

ASIAN DEVELOPMENT BANK

IMPLEMENTATION OF THE REORGANIZATION OF THE ASIAN DEVELOPMENT BANK

A Review of Progress After One Year

June 2003

ABBREVIATIONS

ADB	–	Asian Development Bank
BPMSD	–	Budget, Personnel and Management Systems Department
COPP	–	Project Coordination and Procurement Division
COQ	–	comments on quality
COSO	–	Central Operations Services Office
CSP	–	country strategy and program
CSPU	–	country strategy and program update
CT	–	country team
DG	–	director general
DMC	–	developing member country
ECRD	–	East and Central Asia Department
ERD	–	Economics and Research Department
KMC	–	Knowledge Management Committee
LTSF	–	Long-Term Strategic Framework
MKRD	–	Mekong Department
NBP	–	new business processes
NGO	–	nongovernment organization
OCD	–	operations and coordination division
OED	–	Operations Evaluation Department
OER	–	Office of External Relations
OIST	–	Office of Information Systems and Technology
PARD	–	Pacific Department
PSD	–	private sector development
PSO	–	private sector operations
PSOD	–	Private Sector Operations Department
RD	–	regional department
RM	–	resident mission
RMT	–	regional management team
RSDD	–	Regional and Sustainable Development Department
SARD	–	South Asia Department
SD	–	sector division
SERD	–	Southeast Asia Department
SPD	–	Strategy and Policy Department
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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EXECUTIVE SUMMARY

The Asian Development Bank (ADB) undertook a review in 2001 of its organizational structure to enhance its development effectiveness in the face of the changing global agenda and the evolving needs of its developing member countries (DMCs). Subsequently, a decision was taken for a reorganization¹ to become effective on 1 January 2002. A review of underlying business processes was also undertaken in 2001; new business processes (NBP) came into effect at the same time as the reorganization.

An internal progress report (this Review) was provided for at the time of the reorganization's approval, to be undertaken 1 year after its implementation. This Review examines progress in implementing the reorganization. It covers the main features of organizational change, status of implementation, attainment of organizational changes in achieving major objectives, and issues that have emerged. An independent assessment is to be undertaken 2 years after the reorganization to consider more directly its impact on strategy and programs in DMCs. A separate review of the NBP is to be carried out in the second half of 2003. This Review was carried out through a structured program of consultations and information gathering within ADB, with the paper on Reorganization as its starting point. The views of DMCs were obtained through a questionnaire circulated through the resident missions (RMs).

Procedural difficulties with the reorganization could have disrupted ADB's operations in 2002. Implementing it was a complex process requiring detailed and timely planning to undertake change. It was completed without significant mishap. The transition in 2002 to the reorganized ADB was generally smooth; disruption to ADB's operations and deliverables expected of it was minimized. This outcome was a major achievement.

Two principal features of the reorganization were the establishment of five regional departments (RDs)² and of the Regional and Sustainable Development Department (RSDD). In the operations area, the Private Sector Group was upgraded to the Private Sector Operations Department, responsible for catalyzing private investment. Four of the RDs combined the functions of the former programs and projects departments (the Pacific Department retained the structure of the former Office of Pacific Operations). Their sector divisions (SDs) were better aligned with ADB's strategic agenda; governance and other crosscutting themes were integrated into them. In each RD, collective responsibility for decision making is with the newly formed regional management teams. Country teams are now responsible for preparing country strategy and program papers and their updates. Fewer DMCs under these four departments permits closer staff interaction, including with DMC counterparts, and an integrated view of operations in each DMC. Integrating RMs rationalized their line of reporting on all operations matters. These factors facilitate improved country focus and faster response to DMCs' requests.

RSDD has a new and unique role. Its responsibilities cover enhancing the quality of operations including ensuring consistency with sector policies, promoting technical excellence, and strengthening sector and thematic work. Compliance functions were separated from operations by creating an Environment and Social Safeguard Division and the position of chief

¹ ADB. 2001. *Reorganization of the Asian Development Bank*. (R152-01) Manila; thereafter: the paper on Reorganization.

² East and Central Asia Department, Mekong Department, Pacific Department, South Asia Department, and Southeast Asia Department.

compliance officer in RSDD. RSDD was also given responsibility for supporting ADB's regional development functions.

Nine sector and 10 thematic committees were established for consolidating, monitoring, and reporting on the knowledge products and services program for sector/thematic areas, as well as for providing peer review of various products and services. The committees lead and help manage the networks set up in association with them. These networks are to establish and strengthen professional association in each sector and thematic area, being open to all professional staff.

Strengthening knowledge management within ADB is expected also from the reorganization. RSDD has a central role in this, as do the other departments/offices designated as knowledge management and policy departments.³ The Knowledge Management Committee was created to coordinate and oversee ADB's program on generating and delivering knowledge products. The Management Committee was set up as the principal management forum for considering strategic and policy matters. To improve ADB's public profile, the Office of External Relations was made responsible for both external and internal communications.

Given the ambitious agenda and scope of the reorganization it may be expected that not all aspects proceeded satisfactorily in the first year. Four broad categories of issues needing resolution are identified by this Review: (i) evolution of RDs and country focus; (ii) RSDD, quality assurance, and promoting quality; (iii) knowledge management; and (iv) human resources.

Among these issues the most critical are perhaps those relating to RSDD, quality assurance, and promoting quality. Of concern are the range of RSDD's mandate compared with staff availability; RDs' perceptions of technical support available from RSDD; the timing and manner of RSDD's quality assurance function; the working relationship between RSDD and the sector and thematic committees; and the lack of clear mandate for committees, inability of members to participate to the extent anticipated, and SD directors' perceptions of them.

RSDD is prioritizing its various responsibilities. Higher priority is likely to be given to operations support throughout processing and implementation, emphasizing input early in the processing cycle. To do so will require a comprehensive review of the quality assurance system. RSDD has proposals for clarifying the mandate of committees, for establishing clearer guidelines for them and for committee reporting arrangements to increase the confidence and ownership of SD directors in their work.

In relation to RDs, a matter for further examination is how the deployment of staffing between and within the four new RDs can be made more flexible to match changes in work assignments. A related issue includes the span of control of SD directors and its effect on sector focus and expertise. A number of issues facing RDs concern the location of functions across their administrative units and their internal procedures. These include the role of the operations coordination divisions and monitoring the performance of country teams in preparing country strategy and program papers. RDs also need to review their use of crosscutting specialists. For portfolio management, consideration of further delegation to RMs is needed, taking into account the complexity of projects and the capacity of RMs, as well as implementing criteria for projects to be delegated, including the period of implementation.

³ These are the Economics and Research Department, Operations Evaluation Department, Office of External Relations, Regional Economic Monitoring Unit, RSDD, and Strategy and Policy Department.

A principal human resource issue reflects the need to adjust skills and experience, a dynamic and evolving process, particularly in the SDs. ADB is attempting to move toward a more focused team approach for delivering its complex development agenda. However, there are critical gaps in bringing about an institutional shift in approach to work. These can be ascribed to a perceived lack of adequate understanding of the NBP; the impact of less than optimal resources through the strain of overwork and increasing pressure, which make real commitment to a single unifying aim for any team difficult to attain; and an existing reward/incentive structure that lacks a well-defined team-based performance system. Among other actions, the personnel performance and management systems need to be reviewed to adequately distinguish individual from team-level activities/accomplishments (including committees).

Staff cannot readily differentiate the impact of the reorganization from other matters. They take instead a holistic view covering the cumulative change in work environment (as much if not more so reflecting NBP as the reorganization), increased work pressure arising from ADB's complex development agenda, and the inadequate and/or unsuitable incentive structure. The reorganization took place in a constrained resource environment, which it was not designed to address except insofar as rationalization of structure and business processes can lead to efficiency gains. That it did not do so may also affect perceptions of the reorganization.

The issues identified by this Review relate also to institutional work arrangements and environment and incentive structure as well as to the process and structure of change. ADB-wide change management initiatives undertaken may not have been as effective as expected but can be built upon as stock is taken of these findings. The Budget, Personnel and Management Systems Department has undertaken a broad survey of staff perceptions of their work environment including the reorganization that will throw light on these matters.

For some of the issues, actions have been taken. This Review suggests actions for others that can be put into effect through departmental procedures or through recommendations by the Coordination Group on Reorganization and New Business Processes,⁴ established by the President soon after the reorganization commenced. Others will require separate and more detailed consideration, including the staff complement and the incentive structure. Included are those that can be taken up through the preparation of the Knowledge Management Framework.

Resolving these issues will serve to reinforce the major step taken by ADB through the reorganization toward an operations structure more capable of delivering enhanced development effectiveness.

⁴ The Coordination Group comprises directors general, Budget, Personnel and Management Systems Department; East and Central Asia Department; Mekong Department; Operations Evaluation Department; Pacific Department; Regional and Sustainable Development Department; South Asia Department; Southeast Asia Department; Strategy and Policy Department; and principal director, Central Operations and Services Office.

I. INTRODUCTION

A. Background

1. The Poverty Reduction Strategy,¹ adopted by the Asian Development Bank (ADB) in 1999, provided a vision for ADB in prioritizing its development assistance. The Poverty Reduction Strategy and other key policy initiatives were consolidated in the Long-Term Strategic Framework, 2001–2015 (LTSF),² which charts ADB's development agenda for the first 15 years of the new millennium. The LTSF recognized that successful implementation of this strategic agenda required a review of the existing organization to assess ways to strengthen its development effectiveness in the face of the changing global agenda and the evolving needs of its developing member countries (DMCs).

2. On 18 January 2001, the President established a framework for the review of ADB's organization. The overall objective of organizational change is "to enhance ADB's development impact by strengthening its capacity to deliver its strategic agenda through a carefully planned, selective, country-focused, and technically excellent program of assistance to its DMCs and subregions."

3. The subsequent review of the organizational structure was guided by a number of principles: (i) mainstreaming governance and capacity building, environmental and social development, and private sector development; (ii) balancing country and sector considerations; (iii) strengthening ADB's regional role and identity; (iv) enhancing client and stakeholder orientation; (v) maintaining technical excellence and skills; (vi) emphasizing effectiveness and efficiency; (vii) maintaining checks and balances consistent with effectiveness; (viii) clarity of responsibility and value addition; (ix) ownership of change; and (x) continuity in change.

4. The review culminated in the decision for a reorganization of ADB.³ The reorganization became effective on 1 January 2002.

5. The LTSF recognized that implementation of the strategic agenda also required a review of underlying business processes. Accordingly, and concomitantly with the reorganization, new business processes (NBP) for the reorganized ADB became effective on 1 January 2002 (based on the deliberations of a working group established on 21 August 2001).

6. Following the inception of the reorganization and the NBP, on 21 February 2002 the President appointed a Coordination Group on Reorganization and New Business Processes (Coordination Group) comprising the heads of key departments and offices.⁴ The Coordination Group was to resolve important issues, facilitate implementation, review progress, and report to Management on these matters.

¹ ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. (R179-99). Manila.

² ADB. 2001. *The Long-Term Strategic Framework of the Asian Development Bank (2001-2015)* (SEC.M17-01) Manila.

³ ADB. 2001. *Reorganization of the Asian Development Bank*. (R152-01) Manila; hereafter called the paper on Reorganization.

⁴ Directors general, Budget, Personnel and Management Systems Department; East and Central Asia Department; Mekong Department; Operations Evaluation Department; Pacific Department; Regional and Sustainable Development Department; South Asia Department; Southeast Asia Department; Strategy and Policy Department; and principal director, Central Operations and Services Office.

B. Scope of the Review

7. At the time of the approval of the paper on Reorganization, the President committed to an internal progress report (this Review) to the Board after 1 year of implementation and an independent assessment after 2 years (the Independent Assessment).

8. To undertake this Review, the Coordination Group recommended establishment of a working group of division directors who had not been part of the original organizational review leading to the reorganization. On 9 December 2002, the President appointed seven directors⁵ (the Review Group), who initiated their work at the end of January 2003. The Review Group was to be responsible for deciding the appropriate methodology for this Review and for preparing it. It was to be guided by the Coordination Group.

9. The paper on Reorganization formed the basis of this Review. The focus of this Review is on the reorganized structure of ADB as approved and implemented, not on alternative or hypothetical organizational structures.⁶ Hence this Review examines progress in the implementation of the reorganization, covering organizational and structural changes; attainment of organizational changes in achieving major objectives of the reorganization; and issues that have emerged so far. It indicates actions already taken on issues identified, taking into account such actions initiated up to the end of May 2003 insofar as these represent remedial measures or further the implementation of the objectives of the reorganization. It also highlights possible follow-up actions that may be taken up through departmental procedures, by the Coordination Group, or under the Independent Assessment. These are discussed in Chapter IV and are set out as indented bullet points.

C. Relationship with Other Activities

10. As the first NBP cycle had not been completed by the first quarter of 2003, the Coordination Group recommended that the NBP be delinked from this Review. Nevertheless, to the extent that the NBP have structural connotations that impact on the progress of implementation and objectives of the reorganization, appropriate aspects of the NBP are considered in this Review. A review of the NBP is to be undertaken separately in the second half of 2003.

11. In addition to the NBP, the Resident Mission (RM) Policy⁷ of ADB has direct relevance to the progress of implementing the reorganization. An information paper providing a review of the progress of implementation of the RM policy⁸ has been submitted previously to the Board. Therefore, only those elements of the RM policy that have relevance to the objectives of the reorganization are considered in this Review.

⁵ David Edwards, Director, Evaluation Division 2, Operations Evaluation Department; Eveline Fischer, Assistant General Counsel, Office of the General Counsel; Klaus Gerhaeusser, Director, Governance, Finance, and Trade Division, South Asia Department; Alfredo Pascual, Director, Infrastructure Finance Division, Private Sector Operations Department; Bradford Philips, Director, Agriculture, Natural Resources and Social Sectors Division, Regional and Sustainable Development Department; H. Satish Rao, Director, Infrastructure Division, East and Central Asia Department; and Kazu Sakai, then Director, Operations and Coordination Division, Mekong Department.

⁶ The Review also did not consider the role and responsibilities of the vice presidents. These are the subject of separate deliberation in ADB.

⁷ ADB. 2000. *Resident Mission Policy (R57-00)*. Manila.

⁸ ADB. 2002. *Review of the Progress in Implementation of the Resident Mission Policy (IN.157-02)*. Manila.

12. The paper on Reorganization recognized that, notwithstanding possible efficiency gains that might be expected, these could not be regarded as a substitute for overcoming ADB's overall staff shortages. It postulated that the considerable expansion of ADB's strategic and policy agenda in recent years had dramatically increased the resource intensiveness and complexity of ADB's operations. Taking place in a severely constrained budget environment, extraordinary work pressures on staff were evident notwithstanding any amelioration that would be expected from the rationalization of staff allocation attendant to the reorganization. A resource base that remained the same was noted as not being adequate to serve the expanded agenda. Various ADB mandates were considered to lack a critical mass of staff for effective implementation and delivery.⁹

13. The Budget, Personnel and Management Systems Department (BPMSD) and Strategy and Policy Department (SPD), in recognition of the overstretched staffing situation, undertook a detailed survey in 2002 to assess the human resource requirements to deliver the work program for 2002 and 2003, covering in particular the operational deliverables of the five regional departments (RDs). In undertaking this exercise, cognizance was taken of the need to (i) improve the annual strategic and resource planning process, (ii) ensure better linkage of resource allocation with the work program, and (iii) establish a new set of coefficients to better assess the resources required to deliver work programs more efficiently. Nevertheless, to keep budgetary growth to reasonable limits, a 3-year phased approach was proposed to partly cover the identified staff resource gap. Equally, it was expected that savings may further arise from the impact of reorganization and the NBP as well as from ongoing efforts to improve efficiency.¹⁰ BPMSD also undertook a *Study of Human Resource Challenges at the Asian Development Bank* in the context of the reorganization as well as the need for a process of constant improvement toward work excellence and high performance. The study took stock of current human resource programs and practices, benchmarked with comparator organizations, and aimed to formulate a set of interventions to support ADB's overarching strategy and business plan under the new organization.¹¹

II. METHODOLOGY

14. Acting within the scope of this Review (para. 9) and supported by a secretariat in BPMSD,¹² the Review Group initiated a structured program of consultations and information gathering. Forty meetings were held covering about 170 staff across all levels in ADB (from administrative staff to vice presidents). Information about the review was posted also in *ADB Today* with an invitation to staff to provide feedback through e-mail.

15. Individual meetings were held with 16 departments and offices, principally at the department/office head level. A briefing session was held with the regional management team (RMT) of one RD including country directors. Two meetings were held with 14 SD directors; 1 country director and 2 assistant general counsels also participated in these meetings. Meetings on portfolio management issues were held with the Project Coordination and Procurement Division (COPP) of the Central Operations Services Office (COSO) and RD staff concerned. Chairs of the sector and thematic committees (para. 24) were consulted in three sessions. To broaden the coverage of professional staff represented on these committees, two meetings were held with RD staff as well as a separate meeting with staff of the Economics and Research

⁹ ADB, 2001. *Reorganization of the Asian Development Bank* (R152-01), paras. 101 and 102. Manila.

¹⁰ ADB, 2002. *Budget of the Asian Development Bank for 2003*. Manila.

¹¹ ADB, 2002. *Study of Human Resource Challenges at the Asian Development Bank* (IN.316-02). Manila.

¹² Qifeng Zhang, Senior Budget and Management Services Specialist; and Elizabeth G. Flormata, Associate Management Services Analyst, Budget and Management Services Division.

Department (ERD) and the Operations Evaluation Department (OED). Five focus group meetings of randomly selected professional staff and two similar focus group meetings with national and administrative staff were also held.¹³ Feedback from 20 crosscutting specialists was obtained through e-mail.

16. In addition, questionnaires were circulated to DMCs through the RMs (11 DMCs completed the questionnaire). RMs were also requested to give their own feedback.

17. Given the time frame and resources available, the consultation process and information gathered were assessed as adequate to report on the progress of implementing the reorganization and the issues that have emerged.

III. STATUS OF IMPLEMENTATION

A. Progress in Implementing the Reorganization

18. A stocktaking of the proposed organizational changes is given in Appendix 1, which sets out the overall objective and issues, the main features of organizational changes to address the issues, and the status of implementation.¹⁴ The main elements of the reorganization are presented in this section.

19. The Management Committee was established as the principal management forum for considering strategic and policy matters. The President is the chair of the Committee, and the three vice presidents are permanent members. The participation of senior staff is according to the agenda of Committee meetings. Since its inception, the Committee has met regularly, focusing on (i) the needs of ADB for strategy and policy development, (ii) ADB-wide annual and medium-term work plans, (iii) coordinated responses to interdepartmental and regional issues, (iv) major ongoing operational matters, (v) key nonoperational issues, (vi) formulation of coherent and consistent responses by ADB to developments in the external environment, and (vii) other issues of ADB-wide importance.

20. Four new RDs were established to enhance country focus through combining the functions of the former programs and projects departments.¹⁵ These RDs each comprise an operations and coordination division (OCD) (with the exception of the Southeast Asia Department [SERD]) and four sector divisions (SDs). The Pacific Department (PARD) retained the structure of the former Office of Pacific Operations. An RMT was formed in each RD, consisting of the director general (DG), deputy DG (except PARD), division directors at headquarters, and country directors at RMs. The RMT represents an integrated and collegial approach with collective responsibility for DMC issues.

21. Country teams (CTs) were established with responsibility for preparing country strategy and program (CSP) papers and CSP updates (CSPUs).¹⁶ Responsibility for subregional cooperation and macroeconomics generally resides with OCDs, though for some larger DMCs country economist positions are located in the RMs. SDs were reconstituted for better alignment

¹³ Professional staff were randomly selected from a cohort of levels 4–6 with at least 3 years experience in ADB, with a weighting toward RD and Regional and Sustainable Development Department (RSDD) staff. National and administrative staff were randomly selected from a cohort of levels 4–8 from RDs and RSDD.

¹⁴ The presentation format in Appendix 1 follows that set out in Chapter VIII (Challenges and Responses) of the paper on Reorganization.

¹⁵ East and Central Asia Department, Mekong Department, South Asia Department, and Southeast Asia Department.

¹⁶ On a pilot basis a number of CTs had been established in 2000 and 2001.

with ADB's strategic agenda.¹⁷ Governance and other crosscutting themes were also integrated into SDs.

22. The Private Sector Group was upgraded into the Private Sector Operations Department (PSOD) under a DG, responsible for catalyzing private investment. RDs assumed responsibility for mainstreaming the creation of enabling conditions and the generation of business operations under the Private Sector Development (PSD) Strategy. PSD specialists were assigned to the RDs for this purpose, and the PSD Committee was formed as one of the new thematic committees (para. 24) under the reorganization to support the implementation of the PSD strategy.

23. The Regional and Sustainable Development Department (RSDD) was established with the objective of enhancing the quality of operations, promoting technical excellence, and strengthening sector and thematic work within ADB. RSDD was also to assist in ensuring quality and consistency with sector policies across the operations of the five RDs. The Environment and Social Safeguard Division was established in RSDD, and the position of chief compliance officer was created. Compliance functions were thus separated from operations. The Nongovernment Organization (NGO) Center was placed in RSDD. RSDD was given responsibility also for strengthening ADB's regional focus and cooperation strategy. Thus, responsibility for regional cooperation was transferred to it from SPD, as was that for governance and the functions of the former Poverty Reduction Unit.

24. Nine sector¹⁸ and 10 thematic¹⁹ committees were established. Associated with each committee, a corresponding ADB-wide network was set up. The committees are to consolidate, monitor, and report on the knowledge products and services program and financing for the sector/thematic area concerned and to provide formal peer review of various lending and knowledge products and services. The DG, RSDD presently appoints all committee chairs from among RSDD staff with the exception of the Economics Committee, the chair of which is an ERD staff member appointed by the Chief Economist, ERD. All RDs are expected to nominate a member and alternate to each committee. ERD and OED have the option of nominating a member to each committee. It was anticipated that members would devote 15% of their time to committee work. The performance evaluation reports of professional staff for 2002 were amended to allow for recognition of the contribution of committee members. Almost 200 staff have been nominated committee members.

25. The networks are intended to establish and strengthen professional association in each sector and thematic area. Network membership is open to all professional staff. About 300 staff are network members. The Office of Information Systems and Technology (OIST) has assisted the networks in dissemination activities and has been working on knowledge-focused templates for use of the sector and thematic committees.

¹⁷ Thus the functions of the former agriculture and rural development divisions and forestry and natural resources divisions were combined in the new agriculture, environment and natural resources divisions; those of the former energy divisions and transport and communication divisions were combined in the new infrastructure divisions; and those of the former education, health and population divisions and the water supply, urban development and housing divisions were combined in the new social sectors divisions. The fourth SD is the governance, finance and trade division.

¹⁸ Agriculture, Natural Resources and Rural Development; Education; Energy; Finance, Industry, and Trade; Health, Nutrition, Population, and Early Childhood Development; Rural and Microfinance; Transport; Urban Development, Municipal Services and Housing; and Water.

¹⁹ Economics; Environment; Financial Management; Governance and Capacity Building; Information and Communication Technology; NGOs and Civil Society; Poverty; Private Sector Development; Regional Cooperation; and Social Development, Gender, and Social Protection.

26. Sector and thematic networks form part of an intended strengthening of ADB as a resource and knowledge center and of knowledge management within ADB. Similarly, one of the intentions in creating RSDD was to provide scope for strengthening sector and thematic work. The Knowledge Management Committee (KMC) was created, comprising the knowledge management and policy departments and offices (ERD, OED, the Office of External Relations [OER], the Regional Economic Monitoring Unit, RSDD, and SPD) as well as the Asian Development Bank Institute. Its function is to coordinate and oversee ADB's program on the development and delivery of knowledge products. It is chaired by the President; is supported by a secretariat; and may form subcommittees to strengthen the ability of ADB to accumulate, analyze, manage, and disseminate knowledge among stakeholders.²⁰ The paper on Reorganization also foresaw the role for clear coordination and accountabilities for the development and delivery of major types of knowledge products. A Vision and Mission 2003–2005 statement for ERD was approved in December 2002 in respect of this role.

27. To strengthen ADB's public profile, OER was made responsible for both external and internal communications. It was mandated to lead all external relations activities in close coordination with the RDs in publicizing ADB's activities in DMCs. It also assists the three ADB representative offices²¹ in being more proactive in providing information on ADB's strategies, policies, and ongoing and forward program of operations to stakeholders in developed member countries. To improve internal communications the electronic *ADB Today* was launched in January 2003 through the cooperation of OER and OIST.

B. Change Management

28. In addition to the oversight activities of the Coordination Group, it was recognized that a smooth transition to ADB's reorganized structure would require a series of change management initiatives. Principal among these was an off-site retreat in February 2002 on Managing the Transition and Change. A series of retreats for departmental management teams, including their facilitation, was also supported by ADB throughout 2002 and in 2003. These included 16 for RDs, 2 for RSDD, and 2 for OER. Additionally, a special change management session was held in February 2002 for CT leaders.

29. Staff briefing and training sessions were initiated relating to the reorganization throughout 2002 and in 2003.²² These focused particularly on the functions of teams and committees in the reorganized ADB. In support of this the Enhancing Team Effectiveness Project was initiated in 2002 and completed in January 2003. Modifications to take account of the reorganization were also made in several ongoing programs including the mission leadership, staff induction, and RM induction programs. Apart from a collective interaction program it was anticipated that the reorganization would give rise to short-term individual staff counseling requirements.

C. Transition and Operations

30. Implementing the reorganization has been a complex process. Procedural difficulties, along with the introduction of the NBP, could have resulted in serious disruption to the operations of ADB in the transition year of 2002. This was particularly the case as formal Board approval of

²⁰ These include the Information Technology Committee chaired by the DG of an RD, with OIST providing secretariat support, and the Information Dissemination Committee chaired by OER.

²¹ Representative offices now report to SPD.

²² Similar sessions were held with staff on the NBP, the working group on business processes having recognized that the NBP also would require a series of change management initiatives.

the reorganization occurred on 9 October 2001, while it was expected to be effective on 1 January 2002. Hence detailed and timely planning was necessary on the part of BPMSD, the Office of Administrative Services, and OIST to undertake the changes in personnel assignments and to relocate departments/offices and staff upon the announcement of these assignments. Further details on the procedure and process of change and on change management initiatives are given in Appendix 2.

31. In the event, the transition was generally smooth, with minimal disruption to operations and to the deliverables expected of the organization. This outcome was noteworthy also in that ADB had to cope with the urgent resumption of operations in Afghanistan, not a consideration at the time the reorganization was planned and formulated. Further details on operations outcomes in the transition year of 2002 are given in Appendix 3.

IV. ISSUES AND ACTIONS

A. Evolution of Regional Departments and Country Focus²³

1. Structure of Regional Departments and Country Focus

32. The reorganization unified the accountability for ADB operational services to a DMC under one RD for each of five defined geographic areas, although these actions did not significantly affect PARD²⁴ (para. 20). Hence this section focuses principally on the other four RDs, which replaced the former two programs and four projects departments of Region East and Region West.

33. The main purpose of establishing the RDs was to improve country focus, to be achieved through (i) covering fewer countries in each RD (as compared with the country coverage of the former programs and projects departments), (ii) combining the program and project functions under one DG to enable an integrated approach to country operations, and (iii) integrating the RMs in each RD. Country focus was to be helped by the integrated and collegial approach to country assistance through the setting up of the RMT, which assumed collective responsibility in RD decision making. The RMT was also to help in better country coordination between RMs and SDs.

34. Both ADB staff and DMC officials generally consider that the reorganization has improved country focus, many citing it as a key achievement of the reorganization. The responses of DMC officials indicate appreciation of having one RD focal point in ADB for all operational matters, instead of the three before reorganization (one programs and two projects departments). The reduction in country coverage in each RD is improving staff knowledge and understanding of the DMCs they handle. Interaction between government officials and ADB staff has intensified, especially at senior levels. This is particularly so for DMCs with smaller ADB operations, for which relatively limited senior level staff time could be allocated for direct contact and visits before the reorganization. However, many staff and DMC officials consider it too early to judge if these positive trends are resulting in a stronger country focus in the CSPs and CSPUs prepared since the reorganization. Sector considerations in many instances may still be driving CSP formulation rather than country considerations in establishing sector and thematic priorities. OED's work program in recent years has included a number of country assistance

²³ Discussion in this section includes RMs.

²⁴ PARD has a number of concerns as to the full application of various requirements of the NBP to all Pacific DMCs. This matter needs to be taken up in the review of the NBP.

program evaluations; CSP preparation can be informed of generic country lessons learned and priorities derived from these evaluations.

35. Unifying programs and projects functions under one DG has streamlined decision making. Considerably faster response to DMCs' requests is possible through eliminating the need for consensus between programs and projects directors that existed for most important decisions before the reorganization. The structure of RDs, along with the NBP, provides a clearer demarcation of operational responsibilities between OCD and country directors on the one hand and SD directors on the other hand. OCD and country directors are responsible for formulating CSPs, while SD directors are responsible for developing sector/subsector strategies, thematic assessments, and the processing and administration of individual loans and technical assistance (TA) activities. This clearer demarcation eliminates the duplication of tasks that existed between programs and projects divisions as well as considerably reducing internal transaction costs. A clearer definition of responsibilities at the director level resulting from the NBP also allows DGs to delegate authority to this level, resulting again in a faster response from ADB to DMCs' requests. DMC officials see this quicker response time as a positive outcome and appreciate it. However, DMC officials regard the positive outcomes as attributable to implementing both the reorganization and the RM policy. Hence, they often find it difficult to distinguish the effects of the reorganization from those of strengthened RMs under the RM Policy.

- The trend toward stronger country focus in CSPs/CSPUs and in selectivity in ADB operations in DMCs to be considered by the Independent Assessment after the second year of reorganization. This Independent Assessment to consider the linkage between implementation of the RM policy and the reorganization and the extent and manner to which they reinforce each other.
- OED to further liaise with RDs in timing of country assistance program evaluations to rationalize their synergy with CSP preparation.

36. Locating OCDs, RMs, and SDs together within one RD provides a framework to better integrate sector and project concerns and activities under country considerations in the CSPs. The same applies to subregional cooperation. Before the reorganization, focal points for subregional cooperation were located in programs departments, while operational activities in each sector were conducted by projects departments. The new structure allows for the better coordination of sector activities within subregional cooperation initiatives and the integration of subregional cooperation initiatives with country specific operations. This framework, however, is not yet being fully exploited, as indicated, for instance, in views on CSP formulation (para. 34). Staff perceptions indicate that the "programs-projects divide" still lives, albeit at a more reduced level. OCDs and RMs are perceived to a certain extent as the successor to the programs divisions with some of the previous tensions continuing between them on the one hand and the SDs on the other hand. To some extent such frictions arise from resource constraints, for example, in allocating TA funds. Tensions may also arise between SDs in this regard. Equally less clear sector boundaries than in the past as CSPs move toward a more holistic approach to development could give rise to tensions between SDs, for instance, with rural finance and integrated water resource management.

- Notwithstanding the frictions that arise from allocating scarcer resources, building upon the experience of the first year of the

reorganized ADB of improved coordination in each RD could help resolve some of the continuing tensions. For example, intense discussion by an RMT on CSP issues helps to improve communication between country, OCD, and SD directors.

37. The CT is an aspect of the NBP under the reorganization that appears not to be working as well as expected. Given that the CT is entrusted with the task of formulating the CSP, this may partly explain the concern that country focus in many CSPs/CSPUs has yet to become sharper. The performance of CTs is mixed and varies across and within RDs. Paradoxically, the integration of programs and projects functions in RDs may weaken the position of CT leaders. The dearer demarcation of responsibilities among OCD, RMs, and SDs and the ensuing elimination of the need to build a programs/projects consensus may reduce the incentive for SD staff to actively participate in CT deliberations. With CT leaders for a number of DMCs tending to be located at RMs (para. 38) there may be also less direct interaction by CT sector members located at headquarters. Issues now may often be resolved directly between country, OCD, and SD directors in the RMT, rather than through discussions within the CT.

- This experience needs monitoring in the course of more CTs undertaking preparation of full CSPs and not just CSPUs to learn from the dynamics of the better performing CTs.²⁵ RDs may need to investigate ways and incentives to get SD staff more fully committed and involved in CTs. CT retreats are a useful forum for improving their internal communication and coordination. Experience in one RD seems to indicate that a joint retreat of a CT and the RMT will help improve interaction within a CT.

38. The respective roles of OCDs and RMs are evolving in the reorganized ADB. The experience of SERD, which does not have an OCD, illustrates the complex issues of coordination across SDs and between SDs and RMs that its absence can give rise to. Problems also arise from the lack of an effective interdivision focal point for coordinating a subregional cooperation strategy and program. Even before the reorganization, some of the larger RMs had assumed responsibility for formulating CSPs and preparing the annual CSPUs. After the reorganization, delegation to RMs of CSP functions is becoming more the standard practice than the exception. The CT leader is located in the RM and directly supervised by the country director in the case of larger RMs, with an anchor placed in the OCD or RD front office for coordination purposes. For smaller RMs, the CT leader is located in the OCD but may be supervised by the country director for CSP formulation. The extension of this trend would be to locate most CT leaders in RMs. A question then arises as to the role of OCDs.

- While there is a need for a coordination focal point in an RD for RMs to ensure consistency across DMCs, in some cases such function could be undertaken by the RD front office. ADB's assistance program for various subregional cooperation initiatives is expanding. OCDs are the focal point for these initiatives. Subregional cooperation is becoming a heavier workload for them. Consideration may be given to making coordination of subregional cooperation and integration of subregional activities and country specific operations the principal task of an OCD. The Coordination

²⁵ A broader approach would assess the dynamics of project teams as well as the sector and thematic committees (para. 76).

Group to consider the role of OCDs and the need for conformity in undertaking this role across the four new RDs.

39. The integration of RMs in RDs nevertheless permits a better reflection of country considerations in project processing and administration. Closer coordination between country and sector directors on project-related matters can be facilitated, an improvement upon the former structure in which RMs came under the programs department. Nevertheless, the degree of RMs' involvement in sector work, project processing, and project administration varies, depending on their diversity in staff numbers, capability, and sector expertise. A question then arises as to an optimal balance between SDs and RMs in terms of staff allocation.

- Each DG is authorized to some extent to decide on this balance. Consultation between RDs concerned and BPMSD is needed to achieve optimal use of staff and other budgetary resources.

2. Sector and Thematic Focus and Expertise

40. Following the reorganization, four SDs now handle the sector work in a DMC within a specific geographic area compared with seven projects divisions handling it before. The revised sector scope of the SDs (footnote 17) results in a significant increase in the sectors falling within a sector director's span of control, particularly for the infrastructure and social sector divisions. Aside from issues of the number of operations and staff management (para. 75), such increased scope in sector span of control may lead to a diminution in the sector focus that a sector director can impart for some DMCs. Technical support from RSDD was intended under the reorganization to assist with sector focus; in practice such support thus far is seen generally as inadequate.²⁶

- Aside from possible action on the sector scope of the larger SDs (para. 46), DMC sector focus under a SD may approach prereorganization level in the medium term through improved familiarization as operations proceed and if RSDD technical support becomes more readily available.

41. ADB-wide sector expertise following the reorganization is distributed over five divisions (four SDs and one RSDD division) compared with two before (one each in the former Regions East and West). Thus the extent of sector expertise in SDs may also be diluted, leading to a possible lack of critical mass in some of them. While this may be seen as a partial consequence of overall staffing constraints within which the reorganization was undertaken (paras. 12 and 13), SD structural factors likely also play a part. This situation is felt particularly in the smaller SDs of the Mekong Department (MKRD) and SERD; to a lesser extent it is evident in the larger ones of the East and Central Asia Department (ECRD) and South Asia Department (SARD). RSDD technical support as well as the introduction of the sector committees and networks was intended to promote the cross-exchange of information and views on sector issues and policies. To the extent that this structure is yet to materialize as expected (paras. 62 and 64), the dilution of sector expertise in SDs may be impeding the opportunity for such interchange across RDs. This could be partly addressed over the years with staff gaining cross-sector skills on the job and an increase in sector support from RSDD.

²⁶ In this context, technical support from RSDD may be seen also to encompass expectations from the committee structure (para. 57). The prospect of enhanced RSDD technical support needs to be tempered by the impact of its resource availability against its broad mandate (paras. 60 and 61).

- The professional staff complement in some SDs needs to be reviewed. Staff should be encouraged to gain cross-sector skills through training and on-the-job experience. As the need arises in the short term, SD professional staff may be given the opportunity of temporary assignments across RDs.²⁷ RSDD technical support needs to become more readily available; the sector committee and network structure needs to be made viable.

3. Portfolio Management

42. Prior to the reorganization, responsibility for project administration and portfolio management was shared among three departments/offices: COSO, programs and projects. Reorganization unified responsibility for both project administration and portfolio management in the RD. Notwithstanding the improvement in some portfolio management indicators in 2002 a number of issues affect this activity. As with project processing (para. 41 and Appendix 3), thinning of sector expertise in the smaller SDs, particularly in MKRD and SERD, presents problems in administering a portfolio spread over a larger number of sectors. The tension between project processing and administration remains; perceptions indicate that processing continues to edge out administration in the allocation of SD professional staff time.²⁸ Project administration staff continue to be requested to undertake processing activities. From staff perceptions it is not evident that a network of project administration unit heads anticipated under the NBP is emerging. Indeed there are concerns that a more coordinated oversight of an RD's portfolio is required, given the spread of project administration across SDs and RMs.²⁹ The intensity of effort required in project administration varies across DMCs; the relative staff complement for project administration among RMs and SDs needs to reflect this fact.

43. Delegation to RMs and the introduction of the new project performance management system may have helped to safeguard portfolio performance in the transition to the reorganized ADB. If so, these gains need to be preserved and monitored. The extent of delegation of loan administration to RMs varies across the RDs from a high of over a third of the portfolio to less than one twentieth. Further delegation to RMs in some RDs could help ease the pressures on project administration in the SDs. In doing so, the complexity of projects delegated and the capacity of RMs need careful consideration. The relative performance over time of portfolios administered by SDs and RMs could be one indicator as to whether this aspect of the RM policy is realizing the potential to further improve portfolio performance, though monitoring would need to consider carefully the relative complexity of portfolios between SDs and RMs, including whether there is any tendency to assign problem projects to RMs (Appendix 3). Quality assurance procedures are in place for project processing. With unified responsibility for project

²⁷ While this appears to negate the emphasis on country focus under the reorganization, it may serve to counteract the perception of some SD staff in the smaller RDs that, subsequent to the reorganization, their country exposure is now too narrow.

²⁸ It is noteworthy that the reorganization and the NBP had limited focus on project administration matters, though associated actions such as the revision of the Project Administration Instructions, the introduction of an improved project performance management system, and delegation under the RM policy did.

²⁹ One suggestion provided would be consideration of a central project administration unit in each RD.

administration and portfolio management in the reorganized ADB, such procedures are not so evident in respect of some portfolio performance indicators.³⁰

- RDs should consider further delegation of project administration and management to RMs, taking into account the complexity of projects and the capacity of RMs (including the practicality of increased involvement of national officer staff); criteria for the selection of projects to be delegated to RMs, including the period of implementation at which delegation would take place, to be put into effect; and tracking the trend in project portfolio performance under various administrative units as a measure of the impact of delegation under the RM policy.
- RDs, with the support of COPP, should consider establishing a procedure by which a sample of back-to-office reports and aide-memoires of project review missions and associated performance indicators as recorded in corresponding project performance reports are reviewed to ensure consistency across RDs in criteria applied and as a form of quality assurance.

4. Distribution of Work Assignments among Sector Divisions and Regional Departments

44. The distribution of work assignments varies considerably across RDs, and for OCD and SDs within RDs. The Review Group looked into the distribution of staffing in relation to work assignments among RDs, and among SDs within and across RDs. Staff numbers for outputs in key result areas were examined and found not only to reflect marked differences, but also to fluctuate somewhat from year to year across SDs and RDs. There are various reasons underlying this wide variation.³¹ One reason could be the number of countries covered. The distribution of work assignments between similar SDs across RDs and SDs within each RD also may differ as a result of the impact on individual CSP structure of DMC sector preferences and the source of resources available (ordinary capital resources or Asian Development Fund) to DMCs.³² The complexity of lending and nonlending products and services also varies across (and even within) sectors and DMCs.

45. A preliminary observation is that larger RDs such as ECRD and SARD are stretched due to the number of DMCs covered and the resulting range of their operations. The span of control of directors in some of the larger SDs needs review and consideration of measures, for example, such as splitting such SDs along subsector lines. At the same time, the smaller SDs face the problem of thinner sector expertise. At this stage no definitive conclusion can be reached as to the comparative distribution and concentration of work assignments among SDs within and across RDs. While redeployment effort should continue to be pursued, any resolution

³⁰ OED is currently moving toward an in-depth review of 50% of project completion reports with the objective of improving the quality of self-evaluation and ensuring consistency in the application of evaluation criteria. A system of review of project performance reports could be built into the project performance management system. The need for enhancing the robustness of this system is identified in Appendix 3.

³¹ Developments not expected at the time of the reorganization contributed to the imbalance between RDs. These include the resumption of operations in Afghanistan, a reduction of operations in Indonesia and the Philippines, and the impact of performance-based allocations of the Asian Development Fund (ADF) on relative operations among ADF borrowers.

³² As DMC ownership of the CSP is considered an aspect of country focus as well as ADB's strategic agenda, to a degree, a DMC's sector preferences will inform the CSP structure.

entailing redeployment of staff across SDs and RDs, for example, would be difficult within the current professional staff complement and the reorganized SD and RD structure.

46. ADB faces an evolving environment and development agenda as well as the need to engage in emergency and other urgent operations that cannot be foreseen. The mechanism of efficiently and effectively redeploying staff and other resources across ADB needs to be improved. Various factors evidently need to be taken into account in this exercise. Careful deliberation on these matters, including the splitting of larger SDs³³ and the efficacy of the current geographical groupings of RDs, is required.

- The comparative distribution of work assignments among SDs within and across RDs and the mechanism for redeployment of resources in response to changing needs and priorities of the Asia and Pacific region to be examined by the Independent Assessment.

47. Aside from the impact of being required to participate as members of CTs and sector committees, perceptions of SD staff (including directors) are that other changes impose additional work upon some of them. A number of these involve procedural changes under the NBP. These include undertaking former programs functions such as arranging and leading loan negotiations as well as more closely attending to DMC officials at headquarters, increased participation as the third party in the TA consultant selection process, and the taking of minutes at mandatory meetings in the course of project processing (formerly a function of the Office of the Secretary).

- The Coordination Group to consider these procedural changes in the context of the overall work assignments and requirements within SDs.

5. Crosscutting Specialists

48. Mainstreaming crosscutting specialists into the SDs is strengthening their capacity to comply with safeguard policies and is better aligning them with ADB's strategic agenda. In RDs, crosscutting specialists are members of country and project teams and enhance knowledge of crosscutting concerns and safeguard policies in operational units.³⁴ Currently, there are 50 crosscutting specialists distributed over the five RDs, including 4 resettlement specialists, 11 environmental specialists, 8 poverty reduction specialists, 11 social development specialists (including social protection and 2 for gender), and 4 PSD specialists. The RDs as well as most of the crosscutting specialists consider their inclusion in RDs instead of in a separate support department a beneficial change.³⁵ However, the goal of enhancing knowledge of crosscutting issues in operations units has so far not been fully achieved. In some RDs, crosscutting specialists are discouraged from working for other divisions within the same department. They

³³ As an example, the infrastructure division of SARD was split into two divisions in April 2003: the Energy Division and the Transport and Communications Division

³⁴ In the case of governance specialists, the formation of the governance, finance and trade divisions in the RDs (except PARD) enabled mainstreaming through the institutional structure.

³⁵ BPMSD found that, after the reorganization, a number of crosscutting specialists experienced adjustment problems to the role expectations of their new division and department. This may have been due to difficulty in adjusting from an advisory/compliance type function to being part of a processing team, be it for CSPs or loans and TAs.

also have no incentive to offer their services to other divisions in the department, since their performance evaluation is carried out at the division level rather than at the department level.

- The use of crosscutting specialists needs to be reassessed in RDs to ensure that in all cases they are fully integrated in the department. More attention needs to be given to the location in RDs of the crosscutting specialists so that their expertise can be used to optimal effect. Arrangements need to be put in place in RDs to ensure that crosscutting specialists who are assigned to an SD are shared with other SDs in the same department, based on department-wide needs.

49. A better understanding of the need for crosscutting specialists in the safeguard policy areas (environment, resettlement) than those in other thematic areas (such as poverty, gender, private sector development) appears to be evident in the RDs. However, no consistent approach is followed in determining the role of crosscutting specialists in social areas. Some of them are required to cover all social issues (poverty, social development, gender, participation, resettlement, and indigenous people), whereas others are designated to work on one specific area. At the moment, given such circumstances not all individuals appointed as crosscutting specialists may possess the necessary skills and expertise for their particular positions.

- There is a need to ensure a uniform understanding in RDs as to the role of their crosscutting specialists, and that these specialists have the necessary experience in the area to which they are assigned.

50. Experience thus far indicates that the number of crosscutting specialists currently deployed in the RDs is not adequate to meet expectations and may need strengthening. However, a reasonable balance needs to be kept against other RD staff; currently crosscutting specialists represent about one in six of professional staff below director's level in the four new RDs. RDs are concerned that they have no backup should they lose their lone specialist for safeguard issues. To some extent, consultants can cover the project needs; however, consultants do not serve to mainstream crosscutting issues in the RDs. PSOD has no specialist at all in any safeguard policy area. Any further streamlining of the approval procedures for private sector operations (para. 54) could be further supported by one or two safeguard policy positions in PSOD.

- The number of crosscutting specialists in RDs needs review, in particular those working on safeguard issues. Consideration may also be given to tackling the shortage of certain crosscutting specialists through increasing the number of national officers with relevant expertise in RMs.

51. Across the board, crosscutting specialists are concerned about the lack of a clear career path in RDs, as mission leaders processing loans tend to be first in line for promotion.³⁶ With a few exceptions, the opportunities for crosscutting specialists to process loans are very limited. SD directors, who may not understand the work done by certain crosscutting specialists, are not always in a position to judge the value of their contributions.

³⁶ Similar concerns arise with project administration staff (paras. 42 and 77).

- Broader consideration than mission leadership need to be taken into account for promoting crosscutting specialists in RDs. Better tools need to be introduced in RDs than are currently available to assess the productivity and quality of output of crosscutting specialists.

52. Finally, the linkage with specialists in the same subject areas in RSDD is unclear; the thematic committees and networks that were supposed to provide a forum for professional exchange have in general not been as effective as expected (paras. 62 and 72).

- There is a need to consider the rotation of thematic specialists between RDs and RSDD as a career path and to consolidate linkages between specialists in the same subject area.

B. Private Sector Development

53. The reorganization kept the responsibility for private sector operations (PSO) in a separate dedicated group (as opposed to breaking it up into smaller units of the individual RDs). The Private Sector Group was upgraded to PSOD, headed by a DG and comprising two divisions. This structural configuration for PSO seems to be working well in terms of maintaining a critical mass of skills for PSO transactions, ensuring effective span of control of dealing officers, and responding flexibly to client needs. However, a few process and structural issues remain.

54. A separate department for PSO facilitates a PSO-specific business process. The current PSO approval procedure has, to some extent, speeded up the project processing cycle. However, it still largely mimics the public sector loan approval procedure and would benefit from certain changes.

- The review of the NBP should consider further streamlining, but consistent with quality assurance procedures and assessing development impact.

55. Under the reorganization, PSOD was to share responsibility with the RDs in mainstreaming the private sector development (PSD) strategy. Thus, the RDs are responsible for preparing country private sector assessments among other matters. The paper on Reorganization indicated that at least one PSOD staff be designated as the focal point for the PSD strategy and work primarily in the areas of privatization, corporatization, and public-private partnerships. Beyond this the principal provision as to how PSOD would operationalize its responsibility for PSD seemed to be through proposed participation in CSP activities. This has taken place to a limited extent. There appears to be a need to strengthen direct dialogue between PSOD and RDs on PSD strategy and operational matters, including the promotion of public-private partnerships.

- The Steering Committee overseeing the implementation of the PSD strategy to consider the need to strengthen the PSD implementation capacity of PSOD. Ways may include designating one or two PSOD professional staff to strengthen dialogue with RDs and to facilitate PSOD's contribution to implementing the PSD strategy. The Steering Committee is reconsidering the role and responsibility of PSD specialists; it is also considering the

PSD Action Plan drawn up by the PSD Committee. The Steering Committee may also consider the need for a higher-level forum on public-private partnerships than the PSD Committee, bringing together the Office of Cofinancing Operations, PSOD, and RDs.

C. Regional and Sustainable Development Department, Quality Assurance, and Promoting Quality

56. RSDD's role under the reorganization was unique as well as new. Its mandate is to fulfill four major responsibilities:³⁷ (i) maintain quality and technical excellence across ADB (sector and thematic centers of knowledge are housed in RSDD as well as the NGO Center in order to provide support for quality improvements); (ii) ensure ADB-wide consistency (policies and guidelines for sector and thematic areas are to be developed and monitored by RSDD); (iii) act as a center for compliance oversight, specifically mandated to ensure compliance with ADB's safeguard policies; and (iv) support ADB's regional development functions (e.g., develop and strengthen ADB's role in linking the region to global networks and partnerships).

57. The paper on Reorganization elaborates these key responsibilities, also referring to the Working Group on Business Process Change that developed the NBP (para. 5). Taken together these might be summarized as enhancing quality and knowledge management across the organization in order to improve its development impact. With such a wide range of responsibilities, and given its prominence within the reorganized ADB, a key issue facing RSDD has been how to meet its responsibilities within resource availability. To be effective RSDD has to work across departmental lines, but in an organization that has yet to develop broad experience in working within a matrix structure (including the prerequisite incentive structure). RSDD has also, given the manner of applying the NBP, to define its role with respect to the structure of sector and thematic committees and to deal with perceptions arising thus far as to its working relationship with such committees.

58. In its quality assurance role and in ensuring ADB-wide consistency, the key interface of RSDD is with the SDs, and more generally with the RDs as a whole.³⁸ The compliance oversight function, including the compliance memo on safeguard policies for Management,³⁹ has been the most accepted aspect of this interface and one perceived to add value. On more general issues of technical support, RDs' perceptions of RSDD's role are more ambivalent. Technical excellence in RSDD required competence and credibility; that in turn required the shift of experienced staff. The staffing of key positions in RSDD drew away a number of seasoned mission leaders from operations departments (para. 74). The immediate impact would be a perceptible weakening of operations departments. RDs would then be expecting sufficient value added in technical support from RSDD that, at the least, would counteract this impact. RDs' general opinion appears to be that thus far RSDD has not been adequate to do so.

59. A key instrument in implementing the mandate on quality assurance is the comments on quality (COQ) memo provided for Management at the same time as the compliance memo (footnote 39). RSDD sees this activity to be intensive in staff time, lacking clarity in terms of its importance relative to the comments of other departments (such as ERD, Office of the General Counsel, and OED), and perhaps not of the optimal timing. It acknowledges that there may be confusion as to its more general role in operations support, particularly as the paper on

³⁷ cf. the paper on Reorganization, para. 60.

³⁸ The paper on Reorganization stressed that quality control remains the final responsibility of RDs.

³⁹ Issued for Management guidance at the Management Review Meeting stage of project processing.

Reorganization emphasized its limited participation in operations missions to preclude any conflict of interest with its quality assurance role.

60. Fulfilling the quality assurance role and providing operations support to RDs are tasks that may not be compatible, given staff availability. Thus far, emphasis may have been placed on the more easily defined deliverable of the COQ, resulting in operations support and learning activities receiving less attention even though these can be as effective in promoting quality.

61. RSDD, aware of the RDs' concern, held a retreat in February 2003 to consider its mandate including the issues of quality assurance and promoting quality under the NBP. Prior to this retreat it held a round of meetings with key departments and offices. RSDD intends to provide higher priority to operations support throughout processing and implementation, stressing the importance of providing input early in the processing cycle, particularly sector road maps, thematic assessments, and CSP preparation, as well as assisting the RDs in setting sector and thematic targets and monitoring progress in attaining them. Providing increased operations support and moving promotion of quality upstream within current resources may be achieved only by reducing coverage at later stages. Thus, instead of the COQ, RSDD divisions might provide interdepartmental comments in a manner similar to other departments concerned. Experience with the present system of quality assurance, although in place for only 1 year, suggests the need for its comprehensive review.

- The Coordination Group to consider the system of quality assurance and alternatives in the context of RSDD's other mandates and resource availability. In the meantime, RSDD is considering the findings of its retreat,⁴⁰ including recommendations as to possible changes in process and procedure.

62. In this context it is important also to be aware of perceptions of RSDD's working relationships with the sector and thematic committees and perceptions as to the role and workings of these committees. The sector and thematic committees are intended to tap into the tacit knowledge and experience of staff across ADB, bringing to bear this knowledge in a timely manner on its operations, including CSPs and new projects under preparation. The committees are to provide the critical linkage that helps maintain consistent approaches in the RDs and ensures that new successful approaches can be shared across the RDs. In practice, however, the committees have met with a number of problems.⁴¹

⁴⁰ An outcome of the retreat was a suggested refocus of its key results areas: (i) Policies, Strategies, and Frameworks: development and updating of policies; (ii) Safeguard Policy Compliance: due diligence assistance to Management (including compliance memo) and due diligence assistance to RDs during project implementation; (iii) Operational Advice and Support: preparation of country or subregional strategies/assessments, project preparation and processing support, special assistance to RDs on specific projects, and administering grant funds; (iv) Knowledge Generation and Dissemination: developing good practices, guidelines, checklists, indicators, and road maps; capacity building; preparing sector/thematic studies and assessments (interregional); internal knowledge dissemination; managing sector and thematic committees; developing and maintaining data bases; and external knowledge dissemination and cooperation; (v) Promotion of Regional Cooperation: developing and maintaining regional partnerships, developing and maintaining regional networks and advisory groups, and regional cooperation within the scope of a sector or theme. Other activities include training, handling external relations, supporting human resource management, and general ADB-wide participation such as in working groups, task forces, etc.

⁴¹ It should be borne in mind, however, that the committees started to become effective only after March 2002.

63. The committees were given several responsibilities under the NBP that include assisting in coordination and oversight of knowledge products and services in their area and consolidating a 3-year program for such; promoting project quality by conducting peer review; establishing, fostering, and managing networks; and producing an ADB-wide year-end output/outcome report on their area. Committees were to be advisory, having no delegated powers. Committee members were to be given recognition for their work.

64. It appears from the experience to date that insufficient guidance is available as to how these responsibilities are to be accomplished. Lines of reporting and accountability are not clear⁴² for chairs and members. The mandate and authority of the chair with respect to members is not clear; neither is the authority (in respect of parent department), seniority, and obligations of members. Lacking clear guidance, committees appear to have devised their own decision-making rules. For some committees the mandate may be growing beyond that originally intended; others apparently are having difficulty in fulfilling their peer review responsibility. The latter reflects difficulty in availability of time as well as commitment.⁴³ There is considerable variation across committees in the degree to which network events are arranged. Committees may lack access to adequate support from administrative staff. Finally, the degree of recognition of committee members' work varies (para. 77 and footnote 54).

65. Nevertheless some committees are viewed as more effective than others. Generally, sector committees seem to have a clearer role. Thematic committees are broader in scope, making the establishment and application of priorities difficult. Two of the more active committees have a singular defining feature: either a clear line of reporting and accountability or "empowerment" through access to funds with which to manage a series of regional interventions.

- The Coordination Group to delineate guidelines to committees as to mandate and responsibilities as well as lines of reporting and accountability (for both chairs and members). In doing so, it may be guided by recent RSDD deliberations on the matter.⁴⁴ Also, the range of support services that a committee may reasonably expect to be reviewed by the Coordination Group.

66. The fact that committee chairs are RSDD staff (except for one committee) may also give rise to confusion and concern as to where the respective roles of RSDD and the committee start and end. The chair of a sector committee later reviewing projects in preparing RSDD's COQ

⁴² Feedback indicates that some committees did not accomplish a year-end output/outcome report for 2002, as it was not clear to whom it was to be directed.

⁴³ Feedback indicates that some ERD and OED staff feel unduly burdened by peer review work on some committees, given their more likely availability due to less frequent mission travel than members from RDs. Other committees seem to distribute such work more equally.

⁴⁴ Following its retreat in February 2003, RSDD considered the mandate of committees to assist in clarifying their roles. For sector committees: conduct peer review of CSPs/CSPUs and sector road maps; conduct peer review of project concepts at the preproject preparatory TA fact-finding stage as well as on significant issues identified by the project team based on the draft final feasibility study report; recommend interregional 3-year work program for its sector of knowledge products and services to be submitted to the KMC; and develop information about sector trends, issues, and good practices for dissemination through the network. For thematic committees: conduct peer review of CSPs/CSPUs from its thematic perspective; recommend the 3-year knowledge product and services program for their thematic area to be submitted to the KMC; and develop information about thematic trends, issues, and good practice for dissemination through the network and to promote attention to thematic issues in RDs. RSDD considers that thematic committees should not have the peer review function presently prescribed in the NBP, but should provide guidance to project teams if requested and technical and peer support to thematic (crosscutting) specialists in RDs.

gives rise to a perception of some committees that they are an extension of RSDD, doing its work for it. Such a perception can affect RDs' attitudes toward the committees, and their usefulness, compounded by the inadequacy of reporting mechanisms and opportunities in the first year. RDs' perceptions may also be influenced by a view that some technical inputs are overly sector-focused, lacking in understanding of broader CSP and country issues that may impinge on technical project design. Feedback from SDs varies, but there are indications both of a lack of awareness of committee activities and lack of an appreciation of their potential to promote quality. Consequently committee work may be seen as a drain on their staff time that does not add much value. Committee members were intended to be among the better, more experienced staff within the department they represent. Among RDs, however, such staff are likely to be involved in key processing roles, making a commitment of time to committees difficult, given their heavy work assignments.

67. The NBP identified critical points of interaction between committees and project teams during the preparation of new projects. Clear recognition was given to a greater emphasis on knowledge sharing and experience early in the project cycle when exploring different options and designs is still practical. During the first year of implementation, the ability of committees to interact effectively early in the project cycle had mixed results. Unlike safeguard compliance issues with clearly defined instructions and assessments, professional opinions on sector and thematic matters vary and give rise to legitimate differences of opinion. Resolution of such differences, and the confidence and ownership of SD directors in such resolution, may not always be readily forthcoming in the way committees are structured at present.

- To help remedy the constraints identified above, RSDD is initiating steps to more fully engage with RDs to improve the effectiveness of the committees in providing the originally envisaged support for the operations divisions to ensure technical excellence and quality enhancement (para. 68).

68. If the value added is to be recognized, sector directors need to see clearly the efforts of committees. To achieve this, RSDD is recommending that the SD director concerned chair the key meetings identified in the NBP between the committees and project teams⁴⁵ with support from the committee chair. All the relevant committees will be invited to the meetings and other knowledge departments informed in case they see a need to participate. This process is expected to enhance the ownership of the committees by the SD directors. The committees will be reporting directly to the SDs concerned, and the value they bring to new project proposals can be recognized. It will enhance the committees' role as a resource the SD directors can tap for sector and thematic expertise when needed. This is particularly important in regard to the issue of span of control of SD directors (para. 40).

⁴⁵ For example, at the preproject preparatory TA fact-finding meeting, the project team will present the long-term goal in the sector; the constraints in the sector that the project/program will address; and the development impact that the project is expected to generate (information to be drawn from the CSP concept paper and the sector road map). Committee participants from the sector and thematic groups can provide examples of similar projects in other RDs; give the project team checklists of key sector and thematic issues the project will need to address; identify potential components that could enhance the development impact of the project with examples of terms of reference, cost estimates, and excellent reports being generated for similar projects; provide feedback on issues that have recently been raised at Management review meetings or Board discussions that might be of relevance to the project team; and identify for the project team experts within or external to ADB whom it might want to draw upon during the course of further project processing.

D. Knowledge Management

69. Quality, in the context of ADB's operations, is a measure of its development effectiveness. ADB strives to strengthen the quality of its products and assistance in order to improve its development effectiveness. A resource-constrained situation requires effective management to do so efficiently. Knowledge is foremost among the resources to be managed, as well as generated, to ensure quality in ADB's operations and services.

70. Under the reorganization the KMC was established. It has met several times in fulfilling its mandate. The KMC requires the knowledge management departments/offices (para. 26), other than OED, to formulate and submit to it interregional knowledge products and services work plans for its review and endorsement. It then provides these to SPD for consolidation into an ADB-wide work program. The knowledge products promoted and supported by the KMC encompass the following categories: economic products such as the *Asian Development Outlook*; sector products such as sector reviews and best practice studies at the country, subregional, and interregional levels; and thematic products including assessments of environment, gender, governance, and poverty as well as best practice examples in these areas.

71. With pressure on the availability of funds for financing TAs as well as a trend toward establishing bilateral TA trust funds dedicated to particular thematic areas, appropriate prioritization in allocating such funds takes on increased importance for knowledge management. For the knowledge departments/offices, access to adequate funds to undertake regional TAs is essential in fulfilling the commitment to strengthen the quality of products and assistance. Equally, RDs require access to such funds for undertaking intraregional knowledge products and services. This inevitably leads to consideration as to the manner in which ADB makes decisions on prioritizing the allocation of regional TA funds and the link of the KMC to the decision-making process. In this context the Review Group is aware of some views as to the possible broadening of the KMC composition, including a defined role for RDs and through the activities of subcommittees (see footnote 20).

72. Aside from establishing the KMC, a series of steps have been taken to bolster ADB's capacity in acquiring, sharing, and applying knowledge, all of which imply its judicious management. These include RSDD's mandate to advance sector and thematic knowledge within ADB and the Asia and Pacific region; establishing an internal community to promote the identification and sharing of knowledge products and good practice examples through the sector and thematic committees/networks; forming country and project teams to promote knowledge sharing in better informing CSP preparation and project design; developing web-enabled applications as focal points, facilitating knowledge activities of the committees; and enhancing ADB's internet website for sharing with a broader community of stakeholders. Networks particularly are to assist in sector/thematic areas in developing strategic directions and policies; maintaining with ERD and RSDD pertinent data bases; developing knowledge products, best practice examples, professional standards, tool kits, etc.; providing professional peer support; and developing the skills base within ADB. It is apparent that some of these measures are yet to function to the extent expected.

- In this context the KMC identified the need for a more systematic approach to knowledge management. Accordingly, work commenced in 2002 and continues in 2003 on a Knowledge Management Framework addressing knowledge management

processes across ADB using a process of broad consultation within the institution.

- To focus and help prioritize its activities in developing and disseminating knowledge products, RSDD could consider preparing a statement similar to that of ERD (para. 26).

E. Human Resources

1. Professional Staff Positions and Skills Mix

73. The reorganization was envisaged to maximize ADB's effectiveness within available resources and to be broadly staff- and budget-neutral,⁴⁶ *inter alia* through (i) more efficiently allocating staff resources resulting from rationalization of functions; (ii) introducing the team concept, and formation of country and project teams; (iii) introducing effective mechanisms for knowledge dissemination through internal sector and thematic networks; and (iv) assigning crosscutting specialists in RDs to enhance knowledge of crosscutting concerns and safeguard policies in operations units. It was to be supported by complementary changes, particularly the acquisition of appropriate staff skill requirements.

74. The allocation of professional staff positions before and after the reorganization is given in Appendix 4. Of the total of 725 professional staff positions, 325 were in the regions east and west programs and projects departments at headquarters (including the Office of Pacific Operations, but excluding 65 positions at the RMs). An additional 68 positions were related to operations support.⁴⁷ Following reorganization, the RDs (excluding the 65 positions at RMs, which remained the same) were allocated 306 positions, a reduction by 19 positions.⁴⁸ The front office and programs/OCD type functions were reduced by 45 positions, while the project/sector divisions were increased by 26 positions. This latter increase reflects in part the transfer of thematic specialist functions to the RDs (para. 21). Significantly, the newly established RSDD functions were increased by 13 positions,⁴⁹ after allowing for the transfer of thematic specialists to RDs. This reflects the intent to shift experienced professional staff to RSDD, a considerable number being seasoned mission leaders from the operations departments.

75. The broadened scope of the newly constituted SDs in the RDs, together with the shift of a number of experienced mission leaders to RSDD, necessitated considerable adjustment to their skills mix. General perceptions are that transition planning and the shift of experienced professional staff to nonoperations departments also affected project administration and portfolio management (paras. 42 and 43). Some of these issues are being tackled, for instance in the 2002 and 2003 budgets. Thus the professional staff complement in the RDs at headquarters increased by 23 positions during this period⁵⁰ (additionally the professional staff complement of RMs increased by 16 positions). Nevertheless, regional disparities in professional staff complement in relation to RDs' lending and nonlending activities are apparent (para. 44). Rationalization of positions against the distribution and concentration of work

⁴⁶ Nonetheless, the paper on Reorganization noted that efficiency gains would not be a substitute for addressing ADB's overall staff shortages (para. 12).

⁴⁷ Designated as COSO, Economics and Development Resource Center, and Office of Cofinancing Operations (Appendix 5 of the paper on Reorganization).

⁴⁸ The professional staff complement of PSOD increased by two following the reorganization.

⁴⁹ Appendix 4, Sector/Thematic positions.

⁵⁰ Of these 23 positions, 9 were for front office/OCD type functions, 11 for SDs, and 3 for PARD. Additionally PSOD was allocated two more positions and RSDD six.

assignments between RDs may provide scope to ameliorate some of these disparities and attendant work pressures. However, there are concerns that the current structure of SDs and RDs may not make for ready and smooth redeployment (para. 45). Moreover, skills mix adjustments are a dynamic and evolving process. A rising trend in recent years in the number and proportion of new and inexperienced mission leaders, as indicated by RDs, will also require focused attention.⁵¹ Yet the span of control of some SD directors is such that it may leave them limited time to interact with and mentor less experienced professional staff.⁵² The same may be the case with some senior, experienced professional staff, given their work assignments.

- Aside from an assessment of the comparative distribution of work assignments among SDs within and across the RDs (para. 46), options like strengthening mentoring of less experienced mission leaders, training programs, and the recruitment of suitable mid-career professionals need to be considered to bolster the skill base and experience among professional staff.

2. Team Concept and Team Effectiveness

76. The formation of country and project teams and the establishment of sector and thematic committees and networks within ADB reflect an attempt by the institution to move toward a more focused team approach for delivering its complex development agenda. This is requiring a shift in emphasis in ways of operating: from ad hoc groups to teams; from personal responsibility to team responsibility, with transparent and clear accountability of both the team as well as individual team members; and from hierarchical structures to more integrated cross-functional structures. The reorganization, as well as the introduction of the NBP, provides a framework within which such a shift in working arrangements and environment is to evolve. However, a preliminary assessment⁵³ highlights critical gaps that continue to exist. In particular, teams may be continuing to function in an individualistic rather than in a group fashion, i.e., working as separate individuals contributing to a group output, rather than as a true team sharing a common purpose and responsibility. This can be ascribed to a lack of adequate understanding of the NBP; the impact of less than optimal resources through the strain of overwork and increasing pressure, which make real commitment to a single unifying aim for any team difficult to attain; existing reward/incentive structures lacking a well-defined team-based performance system,⁵⁴ and the challenges for crosscutting specialists integrating into country and project teams. It is equally important that the critical mass of sector expertise be achieved in SDs to ensure that the team output reflects technical excellence and best practices (para. 41), and that thematic (crosscutting) specialists are effectively and efficiently utilized with clearly specified professional career paths (paras. 48 and 51). To deal with these gaps a number of measures need consideration.

- The Coordination Group to identify the need for improved clarity as to team objectives, roles, and responsibilities within integrated decision-making and dissemination opportunities. Review of staff allocation and assignments within operating departments,

⁵¹ Since 2001 ADB has had an ongoing program to provide practical mentoring of new mission leaders through hiring ex-ADB mission leaders as consultants under its Mission Leader Mentoring Program.

⁵² Or entail considerable additional burden in time allocation.

⁵³ Enhancing Team Effectiveness Project, January 2003 (para. 29).

⁵⁴ As an example, although the performance evaluation report of professional staff was amended in 2002 to allow committee work to be recognized (para. 24), feedback from committee chairs indicates that not all eligible reports were received and so completed.

including crosscutting specialists, has been indicated (paras. 46 and 48). There is also a need to (i) review performance and management systems so that these may adequately distinguish individual from team-level activities/accomplishments, including through the performance evaluation report; and (ii) strengthen emphasis of teamwork skills among new hires. Generally, an effort to improve communication and information-sharing systems is needed at all levels, building for instance on the work for committees and networks undertaken by OIST.

3. Incentive Structure

77. Focus group meetings identified the need to adjust the incentive structure to the reorganized ADB. Sector and thematic committees are seen as an important element for peer review, knowledge dissemination, and integration of best practices. While the overall resource gap is a constraint on staff participation,⁵⁵ the absence of a clearly defined feedback mechanism on performance evaluation from staff's contribution may act as a disincentive to active participation, thereby potentially undermining the effectiveness of committees. Staff work on project administration and portfolio management could be in need of more recognition. Concern was expressed also about the promotion system and career opportunities. Recognition was not seen solely in terms of career path, promotion, etc. For instance, apart from the impact of span of control on the ability of an SD director to fully interact with division staff (para. 76), larger span of control over programs and projects functions in an RD was perceived to potentially reduce access of mission leaders to DGs.⁵⁶ A more proactive stance by RMT members to the work of RD staff on committees could motivate these staff to be more committed by raising the profile and recognition of this activity.

- In reviewing the distribution and concentration of work assignments, the staff level complement system may also need adjustment, including among staff working on project administration. Consideration of the introduction of a dedicated project administration unit head position in all SDs may be warranted. Generally, ensuring that committee and other team work is adequately reflected in performance evaluation reports is needed (para. 76).

4. Staff Perceptions

78. Although this Review focused mainly on the implementation of structural change under the reorganization, the effect of staff perceptions on morale was discussed during the focus group meetings with professional and national/administrative staff.⁵⁷

⁵⁵ ADB. 2002. *Report of the Budget Review Committee* (Sec. M137-02). Manila. Para. 30 of this report notes that while 15–20% of staff time is needed for meaningful contribution to networks and committees, this extent of staff involvement was not factored into the reorganization and the NBP.

⁵⁶ This observation in itself could also be indicative of the need to shift from an individual to a group focus (project team as a group vis-a-vis mission or team leader), as well as adjusting to delegation in the new structure, particularly to SD director level.

⁵⁷ The cohort of professional staff taken was not entirely representative of ADB-wide staffing. Nevertheless, it was structured to provide insights into the perceptions of those affected particularly by the reorganization and the NBP.

79. Notwithstanding the beneficial changes evident, there is a general perception that staff morale is an issue that needs to be addressed.⁵⁸ However, it is not easy for staff to distinguish the impact of the reorganization from other matters. These tend to be viewed in a holistic manner; issues other than the reorganization may have a more weighted bearing on this perception. These include the cumulative effect of the change in work environment (as much if not more so reflecting the NBP as the reorganization); increased work pressure arising from ADB's increasingly complex development agenda, compounded by the effect of the overall resource gap; and inadequate and/or unsuitable incentive structure. Change management was perceived as inadequate,⁵⁹ with insufficient response to unequal distribution of work assignments; lack of support in new functions, including through training and fine-tuning of skills assignments (for example, initiation of support training for the work of committees and their members is considered not to have been timely enough); insufficient recognition of nonprocessing activities and continued proliferation of the approval culture; a disconnect between the review of the RM policy and the reorganization; and heightened uncertainty of work in smaller departments with narrower focus on fewer countries. In this regard there are indications of some perceptions that reorganization may have been a lost opportunity to deal more broadly with these various issues, which would have assisted to instill a greater sense of purpose and mission of the institution.

- BPMSD has undertaken, in May 2003, an ADB-wide employee survey to ascertain and better gauge staff perception as to the overall working environment in ADB, including the reorganization. The results will be compared with a similar survey undertaken in 2001 in order to determine significant trends. The findings will be essential inputs to BPMSD in further developing innovative and responsive people programs and interventions.

V. CONCLUSIONS

80. This Review is in form a progress report that examines the manner in which the reorganization took place; considers its attainment of structural change toward achieving major objectives, as well as its link to implementing the NBP and the RM policy and their effect on it; and identifies areas and issues that require attention. The focus of this Review is on the reorganization as approved and implemented. It does not consider nor make comparison with alternatives posited or hypothetical structures that may be suggested. The preceding chapters indicate that the reorganized ADB has a framework that, along with the related NBP, may broadly meet the overall objective of enhancing ADB's development impact. The reorganization put into effect the principles outlined in para. 3. Capacity to deliver its strategic agenda is stronger, but it could be strengthened further. Steps are suggested to deal with outstanding issues and areas of concern. With only 1 year of full implementation, it is too early to take stock of the reorganization's impact on the strategies and programs in DMCs. The Independent Assessment will consider more directly its impact on delivery of the strategic agenda and on the strategies and programs in DMCs. It would be advisable for that assessment to consider the reorganization alongside the impact of implementing the NBP and the RM policy.

⁵⁸ RM staff may have a different perception in this respect. Such a difference may be evident in the survey undertaken by BPMSD.

⁵⁹ Notwithstanding the change management initiatives programs outlined in para. 29 and Appendix 2. While most of these initiatives were undertaken in 2002, and will continue in 2003, it may have been the absence of preparatory change management initiatives that has given rise to this perception.

81. The structural changes anticipated by the paper on Reorganization were made. Notably, the RDs were created, four of which integrate the RMs and combine the functions of the former programs and projects departments, while covering fewer DMCs. In each RD an RMT was established to provide an integrated and collegial approach to DMC issues. The Private Sector Group was upgraded into PSOD for catalyzing private investment. RSDD was created with a new and unique role in enhancing the quality of operations, promoting technical excellence, and strengthening sector and thematic work. Sector and thematic committees in support of these objectives were set up along with the related networks. Both the Management Committee and the KMC were established. OER was mandated with clearer responsibility and accountability for external and internal communications of ADB.

82. The process and procedure of reorganization was efficient; disruption of ADB's operations and deliverables was minimized. On this basis the reorganization was a major achievement. Nevertheless, thus far not all aspects of its implementation are satisfactory. While a number of structural matters require attention, the issues needing resolution relate as much or more so to change associated with institutional work arrangements and environment and incentive structure as to the process and structure of change. These are often not the easiest to accomplish. Change management initiatives may not have been as effective as expected, but these can be built upon as stock is taken of these findings. The reorganization took place in a constrained resource environment, the rectification of which it was not designed to address significantly, except insofar as rationalization of structure and business processes was expected to lead to efficiency gains. That it did not do so may affect perceptions of the reorganization as related in this progress report. Equally, various issues identified relate to the implementation of the NBP for the reorganized ADB, including greater emphasis on a team approach in operations and staff work assignments. These evidently also color perceptions of the reorganization, particularly of staff in the RDs.

83. Actions have been taken concerning some of the issues identified. For some other issues, actions can be put into effect through departmental procedures. Several issues relating to quality assurance and promoting quality stand out as needing resolution. These include the interface of RSDD with the RDs, its link to the sector and thematic committees, and the functioning of this committee structure. They also are among a set of issues for which it is suggested consideration by the Coordination Group will be important (a few of these may also fall within the remit of the forthcoming review of the NBP). Knowledge management issues are being taken up under the preparation of the Knowledge Management Framework. A broader survey of staff perceptions of their work environment including the reorganization has been undertaken by BPMSD. Actions touching upon staff complement and incentive structure will require separate and more detailed consideration. This Review did not take account of several outstanding structural issues. These include (i) rationalizing the link between OER and a number of knowledge dissemination and administrative functions in ADB, and (ii) considering the position of PSOD in reporting to one vice president while dealing also with counterpart RDs that report to the other operational vice president. The timing for such was not considered appropriate. The Independent Assessment would be more appropriate for considering such broader structural issues.

84. The reorganization has been a major step. Nevertheless, implementation has given rise to a number of issues requiring action. Timely, appropriate measures, and adjustments to resolve them are necessary if reorganization is to fulfill its overall objective. At the same time, reorganization may be seen as a dynamic change process rather than a one-step procedure. Hence, the reorganized ADB will need to allow for an evolving agenda and environment as it moves forward in enhancing its development effectiveness.

STOCKTAKING OF PROPOSED ORGANIZATIONAL CHANGES AND STATUS OF IMPLEMENTATION^a

Overall Objective and Issues	Organizational Changes to Address Issues	Status of Implementation
Overall Objective		
<p>To enhance ADB's development impact by strengthening its capacity to deliver its strategic agenda through a carefully planned, selective, country-focused, and technically excellent program of assistance to its DMCs and subregions</p>		<ul style="list-style-type: none"> ▪ Country focus and responsiveness improved ▪ Smooth transition, with relatively minimal disruption to operations
Issues		
<ul style="list-style-type: none"> • Manage multiple goals 	<ul style="list-style-type: none"> ➢ New structure to realign operational units to better achieve ADB's vision and strategy ➢ Establish a management committee to ensure strategic direction and coordination 	<ul style="list-style-type: none"> ▪ Designed organizational structure implemented ▪ Management Committee established
<ul style="list-style-type: none"> • Balance country and sector considerations 	<ul style="list-style-type: none"> ➢ Create regional departments to enhance country focus by combining “projects” and “programs” functions to take an integrated view of country operations ➢ Create sector divisions to maintain critical mass of sector expertise, and RSDD to enhance technical excellence ➢ Rationalize reporting line between RMs and HQ. ➢ Establish country teams of staff working on a country to prepare CSPs 	<ul style="list-style-type: none"> ▪ RDs formed ▪ RMT formed in each RD, consisting of director general/deputy director general/division directors, and country directors ▪ 4 sector divisions in each RD (except PARD) ▪ Videoconferencing facilities with a number of RMs strengthened by OIST in support of RMT activities. ▪ Country teams established

ADB = Asian Development Bank, CSP = country strategy and program, DMC = developing member country, HQ = headquarters, OIST = Office of Information Systems and Technology, PARD = Pacific Department, RD = regional department, RM = resident mission, RMT = regional management team, RSDD = Regional and Sustainable Development Department.

^a The format of Overall Objective and Issues as well as Organizational Challenges to Address Issues follows that set out in Chapter VIII (Challenges and Responses) of the paper on Reorganization.

Overall Objective and Issues	Organizational Changes to Address Issues	Status of Implementation
<ul style="list-style-type: none"> Greater client and stakeholder orientation 	<ul style="list-style-type: none"> Having fewer countries under each region permits better country focus and closer staff interaction. RMT of director general/deputy director general/division directors/country directors enables full attention to DMCs and integrated response. 	<ul style="list-style-type: none"> Country focus improved Response time improved
<ul style="list-style-type: none"> Mainstream governance, capacity building, environmental and social development, and private sector development 	<ul style="list-style-type: none"> SDs reconstituted to be better aligned with strategic agenda All delivery of products in these areas to be handled by SDs, not by advisory units RDs to mainstream two major elements of the PSD strategy, i.e. creating enabling conditions and generating business opportunities PSD upgraded to PSOD with full-time director general, in charge of catalyzing private investments. PSOD shares responsibility for mainstreaming the PSD strategy 	<ul style="list-style-type: none"> Agriculture and natural resources combined, physical infrastructure combined, and social sectors combined Governance and other crosscutting themes integrated into SDs PSD Committee formed PSOD formed PSD specialists assigned to RDs
<ul style="list-style-type: none"> Maintain technical excellence and skills 	<ul style="list-style-type: none"> Create a new RSDD to enhance the quality of ADB's operations, promote technical excellence within ADB, and strengthen ADB's thematic and sector work Create internal networks along thematic and sector lines to disseminate and promote best practices 5-region model permits sufficient "critical mass" in SDs 	<ul style="list-style-type: none"> RSDD formed 9 technical and 10 thematic committees formed Networks along sector and thematic lines formed Thematic staff assigned to RDs Crosscutting specialists included in project teams.

PSD = Private Sector Department, PSOD = Private Sector Operations Department, SD = sector divisions.

Overall Objective and Issues	Organizational Changes to Address Issues	Status of Implementation
	<ul style="list-style-type: none"> ➤ Assignment of environmental and social dimensions specialists in the divisions of the RDs to be members of country and project teams, enhancing knowledge of crosscutting concerns and policy safeguards in operations units 	
<ul style="list-style-type: none"> • Maintain checks and balances consistent with effectiveness 	<ul style="list-style-type: none"> ➤ Separation of quality/compliance functions from operations ➤ RSDD to review ADB products independently, and provide the originating department as well as Management with written advice on the quality of design and adherence to policies ➤ RSDD's new Environment and Social Safeguard Division specifically mandated to ensure compliance with safeguard policies. ➤ Quality control will be built into the business practices being reviewed by a Working Group on Business Process Change 	<ul style="list-style-type: none"> ▪ Environment and Social Safeguard Division established in RSDD; chief compliance officer function created in RSDD ▪ RSDD provides compliance memo and comments on quality memo before MRM
<ul style="list-style-type: none"> • Emphasize effectiveness and efficiency 	<ul style="list-style-type: none"> ➤ Clearer accountability for delivery of programs ➤ Combined “programs” and “projects” functions at departmental level will lower internal transaction costs. ➤ Better country coordination between RMs and SDs in HQ ➤ Rationalize staffing through redeployment. ➤ Review of business processes being undertaken to improve efficiency 	<ul style="list-style-type: none"> ▪ Report on Business Processes for the Reorganized ADB issued ▪ NBP introduced ▪ PAIs rationalized and updated ▪ Document templates for RRP, TA paper, PCR, and concept paper developed and in use

MRM = management review meeting, NBP = new business processes, PAI = project administration instruction, PCR = project/program completion report, RRP = report and recommendation of the president, TA = technical assistance.

Overall Objective and Issues	Organizational Changes to Address Issues	Status of Implementation
<ul style="list-style-type: none"> • Promote a strategic regional focus; strengthen ADB's regional role and identity 	<ul style="list-style-type: none"> ➢ RSDD to concentrate specifically on strengthening ADB's regional focus, regional cooperation strategy and work plans, linkages with other regional institutions ➢ Subregional cooperation is part of regular work programs of RDs 	<ul style="list-style-type: none"> ▪ RSDD created to coordinate cross-regional cooperation initiatives for all thematic areas and sectors ▪ Subregional cooperation enhanced ▪ SARD, MKRD, and ECRD dedicated professional staff positions for regional cooperation
<ul style="list-style-type: none"> • ADB as a resource and knowledge center 	<ul style="list-style-type: none"> ➢ Combine all knowledge and policy departments under the President for synergy and coordination ➢ New KMC chaired by the President; membership will include ADBI, ERD, RSDD, REMU, SPD and OER to coordinate and oversee ADB's program on development and delivery of knowledge products ➢ Clear role of coordination and accountabilities for the development and delivery of major types of knowledge products, i.e., ERD for economic area, and RSDD for sector and thematic areas 	<ul style="list-style-type: none"> ▪ RSDD created ▪ Networks created ▪ KMC created ▪ OIST has assisted various networks in dissemination activities and has been working on knowledge-focused templates for use of the sector and thematic committees ▪ ERD Vision and Mission statement 2003-2005 issued
<ul style="list-style-type: none"> • Partnerships 	<ul style="list-style-type: none"> ➢ SPD will continue to be responsible for managing interagency relationships at the institutional level, such as MOUs ➢ RSDD will be responsible for regional cooperation with other development partners on thematic and sector issues, through external networks ➢ NGO Center in RSDD will continue to serve as focal point to further develop the existing NGO Cooperation Network 	<ul style="list-style-type: none"> ▪ Responsibilities delineated and being implemented

ADBI = Asian Development Bank Institute, ECRD = East and Central Asia Department, ERD = Economics and Research Department, KMC = Knowledge Management Committee, MKRD = Mekong Department, MOU = memorandum of understanding, NGO = nongovernment organization, OER= Office of External Relations, REMU = Regional Economic Monitoring Unit, SARD = South Asia Department, SPD = Strategy and Policy Department.

Overall Objective and Issues	Organizational Changes to Address Issues	Status of Implementation
<ul style="list-style-type: none"> • Public profile and information 	<ul style="list-style-type: none"> ➤ OER to report directly to the President and to lead all external relations activities with close coordination with five regional departments in publicizing ADB's activities in the DMCs ➤ OER to be a member of the KMC ➤ ROs to report to SPD and to become more proactive in providing information to and liaising with stakeholders in developed member countries on ADB's strategies, policies, ongoing and forward program of operations 	<ul style="list-style-type: none"> ▪ OER now responsible for internal and external communications ▪ OER member of KMC ▪ OIST supports OER in internal communication ▪ <i>ADB Today</i> established through cooperation of OER and OIST to improve internal communications in ADB ▪ Change in ROs' reporting line implemented
<ul style="list-style-type: none"> • Each organizational unit should have clear responsibility and add unique value. 	<ul style="list-style-type: none"> ➤ Reduced "overlap" through combination of "projects" and "programs" in one department ➤ Clear demarcation between operations and advisory functions ➤ Accountability strengthened by making heads of RDs responsible for all ADB work in concerned DMCs 	<ul style="list-style-type: none"> ▪ Assignments of staff members in departments/offices affected by the reorganization were announced in October–December 2001, and made effective on 1 January 2002 in tandem with the effectiveness of the new organization structure ▪ More authority delegated through NBPs in various areas such as TA approval, portfolio management (loan effectiveness, consultant selection, procurement), private sector operations, mission authorization, etc., with clear accountability ▪ Training provided on managing transition and change, NBPs, mission leadership, working in teams and networks, communications, and other skills ▪ Administrative orders and administrative circulars updated ▪ High-level Coordination Group established to provide guidance and clarification on matters relating to the implementation of the reorganization

RO = resident office.

PROCEDURE AND PROCESS OF CHANGE

1. For personnel assignments the Budget, Personnel and Management Systems Department (BPMSD) was the lead change agent. Internal selection of staff for positions in the reorganized Asian Development Bank (ADB) occurred through a cascading of appointments. Staff appointments were generally on the basis of lateral transfer at the existing job level of staff. In cases where Management had not appointed the division head, the proper authority for the department or office concerned designated an officer-in-charge. The objective of minimizing disruption to operations in 2002 implied that changes in staff assignments needed to be kept to a minimum, hence the primary factor in the selection and assignment process was incumbency. Other considerations, however, were also taken into account. These included stated preferences of both professional and support staff,¹ the job level complement system for staffing, and ADB's human resource policy relating to diversity in staffing. In the months leading up to effectiveness of the reorganization, transition planning was put into effect, including separation and special assignment arrangements for selected staff.

2. A number of successive steps were taken in determining staff assignments in the reorganized ADB. Management considered staff currently in Level 7 and above positions in making appointments to senior staff positions. Such staff were appointed on 26 October 2001. Other professional staff and all support staff were given the opportunity to indicate preference(s) for a change in assignment, notwithstanding the expectation that generally staff would be assigned in divisions and departments/offices that reflected their current assignments (country and/or sector). Staff preferences were to be submitted not later than 5 November 2001, including a specific reason for wishing to be assigned to another area(s). Departments concerned conducted ADB-wide staff briefings on this matter.

3. The designated heads of the departments and offices under the reorganization met with BPMSD to determine personnel assignments. These meetings took into account current work assignments of staff; the skill requirements of the divisions and departments/offices, the current personal job levels of staff, and any stated preferences of staff. To facilitate these meetings, a spreadsheet model was developed mirroring staffing under the former organization and the proposed reorganization. This model assisted the meetings to track the impact of proposed assignments. The meetings were held in late November and early December of 2001, during the course of which every individual staff member was discussed. The existing staffing complement was verified through a variety of means including crosschecking databases (e.g., budget and payroll) to ensure that no staff member was missed.

4. Given that incumbency was the primary factor in selection, a complication arose with the many instances of staff under the former Regions East and West who had assignments that would span two regional departments (RDs) under the reorganization. In these cases incumbency was determined by which RD the core activities of the 2002 work plan would be in. Additionally, to facilitate the transition in such cases, heads of departments/offices were requested to establish contingency work plans for sector division staff with ongoing assignments that spanned two RDs. For professional staff the meetings also considered gender, age, and nationality breakdown of staff in each of the proposed divisions and departments to ensure diversity in line with ADB's human resource policy. For support staff assigned in project administration units, the expectation was that, to the extent possible, they would be assigned to

¹ The "support staff" category was changed into two categories, namely "national officer" and "administrative staff," effective 1 January 2003.

sectors similar to those that they had worked in prior to the reorganization. To the extent feasible heads of departments/offices recommended that administrative assistants be assigned to their supervisors prior to the reorganization.

5. On completion of the exercise all staff members who would be assigned outside their incumbency or stated preference were informed to ensure that there would be no surprise reassignments. Thereafter, Management approval of professional staff assignments and head of BPMSD's approval of support staff assignments was recommended. Assignments for both professional and support staff were announced electronically to staff on 12 December 2001. No administrative errors were encountered; all staff had been accounted for and assigned at the effectiveness of the reorganization. Appendix 4 indicates the structure of the professional staff complement before and after the reorganization as well as under the 2003 budget.

6. At the commencement of the reorganization about 60 professional staff vacancies existed (including 30 new positions independent of the reorganization in the 2002 budget). Along with the pending review of the Resident Mission Policy scheduled for 2002, this permitted in 2002 some flexibility to departments/offices in adjusting their skills mix complement to meet requirements under the reorganization. Staff movements and position advertisements were managed with care in the first 6 months of 2002 to ensure minimum disruption to operations and to allow staff a settling-in period.

7. The reorganization entailed a major effort in office relocation in as quick a time as possible. Immediately upon the announcement of senior staff assignments and the overall reorganized structure and staffing complement, the Office of Administrative Services and Office of Information Systems and Technology commenced work with individual departments and offices. All staffing and logistics arrangements were considered including the need for additional space for potential growth in staff complement as well as for consultants. A variety of logistical reasons (such as computer and communication system constraints and availability of quality moving services during the holiday season at year end) prevented office relocation prior to 1 January 2002. However, the work was planned for and initiated by mid-January 2002 and was completed without significant mishap. The reorganization also entailed the relocation of a considerable volume of records. While this proceeded generally well, there have been instances since the relocation of problems in finding, for instance, project records.

8. A retreat on Managing the Transition and Change in February 2002 covered staff at the vice president, head of department/office, and division level. It reviewed and discussed the transition from technical manager to resource manager; creation of peer learning groups for mutual assistance during transition; how staff may be motivated through the use of regular meetings and appropriate career development planning; and the dynamics of change management. The ongoing managerial focus group meetings supported by the ADB covered a number of topics arising from the reorganization: (i) the Management Committee, (ii) the Knowledge Management Committee, (iii) regional management teams, (iv) change management, (v) effective delegation, (vi) creating alliances, and (vii) working with teams.

9. In the course of undertaking staff training and briefing sessions on the role of teams and committees, it became apparent that this aspect of the reorganization and the new business processes needed further consideration. Accordingly, in 2002, the Enhancing Team Effectiveness project was initiated, being completed in January 2003. The purpose of the project was to clarify training needs to support teams under the reorganized ADB. In implementing the project it became apparent that, while training can contribute to team effectiveness, broader organizational issues are involved. These include understanding of the structure and systems

within which staff work as well as the culture, human relationships, interactions, and values that underlie the functioning of teams. While there were the usual concerns associated with start-up of a major organizational change, the need for immediate and short-term counseling was limited (i.e., it did not exceed the level prior to reorganization). This situation was attributed to the seeming willingness of staff to move forward and settle into the reorganization. The principal exception was with crosscutting specialists, which may have been due to the need to adjust from advisory/compliance functions to being part of a processing team.

TRANSITION AND OPERATIONS

1. In 2002, 85 public sector loans for 67 projects were approved amounting to \$5,531 million; of these 15 were policy-based programs, comprising about 30% of total public sector lending (by amount). This outcome represented an increase of about 18% for both the number of loans and projects over 2001, though by total amount the increase was a more modest 4.3%. Technical assistance (TA) grants numbering 324 were approved amounting to \$179 million, an increase in the number of approvals of 27% over the outcome in 2001. To a certain extent the outcome for these deliverables was depressed in 2001; however, 2002 still represents a return to 2000 levels and, in the case of TA operations, 2002 somewhat exceeded 2000. One qualification is that around 80% of loan and project approvals were in the fourth quarter, slightly more than in 2001 and reflecting a deteriorating trend over the last few years.¹

2. Cofinancing operations also returned to levels comparable to 2000 both in amount and number of projects, exceeding 2001 achievements by about 120% and 58%, respectively. Private sector operations were at comparable levels to 2001, though the amount in loans increased significantly.

3. Progress was also made in various country thematic initiatives (such as poverty partnership agreements, country governance assessments, and country private sector assessments) in 2002 compared with 2001. For country strategy and program papers and their updates and country economic reviews, the outcome was somewhat less than programmed but comparable in total to 2001. A considerable increase in 2002 in general economic, sector, and thematic work was also evident.

4. Project administration and portfolio management improved in 2002 over 2001 as well. This achievement reflects in part continued efforts to strengthen the Asian Development Bank's monitoring and managing capability of the loan and TA portfolio as well as efforts by executing agencies in developing member countries (DMCs). Revised project administration instructions were issued, and improvements were made to the project performance reporting system, while work commenced on developing a similar system for TAs. This situation may also reflect in part benefits from the extension of country portfolio reviews, now covering 17 DMCs, as well as from further delegation of project administration to resident missions (RMs) under the RM policy. As reported in the annual report on loan and TA portfolio performance in 2002,² improvements were evident over a range of performance indicators including performance ratings, percentage of problem and "at risk" projects, contract awards, disbursements, and submission of audited accounts. Of the 18 DMCs with at least five active loans and a portfolio of more than \$100 million, all but five improved performance over 2001 levels. The report notes, however, that, as with a number of other deliverables (para. 1), portfolio performance generally had deteriorated in 2001. Areas needing remedial action it highlighted, among others, time taken for loan effectiveness, the need for extensions to loan closing dates, the proportion of loan cancellations,

¹ Fourth quarter loan and project approvals were close to 53% in 1999. This percentage increased sharply in 2000. Some concern has been expressed that the mirror of this trend may be an upward trend since 2000 in the average time taken for loan effectiveness and as to whether this is an indicator of the state of project readiness (ADB, 2002. *Report of the Development Effectiveness Committee* [SEC. M101-02]). In mid-2002 a revised project administration instruction incorporated and recommended a number of good practices relating to project readiness.

² ADB. 2003. *Annual Report on Loan and Technical Assistance Performance for the Period Ending 31 December 2002* (IN.80-03). Manila. Executive Summary, pages iv and v.

and management of the TA portfolio. It recognizes that an important challenge is enhancing the robustness of the project performance system but foresees also the potential to further improve portfolio performance by increased delegation of the number of projects administered by RMs with projects delegated earlier in the implementation period.

PROFESSIONAL STAFF POSITIONS BEFORE AND AFTER REORGANIZATION

Before the Reorganization	Number (A)	After the Reorganization	Number per Reorg. (B)	Changes (B)-(A)	Number in 2003 (C)	Increase in 2002-03 (C)-(B)
A. Group 1	457		457	0	506	49
1. Operations	390		371	(19)	410	39
a. Front Office	43		15	(28)	16	1
i. Office of Director, PED	4	i. Office of DG, South Asia	4		5	1
ii. Office of Director, AED	6	ii. Office of DG, Mekong	4		2	(2)
iii. Office of Director, IED	6	iii. Office of DG, East and Central Asia	4		5	1
iv. Office of Director, PWD	11	iv. Office of DG, Southeast Asia	3		4	1
v. Office of Director, AWD	8					
vi. Office of Director, IWD	8					
b. Programs/Operations Coordinations	50		33	(17)	41	8
i. Programs East Division 1	11	i. Operations Coord. Div., South Asia	11		14	3
ii. Programs East Division 2	13	ii. Operations Coord. Div., Mekong	10		14	4
iii. Programs West Division 1	8	iii. Operations Coord. Div., East & Central Asia	11		11	0
iv. Programs West Division 2	8	iv. Operations Coord. Unit, Southeast Asia	1		2	1
v. Programs West Division 3	10					
c. Projects/Sectors Operations	211		237	26	248	11
i. Physical Infrastructure	65		71	6	79	8
Energy East	15	<i>Infrastructure, South Asia</i>	24			4
Energy West	18	Transport and Communications, South Asia			16	
Transport and Communications East	17	Energy, South Asia			12	
Transport and Communications West	15	Infrastructure, Mekong	13		14	1
		Infrastructure, East and Central Asia	22		25	3
		Infrastructure, Southeast Asia	12		12	0
ii. Agriculture, Environment, Natural Resources	51		55	4	52	(3)
Forestry and Natural Resources East	11	Agri., Env. & Nat. Rsrcs., South Asia	17		17	0
Forestry and Natural Resources West	13	Agri., Env. & Nat. Rsrcs., Mekong	12		12	0
Agriculture and Rural Development East	11	Agri., Env. & Nat. Rsrcs., East & Central Asia	16		13	(3)
Agriculture and Rural Development West	16	Agri., Env. & Nat. Rsrcs., Southeast Asia	10		10	0
iii. Social Infrastructure	63		68	5	68	0
Education, Health and Population East	16	Social Sectors, South Asia	22		20	(2)
Education, Health and Population West	14	Social Sectors, Mekong	12		13	1
Water Supply, Urban Dev. & Housing East	19	Social Sectors, East and Central Asia	18		19	1
Water Supply, Urban Dev. & Housing West	14	Social Sectors, Southeast Asia	16		16	0
iv. Governance and Finance	32		43	11	49	6
Financial Sector and Industry East	17	Gov., Finance and Trade, South Asia	13		14	1
Financial Sector and Industry West	15	Gov., Finance and Trade, Mekong	9		11	2
		Gov., Finance and Trade, East & Central Asia	13		15	2
		Gov., Finance and Trade, Southeast Asia	8		9	1
d. Pacific Operations	21		21	0	24	3
e. Resident Missions	65		65	0	81	16
2. Strategy/Policy & Thematic/Sectors	47		64	17	70	6
a. Front Office	3		5	2	5	0
i. Strategy and Policy Department	1	i. Strategy and Policy Department	1		1	0
ii. Office of Environment and Social Development	2	ii. Regional and Sustainable Development Dept.	4		4	0
b. Strategic Planning and Operations Coord.	9		13	4	13	0
i. Strategy, Planning & Policy Coord.	7	i. Strategic Planning, Policy and Int'l Coord.	7		7	0
ii. Operations Coord. & Process Changes	2	ii. Management Support	6		6	0
c. Sectors/Thematic	35		46	11	52	6
i. Environment Division	13	i. Environment and Social Safeguard Div.	9		10	1
ii. Social Development Division	12	ii. Poverty Reduction & Social Sectors Div.	9		10	1
iii. Poverty Reduction Unit	5	iii. Governance and Regional Cooperation	8		9	1
iv. Governance and Capacity Building Unit	3	iv. NGO Center	3		3	0
v. NGO Center	2	i. Finance and Infrastructure Division	8		11	3
vi. Sectoral Networks	0	ii. Agri., Natural Rsrcs. & Social Sectors	9		9	0
3. Private Sector Operations	20		22	2	26	4
Private Sector Group	20	Private Sector Operations Department	22		26	4
B. Group 2: Other Departments/Offices	268		268	0	281	13
Total	725		725	0	787	62

Notes: a. Not including the President and vice presidents.

b. Group 1 consists of departments/offices in operation areas and/or directly affected by the reorganization.

c. The South Asia Infrastructure Division was split into the South Asia Transport and Communications Division and the South Asia Energy Division on 1 April 2003.