directors’ application of coaching in the workplace;
 - Pilot of People Management for Professional Staff conducted on 26–29 September. This program provided senior professional staff with supervisory roles and potential for leadership, the fundamental tools for people management; and
- The implementing guidelines of the Assessment and Development Center (ADC) were issued on 23 October on how to recommend high potential leadership talent (i.e., initially Level 6 professional staff) to participate in the ADC. Through the ADC, the managerial and leadership skills of its future senior level managers will be strengthened. External experts

are being engaged to design and provide independent professional assessment. The competency-based ADC will be fully implemented in 2007.

*The ADB website provides links to external websites that are not under its control. ADB is not responsible for the content of these sites.