On 28 July 2020, the Special Senior Advisor to the President issued the following response on behalf of Management:

1. Management welcomes the IED Corporate Evaluation of Knowledge Solutions for Development. It provides considered analysis of how knowledge work is carried out at present at ADB, and how it can be improved to help achieve the objectives of Strategy 2030 (S2030). The evaluation provides Management with timely and useful inputs for the preparation of the Knowledge Management Action Plan (KMAP) and other complementary corporate initiatives, which seek to give effect to the provisions on knowledge in S2030.

2. The evaluation seeks to answer this underlying question: “How ready is ADB to meet the new demands of its partners?” The guiding principle of S2030 is a country-focused differentiated approach to ensure relevance and value addition to our engagement with our developing member countries (DMCs). In addition to responsiveness to DMC knowledge needs, S2030 also speaks to how ADB can enhance generation and management of knowledge.

3. We would like to thank and commend IED for the constructive dialogue with staff and Management during the evaluation exercise, and for the comprehensive evaluation report.

A. Comments on Key Findings

4. In general, the evaluation findings are in line with Management’s understanding of the key role of knowledge in ADB’s engagement with its DMCs, particularly the Upper Middle-Income Countries (UMICs). Several specific points related to the key findings in the evaluation and ADB’s ongoing work merit mention here.

5. Need to promote change internally. The IED evaluation concludes that there is a need to further deepen ADB’s efforts on internal incentives and organizational change. Since the approval of S2030, Management has initiated several corporate initiatives, and is grateful to the evaluation team for reflecting some of the ongoing ones such as on the Learning Culture, Review of Resident Mission Operations, KMAP, and organizational changes to facilitate partnerships. In addition, information technology (IT) initiatives such as the Data Management Sub-Committee (DMSC) and the Digital Agenda 2030 have enabled more systematic adoption and change management that has promoted change internally. For example, the Digital Innovation Sandbox program, launched in April 2019, has already explored more than 200 new ideas and solutions resulting in 13 digital innovation pilots launched that use advanced technologies. This and other programs of the Digital Agenda are supporting cultural transformation by changing the way we work through technologies and business process transformation. Overall, Management is of the view that a strategic perspective needs to be taken to understand how these initiatives are collectively furthering the knowledge agenda of ADB.

6. Organizational silos adversely impacting knowledge work. The report makes it clear that existing organizational silos impede effective knowledge work. It is natural for silos to exist in large organizations with diverse portfolios. In recent years, however, ADB has accomplished a lot in breaking them down. A One ADB approach is being mainstreamed throughout the ADB’s
operations, from country programming, sovereign financing, nonsovereign financing, knowledge and technical assistance, to jointly processed financings. Since mid-2019, ADB has instituted specific provisions for staff on the parameters for, and level of, interdepartmental collaboration on projects/transactions that meet the One ADB collaboration target outlined in the Corporate Results Framework (CRF) and Operational Performance Metrics. Validated collaboration targets are reported to Management twice a year at the Operations Review Meetings. Cross-departmental work is now more evident (for example, in the preparation of the Innovation Framework by a group of 150 staff members from different departments). Investing in IT has also encouraged knowledge sharing across ADB. At the core of our COVID-19 response has been several years of effort that have led to the design and implementation of new platforms and mechanisms to promote seamless collaboration and communication and break the silos. This has demonstrated that ADB is a nimble and agile organization working effectively with a One ADB approach. The Content and Collaboration project, under the IT Reforms, clearly demonstrates its value and impact with an ADB-wide rollout of SharePoint, Skype, Microsoft Teams, and Yammer as collaboration platforms in the cloud to access content anytime, anywhere. In order to assess how organizational silos can be further minimized, it would have been beneficial if the report could have (i) provided evidence and feedback from staff and DMCs to identify priorities and gaps that can be addressed, and (ii) synthesized international best practice in this regard and identified gaps where we could do more to overcome the silos.

7. **Management's commitment to a holistic approach to knowledge.** S2030 clearly posits that ADB's underlying strength is in the knowledge created by entities across the institution. In Management's view, there is no dichotomy of knowledge versus operations. However, this concept was not clear in the evaluation report. ADB's strengths and competitive advantage lie in two complementary fronts: (i) the knowledge it has amassed over the years of the country context and sector-based experience, which is then used effectively to develop its portfolio of operations; and (ii) focusing on innovation and new ways of working. Management believes that it is not advisable to separate knowledge from operations, tacit knowledge from explicit knowledge, or financial from nonfinancial knowledge interventions. This is why the formulation and design of the KMAP is premised on integrating and mainstreaming knowledge across ADB. This implies that Management is looking beyond the limiting view that knowledge is undertaken largely by ERCD, SDCC, and operations departments. All departments and offices in ADB are engaged in enhancing and sharing knowledge in their own areas of operation, and their work as well as contributions will be reflected in the KMAP.

8. **Need for knowledge measurement and indicators.** While Management concurs that greater focus on strengthening efforts to address key institutional issues—like harnessing of tacit knowledge—is critical, we would like to point out that contrary to the statements in the report, ADB measures knowledge solutions systematically. ADB has the most comprehensive coverage of knowledge related indicators compared with other multilateral development banks (MDBs) at the corporate level. Knowledge measurement covers knowledge being produced, used by, and benefiting the DMCs; and the indicators are built across the three levels (outcome, outputs, and systems and processes) of ADB's CRF. Furthermore, ADB is the only MDB that canvasses the views of the clients and staff on knowledge products and services, and how they can benefit from institutional development and cultural change at corporate level.
B. Management Response to the Recommendations

9. Recommendation 1: Make a clear, high-level decision about the desired depth and scope of the institutional transformation needed to implement Strategy 2030’s knowledge ambitions.

*Management agrees.* Under S2030, Management committed a country-focused approach leveraging ‘One ADB’ and optimizing a blend of knowledge and finance. Since the approval of S2030 in 2018, it has been demonstrated how the approach has benefitted our DMCs. In that respect, Management sees the appropriate implementation approach to be moving along a continuum between the Knowledge++ and Finance++ boundary paths, conditioned as it is by variation in country context and other specific conditions. In keeping with this, Management will continue with its important efforts to review and strengthen processes, structures, and other arrangements related to knowledge management to further facilitate knowledge in its operations, and give effect to the knowledge ambitions of S2030. This focus on tailored solutions to the DMCs is consistent with ADB’s mandate as a development bank.

10. Recommendation 2: If the Board and senior management favor a path closer to the Knowledge++ Bank model, ADB will need to adopt a comprehensive approach to fully implementing Strategy 2030’s knowledge ambitions.

*Management agrees.* As mentioned in para. 9, our commitment under S2030 is to prioritize responsiveness to DMC needs. Although conceptually, the dichotomy between knowledge and finance may be useful under S2030, we are committed to provide the most optimal combination of knowledge and finance. Several departments in ADB are working collectively on numerous initiatives in this regard, including (i) analyzing how capabilities in innovation and skills development in the seven operational priority areas can be further strengthened; and (ii) expanding the provision of existing training and coaching programs on leadership and organization culture. Particular mention should be made of the Culture Transformation Initiative which is designed to look at the current and desired culture of ADB and engage various stakeholders to refresh the corporate values that are authentic and inspiring to staff members. Through this initiative, improvements are sought in the way work is done and to foster an environment where staff are empowered to achieve ADB’s mission, while creating synergy and alignment among existing initiatives of the organization. ADB’s engagement with the various MDBs and other external platforms will also help bring in knowledge from initiatives undertaken by other development partners.

11. Recommendation 3: If the Board and senior management favor the pursuit of a path closer to the Finance++ Bank model, ADB can maintain the current pace of incremental reform, but should undertake a number of actions to strengthen the knowledge solutions it provides.

*Management agrees.* Sector and Thematic Groups (STGs) play a critical role, not only in providing strategic operational support to the operations departments, but also in generating, disseminating, and institutionalizing knowledge in their particular sectors and thematic areas. The terms of reference of the STGs will be reviewed to strengthen their roles in project and program design, as well as increase cross-departmental cooperation. Guidance on different aspects of knowledge management work (such as country knowledge programming for UMICs) will be prepared and disseminated. This will also
include collecting and reporting on effective knowledge solutions that operations, as well as non-operations, and knowledge departments are involved in. Care will be taken to ensure that the transaction costs of carrying out these actions are minimal. With respect to the Digital Agenda, an enterprise document and record management system, and board information system will use improved metadata management combined with cognitive search capability to incrementally improve the accuracy, discovery, and retrieval of documents. Finally, in order to enhance the capture and use of tacit knowledge in ADB operations, initiatives will be taken to: (i) build skills in preparing rigorous case studies based on ADB’s operations (as well as that of global partners such as the Jamal-Latif Poverty Action Lab), develop staff capacity to take advantage of emerging data sources and techniques (such as big data analysis and satellite imagery), and use these results as learning tools; (ii) reinforce provisions of knowledge transfer in the terms of reference of consultants and resource persons as part of their duties; and (iii) strengthen platforms (such as community sites) for departments and offices where staff members can interact and share their tacit knowledge in their fields of expertise.

12. Recommendation 4: Whichever model ADB selects, it should take ownership and adopt a long-term commitment to its choice at all levels, develop benchmarks, targets, and metrics and periodically report the implementation progress to the Board.

Management agrees. Management has demonstrated its commitment to monitoring improvements through benchmarks, targets, and metrics as described in para. 8 above. ADB’s current focus is looking at how to facilitate and improve the generation and management of knowledge as well as the responsiveness to DMC needs as part of the KMAP. In addition, KMAP will build on the work done on ADB’s CRF and include a results framework with more granular indicators to enable us to measure the production and contribution of knowledge. After the approval of S2030, Management has also built in provisions to report on implementation progress through the Workforce Planning and Budget Framework on a regular basis. As part of the KMAP exercise, Management will review and consider the application of specific recommendations, such as revising the Most Admired Knowledge Enterprise (MAKE) methodology and compliance with ISO 30401: 2018 - Knowledge Management Systems Requirement. ADB will also look at relevant industry-standard approaches on knowledge management to ascertain suitable external benchmarks as part of KMAP implementation. ADB is already a participant in a semi-formal group of knowledge management practitioners of international financial institutions and others. It will assess the costs and advantages of formalizing the group.

13. Management considers that the measures and initiatives already taken and planned demonstrate its strong ownership and long-term commitment to enhancing knowledge in ADB’s work. It concurs that good practices with knowledge solutions show clearly that an organization that values knowledge needs to have committed leadership, a culture and incentive structure that encourages discourse, and sufficient flexibility to take advantage of its resources. The onset of the COVID-19 pandemic, which necessitated ADB to substantially reorient its work processes in a short amount of time, demonstrates the organization’s agility in responding to out-of-the-ordinary situations.
On 12 August 2020, the Special Senior Advisor to the President issued the following addendum to the response on behalf of Management:

1. This Addendum to the Management Response (MR) reinforces relevant messages in the MR and captures staff's contributions at the informal Development Effectiveness Committee (DEC) meeting on the IED report, August 4, 2020.

A. Overarching Message

2. Regarding the central recommendation of the report, Strategy 2030 sets out the vision for ADB regarding finance, knowledge, and partnerships as follows:

"ADB will add value to its developing member countries (DMCs) by combining finance, knowledge, and partnerships. ADB will continue to be a reliable financier and catalyst of finance. As a knowledge provider, it will focus on practical value that fits local conditions, identify lessons, and replicate good practices across the region and beyond."

3. By building on more than 50 years of knowledge from operations, policy dialogue, capacity development, and transaction advisory services, ADB is providing this added value; and as the Asia and Pacific region progresses and evolves, it is recognized that the knowledge element of ADB’s products and services will increase in importance.

4. ADB will apply a differentiated country approach to combining knowledge and finance to achieve the vision of Strategy 2030. For our upper middle-income countries (UMICs), the focus is already predominantly on knowledge. For others, even as financing supplemented with knowledge will be more important, our policy advice and capacity development initiatives, among others, in areas such as public private partnerships, public sector management reforms, sector-based reforms, etc. show that knowledge itself is continually highlighted in ADB’s work on the ground.

6. While ADB is already a knowledge bank, it remains committed to becoming stronger in this regard. Improving its ability to add value through knowledge in the future will require changes to the bank’s culture, processes, and relationships with our partners, among other areas. A considerable amount of work has already been carried out in these areas and Management is committed to progressing further in these directions. Management recognizes that transforming itself into an organization where knowledge will gain full prominence across the board in its engagement with its DMCs is a long-term and multi-faceted process.

7. The IED report will contribute meaningfully to strengthening knowledge services in ADB: it informs and supplements Management’s understanding of the areas requiring strengthening, including knowledge management processes and systems. In this regard, it will be appropriate to submit the Management Action Reporting System (MARS) Action Plan following the completion of the Knowledge Management Action Plan (KMAP) in early 2021.
B. The Knowledge Management Action Plan

8. The completion of the KMAP following the IED evaluation will demonstrate ADB’s strong commitment to strengthening knowledge services, as specifically required by Strategy 2030.\(^1\) Work on preparing the KMAP has been ongoing for over two years, with a pause during the time the IED evaluation report was being prepared. The KMAP is being prepared by a Bank-wide working group and is centered around a robust theory of change.

9. Taking into account the recommendations and other suggestions made in the evaluation report, the KMAP will focus specifically on:

   a. The importance of culture change;
   b. Particular actions that draw from the report’s findings, including on, among others: (i) quality review processes; (ii) sharing of, and ease of access to, knowledge; (iii) use of consultants to provide services and impact on knowledge sharing; (iv) sharing tacit knowledge; (v) use of digital technology in knowledge enhancement; (vi) external benchmarking of ADB’s Knowledge Management system; (vii) incentivizing knowledge work; and (viii) applying a differentiated approach with respect to UMICs; and
   c. a knowledge results framework that: (i) draws from a robust theory of change; (ii) includes a set of verifiable results indicators to track progress; and, (iii) links to the Corporate Results Framework.

C. Consultation and Preparation Process

10. In the preparation of the KMAP, extensive consultations are planned with the Board to take the form of three sessions: (a) an Informal Board Seminar (IBS) in early September; (b) a Deep Dive exercise on the draft KMAP in end-October; and (c) a further IBS planned in early 2021. In parallel, consultations across the bank and with our DMCs will continue, as they have been since early 2019. The KMAP is expected to be finalized in the first quarter of 2021.

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\(^1\) Chapter Nine of Strategy 2030 is titled “Strengthening Knowledge Services”.