October 2021

Technical Assistance Review

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Asian Development Bank
ABBREVIATIONS

ADB – Asian Development Bank
ADF – Asian Development Fund
CCF – Climate Change Fund
COVID-19 – coronavirus disease
CPS – country partnership strategy
DED – detailed engineering design
DMC – developing member country
FCAS – fragile and conflict-affected situation
FSDPSF – Financial Sector Development Partnership Special Fund
IAE – internal administrative expense
IED – Independent Evaluation Department
KMAP – knowledge management action plan
KPA – knowledge partnership agreement
KPS – knowledge products and services
KSTA – knowledge and support technical assistance
OAG – Office of the Auditor General
OCR – ordinary capital resources
OPPP – Office of Public–Private Partnership
OSF – other Special Funds
PRF – project readiness financing
PSC – project-specific cofinancing
PSOD – Private Sector Operations Department
RCI – regional cooperation and integration
RCIF – Regional Cooperation and Integration Fund
SEFF – small expenditure financing facility
SIDS – small island developing states
SPD – Strategy, Policy and Partnerships Department
STG – sector and thematic group
TA – technical assistance
TASF – Technical Assistance Special Fund
TCR – technical assistance completion report
TRTA – transaction technical assistance
WPBF – work program and budget framework

NOTE

In this report, “$” refers to United States dollars.
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In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
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EXECUTIVE SUMMARY

Strategy 2030 articulates that the Asian Development Bank (ADB) will maximize development impact for its clients by combining finance, knowledge, and partnerships. Technical assistance (TA) is one of ADB’s primary operational instruments for delivering assistance to developing member countries (DMC) and private sector clients. ADB’s TA operations support lending and grant operations through project preparation and implementation activities, advisory services, research and development, and capacity development to deliver the desired development impacts and outcomes. ADB’s TA operations have become an increasingly important source of knowledge solutions to assist DMCs and private sector clients in addressing key development challenges.

This paper informs the Asian Development Bank (ADB) Board of Directors on reviews undertaken by ADB from July 2020 to August 2021 to improve the effectiveness and efficiency of TA operations. The review (i) reflects the differentiated and changing needs of DMCs, the priorities of ADB donors, and the findings and recommendations of evaluations undertaken by the Independent Evaluation Department, and (ii) takes stock of the TA reforms introduced in 2017.

Evidence to date found that the implementation of the 2017 TA reforms generally helped in enhancing the quality, speed, and relevance of TA operations. However, areas for further business process enhancements were identified through the review, including providing flexibility in the TA types, stronger linkages of TA to DMCs’ development priorities, streamlining quality assurance processes, streamlining business processes for programmatic TA, clarifying the use of pilots under TA, and increasing delegation of TA approval authority.

The review introduces a principle-based framework for Technical Assistance Special Fund (TASF) allocation and cost recovery. The approach to TASF allocation builds on the practice introduced in 2020 with enhanced clarity and aligns with the TASF cost recovery principles applicable to DMCs in a relatively advanced development stage. The review also suggests a more robust tagging and monitoring system to enhance TASF cost recovery from nonsovereign operations. The review further suggests streamlining ADB’s other Special Funds with TASF.

To strengthen ADB’s capability to evolve into a knowledge solutions bank, the review identified improvements to be made in working with knowledge partners and strengthening knowledge management, as well as modifications to be made in the monitoring and reporting of TA allocation, implementation, and outcomes.

Finally, the review initiated the concept of workforce rebalancing under which ADB aims to augment its in-house capability to deliver knowledge solutions. The concept will be formulated through consultations with stakeholders (including the Board of Directors), and coordinated with ongoing initiatives such as the Knowledge Management Action Plan, the Culture Transformation Initiative, the Review of ADB’s Resident Mission Operations, and organizational review.
I. INTRODUCTION

1. This paper informs the Asian Development Bank (ADB) Board of Directors on reviews being undertaken by ADB to improve the effectiveness and efficiency of its technical assistance (TA) operations. It reports on the impact of the reforms introduced in 2017, and describes actions being taken on emerging issues related to TA operations, such as strategizing the allocation of TA resources, introducing cost recovery principles, strengthening the quality and relevance of TA, and monitoring and reporting of TA operations while better reflecting lessons from past operations. Consistent with ADB’s aspiration to become a knowledge solutions bank, the paper lays out the approach for ADB to augment its in-house capacity to deliver knowledge products and services (KPS) through TA operations.

II. BACKGROUND

2. Strategy 2030 articulates that ADB will strive to be stronger, better, and faster. The strategy directs ADB to maximize development impact for its clients by combining finance, knowledge, and partnerships. TA is one of ADB’s primary operational instruments for delivering assistance to developing member countries (DMC) and private sector clients. ADB’s TA operations support lending and grant operations through project preparation and implementation activities, advisory services, research and development, and capacity development to deliver the desired development impacts and outcomes. ADB’s TA operations have become an increasingly important source of knowledge solutions to assist DMCs and private sector clients in addressing key development challenges.

3. ADB has been making efforts to improve its TA operations to meet client needs. The 2017 reforms focused on (i) more strategic alignment of TA with country programming, (ii) more widespread use of programmatic approaches to delivering TA, (iii) streamlining business processes, (iv) enhancing learning from TA, and (v) addressing past limitations.

4. During the first meeting of the Asian Development Fund (ADF) 13 replenishment in November 2019, the ADF donors who also contribute to the Technical Assistance Special Fund (TASF) expressed broad support for the replenishment of the TASF. Meanwhile, the donors called for ADB to (i) strategically allocate scarce TASF resources to the poorer and more vulnerable DMCs and (ii) improve the monitoring and reporting of TA commitments and activities, particularly for regional TA.

5. A recent evaluation by the Independent Evaluation Department (IED) highlighted the need to (i) review the role of TA’s contribution to knowledge solutions and (ii) shift quality review from compliance to adding value and sharing knowledge. The IED evaluation raised concern about ADB’s dependence on consultants resulting in its inability to deliver tailored solutions of consistent quality. The audit of the TA reforms by the Office of the Auditor General (OAG) also recommended that ADB establish a systematic filing of lessons learned so that they can be searched and reflected in the design of future TA operations.

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6. Considering these challenges and strategic directions, ADB conducted a comprehensive review of TA operations and proposed specific modifications to further improve TA quality, relevance, and efficiency. The TA review also considered measures to enhance ADB’s in-house capacity to deliver high-quality TA outputs that support DMCs in addressing increasingly complex development challenges.

7. The Strategy, Policy and Partnerships Department (SPD) led the review process together with the Budget, People and Management Systems Department; Office of the General Counsel; Procurement, Portfolio and Financial Management Department; and the Sustainable Development and Climate Change Department. The review process involved desk reviews and data analysis, ADB staff surveys, consultations and focus group discussions with ADB departments, consultations with DMC officials on key topics, and engagement with Management and the Board. The TA review was undertaken in conjunction with reforms and initiatives that have bearing on TA operations, including the knowledge management action plan (KMAP), resident mission review, country partnership strategy (CPS) review, the Culture Transformation Initiative, and Digital Agenda 2030, and the organizational review.

III. ADB’S TECHNICAL ASSISTANCE OPERATIONS

A. TA Commitment Trends by Funding Source

8. TA operations are funded by (i) Technical Assistance Special Fund (TASF) (donor contribution); (ii) TASF (income transfer) (also known as TASF [others]); (iii) ADB’s other Special Funds (OSF); (iv) trust funds; and (v) TA project-specific cofinancing (PSC). The breakdown of commitment by funding source is shown in Figure 1. On average during 2017–2020, the proportion of funds supporting TA operations are as follows: TASF (donor contribution) 32%, TASF (income transfer) 24%, OSF 4%, trust funds 26%, and PSC 14%.

![Figure 1: TA Commitment by Funding Source, 2010–2020](image)

TA = technical assistance, TASF = Technical Assistance Special Fund.

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B. TA Commitment by TA Type and by Nature of TA Activity

9. Since 2017, TA are classified into two types: transaction TA (TRTA) and knowledge and support TA (KSTA). TRTA directly benefits an ensuing or ongoing ADB project or develops a specific public–private partnership project under transaction advisory services provided by ADB, while KSTA is not directly linked to an ADB-financed project. Both types can be used for capacity development and policy advice, while research and development activities are generally supported through KSTA, and project preparation can only be supported through TRTA. The amount of TRTA and KSTA committed has been similar during 2017–2019. In 2020, more KSTA was committed to support DMCs in responding to the coronavirus disease (COVID-19) pandemic (Figure 2).

Figure 2: TA Commitment by TA Type, 2017–2020

<table>
<thead>
<tr>
<th>Year</th>
<th>TRTA ($ million)</th>
<th>KSTA ($ million)</th>
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<tbody>
<tr>
<td>2017</td>
<td>310</td>
<td>143</td>
</tr>
<tr>
<td>2018</td>
<td>371</td>
<td>187</td>
</tr>
<tr>
<td>2019</td>
<td>464</td>
<td>221</td>
</tr>
<tr>
<td>2020</td>
<td>479</td>
<td>311</td>
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COVID-19 = coronavirus disease, KSTA = knowledge and support technical assistance, TA = technical assistance, TRTA = transaction technical assistance.

10. Prior to 2017, TA activities were classified into (i) capacity development TA, (ii) policy and advisory TA, (iii) project preparatory TA, and (iv) research and development TA. Even after streamlining into TRTA and KSTA, ADB has maintained the previous tagging to monitor the nature of activities (Figure 3). About half of the TA supported capacity development and this share increased in 2020 when TA was used to support COVID-19 response.
Figure 3: TA Commitment by Nature of TA Activity, 2017–2020


C. TASF Commitments by Developing Member Country Groups

11. TASF has two separate categories: (i) TASF (donor contribution), which is replenished in conjunction with the Asian Development Fund (ADF) replenishment; and (ii) TASF (income transfer), which is replenished through ordinary capital resources (OCR) net income transfers. All DMCs are eligible for TASF (income transfer), while only group A and B DMCs with access to concessional resources are eligible for TASF (donor contribution). Therefore, group C DMCs and India, which are regular OCR-only countries, only have access to TASF (income transfer). Of the group C DMCs, those classified as upper middle-income countries are in groups C2 and C3. Disaggregation of TASF commitment by DMC groups are provided in Figure 4.

12. Further information on TA operations broken down by department, sector, and TA performance is provided in Appendix 1.

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10 In line with the 2008 Board of Governor’s resolution, regional TA funded by TASF (donor contribution) will be for the benefit of group A and group B DMCs with access to concessional resources.

11 Although it remains a group B country, India’s creditworthiness was assessed as adequate and has crossed the graduation income threshold to group C in 2010. It is treated as a group C country in terms of eligibility for concessional assistance and TASF 7, including in this Board information paper.
Figure 4: TASF Commitment by Developing Member Country Group, 2017–2020 ($ million)

Unclassified refers to Niue.

COVID-19 = coronavirus disease, TASF = Technical Assistance Special Fund.
Note: Although a group B country, India is treated as a group C country in terms of eligibility for concessional assistance and TASF. Group C + India in this chart refers to regular ordinary capital resources (OCR)-only borrowing countries. In 2020, ADB introduced grouping to differentiate group C countries.

IV. IMPROVING FUND MOBILIZATION AND ALLOCATION

A. Principle-Based Framework for TASF Allocation and Cost Recovery

13. **Background.** The allocation of TASF resources is anchored on the annual 3-year work program and budget framework (WPBF), which consolidates DMC requests identified during the annual country programming missions. TASF allocation also considers priority TA endorsed by heads of departments in a corporate priority framework meeting. In this review ADB assessed the TASF allocation criteria and processes with the aim of improving alignment with priorities of Strategy 2030 (footnote 2) and ADF 13 strategic directions (footnote 3).

14. **Issues.** The gap between group C DMCs and the poorer and more vulnerable members is widening, exacerbated by the COVID-19 pandemic and the effects of climate change. Within group C DMCs, the level of income and capacity also differ; lagging areas and pockets of poverty and fragility also need to be addressed. Therefore, scarce TASF resources should be directed

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12 Corporate priority TA refers to high-profile and priority TA projects that are important to ADB's strategic agenda; spans across DMCs, regions, and sectors; and showcases ADB's thought leadership.
strategically to ADB’s poorer and more vulnerable members that have lower financial and technical capacities and to areas where TA grant resources are most needed.

15. TA plays an important role in DMCs at relatively advanced stages of development for policy advice on emerging topics, introducing international practices and standards, and facilitating knowledge sharing across all DMCs. However, for the reasons cited above, TASF cost recovery from DMCs in a relatively advanced development stage should be mainstreamed (which has been applied on an ad hoc basis to a few isolated cases). Such DMCs with financial and technical capabilities should be encouraged to prepare projects using loan proceeds and loan-financed modalities such as the project readiness financing (PRF) and the small expenditure financing facility (SEFF). For capacity building, policy advice, and knowledge solutions, TASF grants should be recovered from such DMCs unless the TA activity meets certain criteria.

16. ** Modifications.** In response to the above issues, a principle-based TASF allocation and cost recovery framework will be introduced. The details of the framework and the application timeframe is provided below.

1. **Introduce a Principle-Based TASF Allocation and Cost Recovery Framework**

17. A principle-based TASF allocation and cost recovery framework will be introduced progressively beginning 2022 with full implementation in 2025 for both sovereign and nonsovereign operations. The framework builds on the TASF allocation criteria introduced in 2021, considers the current development landscape, and benefits from extensive consultations with stakeholders. The following principles will guide the framework.

(i) The TASF allocation will align with Strategy 2030 priorities, objectives and targets under the corporate results framework, and the strategic objectives of ADF 13. TASF allocation will continue to be anchored on the 3-year rolling WPBF, which operationalizes Strategy 2030.

(ii) The TASF will support country-specific needs based on CPSs and country programming documents. TASF resources will be prioritized for ADB’s poorer and more vulnerable DMCs focusing on capacity building, policy dialogue and reforms, knowledge support, and project implementation and preparation. TASF allocation to group C2, C3, and C4 DMCs will be selective, financing knowledge support and knowledge sharing activities (including policy dialogue) as well as limited project preparation support.

(iii) Before allocating TASF resources, ADB will consider alternative modalities to prepare projects for sovereign operations, including the use of PRF and SEFF, loan proceeds, or feasibility studies and detailed engineering design (DED) prepared by DMCs. ADB will also look at alternative TA funding sources such as trust funds and PSC prior to tapping TASF resources for both sovereign and nonsovereign operations.

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13 TA contributes to level 2 (results from completed operations) and level 3 (operations management).

14 The allocation will consider the following targets: (i) 100% of TASF (donor contribution) commitments are toward low-income countries (LIC), lower middle-income countries (LMIC), fragile and conflict-affected situation (FCAS) countries, and small island developing states (SIDS); (ii) TASF support will be increased for FCAS countries (50%) and SIDS (40%) in comparison to the period 2017–2020; and (iii) about 84% of total TASF (including TASF [donor contribution] and TASF [income transfer]) will support LIC, LMIC, FCAS countries, and SIDS.

15 Country groupings are based on ADB’s Public Sector (Sovereign) Financing: Lending Policies and Rates.
(iv) TASF cost recovery arrangement will be considered for C2, C3, and C4 DMCs to ensure that ADB (i) prioritizes scarce TASF resources to poorer and more vulnerable DMCs, and (ii) focuses on advanced topics and models that can be replicated in other DMCs, while remaining current and relevant. Nonsovereign TRTA funded by TASF for project preparation that results in financing from ADB or other sources will be reimbursed. Efforts will also be made to rebalance the workforce to deliver an increasing portion of TA with internal staff resources. Cost recovery principles will be fully implemented in 2025 after a transition period of 3 years (2022–2024).

2. Improve Strategic Alignment of TASF Allocation

18. The DMCs’ demands for TA support are identified through country programming discussion, including country knowledge programming and preparation of country programming documents.16 When the TA pipelines are consolidated into the WPBF, the sector and thematic group (STG) committees—represented by regional departments and STG secretariat—will collectively ensure a fair balance of KSTA between DMC needs and ADB’s strategic priorities in the sector and thematic areas. The STG committees will help to avoid duplication of efforts, and explore opportunities for collaboration between departments and divisions, including consolidation of similar TA activities. The STG committees will also assess if departments requesting TASF funding have demonstrated that alternative resources have been considered prior to tapping TASF. In the context of TASF cost recovery, the STG committees will also assess whether the activity supported by TASF in group C2, C3, and C4 DMCs are a first of its kind (paras. 20 and 21).

19. SPD will allocate TASF resources annually during each year’s WPBF exercise, in the order of priority as described below and illustrated in Figure 5.17 TASF allocations to departments will be reflected in the WPBF.

(i) Set asides. TASF resources are first set aside for

(a) debt management amounting to about $13 million in TASF (donor contribution) annually during ADF 13; and focusing on fiscal policy, debt sustainability, and debt transparency in group A and B DMCs with access to concessional resources.18

(b) corporate priority TA identified by departments and STG committees as part of the WPBF exercise, endorsed by heads of departments, and approved by Management. Corporate priority TA may be considered for thematic areas that require institution-level attention such as alignment with the Paris Agreement.19

(c) corporate contingency (footnote 12) equivalent to about 3% of available resources to meet emerging and priority needs throughout the year.

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16 Including support to DMCs under corporate priority and other regional TA. Because of the nature of private sector operations, TA to private sector clients and stakeholders in their value chain may be discussed and agreed at any point in time. TA for private sector operations is not included in sector and thematic group discussions of TA demand. Allocation to PSOD differs from rest of ADB and is discussed in para. 19(iv).

17 Processes and procedures will be detailed in a new staff instruction on TASF allocation and cost recovery.

18 For the ADF 13 period (2021–2024), donors agreed to a set aside of about $52 million to support debt sustainability. Proposals submitted for funding are evaluated by a committee comprising staff of ADB’s Economic Research and Regional Cooperation Department; Sustainable Development and Climate Change Department; and Strategy, Policy and Partnerships Department, who will decide on the funding allocation.

(ii) **Department allocation (application 1).** The remaining resources are allocated to regional departments, Office of Public–Private Partnership (OPPP), and other departments considering the following cascading order of prioritization:

(a) TA in ADB’s poorer and more vulnerable DMCs with limited access to financing and expertise—these are fragile and conflict-affected situation (FCAS) countries, small island developing states (SIDS), and remaining group A DMCs;

(b) TA for capacity building, policy advice, knowledge support, and project implementation and project preparation support for group B DMCs;

(c) TA for capacity building, policy advice, and knowledge support for group C0 and C1 DMCs;

(d) TA for project implementation and project preparation support for group C0 and C1 DMCs;

(e) TA for knowledge support, and limited project implementation and preparation support for group C2 DMCs; and

(f) TA for knowledge support, and limited project implementation and preparation support for group C3 DMCs.

(iii) For regional research and/or regional training involving multiple DMCs (under application 1), the application of the prioritization criteria is not straight forward
since they include multiple DMCs belonging to different country groupings.\textsuperscript{20} As the TASF amount cannot be disaggregated and prioritized separately, the country grouping of the DMCs constituting the largest share of the TA will be used to determine the prioritization provided in para. 19(ii). ADB will ensure sufficient resources are allocated for global and regional public goods.\textsuperscript{21}

(iv) **Department allocation (application 2).** Allocation to the Private Sector Operations Department (PSOD) will be based on (a) the number of projected nonsovereign operations to support increasing private sector operations in frontier economies,\textsuperscript{22} and (b) historical TASF support for nonsovereign revolving programs. TASF will be deployed for (a) business development and upstream project scoping; (b) capacity development of ADB clients and stakeholders in their value chains; (c) project preparation; and (d) support to nonsovereign revolving programs (i.e., Trade Finance Program, Supply Chain Finance Program, and Microfinance Program).

(v) **Adjustments to department allocations.** Allocations will be adjusted based on the performance of ongoing TA in terms of uncontracted and undisbursed balances of the same or similar TA.

(vi) **Vice-presidents’ strategic priority.** Allocations will be provided to enable vice-presidents to respond to emerging needs within their group, regions, or DMCs, and is equivalent to about 10\% of the department allocation.\textsuperscript{23}

3. **Establish Criteria for Accessing TASF Grant Resources and Cost Recovery in Sovereign Operations**

20. Table 1 provides details on the access to TASF grant resources applied to ADB’s sovereign operations. TASF grant support to group C2, C3, and C4 DMCs beginning 2025 will be limited to those described in the table, and activities not satisfying the criteria will be strongly encouraged to apply full cost recovery.\textsuperscript{24} Application of cost recovery will be discussed with the DMCs during the annual country programming discussions. STG committees will determine if proposed TA support is the first of its kind for the implementing agency and/or DMC. In addition, TA support for group C2, C3, and C4 will be required to include a component on knowledge sharing with other DMCs.

\textsuperscript{20}Regional research involves undertaking sector, policy, thematic, and issue-oriented studies at the regional or subregional level. Regional training involves conferences, seminars, symposiums, capacity development, or workshops at the regional or subregional level, including to support the implementation, operations, and management of ADB-financed projects. For regional research and training, disaggregation of TA amounts by participating DMC is difficult or unprecise. For other kinds of regional TA, prioritization criteria described in para. 19(ii) will apply to participating DMC.

\textsuperscript{21}Including (i) support to regional and subregional policy dialogue and initiatives to protect the environment, control communicable diseases, manage the impact of natural disasters, promote clean energy and energy efficiency, improve governance, and prevent human and drug trafficking; (ii) research on cross-border issues; (iii) capacity building and institutional strengthening of DMCs to respond to cross-border issues; (iv) regional partnership building (e.g., through regional forums); and (v) strengthening of institutional capacity of regional groupings.

\textsuperscript{22}Including FCAS, SIDS, and group A and B DMCs (excluding India).

\textsuperscript{23}Refers to vice-presidents for operations, private sector operations and public–private partnerships, and knowledge management and sustainable development. Previously known as vice-president contingencies.

\textsuperscript{24}As the current policy does not mandate cost recovery for sovereign operations, DMCs are strongly encouraged to apply cost recovery under the framework.
Table 1: Criteria for Accessing TASF Grant in Sovereign Operations

<table>
<thead>
<tr>
<th>Group</th>
<th>Capacity Building, Policy Advice, and Knowledge Solutions</th>
<th>Project Preparation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCAS, SIDS, A, B, C0, C1</td>
<td>All activities</td>
<td>All activities</td>
</tr>
<tr>
<td>C2</td>
<td>(i) Activity supported by TA is the first of its kind for the implementing agency; or (ii) Regional research and training activities.</td>
<td>Activity supported by TA is the first of its kind for the implementing agency.</td>
</tr>
<tr>
<td>C3</td>
<td>(i) Activity supported by TA is the first of its kind for the implementing agency; or (ii) Regional research and training activities.</td>
<td>Activity supported by TA is the first of its kind for the developing member country.</td>
</tr>
<tr>
<td>C4</td>
<td>Regional research and training activities</td>
<td>No</td>
</tr>
</tbody>
</table>

FCAS = fragile and conflict-affected situations, SIDS = small island developing states, TA = technical assistance, TASF = Technical Assistance Special Fund.
Note: Country groupings are based on ADB’s Public Sector (Sovereign) Financing: Lending Policies and Rates.

21. TASF grant access for OPPP TA for capacity building, policy advice, and knowledge solutions follows the criteria for sovereign operations, with activities not satisfying the criteria strongly encouraged to apply full cost recovery from 2025 (Table 2). TA support to group C2, C3, and C4 DMCs will be required to include a component on knowledge sharing with other DMCs. For project preparation, recovery of TASF cost would be strongly encouraged for sovereign clients of group C2, C3, and C4 DMCs beginning 2025, if commercial closure is achieved from OPPP’s transaction advisory services. When TASF is provided by OPPP to nonsovereign clients, the cost recovery requirements for nonsovereign TA will apply (Table 3).

Table 2: Criteria for Accessing TASF Grant for the Office of Public–Private Partnership

<table>
<thead>
<tr>
<th>Group</th>
<th>Capacity Building, Policy Advice, and Knowledge Solutions</th>
<th>Project Preparationa</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCAS, SIDS, A, B, C0, C1</td>
<td>All activities</td>
<td>All activities</td>
</tr>
<tr>
<td>C2, C3</td>
<td>(i) Activity supported by TA is first-of-its-kind for the implementing agency; or (ii) Regional research and training activities.</td>
<td>Activity supported, but strongly encouraged to apply full cost recovery if commercial close is achieved.</td>
</tr>
<tr>
<td>C4</td>
<td>Regional research and training activities</td>
<td>Activity supported, but strongly encouraged to apply full cost recovery if commercial close is achieved.</td>
</tr>
</tbody>
</table>

FCAS = fragile and conflict-affected situations, SIDS = small island developing states, TA = technical assistance, TASF = Technical Assistance Special Fund.
Note: Country groupings are based on ADB’s Public Sector (Sovereign) Financing: Lending Policies and Rates.
a In the case of OPPP’s private sector clients, cost recovery per TA policy for nonsovereign operations applies.

22. During the transition period (2022–2024), ADB will work with DMC authorities to identify the most suitable cost recovery arrangement (i.e., whether upfront payment or reimbursement) of TASF provided and pilot these. Such arrangement also applies to TASF provided to C2, C3, and C4 public sector clients through OPPP’s transaction advisory services. SPD will work with the Office of the General Counsel and concerned departments to introduce a new staff instruction and/or amend existing staff instructions relating to TA cost recovery. Regional TA that are not regional research and regional training (e.g., TRTA facilities) will be subject to cost recovery. SPD will also work with the Controller’s Department to clarify the flow of funds and recording of TA prepayments or reimbursements.

23. ADB will increasingly encourage the use of PRF, SEFF, and other loan products to prepare projects and support their implementation. ADB will also increasingly use feasibility studies and/or DED prepared by DMCs themselves. SPD will explore how to quantitatively capture and include in TA reports the contributions of DMCs in project preparation and knowledge delivery (on top of the current practice to qualitatively describe in-kind contributions made by the DMCs).

5. Establish Criteria for Cost Recovery in Nonsovereign Operations

24. Nonsovereign TA has been used alongside ADB investments by PSOD since it was first introduced in the 2001 paper.25 Under the current policy, project preparation assistance (now an activity under TRTA) is subject to full cost recovery if such assistance results in financing from ADB or other sources.26,27 Capacity development and policy advisory activities, even under TRTA, are not currently subject to cost recovery.

25. In the new criteria outlined in this paper, capacity development, policy advice, and other knowledge solutions funded by TASF in group C2, C3, and C4 DMCs would be subject to full cost recovery from 2025, subject to the exceptions described in Table 3, if the direct beneficiary of the TA is ADB’s private sector client. TASF cost recovery requirements will not apply to TA that directly benefit end-users such as smallholder farmers or small landholders related to an agriculture transaction or vulnerable customers of a microfinance transaction to enhance development impact.

26. ADB may also consider seeking the Board’s consideration to modify full cost recovery provisions in FCAS, SIDS, and other group A DMCs given the challenges in attracting private investments in these countries.

27 Cost recovery is not required under TA funded by trust funds or ADB-administered cofinancing unless cost recovery is stipulated in the cofinancing agreement.
Table 3: Criteria for Accessing TASF Grant and Cost Recovery for Nonsovereign Operations

<table>
<thead>
<tr>
<th>Group</th>
<th>Capacity Building, Policy Advice, and Knowledge Solutions</th>
<th>Project Preparation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCAS, SIDS, A, B,</td>
<td>All activities</td>
<td>Activity supported,</td>
</tr>
<tr>
<td>C0, C1</td>
<td></td>
<td>but subject to full</td>
</tr>
<tr>
<td></td>
<td></td>
<td>cost recovery if TA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>results in financing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>by ADB or other</td>
</tr>
<tr>
<td>C2, C3, C4</td>
<td>Activity supported but strongly encouraged to apply</td>
<td>Activity supported,</td>
</tr>
<tr>
<td></td>
<td>full cost recovery if direct beneficiary of TA is</td>
<td>but subject to full</td>
</tr>
<tr>
<td></td>
<td>ADB’s private sector client.</td>
<td>cost recovery if TA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>results in financing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>by ADB or other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>sources.</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, SIDS = small island developing states, TA = technical assistance, TASF = Technical Assistance Special Fund.

Note: Country groupings are based on ADB’s Public Sector (Sovereign) Financing: Lending Policies and Rates.

*In case of multiple clients, full cost recovery is strongly encouraged if clear-cut cost disaggregation by client is feasible.


27. A significant portion (i.e., 34% in number and 67.5% in volume) of nonsovereign TRTA approved during the TA review period (2017–2020) is tagged as “program support,” supplementing the operations of PSOD’s revolving finance programs (i.e., Trade Finance Program, Supply Chain Finance Program, and Microfinance Program). They have been processed as regional TRTA because of the nature of the programs’ operation entailing multiple DMCs benefitting from transactions supported by these programs. Since TA supporting revolving programs are not classified as project preparation, TASF cost recovery is not applicable to them.

28. While the policy on cost recovery has been adequately applied by PSOD in nonsovereign operations, the application and effectiveness of the cost recovery requirement, including the methods of cost recovery, could be clarified.28 ADB will introduce a new staff instruction for nonsovereign operations and establish a well-articulated screening system for tagging of TA activities (e.g., policy advice, project preparation) including a monitoring system for cost recovery. The system will prompt the deal teams to easily identify TA requiring cost recovery. The system will also track whether the TA is financed by ADB, cofinanced, or financed by third-party funds.

B. Streamlining Other Special Funds

29. **Background.** ADB’s other Special Funds (OSF) that provide funding for TA are Climate Change Fund (CCF),29 Financial Sector Development Partnership Special Fund (FSDPSF),30 and Regional Cooperation and Integration Fund (RCIF).31 While OSF represents only 4% of total TA commitments in 2017–2020, they have successfully advanced important strategic priorities of ADB for its DMCs and have also been instrumental in directly and indirectly mobilizing external partner financing.

30. **Issues.** The approval of Strategy 2030 in July 2018 has institutionalized the seven operational priorities that encompass the themes targeted by OSF: climate change in operational priority 3, financial sector development in operational priority 6, and regional cooperation and

28 Composite pricing (i.e., recovery through margin) is permitted by the current policy.
integration in operational priority 7. Since OSF covers only three of the seven operational priorities, ADB determined that separate allocation of net income to OSF is no longer justified, and that ADB’s grant resources for TA should be streamlined to TASF alone.

31. **Modifications.** Two options were considered by ADB: (i) early termination of OSF and transfer of uncommitted funds to TASF, or (ii) retention of OSF until the funds are substantially disbursed, without fresh net income transfer. ADB judged that the latter would enable a smoother transition. CCF and RCIF will close once the respective funds are substantially disbursed, while FSDPSF with funding from external sources, may continue as a regular trust fund.

32. While the gradual closing of OSF is a reflection that these thematic areas have been mainstreamed into ADB’s operations as operational priorities, it is important to maintain the momentum in these key areas by preparing to allocate TASF as needed (e.g., through the TASF corporate priority set asides).

C. **Improve Results through Trust Funds and TA Project-Specific Cofinancing**

33. **Background.** Trust funds and PSC, collectively referred to as cofinancing, are important sources funding 26% (trust funds) and 14% (PSC) of ADB’s TA commitments in 2017–2020. Trust funds are a means of channeling cofinancing resources to projects and activities that meet certain eligibility criteria, and PSC is a means to mobilize cofinancing for individual TA based on case-by-case negotiation. ADB currently administers 45 trust funds. Cofinancing is provided by external partners for specific thematic areas, sectors, regions, DMCs, etc. and complements TASF. During 2017–2020, excluding regional TA activities, top recipient departments of TASF were Central and West Asia Department and South Asia Department, while top recipient departments of cofinancing were Southeast Asia Department and South Asia Department. Sector-wise, water supply and urban infrastructure and services, energy, and finance received the highest shares of cofinanced TA, while public sector management, transport, and health are the top sectors of TASF-funded TA.

34. The average size of TA benefiting from cofinancing also tends to be larger than those funded from TASF, where the average size is $1.08 million compared with $1.29 million for TA funded by trust funds and $2.29 million for PSC-funded TA. This partly reflects the ability of partners to contribute more resources to fewer TA projects, focusing on certain priorities and/or DMCs. Furthermore, while funding of DED using TASF is not allowed, DED can be funded by certain trust funds and certain agreements with partners.

35. **Issues.** Cofinancing is undoubtedly an important source of ADB’s TA activities but has a stronger partner-driven nature compared to TASF. As such, cofinancing may not be available to match the specific needs of DMCs, and available cofinancing volume is less predictable especially for PSC. Trust funds have their own replenishment cycles as well as their requirements and timelines for processing and administration that are not aligned to the TASF allocation process. These factors make it difficult for ADB teams to plan or decide whether cofinancing and/or TASF should be used.

36. **Modifications.** To better align the interests of ADB and the partners, ADB continuously enhances partner dialogue and strengthens reporting to the partners on development impacts achieved through use of cofinancing. The Partnership Report, an annual flagship publication that showcases cofinancing from all partners, has been revamped to better communicate the

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development impact of ADB’s financing partnerships by featuring impact stories.\textsuperscript{33} Through enhanced partner dialogue, ADB will also attempt to streamline cofinancing business processes such as harmonizing trust fund replenishment cycles and application timeline with the TASF allocation procedure. ADB is also in the process of developing an IT-enabled end-to-end partnership management system (PFMS-2), which is expected to be in the fourth quarter of 2022.

37. Internally, there is a need to raise staff awareness on cofinancing resources through outreach programs and further disseminate the annual Trust Funds Report (footnote 32). The Trust Fund Guidelines is being updated and could also include a section to articulate the long-term objectives and strategic directions of the trust funds. Starting with the WPBF, 2022–2024 formulation process, ADB will improve its 3-year programming of TA pipelines in each DMC by encouraging departments proposing TA to consider cofinancing before tapping TASF. In this process, STG committees will help identify available cofinancing resources that match the objectives of the proposed TA. Through this annual exercise, ADB is expected to be able to better identify the TA funding needs of the DMCs and the funding gaps. Such information will be used to engage with cofinancing partners and seek contributions strategically and systematically—to further strengthen ADB’s TA operations.

V. IMPROVING BUSINESS PROCESSES

38. ADB has continuously improved its business processes for TA to respond better to the needs of DMCs. In 2015, ADB approved reforms to enhance the speed, quality, and relevance of ADB’s TA operations.\textsuperscript{34} In 2017, ADB issued a new operations manual section and staff instructions reflecting enhancements in the TA business process, summarized the reforms for the information of the Board of Directors, and committed to review the reform implementation in 2020.\textsuperscript{35}

39. Under this TA review, ADB found that the implementation of the 2017 TA reforms generally helped in enhancing the quality, speed, and relevance of TA operations. This is based on feedback from selected DMC clients and ADB staff processing and implementing TA, and the findings of the internal review conducted by OAG in 2020. The overall success of the TA reforms will be assessed later when more TA processed through the reformed processes are completed and their TA completion reports (TCRs) become available.

40. Considering the issues, lessons, and experiences after the reforms were implemented, ADB proposes additional business process enhancements to improve overall TA operations. Appendix 2 summarizes the 2017 TA reform review.

A. Enhancing Flexibility of the Two TA Types

41. Background. Under the 2017 TA reforms, ADB streamlined the four types of TA (para. 10) into two—TRTA and KSTA—to better reflect ADB’s core business. TRTA directly benefits a project being financed or to be financed by ADB or develops a specific public–private partnership project under transaction advisory services provided by ADB, while KSTA is not directly linked to an ADB-financed project. Both KSTA and TRTA can be used to support capacity development


\textsuperscript{34}ADB. 2015. Enhancing Operational Efficiency of the Asian Development Bank. Manila.

\textsuperscript{35}ADB. 2017. Technical Assistance Reforms—Improving the Speed, Relevance, and Quality of Technical Assistance Operations. Manila. This review refers to 2017 reforms instead of 2015 as ADB only started implementing the actions 2017 after the revised Operations Manual and Staff Instructions were issued.
and policy advice, while research and development activities are generally supported through KSTA, and project preparation can only be supported through TRTA.

42. **Issues.** The streamlining has generally increased processing efficiency and improved proposal quality. However, it can limit ADB’s flexibility and speed in responding to DMC needs, because TRTA does not allow for upstream crosscutting sector and thematic activities that are not linked to a project, while KSTA cannot be used for crosscutting sector and thematic support for project preparation and implementation such as on environmental and social safeguards. While the two TA types provide flexibility, the reporting on the nature of activities supported needs further improvement.

43. The classification into two TA types has been challenging for nonsovereign operations. Nonsovereign operations use TA for support and development of potential financing, including project identification and viability, assessment of project risks, and capacity development for private sector entities (including for enhancing corporate governance, environmental and social standards, anti-money laundering practices of ADB’s clients, and capacity development for end-user beneficiaries). The current staff instructions focus on sovereign operations and do not provide definitive guidance for nonsovereign TA. Also, the staff instructions do not provide sufficient guidance on cost recovery methods and monitoring requirements.

44. **Modifications.** While ADB will maintain TRTA and KSTA as TA types, the reporting on activities (project preparation, policy advice, capacity development, and research and development) will be strengthened. To increase flexibility in responding to client needs, ADB will allow certain upstream crosscutting sector and thematic activities under TRTA, which should be limited to about 30% of the total TRTA cost.\(^\text{36}\) Similarly, ADB will allow thematic and crosscutting KSTA to allocate up to 30% of costs to support preparation and implementation of ADB-funded projects. By introducing this flexibility in TA activities, ADB will be able to respond swiftly to its clients as their needs arise without having to process new TA. The revised staff instructions and TA templates will provide more details on these flexible arrangements.

45. ADB will introduce a separate staff instruction for nonsovereign operations to specify a business process that focuses on nonsovereign operations while maintaining the two TA types. The enhanced taxonomy will clarify TA activities and support greater consistency in record keeping and identifying cost recovery obligations.

B. **Linking TA Design to Developing Member Countries’ Development Priorities**

46. **Background.** To increase the operational relevance of TA, proposals that are not directly linked to ADB-funded operations (i.e., KSTA) undergo additional scrutiny at the concept stage to ensure a sound rationale for the proposed TA. Regional departments review TA proposed by non-operations departments to ensure their operational relevance and that DMCs’ development needs are addressed in the design of TA operations.

47. **Issues.** The current review process undertaken by regional departments for TA proposed by non-operations departments is found insufficient to ensure alignment with DMCs’ priorities. Stricter mechanisms to ensure alignment of TA (especially regional TA) with DMCs’ development priorities should be in place at an early stage, particularly during country programming.

48. **Modifications.** The recently approved reviews of the CPS (footnote 8) and resident mission operations (footnote 7) aim to strengthen the roles of resident missions and country teams

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\(^{36}\) TRTA following this approach will be subjected to additional scrutiny during the review process.
in developing and managing ADB’s knowledge operations in DMCs, including TA. To further ensure that TA are consistent with the DMCs’ priorities and to enhance DMCs’ ownership of the TA, ADB will require regional TA proposed by both operations and non-operations departments to be included in the annual lending and TA pipelines, which should be aligned with the CPS and the country knowledge plan. This approach enables ADB to (i) engage government counterparts from the beginning when identifying TA proposals; (ii) show consistency of future TA programs with DMCs’ development priorities as articulated in CPSs, (iii) present a fuller picture of its knowledge support to DMCs, and (iv) ensure governments’ early commitment to the TA program—potentially reducing the time needed to obtain government concurrence on TA before they become effective. Through a One ADB approach, departments will participate in country programming exercises where future ADB support is discussed with DMCs. The country team (usually led by the resident mission) will proactively engage with departments to ensure that planned activities for the country are covered.

C. Streamlining Design, Review, and Quality Assurance Process

49. Background. Under the 2017 TA reform, ADB strengthened the TA review process by categorizing TA as complex or low risk. Categorizing based on complexity ensured that appropriate staff resources are allocated to concepts and reports that require a more rigorous review process. The reform also strengthened the role of STGs through early involvement in developing TA proposals as peer reviewers, particularly for those that are complex, innovative, or that support flagship studies. The reform emphasized the role of STGs in (i) connecting sector or thematic experts working on similar TA initiatives across ADB, and (ii) ensuring that lessons learned through TCRs, as well as sector and thematic best practices, inform the TA design.

50. Issues. The KSTA quality review process and the systematic involvement of regional departments and STGs should be further streamlined to ensure higher quality as well as processing efficiency. The two-stage interdepartmental review process for KSTA has not proven to be an efficient tool for quality assurance. The value of STGs in terms of sharing good practices and lessons varies widely. These findings align with recommendations in OAG’s audit in 2020 suggesting a more systematic mechanism for sharing good practices and lessons.

51. Modifications. To improve and clarify the quality assurance process for KSTA, ADB will make the following changes and reflect them in revised KSTA staff instructions: (i) designate KSTA concept review and approval within the processing department using a checklist of requirements, a simpler concept paper template, and a more rigorous internal quality assurance process, and making the head of department primarily responsible for approving KSTA concept papers;\(^\text{37}\) (ii) involve STGs at an early stage of KSTA preparation particularly for proposals involving innovative, high-level technology or complex sector and thematic concepts; (iii) follow a single-stage interdepartmental review of KSTA papers following a list of required and optional reviewers to be defined in the KSTA staff instructions;\(^\text{38}\) and (iv) establish a more systematic and accessible mechanism for capturing lessons and good practices through STGs. The business process for TRTA will remain the same. For exceptional or urgent cases, a shorter processing may be requested (e.g., One ADB approach in lieu of interdepartmental review) for both TRTA

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\(^{37}\) Depending on the nature and complexity of the KSTA concept, the processing department could invite, at their discretion, staff from other departments to be part of the team or informally review the concept paper.

\(^{38}\) To streamline and expedite the review process, the staff instructions will define the specific roles of reviewers and limit the scope of review to the area of their expertise, and encourage peer reviewers to provide brief fundamental comments.
and KSTA depending on the justification. These arrangements will be defined in the revised staff instructions.

D. Streamlining Business Processes for Programmatic TA

52. **Background.** The 2017 TA reforms promoted the use of programmatic TA through TRTA facilities and TA clusters to strengthen longer-term engagement with DMCs and to be faster and more responsive in TA implementation. Such programmatic TA approach also allows for consultants to be retained on a longer-term basis. ADB introduced TRTA facility to support multiple ensuing or ongoing ADB-funded projects. The TRTA facility is generally used when sufficient resources are available upfront to finance the entire scope of activities under the facility. Under the TA cluster modality, the overall cluster is approved first, and subsequent TA subprojects are approved as needed and when resources become available. Under the cluster approach, emphasis is placed on the design of the overall medium- to longer-term strategic approach, while flexibility is provided in the design of individual TA subprojects in terms of detailed scope, implementation arrangements, and budget.

53. **Issues.** While programmatic TA approaches have been well received by clients, staff, and management, processing and implementation delays because of unclear documentation requirements, including templates, need to be addressed.

54. **Modifications.** Staff instructions will be updated to provide clearer and more detailed guidance on the business processes and documentation requirements for facilities, clusters, and cluster subprojects. To address processing delays and difficulties, ADB will also clarify template requirements, particularly for TRTA facilities that support multiple ADB-assisted projects.

E. Clarifying Use of Pilots under TA

55. **Background.** While pilot testing of new concepts under TA was permitted under the 1997 TA policy, it was underutilized because of the lack of clarity on the permissible scope and associated implementation arrangements. The 2015 policy (footnote 34) provides guiding principles for pilot testing, and further guidance on procurement, implementation arrangements, ineligibility of pilot activities with safeguard category A or B for environment, involuntary resettlement, and/or indigenous people is specified in the staff instructions. The ceiling on pilot testing has been kept at 30% of the ADB-financed amount.

56. **Issues.** While staff recognize TA as a good instrument to explore and encourage innovative approaches and the use of high-level technology, pilot testing has not been fully explored given limited resource availability, cumbersome procedures, as well as lack of clarity in using the approach. This is consistent with OAG’s 2020 audit, which called for revisiting the requirements that discourage the use of TA for pilot testing.

57. **Modifications.** To promote innovation and encourage the use of both KSTA and TRTA for piloting project approaches, ADB will provide more detailed staff instructions and prepare

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39 A TRTA facility is counted as a single TA operation.

40 The TA cluster approach was introduced in 1997 (ADB. 1997. *Review of the Bank’s Technical Assistance Operations.* Manila) but at that time excluded project preparatory TA. The 2017 reform expanded the cluster approach to any type of TA.

41 Pilot testing of a project approach is the minimum level of testing to verify the appropriateness of the possible design or approach for an ensuing project and identify the necessary adjustments for finalizing the ensuing project. It is implemented by consultants and/or knowledge partners in coordination with the executing agency, and generally incurs cost other than consulting services (e.g., works, goods other than office equipment, services).
guidance notes highlighting examples and best practices on pilot testing and disseminate these more widely to staff. When preparing these materials, staff from operations departments as well as STGs will contribute their knowledge and experience and provide practical suggestions for others to replicate.

F. **Increasing Delegation of TA Approval Authority**

58. **Background.** The President has been authorized since 1969 to approve TA under a certain ceiling amount. The ceiling has been increased seven times since its adoption. The recent increase through the 2015 policy (footnote 34) raised the ceiling for the President’s approval up to $5 million per funding source. With the 2017 TA reforms, the delegation of approval authority thresholds within the President’s authority were adjusted, resulting in fewer processing steps and stronger management accountability for operations within their authority.

59. **Issues.** While the President’s delegated approving authority for TRTA primarily based on risk categorization has proven to be efficient, those for KSTA should be further enhanced to increase the processing efficiency to respond faster to DMCs’ needs.

60. **Modifications.** Further delegation of approval authority to heads of departments as well as division and country directors for KSTA will enable senior management to focus on high-level strategic issues and empower operations managers to be more responsible and accountable for operational matters including TA (Appendix 3).

G. **Improving the Use of Knowledge Partnership Agreements**

61. **Background.** The knowledge partnership agreement (KPA) was introduced in 2017 to allow ADB to engage with knowledge partners outside the ADB Procurement Policy when consulting service contracts are not suitable (footnote 1). To date, 23 KPA with 21 KPA partners have been approved with a total value of $5.08 million, associated with 18 TA projects (TRTA and KSTA) with a total value of $117.40 million. KPA partners have been consistent with the KPA’s original objective of engaging with nonmarket institutions such as think tanks, universities, government bodies, and multilaterals. At the same time, ADB had contracted 70% of these KPA partners under its Procurement Policy and Guidelines on the Use of Consultants in the past. Two-thirds of partners are from non-borrowing and/or non-regional countries. The Sustainable Development and Climate Change Department has processed 60% of KPAs. KPA approvals have declined from 10 in 2017 to six in 2018, three in 2019, and four in 2020.

62. **Issues.** The TA review found that, within its limited scope, the KPA instrument has furthered ADB’s knowledge agenda under Strategy 2030 and contributed positively to ADB’s TA delivery. However, the review also found that design and approval of KPAs have been exceedingly cumbersome, resulting in significant organizational inefficiencies in the use of KPAs.

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43 Within management’s approval authority, the approval authority for TRTA shifted from the vice-presidents to the heads of departments and country or division directors; for KSTA, the shift was from President to heads of departments and country and division directors. This was intended to result in fewer processing steps and stronger management accountability for operations within their authority (details are provided in Appendix 3).

44 This figure includes in-kind contribution reported in KPAs by knowledge partners. ADB does not validate nor verify the value of the knowledge partners’ in-kind contribution to the TA under the current business process.

45 Four KPAs were with partners from the Republic of Korea, three with partners from Singapore, two each from Switzerland and the United States of America, one each from Australia, Austria, and Japan, and two KPAs with the Organisation for Economic Co-operation and Development. Only seven of the 23 KPAs were with partners from borrowing DMCs—two each from the People’s Republic of China, Indonesia, and the Philippines, and one from Kazakhstan.
These include unclear delineations vis-à-vis other ADB policies and procedures (particularly the ADB Procurement Policy), insufficient guidance about decision-making processes and responsibilities, and the need to interpret the KPA staff instructions and negotiate each KPA on a case-by-case basis because of particularities of each KPA partner. Moreover, the stated objectives of the KPA instrument are often misaligned with those of initial KPA proposals. During the TA review consultations, knowledge and operations departments expressed a clear business demand for an effective and efficient instrument that enables ADB to partner with a select set of institutions.

63. **Modifications.** The TA review recommends further work to clarify what objectives an instrument like the KPA can help achieve, with special consideration to the implementation of KMAP (footnote 6) and to understanding the demand from ADB departments for such an instrument. If warranted, a suitable improvement (or replacement) of the KPA instrument will be proposed. The review also recommends developing a set of guidelines on how knowledge and innovation services can be contracted under ADB’s Procurement Policy.

VI. **IMPROVING QUALITY AND USE OF KNOWLEDGE PRODUCTS AND SERVICES AND LESSONS GENERATED FROM TA**

64. **Background.** The growing complexity of the challenges confronting ADB’s DMCs has made TA in general and KSTA operations in particular more important than ever. Quality TA and KPS are crucial to preparing well-designed projects, developing greater DMC capacity, conducting useful research, and providing sound policy advice. To be effective, however, they must create value for the DMCs and for development partners. This requires ADB KSTA to meet a DMC’s needs and priorities and ensure that its government both feels ownership and can make good practical use of the knowledge solutions to address the challenges targeted. KPS should also be shared and deployed in a timely manner.

65. **Issues.** An assessment of TA operations revealed the need to improve processes, practices, systems, quality, and use of ADB’s TA operations and KPS.46

   (i) **Processes.** Operations-focused TA instructions and manuals cannot sufficiently guide the designing, managing, and reporting of KSTA to address the increasing knowledge demand of DMCs. Over time, departments have developed their own quality assurance processes and systems to review TA and TCRs. Such departmental internal guidelines are usually a curated summary of business process and corporate-level guidelines, such as design and monitoring framework guidelines and TCR validation guidelines and are used from compliance point of view.

   (ii) **Practices and capacity.** Opportunities to learn and develop sector and thematic knowledge are abundant; however, it is not always easy to benefit from those opportunities when faced with competing tasks at hand.47 Furthermore, being able to use those opportunities to strengthen one’s capacity and act as subject matter expert requires time, because developing expertise does not happen just by attending a meeting but through dedicating time and effort and engaging in active learning.

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46 The assessment included a desk review of previous assessments, focus group interviews, and surveys on TA operations conducted from November 2020 to April 2021.

47 Just in 2020, at least 146 learning events were held for ADB staff, in addition to at least 96 knowledge events such as conferences, forums, and workshops shared with DMCs (based on k-Nexus data accessed in June 2021).
(iii) **Systems.** Knowledge and information management systems need to be improved to allow effective and efficient knowledge storage, utilization, and sharing. The TA information recorded in eOperations shows information such as sector classification, project number, key milestone dates; however, it does not enable knowledge-based information grouping. As a result, what gets pulled up on the TA page in the ADB website are the linked document information of the same TA based on information recorded in eOperations and not of TA with similar thematic topics or common lessons. An interim solution is needed to improve user experience when storing and searching TA information and its KPS until related Digital Agenda products are operationalized.

66. **Modifications.** The following measures will improve the quality of TA, utility of KPS, and lessons generated from TA. The recommended measures are aligned with the TA knowledge and quality management cycle, which is consistent with the KMAP and country knowledge plan guidelines being developed under the CPS review (Figure 6).

**Figure 6: Expected Results by Improving the Quality of TA and Utility of Knowledge Products and Services and Lessons Generated from TA**

6. Strengthen culture and practices for learning
5. Enhance the use of TA results and lessons
4. Improve knowledge sharing and dissemination

1. Improve relevance of TA and ownership of knowledge by developing member countries
2. Strengthen TA design, implementation and results management
3. Improve knowledge and TA information database

**KMAP = Knowledge Management Action Plan, TA = technical assistance.**


(i) **Improve processes.** To improve KSTA operations and the quality of KPS generated from TA, ADB will develop and manage TA from both the operations management and knowledge management perspectives. TA-related instructions and manuals will be updated to incorporate the latest developments in ADB’s knowledge management, country-focused plans and guidelines, results management, and reporting. The KMAP and the country knowledge planning process manual (draft, 2021) will provide the basis for updating TA-related manuals and instructions to make them more knowledge and country focused. ADB will provide detailed guidance on ways to enhance DMC ownership of TA KPS and ADB’s dissemination of its knowledge production to build capacity in
DMCs. TA-related manuals and instructions should not only be fully updated with the 2020 guidelines on preparing and using design and monitoring frameworks and TCR evaluations, but essentially be the standard to guarantee quality in designing, results monitoring, and performance assessment during and after TA completion. ADB will prepare a good practice note employing the updated TCR template to capture lessons and formulate recommendations for future improvements.

(ii) **Improve capacity.** For staff, project teams, and STGs to expand their role as thought leaders, facilitators, and knowledge builders, it is important to invest in building individual and organizational capacity in knowledge management. ADB’s KMAP and the 2020 Culture Transformation Initiative note the importance of capable, motivated staff as drivers of change. Thus, ADB will build staff capacity in knowledge management, including in the areas of facilitation, system thinking and use of analytics, through departmental knowledge management road maps. The goal is to empower interested staff, STGs, and departmental knowledge management focal points to become thought leaders and facilitators who can spearhead the enterprise knowledge management journey of which TA is an important part of.

(iii) **Strengthen the system.** ADB will implement the following system enhancements to improve knowledge management.48

(a) Utilization and dissemination of TA-generated KPS can be enhanced with the upgrade in ADB’s data and information management and sharing platform to effectively store, extract, and share data and information. ADB has embarked on the Digital Agenda 2030 programs that will enhance digital systems in operations. These programs include the development of a new system for the sovereign operations that will create digital platforms connecting data, facilitating the production of knowledge products and services, and making them accessible to the DMCs and partners. These will improve how data is stored, aggregated, and accessed.

(b) In the interim until system enhancements are launched, the TA pages on the ADB website will be improved to show relevant TA documents and KPS based on related topics and lessons tagged under each TA completion report or associated project in the internal source database. This could also improve how ADB documents are picked up by search engines.

(c) Internally, k-Nexus will be strengthened to serve as the “single source of truth” of ADB KPS. Currently, it provides a list of completed KPS and will be improved to provide a snapshot of ongoing and completed KPS, which can be disaggregated by TA, regional department, country, topic of focus areas (thematic, sector, output), product and service type, etc.

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48 This is mainly focused on IT systems. Governance and quality assurance system for knowledge and TA cannot be separated from discussions on improving TA development, implementation, management, and reporting processes, which will be included in the updated TA-related instructions (para. 66(i)).
VII. IMPROVING SYSTEMS FOR MONITORING AND REPORTING

67. **Background.** Monitoring and reporting of TA operations provide management and stakeholders with indications on the extent of (i) progress and achievement of objectives, and (ii) progress in the use of allocated funds.

68. **Issues.** Enhancements are required to improve the monitoring of TA performance and the reporting system to increase transparency and accountability.

   (i) **Monitoring of TA performance.** An analysis of the TA portfolio found that among 659 active TA projects aged 1 year as of end March 2021, 80 (35%) had less than 10% disbursement, of which 18 (8%) had no disbursement. Similarly, 12 TA projects (7%) aged 2 years had less than 10% disbursement while 19 (15%) aged 3 years had less than 30% disbursement. Implementation of these TA projects has been slow, considering the average implementation period of TA closed during 2016–2020 was 3.8 years. These delays are often a sign of non-achievement or delayed achievement of the intended TA outputs and outcomes. TA with slow progress need to be tracked and monitored with rigor. Implementation of TA aged 5 years or older require greater vigilance.

   (ii) **Reporting on fund use.** The TASF registration system was enhanced in 2019 to capture the breakdown of indicative TA amount by DMC participating in regional TA. In 2020, eOperations was enhanced to capture the same breakdown for regional TA financed by sources other than TASF. The ADB Annual Report, beginning with the 2020 report, provides commitment amount by DMC, including from regional TA, and provides a list of these TA projects in the ADB website. TA commitments are also reported in the paper on the proposed allocation of ADB’s net income as well as in regular operations reporting to the Board (i.e., midyear review and year-end performance reporting). However, the reporting system has room for improvement, particularly for TA commitments, to further increase transparency and accountability.

69. **Modifications.** The following system enhancements will be made to improve the monitoring and reporting of TA.

   (i) **Develop an alert system for TA showing slow progress.** Based on indicators agreed by project administration units, ADB will develop a mechanism to alert TA teams to step up efforts on implementation. Indicators for consideration include (i) percentage of disbursement against TA amount, and (ii) number of days past completion date. The alert system will be first launched in eOperations in March 2022 then transitioned into the next generation of operations systems, which is expected to be launched by the end of 2022. A function to automatically generate TA progress reports (at TA project, division, department, and ADB-wide levels) is also being contemplated.

   (ii) **Enhance reporting on the usage of TA funds, including for regional TA.** For the country breakdown of actual usage of regional TA resources, a high-level system enhancement is needed and should be integrated into the new operations systems. The guidelines on the usage of TA resources under the committed country breakdown will also be developed. A dashboard showing TA commitments, portfolio updates, and disbursement of TA funds will also be designed and...

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49 Except for regional research and regional training benefiting all DMCs.
incorporated in the new operations systems through the Digital Agenda programs. This will feed into the analysis on usage of TA and reported in the annual portfolio performance report.

VIII. REBALANCING ADB’S WORKFORCE TO RESPOND TO DEVELOPING MEMBER COUNTRIES’ NEEDS

70. **Background.** Consistent with the Strategy 2030 directions to maximize development impact for its clients by combining finance, knowledge, and partnerships, ADB is undertaking a range of initiatives to deliver higher quality solutions. As the development challenges become more complex and dynamic, a wider range of specialized skills are being required to implement the seven operational plans and support green, resilient, and inclusive recovery. To fill the skills gaps, ADB has been expanding the expert pool and complementing by TA consultants since 2018 to broaden its expertise base in the highly specialized and emerging areas, and strengthening operations departments dealing with private sector, FCAS, and SIDS. Increased use of the One ADB approach and flexible staff position management have enabled ADB to efficiently share and mobilize staff with scarce expertise among different departments. However, further efforts are needed to retain, accumulate, disseminate, and apply knowledge—both tacit and codified—within the institution for ADB to become a knowledge solutions bank it aspires to be.

71. **Issues.** In 2020, ADB engaged about 2,600 full-time equivalent of TA consultants—including both individual consultants and consulting firms. TA consultants represent 39%–45% of the workforce in 2016–2020, which has been described by IED as “heavy reliance on short-term consultants” (footnote 4). TA consultants are engaged under specific TA to assist the work that falls under the clients’ responsibility for project preparation (e.g., feasibility studies) and to complement staff expertise when staff provide direct support to DMC clients (e.g., policy advisory and capacity development). While project preparatory work may be performed by TA consultants, policy advisory and capacity development work with strong links to ADB’s core business, strategic direction, and future presence should be performed by staff rather than relying on TA consultants over the longer term.\(^{50}\)

72. More fundamentally, KMAP’s knowledge gap analysis pointed to ADB’s “excessive outsourcing of knowledge work (largely through overreliance on consultants)” (footnote 6), and IED’s thematic evaluation cautioned that “ADB’s heavy reliance on short-term consultants means that tacit knowledge is often not left in the organization ...” especially in the absence of a robust knowledge system. The evaluation also alerted that “there is serious concern among DMC officials and ADB staff about ADB’s dependence on consultants.”

73. Strengths and advantages of the three types of workforces (TA consultants, staff consultants, and staff) are assessed against what are needed and expected as a knowledge solutions provider, namely:

   (i) quick and flexible mobilization of experts—ability to quickly mobilize experts from one project to another and from one DMC to another;

   (ii) knowledge accumulation—ability to grow in-house expertise and knowledge through direct exposure to delivery of outputs; and

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\(^{50}\) In contrast, staff consultants are engaged to address ADB’s short-term skill requirements, which do not justify the use of staff positions because the needs are part-time or short-term, and their scope of work is limited to ADB’s internal work and not for generating any immediate benefits for DMCs.
(iii) deeper partnership—ability to understand DMC needs and deliver solutions that are appropriate to the local context and foster long-term partnership.

74. While the use of TA consultant accords flexibility to meet the dynamic needs of ADB’s clients, TA consultants tend to be inevitably slow and inflexible to be mobilized. Engaging TA consultants require long lead times because each TA must first be approved, and a fresh consultant selection is required for a new TA consultant contract. Since they are engaged for a fixed period specified in their consultant contracts, for an existing TA consultant to undertake tasks beyond the existing contract, a contract amendment is required, and a change in scope of the TA itself may also be required. Such administrative processes and quality control of TA consultants is taxing on staff time and delays the delivery of support to the clients.

75. Staff consultants, being outside the TA administrative processes, may be promptly and flexibly mobilized; however, the full-time engagement of staff consultants for 3 years or more potentially competes with the use of resources to create new staff positions.

76. The alternative approach would be to gradually and selectively increase staff to institutionalize skills instead of continuing to source those skills from consultants. It is more conducive for ADB to grow in-house expertise and knowledge through direct exposure to clients and delivery of outputs, which helps to generate, accumulate, and disseminate knowledge. Application of such knowledge reflecting specific local context allows ADB to add more value and deliver better knowledge solutions through policy dialogues, TA operations, and lending operations. This will foster deeper and longer-term partnerships between ADB and DMCs. Workforce agility will be maintained by flexible and strategic arrangements such as term deployment of staff across departments and various types of fixed-term staff appointments.

77. Modifications. To strike a balance between staff and TA consultants and to maximize ADB’s potential as a provider of knowledge solutions, ADB plans to rebalance its workforce composition through a multiyear framework to be proposed in 2021—gradually and selectively increasing staff positions to increase internal expertise while progressively reducing TA consultants (in full-time equivalent). The magnitude of the shift in the workforce composition under the multiyear framework is being developed. Expertise targeted are those currently sourced from TA consultants but need to be owned and fostered in-house for ADB’s core business, strategic direction, and future presence. These will include expertise that (i) already exist in ADB but are insufficient in numbers, and (ii) are new to ADB and needed for implementation of Strategy 2030 and new areas emerging from the ongoing review and reform initiatives.

78. Notwithstanding the proposed workforce rebalancing, ADB will continue to source expertise from consultants by taking a strategic approach. TA consultants’ tasks will be suitable for outsourcing primarily when supporting a DMC’s outputs and in situations where multi-expertise teamwork and/or impartial inputs is required (e.g., project feasibility study preparation); and/or providing skills needed by a DMC for short-term, part-time, or highly specialized areas that help deliver the DMC’s outputs and/or to develop the DMC’s capacity, particularly in DMCs where required technical expertise is lacking. Staff consultants, on the other hand, will be intended for strengthening “insourcing” (i.e., complementing staff with expertise that is unavailable or inadequate in ADB) for output delivery within staff’s roles, where the use of a staff position is hard to justify because it is for a short-term or part-time (footnote 50). The choice between insourcing and outsourcing will be assessed considering whether ADB should gain direct experience and knowledge through insourcing for its future strategic direction and presence, as well as the nature of solutions, time sensitivity, cost efficiency, and ownership.
79. The gradual shift to increasing internal expertise in key areas is believed to strengthen ADB’s appreciation of DMCs’ development challenges, recognizing the need to develop country- and context-specific solutions in group A and B DMCs (particularly FCAS and SIDS), qualitatively enhance knowledge work in group C DMCs, and further improve efficiency in resource planning and usage.

80. To fund the increase in internal expertise, ADB plans to gradually rebalance its budgetary resources across several years between internal administrative expense (IAE) budget and net income transfer to special funds for TA under the multiyear framework (para. 77). It is envisaged that OCR net income transfer to TASF and ADB’s other Special Funds will be reduced by (i) the discontinuation of allocations to CCF, FSDPSF, and RCIF; and (ii) the reduction in the annual resource envelope of TASF (income transfer). In other words, an annual IAE budget increase resulting from the workforce rebalancing will proportionately be deducted from the net income to be allocated and transferred to these Special Funds. As a result, this rebalancing will be financially neutral, and will not affect net income transfers to the Asian Development Fund and the ordinary reserve. The rebalanced portion of the IAE budget will be ring-fenced for monitoring separately from the original portion of the IAE budget.

81. ADB plans to seek Board approval for the multiyear framework and its related funding requirements (para. 77). An annual rebalancing amount during the multiyear framework period will be determined and included in the WPBF, the review of ADB’s allocation of net income, and the budget paper.

IX. CONCLUSIONS

82. The TA review assessed that the implementation of the 2017 TA reforms generally contributed to enhancing the quality, speed, and relevance of TA operations. However, the review also identified areas for improvement and ADB will introduce additional business process enhancements to deliver quality knowledge products and services through its TA operations.

83. Furthermore, several important measures have been considered through consultations with ADB departments, Board of Directors, and selected DMCs to improve the allocation and usage of scarce TA grant resources, strengthen knowledge partnerships and knowledge management, update TA monitoring and reporting system, and initiate discussions on workforce rebalancing for ADB to become a knowledge solutions bank.

84. These measures will be executed in conjunction with initiatives such as the CPS review, Culture Transformation Initiative, Digital Agenda 2030, KMAP, resident mission review, and organizational review, to strengthen ADB’s ability to deliver on the objectives of Strategy 2030.
A. Technical Assistance Commitment by User Department

1. Technical assistance (TA) activities are undertaken by departments of the Asian Development Bank (ADB). During 2017–2020, regional departments committed 70% of ADB’s total TA grant resources, followed by knowledge departments (19%), PSOD (4%), OPPP (4%), with support departments accounting for the balance.

2. Focusing on TASF, regional departments committed 70%, followed by knowledge departments (18%), PSOD (5%), OPPP (2%), and support departments (5%) during the same period (Figure A1.1).

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**Figure A1.1: TASF Commitment by User Department, 2017–2020**

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional departments</th>
<th>PSOD</th>
<th>OPPP</th>
<th>Knowledge departments</th>
<th>Support departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>192</td>
<td>13</td>
<td>6</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>2018</td>
<td>229</td>
<td>11</td>
<td>3</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>2019</td>
<td>220</td>
<td>9</td>
<td>7</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>2020</td>
<td>274</td>
<td>9</td>
<td>86</td>
<td>11</td>
<td>4</td>
</tr>
</tbody>
</table>

OPPP = Office of the Public–Private Partnership, PSOD = Private Sector Operations Department, TASF = Technical Assistance Special Fund.

Notes:
1. Regional departments are Central and West Asia Department, East Asia Department, Pacific Department, South Asia Department, and Southeast Asia Department.
2. Knowledge departments are Economic Research and Regional Cooperation Department, and Sustainable Development and Climate Change Department.
3. Support departments include Controller’s Department; Department of Communications; Independent Evaluation Department; Office of Anticorruption and Integrity; Office of the Compliance Review Panel; Office of the General Counsel; Office of Risk Management; Procurement, Portfolio and Financial Management Department; Office of the Special Project Facilitator; Strategy, Policy and Partnerships Department; and Treasury Department.


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1. PSOD uses both types (knowledge and support TA and transaction TA) and categorizes their activities as (i) program finance support; (ii) development impact and additionality; (iii) specific project development; and (iv) upstream project scoping.

2. The share of OPPP’s TASF commitment is lower than its share of total TA commitment because OPPP relies more on the Asia Pacific Project Preparation Facility, which is its anchor trust fund.
B. TA Commitment by Sector

3. Historical TA commitment by sector is shown in Figure A1.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture, natural resources, and rural development</th>
<th>Energy</th>
<th>Health</th>
<th>Information and communication technology</th>
<th>Public sector management</th>
<th>Water and other urban infrastructure and services</th>
<th>Education</th>
<th>Finance</th>
<th>Industry and trade</th>
<th>Multisector</th>
<th>Transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 (excluding COVID-19 TA)</td>
<td>13%</td>
<td>4%</td>
<td>14%</td>
<td>11%</td>
<td>3%</td>
<td>6%</td>
<td>4%</td>
<td>21%</td>
<td>12%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>9%</td>
<td>4%</td>
<td>9%</td>
<td>10%</td>
<td>22%</td>
<td>5%</td>
<td>3%</td>
<td>20%</td>
<td>8%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>12%</td>
<td>5%</td>
<td>14%</td>
<td>13%</td>
<td>4%</td>
<td>8%</td>
<td>1%</td>
<td>13%</td>
<td>11%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>12%</td>
<td>7%</td>
<td>16%</td>
<td>12%</td>
<td>2%</td>
<td>5%</td>
<td>13%</td>
<td>15%</td>
<td>14%</td>
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<td></td>
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<tr>
<td>2017</td>
<td>14%</td>
<td>5%</td>
<td>12%</td>
<td>15%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>16%</td>
<td>13%</td>
<td>14%</td>
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</table>

COVID-19 = coronavirus disease, TA = technical assistance.
Note: 2020 TA commitments exclude the TA for Support for Enhancing Education and Skills Base in Myanmar with $26 million funding from the European Union (TA 9891). If it were included, the education sector would be 9% of total commitments in 2020, and 11% of total commitments in 2020 excluding COVID-19 TA.


C. TA Performance

4. TA performance is assessed through technical assistance completion reports (TCRs). While the ADB Corporate Results Framework has no formal target, the internal reference success rate (3-year average) used by ADB is 80%. As seen in Figure A1.3, the TCR ratings have consistently been above this reference threshold.

5. The recently conducted Client Perceptions Survey 2020 found that 78% of respondents find ADB’s knowledge products and services (KPS), primarily delivered through TA operations, to be extremely useful or very useful. In addition, 89% of respondents indicated that they have applied the acquired information in their work, and 92% responded that there were benefits from the KPS.

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Figure A1.3: Technical Assistance Completion Report Ratings, 2012–2020

TCR = technical assistance completion report.
### SUMMARY OF 2017 TECHNICAL ASSISTANCE REFORM REVIEW

<table>
<thead>
<tr>
<th>Objectives</th>
<th>2017 TA Reform Actions</th>
<th>Review Results</th>
<th>Modifications</th>
</tr>
</thead>
</table>
| A. Improve strategic alignment of TA | Streamlined TA types in relation to ADB’s core business (TRTA and KSTA) | Majority of staff (70%) agree that streamlining better reflects ADB’s core business.  
Classification needs to be flexible to better respond to DMCs’ needs.  
Classification is not well suited for PSOD and OPPP operations. | Maintain current classification with adjustments on the types of activities allowed under TRTA and KSTA to be reflected in updated staff instructions.  
Assess whether a separate classification for PSOD and OPPP is recommended. |
| | Increased operational relevance of TA | Greater involvement of regional departments and resident missions in review process is needed to ensure that KSTA projects are aligned with DMC operations. | Emphasize KSTA alignment with country programming documents.  
Reinforce greater involvement of resident missions by having country directors review and sign off on KSTA. |
| B. Increase programmatic TA with a broader set of TA instruments | Introduced TRTA facility  
Expanded TA cluster to cover both KSTA and TRTA | 54 TRTA facilities were approved during 2017–2019 (24% of total TA commitment); and 63 (TRTA=18, KSTA=45) were TA cluster subprojects.  
While staff have been positive about programmatic TA, documentation requirements are often unclear. | Update staff instructions and PAI to further streamline business processes, documentation requirements, and templates to provide clearer guidance to staff. |
| C. Enhance learning and innovation from TA | Strengthened role of STGs through early involvement in TA proposal development and as custodians of sector-specific and thematic lessons | Two-thirds of survey respondents agree that STGs helped ensure relevance and consistency of TA with sector and thematic priorities.  
Only half of survey respondents agree that reviewers have been effective in sharing lessons. | Involve STGs at the earliest stage of TA preparation for complex TA proposals involving innovative, high-level technology or complex sector and thematic concepts. |
<table>
<thead>
<tr>
<th>Objectives</th>
<th>2017 TA Reform Actions</th>
<th>Review Results</th>
<th>Modifications</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Promoted piloting of innovative project approaches</td>
<td>20% of total TA approved during 2017–2018 had pilot testing features. Requirements for pilot testing are still viewed as burdensome and restrictive.</td>
<td>Prepare and disseminate guidance notes to provide detailed guidance and examples on pilot testing. Disseminate successful piloting of project approaches to strengthen demonstration and replication potential.</td>
</tr>
<tr>
<td>D. Address past limitations</td>
<td>Allowed coherent support from feasibility study to DED under TRTA funded by cofinanced sources</td>
<td>Staff are not aware that cofinancing can be used for DED. Staff perceive that cofinancing resources are too limited.</td>
<td>Continue outreach and training to (i) emphasize the need for funds for DED through partner dialogue, (ii) promote the use of cofinancing for DED by staff, and (iii) promote the use of options such as PRF and SEFF.</td>
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<td></td>
<td>Allowed working with and paying reputable knowledge entities through knowledge partnerships when consulting service contracts are not suitable</td>
<td>22 KPAs were approved since 2017 to support 18 TA projects The KPA is a useful niche instrument but processes and requirements need clarification and streamlining.</td>
<td>Simplify KPA processing to make ADB more agile in engaging with knowledge partners: (i) clarify the parameters of KPA including explaining its appropriateness as compared with other instruments; (ii) improve guidance on KPA especially in relation to the ADB Procurement Policy; (iii) incorporate a clear internal decision-making process; and (iv) improve clarity on selection of partners, thresholds on ADB contribution, cost-sharing expectations, and applicability of ADB policies.</td>
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<tr>
<td>E. Streamline TA business processes</td>
<td>Improved TA proposal preparation</td>
<td>KSTA preparation processes and documentation requirements can be further simplified while ensuring quality and relevance.</td>
<td>Streamline the KSTA process and simplify the concept paper template; make HOD primarily responsible for approving KSTA concept paper (with optional peer reviewers to determine soundness of concept).</td>
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<td></td>
<td></td>
<td>Business processes are perceived to be unaligned with the nature of NSO activities.</td>
<td>Either revise OM D12 and staff instructions for a new NSO TA modality (if introduced) or develop separate business process; and revise OM D15 and staff instructions as needed.</td>
</tr>
<tr>
<td>Objectives</td>
<td>2017 TA Reform Actions</td>
<td>Review Results</td>
<td>Modifications</td>
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<tr>
<td></td>
<td>Strengthened TA review</td>
<td>Focus of interdepartmental review needs to shift from compliance to improving design quality.</td>
<td>Specify the role of team members and reviewers to limit reviews to their areas of expertise.</td>
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<tr>
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<td>process based on</td>
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<td>categorization and</td>
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<td>involved relevant</td>
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<td>operations departments</td>
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<td>by non-regional</td>
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<td>departments</td>
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<tr>
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<td>Increased delegation</td>
<td>Delegation of approval authority resulted in stronger management accountability.</td>
<td>For KSTA, increase approving authority for HODs from $750,000 to $1.5 million to further empower HODs; increase approving authority of directors (including country directors for DMC-specific TA) from 225,000 to 500,000 for both TRTA and KSTA.</td>
</tr>
<tr>
<td></td>
<td>of TA approval authority</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, DED = detailed engineering design; DMC = developing member country, HOD = head of department; KPA = knowledge partnership agreement; KSTA = knowledge and support technical assistance; NSO = nonsovereign operations; OM = operations manual; OPPP = Office of Public–Private Partnership, PRF = project readiness financing; PSOD = Private Sector Operations Department; SEFF = small expenditure financing facility; STG = sector and thematic group; TA = technical assistance; TASF = Technical Assistance Special Fund; TRTA = transaction technical assistance.

TECHNICAL ASSISTANCE APPROVAL THRESHOLDS UNDER MANAGEMENT AUTHORITY

1. **Current status.** Under the 2017 technical assistance (TA) reform, the TA approval thresholds under management authority were adjusted as follows:

   (i) for transaction technical assistance (TRTA), the approval authority is based on the risk category assigned to the ensuing or ongoing project(s)—if low risk, the director general of the regional department approves and reports approval to the respective vice-president, and if complex, the respective vice-president for operations approves;

   (ii) for knowledge and support technical assistance (KSTA), the President approves TA exceeding $1.5 million up to $5 million, vice-presidents approve TA exceeding $750,000 up to $1.5 million, and heads of departments approve TA up to $750,000; and

   (iii) country and division directors are authorized to approve small-scale TA up to $225,000 unless authority is retained by the respective head of department.

2. **Modifications.** KSTA approval thresholds within management authority will be adjusted as follows: (i) heads of departments will be authorized to approve financing of up to $1.5 million (from the earlier ceiling of $750,000) for both the Asian Development Bank (ADB) special funds and ADB-administered funds; and (ii) division and country directors will be authorized to approve financing of up to $500,000 (from the earlier ceiling of $225,000) for both ADB special funds and ADB-administered funds. Table A3.1 summarizes the new approval authority for KSTA.

### Table A3.1: Approval Authority for KSTA

<table>
<thead>
<tr>
<th>Approval Authority</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADB’s Special Funds</td>
</tr>
<tr>
<td>Board</td>
<td>Exceeding $5 million or requiring exception to ADB’s policies</td>
</tr>
<tr>
<td>President</td>
<td>N/A</td>
</tr>
<tr>
<td>Vice-presidents</td>
<td>Exceeding $1.5 million up to $5 million and does not require exception to ADB policies</td>
</tr>
<tr>
<td>Heads of departments</td>
<td>Exceeding $500,000 up to $1.5 million and does not require exception to ADB policies</td>
</tr>
<tr>
<td>Heads of divisions or country directors</td>
<td>Up to $500,000 and does not require exception to ADB policies</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, KSTA = knowledge and support technical assistance.

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In 2019, the President delegated approval of KSTA financed by ADB special funds up to $5 million to vice-presidents.
3. Figure A3.1 shows the result of a scenario analysis on the number of TA funding approvals within the current and proposed management approval authorities for KSTA using data of approved TA in 2020.

Figure A3.1: Comparison of Number of TA Funding Approvals within the Current and Proposed Management Approval Authority Thresholds

KSTA = knowledge and support technical assistance. Note: Figure only shows KSTA approvals within Management approval authority threshold. None of them in 2020 were for approval by the President. Source: Asian Development Bank.