2018 DEVELOPMENT EFFECTIVENESS REVIEW

APRIL 2019

2018 PERFORMANCE AT A GLANCE

COMMITMENTS

ADB lending and grants committed in 2014-2018 (\$ billion)

Note: Numbers may not sum precisely because of rounding.

MAJOR ACHIEVEMENTS

Targets ADB has met or is on track to meet by 2020

CHALLENGES

Targets ADB is off track to meet by 2020

RESULTS ACHIEVED

1,200,000

students

educated and trained under improved quality assurance systems

EDUCATION

2,431,000

tons of carbon dioxide

equivalent per year greenhouse gas emissions reduced

ENERGY

8,400

kilometers

roads built or upgraded

TRANSPORT

413,000

households

with new or improved water supply

WATER

2,346,000

microfinance loan

accounts opened or end borrowers reached

FINANCE

6,660,000

tons per year

cross-border cargo volume facilitated

REGIONAL COOPERATION AND INTEGRATION

ADB

2018 DEVELOPMENT EFFECTIVENESS REVIEW

APRIL 2019

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Notes:

In this publication, “\$” refers to United States dollars.

ADB recognizes “China” as the People’s Republic of China and “Vietnam” as Viet Nam.

On the cover: Manoj Mihaulia, a farmer from Madhya Pradesh, India; Dildora Nabieva, a manager at a ceramics factory in Tashkent, Uzbekistan; and a student from Rang Dong Lower Secondary School in Dien Bien Province, Viet Nam are among the many beneficiaries of ADB-supported projects and programs. Photos by Amit Verma (India), Relisa Granovskaya (Uzbekistan) and Tran Viet Tuan (Viet Nam).

Cover design by Cleone Baradas.

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ABBREVIATIONS

ADB	–	Asian Development Bank
CO ₂	–	carbon dioxide
CPS	–	country partnership strategy
CRF	–	corporate results framework
CSO	–	civil society organization
DEfR	–	development effectiveness review
DMC	–	developing member country
DMF	–	design and monitoring framework
DVA	–	direct value-added
FCAS	–	fragile and conflict-affected situations
GAP	–	gender action plan
ICT	–	information and communication technology
IED	–	Independent Evaluation Department
km	–	kilometer
Lao PDR	–	Lao People's Democratic Republic
MSMEs	–	micro, small, and medium-sized enterprises
O&M	–	operation and maintenance
OCR	–	ordinary capital resources
PBL	–	policy-based lending
PCO	–	Pacific country office
PCR	–	project completion report <or> program completion report
PFM	–	public financial management
PNG	–	Papua New Guinea
PPER	–	project performance evaluation report
PPP	–	public–private partnership
PRC	–	People's Republic of China
PSM	–	public sector management
PSOD	–	Private Sector Operations Department
RBL	–	results-based lending
RCI	–	regional cooperation and integration
RY	–	reporting year
SDG	–	Sustainable Development Goal
SIDS	–	small island developing state
TA	–	technical assistance
TVET	–	technical and vocational education and training
UNICEF	–	United Nations Children's Fund
WPBF	–	Work Program and Budget Framework

Extra income. The money Wang Bao and Mei Chunzhi earn from maintaining a road constructed under an ADB project goes a long way to fund their farm (photo by Lu Jingwen).

PERFORMANCE **highlights**

The 2018 Development Effectiveness Review is the 12th annual performance report of the Asian Development Bank (ADB). The review uses the 85 indicators of the Transitional Results Framework, 2017–2020 as a yardstick to assess progress in the Asia and Pacific region and ADB's performance in delivering development results. This section summarizes the main findings.

SUMMARY PERFORMANCE SCORECARD 2018

Development Progress in Asia and the Pacific (Section I: Level 1)							
Item	ADB DMCs Overall			CA DMCs			
Poverty	60%	30%	10%	80%	20%	0%	
Other development outcomes	36%	55%	9%	50%	33%	17%	

ADB's Development Effectiveness (Section II: Levels 2, 3, and 4)		
ADB's Contributions to Development Results (Level 2)		
	ADB	CA
Country assistance programs successfully completed		
Results in Strategy 2020 core operational areas achieved		
ADB's Operational Management (Level 3)		
Operations satisfactorily implemented		
High-quality country strategies and operations prepared		
Development finance mobilized and transferred		
ADB operations focused on strategic agendas and core operational areas		
ADB operations promote drivers of change		
ADB's Organizational Management (Level 4)		
Sufficient staff resources maintained, and staff motivation and diversity increased		
Budget efficiency and adequacy improved		
Business process efficiency and client orientation improved		

= good, = mixed, = poor, = progress above baseline, = progress within baseline, = progress below baseline.

ADB = Asian Development Bank, CA = concessional assistance, DMC = developing member country.

Source: Asian Development Bank Strategy, Policy, and Review Department.

PERFORMANCE HIGHLIGHTS

I. Regional Progress on Development Indicators

Level 1: Development Progress in Asia and the Pacific

Level 1 of the 2018 Development Effectiveness Review shows that the development prospects of the region remain promising overall.

- **Continued decline in absolute poverty amid moderating economic growth.** Poverty reduction has continued, but 264 million people in the region still lived below the extreme poverty line in 2015 and 836 million people lived just above that level. The overall annual growth rate of real gross domestic product per capita in developing member countries (DMCs) of the Asian Development Bank (ADB) moderated from 5.8% in 2015 to 5.4% in 2017.
- **Slow improvements in human well-being indicators.** The prevalence of stunting among children under the age of 5 in ADB DMCs remained above global averages. Child mortality declined from 36 per 1,000 live births in 2014 to 31 per 1,000 in 2017 but remained substantially higher in the concessional assistance countries, at 49 per 1,000. There was limited progress in improving ADB DMCs' gross lower secondary graduation rates, which have been almost static since 2014 at about 68%.
- **Infrastructure services provision remains a challenge.** About 92% of people in ADB DMCs had access to electricity in 2017, although the share generated from renewable sources declined. Access has been expanding faster in concessional assistance countries but was still 12 percentage points lower than in ADB DMCs overall. The rates of water and sanitation coverage remained largely unchanged, with wide rural–urban disparities, while road access increased by 2.2 kilometers per 10,000 people during 2013–2016 to 22.3 kilometers per 10,000.
- **Progress on enabling environment for development.** The time taken to start a business lengthened for ADB DMCs overall and concessional assistance countries. However, this was substantially influenced by one concessional assistance country's adoption of anticorruption measures. Business start-up times across the region shortened if this case is removed. During 2014–2017, 396 million more adults in ADB DMCs opened an account with a financial institution or mobile money service provider, raising financial inclusion by 12 percentage points to 70% of adults. South Asia accounted for almost 80% of this increase.
- **Environmental trends still a concern.** Forest cover remained unchanged and the region saw a continued rise in total carbon emissions, albeit at a slower pace, while carbon intensity declined.

II. ADB's Performance in 2018

Level 2: ADB's Contributions to Development Results

Completed country strategies and assistance programs and policy-based operations met the 80% success rate target for the first time. For both sovereign projects and nonsovereign operations, performance was unchanged and below the target. ADB exceeded the target for delivery of intended gender equality results once again. Most of the operations ADB completed in 2018 delivered their targeted results in ADB's core sectors of focus.

- **Country assistance program success rates on target.** Of 15 completed country strategies and assistance programs evaluated by ADB's Independent Evaluation Department in reporting years (RY) 2016–2018, 12 were rated *successful*, meeting the 80% target.
- **Sovereign project success rates remained below the 80% target.** The success rate of sovereign projects was unchanged at 74% overall and remained below the RY2014–2016 baseline of 76%. The success rate of projects financed by concessional assistance declined slightly to 73%. Small improvements in success rates in the infrastructure sectors, which made up the majority of projects, were offset by bigger deteriorations in education, finance, and public sector management projects.
- **Policy-based operations surpassed success rate target for the first time.** The success rate of policy-based operations exceeded the 80% target, rising by 14 percentage points to 88% in RY2016–2018 from the previous reporting period. All policy-based operations reviewed in 2018 were rated *successful*.
- **Nonsovereign operations performance stable but substantially below target.** Only 56% of completed nonsovereign operations were rated *successful* in RY2016–2018, a result unchanged from the previous reporting period and below the target of 80%. Infrastructure operations continued to outperform finance operations, which made up 59% of total nonsovereign operations in RY2016–2018.
- **Gender equality results remained above target.** During RY2016–2018, 76% of completed sovereign operations categorized *gender equity theme* or *effective gender mainstreaming* delivered their intended gender equality results, surpassing the 70% target for the third successive year.
- **Steady performance on delivering results.** Completed projects achieved 85% or more of their intended results for 20 of the 22 ADB-wide indicators and 14 of the 18 of those in the concessional assistance subset.

Level 3: ADB's Operational Management

Quality at entry and of implementation remained high in 2018. Performance was mixed on indicators measuring mobilization and transfer of development finance to the DMCs. Strategic alignment improved, especially in support of the Strategy 2020 priority areas of environment, education, and health; and the drivers of change, private sector development, governance, gender mainstreaming, and knowledge solutions.

- **Project start-up time shortened further.** The average time from approval to first contract in sovereign projects shortened again, to 10.4 months in 2018 from 11.7 months in 2017, putting ADB *on track* to meet the ambitious 2020 target of 9.0 months. For the concessional assistance subset, start-up time lengthened from 11.4 months in 2017 to 11.9 months in 2018, changing the rating to *on track but watch* toward the shared target.
- **Continuing strong procurement readiness.** The share of sovereign infrastructure projects that were procurement-ready at approval increased by 1 percentage point to 46% in 2018, remaining above the 2020 target of 40%. More than three-quarters of infrastructure projects were also design-ready before approval.
- **Record disbursement volumes but declining ratios.** ADB disbursed a record \$14.18 billion in 2018—\$2.74 billion more than in 2017. However, the undisbursed balance grew at a similar rate. This caused the disbursement ratio for sovereign projects and results-based lending to drop below the 2020 target by 1 percentage point to 21.0% and the ratio for nonsovereign loans to move further below the target of 45.7% to 30.3%. The disbursement ratio for the concessional assistance subset remained unchanged at 19.8% and close to the 20.0% target.

- **Direct value-added cofinancing ratio higher.** The volume of direct value-added cofinancing signed in 2018 hit a record high of \$13.9 billion, up from \$11.8 billion in the previous year. Official and other concessional cofinancing and commercial cofinancing each increased by \$1 billion to reach new highs. Despite these achievements, total direct value-added cofinancing amounted to 64% of total ADB financing signed in 2018, 4 percentage points more than in 2017 but still far from the ambitious 2020 target of 100%.
- **Growth in public-private partnership transactions.** ADB helped formulate an annual record of 27 project development transactions for public-private partnership in 2018, bringing the cumulative total since 2013 to 99, just shy of the 2020 target of 100.
- **Social protection support still off track.** The proportion of committed operations supporting this pillar of inclusive economic growth dropped slightly to 4.9% in 2016–2018 from 5.1% in 2015–2017 for ADB overall and to 4.8% from 5.9% for the concessional assistance subset. Both ratios remained *off track* to meet their 2020 targets, which are to keep the shares above the baselines.
- **Record climate change mitigation and adaptation share.** The proportion of ADB operations supporting climate change mitigation and/or adaptation during 2016–2018 also continued to surpass the 2020 target of 45%, increasing by 7 percentage points to 56% of ADB operations. For the concessional assistance subset, the share rose even more, from 47% in 2015–2017 to 60% in the current reporting period and well above the targeted 35%.
- **Education financing share reached target range.** Education commitments reached a record 7.5% share of total commitments in 2018, achieving the 2020 target range of 6.0%–10.0% for the first time. The volume of commitments rose from \$710 million in 2017 to \$1.6 billion, with 13 loans and grants committed.
- **Health finance on track.** Financing for health rose to 2.4%, the highest share of operations since 2010, putting ADB *on track* to meet the target range of 3.0%–5.0% by 2020. Financing more than doubled to \$515 million, from \$211 million in 2017, with 13 loans and grants committed.
- **Record financing for private sector operations.** Commitments for private sector operations increased by 37% to \$3.14 billion in 2018 from \$2.29 billion in 2017. Private sector operations' share of the total signed regular ordinary capital resources financing rose from 13.3% in 2017 to 19.3% in 2018, putting this indicator *on track* to meet the 2020 target of 20%.
- **Gender mainstreaming target surpassed.** The share of committed sovereign operations supporting gender mainstreaming increased to 52% in 2016–2018 from 49% in 2015–2017, exceeding the 50% 2020 target for ADB operations overall. In the concessional assistance subset, 62% of operations supported gender mainstreaming, up from 55% in 2015–2017 and above the target level of 55%.

Level 4: ADB's Organizational Management

ADB further decentralized and strengthened its DMC presence. Staff perceptions, as measured by the staff engagement survey, were more favorable than 3 years ago. Women's representation in the international staff category rose further. Processing times shortened significantly for procurement contracts of \$10 million and more.

- **Operations departments staffing target met.** The proportion of budgeted international and national staff assigned to operations departments met the 56% target for the second consecutive year. New positions and

postings raised the share of regional department staff working in the resident missions to 59%, from 56% in 2017 and 54% in 2016.

- **Women gained a larger share of international staff positions.** The representation of women in the international staff category increased further to 36.3% from 35.2% in 2017. The indicator was rated *on track but watch* to meet the 2020 target of 38%.
- **More favorable staff engagement.** Staff responses to the 2018 staff engagement survey showed a staff engagement rate of 86%, up from 82% in 2015 and 1 percentage point short of the annual 87% target.
- **Budget efficiency strengthened.** ADB's 3-year average ratio of internal administrative expenses per \$1 million disbursement has remained consistently within the target range since 2014–2016. At \$47,200 per \$1 million disbursement, the 2018 ratio was slightly lower than the 2017 and 2016 figures.
- **Share of portfolio management costs stable and on target.** The share of operational expenses for portfolio management stayed almost constant at 52.1% in 2018 compared with 52.0% in 2017, remaining within the target range.
- **Procurement processing time target surpassed.** Sovereign operations procurement contracts of \$10 million and more took 38 days to process in 2018, down from 52 days in 2017 and less than the target time of 40 days.

Woman empowered. Starting with little knowledge about textiles, Umida Sultanova rose through the ranks and now mentors other employees as the production manager in a factory in Tashkent, Uzbekistan (photo by Relisa Granovskaya).

Learning with a smile. Students at Brij Mohan Tewary Girls High School in Purba Medinipur District, West Bengal, India (photo by Amit Verma).

Introduction

The Development Effectiveness Review is ADB's primary tool to monitor and report on its progress toward achieving the priorities in its corporate strategy. The 2018 review continues to report on ADB's performance under Strategy 2020 and its midterm review using the Transitional Results Framework, 2017–2020. The Transitional Results Framework is in use until the Strategy 2030-aligned corporate results framework is adopted.

INTRODUCTION

1. The 2018 Development Effectiveness Review (DEfR) is the 12th in the series of annual performance reports prepared by the Asian Development Bank (ADB). The DEfR is based on ADB's corporate results framework (CRF), a management tool to track and monitor ADB's progress in implementing its strategy. The process of preparing the DEfR is ADB's corporate annual review and reflection exercise, serving to analyze performance trends and identify underlying issues as inputs to developing actions for improving performance. The DEfR findings inform ADB's operational directions and resource planning through the President's planning directions and the 3-year corporate work program and budget framework process.
2. The 2018 DEfR assesses ADB's performance in achieving the priorities of Strategy 2020, ADB's long-term strategic framework for 2008–2020, and its midterm review.¹ It continues to use ADB's Transitional Results Framework, 2017–2020,² which covers ADB operations overall and the subset of ADB operations and countries that receive concessional assistance.³ In July 2018, ADB approved a new long-term strategy, Strategy 2030.⁴ Preparation of the Strategy 2030-aligned CRF is underway. The new framework is expected to be considered by the Board of Directors in 2019, and once adopted, will supersede the Transitional Results Framework. Thus, 2018 was a year of strategic evolution for ADB. Reflecting this, the 2018 DEfR includes two feature sections: a final status update of the action plan from the Midterm Review of Strategy 2020, which was closed out at the end of 2018, and a reflection on lessons learned over 11 years of managing for development results under Strategy 2020.⁵
3. The Transitional Results Framework contains 85 indicators arranged in four levels and divided into two sections. Section 1 comprises Level 1, which tracks development progress in Asia and the Pacific to monitor the continued relevance of ADB's strategy. It does not assess ADB's performance, but instead reflects the collective development progress in the region on indicators aligned with the Sustainable Development Goals (SDGs). Section 2 includes Levels 2, 3, and 4. It measures ADB's performance in executing Strategy 2020 and its midterm review. Level 2 focuses on ADB's contributions to development results through the successful delivery of the results of operations completed over the preceding 3 years, Level 3 tracks ADB's operational management of its new and ongoing operations, and Level 4 examines ADB's performance in managing its internal resources and processes to support its operations effectively.
4. The 2018 DEfR uses green, amber, and red signals to illustrate the direction of change in the case of Level 1 indicators, and to indicate performance against targets for the indicators in Levels 2, 3, and 4. Performance on indicators with 2020 targets is expected to progress from the baseline value to attain these targets. Performance on indicators with annual targets needs to meet minimum and/or maximum threshold values set for each year during 2017–2020.
5. Appendixes 1–4 provide the names and categories of ADB's developing member countries (DMCs), country and operational performance of the nine DMCs faced with fragile and conflict-affected situations, a summary of changes to data reported in the 2017 DEfR, and the sector and area distribution of ADB

¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank*. Manila; and ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

² ADB. 2017. *The Asian Development Bank's Transitional Results Framework, 2017–2020*. Manila.

³ Concessional assistance is the subset of ADB's overall operations financed by concessional ordinary capital resources (OCR) loans and Asian Development Fund grants.

⁴ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁵ ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

financing approved in 2018. The scorecards for each level, scoring methods, and standard explanatory data indicators are in the pocket at the back of this report. Linked documents include the Transitional Results Framework, the definitions of the results framework indicators and standard explanatory data indicators, and a technical note on the DEfR rating system. All of these documents are available at <https://www.adb.org/documents/development-effectiveness-review-2018-report>.

Fruits of labor. A farmer with his harvest at Pangge Village, South Lembor, East Nusa Tenggara Province in Indonesia (photo by Robertus Pudyanto Hari Pribadi).

LEVEL 1: Development Progress in Asia and the Pacific

ADB tracks development progress and challenges in Asia and the Pacific so that it can fine-tune its strategy and operations to the region's evolving needs. The 22 indicators at Level 1 of the corporate results framework help do this by providing a snapshot of the region's progress in reducing poverty; promoting human development; and achieving other outcomes related to increasing access to basic infrastructure and services, strengthening governance, and safeguarding the environment.

LEVEL 1: DEVELOPMENT PROGRESS IN ASIA AND THE PACIFIC

A. Poverty

1. Promoting Prosperity: No Poverty (SDG 1), Reduced Inequality (SDG 10), and Productive Employment, Decent Work and Economic Growth (SDG 8)

6. **Poverty continued to decrease, but vulnerability to falling back into extreme poverty remains.** The **proportion of the population below the international poverty line** of \$1.90 a day (at 2011 international prices) in Asia and the Pacific decreased rapidly from 25.6% in 2005 to 7.0% in 2015, lifting more than 611 million people out of extreme poverty, four-fifths of them in the People's Republic of China (PRC) (234 million) and India (253 million). This left more than 260 million people still living in extreme poverty, most of them concentrated in South Asia (202 million).

7. Progress in reducing the number of people living on less than \$3.20 a day was slower, with the share declining from 34.1% to 29.0% in ADB DMCs and from 40.8% to 36.4% in the concessional assistance countries during 2013–2015. Overall, about 836 million people in ADB DMCs are vulnerable to falling back into extreme poverty (Figure 1).⁶

Figure 1: Decline in Poverty in Asia and the Pacific, 2005–2015 (million)

Source: PovcalNet. World Bank Development Research Group.
<http://research.worldbank.org/PovcalNet/povOnDemand.aspx> (accessed 4 January 2019).

⁶ In this report, the term “ADB DMCs” includes 40 DMCs listed in Appendix 1. Five developing members—Brunei Darussalam; Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China—have graduated from regular assistance and are not included in the analyses. Concessional assistance countries refer to a subset of ADB DMCs that have access to concessional resources.

8. **Economic growth moderated but remained healthy.** The overall **annual growth rate of real gross domestic product per capita** in ADB DMCs, although robust, moderated from 5.8% in 2015 to 5.4% in 2017 (Figure 2). In the same period, Pacific DMCs experienced a particularly sharp deterioration from 4.5% in 2015 to -0.6% in 2017. This region has been affected by the drop in prices of hydrocarbons and other natural resources and by a series of disasters, including cyclones Ian (2014), Pam (2015), and Winston (2016). Southeast Asia continued to perform well on this indicator, with a growth rate of 4.5% in 2017, while growth in Central and West Asia increased steadily to 3.1% from 2.3% in 2015.

Figure 2: Annual Gross Domestic Product Growth per Capita in ADB Developing Member Countries, 2010–2017 (%)

() = negative, ADB = Asian Development Bank, DMC = developing member country.

Source: World Bank. World Development Indicators.

<http://data.worldbank.org/data-catalog/world-developmentindicators> (accessed 16 January 2019).

9. **More skilled jobs available.** During 2014–2017, the share of **wage and salaried workers in total employment** rose by 1.4 percentage points to 34.1% for ADB DMCs and by 1.5 percentage points to 39.3% for concessional assistance countries.⁷ A larger proportion of the jobs occupied by males in concessional assistance countries were skilled jobs (42.8% in 2017, compared with 34.4% for ADB DMCs overall).⁸

10. **Income and wealth inequality remain a concern.** The most recent data show that while the average **growth rates of household expenditure or income per capita** of the **total population** continued to grow faster than those of the **bottom 40%** in ADB DMCs, the bottom 40% experienced a steeper increase. The bottom 40% therefore benefited from a larger share of growth than previously, and their growth rates, while lower, are approaching those of the total population (Figure 3).

⁷ The International Labour Organization recognizes wage and salaried workers as the eminent and skilled component of the labor force. (Institute of Labour Science and Social Affairs and International Labour Organization. 2014. Wage and Salaried Workers. *Policy Brief*. 3. http://ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_428972.pdf.)

⁸ For women, the skilled jobs share was 32.3% in concessional assistance countries and 33.5% in ADB DMCs overall.

Figure 3: Growth Rates of Household Expenditure or Income per Capita (%)

Source: Asian Development Bank estimates using data from World Bank. PovcalNet.
<http://iresearch.worldbank.org/PovcalNet/home.aspx>.

11. In concessional assistance countries growth rates fell for both groups over the period. While the growth rate of the bottom 40% remained above that of the total population, the decline in the growth rate was more pronounced. Consequently, the relative benefit for the bottom 40% is declining.

12. The percentage of ADB DMCs with high income inequality (a Gini coefficient exceeding 0.4) remained constant at 29.4%. Ten countries, six of them Pacific DMCs, reported high income inequality. Inequality decreased from 2010–2014 in 12 ADB DMCs and increased in 7.⁹

2. Investing in People: Zero Hunger (SDG 2), Good Health and Well-Being (SDG 3), and Quality Education (SDG 4)

13. **No significant progress in addressing stunting.** The 2006–2016 data on the **prevalence of stunting among children under 5 years of age** show that 28.8% of children of this age group in ADB DMCs experienced stunting, slightly lower than the 2006–2014 figure of 29.1% but considerably above the global average of 22.2%.¹⁰

⁹ Inequality decreased in Armenia, Bhutan, Cambodia, Georgia, Kazakhstan, the Kyrgyz Republic, Malaysia, Mongolia, the PRC, Tajikistan, Thailand, and Viet Nam. It increased in the Federated States of Micronesia, India, Indonesia, the Lao People's Democratic Republic (Lao PDR), Pakistan, the Philippines, and Sri Lanka.

¹⁰ United Nations Children's Fund (UNICEF). Malnutrition in Children. UNICEF Data. <https://data.unicef.org/topic/nutrition/malnutrition/>.

DEVELOPMENT PROGRESS IN ASIA AND THE PACIFIC

All subregions reported high stunting rates except East Asia.¹¹ Of the 93 million stunted children in ADB DMCs, 53 million were in South Asia, 17.7 million were in Southeast Asia, and 14.2 million were in Central and West Asia. Furthermore, in Pacific DMCs, which had 0.6 million stunted children, the prevalence of stunting remained particularly high at 47% in 2016.

14. **Child mortality continued to decrease.** The average **under-5 child mortality** rate declined in all ADB DMCs. At 31.3 deaths per 1,000 live births, ADB DMCs' performance in 2017 was better than the global average of 39.1 deaths per 1,000 live births (Figure 4). Progress was rapid in South Asia, where child mortality decreased by 7 deaths per 1,000 live births to 38.2 during 2014–2017, and in East Asia, where it decreased by more than 2 deaths per 1,000 to 9.3 during the same period. However, the rate in concessional assistance countries remained high, at 49.1 deaths per 1,000 live births in 2017.

Figure 4: Under-5 Child Mortality Rates, 2017
(deaths per 1,000 live births)

ADB = Asian Development Bank.

Source: United Nations Inter-Agency Group for Child Mortality. 2018. Child Mortality Estimates. <http://www.childmortality.org>.

15. **Continued decline in maternal mortality.** The maternal mortality ratio in ADB DMCs declined by 40% from 206 **maternal deaths per 100,000 live births** in 2005 to 125 in 2015. However, the Millennium Development Goal target of a 75% reduction in maternal mortality remains unmet. There were wide variations across the subregions: the Pacific had the highest number of maternal deaths, with 190 per 100,000 live births, followed by Central and West Asia (175), South Asia (174), Southeast Asia (110), and East Asia (27).

16. **Noncommunicable diseases still a leading cause of mortality.** According to the most recent data (2016), more than 20 million deaths—74% of all deaths—across ADB DMCs were caused by noncommunicable

¹¹ Half of children in Papua New Guinea and Timor-Leste are stunted. Other ADB DMCs with a high prevalence of stunting are Pakistan (45%), the Lao PDR (44%), Afghanistan (41%), and India (38%).

diseases.¹² East Asia had the highest mortality from these diseases, with more than 9 million deaths (89% of all deaths in the subregion).

17. **Gender parity in education.** Based on the **gender parity index in education**, males and females now have equal access to **secondary** education across ADB DMCs. At the **tertiary** level, a value of 1.1 shows a favorable condition for females, particularly in Southeast Asia (1.2). In concessional assistance countries the gender parity index favors males, with an index of 0.9, particularly in Central and West Asia (0.8).

18. **Limited progress in secondary graduation rate.** Across ADB DMCs, the **gross lower secondary education graduation rate** has been almost constant since 2014 at about 68% (Figure 5), with slight declines from 71.4% in 2014 to 70.3% in 2017 for **females**, and from 67.2% to 66.0% for **males**. Concessional assistance countries made moderate progress from 61.2% to 65.7% in the same period for both sexes combined due to significant improvements in South Asia and Southeast Asia.¹³ In the Pacific, however, lower secondary graduation rates fell from 45.3% to 43.8% for females and from 45.5% to 43.6% for males.

Figure 5: Lower Secondary Education Graduation Rates in ADB Developing Member Countries (%)

ADB = Asian Development Bank.

Source: United Nations Educational, Scientific and Cultural Organization Institute of Statistics.
<http://data.uis.unesco.org/> (accessed 5 December 2018).

19. Secondary school dropout rates have increased as a result of many interacting factors, including economic opportunity costs associated with poverty, which leads students to find work to supplement household income instead of attending classes. Students who work part-time are at risk of dropping out due to economic circumstances that force them to continue working and/or because the burden of working outside school hours

¹² Noncommunicable diseases include cardiovascular diseases, cancer, diabetes, and chronic respiratory disease. (World Health Organization. *Noncommunicable Diseases Progress Monitor 2018*. Geneva.)

¹³ Gross lower secondary graduation rates improved in Bangladesh, Bhutan, Cambodia, the Lao PDR, Nepal, and Tajikistan.

affects their performance in school. Other factors include the poor quality of education and the persistence of gender and ethnic biases in the culture and/or school system.¹⁴

20. **Social protection coverage remained low.** Data from 2000–2015 show that only 24% of people in ADB DMCs overall and 7% in concessional assistance DMCs benefited from social insurance. Coverage is varied, however, and some lower middle-income DMCs, notably the Kyrgyz Republic and Mongolia, have managed to provide about 40% of their populations with this form of social protection. There is also a large gap in social assistance provision between ADB DMCs overall and concessional assistance countries: such programs benefit 31% of the population of ADB DMCs but only 15% in concessional assistance countries. Armenia, Fiji, Malaysia, Sri Lanka, Uzbekistan, and Vanuatu achieved universal social health protection coverage in 2011.¹⁵

B. Other Development Outcomes

1. Infrastructure for Sustainable Development: Affordable and Clean Energy (SDG 7); Clean Water and Sanitation (SDG 6); and Industry, Innovation, and Infrastructure (SDG 9)

21. **Access to electricity expanded.** The **proportion of population with access to electricity** in ADB DMCs increased from 87% in 2015 to 92% in 2017, with the PRC, Sri Lanka, and Thailand reporting 100% electricity coverage. Access increased significantly in concessional assistance countries from 70% to 80% during this period, but coverage was still 12 percentage points lower than in ADB DMCs overall.

22. Despite strong investment in renewable energy by ADB DMCs, renewable capacity has not expanded fast enough. Fossil fuels have filled the supply–demand gap, leading to a decline in the renewable energy share in ADB DMCs from 29.6% in 2010 to 26.9% in 2015. At the same time, the proportion of the population with primary reliance on clean fuels and technologies for cooking has increased substantially from 32% in 2010 to 50% in 2016.¹⁶

23. **Persistent urban–rural gaps in water and sanitation.** In 2015, there was still a gap of more than 7 percentage points in the **proportion of population using safely managed drinking water services** in **urban** versus **rural** areas: 95% of ADB DMCs' urban residents but only 88% of their rural populations had access to safely managed drinking water services. Only 79% of urban residents and 50% of rural residents were **using safely managed sanitation services, including handwashing facility with soap and water** in 2015, a slight increase from 78% of **urban** and 48% of **rural** dwellers the year before. In 2015, about 350 million people lacked an improved water source and almost 1.5 billion lacked access to improved sanitation facilities. Figure 6 shows the breakdown by country.

24. **Integration and connectivity improved.** Driven by East Asia, especially the PRC, ADB DMCs added an average of more than 2.2 kilometers (km) of **paved roads per 10,000 people** during 2013–2016, increasing the

¹⁴ United Nations Educational, Scientific and Cultural Organization. 2015. *Education for All 2000–2015: Achievements and Challenges*. Paris; and UNICEF. 2015. Out of School Children Initiative. *Out of School Children: What Data Tells Us*. New York.

¹⁵ Social assistance refers to assistance rendered by governments without required contributions from beneficiaries to access this assistance. Data for social insurance and social assistance are from ESCAP (Economic and Social Commission for Asia and the Pacific) Online Statistical database at <http://data.unescap.org/sdg/>. Data for social health protection are from ILOSTAT at <https://www.ilo.org/ilostat>.

¹⁶ Economic and Social Commission for Asia and the Pacific Online Statistical Database based on data from the World Bank (SE4ALL). <http://data.unescap.org/sdg/> (accessed 12 February 2019).

average access to about 22.3 km per 10,000 people. As of 2017, 97.5% of the population in ADB DMCs lived in areas served by a 2G mobile network or better. Internet use has also accelerated at a remarkable rate since 2005. The International Telecommunication Union estimates that 41% of individuals in ADB DMCs were internet users as of 2017.¹⁷ However, in some DMCs, particularly in the Pacific, South Asia, and Central and West Asia, there is still a significant gap between those who have been able to access and take advantage of such services and those who have not. Addressing the “digital divide” that persists within and between countries will contribute to strengthening financial inclusion, information and communication technology (ICT)-enabled access to health and education services, and disaster resilience in DMCs.

Figure 6: Distribution of People without Access to Water and Sanitation in ADB Developing Member Countries, 2015 (%)

ADB = Asian Development Bank.

Note: Percentages may not total 100% because of rounding.

Source: World Bank. World Development Indicators (accessed 23 December 2018). Data are from the World Health Organization–UNICEF Joint Monitoring Programme for Water Supply, Sanitation and Hygiene (washdata.org).

2. An Enabling Environment for Sustainable Development: Decent Work and Economic Growth (SDG 8); Peace, Justice, and Strong Institutions (SDG 16); Partnerships for the Goals (SDG 17)

25. **Longer business start-up time overall.** The **time to start a business** lengthened by more than half a day from 21.1 in 2016 to 21.7 days in 2018 for ADB DMCs overall and by an additional 3.6 days, to 25.3 days, for concessional assistance countries. However, this was substantially influenced by one concessional assistance country where the entry into force of a new regulatory framework with stringent anticorruption measures increased the number of days to start a business from 2 months in 2016 to almost 6 months in 2018. Without

¹⁷ International Telecommunication Union. Statistics. <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx> (accessed 26 February 2019).

this case, the business start-up time shortened by 2.4 days to 17.3 days in ADB DMCs, and by 0.9 days to 19.9 days in concessional assistance countries.

26. **Intraregional trade almost constant.** The **share of intraregional trade in total Asia and Pacific trade** increased only slightly, from 50.6% in 2015 to 51.2% in 2017 (to \$3.64 trillion), while the intraregional trading for concessional assistance countries grew from 59.1% to 60.9% (to \$0.5 trillion). In the same period, Pacific DMCs' share of intraregional trade in total trade increased from 77.8% to 83.5%, while East Asia's decreased slightly from 47.0% to 46.7%. Intraregional trade by the five largest traders increased by 9.4% on average (to \$3.06 trillion) during 2015–2017.

27. **Access to finance expanding but uneven.** The **proportion of adults (15 years and older) with an account at a bank or financial institution or with a mobile money service provider** increased by 12 percentage points from 58% in 2014 to 70% in 2017 in ADB DMCs. South Asia accounted for almost 80% of this increase—about 311 million of the 396 million people who gained access across the region. In concessional assistance countries access improved from 27% to 35% in the same period but remained half the regional level. In seven countries across the region—all of them concessional assistance countries—more than 70% of the population lacked access to finance.

28. **Governance performance decline.** The **governance and public sector management assessment** score for concessional assistance countries decreased from 3.5 in 2015 to 3.4 in 2018, on a scale from 1 (low) to 6 (high), indicating a weakening in the quality of governance.¹⁸ Performance on the transparency, accountability, and anticorruption dimension declined by almost 10% to 2.98 during 2015–2018. The Pacific DMCs had the largest average decline in performance of almost 12%, from 3.2 to 2.8 during the same period.

29. In 2018, as in 2017, nine DMCs were classified as fragile and conflict-affected situations according to the multilateral development bank harmonized approach. The Country Performance Assessment scores suggest that fragility has become more severe since 2016 for this cohort of DMCs.¹⁹

3. Protecting the Planet: Climate Action (SDG 13) and Life on Land (SDG 15)

30. **Forest cover largely unchanged.** The percentage of **forest area as a proportion of total land area** remained almost static across ADB DMCs, increasing slightly from 22.9% in 2010 to 23.0% in 2015. Reforestation programs had positive results in some countries, such as the Philippines, which during 2005–2015 expanded coverage from 22.9% to 26.9%. Globally, 17% of forest cover loss in 2001–2017 occurred in ADB DMCs.²⁰ Southeast Asia fared particularly poorly.

31. **Continued decline in carbon intensity but higher total emissions.** Production efficiency in many DMCs increased as **carbon dioxide emissions per unit of value added** declined from 0.51 kilograms per \$1.00 of gross domestic product in 2011 to 0.42 kilograms per \$1.00 in 2014 (Figure 7). However, the region's total carbon dioxide (CO₂) emissions continued to grow, albeit at a slower pace since 2010. Per capita CO₂ emissions increased from 3.8 tons in 2011 to 3.9 tons by 2014. ADB DMCs produce about 40% of global CO₂ emissions.

¹⁸ This indicator is for concessional assistance countries only and is not tracked for ADB DMCs overall.

¹⁹ The Country Performance Assessment score for assessing the level of fragility covers the dimensions of economic management, structural policies, policies for social inclusion and equity, and public sector management (PSM) and institutions.

²⁰ M. Hansen, P. Potapov, R. Moore, M. Hancher, S. Turubanova, A. Tyukavina, D. Thau, S. Stehman, S. Goetz, T. Loveland, A. Kommareddy, A. Egorov, L. Chini, C. Justice, and J. Townshend. 2013. High-Resolution Global Maps of 21st-Century Forest Cover Change. *Science*. 342. pp. 850–853.

32. The findings of the 2018 *World Risk Report* show that overall risk in the region has increased slightly despite improvements in countries' adaptive and coping capacities.²¹ The increase in risk is driven by a heightened exposure to hazards. Of the 10 riskiest countries in the world, 7 are ADB DMCs.²²

Figure 7: Carbon Dioxide Emissions in ADB Developing Member Countries, 2010–2014

ADB = Asian Development Bank, CO₂ = carbon dioxide, GDP = gross domestic product, kg = kilogram, kt = kiloton, PPP = purchasing power parity.

Source: World Bank. World Development Indicators. <https://data.worldbank.org/data-catalog/world-development-indicators> (accessed 21 December 2018).

²¹ H. Heintze, L. Kirch, B. Küppers, H. Mann, F. Mischo, P. Mucke, T. Pazdzierny, R. Prütz, K. Radtke, F. Strube, and D. Weller. 2018. *World Risk Report 2018*. Bündnis Entwicklung Hilft and Ruhr University Bochum—Institute for International Law of Peace and Armed Conflict.

²² The ADB DMCs with risk profiles that ranked among the 10 riskiest countries in the world are Vanuatu, Tonga, the Philippines, Solomon Islands, Papua New Guinea, Bangladesh, and Fiji, in that order (footnote 21).

In full color. A woman from Kalicharanpur Village, Purba Medinipur District in West Bengal, India (photo by Amit Verma).

Rising up. Zamira Abdulkarimova expanded her bakery through a small loan from a participating local bank under an ADB-supported project in Uzbekistan (photo by Relisa Granovskaya).

LEVEL 2: **ADB's Contributions to Development Results**

The Level 2 indicators look at how well ADB's recently completed operations were implemented and whether they delivered their results as planned. The seven quality-at-completion indicators reflect the collective performance of past country strategies and assistance programs, as well as completed sovereign and nonsovereign operations. Twenty-two output and outcome indicators quantify results achieved in core areas of operations by projects completed in 2018.

LEVEL 2: ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

A. Quality at Completion

Country assistance programs successfully completed

1. Country Strategies and Assistance Programs

33. **Country assistance program success rates on target.** Of 15 completed country strategies (CPSs) evaluated by ADB's Independent Evaluation Department (IED) in reporting years (RY) 2016–2018, 12 (80%) were rated *successful* (Figure 8).²³ This is the first time that this target has been met since 2011. The 100% success rate of the three country programs reviewed in RY2018—covering the Philippines, Solomon Islands, and Turkmenistan—raised the share of **completed country strategies and assistance programs rated successful** for RY2016–2018 in line with the target. The nine other *successful* CPSs in the current 3-year reporting period were for Bangladesh, India, Kazakhstan, the Lao People's Democratic Republic (Lao PDR), Maldives, Myanmar, the People's Republic of China (PRC), Sri Lanka, and Viet Nam.

Figure 8: Completed Country Partnership Strategy Success Rates, Reporting Years 2012–2018 (%)

CAPE = country assistance program evaluation, CPSFRV = country partnership strategy final review validation.

Notes:

1. The reporting year is based on the circulation dates of the CPSFRV or CAPE and ends on 30 June; e.g., the 2018 reporting year is 1 July 2017–30 June 2018.
2. The success rates are based on ratings by ADB's Independent Evaluation Department in CPSFRV and CAPE reports.

Sources: Asian Development Bank Independent Evaluation Department and Strategy, Policy and Review Department.

²³ The reporting year is based on the circulation dates of country partnership strategy (CPS) final review validations or country assistance program evaluation reports and ends on 30 June; e.g., RY2018 is from 1 July 2017 to 30 June 2018.

34. **Country programs strongest in relevance criterion.** Country programs continued to be *highly relevant* to country needs and national development strategies. Relevance ratings reached 100% in RY2016–2018, an improvement of 14 percentage points from the RY2014–2016 baseline (Figure 9). Stated program outcomes were met by 73% of CPSs in RY2016–2018, compared with 75% in RY2015–2017. CPS efficiency ratings improved to 47% in RY2016–2018, albeit from a low baseline. The share of country programs rated *sustainable* increased by 17 percentage points to 67% in RY2016–2018 as ADB's programs complemented existing government efforts and supported policy reforms and priorities.

Figure 9: Completed Country Partnership Strategy Ratings by Criterion, Reporting Years 2014–2018 (%)

Notes:

1. The reporting year is based on the circulation dates of the country partnership strategy final review validation or country assistance program evaluation reports and ends on 30 June; e.g., the 2018 reporting year is 1 July 2017–30 June 2018.
2. The success rates are based on ratings by the Asian Development Bank Independent Evaluation Department in country partnership strategy final review validation and country assistance program evaluation reports.

Sources: Asian Development Bank Independent Evaluation Department and Strategy, Policy and Review Department.

35. **Sustainable policy reforms in Philippine country program.** ADB's assistance package to the Philippines focused on infrastructure, the environment, and education.²⁴ It was rated *relevant* in responding to government policies and plans. Continuity was ensured in fiscal reform areas that required long-term commitment, and assistance was adapted to new priorities associated with changes in administration and in response to the devastation caused by Typhoon Yolanda in 2013. The program's performance was rated *likely sustainable*. The government institutionalized and funded many of the structural policy reforms advocated by the program, advancing competition policy, regulatory efficiency, public–private partnerships (PPPs) in infrastructure, and competitive labor markets. The institutional arrangements and additional financing to carry out the Yolanda Rehabilitation and Recovery Plan were also adequate and sustainable after ADB's support ended.

36. **Poverty reduction and private sector development in Solomon Islands.** ADB's 2012–2016 program in Solomon Islands was *successful* overall, *relevant*, *effective*, and *likely sustainable*.²⁵ Its main objectives of poverty

²⁴ Independent Evaluation Department (IED). 2017. *Country Partnership Strategy Final Review Validation: Philippines, 2011–2016*. Manila: ADB.

²⁵ IED. 2018. *Country Partnership Strategy Final Review Validation: Solomon Islands, 2012–2016*. Manila: ADB.

reduction and the creation of a more diversified and productive economy were pursued through the transport, information and communication technology (ICT), energy, and public sector management (PSM) sectors. Stakeholder feedback highlighted improvements in people's livelihoods stemming from rehabilitated roads, a franchise shipping scheme, state-owned enterprise reforms, and enhanced private sector involvement in utilities. The outputs and outcomes of the ADB-supported projects were mostly achieved and are likely to have contributed to poverty reduction and an improved private sector business environment.

37. **Regional connectivity expanded in Turkmenistan.** ADB's country program in Turkmenistan supported the country in diversifying its natural gas exports and expanding transport networks with neighboring countries.²⁶ ADB technical assistance (TA) helped establish the feasibility of the Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline Project. Investments in a railway project connected Turkmenistan with Iran and Kazakhstan. The railway is expected to lower transit costs and shorten travel times, improve access to external markets, increase revenues from freight traffic, and help develop local tourism sites.

2. Sovereign Operations

38. **Sovereign operations success rates lifted by policy-based lending.** The share of sovereign operations rated *successful* rose by 3 percentage points to 77% in RY2016–2018 helped by stronger performance of policy-based operations (Figure 10). The success rate of sovereign operations with concessional assistance also improved to 77%, up from 73% in RY2015–2017. Success rates were higher in all sectors except education and finance, which together made up 14% of completed operations. PSM operations improved the most, with 92% rated *successful* in RY2016–2018, up from 81% in RY2015–2017. These were largely policy-based operations in public expenditure and fiscal management.

Figure 10: Success Rates of Completed ADB Sovereign Operations, Reporting Years 2014–2018 (%)

ADB = Asian Development Bank.

Notes:

1. The reporting year is based on the project completion report or program completion report (PCR) circulation dates and ends on 30 June; e.g., the 2018 reporting year is 1 July 2017–30 June 2018.
2. The success rates are based on ratings by ADB's Independent Evaluation Department in PCR validation reports or project performance evaluation reports.

Sources: Asian Development Bank Independent Evaluation Department and Strategy, Policy and Review Department.

²⁶ IED. 2017. *Country Operations Final Review Validation: Turkmenistan, 2002–2016*. Manila: ADB.

ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

a. Success of Sovereign Projects

39. **Success rates of sovereign projects stable but below the 80% target.** The **share of completed sovereign projects rated successful** was unchanged at 74% (93 of 125 projects) compared with RY2015–2017 and remained below the RY2014–2016 baseline of 76%. Concessional assistance project success rates continued their slight decline from 76% in RY2014–2016 to 74% in RY2015–2017, and to 73% in RY2016–2018.

40. **Uneven performance across sectors.** Success rates of completed sovereign projects in the sectors with the most completed projects (energy; transport; water and other urban infrastructure and services; and agriculture, natural resources, and rural development) improved by 2–4 percentage points (Figure 11). These gains were offset by bigger deteriorations—of 10–20 percentage points—in education, finance, and PSM (collectively 14% of completed projects), leaving the overall sovereign project success rate unchanged.

Figure 11: Success Rates of Completed ADB Sovereign Projects by Sector, Reporting Years 2014–2018

Figure 11: Success Rates of Completed ADB Sovereign Projects by Sector, Reporting Years 2014–2018 (continued)

41. **Record performance of energy projects.** Energy projects, most of which addressed electricity transmission and distribution, continued to perform well with 96% of them rated *successful* in RY2016–2018, up from 93% in RY2015–2017. The design of a regional power transmission project in Georgia optimized the use of domestic energy resources and reduced fossil fuel consumption and power imports.²⁷ Aided by strong

²⁷ ADB. 2018. *Completion Report: Regional Power Transmission Enhancement Project in Georgia*. Manila; and IED. 2018. *Validation Report: Regional Power Transmission Enhancement Project in Georgia*. Manila: ADB.

executing agency capacity for project implementation and effective coordination with contractors, the project was completed within the planned time frame and budget.

42. **Improvements in infrastructure project success rates.** Success rates also improved in other sectors that had large numbers of ADB projects—transport; water and other urban infrastructure and services; and agriculture, natural resources, and rural development—but remained below the overall target for sovereign projects. An infrastructure project in Bangladesh improved municipal transport facilities, significantly decreasing traffic congestion and enhancing access to economic opportunities and social services. The lessons learned from the first phase of the project were incorporated to strengthen the project's design. Improvements in governance and physical infrastructure were planned carefully and implemented in an integrated manner. Improved revenue collection, a rationalized budget preparation system that included an allocation for operation and maintenance (O&M) activities, and enhanced technical capacity of staff are expected to result in sustained maintenance of the transport infrastructure.²⁸

43. **Decline in success rate for finance and education projects.** Only 50% of sovereign finance sector projects and 70% of education sector projects earned a *successful* rating. In *less than successful* finance projects, the intended level of outcomes and outputs were not achieved, financial and institutional sustainability was uncertain, and project designs were found to be flawed. These projects involved small and medium-sized enterprise finance and leasing, housing finance, and inclusive finance. With no new completion reports validated in 2018, education project success rates also continued a downward trend, from 100% in RY2014–2016 to 80% in RY2015–2017, and to 70% in RY2016–2018. Lower performance was mainly due to overly ambitious design and inadequate institutional capacity to achieve project outcomes.

44. **Design and capacity issues persistent challenges.** Most underperforming sovereign projects cited design flaws (27 of 32 projects) and inadequate project management and procurement capacity by the executing agencies (22 of 32 projects) as major impediments to project success (Table 1). These problems led to slow procurement and poor contractor performance (in 23 of 32 projects) and subsequent implementation delays.

Table 1: Reasons for Less than Successful or Unsuccessful Ratings in ADB Sovereign Projects, Reporting Years 2016–2018

Reasons Cited	No.	%
1. Project design flaws or inappropriate engineering design	27	84
2. Slow procurement and poor performance by contractors	23	72
3. Inadequate project management and procurement capacity in government	22	69
4. Insufficient project monitoring and supervision	16	50
5. Delayed government or ADB approvals, including lengthy country and ADB procedures	14	44
6. Land acquisition and resettlement issues	8	25
7. Insufficient or delayed counterpart funds	4	13

ADB = Asian Development Bank, No. = number.

Notes:

- The percentages reflect the number of underperforming sovereign projects whose project completion reports (PCRs), PCR validation reports, or project performance evaluation reports cited a particular problem as a reason for its overall rating of less than successful or unsuccessful. A PCR or PCR validation report may cite more than one reason.
- Analysis is based on PCRs reviewed by the Independent Evaluation Department. The PCRs were circulated during reporting years 2016–2018.

Sources: Asian Development Bank regional departments; Independent Evaluation Department; and Strategy, Policy and Review Department.

²⁸ IED. 2018. *Validation Report: Second Urban Governance and Infrastructure Improvement (Sector) Project in Bangladesh*. Manila: ADB.

b. On-Budget and On-Time Completion of Sovereign Projects

45. **Most projects completed within budget.** Of 125 projects covered in RY2016–2018, 76% (95 projects) were completed on budget—a 4-percentage-point improvement compared with RY2015–2017. Most (83%) of the projects that were completed on budget in this reporting period were rated *successful*. Of the 30 projects with cost overruns, 16 requested additional financing; the rest reduced their outputs. The major reasons for cost overruns were delays in implementation, underestimations of project costs at appraisal, and foreign exchange differentials. Higher-than-expected contract prices, changes in design specifications or the scope of work, and cost increases due to resettlement or land acquisition issues were also factors.

46. **Fewer completion delays but average unchanged.** Although only 42% (53 of 125) of sovereign projects reviewed in RY2016–2018 were completed on time (i.e., early or within 1 year of the target end date), performance improved slightly compared with RY2015–2017 (38%) and the RY2014–2016 baseline (39%). Major sectors, such as energy and transport, saw the largest improvement—of 4 or 5 percentage points. Projects that were not completed on time were delayed by an average of 2.8 years. This was largely unchanged from the RY2015–2017 figure of 2.7 years. Similarly, the average planned implementation period (5.3 years) and actual implementation period (7.1 years) were largely unchanged. Slow consultant recruitment and mobilization and delays in establishing project implementation units pushed back project start-up (Table 2). During implementation, projects also encountered delays in procurement of construction works, deficiencies in contractor and consultant performance, changes in project design and scope of implementation, and issues with land acquisition and resettlement.

Table 2: Reasons for Delays in ADB Sovereign Projects, Reporting Years 2016–2018

Reasons Cited	No.	%
Start-Up		
1. Slow consultant recruitment and mobilization	27	56
2. Slow establishment of project implementation units; inadequate capacity of project management staff	18	38
3. Lack of familiarity with ADB procedures; lengthy domestic procedures	15	31
4. Slow disbursement of counterpart funds	6	13
Implementation		
1. Delays in procurement of construction works	33	69
2. Poor performance of contractors and consultants	22	46
3. Changes in project design and scope of implementation	21	44
4. Land acquisition and resettlement issues	19	40
5. Other factors (security and political conditions)	11	23

ADB = Asian Development Bank, No. = number.

Notes: Based on 48 projects rated *successful* and *less than successful* that encountered a delay of more than 2 years. More than one reason may be reported for a project.

Sources: Asian Development Bank regional departments; Independent Evaluation Department; and Strategy, Policy and Review Department.

47. A *successful* transport and water infrastructure project in Liaoning Province in the People's Republic of China (PRC) was implemented as scheduled and within the budget.²⁹ The project made an effective and efficient

²⁹ ADB. 2018. *Completion Report: Liaoning Small Cities and Towns Development Demonstration Sector Project in the People's Republic of China*. Manila; and IED. 2018. *Validation Report: Liaoning Small Cities and Towns Development Demonstration Sector Project in the People's Republic of China*. Manila: ADB.

ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

contribution to improving urban infrastructure and municipal services and enhancing the capacity for economic growth and development in the province during and after implementation. Despite encountering coordination and management challenges, the project achieved the outputs within the target period because of timely completion of subproject selection and awarding of goods and works contracts. The *highly satisfactory* performance of the executing agency and project management offices was central to the successful implementation of the project.

c. Policy-Based Operations

48. **Success rate target surpassed for the first time.** The **share of completed policy-based operations rated successful** exceeded the 80% target for the first time since this indicator was introduced, rising by 14 percentage points from 74% in RY2015–2017 to 88% in RY2016–2018 (Figure 12). All policy-based operations reviewed in 2018 were rated *successful*. Most *successful* policy-based operations in RY2016–2018 were PSM and finance operations in the areas of public expenditure and fiscal management, economic affairs management, and finance sector development. Five other sectors also recorded success rates above the overall target for policy-based operations: energy, health, information and communication technology (ICT), industry and trade, and transport.

Figure 12: Success Rates of Completed ADB Policy-Based Sovereign Operations, Reporting Years 2015–2018 (%)

ADB = Asian Development Bank, PSM = public sector management, WUS = water and other urban infrastructure and services.
Notes:

1. The reporting year is based on the project completion report circulation dates and ends on 30 June, e.g., the 2018 reporting year is 1 July 2017–30 June 2018.
2. The success rates are based on ratings by ADB's Independent Evaluation Department in project completion report validation reports or project performance evaluation reports.
3. Numbers at the base of the columns refer to the number of policy-based operations reviewed during the reporting period.

Sources: Asian Development Bank Independent Evaluation Department and Strategy, Policy and Review Department.

49. **Good program design and strong government commitment keys to success.** Factors contributing to the *successful* performance of policy-based operations in RY2016–2018 included appropriate program design, strong government commitment and ownership, adequate institutional and staff capacity, and the use of technical assistance (TA) resources to support institutional and capacity development. For example, for a PSM policy-based operation in Nauru, a relevant program design was instrumental in strengthening public financial management, improving the efficiency of service provision by the Nauru Utilities Corporation, and enhancing government funding to reduce the volatility of revenue streams.³⁰ Close alignment with Nauru’s own strategic policy agenda ensured strong country ownership of the program, and given the considerable political support, the results achieved are likely to be sustained.

50. **Residual challenges despite overall success.** Policy-based operations in the education and water and other urban infrastructure and services sectors achieved a success rate of 75%. An education sector program was rated *less than successful* because it did not achieve the intended outcome of increased access to, and improved quality of, basic and primary education even though it substantially achieved the policy actions and its budget was almost twice the amount originally estimated. Limited institutional capacity at the local level—a weakness identified at appraisal—affected the program’s performance.³¹ A water sector program was rated *less than successful* due to process inefficiencies during implementation that delayed the achievement of program outcomes and outputs. Institutional concerns also made the program *less than likely sustainable*.³²

d. Sustainability of Operations

51. **Rating improved slightly but sustainability remains a challenge.** The share of sovereign operations rated *likely sustainable* increased by 2 percentage points to 68% in RY2016–2018 but remained below the 80% target (Figure 13).

52. **Sustainability ratings over 80% in three sectors.** All sovereign operations in the health and industry and trade sectors and 83% of operations in the education sector were rated *likely sustainable* in RY2016–2018. Strong government commitment to pursue policy actions and provide adequate funds made the sustainability of outcomes in these sectors more likely. In an education sector development program in Viet Nam, the outcome of improved quality and equity of the secondary education system is likely to be sustained given the government’s implementation of reforms in support of these outcomes and its commitment to allocate 20% of state revenues to education.³³ Sovereign operations financed by concessional assistance saw their sustainability performance improve to 66%, from 61% in RY2015–2017, with education (80%) and health (100%) among the better-performing sectors.

53. **Insufficient funds the most pressing barrier to sustainability.** Of the operations deemed *less than likely sustainable*, 86% cited insufficient financing and funding for operation and maintenance (O&M) as a factor affecting sustainability. This was a common constraint in almost all sectors but was most prevalent in transport, water infrastructure and, increasingly, energy projects. Inadequate capacity of agency and staff responsible for O&M and weak institutions and governance also reduced the likelihood that the outputs and outcomes would be sustained. The sustainability of finance sector operations was mainly affected by uncertainty of fiscal positions and institutional weaknesses of DMC governments.

³⁰ IED. 2018. *Validation Report: Fiscal Sustainability Reform Program in Nauru*. Manila: ADB.

³¹ IED. 2017. *Validation Report: Education Sector Program (Subprograms I–III) in Nepal*. Manila: ADB.

³² IED. 2017. *Validation Report: Water Sector Improvement Program in Palau*. Manila: ADB.

³³ ADB. 2017. *Completion Report: Secondary Education Sector Development Program in Viet Nam*. Manila; IED. 2017. *Validation Report: Secondary Education Sector Development Program in Viet Nam*. Manila: ADB.

ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

Figure 13: Sovereign Operations Rated Most Likely or Likely Sustainable, Reporting Years 2015–2018 (%)

ADB = Asian Development Bank; ANR = agriculture, natural resources, and rural development; PSM = public sector management; WUS = water and other urban infrastructure and services.

Note: The sustainability ratings are by ADB's Independent Evaluation Department in project completion report validation reports or project performance evaluation reports.

Sources: Asian Development Bank Independent Evaluation Department and Strategy, Policy and Review Department.

3. Nonsovereign Operations

54. **Stable performance.** The **share of completed nonsovereign operations rated successful** remained below the 80% target. Only 56% were rated *successful* in RY2016–2018, a result unchanged from the previous reporting period (Figure 14). Of a total of 34 operations, 19 were judged *successful* in the current reporting period—11 in finance, including investments in 3 private equity funds, and 8 in infrastructure.

55. **Infrastructure operations more successful than finance.** Nonsovereign operations in infrastructure, which made up 38% of completed projects reviewed in RY2016–2018, had higher success rates (62%) than investments in finance projects (55%), which comprised 59% of reviewed projects. *Less than successful* finance projects were affected by weak equity fund management and design and implementation issues in the structuring of projects. Some finance projects also had difficulty finding bankable investments amid challenging macroeconomic conditions and an uncondusive regulatory environment.

56. **Solar technology viability and sustainability demonstrated in Thailand.** A *successful* solar power project contributed to ADB's strategic objectives of promoting clean energy technologies and private sector development through infrastructure and to Thailand's power development objective of increasing renewable

energy capacity.³⁴ Almost all output targets in the project's design and monitoring framework were met upon project completion within the agreed time frame and budget. The project demonstrated the viability and sustainability of solar technology by increasing solar power capacity and helping mobilize additional local financing for private sector solar power projects with a longer loan tenor. The project also created local employment opportunities, strengthened additional industry links by boosting local demand for goods and services, and reduced greenhouse gas emissions.

Figure 14: Success Rates of Completed Nonsovereign Operations, Reporting Years 2014–2018 (%)

ADB = Asian Development Bank.

Notes:

1. The reporting year is based on the circulation dates of extended annual review reports and ends on 30 June; e.g., the 2018 reporting year is 1 July 2017–30 June 2018.
2. The success rates are based on the ratings by the Independent Evaluation Department in extended annual review report validation reports or project performance evaluation reports.
3. The infrastructure aggregate includes energy, transport, water and other urban infrastructure and services, and information and communication technology. Other sectors not shown in chart include one health and one education project evaluated during reporting years 2014–2018.
4. Numbers at the base of the columns refer to the number of operations reviewed during the reporting year.

Sources: Asian Development Bank Independent Evaluation Department and Strategy, Policy and Review Department.

57. **Access to microloans expanded in three countries.** An ADB loan in Cambodia enhanced financial inclusion by helping one of the largest commercial banks in the country expand the number of loans to micro, small, and medium-sized enterprises (MSMEs) by 23% a year.³⁵ The client bank's initiative to introduce mobile banking for transfers and payments contributed to financial and economic inclusion in remote areas of the country. The bank also increased support to the agriculture sector by 24% a year. Similar loan projects in Armenia and Georgia helped significantly increase the client banks' MSME loan portfolios and the number of reported

³⁴ IED. 2018. *Validation Report: Central Thailand Solar Power Project in Thailand*. Manila: ADB.

³⁵ IED. 2018. *Validation Report: Promoting Financial Inclusion (ACLEDA Bank) in Cambodia*. Manila: ADB.

MSME clients, including in rural areas.³⁶ TA components accompanying both loans led to improved procedures and general policies of client banks, and provided training funds to strengthen the management capacities of MSME borrowers.

58. **Unsuccessful ratings driven by weak or unclear development results.** Pursuing development impact is critical for nonsovereign operations and a key to project success. Of the 15 nonsovereign operations rated *less than successful* or *unsuccessful* in RY2016–2018, 11 fell short of their intended development results and 4 did not include appropriate indicators in their design and monitoring frameworks so their contributions to economic development could not be ascertained. Insufficient data collection and weak additionality of ADB support also affected the development results ratings of these projects.

59. **Project design flaws hampered results delivery.** In one project that aimed to provide longer-term loans to MSMEs, there was no explicit requirement for the ADB client to extend such loans using ADB assistance and the project did not include an indicator for monitoring the loan tenor. Another loan was designed to provide MSMEs with a trade finance facility, but when implemented, there were no eligible and creditworthy borrowers. Other projects experienced difficult market conditions brought about by deteriorating macroeconomic situations and political instability. These flaws and difficulties led the Independent Evaluation Department (IED) to downgrade the projects' development impact ratings.

60. **Poor additionality constrained development impact.** Of the 34 nonsovereign operations reviewed in RY2016–2018, 12 were rated *less than satisfactory* or *unsatisfactory* for additionality. In most cases, this was because their development impacts were difficult to estimate. This was particularly true when the market or sector served by the project was large and growing rapidly, sometimes with the aid of government policies and subsidies. IED also found it difficult to attribute results to specific ADB projects in cases where financing was available from other sources or was deemed likely to have been mobilized even without ADB support. In a few cases, IED noted that client banks had successfully floated shares and issued bonds on the international market at the same time as their ADB loans became effective, indicating substantial overseas investor confidence and therefore questionable ADB additionality.

61. **Improved profitability ratings.** In addition to ensuring additionality and development results, ADB pursues profitability and commercial sustainability in its private sector operations. In RY2016–2018, profitability was *satisfactory* in 74% of private sector operations, up from 67% in RY2015–2017. Infrastructure projects (mainly in energy, transport, and water) achieved higher *satisfactory* ratings for profitability (92%) than finance projects (65%) in RY2016–2018.

4. Technical Assistance

62. **Technical assistance project success rate stronger.** The **share of completed TA projects rated *successful*** increased to 88% for both ADB overall and the concessional assistance subset, from 86% in RY2015–2017 for ADB overall and 85% for concessional assistance, remaining well above the 80% target (Figure 15). Success rates ranged from 82% in industry and trade to 100% in health sector operations.

63. **Sustainable transport capacity enhanced.** A cluster of TA projects strengthened the capacities and readiness of DMC government agencies to identify, develop, and implement sustainable transport policies, programs, and projects.³⁷ The governments of participating DMCs benefited from opportunities for knowledge-

³⁶ IED. 2018. *Validation Report: Small and Medium-Sized Enterprise Finance Program (Inecobank) in Armenia*. Manila: ADB; and IED. 2018. *Validation Report: Promoting Financial Sector Growth and Service Diversity (TBC Bank) in Georgia*. Manila: ADB.

³⁷ ADB. 2017. *Technical Assistance Completion Report: Implementation of Sustainable Transport in Asia and the Pacific*. Manila.

Figure 15: Completed Technical Assistance Projects Rated Successful, Reporting Years 2014–2018 (%)

Note: The 3-year success rates for 2016–2018 were derived from 518 technical assistance project completion reports issued during reporting years 2016–2018 and exclude project preparatory technical assistance. These projects were approved during 2003–2016. Source: Asian Development Bank regional departments.

sharing and networking to learn about new approaches to sustainable low-carbon transport, better greenhouse gas assessment methodologies, and socially sustainable transport. The TA cluster also introduced a viable transport data management system designed to provide quality transport statistics and forecasts for sustainable transport planning and development.

5. Gender Equality Results

64. **Gender results above target.** Data for RY2016–2018 affirm the strength of **completed sovereign operations in delivering intended gender equality results**. Of the projects across all sectors categorized *gender equity theme* or *effective gender mainstreaming*, 76% delivered their intended gender equality results, surpassing the 70% target for the third successive year (Figure 16). These projects improved women’s mobility and their safe access to infrastructure, water, and sanitation facilities; enhanced their voice in decision-making; created employment and ensured equal pay for women and men; supported women’s entrepreneurship and businesses through training and capacity-building activities; and improved access to finance and information. The box on p.32 describes how recently completed projects delivered important gender results in Bangladesh and Tajikistan.

65. **Agriculture projects strong on gender results.** In RY2018, 11 of 14 project completion reports (PCRs) for ADB operations categorized *gender equity theme* and *effective gender mainstreaming* successfully delivered their intended gender equality results. Six of these *successful* projects were in the agriculture, natural resources, and rural development sector, while the rest were spread across transport, water and other urban infrastructure and services, finance, and public sector management (PSM).

Figure 16: Completed Sovereign Operations That Delivered Intended Gender Equality Results, Reporting Years 2014–2018 (%)

EGM = effective gender mainstreaming, GEN = gender equity theme, No. = number.

Notes:

1. The reporting year is based on the circulation dates of project and program completion reports and ends on 30 June; e.g., 2018 refers to 1 July 2017–30 June 2018.
2. The percentages are based on the number of completed sovereign operations that were categorized as GEN or EGM by the Asian Development Bank and achieved the gender equality results targeted by their gender action plans and project and program design and monitoring frameworks.

Sources: Asian Development Bank regional departments and Sustainable Development and Climate Change Department.

66. **Modern farm technology made more accessible to women farmers.** A project in Shanxi Province in the PRC supported women farmers' access to training to adopt modern farm production technology and gain access to markets.³⁸ With the use of a grant from the Gender and Development Cooperation Fund, the project empowered rural women through access to microloans and training in agricultural enterprise techniques and financial management. The revolving microcredit funds continue to disburse loans and support market links. Training on gender awareness provided to management staff, leaders of township and village committees, and women household members helped increase women's participation in project activities, related meetings, and decision-making. Women elected their own fund leaders and managers and became more active and vocal in community matters. The project created more than 50,000 jobs for women, nearly half of all jobs generated by the project.

67. **Better sex-disaggregation of data recommended.** Overall, reporting on the achievements of gender action plans (GAPs) and the evaluation of gender equality results has been adequate. However, the reporting of sex-disaggregated beneficiary numbers and qualitative analysis of the strategic gender benefits could be improved. While all PCRs provided some sex-disaggregated data to support the reporting on GAP implementation, the extent of the projects' effects on women beneficiaries was not reported for several GAP indicators. Collection, analysis, and reporting of sex-disaggregated data is one of the assessment criteria of a successful delivery of intended gender equality results of completed projects and a key recommendation of the 2017 *Thematic Evaluation of ADB Support for Gender and Development (2005–2015)* by IED.³⁹

³⁸ ADB. 2017. *Completion Report: Shanxi Integrated Agricultural Development Project in the People's Republic of China*. Manila.

³⁹ ADB. 2013. *Reference Guide: Tip Sheet No. 5—Gender Inclusive Results in Project Completion Reports*. Manila; and IED. 2017. *Thematic Evaluation Study: ADB Support for Gender and Development (2005–2015)*. Manila: ADB.

Highlights of Gender Results Delivered by ADB Projects

Urban project in Bangladesh enhances women's voice in decision-making. The Bangladesh Second Urban Governance and Infrastructure Improvement Project greatly benefited women by increasing their participation in decision-making, including in town- and ward-level coordination committees, gender committees, and slum improvement committees. Enhancement of local women's voices in decision-making improved their safety and security and their ability and confidence to explore alternative livelihood and entrepreneurial activities, and increased family income and well-being.

The project targeted poor women as laborers and created opportunities for them to work and earn equal wages. More than 5,200 poor women were engaged as laborers in construction works, 101 women are working as tube well caretakers, and 56 are caretakers of public toilets. Another 744 women are taking care of hand tube wells installed in selected slums. Women's participation in operation and maintenance significantly improved the supply of safe and clean water.

About 1.3 million women and their families benefited from gender-friendly infrastructure improvements, and women's mobility increased significantly. Good roads; a sufficient, clean, and safe water supply; and sanitation also reduced women's workloads and improved family health. Training and capacity development activities provided almost 300,000 women and 4,500 men in project *pourashavas* (municipalities) with the knowledge and skills to promote gender-responsive programs and services. Almost 20,500 women in the project *pourashavas* received vocational training for income-generating activities and financial assistance or equipment as a result of the implementation of the *pourashava*-tailored gender action plan.

Economic cooperation project benefits women in border communities. The Central Asia Regional Economic Cooperation Corridor 3 (Dushanbe–Uzbekistan Border) Improvement Project was highly successful from a gender perspective and had a positive impact on the lives of women in the project area. The rehabilitation of the road gave women from the border communities easier access to social and educational facilities and markets, and enabled them to benefit from gender-inclusive border facilities and increased mobility in general. To capitalize on the improved market access, the project supported 202 women through a business skills development program and 100 women improved their skills in cheese making, baking, sewing, and tailoring through vocational skills training courses. With the project's support, 137 women entrepreneurs received grants totaling more than \$225,000, which they used to start small businesses.

Intensive HIV/AIDS awareness-raising campaigns were conducted for migrant workers and their families, and 16,240 women and 19,092 men were trained on the prevention and treatment of HIV/AIDS and sexually transmitted diseases. Financial management training, vocational skills development, improved access to finance, and awareness-raising training on civil rights and availability of free legal counseling for women had a long-term positive impact on women's lives, especially female spouses of migrant workers and those left behind due to male out-migration. The involvement of women's nongovernment organizations with proven track records contributed to the successful delivery of the gender action plan outputs.

Sources: ADB. 2017. *Completion Report: Second Urban Governance and Infrastructure Improvement (Sector) Project in Bangladesh*. Manila; and ADB. 2017. *Completion Report: Central Asia Regional Economic Cooperation Corridor 3 (Dushanbe–Uzbekistan Border) Improvement Project in Tajikistan*. Manila.

6. Impact Evaluation Studies

68. ADB completed 18 impact studies in 2014–2018 to gather empirical evidence on what has worked well in terms of achieving results and what has not. The studies covered completed ADB operations in 10 countries in the areas of climate change mitigation, e-learning and education reforms, promoting partnerships and innovation in poor communities, rural roads and electrification, crop diversification, health-care services, employment facilitation, and water supply services.

69. **Community-based approach to water supply in Nepal.** An impact study completed in 2018 found that a cost-sharing, community-based approach to the provision of water supply and sanitation services infrastructure, together with training, awareness campaigns, and institutional development, improved the operational and financial sustainability of water services providers in small towns in Nepal.⁴⁰ Households

⁴⁰ IED. 2018. *Impact Evaluation Study: Impact of Cost-Shared Water Supply Services on Household Welfare in Small Towns—Ex-Post Impact Evaluation of a Project in Nepal*. Manila: ADB.

benefited from improved access to a more plentiful, better-quality, and more continuous water supply service. This further translated to improved health and better non-health outcomes such as education and an increase in women's personal leisure time from the reduced burden of water collection.

70. **New studies.** ADB initiated eight new studies in 2018. Three studies in Bangladesh focus on the effects of short-term training programs on employment facilitation, modern irrigation infrastructure on sustainable water use, and child nutrition education in slum areas. A study was initiated in Fiji to determine whether new credit products help increase businesses' access to credit. Another study, in Pakistan, will determine the size and distribution of benefits from increased access by farmers to warehousing and transport services. Three studies focus on transport projects in the PRC. One, which will cover road projects completed between 1992 and 2012, will assess the long-term impacts of road construction and upgrading on the intensity and geographic distribution of economic activity over time. Another study will examine the effects of He'fei-Xian railway on economic activities using district data; and the third will estimate the effects of river crossings—tunnels and bridges—on economic growth using satellite images of changes in land use in the Shanghai-Pudong area around the Huangpu River during 1988–2000.

71. These studies bring the total number of ongoing impact evaluation studies to 20, spread across nine countries—Bangladesh, Fiji, India, the Lao People's Democratic Republic (Lao PDR), Nepal, Pakistan, Papua New Guinea, the PRC, and the Philippines.

B. Core Operational Results

Results in Strategy 2020 core operational areas achieved

72. The 23 output and outcome indicators at Level 2 of ADB's results framework assess the extent to which completed projects delivered on their results targets in ADB's core areas of operations.⁴¹ Of the 73 operations reviewed (61 PCRs and 12 extended annual review reports), 57 (78%)—48 sovereign and 9 nonsovereign operations—provided data on targeted and achieved results for 22 core operational results indicators.

73. **Steady performance on delivering results.** Results were satisfactory for 20 of the 22 ADB-wide indicators in transport, water, finance, and regional cooperation and integration (RCI) operations, meeting or surpassing 85% of the intended target. For the concessional assistance subset, 14 of the 18 indicators met or surpassed their targets.⁴²

74. **Energy.** Four of the five energy-related indicators achieved satisfactory results. Four energy operations will achieve **greenhouse gas emission reduction** amounting to 2.43 million tons of carbon dioxide (CO₂) equivalent per year in Bangladesh, Georgia, Nepal, and Sri Lanka. Four operations helped **connect 123,000 new households to electricity** and added the equivalent of 1,600 megawatts of **renewable** power to the **energy generation capacity** in Bangladesh, Nepal, Sri Lanka, and Uzbekistan. Three projects **installed or upgraded 1,100 kilometers (km) of transmission lines**, while two projects **installed or upgraded 2,000 km of distribution lines**.

⁴¹ This section on core operational results discusses achievement of completed operations for a selection of the results framework indicators. Results for all indicators are provided in the scorecard.

⁴² The indicator "trade finance supported (\$ million per year)" does not apply to the concessional assistance subset. Of the 21 concessional assistance core operational results indicators, only 18 reported achieved results.

75. **Reliable and efficient electricity supply in Nepal.** An energy sector operation in Nepal provided a reliable and efficient electricity supply to more than 21,000 households by building and upgrading 253 km of transmission lines and installing the equivalent of 98 megawatts of power generation capacity.⁴³ The project also pioneered the use of a grid-connected, solar-powered system and stand-alone solar photovoltaic-based streetlights, which contributed to the project's overall greenhouse gas emission reduction of about 68,000 tons of CO₂ equivalent per year.

76. **Transport.** The 20 ADB transport operations achieved the intended results for all four indicators. These projects helped **build or upgrade** 8,400 km of **roads**, including 7,000 km connecting rural communities to urban centers.

77. **Safer and more accessible railways in Turkmenistan.** ADB's support helped install signaling, power, and telecommunications systems on a 290 km railway line in Turkmenistan.⁴⁴ This provided commuters with a safer, more accessible, and efficient mode of transport across the region. Improved rail passenger transport enhanced access to markets and health care and education facilities. The upgraded railway system also **facilitated** an expansion of **cross-border cargo volume** by 6.2 million tons per year, boosting connectivity, trade, and cooperation across the region.

78. **Water.** Water operations completed in 2018 exceeded the output targets for all five water indicators. Nine projects provided 413,000 **households with new or improved water supply** across Armenia, India, Indonesia, the Lao PDR, Uzbekistan, and Viet Nam by **installing or upgrading** 5,100 km of **water supply pipes**. About 104,000 **households** benefited from **new or improved sanitation** services. Six projects **added or improved** more than 400,000 cubic meters per day of **wastewater treatment capacity** while in eight operations, 3.07 million hectares of agricultural **land** were **improved through irrigation, drainage, and/or flood management**.

79. **Health gains from water and sanitation infrastructure in Viet Nam.** A water and sanitation project benefited about 48,000 households in six coastal communities in Viet Nam.⁴⁵ The addition of 1,212 km of new piped water supply systems and the installation of more than 52,000 household, 16 public, and 36 school latrine units improved residents' access to clean water and hygienic sanitation. Cases of waterborne diseases dropped by 47%, lowering health-care costs and improving the health status of the communities in the project area.

80. **Finance. Microfinance** operations in Armenia, India, Sri Lanka, and Uzbekistan **reached** 2.35 million **end borrowers**, 88% of them female. Twelve ADB operations surpassed their targeted number of end borrowers and provided loans and other financial services to about 1.2 million **small and medium-sized enterprises**. A single nonsovereign operation supported nearly 1.3 million women in farming communities in India by expanding their financial literacy and access to credit.⁴⁶ Loans enabled them to access livelihood opportunities and improve the living conditions of their families.

81. **Regional cooperation and integration.** Two energy and two transport operations achieved above-target results for the two RCI indicators. Two energy projects in Georgia and Nepal helped **transmit** a cumulative **cross-border electricity** volume of about 12,000 gigawatt-hours per year.⁴⁷ These regional power transmission

⁴³ ADB. 2018. *Completion Report: Energy Access and Efficiency Improvement Project in Nepal*. Manila.

⁴⁴ ADB. 2018. *Completion Report: North-South Railway Project in Turkmenistan*. Manila.

⁴⁵ ADB. 2018. *Completion Report: Central Region Rural Water Supply and Sanitation Sector Project in Viet Nam*. Manila.

⁴⁶ ADB. 2018. *Extended Annual Review Report: Axis Bank Limited Strengthening Rural Financial Inclusion and Farmer Access to Markets in India*. Manila.

⁴⁷ ADB. 2018. *Completion Report: Regional Power Transmission Enhancement Project in Georgia*. Manila; and footnote 43.

projects boosted the countries' ability to export electricity to neighboring countries and support the regional power trade.

82. **Upgraded roads for regional trade.** A transport project in Kazakhstan enhanced regional integration by financing the rehabilitation of national highways.⁴⁸ The newly rehabilitated sections of the Central Asia Regional Economic Cooperation (CAREC) transport corridor 3 are now helping to move about 460,000 tons of cargo per year. About 7 million residents of the Turkestan Region of Kazakhstan and the Tashkent Region of Uzbekistan directly benefit from opportunities for faster and safer travel along the newly rehabilitated roads. Uzbekistan's greater involvement in regional economic cooperation initiatives, and simplified cross-border procedures for passengers and vehicles, further reduced the economic distance between the cities of Shymkent in Kazakhstan and Tashkent in Uzbekistan.

83. **Education.** Three operations achieved satisfactory results for two of the three education sector indicators, each of which delivered results on three different indicators. In one project in Bangladesh, 1.2 million **students**—about 50% of them female—were **educated and trained under improved quality assurance systems** in technical and vocational education and training (TVET) institutes.⁴⁹ Another project in Bangladesh increased the number of **teachers trained with quality or competency standards** by more than 5,700 TVET instructors.⁵⁰ The trained teachers and upgraded training facilities will help strengthen TVET so that students can acquire employable skills that match labor market needs.

84. **Technology for distance learning in the Pacific.** A regional project in the Pacific provided new and improved education facilities that benefited nearly 1,600 students, 65% of them female.⁵¹ ADB's support helped construct a three-story school building with rooms equipped with information and communication technology (ICT) infrastructure for mixed modes of teaching, an ICT studio, and administration facilities. The new equipment connected other regional campuses and helped deliver faster and more reliable ICT-based learning, especially distance and flexible learning courses. Students from Kiribati can now access all online learning resources, interact with lecturers and course coordinators on courses delivered through flexible learning, and participate in lectures delivered at the University of the South Pacific's Laucala campus in Fiji through the new lecture-capture system.

85. **Targets missed due to design and project readiness issues.** Results for two indicators were only partially achieved because two completed energy and education projects did not achieve their planned results. An energy project fell short of the targeted number of new households connected to electricity because the project design was poorly aligned with output and outcome indicators.⁵² An education project only partially achieved its target for the number of students educated and trained under improved quality assurance systems due to its complex design and overambitious output and outcome indicators (footnote 49). These impediments slowed and prolonged implementation, further delaying the achievement of the project's targets. Results for another two indicators for the concessional assistance subset were partially achieved because two energy projects in Nepal and Sri Lanka fell short on delivery of their intended results.⁵³

⁴⁸ ADB. 2018. *Completion Report: Central Asia Regional Economic Cooperation Corridor 3 (Shymkent–Tashkent Section) Road Improvement Project in Kazakhstan*. Manila.

⁴⁹ ADB. 2018. *Completion Report: Post-Literacy and Continuing Education Project in Bangladesh*. Manila.

⁵⁰ ADB. 2018. *Completion Report: Skills Development Project in Bangladesh*. Manila.

⁵¹ ADB. 2018. *Completion Report: Higher Education in the Pacific Investment Program (Tranche 1)*. Manila.

⁵² ADB. 2018. *Completion Report: Public–Private Infrastructure Development Facility in Bangladesh*. Manila.

⁵³ Footnote 43; and ADB. 2018. *Completion Report: Sustainable Power Sector Support Project in Sri Lanka*. Manila.

Women in business. Colorful woven cloth from women entrepreneurs in Phonsoung, Lao People's Democratic Republic (photo by Xaykhame Manilasith).

3

LEVEL 3: ADB's Operational Management

Level 3 measures how well ADB is managing its newly approved and ongoing operations. To deliver the greatest benefit to its developing member countries, ADB must ensure that its operations are implemented to a high standard. It needs to mobilize sufficient development finance to add to its own funds and transfer these resources quickly, while also ensuring its operations are aligned with Strategy 2020's strategic priorities and promote key drivers of change. The 24 Level 3 indicators measure all these ingredients of future success.

LEVEL 3: ADB'S OPERATIONAL MANAGEMENT

A. Implementation Quality

Operations satisfactorily implemented

86. **Continued above-target performance during implementation.** The **performance of sovereign operations at implementation rated satisfactory** remained well above the annual target of 85%. In 2018, 91% of operations were rated *satisfactory*, compared with 92% in 2017. The **performance of nonsovereign operations at implementation, credit-rated satisfactory** was 96% in 2018, down from 99% in 2017 but still above the annual target of 95%.

87. **Project start-up time shortened.** The average **time from approval to first contract in sovereign projects** shortened further in 2018 to 10.4 months from 11.7 months the year before and well below the 2016 baseline of 14.4 months. The average start-up time for the concessional assistance subset was 11.9 months, a substantial improvement from the 2016 baseline of 16.2 months, but slightly longer than the 11.4 months achieved in 2017. ADB is rated *on track* overall, and *on track but watch* for the concessional assistance subset, to meet the 2020 target of 9 months. The ongoing implementation of the 10-point action plan for strengthening and speeding up procurement included in the Midterm Review of Strategy 2020 continued to yield results. In particular, cross-departmental collaboration between regional departments; the Office of the General Counsel; and the Procurement, Portfolio and Financial Management Department to proactively monitor transactions contributed to the shorter start-up times in 2018.

B. Quality at Entry

High-quality country strategies and operations prepared

88. **Inclusive economic growth mainstreamed in country strategies.** Performance stood at 100% on the indicator for **quality at entry of country partnership strategies in supporting inclusive economic growth rated satisfactory**. The two country partnership strategies (CPSs) approved in 2018 for the Kyrgyz Republic and the Philippines fully integrated the three pillars of inclusive economic growth: growth and creation of jobs and opportunities (Pillar 1), inclusive access to jobs and opportunities (Pillar 2), and social protection (Pillar 3).⁵⁴ ADB will continue to prioritize the pursuit of inclusiveness under Strategy 2030, using the CPS as the key tool to ensure ADB addresses the diverse needs of the developing member countries (DMCs).

89. **Continuing strong procurement readiness.** The share of sovereign **infrastructure projects that are procurement-ready** before Board approval rose slightly to 46% in 2018 from 45% in 2017, remaining above the 2020 target of 40% (Figure 17).⁵⁵ The share of infrastructure projects that were design-ready was 80%.

⁵⁴ ADB. 2018. *Country Partnership Strategy: Kyrgyz Republic, 2018–2022—Supporting Sustainable Growth, Inclusion, and Regional Cooperation*. Manila; and ADB. 2018. *Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth*. Manila.

⁵⁵ Procurement-ready projects are infrastructure projects for which bidding documents were launched before project approval for the engagement of contractors required for a major construction or goods contract.

2 percentage points below the 2017 figure.⁵⁶ Of the design-ready projects, 64% had detailed engineering designs and 89% had completed preliminary designs and specifications before approval.

Figure 17: Procurement-Ready and Design-Ready Infrastructure Projects, 2016–2018 (%)

Source: Asian Development Bank regional departments.

90. **Strategies to further improve project readiness implemented.** Regional departments continued to implement and fine-tune their detailed project readiness checklists. Some also introduced additional measures such as (i) more stringent procurement and consultant recruitment monitoring throughout the project preparation process; (ii) policy dialogue and close coordination with governments at the project planning stage, especially in countries where advance contracting is allowed; (iii) inclusion of a procurement specialist and social or resettlement specialist on the loan fact-finding team to ensure procurement packages and land acquisition and resettlement action plans are well prepared; and (iv) provision of training upfront to DMCs on topics such as financial due diligence, procurement, and safeguards. Departments also made use of new ADB products and modalities to enhance readiness. The first project readiness financing facilities were approved in 2018, and departments continued to use project design advances and multitranche financing facilities to prepare detailed designs before the approval of infrastructure projects.

91. In some DMCs, local policies and procedures prevent the government from financing preliminary or detailed designs or launching bidding documents before project approval. The procurement readiness target was set at 40% to take these factors into account. ADB has continued to find ways to enhance project readiness in these DMCs, for example, by collaborating with cofinanciers to grant-finance preliminary engineering designs.

⁵⁶ Design-ready infrastructure projects have completed one of two steps before approval: they have either completed detailed engineering designs suitable for preparing and launching bidding documents for major construction or goods contracts, or they have completed preliminary design and specifications suitable for preparing and launching bidding documents for construction contracts that involve detailed design and/or turnkey or engineering procurement and construction contracts.

C. Development Finance

Development finance mobilized and transferred

1. Commitments

92. **Record commitments.** ADB committed \$21.6 billion in financing in 2018, \$1.9 billion more than in 2017 and \$7.7 billion more than in 2014 (Figure 18). The commitment volume was driven up by a 115% increase in concessional assistance and a 37% increase in nonsovereign operations compared with 2017. Sovereign operations accounted for 85% of total ADB financing committed and comprised \$15.7 billion in project financing, \$2.1 billion in policy-based lending (PBL),⁵⁷ and \$0.7 billion in results-based lending (RBL). Of the 164 projects committed, 132 were sovereign and 32 were nonsovereign (30 private and 2 nonsovereign public projects).⁵⁸

Figure 18: ADB Lending and Grants Approved versus Committed, 2014–2018
(\$ billion)

ADB = Asian Development Bank, OCR = ordinary capital resources.

Note: Commitments include loans and grants but exclude technical assistance and cofinancing.

Source: Asian Development Bank Strategy, Policy and Review Department.

93. **Continued increase in approvals.** The total volume of ADB approvals also continued its year-on-year growth, albeit at a slower pace than commitments. In 2018, sovereign ordinary capital resources (OCR) approvals dropped by 22% compared with 2017, but concessional assistance approvals increased by 130% and nonsovereign OCR approvals by 9%. The average time from approval to signing of operations shortened to 3.0 months in 2018 from 3.8 months in 2017. For nonsovereign operations, it reduced to an average of 4.4 months from 6.4 months and for sovereign operations to an average of 2.7 months from 3.2 months.

⁵⁷ The terms “lending” and “loan(s)” include Asian Development Fund grants.

⁵⁸ Nonsovereign public projects are loans to, guarantees for, or equity investments in entities that are majority-owned by public parties (defined as entities with more than 50% of their capital held publicly), such as a local government or other subsovereign entity or state-owned enterprise that can borrow independently from the related sovereign and that can sue and be sued.

2. Disbursement

94. The combined **disbursement ratio for sovereign projects and results-based lending** dipped slightly to 21.0% in 2018 from an on-target performance of 22.0% in 2017 (Table 3).⁵⁹ At 19.8% in 2018, the ratio for the concessional assistance subset remained unchanged and was rated *on track but watch* to reach the 2020 target of 20.0%. The **disbursement ratio for nonsovereign loans** decreased in 2018 to 30.3% from 32.0% in 2017, moving further from the annual target of maintaining the 3-year baseline average (2014–2016) of 45.7%.

Table 3: ADB Disbursement Amounts and Ratios, 2014–2018

ADB Operations Overall										
Item	Disbursement Ratio (%)					Disbursement Amount (\$ million)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Sovereign loans and grants^a	26.0	29.8	27.6	26.2	27.8	8,912	10,773	10,737	10,069	12,231
Projects and RBL (RFI)	21.7	19.5	20.4	22.0	21.0	7,171	6,869	7,627	8,187	8,692
Policy-based lending (SEDI)	140.6	408.6	217.6	157.2	131.8	1,742	3,904	3,110	1,882	3,539
Nonsovereign loans, equity investments, and debt security	36.6	44.8	50.9	34.6	35.4	1,279	1,567	1,743	1,371	1,953
Nonsovereign loans (RFI)	36.5	47.7	53.4	32.0	30.3	1,088	1,444	1,516	1,054	1,364
Equity investments ^b	37.3	26.0	18.0	40.7	25.1	190	123	79	242	143
Debt security			100.0	100.0	99.0			148	75	446
Total						10,191	12,340	12,480	11,441	14,184
Concessional OCR Loans and ADF Grants										
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Projects and RBL (RFI)	17.6	18.3	21.0	19.8	19.8	1,814	1,863	2,140	1,934	1,903
Policy-based operations (SEDI)	203.7	392.0	115.2	207.5	57.4	819	688	350	472	217
Total	24.6	24.7	23.7	24.1	21.3	2,632	2,550	2,490	2,407	2,120

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, RBL = results-based lending, RFI = results framework indicator, SEDI = standard explanatory data indicator.

Note: Numbers may not sum precisely because of rounding.

^a Excludes disbursements for special funds and cofinanced grants fully administered by ADB, which totaled \$371.5 million in 2018.

^b Includes both sovereign and nonsovereign equity disbursements. Includes debt security in 2014 and 2015. Debt security disbursements were \$6 million in 2014, and zero in 2015. Debt securities include ADB's financial assistance to developing member countries made through subscriptions to an entity's debt instruments, such as bonds and debentures issued for purpose of financing development projects and programs.

Source: Asian Development Bank Controller's Department.

95. **Record disbursement volume for ADB overall.** ADB achieved a record disbursement volume of \$14.18 billion in 2018. The \$2.74 billion increase from 2017 was driven by all-time high disbursement volumes for both sovereign and nonsovereign operations. Sovereign operations disbursement hit a record of \$12.23 billion in 2018 as projects and RBL disbursed a record \$8.69 billion and PBL disbursements reached a 3-year high of \$3.54 billion. Likewise, the total nonsovereign disbursement volume (including loans, equity investments, and debt security) reached a high of \$1.95 billion. This increase was driven by higher disbursement volumes for

⁵⁹ All disbursement ratios were computed based on commitments.

nonsovereign loans and debt security, which made up for the lower volume of equity investment disbursements. Despite record disbursement volumes for ADB operations overall, the undisbursed balance grew at a similar rate, causing overall disbursement ratios for both sovereign and nonsovereign operations to remain almost unchanged in 2018.

96. **Lower disbursement ratio and volume for concessional assistance.** The overall disbursement ratio for concessional loans and Asian Development Fund grants declined to 21.3% in 2018 from 24.1% in 2017. The disbursement ratio for projects and RBL remained consistent but a sharp drop in the PBL disbursement ratio from 207.5% in 2017 to 57.4% in 2018 caused the decline. The disbursement volume for concessional assistance also fell to \$1.9 billion in 2018, a \$0.3 billion decrease from 2017. This decline was mainly attributable to a fall in PBL disbursements by more than half to \$217 million in 2018 from \$472 million in 2017. Significant year-on-year fluctuation is expected for PBL, as the number of these operations committed each year varies and the amounts they disburse tend to be large.

97. **Higher nonsovereign loan disbursement volume but continued decrease in disbursement ratio.** The disbursement ratio for the entire nonsovereign operations portfolio (loans, equity investments, and debt security) increased slightly in 2018 due mainly to an increase in the volume share of fast-disbursing debt securities in the portfolio. However, for the nonsovereign loans subset, the growth of the balance available for disbursement continued to outpace disbursements, lowering the disbursement ratio. The disbursement volume for nonsovereign loans increased by 29% from 2017 to \$1.4 billion in 2018. However, the number of loans and the volume of financing signed in 2018 reached record levels, contributing to an increase in the amount available for disbursement, which grew by 68% from 2017. In addition, some of the larger loan transactions did not disburse as scheduled. ADB's Private Sector Operations Department continued to work on increasing the disbursement volume and speed, as well as on growing the number share of private sector operations in ADB's portfolio in line with Strategy 2030.

98. **Accelerating disbursement processing.** ADB continued to roll out web-based disbursement systems to improve the ease and speed of disbursement processing. In 2018, the first claims were processed through the TA Claims Partner, the new web-based portal for technical assistance (TA) claims. ADB also continued to roll out the Client Portal for Disbursement. By the end of 2018, the online portal was in use by 35 DMCs with 82% (394) of the executing agencies engaged in ongoing ADB operations in these DMCs registered. These new systems significantly reduce disbursement processing times compared with their hard copy predecessors. For example, the time it takes for the disbursement team to process withdrawal applications is halved when using the Client Portal for Disbursement compared with hard copy applications.

3. Direct Value-Added Cofinancing

99. **Record volumes of direct value-added cofinancing.** The total amount of **direct value-added cofinancing** (DVA) signed in 2018 reached a record high of \$13.9 billion, an increase of \$2.1 billion from \$11.8 billion in 2017 (Figure 19). Official and other concessional cofinancing grew to reach a high of \$7.1 billion, from \$6.1 billion in 2017, while commercial cofinancing continued to rise, increasing by \$1.0 billion to reach a record \$6.8 billion in 2018. Total DVA cofinancing constituted 64% of total ADB financing signed during 2018, up from 60% in 2017. Despite this year-on-year growth, 2018 performance did not reattain the 3-year baseline average of 71% (2014–2016), and the ambitious 2020 target of 100% remains a challenge. Securing high-value cofinancing is a priority under Strategy 2030, which targets matching every \$1 in ADB financing for private sector operations with \$2.50 of long-term cofinancing.

Figure 19: Annual Official and Other Concessional Cofinancing and Commercial Cofinancing, 2014–2018 (\$ billion)

Note: Excludes cofinancing for technical assistance projects, which totaled \$129.9 million in 2018.

Sources: Asian Development Bank Office of Cofinancing and Private Sector Operations Department.

100. **Diverse partnerships built to meet varying development needs.** Taking its cue from Strategy 2030's focus on partnerships with diverse institutions, ADB intensified efforts to build and sustain collaborative relationships in development finance. Among the measures ADB took were more strategic and customized outreach to partners, earlier engagement with DMCs and financing partners, and stronger trust fund management. ADB also mobilized \$129.9 million in cofinancing for 99 TA projects, representing a 19% increase from the 2017 figure. Development partners committed \$486.6 million to trust funds and global funding initiatives for ADB-administered projects, and the new United Kingdom Fund for Asia Regional and Trade Connectivity was established to support regional cooperation and integration (RCI).

4. Public-Private Partnerships

101. **Public-private partnership transactions target within reach.** In 2018, ADB helped formulate 27 **project development transactions for public-private partnerships** (PPPs). The 12 concession contracts and 15 for services or management brought the cumulative total since 2013 to 99, well on track toward the 2020 target of 100. These contractual arrangements between governments and private sector parties extend ADB's development reach and help it deliver infrastructure or services for its DMCs more effectively. PPPs include publicly financed service and management contracts and concessions, along with a mix of public and private financing or private financing on its own.

102. **Public-private partnership to improve Bangladesh roads.** As a result of ADB's transaction advisory services to the Bangladesh Roads and Highways Department, the Dhaka Bypass Road became the first road PPP to be implemented under Bangladesh's PPP Law and the first to be implemented using new ADB-developed contract templates that reflect international best practices. The project will widen a major highway serving as a vital connection between the industrial zone in the north and east and the major national highways to the rest of the country. The PPP is expected to ensure high quality and value for money for the expansion, operation, and maintenance of the expressway, and to bring in more than \$300 million of private sector financing. The project

was also the first successful collaboration between ADB's transaction advisory services team and the Asia Pacific Project Preparation Facility, which provided legal support for the project and capacity-building assistance to the PPP Authority and the Roads and Highways Department.⁶⁰

D. Strategy 2020 Agendas and Operations

ADB operations focused on strategic agendas and core operational areas

1. Inclusive Economic Growth

103. **Pillar 1 share decreased.** The share of ADB **operations supporting growth and creation of jobs and opportunities** (pillar 1 of inclusive economic growth) decreased by 4 percentage points to 34% in 2016–2018, although the number of operations increased from 19 to 20 (Figure 20). The concessional assistance subset share also decreased by 7 percentage points to 28%. In ADB overall, the total number of committed projects was constant over two consecutive 3-year reporting periods (2015–2017 and 2016–2018) at 140. The number of committed projects in the concessional assistance subset, on the other hand, dropped to 47 in 2016–2018 from 53 in 2015–2017.

Figure 20: ADB Support for Inclusive Economic Growth, 2014–2018

ADB = Asian Development Bank.

Source: Asian Development Bank Strategy, Policy and Review Department.

104. **Increasing share supporting pillar 2.** The share of ADB **operations supporting inclusive access to jobs and opportunities** continued to climb, reaching 64% in 2016–2018 for ADB overall, up from 60% in

⁶⁰ The Asia Pacific Project Preparation Facility is a multi-donor trust fund that assists DMC governments and their public sector agencies in preparing and structuring infrastructure projects with private sector participation, including privatization through PPP modalities, and bringing them to the global market.

2015–2017. The ratio moved even higher to 71% from 65% for the concessional assistance subset. A total of 260 ADB commitments supported Pillar 2 in 2016–2018, a large increase from 223 in 2015–2017. The number of concessional assistance operations supporting this pillar also increased substantially to 119 in 2016–2018 from 99 in 2015–2017.

105. **Pillar 3 still off track.** There was little change in the share and number of **operations supporting social protection**.⁶¹ The ratio for ADB dropped slightly to 4.9% in 2016–2018 from 5.1% in 2015–2017 and remained below the baseline of 6.0%. Similarly, the share for the concessional assistance subset declined to 4.8% from the previous period's ratio of 5.9% and the 2014–2016 baseline of 7.1%. ADB therefore remained *off track* on both 2020 targets, which are to keep the shares above the baselines. The President's planning directions for 2019 call on ADB staff to prepare more projects and programs that support social protection, and based on the project pipeline, the target is likely to be achieved by 2020. Seven ADB operations supporting social protection were committed in 2018: five technical and vocational education and training (TVET) projects supporting active labor market programs in Bhutan, India, and Sri Lanka; and two health sector development projects in Mongolia and the People's Republic of China (PRC).

106. **Focus on persons with disabilities in Mongolia.** The one stand-alone social protection project committed in 2018 aims to ensure that persons with disabilities in Mongolia are included in society and receive equitable service delivery.⁶² The \$25 million operation, cofinanced by the Japan Fund for Poverty Reduction with a \$2 million grant, will help strengthen and institutionalize early identification of disability; improve service delivery and access to the physical environment; and contribute to strategic development for persons with disabilities, including social welfare reform, awareness raising, and attitude change. Support for persons with disabilities is a nascent area for ADB in Mongolia and one that builds on ADB's successful record of social protection and welfare improvement in the country.

107. **Investing in capacity building to support social protection.** The share of operations supporting social protection has been in slow decline since 2014. To help reverse this trend, ADB has extended its support to DMCs to help develop sustainable social protection systems. In 2018, ADB committed 18 TA projects, amounting to \$27 million, to expand its social protection reach and project pipeline. The TA projects approved include support for building inclusive social assistance in Indonesia, establishing a supplementary pension system in Mongolia, and building the capacity of ADB staff and DMCs to assess social protection issues and identify investments to address them.⁶³

108. **Further support for lagging areas.** About 51% of ADB's infrastructure project commitments in 2016–2018 will benefit lagging areas, an increase of 3 percentage points from the 2015–2017 share. ADB committed 87 infrastructure projects in 2018, 56% of which will benefit areas in DMCs where socioeconomic development has lagged. Among these was \$400 million in emergency assistance to the Philippines for the reconstruction and recovery of the city of Marawi.⁶⁴ This assistance will enable the rebuilding of better public infrastructure, water utilities, health facilities, and other essential social services to restore and improve the livelihoods of communities

⁶¹ Social protection is a set of policies and programs that reduce poverty and vulnerability by promoting efficient labor markets, reducing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption and/or loss of income. Social protection consists of three major components: social insurance programs, social assistance, and labor market policies and programs. (ADB. 2017. *Standard Explanatory Data Indicator Definitions*. Manila.)

⁶² ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to Mongolia for the Ensuring Inclusiveness and Service Delivery for Persons with Disabilities Project*. Manila.

⁶³ ADB. 2018. *Technical Assistance to the Republic of Indonesia for Building Inclusive Social Assistance*. Manila; ADB. 2018. *Technical Assistance to Mongolia for Support for the Establishment of a Supplementary Pension System*. Manila; and ADB. 2018. *Technical Assistance for Enhancing ADB's Support for Social Protection to Achieve the Sustainable Development Goals*. Manila.

⁶⁴ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Administration of Grants to the Republic of the Philippines for the Emergency Assistance for Reconstruction and Recovery of Marawi Project*. Manila.

affected by the armed conflict in the area. The investment complements other ADB projects in Mindanao that address needs in the provinces with the highest poverty rates in the country.

109. **Inclusive business.** Six ADB operations committed in 2018 supported inclusive business, two fewer than in 2017. Three of them aim to improve agricultural product quality and quantity and expand the market of smallholder farmers; two focus on microfinancing or credit access; and one is a health sector project. One of the agriculture projects will support the development of agricultural value chains in Indonesia, Papua New Guinea, Timor-Leste, and Viet Nam.⁶⁵ The project is also expected to promote improved agricultural productivity through the provision of agricultural extension services, training, and livelihood support. The health sector project involves expansion of dialysis services provision in India and Sri Lanka, which is expected to bring health services closer to patients, generate jobs for health and non-health practitioners, and alleviate the burden of noncommunicable disease.⁶⁶

2. Environmental Sustainability, Climate Change, and Disaster Risk Management

110. **Continued above-target rise in performance.** The share of committed ADB **operations supporting environmental sustainability** continued to rise in 2016–2018, reaching 64% and remaining above the 2020 target of 55% (Figure 21). The share of concessional assistance operations rose even more to 67% in 2016–2018 from 54% in the 2015–2017 reporting period. In 2018, ADB committed 58 concessional assistance operations supporting environmental sustainability, more than double the number in 2017. In 2016–2018, 68% (\$36.8 billion) of ADB's committed financing supported environmental sustainability.

Figure 21: ADB Support for Environmental Sustainability, 2014–2018
(% share of total operations and financing)

ADB = Asian Development Bank, CA = concessional assistance.
Source: Asian Development Bank Strategy, Policy and Review Department.

⁶⁵ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Olam International Limited, Café Outspan Vietnam Limited, and PT Dharmapala Usaha Sukses for the Agricultural Value Chain Development Project in Viet Nam, Indonesia, Timor-Leste, and Papua New Guinea*. Manila.

⁶⁶ ADB. 2018. *FAST Report: Equity Investment and Administration of Equity Investment to DCDC Health Services Private Limited for the DCDC Dialysis Network Project in India and Sri Lanka*. Manila.

111. The proportion of **ADB operations supporting climate change mitigation and/or adaptation** in 2016–2018 also continued to surpass the 2020 target of 45%, with 56% of approved ADB operations supporting this agenda, up from 49% in 2015–2017 (Figure 22). The share for concessional assistance operations reached 60% in 2016–2018, a notable increase from 47% in 2015–2017 and nearly double the 2020 target of 35%. Of 412 operations approved in 2016–2018, 229 supported climate change mitigation and/or adaptation. Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability is one of the seven operational priorities of Strategy 2030. The 2018 performance represents a strong start toward the Strategy 2030 target of having at least 75% of committed operations support climate change mitigation and adaptation by 2030.

Figure 22: ADB Support for Climate Change Mitigation and/or Adaptation, 2014–2018 (%)

ADB = Asian Development Bank, CA = concessional assistance.
Source: Asian Development Bank Strategy, Policy and Review Department.

112. **Momentum needed in climate financing.** Although financing approved for operations that support climate change mitigation and/or adaptation increased to 36% of total ADB financing during 2016–2018, it dipped to \$3.95 billion in 2018, including \$377 million from external resources, from the all-time high of \$5.16 billion, including \$643 million from external sources, in 2017. For ADB overall, mitigation finance was down slightly to \$2.69 billion in 2018, while adaptation finance attained a record \$1.26 billion. ADB will need to increase momentum toward the corporate target of approving \$6 billion in climate financing annually—\$4 billion for mitigation and \$2 billion for adaptation—by 2020⁶⁷ and the Strategy 2030 target of committing \$80 billion in climate financing from ADB's own resources during 2019–2030.

113. **Support for climate change adaptation.** Operations supported in 2018 will develop and use affordable, low-carbon energy resources, and transform urban and rural areas into climate-resilient and livable eco-districts. An \$80 million project committed in 2018 will deliver sustainable and comprehensive solutions to transform the climate-vulnerable and heavily polluting *ger* (peri-urban) areas of Ulaanbaatar city into an eco-district.⁶⁸ More than 100,000 people, including 10,000 direct beneficiary households, are expected to gain access to affordable

⁶⁷ ADB. 2017. *Climate Change Operational Framework 2017–2030: Enhanced Actions for Low Greenhouse Gas Emissions and Climate-Resilient Development*. Manila.

⁶⁸ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Administration of Loan and Grants to Mongolia for the Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project*. Manila.

green housing units in environment-friendly districts with sufficient services, green spaces, and proximity to shops and jobs. Another operation committed in 2018 will establish Nauru's first fully functioning climate-resilient international port.⁶⁹ Once completed, it is expected to enhance the efficiency and reliability of port operations, particularly in the delivery of fuel, medical supplies, and food and water, by minimizing downtime due to adverse weather and climate conditions.

114. **Strengthening disaster risk management.** ADB approved a total of 111 operations incorporating disaster resilience elements in 2016–2018, which constituted 27% of ADB operations approved during that period. Of these, 49 operations were in concessional assistance countries. The projects contained a range of disaster resilience measures, including design features to strengthen the disaster resilience of infrastructure investments and the establishment or enhancement of early warning systems for extreme weather events. In addition, ADB approved \$1.48 billion for three stand-alone projects focused on disaster risk financing, five on emergency response and reconstruction, and six on disaster risk reduction. Under the disaster risk financing projects, ADB extended contingent disaster financing to five countries in the Pacific, including most recently by committing a \$15 million loan for Palau in 2018 for this purpose. The program provides the government with rapid access to critical fiscal resources for immediate post-disaster recovery needs in the event of a disaster triggered by a natural hazard.⁷⁰

115. **Cleaner and more efficient energy.** ADB invested \$1.39 billion of its own resources in clean energy in 2018: \$755 million (54%) in renewable energy and \$634 million (46%) in energy efficiency improvement projects. The expected outcomes of the investments include a total annual reduction in greenhouse gas emissions of about 10.7 million tons of carbon dioxide (CO₂) equivalent from 576.2 megawatts of new capacity added from renewable energy sources and 3,989 gigawatt-hours of electricity savings per year from efficiency improvements. An innovative clean energy project in the Greater Beijing–Tianjin–Hebei Region will combine renewable energy technologies and waste heat recovered from industry and power plants to reduce the energy and carbon intensity of heat production and refrigeration.⁷¹ This is expected to reduce air pollution, greenhouse gas emissions, and the heat island effect in urban areas. ADB's support for the Thailand Green Bond Project aims to foster the development of the country's green bond market by showcasing international best practice for genuine green and climate bonds.⁷² The proceeds from the climate bond will provide innovative renewable energy financing for the construction and operation of solar power plants.

116. **Investments in urban transport and railways.** In 2018, ADB approved eight projects for urban transport (amounting to \$723 million), most of which are for public transport, and two railway projects (amounting to \$1.11 billion). Urban transport accounted for 19% of total transport approvals, while railways made up 29%. One of these included a nonsovereign loan of \$318 million in Thailand to support the construction of monorail systems that will feed passengers from Nonthaburi and Sumut Prakarn provinces into Bangkok's main metro rail transit lines.⁷³ The project is expected to ease traffic congestion and provide an accessible and cost-effective public transport alternative for passengers traveling to Bangkok's central business district.

⁶⁹ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Grants to Nauru for the Sustainable and Climate-Resilient Connectivity Project*. Manila.

⁷⁰ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Palau for the Disaster Resilience Program*. Manila.

⁷¹ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grant to the People's Republic of China for the Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region—Shandong Clean Heating and Cooling Project*. Manila.

⁷² ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Debt Investment for B. Grimm Power Public Company Limited for the Thailand Green Bond Project in Thailand*. Manila.

⁷³ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Northern Bangkok Monorail Company Limited and Eastern Bangkok Monorail Company Limited for the Bangkok Mass Rapid Transit Project (Pink and Yellow Lines) in Thailand*. Manila.

3. Regional Cooperation and Integration

117. **Steady support for regional cooperation.** The share of total ADB committed **operations supporting regional cooperation and integration** (RCI) remained unchanged at 27% in 2016–2018 and was rated *on track but watch* to achieve the 2020 target of 30%. Promoting RCI was one of the strategic agendas of Strategy 2020 and is an operational priority of Strategy 2030. Reflecting this, ADB increased the number of committed operations supporting RCI from 35 in 2017 to 41 in 2018 and supported connectivity, competitiveness, and the provision of regional public goods in more nascent areas such as regional health, agriculture logistics, information and communication technology (ICT), and urban infrastructure and services (Figure 23). As a share of total ADB committed financing, RCI declined slightly from 27% in 2015–2017 to 25% in the current 3-year period.

Figure 23: Increased Connectivity between Countries Expected from ADB Regional Cooperation and Integration Operations Committed in 2016–2018

ADB = Asian Development Bank, DMC = developing member country, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

Source: Asian Development Bank Strategy, Policy and Review Department.

118. **Improving transport connectivity in South Asia.** In 2018, committed ADB operations continued to support the linking of neighboring countries through transport connectivity. In Nepal, a \$180 million project will rehabilitate and widen the Kanchanpur–Kamala section of the East–West Highway, which is expected to promote road safety and improve transport connectivity within Nepal and its neighboring countries.⁷⁴ A \$150 million project for the South Asia Subregional Economic Cooperation Road Connectivity Investment Program will finance the upgrading of a section of the Asian Highway connecting Manipur State in India to Myanmar and the construction of an international bridge between India and Nepal to further reduce transaction costs along the targeted cross-border corridors.⁷⁵

⁷⁴ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to Nepal for the South Asia Subregional Economic Cooperation Highway Improvement Project*. Manila.

⁷⁵ ADB. 2018. *Periodic Financing Request Report and Minor Change of Multitranchise Financing Facility: South Asia Subregional Economic Cooperation Road Connectivity Investment Program (Tranche 2) in India*. Manila.

119. **Private sector to boost regional connectivity and competitiveness.** Five ADB private sector operations supporting energy and agriculture in Southeast Asia, Armenia, Bangladesh, and Viet Nam accounted for more than \$515 million in RCI financing commitments in 2018, 11% of the total. In Southeast Asia, support for value chain expansion and financing of farmers' working capital is expected to improve smallholder farmers' incomes by helping them participate in global value chains and manage risks related to climate change (footnote 65). In Armenia, a \$32 million loan will invest in climate-resilient technologies that will help boost the production of horticultural products for export to the Russian Federation and the United Arab Emirates.⁷⁶ Both operations are intended to contribute to rural poverty reduction. The nonsovereign RCI operations committed in the energy sector in Bangladesh, Viet Nam, and Southeast Asia are expected to promote foreign direct investment, the transfer of environment-friendly technologies for clean and efficient energy generation, and the transfer of knowledge about environmental protection.⁷⁷

4. Strategy 2020 Operational Areas

120. **Annual target met.** In 2018, the share of ADB **financing for Strategy 2020 core operational areas** was 86%, down from 93% in 2017, but still surpassing the annual target of 80%. While the volume of commitments for core areas of operations grew by nearly \$2 billion from 2017 to 2018, commitments for other areas grew faster.

121. **Infrastructure financing declined but still the largest share.** Financing for the infrastructure sectors accounted for 63% of the total commitment volume in 2018, down from 69% in 2017 (Figure 24). As in the previous 2 years, the largest volume of commitments for the infrastructure sectors went to energy and transport, which together made up 73% of the total volume of infrastructure sector commitments. However, the volume of commitments for energy declined from \$6.2 billion in 2017 to \$5.1 billion in 2018, while financing for transport decreased marginally from \$5.0 billion to \$4.9 billion in the same period. Meanwhile, financing for other infrastructure⁷⁸ grew significantly from \$70 million in 2017 to \$574 million in 2018 due to an increase in operations committed for rural water supply services and rural solid waste management. During 2017–2018, financing for water and other urban infrastructure and services grew by \$619 million, from \$1.6 billion to \$2.2 billion, and irrigation by \$99 million, from \$691 million to \$790 million, while financing for ICT declined from \$70 million to \$59 million.

122. **Education's share highest to date and reached target.** In 2018, **financing for education** reached 7.5% of total ADB commitments, bringing performance within the 2020 target range of 6.0%–10.0%. The 13 loans and grants supported raised the volume of commitments for this sector to \$1.6 billion in 2018 from \$710 million in 2017. This was the highest recorded volume of education commitments as a share of total commitments.

123. **Sizable education commitments in Bangladesh.** Two operations in Bangladesh were large contributors to the notable increase in education commitments and jointly surpassed the total volume of education commitments in 2017. A \$500 million results-based loan aims to improve the quality and equity of education

⁷⁶ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Spayka Limited Liability Company for the High-Efficiency Horticulture and Integrated Supply Chain Project in Armenia*. Manila.

⁷⁷ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Equity Investment and Administration of Equity Investment to Summit Power International Limited for the Cornerstone Investment in a Leading Power Developer in Bangladesh*. Manila; ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to China Everbright International Limited for the Municipal Waste-to-Energy Project in Viet Nam*. Manila; and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed loan to B. Grimm Power Public Company Limited for the ASEAN Distributed Power Project (Phase 2)*. Manila.

⁷⁸ Other infrastructure includes the following subsectors: rural water supply services; rural sanitation; rural solid waste management; rural market infrastructure; and rural water policy, institutional, and capacity development.

for students in pre-primary and primary levels.⁷⁹ Another project, which will provide \$225 million to continue supporting fundamental reforms at the secondary levels, is expected to help better prepare the youth to meet the needs of a rapidly developing economy.⁸⁰

**Figure 24: Breakdown of ADB Financing for Strategy 2020
Operational Areas by Sector, 2018 (%)**

ADB = Asian Development Bank, ICT = information and communication technology.
Source: Asian Development Bank Strategy, Policy and Review Department.

124. **Building a competent workforce, especially among the disadvantaged.** Six of the education operations committed will invest in technical and vocational education and training (TVET) to help DMCs build a more productive workforce with skills aligned to the needs of the labor market. In India, three operations in different states aim to support skills development, especially among the youth, women, and disadvantaged groups.⁸¹ ADB also reengaged in Indonesia's education sector to commit the first operation in the sector in 6 years. The project will support the delivery of higher education programs aligned with local economic priorities and will improve teachers' competencies.⁸²

⁷⁹ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan to the People's Republic of Bangladesh for the Supporting Fourth Primary Education Development Program*. Manila.

⁸⁰ ADB. 2018. *Periodic Financing Request Report: Secondary Education Sector Investment Program (Tranche 3) in Bangladesh*. Manila.

⁸¹ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grant to India for the Odisha Skill Development Project*. Manila; ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grant to India for the Madhya Pradesh Skills Development Project*. Manila; and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to India for the Himachal Pradesh Skills Development Project*. Manila.

⁸² ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Indonesia for the Advanced Knowledge and Skills for Sustainable Growth Project*. Manila.

125. **Regaining momentum in health financing.** **Financing for health** stood at 2.4%, the highest share since 2010, and put ADB *on track* to reach the target range of 3.0%–5.0% by 2020. The volume of health financing more than doubled to \$515 million from \$211 million in 2017, with 13 loans and grants committed.

126. **Actions to increase health financing successful.** Concerted efforts by ADB over several years to grow its support in the health sector yielded results in 2018. The set-asides from the 12th replenishment of the Asian Development Fund for regional health security ensured the availability of resources for concessional assistance countries. The recruitment of more health specialists helped the operations departments commit projects in regions where there had been little or no health sector engagement. ADB's sustained dialogue with DMCs about delivering long-term health system improvements also led to follow-up projects in Bangladesh and the Lao People's Democratic Republic (Lao PDR) to sustain improvements in the quality of health care provided.⁸³

127. **A regional approach to building health systems in the Pacific.** As part of a regional project involving four Pacific DMCs, ADB provided \$6 million to Tonga and Tuvalu to introduce innovations in the delivery of new vaccines intended to reduce the incidence of pneumonia, diarrhea, and cervical cancer in poor and remote communities.⁸⁴ A regional pooled procurement approach will be introduced to acquire new, but expensive, health technologies more cost-efficiently. Enhanced supply chain logistics will ensure equity in access to health services, and information systems will be developed to provide data for more effective public health decision-making. The project will also promote interagency collaborations to increase key stakeholders' awareness of the importance of vaccines.

128. **More food security investments.** ADB committed \$3.1 billion to investments supporting food security in 2018, up from \$2.4 billion in 2017. These operations supported productivity, connectivity, and/or resilience to natural and economic shocks. Nonsovereign financing in this area rose from \$154 million in 2017 to \$314 million in 2018. For ADB overall, almost 64% of the investments supporting food security were for agriculture, irrigation, and other infrastructure; 23% were for transport; 12% for finance; and 1% for energy. Promoting rural development and food security is one of seven operational priorities of Strategy 2030.

E. Strategy 2020 Drivers of Change

ADB operations promote drivers of change

1. Private Sector Development and Operations

129. **Stable, strong performance for ADB overall.** The share of overall ADB commitments to **operations supporting private sector development and private sector operations** in 2016–2018 remained unchanged compared with 2015–2017, at 56% and above the 2020 target of 50%. The number of private sector operations and sovereign operations supporting private sector development both increased. The number of concessional assistance sovereign operations supporting private sector development grew from 23 in 2017 to 31 in 2018.

⁸³ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant for Additional Financing to the People's Republic of Bangladesh for the Urban Primary Health Care Services Delivery Project*. Manila; and ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Grant for Subprogram 2 to the Lao People's Democratic Republic for the Health Sector Governance Program*. Manila.

⁸⁴ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Grant to the Independent State of Samoa, Kingdom of Tonga, Tuvalu, and Republic of Vanuatu for the Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project*. Manila.

However, the share decreased slightly to 46% in 2016–2018 from 47% in the previous 3-year period, leaving this indicator *on track but watch* to reach the 2020 target of 50%. Based on planned commitments, the number of concessional assistance operations supporting private sector development is expected to continue growing in 2019.

130. **Record financing for private sector operations.** Committed financing for private sector operations reached a record high of \$3.14 billion in 2018, an increase of 37% from \$2.29 billion in 2017 and of 79% from \$1.75 billion in 2016. **Financing for private sector operations** accounted for 19.3% of the total signed regular ordinary capital resources (OCR) financing in 2018, and was *on track* to meet the 2020 target of 20%. The 32 private sector operations made up a record 18% of the total number of ADB operations committed in 2018, representing a strong start toward the Strategy 2030 target of reaching one-third of the total number of ADB operations by 2024.

2. Governance and Capacity Development Operations

131. **Governance and capacity development operations share largely unchanged.** The share of **operations supporting governance and/or capacity development** rose slightly to 74% of projects signed in 2016–2018 from 73% in 2015–2017 for ADB overall and to 89% from 88% for concessional assistance operations. Both met the annual target of exceeding the 2014–2016 baseline of 72% for ADB overall and 86% for the concessional assistance subset. Strengthening governance and institutional capacity is one of the seven operational priorities of Strategy 2030. To achieve this, in 2018 ADB increased its TA for creating and sharing knowledge on governance and public sector management (PSM) within ADB and across the DMCs.

132. **Stronger information systems to complement government reforms.** ADB continued to support better PSM and fiscal stability, policy and institutional reforms for service delivery, and country systems and standards, almost doubling the volume of its PSM operation commitments to \$2.3 billion in 2018 from \$1.2 billion in 2017. ADB supported the development and implementation of digital technologies that are innovative in the DMC context. One project in Mongolia is expected to improve public investment management and tax administration by complementing business process reforms with stronger ICT systems.⁸⁵ This will enable the government to identify unregistered and potential taxpayers and to more effectively manage tax collection processes. In Papua New Guinea, a project will integrate digital systems in health service delivery. A tender-management module will be institutionalized to help ensure availability of medicines, even in remote areas, and information systems will be developed to provide policy makers with data for more effective decision-making.⁸⁶

3. Gender Mainstreaming

133. **Gender mainstreaming target exceeded.** The share of ADB **operations supporting gender mainstreaming** rose to 52% in 2016–2018 from 49% in 2015–2017, surpassing the 2020 target of 50% (Figure 25). The share in the concessional assistance subset increased to 62% in 2016–2018 from 55% in 2015–2017, significantly above the 55% target. Of the 331 ADB sovereign commitments in 2016–2018, 172 supported gender mainstreaming. ADB has continued to make a concerted effort in partnership with the DMCs to design operations that promote and increase gender equality. The share of operations supporting gender mainstreaming has grown

⁸⁵ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Mongolia for the Strengthening Information and Communication Technology Systems for Efficient and Transparent Public Investment and Tax Administration Project*. Manila.

⁸⁶ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Project Loans to Papua New Guinea for the Health Services Sector Development Program*. Manila.

each year and provides momentum toward Strategy 2030's ambitious target of having at least 75% of ADB's committed operations support gender equality by 2030.⁸⁷ Accelerating progress in gender equality is one of the seven operational priorities of the new strategy.

Figure 25: ADB Support for Gender Mainstreaming, 2014–2018 (%)

ADB = Asian Development Bank, CA = concessional assistance.

Source: Asian Development Bank Sustainable Development and Climate Change Department.

134. **Women as change agents for climate change adaptation.** Acknowledging the important role of women as change agents for climate change adaptation, projects supporting agricultural value chains in Cambodia and Myanmar will involve women farmers in the selection of climate-resilient crop varieties and training on new climate-smart farming methods and technologies.⁸⁸ The projects specify a target for women's representation in producer groups and will work closely with women farmers' networks to identify ways to reduce their household care responsibilities, which often prevent them from taking up opportunities offered by projects.

135. **Knowledge on gender equality strengthened.** In 2018, ADB made two important contributions to the gender equality literature. In partnership with UN Women, ADB published *Gender Equality and the Sustainable Development Goals in Asia and the Pacific*. The publication provided baseline data for 85 gender-related Sustainable Development Goal (SDG) indicators and analyzed how prioritizing gender equality can accelerate the achievement of all the SDGs in the region by 2030.⁸⁹ ADB also published a working paper that identified

⁸⁷ ADB will support targeted operations to empower women and girls, gender mainstreaming that directly narrows gender gaps, and operations with some gender elements that incorporate a few gender equality actions in the design and implementation of ADB projects and programs (footnote 4).

⁸⁸ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan and Grant to the Kingdom of Cambodia for the Climate-Friendly Agribusiness Value Chains Sector Project*. Manila; and ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Republic of the Union of Myanmar for the Climate-Friendly Agribusiness Value Chains Sector Project*. Manila.

⁸⁹ ADB and UN Women. 2018. *Gender Equality and the Sustainable Development Goals in Asia and the Pacific*. Manila.

pathways for disruptive energy technologies to better reach women and the poor in Southeast Asia.⁹⁰ The paper was downloaded more than 300 times within 2 months of its launch.

4. Knowledge Solutions

136. **Dissemination of knowledge publications on target.** ADB continued to strengthen its web-distributed knowledge solutions to serve both the just-in-time and just-in-case knowledge needs of DMCs. Downloads of ADB's **web-distributed knowledge solutions** (publications) rose by 8% to 725,172 in 2018, achieving the target of a year-on-year increase. The *Asian Development Outlook* and *Key Indicators for Asia and the Pacific*—ADB's flagship publications—continued to be among the most downloaded publications on adb.org, along with the 2017 publication *Impact Evaluation of Development Interventions: A Practical Guide*.⁹¹

137. **Increasing diversity of digital platforms.** In 2018, ADB publications were available through more than 40 commercial digital dissemination channels and in multiple formats to meet user demands. Use of ADB's web-based knowledge dissemination platforms also increased. In 2018, there were 53,356 downloads from the ADB Data Library (data.adb.org), which hosts visual dashboards that provide key macroeconomic, social, financial, corporate, and project-level data as graphs and datasets. These comply with international standards to ensure the data is shareable, machine readable, and accessible. Meanwhile, Asian Development Blog had 217,676 page views and Development Asia had 95,983. ADB's ongoing efforts to publish timely and detailed information about its development activities were rewarded with a ranking of first place in the 2018 Aid Transparency Index.⁹²

5. Partnerships

138. **Above-target participation by civil society organizations.** The annual target of 90% for **civil society organizations participation in sovereign operations** was surpassed again. Civil society organizations (CSOs) participated in 98% of sovereign operations committed in 2018, an increase of 2 percentage points compared with the 2017 figure. CSO participation refers to engagement by these organizations in project activities during the design and/or implementation phases. Such involvement ranges from information-sharing consultations during the design phase to partnering with contracting CSOs where they are involved in decision-making and assume a high level of ownership to implement components of a project. Of the operations committed in 2018, 83% planned to involve CSO participation during both the design and implementation stages, a significant increase from 71% in 2017 (Figure 26).

139. **Use of country public financial management systems for audit down.** The share of ADB **sovereign operations using country systems** declined slightly to 59% in 2018 from 60% in 2017 and fell just short of the annual target of staying above the 61% baseline. For the concessional assistance subset, the share decreased to 40% in 2018 from 56% in 2017, and was below the 2016 baseline of 46%. This indicator measures the average of two dimensions: the use of country procurement systems and the use of country public financial management (PFM) systems for audit.⁹³ The year-on-year decline in performance was caused by a significant increase in the

⁹⁰ R. Mohideen. 2018. Energy Technology in South Asia: Implications for Gender Equality and Social Inclusion. *ADB South Asia Working Paper Series*. No. 61. Manila: ADB.

⁹¹ H. White and D. Raitzer. 2017. *Impact Evaluation of Development Interventions: A Practical Guide*. Manila: ADB.

⁹² The Aid Transparency Index is an independent measurement of aid transparency spearheaded by British nongovernment organization Publish What You Fund (Publish What You Fund. The Aid Transparency Index. <https://www.publishwhatyoufund.org/the-index/>).

⁹³ The use of country procurement systems measures the percentage of the overall disbursement volume that is made through national competitive bidding processes, results- and policy-based lending, and onlending by financial intermediaries. The use of PFM systems measures the percentage of committed sovereign operations (by number) that are subject to audits using the country's frameworks, approaches, and arrangements.

share of operations committed in DMCs in which ADB does not systematically use country PFM systems for audit. The share of operations using country PFM systems fell to 63% in 2018 from 80% in 2017 for ADB overall, and to 46% from 77% for the concessional assistance subset. Meanwhile, the share of sovereign operation disbursements made using country procurement systems increased to 54% in 2018 from 40% in 2017 for ADB overall and remained at 35% for the concessional assistance subset. ADB continues to help DMCs establish and strengthen their PFM and procurement systems.

Figure 26: Civil Society Organization Participation in Sovereign Operations, 2016–2018
(% of committed operations)

ADB = Asian Development Bank, CA = concessional assistance.
Source: Asian Development Bank Sustainable Development and Climate Change Department.

140. **Strengthening country systems.** Increasing the use of country systems is an important means by which ADB intends to become a stronger, better, and faster bank under Strategy 2030. ADB's procurement framework reforms and its financial management strengthening action plan, approved by the President in December 2018, will both strengthen the use of country systems.⁹⁴ ADB approved a regional TA project in 2018 to implement the financial management strengthening plan. The TA will continue to support the enhancement of financial management capacity in DMCs by developing the financial management and audit function capacity of staff in project executing and implementing agencies and supreme audit institutions, and supporting the adoption of International Public Sector Accounting Standards in the DMCs.⁹⁵

⁹⁴ ADB. 2017. *Improving ADB Project Performance through Procurement Reforms*. Manila.

⁹⁵ ADB. 2018. *Technical Assistance for Strengthening Financial Management in Asia and the Pacific, Phase 2*. Manila.

Protecting the planet. ADB is supporting sustainable management of natural resources such as water, land, forests, and peatlands in Mongolia (photo by Tsogtbaatar Khishigdorj).

Green energy. These solar panels help provide clean electricity for the ADB headquarters in Manila, Philippines (ADB Photo Library).

An aerial photograph of a cityscape, likely Manila, Philippines, featuring a dense cluster of skyscrapers in the background and a large, modern building with a blue-tiled roof in the foreground. A large, white, stylized number '4' is overlaid on the right side of the image, indicating the level of the corporate results framework being discussed.

4

LEVEL 4: ADB's Organizational Management

The nine indicators at Level 4 of the corporate results framework show whether ADB is managing its internal resources and processes effectively to support operational management—Level 3—and deliver results in the developing member countries—Level 2. Clustered into three groups, these indicators measure sufficiency of staff resources, motivation, and diversity; budget efficiency and adequacy; and process efficiency and client orientation.

LEVEL 4: ADB'S ORGANIZATIONAL MANAGEMENT

A. Human Resources

Sufficient staff resources maintained, and staff motivation and diversity increased

141. **Operations departments staffing target met.** The proportion of **budgeted international and national staff in operations departments** met the 56% target for the second consecutive year (Table 4). The share of regional department staff working in resident missions continued to increase, to 59% in 2018 from 56% in 2017 and 54% in 2016, as ADB allocated new resident mission positions and outposted more regional department staff from headquarters. In addition, in 2018, 57 staff were outposted to resident missions from the Controller's Department; the Office of Administrative Services; the Office of the General Counsel; the Procurement, Portfolio and Financial Management Department; the Private Sector Operations Department; and the Treasury Department.

Table 4: ADB Staff in Operations Departments and Resident Missions, 2016–2018

Year	International and National Staff					
	ADB Overall ^a (number)	Operations Departments ^b (number)	Share of Operations Departments to ADB Overall (%)	Regional Departments (number)	Resident Missions ^c (number)	Share of Resident Missions to Regional Departments (%)
2016 (Baseline)	1,834	1,032	56	891	480	54
2017	1,906	1,076	56	919	518	56
2018	2,013	1,137	56	962	564	59

ADB = Asian Development Bank.

Note: Figures are authorized budgeted positions as of December each year.

^a The ADB total excludes young professionals, Management, the Independent Evaluation Department, the Office of the Compliance Review Panel, and directors' advisors.

^b Operations department positions include positions in regional departments, the Office of Public–Private Partnership, and the Private Sector Operations Department.

^c The resident missions total only includes regional department staff, including those outposted.

Source: Asian Development Bank Budget, Personnel and Management Systems Department.

142. **Faster recruitment in all staff categories.** ADB was more efficient in hiring staff at all levels in 2018. For international staff, the average length of time between advertising and acceptance of the formal offer shortened by 4 days, from 102 days in 2017 to 98 days in 2018. For national staff, the average time decreased by 8 days, from 96 days to 88 days, in the same period. For administrative staff, it decreased by 18 days, from 104 days to 86 days.

143. **Larger share of women in international staff.** ADB continued the steady trend of increasing the **representation of women in the international staff category**, with a rise in the overall share from 35.2% in 2017 to 36.3% in 2018 (Table 5). The indicator remains *on track but watch*, meaning that if this rate of progress is sustained, the 2020 target of 38% is attainable.⁹⁶

Table 5: Share of Women International Staff in ADB Staff, 2016–2018 (%)

Level	Baseline (2016)	2017	2018
1–3	48.7	49.3	55.1
4–6	34.2	34.6	35.4
7–8	26.4	29.2	26.1
9–10	20.0	21.3	27.5
Total	34.0	35.2	36.3

ADB = Asian Development Bank.

Source: Asian Development Bank Budget, Personnel and Management Systems Department.

144. **Working toward gender equality.** At entry level (1–3), the share of international staff positions held by women increased by 5.8 percentage points from 49.3% in 2017 to 55.1% in 2018. At senior levels (7–10), however, the share declined from 27.4% to 26.3% in the same period. Within this group, there was a sharp increase in the share of women at levels 9–10 due to promotions from level 8 to level 9 but a slight decline in the share at levels 7–8 because fewer women were promoted from level 6 to level 7. ADB has approved new initiatives, including focused talent reviews, to increase the numbers of women at levels 7 and 8.

145. **Progress in staff engagement.** ADB conducted a staff engagement survey in 2018 to determine how its staff view the institution and to highlight any need for reforms to improve engagement and productivity. The survey garnered an impressive 96% response rate, with more than 2,900 staff across headquarters and resident missions participating. The **staff engagement index** score of 86% was 1 percentage point short of the annual favorable engagement target of 87%. This survey has been conducted periodically since 2008 and was last administered in 2015, when it achieved a response rate of 90% and an index score of 82%.

146. **Workplace environment improved.** In the 2018 survey, staff perceived ADB to have made progress in 14 of 18 categories, including leadership and management, performance evaluation, communication, and career management. These improvements are attributable to the human resources reforms launched since 2015, which involved greater investment in leadership and management training and fostered a culture of feedback and growth. ADB also introduced an annual 360-degree assessment for managers at international staff levels 7–10 to enhance their leadership and launched a new performance management framework. To create a more inclusive and flexible working environment, revised guidelines were issued on work-from-home arrangements, training was provided on mitigating unconscious bias at work, and the Respectful Workplace Unit was established to address bullying and harassment. The survey also identified areas for improvement, including innovation, empowerment, working relationships, and work organization and efficiency.

⁹⁶ The 2020 target in the Transitional Results Framework, 2017–2020 for the representation of women in the international staff category is 38%; the target for 2022 is 40% (footnote 2).

B. Budget Resources

Budget management improved

147. ADB's budget efficiency and adequacy are measured through the ratio of internal administrative expenses to disbursement and the share of operational expenses used to manage its portfolio. Both ratios remained largely unchanged and within their target ranges.

148. **Budget efficiency strengthened.** ADB's 3-year average ratio of **internal administrative expenses per \$1 million disbursement** has remained consistently within the target range since 2014–2016. At \$47,200 per \$1 million disbursement, the 2018 ratio was slightly lower than the 2017 and 2016 figures (Table 6). Despite price increases, ADB's internal administrative expenses budget has remained steady due to staff optimization, administrative service conservation measures, information technology reforms, and strengthened budget review and management processes. ADB continues to perform well alongside comparable institutions on this indicator.⁹⁷

Table 6: ADB Budget Management Indicators, 2016–2018

Indicator	Baseline (2016)	2017	2018	2020 Target
Internal administrative expenses per \$1 million disbursement (\$'000, 3-year average) ^a	47.6	47.3	47.2	43–50
Share of operational expenses for portfolio management (% of total operational expenses attributable to portfolio management and processing of operations single year)	54.6	52.0	52.1	50–60

ADB = Asian Development Bank.

^a Figures represent the 2014–2016 average for the baseline, 2015–2017 average for 2017, and 2016–2018 average for 2018.

Source: Asian Development Bank Budget, Personnel and Management Systems Department.

149. **Portfolio management share remains on target.** The **share of operational expenses for portfolio management** was almost constant at 52.1% in 2018 and remained within the target range (Table 6). ADB took initiatives to support the growing operations portfolio, including providing field offices with more staff positions and budget resources to enable them to take a larger role in project implementation.

C. Process Efficiency and Client Orientation

Business process efficiency and client orientation improved

150. **Resident missions empowered.** The proportion of **sovereign operations administered with substantial resident mission involvement**—a measure of ADB responsiveness to its client developing member countries (DMCs)—remained unchanged at 90% and well above the 2020 target of 80%. The share of sovereign operations fully administered by resident missions increased by 1 percentage point to 56% in 2018.

⁹⁷ Standard & Poor's Financial Services. 2018. *Supranationals Special Edition 2018*. New York.

151. **Sovereign operations processing time shortened.** The average **sovereign operations processing time (from start of loan fact-finding to Board approval)** decreased from 8.0 months in 2017 to 7.0 months in 2018 but remained *off track* to meet the 2020 target of 6.0 months (Table 7). For concessional assistance operations, the time shortened by 0.3 months to 7.4 months in 2018 and remained *off track*. Of the 116 projects in 2018, the 2 that took more than 20 months to process had a disproportionate effect on the average figure. If these were excluded, the average ADB processing time would drop to 6.8 months. About 48% of sovereign operations processed in 2018 met the target of 6.0 months, while 12% took longer than 12 months (Figure 27).

Table 7: ADB Business Process Efficiency Indicators, 2016–2018

Indicator	Baseline (2016)	2017	2018	Target
Sovereign operations processing time (from start of loan fact-finding to Board approval, months)	7.2	8.0	7.0	6.0
Nonsovereign operations processing time (from start of due diligence to Board approval, months)	9.0	7.4	8.7	Maintain
Processing time for procurement contracts for sovereign operations (\$10 million and more, days)	45	52	38	40

ADB = Asian Development Bank.

Sources: Asian Development Bank Procurement, Portfolio and Financial Management Department and Private Sector Operations Department.

Figure 27: ADB Sovereign Operations Processing Time Breakdown, 2018

ADB = Asian Development Bank.

Source: Asian Development Bank Procurement, Portfolio and Financial Management Department.

152. Policy-based operations had longer average processing times than other sovereign operations in 2018, at 7.4 months, increasing from 6.3 months in 2017. For concessional assistance operations, the processing time for policy-based operations increased to 8.6 months in 2018 from 4.4 months in 2017. This lengthening in processing time is attributable in part to misalignment of timing between government approval of policies and ADB's internal processing schedule and, in the case of projects using the sector development program modality, the time needed to complete the detailed design of the project components.

153. **Consistent processing times for nonsovereign operations.** At 8.7 months, the average **nonsovereign operations processing time (from start of due diligence to Board approval)** lengthened by 1.3 months from the previous year's performance but still remained on target for the second consecutive year (Table 7). This solid performance was achieved while significantly increasing the number of approved projects to 36 from 28 in 2017. A doubling in the number of FAST (Faster Approach to Small Nonsovereign Transactions) approvals to six projects in 2018 contributed to the performance on this indicator.

154. **Procurement processing times shortened.** ADB reduced the average **processing time for procurement contracts for sovereign operations (\$10 million and more)** to 38 days in 2018, surpassing the 2020 target of 40 days. This was a significant turnaround from the 2017 results, where a few exceptionally slow contracts raised the average to 52 days. Concessional assistance operations showed a similar shortening in average processing times, from 63 days in 2017 to 39 in 2018. These gains are attributable to proactive and newly automated monitoring, and systematic efforts by ADB's Procurement, Portfolio and Financial Management Department; regional departments; and Office of the General Counsel to reduce the time taken to approve bid evaluation reports. Strategic placement of procurement staff in sector divisions and regional departments and outposting them to resident missions led to improvements in the quality of submissions, which also contributed to the reduction in processing times. The new procurement framework was rolled out in 2018 with new guidance notes and instructions for staff.

155. **Consultant recruitment time steady.** Improvements were also made in the average consulting services recruitment time for ADB-administered contracts for sovereign operations, as measured from the posting of the consulting services recruitment notice to contract signing. The time shortened to 146 days in 2018 from an average of 154 days in 2016, but it was still 3 days longer than the 2017 figure.

Switched on. Moolchand Malviya, a farmer from Madhya Pradesh, India, now has regular power for producing sugarcane jaggery thanks to an ADB-supported program (photo by Amit Verma).

All in a day's work. The Port of Suva is the most extensive and busiest container and general port in Fiji (photo by Eric Sales).

ACTIONS TO ADDRESS Challenges

The year 2018 marks the completion of the 5-year implementation period of the Strategy 2020 midterm review action plan. This section lists the actions ADB has undertaken to address the challenges to its development effectiveness identified in the action plan.

ACTIONS TO ADDRESS CHALLENGES

156. Following the approval of the Midterm Review of Strategy 2020 by the ADB Board of Directors, ADB prepared a detailed action plan for its implementation in July 2014.⁹⁸ The plan sought to catalyze the rebalancing and sharpening of ADB operations in line with the directions of the midterm review. It also aimed to strengthen ADB operations, build skills, and provide better service to clients.

157. The plan's 192 actions were structured around six headings: (i) operational plans, guidelines, and strategic approach; (ii) business process; (iii) change in institutional settings; (iv) skills and staffing requirements; (v) financial resources; and (vi) monitoring results. The midterm review placed significant emphasis on the monitoring of results and reporting of progress on the implementation of the strategic priorities.

158. By the end of 2018, 184 of the 192 actions (96%) had been completed. Of the eight remaining actions, four relate to resource allocation (including strengthening assistance for gender, the finance sector, and governance and capacity). These are ongoing actions that, as stated in the Work Program and Budget Framework, 2019–2021, will continue to be strengthened in 2019 and 2020. One action relating to the Strategy 2030-aligned corporate results framework (CRF) and two relating to business process updates will be fully implemented in 2019. One largely implemented action relating to the Partner Fund Management System will be completed under the new Digital Agenda 2030.⁹⁹

159. As described in the previous development effectiveness reviews (DEfRs), the midterm review actions have contributed to reducing processing time, increasing client engagement, and enhancing development results. Implementation of the midterm review action plan was an evolving process; hence various reform measures to address procurement, human resources management, the information technology system, and business processes were continued after the initial actions had been completed.

160. The implementation of Strategy 2030 began immediately after its approval by the Board in July 2018, superseding Strategy 2020 and the midterm review. Therefore, the midterm review action plan and its monitoring tool were closed at the end of 2018. To operationalize Strategy 2030, the strategic focus, specific areas of engagement, approaches, and broad skill requirements in seven operational priority areas are being articulated in operational plans. A CRF aligned with Strategy 2030 is being developed to monitor and measure implementation progress. ADB will continue to report annually on institutional performance using the CRF through the DEfR.

161. Table 8 shows selected completed actions ADB undertook to address the challenges to its development effectiveness identified in the midterm review action plan.

⁹⁸ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; and ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

⁹⁹ Phase 1, which covers detailed data design, data integration, fund accounting, fund ledger, sub-ledger, and reporting, will be completed in the second quarter of 2019. Phase 2, which will automate the management of partnership relationship and funds, will be part of the Digital Agenda 2030.

Table 8: Completed Midterm Review Actions to Improve ADB Performance

Action	DEfR Level	Status
a. Improve project readiness and reduce start-up delays		
<ul style="list-style-type: none"> Adopt realistic project implementation schedules using project readiness filters; classify projects into two readiness categories. 	Levels 2–4	<p>Monitoring has been separated into two categories: design readiness and procurement readiness. Monitoring has started, and results have been reported in the 2014–2018 development effectiveness reviews (DEfRs). Some projects approved in 2018 were designed with a longer implementation schedule than the standard 5 years, signaling that more efforts are being made to set realistic implementation periods.</p> <p>The 2014–2016 and 2017–2020 corporate results frameworks contain a results framework indicator on infrastructure projects that are procurement-ready (%) and a standard explanatory data indicator on infrastructure projects that are design-ready (%). These indicators are being used to measure high project readiness.</p>
<ul style="list-style-type: none"> Refine the current eOperations to meet operational needs. 	Level 3	<p>eOperations simplification phase 2, release 4 went live on 23 May 2016. This included features such as integration with eServe for editing and circulation requests, integration with the Disclosure Management System for submitting documents for disclosure, and a simplified process for uploading final linked documents. Overall productivity has improved by 70% based on the reduction of clicks, screens, and data fields. The eOperations simplification project was closed and moved to regular maintenance mode. Briefings were conducted, and training sessions followed.</p>
<ul style="list-style-type: none"> Ensure availability of resources for the preparation of detailed project designs and feasibility studies. 	Level 3	<p>Transaction technical assistance (TA) provides project preparation and implementation and other support that directly benefits a project. In 2018, \$149 million was committed for transaction TA to prepare, enhance readiness, and/or develop capacity for an ensuing project.</p> <p>In July 2018, the Board approved a new modality: project readiness financing (PRF). The modality finances project preparation and design activities for investments that are expected to be financed under an ensuing Asian Development Bank (ADB) project. TA loans and the pilot Project Design Facility were replaced with PRF. In 2018, \$32 million was committed for PRF.</p>
b. Procurement reforms to reduce sovereign operation implementation delays		
<ul style="list-style-type: none"> Undertake a review of procurement and consulting policy and guidelines, including single-source selection and use of country systems and processes. 	Levels 2–3	<p>The ADB Board approved a new procurement policy in April 2017. This marked the transition from a one-size-fits-all approach to a fit-for-purpose approach. The new framework is intended to deliver quality and value for money, in addition to existing core principles, across all projects.</p> <p>To support this transition, ADB has produced an extensive toolkit to help users utilize new features available. During 2017–2018, 24 guidance notes, 8 user guides, 9 standard bidding documents, and 4 staff instructions were prepared.</p> <p>Strategic procurement planning helps determine the best approach for optimal project outcomes from the beginning of the project cycle.</p> <p>The ADB procurement risk framework allows users to identify and mitigate risks to a project's cost, quality, and sustainability.</p> <p>Open competitive bidding, introduced in 2018, consolidates the procurement of goods, works, and services under a single method that is more flexible and responsive to market conditions.</p> <p>The new procurement framework (NPF) provides users additional options to address abnormally low bids to ensure quality procurement outcomes.</p>

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Table 8. *continued*

Action	DefR Level	Status
		<p>A risk-based approach determines the type of procurement review and improves efficiency by applying a fit-for-purpose methodology. A change-management plan comprising communication, training, feedback capture, and performance measurement was introduced in 2018 to implement the NPF.</p> <p>Activities included 11 procurement strategy clinics for regional departments led by 25 procurement specialists and attended by 196 staff; 26 outreach events comprising business opportunities seminars, conferences, and fairs attended by 2,781 external stakeholders; 3 procurement masterclasses on NPF features attended by 208 staff; and the dissemination of monthly NPF eNewsletters to an internal and external audience of 4,300.</p>
<ul style="list-style-type: none"> • Delegate more authority in procurement matters to regional departments and resident missions to reduce ADB's response time. 	Levels 2–4	<p>Under the NPF, ADB is increasing decentralization to its operations departments and posting procurement specialists to all resident missions and sector divisions with a portfolio of more than \$1 billion.</p> <p>Nine senior staff with delegated authority to sign off on transactions of up to \$40 million on behalf of Procurement, Portfolio and Financial Management Department (PPFD) directors have been posted to ADB resident missions in Afghanistan, Bangladesh, India, Pakistan, the People's Republic of China, Sri Lanka, Uzbekistan, and Viet Nam, and to the Pacific Subregional Office. In addition, there are 10 strategically placed procurement specialists in the regional departments divided between front offices and sector divisions.</p>
<ul style="list-style-type: none"> • Assess procurement risks and introduce new prior-review limits for contracts. 	Levels 2–3	<p>ADB will undertake country and sector or agency procurement risk assessments earlier in the preparation of the country partnership strategy.</p> <p>ADB undertakes project procurement risk assessments during project processing to assess market conditions and other relevant factors to confirm or establish various thresholds, especially for open competitive bidding with international and national advertisement, procurement review types, and select the optimal procurement methods and bidding procedures.</p> <p>By the end of 2018, ADB had completed 29 country, sector, or agency risk assessments. The new prior-review limits are effective for all new projects and may be applied to ongoing projects.</p>
<ul style="list-style-type: none"> • Regional departments to classify projects by procurement risk and complexity at concept clearance. 	Levels 2–3	<p>Projects in procurement category A (complex) receive direct operational support from PPFD to complete the project procurement risk assessment and assist with the preparation of prequalification and bidding documents and project administration.</p> <p>ADB classified 63 projects as category A as of April 2018.</p>
<ul style="list-style-type: none"> • Streamline recruitment of consulting services and improve quality. 	Levels 2–4	<p>Hiring rules have been eased to optimize flexibility, competition, and efficiency, allowing fit-for-purpose engagement.</p> <p>The Consulting Services Unit was established in April 2015 to streamline recruitment and improve the quality of the consulting process. Quality enhancements include increased use of 90:10 quality- and cost-based evaluation, and enhanced delegation authority to regional departments for loan consulting services of up to \$5 million.</p>
<ul style="list-style-type: none"> • Enhance quality of contractors. 	Levels 2–3	<p>New staff instructions and revised project administration instructions 3.01–3.12, approved in August 2014, include the strengthening technical and financial qualification and evaluation criteria in standard bidding documents, and contractor prequalification criteria to take project complexity and competition into account.</p>

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ACTIONS TO ADDRESS CHALLENGES

Table 8. *continued*

Action	DefR Level	Status
c. Improve sustainability of infrastructure operations		
<ul style="list-style-type: none"> Undertake an in-depth analysis of factors undermining sustainability and recommend measures for improvement. 	Level 2	<p>Based on lessons from past ADB operations and international best practices in project sustainability, ADB continues to address both the financial and environmental sustainability of its operations during the project design phase. Both aspects are monitored during implementation and after project completion. ADB provides project executing and implementing agencies with the necessary capacity development assistance and knowledge solutions for asset sustainability. Early involvement of ADB's Economic Research and Regional Cooperation Department and PPF in project economic and financial analysis, and of ADB's sector and thematic groups in project design, also contributes to project sustainability.</p>
d. Improve disbursement performance		
<ul style="list-style-type: none"> Provide a client portal for faster disbursements to allow executing agencies or borrowers to file the withdrawal applications. 	Level 3	<p>The client portal system for disbursement (CPD) is complete and was launched in July 2015. The CPD allows agencies to prepare, submit, and track loan and grant withdrawal applications online. It also allows real-time communication between agencies and ADB.</p> <p>By the end of 2018, the CPD had been rolled out to 35 developing member countries, with an additional 188 executing agencies (82% of the target), enabling web-based submission of withdrawal applications. In 2018, the Controller's Department processed 6,949 withdrawal applications amounting to \$5.01 billion, a 100% increase compared with 2017.</p>
<ul style="list-style-type: none"> Reduce the time for payment of withdrawal applications. 	Level 3	<p>The following measures have been explored to reduce the time taken for payment of withdrawal applications.</p> <ul style="list-style-type: none"> i) The revised service-level standards guidelines were rolled out to ADB's Loan Administration Division in 2016. ii) eSTAR guidelines were revised to streamline and speed up the submission of withdrawal applications through the resident missions. <p>The average time between receipt of the withdrawal application and payment for prior-review contracts has met the midterm review target (less than 5 days on average) since 2015.</p>
e. Increase cofinancing		
<ul style="list-style-type: none"> Enter into risk-sharing arrangements with selected development partners to expand headroom. 	Level 3	<p>ADB signed a risk-transfer agreement for \$155 million with the Swedish International Development Cooperation Agency on 21 September 2016.</p>
<ul style="list-style-type: none"> Streamline cofinancing procedures to minimize transaction costs. 	Level 3	<p>In 2017, the Office of the General Counsel finalized the Template of Cofinancing Agreement for Funds on a Grant Basis to be fully administered by ADB for a project or part thereof.</p> <p>ADB developed and populated the Cofinancing Management System (CoMS). All cofinance-related data in CoMS (i.e., agreement information, fund structure, and partner master data) will be migrated to the Partner Fund Management System Phase 2. CoMS will be retired after phase 2 of the Partner Fund Management System has been rolled out.</p> <p>Online application and approval processes are being pilot tested for selected trust funds, e.g., the People's Republic of China Poverty Reduction and Regional Cooperation Fund, the High-Level Technology Fund, and the Japan Fund for Poverty Reduction seed money. These processes will be rolled out to the Japan Fund for Poverty Reduction, the Afghanistan Infrastructure Trust Fund, and other trust funds step by step.</p>

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Table 8. continued

Action	DefR Level	Status
		ADB signed its first Alternative Procurement Arrangement with the World Bank, allowing procedures on cofinanced projects to follow a single procurement framework.
		The <i>Trust Fund Guidelines</i> were approved in July 2018. The guidelines document the required procedures as well as good practices in the establishment and administration of trust funds.
<ul style="list-style-type: none"> Link corporate cofinancing target with differentiated department-level targets, and monitor. 	Level 3	<p>Beginning in 2014, official direct value-added cofinancing targets were developed at the regional department level in consultation with regional departments; the Office of Cofinancing Operations; and the Strategy, Policy and Review Department. The Strategy, Policy and Review Department's quarterly operations review meetings have been monitoring and reporting against departmental targets.</p> <p>In 2019, there will be no volume target for sovereign cofinancing. In late 2018, ADB started developing a new framework to define, promote, and measure sovereign cofinancing. ADB will continue to emphasize donor coordination and value-adding cofinancing, strengthen grants and trust fund mobilization, and use these resources to fill viability gaps, drive innovation, and support knowledge services.</p>
<ul style="list-style-type: none"> Allocate a portion of earned administrative fees to project teams for administration of cofinanced projects. 	Level 3	The Budget and Management Services Division developed a new methodology to transparently allocate earned fees (linked to disbursement) for cofinancing activities and trust funds to operations departments. The methodology has been used since the 2015 budget allocation.
f. Increase public-private partnership transactions and leverage greater private financing		
<ul style="list-style-type: none"> Centralize public-private partnership (PPP) transaction advisory teams. 	Level 3	The Office of PPP was established in August 2014 and commenced work on 1 September 2014. In 2018, a total of 20 transaction advisory services were mandated.
<ul style="list-style-type: none"> Consider a dedicated TA facility on a cost-recovery basis for transaction advisory service mandates. 	Level 3	The TA facility was established and approved (Enhancing PPP Project Development through Support for ADB Transaction Advisory Services in Southeast Asia and the Pacific).
g. Ensure right talent and skills mix and increase women international staff representation		
<ul style="list-style-type: none"> Develop a structured workforce planning methodology that comprehensively assesses future resourcing and skill requirements. 	Level 4	Following the mainstreaming of the workforce analysis in 2016, the 3-year departmental strategic staffing plan is an annual exercise in the work program and budget framework period. Departments are using the findings of the workforce analysis to prepare 3-year rolling plans including strategic direction, major deliverables, staff optimization plans, and outposting and gender targets.
<ul style="list-style-type: none"> Strengthen staffing and skills where gaps are identified as part of the workforce planning methodology. 	Level 4	<p>The skills audit was undertaken during May 2014–October 2015 to project gaps in skills required by operations departments. Skills gaps were projected for 2017–2019 in three areas: (i) sector skills, (ii) operational skills for the five regional departments, and (iii) private sector skills for the Private Sector Operations Department. Major findings in these areas are being addressed through targeted hiring initiatives.</p> <p>ADB will further strengthen human resources management to provide the skilled, highly capable, and motivated workforce needed to meet the goals of Strategy 2030. Human resources reforms, such as flexible position management and strategic staffing, will reinforce the One ADB approach by enabling effective cross-departmental and functional coordination.</p>

Source: Asian Development Bank midterm review action plan monitoring.

Employment for all. A woman paints intricate designs on ceramic bowls in a dishware production factory in Tashkent, Uzbekistan (photo by Relisa Granovskaya).

Hard work and determination. Nai Jon from Naxay village in the Lao People's Democratic Republic is able to support her family by raising and selling cows (photo by Xaykham Manilasith).

LEARNING FROM EXPERIENCE: **Managing for Results under Strategy 2020**

To help guide and inform its ongoing preparation of a corporate results framework (CRF) aligned with Strategy 2030, ADB took stock of lessons learned since developing and applying its first CRF under Strategy 2020 in 2018. This section highlights the wealth of insight gained into selecting CRF indicators and targets and building the institutional architecture essential for the CRF to guide performance improvement.

LEARNING FROM EXPERIENCE: MANAGING FOR RESULTS UNDER STRATEGY 2020

162. To help guide and inform its ongoing preparation of the corporate results framework (CRF) for Strategy 2030, ADB has taken stock of lessons learned since 2008 from developing, applying, and revising its successive CRFs under Strategy 2020. An extensive review of historical results-related documents was undertaken, and 27 current and former ADB managers who led the development or revisions of previous CRFs were interviewed, along with the managers who have been the frameworks' main users. This section summarizes highlights from the wealth of insight gathered so far on the selection of CRF indicators and targets and on the institutional architecture needed to make the next CRF work best. The lessons learned are serving as important complementary inputs to the extensive consultations with key internal and external stakeholders ADB is undertaking to develop the Strategy 2030-aligned CRF.

A. Origin and Evolution of ADB's Corporate Results Framework—A Brief History

163. Historical documents revealed that the groundwork for ADB's use of results frameworks was laid in 1980 when it issued guidelines for logical framework planning in its projects and the monitoring and evaluation of project benefits. The logical framework—which became the current design and monitoring framework (DMF)—was made mandatory for projects in the agriculture and rural development sector in 1995, and for all ADB projects soon after.

164. ADB strengthened its results focus at the corporate level when it adopted poverty reduction as its overarching objective in 1999¹⁰⁰ and its long-term strategic framework (2001–2006) for pursuing this goal in 2000.¹⁰¹ During 2003–2004, donors to the ninth replenishment of the Asian Development Fund asked ADB to scale up its institutional efforts in managing for development results. ADB's 2004 managing for development results action plan,¹⁰² formulated in response, called for the introduction of indicators to measure corporate performance over and above ADB's existing project and country-level results reporting and the variety of indicators and reports related to specific corporate agendas.¹⁰³ A revision of this plan during 2006–2008 laid out more detailed steps for creating an assessment system to measure and report ADB's corporate performance through key indicators monitoring its institutional and development effectiveness.¹⁰⁴

165. In 2008, ADB introduced the first CRF aligned with its new long-term strategic framework, Strategy 2020.¹⁰⁵ It employed a four-level results framework system with indicators still applied today to assess ADB's overall performance. Based on the new CRF, ADB published the first annual development effectiveness review (DEfR) in 2008.¹⁰⁶ It has continued to do so each year since to inform ADB's management, shareholders, and key

¹⁰⁰ ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila.

¹⁰¹ ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

¹⁰² ADB. 2004. *Managing for Development Results: Status Report on Action Plan*. Manila.

¹⁰³ These included the annual poverty reduction strategy report and the report on the implementation of the reform agenda and the work program and budget framework (WPBF).

¹⁰⁴ ADB. 2006. *Managing for Development Results in ADB: Revised Action Plan (2006–2008)*. Manila.

¹⁰⁵ ADB. 2008. *ADB Results Framework*. Manila.

¹⁰⁶ ADB. 2008. *2007 Development Effectiveness Review*. Manila.

LEARNING FROM EXPERIENCE: MANAGING FOR RESULTS UNDER STRATEGY 2020

stakeholders of development progress in the Asia and Pacific region and of the performance of ADB's operations, both overall and through Asian Development Fund and concessional ordinary capital resources financing, in delivering their intended development results. In 2011, the CRF became a core part of the corporate results management system as it was cascaded and integrated into the corporate management cycle.

166. The timeline in Figure 28 shows key milestones in the evolution of the CRF aligned with ADB's Strategy 2020.

B. Insights and Lessons Learned

1. Corporate Results Framework Indicators: Functions and Achievements

167. Most ADB managers interviewed believe that ADB's use of CRF indicators has strengthened its results management and serves three main functions. Analysis of performance improvements on specific indicators emphasized in the corporate management system supports this finding.

168. **Communicating clear priorities and sustaining strategic focus.** The CRF indicators used to monitor and report on ADB's performance in its priority operational areas and on its key agendas and drivers of change under Strategy 2020 have helped keep corporate targets at the forefront in operations and planning. When the DEfR process has revealed an indicator's performance to be *off track*, the reasons have been identified and

corrective actions determined and communicated through the President's annual planning directions, the annual work program and budget framework (WPBF), and the DEfR report itself.

169. ADB revised the CRF indicators periodically to increase the focus on intended results. After the 2014 Midterm Review of Strategy 2020 showed a decline in the education and health sectors' shares of overall financing, new indicators were added to the CRF that set range targets for support in both areas. These two indicators were the ones most often cited by ADB managers as having successfully refocused ADB on specific Strategy 2020 priorities. Their addition led to more exploration during country programming for sound opportunities to finance programming in these sectors.

170. **Initiating and incentivizing change.** In 2010, ADB piloted the results-delivery scheme whereby financial resources were allocated to regional departments for 2012 and 2013 based on performance criteria tied to reaching ADB's corporate targets for education, gender mainstreaming, and cofinancing. By 2011, ADB had fully integrated the DEfR into the corporate management cycle, mainstreaming results-based management in the organization. Since that time, some CRF indicators have successfully helped initiate and sustain organizational change. The CRF's gender mainstreaming indicator is among those noted most by managers for success in initiating and sustaining organizational change and bringing about strong results. Managers identified the inclusion of operations departments and staff in setting the gender mainstreaming target as having been particularly important to the strong results that followed. Their involvement allowed a high yet attainable target to be agreed on, a sound monitoring methodology to be put into place, and strong ownership by ADB staff to be fostered. The target was reached and increased twice (Figure 29).

Figure 29: Operations Supporting Gender Mainstreaming, 2006–2018 (%)

CRF = corporate results framework, MTR = midterm review, TRF = transitional results framework.

Note: 2006–2016 targets and data are based on approvals; 2017–2020 targets and data are based on commitments.

Source: Asian Development Bank Strategy, Policy and Review Department.

LEARNING FROM EXPERIENCE: MANAGING FOR RESULTS UNDER STRATEGY 2020

171. **Reporting to shareholders.** ADB's shareholders are the main intended audience for the Level 1 indicators monitoring progress on high-level strategic priorities and development in Asia and the Pacific. Shareholders also focus on Level 2, which reports on output and outcome delivery by ADB-financed operations. ADB's managers concentrate most on the Level 3 and 4 indicators, which measure the performance of ADB's internal management and its operational and organizational effectiveness. Managers emphasized the need for the CRF to be clear on which indicators track ADB's performance alone, which measure the performance of the developing member countries (DMCs), and which do both. Several questioned the purpose of Level 1, given that a number of ADB publications already cover the region's macro development picture.

2. Keys to Setting Ambitious, Achievable, Useful Targets

172. The ADB managers interviewed considered five factors to be especially important in effectively managing for results and setting CRF targets.

173. **Balancing ambition with realism.** A CRF target, managers believe, should be ambitious to drive meaningful change but realistic to avoid demoralizing those trying to achieve it. In one case, however, overambition may have earned ADB some reward. Strategy 2020 set a long-term target for annual direct value-added (DVA) cofinancing to match (and eventually exceed) the value of stand-alone ADB project finance each year. Some managers considered the dollar-per-dollar target as clearly unachievable and inappropriate to include in the CRF. Setting sights high, others believed, helped spur ADB and its staff to greater efforts. Under the results delivery scheme, DVA cofinancing was added to departmental work plans and monitored in quarterly operations review meetings. Since the introduction of the first target in 2008 and the results-delivery scheme in 2010, ADB has significantly increased the amount of DVA cofinancing it generates (Figure 30).

Figure 30: Direct Value-Added Cofinancing as a Share of ADB Financing, 2006–2018 (%)

ADB = Asian Development Bank, CRF = corporate results framework, MTR = midterm review, TRF = transitional results framework.
 Note: Consistent with the methodologies applied by each CRF, 2006–2016 targets and data are based on approvals and reported as 3-year averages; 2017–2020 targets and data are based on commitments; and data for 2017 and 2018 are annual values.
 Source: Asian Development Bank Strategy, Policy and Review Department.

174. **Assessing utility and suitability.** Not all indicators need or are suited to having targets, according to some managers. This makes it important for ADB to consider how useful a proposed target will actually be, and who will use it and how. Managers suggested dropping targets when progress is mainly beyond ADB's direct control—for instance, the use of DMC systems or cofinancing secured, or when setting a target becomes too arbitrary.

175. **Establishing solid baselines and stakeholder buy-in.** A CRF target should be founded on accurate baseline data and a good understanding of what level of performance improvement is ambitious yet achievable. The majority of managers interviewed said it was important to bring sector specialists most likely to have this data and knowledge into the target-setting process early on. This ensures that a target will be discussed, debated if need be, and finally confirmed and broadly owned by those establishing CRF targets and those ultimately responsible for, and essential to, successfully meeting them.

176. **Keeping indicator and target monitoring manageable.** CRF indicators and targets proliferated in the early years of the Strategy 2020 period, driven by the notion that what gets measured gets done. About half the managers now believe the CRF has too many indicators and that monitoring and reporting on them consumes valuable time. Some put the ideal number of indicators with targets in the 10–15 range (compared with the current 85) and recommend that these be easy to measure and that their achievement be incentivized.

177. **Considering quality as well as quantity.** Focusing too much on quantity in the CRF and too little on quality can have an unintended negative effect on ADB corporate culture, according to many managers. They were concerned that narrow pursuit of efficiency targets could diminish attention to quality in ADB's engagement with stakeholders, design of operations, and implementation of projects. Quantitative time, volume, and cost indicators and targets are comparatively easier to set, track through hard data, and score. However, managers believed that to consistently deliver high standards as well as high volumes, ADB needs to apply indicator and targeting methodologies that determine “how well” along with “how much.” Managers noted that, by assessing ADB performance across all CRF indicators, the annual DEFAR plays an important role in focusing attention on a balance between quality and efficiency.

3. Cascading Corporate Results Framework Targets

178. **Successful institutionalizing of targets.** The best way to communicate the critical importance of achieving CRF targets throughout ADB, more than half the managers believe, is to continue the current practice of including them in the WPBF and the President's planning directions. The WPBF is also seen as essential to guiding allocation of adequate resources to meet these targets. Managers further identified the importance of the mechanisms in place to regularly monitor progress, such as the web-based operations dashboard, and regular operations review meetings conducted with senior management to ensure that performance issues are flagged early and corrective actions taken (Figure 31).

179. **Organizational cascading valued.** Most managers consider the CRF a valuable management tool and include the relevant indicators and targets in their departmental work plans, guided by the WPBF and the President's planning directions. Targets cascade down, based on function and responsibilities, into divisional and individual work plans that make performance expectations clear. The process breaks CRF targets into separate department, division, and individual goals and helps produce a cohesive effort at each level and through ADB overall. Organizational cascading was strengthened in 2018 with the introduction of myCareer, a web-based performance management system. The new system automates the cascading of goals and targets, which has brought closer alignment between the CRF and department, division, and staff work plans. The ease with which departments and divisions can now review and update their work plans throughout the year encourages and facilitates more proactive performance management.

Figure 31: Cascading Corporate Results Framework Targets in ADB under the Transitional Results Framework

ADB = Asian Development Bank.

Source: Asian Development Bank Strategy, Policy and Review Department.

180. **Programmatic cascading needs further clarity.** The logic of cascading CRF targets to ADB operations is clearest between indicators at Level 2B of the CRF and the DMFs of projects and programs. A project's DMF includes the CRF indicators that are relevant to the project's intended development results. These are monitored and reported on. Project results are then aggregated for each CRF indicator and reported in the DEfR. In its country programming, ADB identifies intended results based on the nexus of the country's development priorities and ADB's corporate priorities as outlined in its long-term strategy. Managers stressed the importance of this country-focused approach based on the view that country partnership strategy (CPS) indicators and targets should be determined primarily by the DMC, not ADB's CRF. Some managers see value and logic in the concept of cascading CRF indicators through the CPS and sector results frameworks and down to project DMFs, but they find it difficult to achieve in practice. Moreover, many managers did not fully understand how programmatic cascading is intended to work in practice. This suggests a need to review the CPS results framework guidelines and more clearly communicate programmatic cascading and its intended benefits to ADB Management and staff.

Returning home. Local Marma women return from the village market after shopping in Banderban, Bangladesh (photo by Abir Abdullah).

APPENDIXES

APPENDIX 1: LIST OF ADB DEVELOPING MEMBER COUNTRIES

Table A1.1: ADB Developing Member Countries

Afghanistan	India	Mongolia	Sri Lanka
Armenia	Indonesia	Myanmar	Tajikistan
Azerbaijan	Kazakhstan	Nauru	Thailand
Bangladesh	Kiribati	Nepal	Timor-Leste
Bhutan	Kyrgyz Republic	Pakistan	Tonga
Cambodia	Lao People's Democratic Republic	Palau	Turkmenistan
China, People's Republic of	Malaysia	Papua New Guinea	Tuvalu
Cook Islands	Maldives	Philippines	Uzbekistan
Fiji	Marshall Islands	Samoa	Vanuatu
Georgia	Micronesia, Federated States of	Solomon Islands	Viet Nam

ADB = Asian Development Bank.

Note: Five developing members—Brunei Darussalam; Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China—have graduated from regular ADB assistance and are not included in this table. The classification of Brunei Darussalam as a graduated developing member will be made effective upon the signing of a memorandum of understanding with ADB, outlining the systematic nature and strategic directions of assistance.

Source: Asian Development Bank Strategy, Policy and Review Department.

Table A1.2: Classification of ADB Developing Member Countries

Regular OCR-Only	CA Countries		FCAS
	OCR Blend Countries	CA-only Countries	
Armenia ^a	Bangladesh	<u>COL-only Countries</u>	Afghanistan
Azerbaijan ^b	India ^d	Cambodia	Kiribati
China, People's Republic of	Mongolia ^e	Myanmar	Marshall Islands
Cook Islands	Pakistan	Nepal	Micronesia, Federated States of
Fiji	Palau		Myanmar
Georgia ^c	Papua New Guinea	<u>ADF Blend Countries</u>	Nauru
Indonesia	Sri Lanka ^f	Bhutan	Papua New Guinea
Kazakhstan	Timor-Leste ^g	Kyrgyz Republic	Solomon Islands
Malaysia	Uzbekistan	Solomon Islands	Tuvalu
Philippines	Viet Nam ^h	Vanuatu	
Thailand		<u>Grants-only Countries</u>	
Turkmenistan		Afghanistan	
		Kiribati	
		Lao People's Democratic Republic	
		Maldives	
		Marshall Islands ⁱ	
		Micronesia, Federated States of ^j	
		Nauru	
		Samoa	
		Tajikistan	
		Tonga	
		Tuvalu	

ADB = Asian Development Bank, CA = concessional assistance, COL = concessional ordinary capital resources loans, FCAS = fragile and conflict-affected situations, OCR = ordinary capital resources.

Notes:

^a ADB. 2014. *Armenia: Review of Classification under ADB's Graduation Policy*. Manila (R77-14).

^b ADB. 2013. *Azerbaijan: Review of Classification under ADB's Graduation Policy*. Manila (R89-13).

^c ADB. 2013. *Georgia: Review of Classification under ADB's Graduation Policy*. Manila (R78-14).

^d Has no access to concessional assistance.

^e ADB. 2011. *Review of the Classification of Mongolia Under the Asian Development Bank's Graduation Policy*. Manila (115-11).

^f ADB. 2017. *Sri Lanka: Review of Classification under ADB's Graduation Policy*. Manila (R67-17). Sri Lanka reclassification to Group C (Regular OCR-only) will be effective from 1 January 2019.

^g ADB. 2011. *Review of the Classification of Timor-Leste under the Asian Development Bank's Graduation Policy*. Corrigendum 1. Manila (172-11).

^h ADB. 2017. *Viet Nam: Review of Classification under ADB's Graduation Policy*. Manila (R66-17). Viet Nam reclassification to Group C (Regular OCR-only) will be effective from 1 January 2019.

ⁱ ADB. 2013. *Marshall Islands: Review of Classification under ADB's Graduation Policy*. Manila (R61-13).

^j ADB. 2017. *Federated States of Micronesia: Review of Classification under ADB's Graduation Policy*. Manila (R1-17).

Sources: ADB 2013. *ADB's Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations*. Manila; ADB. 2018. *Classification and Graduation of Developing Member Countries*. Operations Manual. OM A1/BP. Manila; and ADB Strategy, Policy and Review Department.

APPENDIX 2: DELIVERING RESULTS IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS

A. ADB's Approach to Fragile and Conflict-Affected Situations

1. **A differentiated approach.** The Asian Development Bank (ADB) has applied a special approach since 2007 to engaging in countries that face fragile and conflict-affected situations (FCAS). Situations of conflict, political instability, weak governance, economic and social insecurity, and vulnerability to the effects of climate change make it particularly difficult for these countries to achieve their development objectives. Strategic documents such as the *Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations* and the *Pacific Approach, 2016–2020* call for ADB to have a sound understanding of the local context, a long-term commitment, and flexibility when responding to FCAS challenges and to make additional efforts to ensure country ownership of ADB-financed operations.¹ ADB will continue to practice a differentiated approach to these developing member countries (DMCs) under Strategy 2030 and will apply the same approach in small island developing states (SIDS) whether they are categorized as FCAS or not.²

2. **Fragile and conflict-affected situations.** ADB's classification of DMCs as FCAS is consistent with the harmonized approach adopted by most multilateral development banks. ADB listed nine DMCs in its FCAS category in 2018. The Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Papua New Guinea (PNG), Solomon Islands, and Tuvalu were considered to be in fragile situations; Afghanistan and Myanmar were identified as conflict-affected.³ ADB also pays special attention to situations of fragility at the subnational level, DMCs that have exited the FCAS list but are in a transitional or post-conflict situation, and countries whose performance assessment scores are only marginally above the cutoff score for FCAS identification. Timor-Leste and Vanuatu fell into this last category in 2018.

B. Country Context

3. **Drop in poverty amid slow growth.** Extreme poverty in FCAS countries dropped to 9.4% in 2015, a reduction of 3.9 percentage points from the 2013 figure. FCAS countries have not regained the 7%–12% per capita gross domestic product growth rates most achieved during 2000–2012, with the average remaining at 3% for the third year running (2015–2017). Financial inclusion remains low; only 15% of the adult population in Afghanistan and 26% in Myanmar own a bank account. At less than 1% of the population, social insurance coverage is almost nonexistent. Social assistance covers 8% of the population. FCAS DMCs do not yet track social health protection data.

¹ ADB. 2013. *Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations*. Manila; and ADB. 2017. *Pacific Approach, 2016–2020*. Manila.

² ADB applies the United Nations definition of SIDS as all states that participate in the Alliance of Small Island States. This puts all 14 of ADB's Pacific DMCs in the SIDS category. Of these 14 DMCs, the Cook Islands, Fiji, Maldives, Palau, Samoa, Timor-Leste, Tonga, and Vanuatu were not classified as FCAS in 2018.

³ As of January 2019, ADB classified 10 DMCs as FCAS, of which 2 were affected by conflict in parts of the country (Afghanistan and Myanmar). The remaining 8 are Pacific SIDS and demonstrate the effects of fragility: the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, PNG, Solomon Islands, Timor-Leste, and Tuvalu. In addition, Vanuatu had country performance assessment scores just slightly above the 3.2 cutoff for FCAS, and ADB's operations in this country continues to pay due attention to issues of fragility.

4. **Challenges in health and education.** Nutrition and health challenges persist in the FCAS DMCs. The prevalence of stunting among children under 5 years of age was 37% in 2016, and the average maternal mortality ratio, at 287 deaths per 1,000 live births in 2015, was more than double that of ADB's DMCs overall (125 deaths per 1,000 live births). Fewer than half the youths of graduating age complete lower secondary school. Boys outnumber girls at primary schools by a ratio of 10:8.
5. **Slow improvement in infrastructure.** Road length per 10,000 people in the FCAS countries rose from 3.1 kilometers (km) to 3.8 km during 2013–2016, or about one-sixth of the average 22.3 km per 10,000 people for ADB's DMCs overall. Cellphone network coverage is an exception to the generally challenging infrastructure picture. Although 40% of the FCAS countries' rural populations still lack access to basic water and sanitation, mobile coverage grew from 80% to 90% during 2012–2017 and reached an additional 16 million people.
6. **Increased trade, steady business environment.** FCAS DMCs decreased the intraregional portion of their total trade slightly from 84% in 2015 to 83% in 2017, but their overall trade volume was up 32% over the same period (from \$53.5 billion to \$70.6 billion). It took an average of 19.5 days to fulfill the requirements to start a business in FCAS countries in 2018—a small increase from 2016's record of 19.4—but this was still 2 days faster than the average across all ADB DMCs.
7. **Problematic environmental trends.** The decrease in forest coverage, which stood at 37% in 2015, remains an area of concern in the FCAS countries, as does growing carbon intensity in their economies. Carbon intensity rose from 0.09 kilograms to 0.11 kilograms per dollar of gross domestic product at purchasing power parity during 2013–2014 mainly due to industrial growth in Myanmar and in contrast with the overall DMC trend. The fact that the World Risk Index has put the FCAS countries in its highest risk category since 2014, due to their great exposure to extreme climate events, underlines the urgent need to improve their coping and adaptive capacities.⁴

C. Operations

8. **Success in completed sovereign operations.** The 11 sovereign operations completed in FCAS countries during reporting year (RY) 2016–2018 accounted for 7% of the ADB total over the period, down from 8% in RY2015–2017. Of these 11 FCAS operations, 8 were *successful*, producing a 73% success rate that was 4 percentage points better than in RY2015–2017 and up 10 percentage points from 63% in the baseline period of RY2014–2016.
9. **Strengthening public financial management.** ADB operations completed in RY2016–2018 continued to help FCAS countries improve fiscal sustainability and carry out economic and financial reforms. Nauru strengthened fiscal management and financial management reporting with the support of a successful public sector program that enabled the implementing agency to design strategic and operational plans to improve service delivery.⁵ This followed an earlier public financial reform program through which ADB helped the country establish a financial management information system, adopt a new tax policy framework, and make changes to improve the corporate governance and economic performance of some state-owned enterprises.
10. **Providing affordable and reliable electricity in rural Afghanistan.** A *successful* power transmission and distribution project raised the power supply and the electrification rate in the northern, eastern, and southern regions

⁴ Institute of Spatial and Regional Planning. World Risk Index. <http://www.uni-stuttgart.de/ireus/Internationales/WorldRiskIndex/>.

⁵ ADB. 2017. *Completion Report: Fiscal Sustainability Reform Program in Nauru*. Manila; and Independent Evaluation Department. 2018. *Validation Report: Fiscal Sustainability Reform Program in Nauru*. Manila: ADB.

of Afghanistan where nearly 75% of the country's people live.⁶ About 13,200 new households were connected to an affordable, reliable supply of grid power under the project. The ready supply of electricity the project helped put into place lowered the cost of doing business and opened up new opportunities in rural Afghanistan. It also reduced the pollution and threats to family health from home use of fuelwood and expensive diesel-based power generation.

11. **Rising technical assistance success.** The success rate of ADB's technical assistance (TA) projects in the FCAS countries was well above the 80% target and has increased to 86% in RY2016–2018 from 81% in RY2015–2017. This is slightly lower than the 89% achieved by non-FCAS DMCs over the same period. In 2018, ADB provided TA to eight of the nine FCAS countries: Afghanistan, the Federated States of Micronesia, Kiribati, the Marshall Islands, Myanmar, Nauru, PNG, and Solomon Islands.

12. **Technical assistance for sector development planning.** Myanmar was the FCAS DMC where the most completed TA operations earned *successful* ratings. The majority of these supported finance sector reform, skills development, urban management, and renewable energy demonstration projects. Afghanistan followed, with *successful* TA in renewable energy and transport development. Other *successful* TA projects involved institutional strengthening and tariff and subsidy reforms in the Nauru Utilities Corporation, electricity industry reforms in PNG, and new information and communication technology to improve education services in Solomon Islands.⁷

13. **Disbursements higher.** Disbursements for sovereign projects and results-based lending in FCAS countries increased from \$350 million in 2017 to \$413 million in 2018. The disbursement ratio rose from 13.4% to 14.0%. The disbursements in Afghanistan accounted for 52% of the FCAS total in 2018, and those in PNG for an additional 34%.

14. **Cofinancing declined year on year.** The \$170 million of cofinancing for operations in FCAS countries in 2018 was a decline from the \$219 million in 2017 and well below the \$1.6 billion signed in 2016. The Afghanistan Infrastructure Trust Fund contributed the largest share in 2018 (29%), followed by the World Bank (25%).⁸ In 2016–2018, direct value-added cofinancing for FCAS countries remained at the 2015–2017 level of \$2.0 billion and slightly above the \$1.8 billion in 2014–2016.

15. **Small decline in implementation quality.** The share of ongoing FCAS sovereign operations with *satisfactory* ratings declined by 1 percentage point to 91% in 2018, on par with both ADB overall and the concessional assistance subset. Of the 86 FCAS operations under implementation in 2018, 10 were rated *actual problem*—4 in Afghanistan, 4 in Myanmar, and 1 each in PNG and Vanuatu. All had disbursement difficulties, nine had contract award issues, and two were rated *partly satisfactory* on safeguards.

D. Experience with Implementing a Differentiated Approach

16. ADB has been implementing its FCAS approach effectively. It has applied the differentiation approach to overall strategic planning, the formulation and implementation of its country partnership strategies (CPSs), and the design and implementation of operations. It has provided substantial grant funding and TA to support

⁶ Independent Evaluation Department. 2017. *Validation Report: Power Transmission and Distribution Project in Afghanistan*. Manila: ADB.

⁷ ADB. 2017. *Technical Assistance Completion Report: Institutional Strengthening of the Nauru Utilities Corporation in Nauru*. Manila; ADB. 2018. *Technical Assistance Completion Report: Tariff and Subsidy Policy Reform in Nauru*. Manila; ADB. 2018. *Technical Assistance Completion Report: Implementation of the Electricity Industry Policy in Papua New Guinea*. Manila; and ADB. 2018. *Technical Assistance Completion Report: Information and Communication Technology for Better Education Services in Solomon Islands*. Manila.

⁸ The Afghanistan Infrastructure Trust Fund is supported by Germany, Japan, the North Atlantic Treaty Organization's Afghanistan National Army Trust Fund, the United Kingdom, and the United States.

development in FCAS, delivered a wide variety of FCAS-related knowledge products, improved its staff's FCAS skills, and boosted its presence in FCAS DMCs. Its recent focus has been in several areas: developing the best tools for successful FCAS operations, mapping sources of fragility and conflict, learning from its own and others' FCAS experiences, tailoring its business processes and approaches to maximize the effect of its FCAS efforts, and strengthening collaboration and knowledge sharing with development partners.

17. **More resources for the Pacific.** ADB considers the particular circumstances of each FCAS country as it ensures that sufficient resources are allocated to help meet its special development needs. For example, Afghanistan and Myanmar both receive larger concessional assistance allocations than they would based on their country performance assessments alone. Afghanistan is classified as post-conflict. Myanmar has recently reengaged after a decades-long hiatus and is subject to ongoing civil conflicts in its border areas. ADB has increased financial support to the FCAS countries and SIDS in the Pacific by introducing a base allocation. Starting with the 2017–2018 biennial allocations, ADB provided all DMCs receiving concessional assistance resources with an annual base allocation of \$6 million. This was increased in 2018 to \$13 million for 2019–2020 on a one-time basis with the approval of the ADB Board of Directors.

18. **Tailored expertise and tools.** ADB's operations departments and resident missions are the frontline practitioners of its differentiated FCAS approach. Under the One ADB system, they work closely in these efforts with the other departments and offices of ADB and combine what they learn with the significant FCAS country and operations experience that has accumulated within the institution. This learning and collaboration has enabled ADB to develop expert tools designed specifically for FCAS operations.⁹

19. **Working more effectively in Afghanistan.** Afghanistan's multiple FCAS challenges create tremendous uncertainty about its future. They include poor transparency and accountability in governance, major political and security risks, and the many root causes of ongoing conflict and fragility. One ADB response has been a memorandum of understanding with the government on how it will operate differently in this very difficult environment (Box A2.1). It has also increased the presence of its international staff in the DMC and devised tools specifically tailored to improve how it develops, implements, and monitors and evaluates the projects it finances in the country. Among these is review and evaluation of project progress by independent third-party consultants.

Box A2.1: Memorandum of Understanding with the Government of Afghanistan on the Enhanced Project Delivery Approach

In 2016, the Asian Development Bank (ADB) signed the Enhanced Project Delivery Approach (EPDA) memorandum of understanding with the Government of Afghanistan. The EPDA was intended to respond to poor performance by ADB's portfolio in the country. This included a disbursement ratio of 8% in 2015, a contract award ratio of just 14%, and the fact that only 12 of 24 projects were rated *on track*. The problems included security risks, staffing issues, weak project management office capacities, slow procurement, and a lack of project readiness. ADB and the government agreed on measures to address these in the 2016 EPDA memorandum and to do better overall. As of December 2018, the disbursement ratio had increased to 12.1%, and the contract award ratio was 8.3% (with a year-end estimate of 11%). Of 28 ongoing projects, 18 were rated *on track*. Progress was being made, but it will take more time to translate this into a sustained overall improved portfolio performance.

Source: ADB. 2019. *Review of Special Allocation to Afghanistan*. Manila.

⁹ These include the FCAS Handbook, the FCAS Assessment, the FCAS Action Plan, FCAS Monitoring and Evaluation guidelines, FCAS Procurement guidelines, the FCAS Capacity Tracking tool, FCAS Project-Community Contract guidelines, FCAS Community Engagement guidelines, FCAS Community Driven Development Component guidelines, and the FCAS Action Plan developed by the Afghanistan Resident Mission.

20. ADB helped the government update and finalize Afghanistan's G7+ National Fragility Assessment, which will soon be shared with all its development partners. It provides a practical picture of the causes of fragility and how to mitigate them, as well as the sources of resilience to conflict and fragility and ways they may be enhanced. ADB's support for Ministry of Finance reforms in public financial management and budget processes helped raise the government's budget execution rate substantially and led to ADB's highest-ever level of disbursement in 2018.

21. **Conflict sensitivity in Myanmar.** Myanmar needs support from its development partners for reconciliation and reconstruction in Rakhine State and in other parts of the country affected by internal conflict. ADB adopted a phased approach to its reengagement with this DMC that involved considerable preparation through analytical work and country dialogue. The national development agenda makes support for economic and social inclusion a central priority, which aligns with one of ADB's comparative advantages in operations and focus.

22. The ADB Myanmar Resident Mission has incorporated a conflict-sensitive approach in its programming and operations in areas where political and ethnic conflicts have yet to be fully resolved. The approach aims to ensure that ADB assistance (i) will not exacerbate ongoing conflicts, (ii) contributes to Myanmar's inclusive development through equitable benefits for all communities, and (iii) will not be disrupted by local conflicts. Conflict-sensitive project designs ensure that special steps are taken in these ADB operations. All project-affected people of all ethnic groups must be properly informed about the project. All are involved in the project decision-making, particularly with respect to compensation for adverse impacts. All groups are given an equal opportunity to participate in and benefit from these projects. Conflict-sensitive project designs include stakeholder communication strategies and implementation plans and resettlement and ethnic development plans that are context-specific, along with processes for implementing and monitoring these plans effectively set out clearly in project administration manuals.

23. ADB equips staff and consultants with skills necessary to work in Myanmar's conflict areas. Prominent conflict experts advised on the preparation of the CPS for the DMC, as well as on project formulation. Civil society experts led consultations and one-on-one meetings with ADB project stakeholders, and ADB mission leaders participated in these consultations during project design and throughout implementation. This approach has created a positive and productive working relationship with advocacy organizations in Myanmar, led to more successful collaboration between government agencies and civil society organizations in ADB-financed projects, and increased the trust among project beneficiaries and stakeholders.

24. **The approach in the Pacific.** Seven of the nine DMCs classified as FCAS in 2018 are in the Pacific. The small size, populations, and economies of these remote countries and their extreme vulnerability to climate change and environmental, economic, and disaster-related shocks all contribute to their fragility. Weak institutional capacity limits the ability of their governments to exercise their basic functions and deliver essential services. ADB's FCAS work in the Pacific aims to strengthen these institutions, develop the missing capacity, simplify business processes and environments to spark socioeconomic growth, and improve maritime connectivity. It also seeks to learn from past operations, gain a better understanding of the sources of fragility, and find new and better ways to respond.

25. **Fragility awareness for raising project performance.** ADB is working to strengthen the capacity of implementing and executing agencies on fragility-sensitive approaches to project development and implementation. The Pacific Project Improvement Action Plan and other initiatives have lifted the performance and results of operations by making them more ready at start-up and enhancing support throughout

implementation.¹⁰ ADB's activities to help streamline business processes in the region have also helped. The share of ADB infrastructure projects that were procurement-ready at approval in Pacific FCAS countries increased from 0% in 2015 to 67% in 2017.

26. ADB is sensitive to DMC fragilities in its own planning, designs, and implementation of Pacific operations as well. For instance, it supported a fragility assessment of PNG's health sector that has informed government and development partner efforts to improve the health system and guided the design of the Health Services Sector Development Program (Box A2.2). To help deal with the institutional and capacity limitations so common in FCAS, ADB supported development of standard financial and asset management, procurement, customer care, and information technology operating procedures for the Solomon Islands water authority to improve urban water supply and sewerage services and reduce the company's reliance on external expertise.¹¹

Box A2.2: Using Fragility-Sensitive Approaches for Design and Implementation of Operations in the Pacific

The Asian Development Bank (ADB) committed a financing package of \$195 million during 2018 to support the delivery of accessible, affordable, high-quality health services in Papua New Guinea. The Health Services Sector Development Program combines a policy-based operation with budget support and project financing to bring about critical sector reforms and investments. The program will address deficiencies in the sector's governance, weak public financial management, and fragmented funds flows. The aim is the effective use and long-term sustainability of the country's health sector financing.

The program's design and implementation was guided by an ADB-supported fragility assessment. A collaborative effort with the National Department of Health, it examined the sector overall along with ways to increase effective health financing and the performance and resilience of the country's health system more broadly. The assessment was also supported by the Economic Governance and Inclusive Growth Partnership, which is a key pillar of the Papua New Guinea–Australia Governance Partnership.

The assessment's comprehensive analysis highlighted contextual and systemic factors inhibiting the delivery of basic health services. It identified 12 major governance and finance-related challenges to better health sector performance and discussed steps that can be taken to progressively resolve them.

Source: ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Project Loans to Papua New Guinea for the Health Services Sector Development Program*. Manila.

27. **The sources of fragility.** ADB devoted TA resources in 2018 to map the sources of fragility in Pacific FCAS countries; identify issues and constraints in the project cycle, including procurement; and determine practical measures to improve future approaches and facilitate capacity building and institutional strengthening.¹² Other ADB TA will go toward a differentiated approach under Strategy 2030 to strengthen the resilience of the fragile and vulnerable urban areas in Pacific FCAS countries and SIDS. It will seek to improve current weak institutional capacity for planning and managing urban development and help these DMCs adopt longer-term planning and prepare more programmatic multisector approaches to urban infrastructure investments.¹³

¹⁰ ADB. 2016. *Technical Assistance for Building Project Implementation Capacities in the Pacific*. Manila.

¹¹ ADB. 2018. *Proposed Project Readiness Grant to the Solomon Islands for Preparing the Urban Water Supply and Sanitation Sector Project*. Manila.

¹² ADB. 2018. *Technical Assistance Towards Effective and Sustainable Delivery of Development Results in Fragile Situations in the Pacific*. Manila.

¹³ ADB. 2018. *Technical Assistance for Implementing a Differentiated Approach to Urban Development in the Pacific*. Manila.

28. **Conflict sensitivity in subnational situations.** ADB has applied a conflict-sensitive approach in the design and implementation of operations and preparation of CPSs in DMCs with subnational sources of conflict and fragility. A \$400 million ADB loan was approved in 2018 to help the Government of the Philippines rebuild and rehabilitate the conflict-damaged southern city of Marawi and the livelihoods of its residents.¹⁴ The Emergency Assistance for Reconstruction and Recovery of Marawi package followed technical and advisory support ADB delivered to the government that included a post-conflict damage and needs assessment completed by the Task Force Bangon Marawi, the Office of Civil Defense, the National Economic and Development Authority, and other development partners in December 2017. ADB's support for Marawi's reconstruction is aligned with its new CPS for the Philippines, 2018–2023, under which up to \$11 billion in indicative development assistance is programmed to address poverty and income inequality.¹⁵ The CPS also recognizes the importance of a conflict-sensitive approach in implementing the country program.

29. **Customized private sector operations.** ADB has financed private sector operations in such FCAS DMCs as Afghanistan, Myanmar, PNG, and Timor-Leste that have spurred progress in energy, telecommunications, urban development, agribusiness, and finance. These operations have unique needs and challenges, and ADB has used the appropriate financial instruments in response. These have included equity, direct loans, B loans, and political risk guarantees, providing tangible and intangible risk mitigation to sponsors and cofinanciers. The Myingyan Natural Gas Power Project in Myanmar was a One ADB collaboration.¹⁶ ADB's Private Sector Operations Department (PSOD) financed a private power project that resulted from an international competitive tender of the concession assisted by ADB's Southeast Asia Department. PSOD has scaled up operations in FCAS countries and increased its focus on the Pacific DMCs. It now participates more actively in CPS formulation to identify opportunities to collaborate with ADB's regional departments and its Office of Public–Private Partnership. PSOD is exploring the use of blended finance to enhance the bankability of projects in FCAS and will test a program approach to financing small projects more efficiently in the Pacific.

E. Organizational Support for the Differentiated Approach

30. **Expanding staff resources.** ADB has expanded the staff resources involved in implementing the differentiated approach to FCAS and adjusted its business processes to better align with the effort as well. During 2017–2018, 11 staff were added to the Afghanistan Resident Mission, including a deputy country director and a principal procurement specialist. The number of staff positions in the Myanmar Resident Mission increased from 15 in 2014 to 19 in 2018.

31. **Strengthening in the Pacific.** ADB has strengthened its Pacific Department and expanded its field presence in the region's FCAS countries and SIDS piloting extended missions in Samoa, Solomon Islands, Tonga, and Vanuatu. After restructuring the Pacific Department in 2018 to better address SIDS and DMC fragility, ADB will further expand its presence in the Pacific in 2019 by establishing seven more Pacific country offices (PCOs). Four of the pilot extended missions will also be converted to PCOs. Each PCO will have two staff members—one national and one administrative, with flexibility to adjust staffing levels to match the workload. The PCOs will act as extensions of a regional office (in Suva or Sydney) or of ADB headquarters. A senior fragile situations specialist has been recruited to support efforts within the Pacific Department to streamline business processes and refine approaches to working on the region's FCAS programs.

¹⁴ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grants to the Republic of the Philippines for the Emergency Assistance Reconstruction and Recovery of Marawi Project*. Manila.

¹⁵ ADB. 2018. *Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth*. Manila.

¹⁶ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Proposed Loans and Guarantee Myingyan Natural Gas Power Project in Myanmar*. Manila.

32. **New procurement framework.** ADB Management and staff have been meeting the need for the innovation and special business procedures generally required to make FCAS operations successful. For example, ADB issued a guidance note on procurement specifically for FCAS and emergency situations in June 2018. Procurement reforms undertaken by ADB in 2017 allow differentiation according to country conditions. The guidance note outlines factors to consider in procurement planning and describes measures allowed in procurement processing, such as increased flexibility in the design of procurement and packaging arrangements, prior and post review practices, and the use of direct selection. On behalf of the borrower, ADB may also execute start-up activities, such as selecting implementation consultants, using framework agreements or procurement agents, lowering qualification requirements, increasing the amount of advance payments, and waiving advance payment security.

33. **Looking for new solutions.** Several studies initiated by ADB are looking at which practices and processes work in FCAS and which do not. To identify useful lessons, these studies are determining the experiences of current and past operations through documentary desk research and discussions with ADB project officers and staff of Pacific agencies that executed and implemented them. They aim to design practical measures to improve results in ADB's future FCAS efforts. Approaches under consideration include the use of one consultant for one project, climate proofing infrastructure, and including dedicated operation and maintenance funding. ADB has also launched a series of fragility needs assessments of aspects of project design and implementation. One important focus is on how to make procurement policies and practices workable in the unique conditions prevailing in FCAS and SIDS. The findings will help ADB further refine business processes and guidelines and will be incorporated into the capacity-building and institutional-strengthening activities for the staff of implementing and executing agencies and ADB.

F. ADB's Approach to Fragile and Conflict-Affected Situations under Strategy 2030

34. **The differentiated approach under Strategy 2030.** ADB will continue to provide long-term financing and capacity development assistance to address the underlying causes of fragility and conflict, help build resilience to FCAS, and promote reconciliation and reconstruction. Support will center on institutional development and governance reforms, essential infrastructure and social services, and targeted social assistance. ADB will enhance staff skills, tailor its implementation processes to the realities on the ground, and strengthen collaboration with other development partners and civil society organizations to make CPSs and ADB operations fragility- and conflict-sensitive. It will also augment its resources to accommodate the additional costs due to security and related needs for processing and supervision in FCAS DMCs. ADB will work to ensure that DMCs that overcome FCAS do not slip back into these difficult conditions.

35. **Expansion of private sector operations to frontier markets.** Under Strategy 2030, ADB is committed to expanding and diversifying its private sector operations in new and frontier markets, such as those in FCAS DMCs and SIDS. These will typically be smaller than ADB's average private sector projects, promise a high development impact, and have inclusive business models. Given FCAS conditions, they may also take longer to process and administer and entail higher risks.

36. **Refining corporate arrangements.** ADB conducted a series of events in February 2019 to discuss its FCAS approach. Led by the Sustainable Development and Climate Change Department, they helped raise ADB staff awareness of the importance of working differently in FCAS and provided an opportunity for staff to consider the implications of applying the differentiated approach under Strategy 2030. ADB staff learned about the experiences of other multilateral development banks in working differently in FCAS, as well as about innovative ADB tools already in use. The events also provided an opportunity for the staff to discuss the organizational changes necessary to implement the FCAS-related commitments under Strategy 2030 successfully.

APPENDIX 3: CHANGES TO DATA

1. This appendix explains the changes made to the data reported in the 2017 Development Effectiveness Review. The tables in this appendix include only those indicators for which data have been revised, with the revised data presented next to the original data.

A. Level 1: Regional Progress on Development Indicators

2. Level 1 data have been revised to include updated data on 16 of the 22 results framework indicators, including amendments made to previous computations that resulted in changes to baselines. Table A3.1 summarizes the changes.

Table A3.1: Development Progress in Asia and the Pacific
(Revised data)

Indicator	Year	ADB Developing Member Countries Overall		Concessional Assistance Countries	
		Value (2017 DEfR)	Revised Value (2018 DEfR)	Value (2017 DEfR)	Revised Value (2018 DEfR)
Proportion of the population below the international poverty line (%) [RFI 1]	2013	8.8	9.4	9.2	10.2
Annual growth rate of real GDP per capita (%) [RFI 2]	2016	5.37	5.41	4.00	4.06
• Central and West Asia	2016	0.2	2.8		
• Pacific	2016	4.4	0.1		
• South Asia	2016	5.5	5.7		
Growth rates of household expenditure or income per capita (%) [RFI 3]	2000–2012	(0.4)	(0.3)	0.3	0.3
Bottom 40%	2000–2012	5.1	4.7	4.4	4.3
Total Population	2000–2012	5.5	5.0	4.1	4.0
Prevalence of stunting among children under 5 years of age (%) [RFI 5]	2006–2014	29.8	29.1	36.6	36.8
	2006–2016	29.5	28.8	36.2	36.4
Under-5 child mortality (deaths per 1,000 live births) [RFI 6]	2014	37.4	36.2	56.4	54.5
Female	2014	44.4	44.3	60.6	58.7
Male	2014	45.1	44.6	67.9	66.1
Gender parity index in education (%)					
Secondary [RFI 7]	2014	1.00	1.03	0.93	0.97
Tertiary [RFI 8]	2014	1.00	1.05	0.90	0.91

continued on next page

Table A3.1. *continued*

Indicator	Year	ADB Developing Member Countries Overall		Concessional Assistance Countries	
		Value (2017 DEfR)	Revised Value (2018 DEfR)	Value (2017 DEfR)	Revised Value (2018 DEfR)
Gross lower secondary education graduation rate (%) [RFI 9]	2014	87.3	69.1	62.0	61.2
Female	2014	88.5	71.4	62.3	61.6
Male	2014	86.4	67.2	62.4	61.6
Maternal deaths per 100,000 live births (number) [RFI 10]	2014	134.0	130.4	180.7	179.0
	2015	126.0	125.0	169.7	170.5
Paved roads (kilometers per 10,000 people) [RFI 11]	2013	19.4	20.1	8.5	7.5
Proportion of population with access to electricity (%) [RFI 12]	2015	86.2	86.7	67.7	70.0
Proportion of population using safely managed drinking water services (%)					
Rural [RFI 14]	2014	89.8	86.9	84.0	83.3
Urban [RFI 15]	2014	96.4	94.8	92.1	93.1
Proportion of population using using safely managed sanitation services, including handwashing facility with soap and water (%)					
Rural [RFI 16]	2014	48.9	48.5	59.4	52.7
Urban [RFI 17]	2014	77.9	78.0	77.4	72.7
Governance and public sector management assessment (index) [RFI 18]				3.6	3.5

ADB = Asian Development Bank, DEfR = development effectiveness review, GDP = gross domestic product, RFI = results framework indicator.

Source: Asian Development Bank Strategy, Policy and Review Department

B. Level 2: ADB's Contributions to Development Results

3. **Completed sovereign projects rated *successful* and completed sovereign operations rated *likely sustainable*** for Asian Development Bank (ADB) overall and concessional ordinary capital resources and Asian Development Fund grants were updated to include ratings from five project performance evaluation reports (PPERs) prepared by the Independent Evaluation Department (IED) in 2018.¹ Three PPERs of sovereign projects have no previous validated reports. Two PPERs with no previous validated reports were rated *less than successful* and *less than likely sustainable*.

4. **Completed nonsovereign operations rated *successful*** for ADB overall was updated to include ratings from two PPERs prepared by IED in 2018. One PPER had no previous validation report and the other PPER downgraded the *successful* rating in the extended annual review validation report to *less than successful*. Table A3.2 summarizes these changes for Level 2.

¹ PPERs are field-based evaluations undertaken by IED for 10%–20% of projects. IED. 2016. *Guidelines for the Evaluation of Public Sector Operations*. Manila: ADB.

Table A3.2: Quality at Completion
(Revised data)

Indicator	ADB Operations Overall				Operations Financed by Concessional OCR and ADF Grant			
	RY2016 (2017 DEfR)	RY2016 (2018 DEfR)	RY2017 (2017 DEfR)	RY2017 (2018 DEfR)	RY2016 (2017 DEfR)	RY2016 (2018 DEfR)	RY2017 (2017 DEfR)	RY2017 (2018 DEfR)
Completed sovereign operations rated <i>successful</i> (%)								
• Projects	78	76	75	74	78	76	75	74
Completed sovereign operations rated <i>likely sustainable</i> (%)	67	66			60	59		
Completed nonsovereign operations rated <i>successful</i> (%)			58	56				

ADB = Asian Development Bank, ADF = Asian Development Fund, DEfR = development effectiveness review, OCR = ordinary capital resources, RY = reporting year.

Notes: The reporting year for the results for quality at completion indicators is 1 July–30 June and is based on the circulation year of documents reviewed. All figures in this table cover 3-year periods. For example, RY2017 refers to 1 July 2014–30 June 2017.

Source: Asian Development Bank Strategy, Policy and Review Department.

C. Level 3: ADB's Operational Management

5. The total commitment figures in 2017 for ADB overall and the concessional assistance subset were revised due to reassignment of three grant agreements from a signing date in 2017 to 2018. The 2017 values of five results framework indicators were affected by this change (Table A3.3).

Table A3.3: ADB's Operational Management
(Revised data)

Indicator	ADB Operations Overall		Operations Financed by Concessional OCR and ADF Grant	
	2017 (original)	2017 (revised)	2017 (original)	2017 (revised)
Direct value-added cofinancing (% of ADB financing committed)	59	60		
Operations supporting environmental sustainability (%)	58	57	55	54
Financing for education (%)	3.5	3.6		
Financing for health (%)	1.0	1.1		
Operations supporting gender mainstreaming (%)	48	49	54	55

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources.

Source: Asian Development Bank Strategy, Policy and Review Department.

6. The 2017 figure for inclusive economic growth indicators was revised to reflect a correction in the classification of some operations committed in 2017 (Table A3.4).

Table A3.4: Operations Contributing to Inclusive Economic Growth
(Revised data)

Indicator	ADB Operations Overall		Operations Financed by Concessional OCR and ADF Grant	
	2017 (original)	2017 (revised)	2017 (original)	2017 (revised)
Growth and creation of jobs and opportunities	37	38		
Inclusive access to jobs and opportunities	61	60		
Social protection			5.8	5.9

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources.
Source: Asian Development Bank Strategy, Policy and Review Department.

FINANCING FOR AND OPERATIONS SUPPORTING STRATEGY 2020

Strategy 2020 Areas of Operation	ADB Operations							
	Financing for Strategy 2020				Operations Supporting Strategy 2020			
	2015–2017 Average		2018		2015–2017 Average		2018	
	\$ million	%	\$ million	%	Number	%	Number	%
Infrastructure	10,297	62.9	13,594	63.0	93	58.5	124	57.7
Energy	4,158	25.4	5,066	23.5	26	16.3	33	15.3
Transport	3,958	24.2	4,914	22.8	36	22.5	39	18.1
Water and other urban infrastructure and services	1,644	10.0	2,192	10.2	20	12.5	32	14.9
ICT	88	0.5	59	0.3	2	1.0	3	1.4
Other infrastructure	86	0.5	574	2.7	4	2.7	9	4.2
Irrigation	363	2.2	790	3.7	5	3.3	8	3.7
Finance	2,253	13.8	1,992	9.2	21	12.9	23	10.7
Education	745	4.5	1,629	7.5	10	6.3	13	6.0
Agriculture, natural resources, and rural development	691	4.2	981	4.5	14	8.6	22	10.2
Health	256	1.6	515	2.4	3	1.9	13	6.0
Industry and trade	440	2.7	607	2.8	5	3.3	4	1.9
Public sector management	1,696	10.4	2,258	10.5	14	8.6	16	7.4
Total	16,377	100.0	21,576	100.0	160	100.0	215	100.0
ADB Concessional Assistance Operations								
Infrastructure	1,554	59.2	3,398	64.3	38	57.1	56	61.5
Energy	472	18.0	572	10.8	8	12.1	9	9.9
Transport	624	23.8	1,422	26.9	17	26.3	19	20.9
Water and other urban infrastructure and services	354	13.5	988	18.7	8	12.1	16	17.6
ICT	9	0.3	37	0.7	1	1.0	1	1.1
Other infrastructure	18	0.7	190	3.6	1	1.5	5	5.5
Irrigation	77	2.9	189	3.6	3	4.0	6	6.6
Finance	209	8.0	130	2.5	4	6.6	1	1.1
Education	378	14.4	1,016	19.2	7	10.6	7	7.7
Agriculture, natural resources, and rural development	96	3.6	369	7.0	4	6.1	14	15.4
Health	51	1.9	356	6.7	1	2.0	9	9.9
Industry and trade	62	2.4	7	0.1	4	5.6	1	1.1
Public sector management	275	10.5	13	0.2	8	12.1	3	3.3
Total	2,625	100.0	5,290	100.0	66	100.0	91	100.0

ADB = Asian Development Bank, ICT= information and communication technology.

Notes:

1. Other infrastructure includes the following subsectors: rural water supply services; rural sanitation; rural solid waste management; rural market infrastructure; and rural water policy, institutional, and capacity development.
 2. Percentages may not total 100% because of rounding.
 3. Project design advances with ensuing loans that have already been committed have been removed and corresponding values reduced accordingly.
- Source: Asian Development Bank Strategy, Policy and Review Department.

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2018 Development Effectiveness Review

This publication examines the performance of the Asian Development Bank in achieving the goals of Strategy 2020, one of the institution's long-term planning documents. It tracks recent development progress in Asia and the Pacific, assesses ADB's development effectiveness, and identifies areas where ADB's performance needs to be strengthened. The *2018 Development Effectiveness Review* is the 12th in a series of yearly reports.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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