Workforce Rebalancing Framework
ABBREVIATIONS

ADB – Asian Development Bank
COVID-19 – coronavirus disease
DMC – developing member country
FTE – full-time equivalent
IAE – internal administrative expenses
IED – Independent Evaluation Department
OSF – other special funds
TA – technical assistance
TASF – Technical Assistance Special Fund
WPBF – work program and budget framework

NOTE

In this report, "$" refers to United States dollars.

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I. INTRODUCTION

1. This paper seeks the approval of the Board of Directors of the Asian Development Bank (ADB) for the Workforce Rebalancing Framework and its funding through an increase in ADB’s internal administrative expense (IAE) budget. Funds previously intended for allocation to the Technical Assistance Special Fund (TASF) and other special funds (OSF) will be redirected to ADB’s internal administrative expenses (IAE) budget from 2022 to 2027. These additional resources will be used to strengthen ADB’s understanding of the development challenges of its developing member countries (DMCs), recognizing the need to develop country- and context-specific solutions and enhance the quality of policy dialogue, operations, and knowledge solutions over a longer term.

II. BACKGROUND

2. Consistent with Strategy 2030’s directions to maximize development impact for its clients by combining finance, knowledge, and partnerships, ADB is helping to address a range of development constraints through its technical assistance (TA) and lending operations. As the development challenges become more complex and dynamic, a wider range of specialized skills are required to implement the seven operational priorities and support a green, resilient, and inclusive recovery.

3. ADB’s workforce comprises staff, staff consultants, and TA consultants. While the share of staff positions gradually increased from 2016 to 2020, the percentage of TA consultants continued to be high (Figure 1). For 2018–2020, ADB averaged about 6,500 staff positions and full-time equivalent (FTE) of consultants.

![Figure 1: Composition of ADB’s Workforce, 2016–2020](image)

FTE = full-time equivalent
Note: Staff figures are based on assigned positions and exclude Board members and Management positions. Source: Asian Development Bank estimate.

3 This paper also recognizes that the workforce under service contracts is also important to help ADB sustain smooth day-to-day operations. However, since the available data are not directly comparable with staff positions and consultants full-time equivalent, the workforce under service contracts is excluded from the analysis.
4 FTE is a unit of measurement that indicates the workload of an employed person. In this paper, the number of total workdays provisioned in consultants’ contracts is divided by the maximum number of workdays in a full-time schedule (estimated at 264 days for the analytical purpose) in a year.
4. **Staff.** From 2016 to 2020, staff were the largest segment of ADB’s workforce and accounted for 55% of the total workforce on average from 2018 to 2020. Staff are the longer-term segment of the workforce, engaged in ADB’s core business and activities of strategic importance. The IAE budget normally funds the staff. The key features are summarized in Table 1; more details are in Appendix 1.

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Key Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>By staff category</td>
<td>International staff positions were 35% and national positions were 27%, while administrative staff positions were the largest staff category at 38%.</td>
</tr>
<tr>
<td>By departmental group</td>
<td>53% of the staff positions were in operations departments with the balance in non-operations departments.</td>
</tr>
<tr>
<td>By location</td>
<td>48% of the staff positions in operations departments were in field offices with the balance in headquarters.</td>
</tr>
<tr>
<td>By skill</td>
<td>68% of staff positions were estimated to be related to operational skills (comprising 31% for sector and thematic skills; and 37% for country, economics, finance, investment, and project skills).</td>
</tr>
</tbody>
</table>

Note: Operations departments comprise five regional departments, the Private Sector Departments, and Office of Public–Private Partnership. Safeguards skills are counted as part of thematic skills in this paper.

5. **Staff consultants.** From 2016 to 2020, staff consultants were the smallest segment of ADB’s workforce and represented only 6% (387 FTE) of the workforce on average from 2018 to 2020. They are a contingent segment of the workforce for situations where ADB requires skills that do not justify use of staff positions because the needs are part-time and/or short-term. The scope of their work is limited to ADB’s internal work; they do not generate any immediate benefits for DMCs. ADB normally recruits and administers staff consultants through the IAE budget. The key features are summarized in Table 2; more details are in Appendix 1.

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Key Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>By departmental group</td>
<td>50% of staff consultants’ FTE was engaged by operations departments with the balance in non-operations departments.</td>
</tr>
<tr>
<td>By consultant type</td>
<td>93% of the staff consultants’ FTE was individual consultants; the balance was consulting firms.</td>
</tr>
<tr>
<td>By source</td>
<td>69% of the individual staff consultants’ FTE was sourced from national consultants; the balance was international consultants.</td>
</tr>
<tr>
<td>By location</td>
<td>66% of the individual staff consultants’ FTE was assigned to the Philippines with the balance assigned outside the Philippines.</td>
</tr>
<tr>
<td>By contract duration</td>
<td>94% of the individual staff consultants’ FTE was on shorter-term contracts (less than 3 years), while the balance was on longer-term contracts (3 years or more).</td>
</tr>
<tr>
<td>By skill</td>
<td>65% of individual staff consultants’ FTE was used to source skills other than sector and thematic skills.</td>
</tr>
</tbody>
</table>

FTE = full-time equivalent
Note: Safeguards skills are counted as part of thematic skills in this paper.
6. **Technical assistance consultants.** From 2016 to 2020, TA consultants were the second-largest segment of ADB’s workforce and accounted for 39% of the workforce on average from 2018 to 2020. They are also a contingent segment of the workforce to provide direct benefits to ADB’s clients individually or collectively, through project preparation, capacity development, policy advice, and research and development. ADB generally recruits and administers TA consultants using various TA special funds and external resources. Key features are summarized in Table 3; more details are in Appendix 1.

### Table 3: Summary of Key Features of Technical Assistance Consultants, 2018–2020

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Key Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>By departmental group</td>
<td>80% of the TA consultants’ FTE was engaged by operations departments with the balance in non-operations departments.</td>
</tr>
<tr>
<td>By consultant type</td>
<td>74% of the TA consultants’ FTE was individual consultants; the remaining was consulting firms.</td>
</tr>
<tr>
<td>By source</td>
<td>67% of the individual TA consultants’ FTE was sourced from national consultants; the balance was international consultants.</td>
</tr>
<tr>
<td>By location</td>
<td>55% of the individual TA consultants’ FTE was assigned to the Philippines with the balance assigned outside the Philippines.</td>
</tr>
<tr>
<td>By contract duration</td>
<td>89% of the individual TA consultants’ FTE was on shorter-term contracts (less than 3 years). The balance was on longer-term contracts (3 years or more).</td>
</tr>
<tr>
<td>By skill</td>
<td>28% of the individual staff consultants’ FTE was for sector skills; another 22% was for thematic skills.</td>
</tr>
</tbody>
</table>

FTE = full-time equivalent.

Note: Safeguards skills are counted as part of thematic skills in this paper.


III. RATIONALE

A. Changing External Environment

7. The continued diversification of clients and their needs—as well as the evolving business environment—requires ADB to have a wider range of skills with the ability to tailor knowledge solutions. Strategy 2030 recognizes the diversity of DMCs with large differences in income levels, gross domestic product composition, degree of fragility and vulnerability, poverty profiles, food security, and institutional capacity. The strategy also highlights the wide range of development needs and challenges, such as climate change, environmental stress, urbanization, aging, and rapid technological advancement. The protracted coronavirus disease (COVID-19) pandemic is likely to create a new set of needs to manage the impact of the crisis, such as (i) economic digitization and digital skills, (ii) safety nets and financial soundness, (iii) governance and planning, and (iv) health system and research capacity. Ad hoc short-term inputs with off-the-shelf solutions have limits in addressing these complex development challenges. Staff need stronger specializations to engage in richer and in-depth policy dialogue with the DMCs to devise tailored solutions.

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8. DMCs have greater access to finance and knowledge, and what ADB can provide beyond finance has become important. Increasing foreign direct investment plays an important role as sources of capital, technology, and knowledge for the developing economies. Despite the COVID-19 pandemic, foreign direct investment in developing economies was resilient, declining by 8% in 2020 from the previous year, mainly because of robust flows in Asia. In addition, DMCs have more opportunities to access funds and knowledge from emerging partners, such as new multilateral development banks, bilateral agencies and philanthropic and charitable organizations.

9. Recognizing these changes, ADB will strive to expand its unique ability to combine finance, knowledge, and partnerships. In line with Strategy 2030, ADB seeks to “focus on practical value that fits local conditions, identifies lessons, and replicates good practices (including technology transfer, environmental and social safeguards, and fiduciary standards) across the region and beyond” (footnote 1). However, ADB’s Independent Evaluation Department (IED) found that ADB still has work to do to become a knowledge institution that builds on three foundational layers: (i) leadership that promotes the use of knowledge; (ii) culture and structure that promote accumulation, flow, and sharing of knowledge; and (iii) the quality of human capital, which affects the quality of knowledge.

10. The prolonged COVID-19 pandemic has created a strong demand from DMCs for a greater field presence by ADB staff in operations departments. DMC representatives have shared their difficulties in recruiting consultants with the needed skills during the pandemic. Since March 2020, remote work using online collaboration and communications technology has become the new normal practice for ADB staff at headquarters and in many field offices. However, staff in operations departments have increasingly expressed concern that online communication with clients poses a grave challenge in terms of effectiveness and efficiency. Increasing ADB’s field presence by augmenting staff in each field office alone will not be able to fully satisfy the DMCs demands. The Review of ADB’s Resident Mission Operations identified the need to "pursue a higher quality of engagement with DMCs." It proposed a series of actions to empower resident missions, deepen country diagnostics, and improve the country focus of private sector, advisory, and knowledge operations—many of which require high quality human capital.

B. Balancing Quality and Workforce Composition

11. In response to these external challenges, Management initiated institutional actions that aim to build on the three foundational layers (para. 9) and help ADB adapt to the new environment. Three ongoing initiatives address two of the foundational layers: leadership that promotes the use of knowledge; and culture and structure that promote the accumulation, flow, and sharing of knowledge.

   (i) The Review of ADB’s Resident Mission Operations aims to enhance collaboration between headquarters and field offices, quality of engagement with DMCs,

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9 For example, project work takes longer through online communications between different time zones than through field visits.
responsiveness to client needs, flexible use of the workforce, and efficient support to field operations.

(ii) The Knowledge Management Action Plan 2021–2025 aims to transform ADB into a knowledge solution bank that can “increase ADB’s value addition, boost client satisfaction, and bolster ADB’s role as a trusted knowledge provider” by strengthening the organization’s ability to deliver tailored knowledge solutions.11

(iii) The organizational review is considering how to address, from an institutional perspective, the fragmented allocation of the workforce with sector and thematic skills because of institutional silos and helps to increase workforce agility through flexible staff mobility across departments.

12. Since the launch of Strategy 2030 in 2018, ADB has also increased net income transfers to special funds for TA. Historically, net income allocable to the TASF did not exceed $60 million per year until 2016. In 2017, net income allocable to the TASF was $80 million, and this growth trend continued in subsequent years. ADB made the initial increase to support the implementation of Strategy 2030’s seven operational priorities through the engagement of TA consultants.

13. ADB’s heavy reliance on TA consultants has limited staff’s understanding of DMCs’ development challenges and curtailed their ability to develop quality knowledge solutions and engage in policy dialogue with governments that could be replicated in similar situations across other DMCs. TA consultants represented about 39% of the workforce on average in 2018–2020 (Figure 1); about 90% were on shorter-term (less than 3 years) contracts (Table 3). These consultants are engaged under specific TA to (i) assist project preparation work that falls under the clients’ responsibility (e.g., project feasibility study preparation); and (ii) complement the staff’s skills when they provide direct support to the DMC clients (e.g., policy advisory and capacity development). While project preparation support activities may be carried out more efficiently by

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a team of TA consultants on a longer-term basis, ADB staff should perform some of the policy advisory and capacity development activities that have a strong link with ADB’s core business, strategic direction, and future presence.

14. Similarly, the knowledge gap analysis in the Knowledge Management Action Plan pointed out ADB’s “excessive outsourcing of knowledge work (largely through overreliance of consultants)” (footnote 11). 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 management system. The evaluation study also noted that “there is serious concern among DMC officials and ADB staff about ADB’s dependence on consultants,” and recommended that ADB “review the role of TA with respect to its contribution to knowledge solutions” (footnote 8).

15. ADB needs to find a better balance between staff and TA consultants to enhance the organization’s understanding of DMCs’ development challenges and improve the quality of policy dialogue, operations, and knowledge solutions delivery. TA consultants may bring in important knowledge, but excessive use of such consultants comes with an opportunity cost for staff. The engagement of TA consultant provides flexibility to meet the dynamic needs of ADB’s clients and brings in up-to-date knowledge and lessons from their work with a wider range of clients. Because consulting is a business, it is in the consultants’ best interest to invest in their professional development and polish their skills. However, when TA consultants play a key role in the delivery of outputs, staff tend to focus on the technical review and administrative processes (e.g., faster and smoother TA approval and consultant engagement). TA consultants retain the tacit knowledge on the solution. If more consultants are engaged, staff spend more time on administrative processes. While TA consultants have full ownership of the deliverables agreed upon in their terms of reference, it is hard for TA consultants to completely appreciate a DMC’s development challenges, develop country- and context-specific solutions and act spontaneously in the DMC’s interest beyond the terms of reference.

16. Therefore, ADB will gradually increase staff positions, while reducing reliance on TA consultants. This workforce rebalancing exercise is a signal to all existing and future staff that ADB wants staff to flourish as experts in their fields, not as efficient managers of consultants. When staff deliver outputs, they will focus on finding better solutions for clients through intense real-world experience, overcoming analytical hurdles and data limitations, and exchanging ideas with colleagues and development partners. Requiring staff to deliver solutions will allow them to appreciate more deeply various facets of a DMC’s development challenges. Staff’s tacit and explicit knowledge will be enhanced and deepened by replicating such practices. This will help them grow and build a firm foundation for adding more value to ADB’s policy dialogue, operations, and knowledge solutions delivery. The result will be deeper and longer-term partnerships between ADB and its DMCs.

C. Establishing Basis for Workforce Rebalancing Exercise

17. The sector and thematic skills sourced from individual TA consultants under longer-term contracts will be the focus of the workforce rebalancing exercise (Figure 3). Skills sourced from TA consulting firms (26% of all TA consultants) are not the primary focus of the exercise because the outputs delivered by such firms are suitable for multiskilled teams of consultants formed by the TA consulting firms. ADB should continue to rely on consulting firms for delivery of such outputs. Of the individual TA consultants (74% of all TA consultants), about 210 FTE (11% of the individual TA consultants) were sourced for 3 years or more. Use of such longer-term contracts implies ADB’s perennial needs for such skills. Using the 210 FTE as a reference point and proxy
for the demand across ADB, the creation of 200 new staff positions would be a reasonable starting point for the workforce rebalancing exercise.

18. As Figure 3 shows, of about 210 FTE of individual TA consultants, the sum of sector and thematic skills represented 50% of such consultants; the rest were skills other than sector and thematic skills; more details are in Appendix 1. As the objective of the workforce rebalancing exercise is to enhance the quality of operations by adding more value in sector and thematic areas, ADB should give preferential treatment to sector and thematic skills when creating additional staff positions. As an initial guide, ADB may use about 40% of the new positions for sector skills, about 40% for thematic skills, and the remaining about 20% for skills other than sector and thematic areas, as needed.\(^{12}\)

### IV. WORKFORCE REBALANCING FRAMEWORK

19. ADB proposes to rebalance its workforce composition through the Workforce Rebalancing Framework described in this section. This will strengthen ADB’s understanding of DMCs’ development challenges, recognizing the need to develop country- and context-specific solutions and improve the quality of policy dialogue, operations, and knowledge solutions delivery over the longer term. It is a multiyear endeavor that aims to gradually and selectively increases staff positions to institutionalize skills, instead of continuing to source those skills from TA consultants. Consequently, TA consultants will be reduced in the FTE count.

#### A. Guiding Principles

1. **Skills Priority**

20. The Workforce Rebalancing Framework will prioritize the use of new positions to source sector and thematic skills, particularly those in the following three priority areas:

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\(^{12}\) Safeguards skills are counted as part of thematic skills in this paper.
(i) **Technical skills for policy dialogue.** This includes domestic resource mobilization and taxes, private sector engagement, digital technology, health and education, and sector policy and institutional effectiveness.

(ii) **Thematic skills for value addition.** This includes climate change adaptation and resilience, disaster risk management, fragile and conflict-affected situations and small island developing states, gender, environmental sustainability, and biodiversity.

(iii) **Skills insufficiently represented in current workstreams.** This includes social development, environmental and social safeguards, and evaluation.

2. **Location and Distributive Priority**

21. The Workforce Rebalancing Framework will apply the principle-based resource allocation approach that was recommended by the *Technical Assistance Review*¹³ to the annual workforce rebalancing exercise. Priority will be given to low income and lower income DMCs, fragile and conflict-affected situations and small island developing states, while ensuring effective knowledge cooperation and sharing across all DMCs. The framework will also allocate a significant share of the new staff positions to the field offices, while ensuring agile operations through flexible movement of staff.¹⁴

3. **Financial Neutrality**

22. The amount to be added to the IAE budget to fund the new staff positions will be equal to the amount deducted from the net income transfer allotted for OSF and the TASF.

4. **Candidate Persona**

23. The new staff positions will focus more on enhancing the quality of policy dialogue, operations, and knowledge solutions delivery by working closely with DMC clients. Based on more robust job descriptions and rigorous technical interviews, and subject to its commitment to gender equality in workplace,¹⁵ ADB will search for candidates with stronger core technical skills and sufficient practical experience in the field. Successful candidates must demonstrate their ability to engage in policy dialogue with clients, prepare knowledge solutions with colleagues and development partners, and develop capacity in DMCs. Such candidates will also need to add more value to project designs and implementation across the region.

B. **Effective Use of Consultants**

24. Notwithstanding the Workforce Rebalancing Framework, ADB will continue to engage a significant volume of consultant FTE. To ensure that ADB will use TA resources prudently in the most needed areas, ADB will take a selective and strategic approach to the use of TA consultants. ADB will continue to encourage the use of TA consultants to (i) support 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 (ii) provide skills needed by a DMC for short-term, part-time,

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¹⁴ This will also help strengthen ADB’s business continuity.
or highly specialized areas that help deliver the DMC’s outputs and/or to develop the DMC’s capacity.

25. Staff consultants will continue to be engaged when the use of a staff position cannot be justified because of short-term or part-time needs.

V. FRAMEWORK IMPLEMENTATION ARRANGEMENTS

A. Implementation Period

26. The Workforce Rebalancing Framework will be implemented from 2022 to 2027.

B. Annual Workforce Rebalancing Exercise

27. In each year of the Workforce Rebalancing Framework implementation period, ADB will conduct an annual workforce rebalancing exercise. ADB will determine the number of new positions with needed skills to be created in the next budgetary year based on the annual workforce analysis. The results will be presented in the work program and budget framework (WPBF). ADB will also review the progress of recruitment and budget utilization, and will report the lessons to the Board through the Human Resources Committee.

28. ADB will consult with the Board through the informal board meeting on the WPBF, the Budget Review Committee meetings, and Human Resources Committee meetings. Such processes will ensure that ADB will reflect any change in priorities and needs in the selection of skills and allocation of staff positions during the implementation period.

29. As part of the discussion on the Review of ADB’s Loan Charges and Allocation of Net Income, ADB will indicatively agree on a reduction in the net income that would have been transferred to OSF and/or the TASF. The reduction will reflect the next budgetary year’s estimated funding requirements for new positions under the IAE budget. In the IAE budget proposal, the Board will be presented with the final amount for its approval along with the number of positions with needed skills for the year.

C. Indicative Planning Parameters

30. Based on the guiding principles and key findings (paras.17–18), the planning parameters to establish staff positions through 2027 have been indicatively set (Table 4) to guide the implementation of the Workforce Rebalancing Framework. The rationale for the current planning parameters is in Appendix 2. These parameters will be reviewed and updated annually through the annual workforce rebalancing exercise, reflecting any change in priorities and needs, international and national labor market conditions, and budget utilization.

<table>
<thead>
<tr>
<th>Field Offices</th>
<th>Headquarters</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Staff Positions</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>National Staff Positions</td>
<td>120</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

D. Funding Requirements

31. The annual funding requirements for the workforce rebalancing will not exceed $50 million from 2022 to 2027. Costing assumptions are provided in Appendix 2. The amount required for the annual workforce rebalancing exercise is expected to increase gradually based on the number of new staff to be recruited. The projected amounts range from $2 million per year in 2022 to $50 million per year in 2027 onwards (Table 5) with the actual amount to be approved following the process (para. 29). Despite this projection, the actual figures may vary depending on the dynamic need for skills to be institutionalized and the availability of suitable candidates in the labor market.

### Table 5: Indicative Additional Internal Administrative Expenses Amount and Additional Staff Positions

<table>
<thead>
<tr>
<th>Item</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to be added to IAE budget ($ million)</td>
<td>2</td>
<td>10</td>
<td>20</td>
<td>33</td>
<td>43</td>
<td>50</td>
</tr>
<tr>
<td>Number of staff positions to be added</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>50</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>Cumulative new staff positions</td>
<td>30</td>
<td>70</td>
<td>120</td>
<td>170</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

IAE = internal administrative expenses.

Note: The actual amount to be added to the IAE budget and the number of additional staff positions will be determined through the annual workforce rebalancing exercise (paras. 27–29).

Source: Asian Development Bank estimates.

E. Funding Mechanism

32. The IAE budget will fund the requirements associated with the Workforce Rebalancing Framework. To offset the impact of the incremental cost resulting from the Workforce Rebalancing Framework on ADB’s risk-bearing capacity, the net income transferred to OSF and the TASF will be reduced. This funding mechanism will ensure that the Workforce Rebalancing Framework will be financially neutral to ADB (para. 22) and will not affect ADB’s long-term financial sustainability.

33. The funding requirements are projected to gradually increase (Table 5), resulting in the gradual decrease in the net income transfer to OSF and the TASF. For transparency and better monitoring, funding requirements for the Workforce Rebalancing Framework will be ringfenced in the IAE budget from 2022 to 2027. The reduction in net income transfer is expected to be derived as follows:

(i) Discontinuation of the net income transfer to OSF from 2022 to 2024, which will result in an average saving in the net income transfer of about $19 million per year (footnote 13).

(ii) Reduction of the net income allocation to the TASF from 2024 to 2027. While this will reduce TASF resources, overall TASF financing needs will also decline because of the annual workforce rebalancing exercises. It will not affect TASF resources provided by donors either from the Asian Development Fund allocation or direct contributions. Thus, the workforce rebalancing exercises will not adversely impact TASF financing capacity.

F. Eligible Expenditure Items

34. The additional IAE budget allocated for the Workforce Rebalancing Framework will be principally used to finance the cost of additional staff (salaries and benefit). However, a residual
amount of the additional budget may be used for the cost of staff consultants to address short-term or part-time skills needs (para. 25).

35. Travel costs to be incurred by the additional staff under the Workforce Rebalancing Framework will be funded by the IAE budget (excluding the incremental IAE budget allocated for the annual workforce rebalancing exercise) to manage the expenses efficiently and effectively.  

G. Changes in Implementation Arrangements

36. ADB may modify the implementation arrangements (paras. 26-40) during the Workforce Rebalancing Framework period. Any changes will be presented as part of the WPBF and discussed with the Board as part of the annual WPBF and budget process.

H. Impact on Internal Administrative Expense Budget

37. The net impact on the IAE budget of any incremental costs incurred from having the additional staff on board that is not covered by the Workforce Rebalancing Framework is expected to be minimal, and should be largely offset by savings from new ways of working. The need for additional staff positions to support staff under the Workforce Rebalancing Framework will be assessed as part of the annual WPBF exercise.

I. Staff Appointment

38. All staff will be treated the same way following existing policies and regulations. Hiring managers will select the most appropriate types of staff appointments based on the projected duration of the skill needs. Available staff appointment types include (i) renewable fixed-term appointment, (ii) special fixed-term appointment, and (iii) standard fixed-term appointment.  

J. Monitoring

39. For monitoring purposes, the indicative country pipeline and monitoring reports will specify how each TA will be delivered (by staff, consultants, or combination of both) and WPBF will provide a consolidated view on the projected commitments of TA which will be led by staff; more details are in Appendix 3. ADB will also develop an arrangement that formally recognizes, funds, and evaluates TA led by staff and other knowledge activities. An outputs registration system will be developed throughout 2022 to capture a wider range of staff’s outputs and activities, including those delivered by staff-led TA. The time recording system will be improved concurrently throughout 2022 to link to the outputs registration system.  

K. Measure to Sustain and Update Skills

40. Skills of all staff will be sustained and updated through talent management under the leadership of sector and thematic group chiefs (or equivalent), exposure to policy dialogue and field work in a wide range of DMCs, cross learning across departments, and an environment

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16 Travel costs are currently estimated less than 5% of the annual funding requirements for the workforce rebalancing, and it is expected to be absorbed by the IAE budget for administrative efficiency. Update on the related travel cost estimates will be provided during the annual IAE budget discussion if there is any potential change.
17 A standard fixed-term appointment may be extended for one further fixed-term, converted to a regular appointment or not renewed at the end of the three-year period.
18 These systems will provide a necessary short-term solution. Further integration with other systems (e.g., human resource and operations) will provide a more automated solution and real time reporting capacity.
conducive to innovation, as being considered under the organizational review (para. 11). In addition to a wide range of the training programs and opportunities being offered to staff, ADB will strongly encourage all staff, especially those who deliver outputs directly, to participate in a wide range of knowledge sharing opportunities in Asia and the Pacific.

VI. ENVISIONED OUTCOME AND IMPACT IN AND AROUND 2028

41. Based on the current indicative planning parameters, with an assumption that other parallel initiatives (para. 11) will progress as planned, the additional staff positions are expected to result in changes in the workforce composition—staff positions will be about 60% and TA consultants will be about 35% in and around 2028 (Figure 4). Further, about 31% of international staff positions and national staff positions will be in field offices through outpostng from the headquarters and/or increase in the field offices’ positions in and around 2028 (Figure 5). These figures will be updated when the indicative planning parameters are revised.

<table>
<thead>
<tr>
<th>Figure 4: Projected Workforce Composition in 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Graph showing workforce composition" /></td>
</tr>
</tbody>
</table>

**Figure 4**: Projected Workforce Composition in 2028

- Staff Positions 60%
- Staff Consultants 55%
- TA Consultants 5%

FTE = full-time equivalent, TA = technical assistance.
Note: Projection assumes that staff consultants number remains the same as 2018–2020 average.
Source: Asian Development Bank estimates.

<table>
<thead>
<tr>
<th>Figure 5: Projected Staff Distribution by Location in 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Graph showing staff distribution" /></td>
</tr>
</tbody>
</table>

**Figure 5**: Projected Staff Distribution by Location in 2028

- Headquarters (NS&IS) 74%
- Field Offices (NS&IS) 26%

IS = international staff, NS = national staff.
Note: Projection assumes that 30% of new staff positions outside the Workforce Rebalancing Framework will be allocated to field offices.
Source: Asian Development Bank estimates.

42. The impact of the Workforce Rebalancing Framework, together with that of parallel initiatives (para. 11), will help build up ADB’s new business model, which are characterized by

(i) increased staff ability to better understand DMC’s specific development challenges,

(ii) increased number of staff with technical capability to engage in policy dialogue with DMC clients to formulate tailored and integrated solutions,

(iii) improved staff mobility with required skills to support all regions,

(iv) increased knowledge outputs directly delivered by staff,

(v) sustained ADB operations despite limited international travel (for any cause),
(vi) increased value addition to ADB operations, and

(vii) sustained prudence in the use of TA consultants.

VII. RECOMMENDATION

43. The President recommends the Board approve the Workforce Rebalancing Framework as described in Section IV of this paper, which shall be funded by an increase in ADB’s internal administrative expenses budget of no more than $50 million between 2022 and 2027 in accordance with the funding requirements and the funding mechanism described in this paper.
OVERVIEW OF ASIAN DEVELOPMENT BANK’S WORKFORCE

1. The main sources of skills for the Asian Development Bank (ADB) are staff, staff consultants, and technical assistance (TA) consultants.¹

A. Staff

2. Staff were the largest segment of the workforce during 2016–2020. The average number of staff positions during 2018–2020 was about 3,600. The number of the staff positions had been trending up—from about 3,200 in 2016 to about 3,600 in 2020.

![Figure A1.1: Distribution of Staff Positions, 2018–2020 Average](image)

Note: Staff figures are based on assigned positions and exclude Board members and Management positions.
Source: Asian Development Bank estimates.

3. **International and national staff represent 62% of staff.** Staff positions fall into three major categories: international staff, national staff, and administrative staff (Figure A1.1). Of the average staff position count of about 3,600 from 2018 to 2020, administrative staff positions were 38% (about 1,400 positions), international staff positions were 34% (about 1,200 positions), and national staff positions were 27% (about 1,000 positions). From 2018 to 2020, the percentage of administrative staff positions declined by 2 percentage points; national staff positions increased by 2 percentage points.

¹ This paper recognizes that workforce under service contracts is also important to help ADB sustain smooth day-to-day operations. However, since the available data are not directly comparable with staff positions and consultants full-time equivalent, workforce under service contracts are excluded from the analysis.
4. **Operations staff.** More than half of staff positions were for operations (Figure A1.2). The roles of the staff were broadly categorized into 3 groups based on the functions of the departments they belong to. Of the average staff position count of about 3,600 from 2018 to 2020, 52% of staff positions were for operations (about 1,900 positions), 26% for direct operations support (about 1,000 positions), and 17% for indirect operations support (about 600).

5. **Field offices.** Almost half of staff positions in the operations departments are in field offices (Figure A1.2). Of the 1,900 staff positions for operations departments, about 1,000 staff positions (51%) were in headquarters and 900 staff positions were in field offices (49%).

6. **Operational skills.** More than two-thirds of staff positions in operations departments relate to operational skills (Figure A1.2). Of the 1,900 staff positions in operations departments, the key skills required by these positions were assessed using the position titles. Project skills accounted for the highest percentage (21% or about 400 positions), followed by sector skills (19% or about 350 positions), and thematic skills (11% or about 200 positions). The rest were for financial analysis, investment, country, economics, and other operational and institutional skills.

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**Figure A1.2: Distribution of Staff Positions in Operations Departments, 2018–2020 Average**

<table>
<thead>
<tr>
<th>By Function (100% = 3,535 positions)</th>
<th>By Location (100% = 1870 positions)</th>
<th>By Skill Group (100% = 1870 positions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B&amp;M &amp; Others: 3%</td>
<td>Headquarters, 51%</td>
<td>Other Skills: 32%</td>
</tr>
<tr>
<td>Indirect Operations Support: 18%</td>
<td></td>
<td>Ctr.&amp;Eco.: 8%</td>
</tr>
<tr>
<td>Direct Operations Support: 27%</td>
<td>Field Offices, 49%</td>
<td>Fin.&amp;Inv.: 8%</td>
</tr>
<tr>
<td>Operations: 55%</td>
<td></td>
<td>Project, 21%</td>
</tr>
</tbody>
</table>

B&M = Board and Management, Ctr.&Eco.= country and economics, Fin.&Inv. = finance and investment.

*a Staff figures are based on assigned positions and exclude Board members and Management positions. Operations departments comprise five regional departments, the Private Sector Departments, and Office of Public–Private Partnership.

Source: Asian Development Bank estimates.

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2 Operations departments comprise five regional departments, the Private Sector Operations Department, and the Office of Public–Private Partnership.

3 Direct operations support departments comprise Controller’s Department; Economic Research and Regional Cooperation Department; Independent Evaluation Department; Office of the Auditor General; 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; Sustainable Development and Climate Change Department; and Strategy, Policy and Partnerships Department.

4 Indirect operations support departments comprise Budget, People, and Management Systems Department; Department of Communications; Corporate Services Department; Information Technology Department; Office of the Ombudsman; Office of Professional Conduct; Office of the Secretary; and Treasury Department.
B. Staff Consultants

7. Staff consultants were the smallest segment of the workforce during 2016–2020. The estimated annual average full-time equivalent (FTE) of staff consultants from 2018 to 2020 was about 380. ADB recruits and administers staff consultants to support institutional operations; they are usually funded by ADB’s internal administrative expenses budget. Staff consultants are used to meet ADB’s skills requirements that do not justify use of staff positions because the needs are part-time and/or short-term. Their scope of work is limited to ADB’s internal work and not for generating any immediate benefits for developing member countries (DMCs).

![Figure A1.3: Staff Consultants in Full-Time Equivalent, 2018–2020 Average](chart)

FTE = full-time equivalent.
Source: Asian Development Bank estimates.

8. **Operations departments.** Of the 380 FTE, operations departments engaged 50% (about 190 FTE), followed by direct operations support departments at 35% (about 130 FTE), and indirect operations support departments at 15% (about 60 FTE).

9. **Individual consultants.** Individual consultants are engaged when the assignment can be carried out independently, while consulting firms are engaged for assignments that requires multi-expertise teamwork. The 380 FTE of staff consultants comprised about 350 FTE of individual consultants (93%) and about 30 FTE inputs of consulting firms (7%). Consulting firms were mainly used for staff training, recruitment, and audit.

10. **National consultants.** Of about 350 FTE of individual staff consultants, 69% (about 240 FTE) was nationally sourced; the remaining 31% (about 110 FTE) was sourced internationally (Figure A1.3).
11. **Philippine assignments.** Of about 350 FTE of individual staff consultants, 66% (about 230 FTE) was assigned to the Philippines with the remaining 34% (about 120 FTE) assigned to locations other than the Philippines (Figure A1.4).

12. **Shorter-term contracts.** More than 90% of individual staff consultants’ FTE was sourced from shorter-term contracts. Of about 350 FTE of individual consultants, 6% of the FTE (about 20 FTE) was sourced through longer-term contracts (3 years or more) and 94% of the FTE (about 330 FTE) was through shorter-term contracts (less than 3 years).

13. **Sector and thematic skills.** Of about 350 FTE of individual consultants, 18% (about 60 FTE) was for thematic and safeguards skills with another 18% (about 60 FTE) for sector skills. The remaining 64% covers a wide range of skills, such as project management, institutional development, economic analysis, financial analysis, general administration, and information technology.

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**Figure A1.4: Individual Staff Consultants in Full-Time Equivalent, 2018–2020 Average**

- **By Location (100% = 352 FTE):**
  - The Philippines, 66%
  - Other than the Philippines, 34%

- **By Contract Duration (100% = 352 FTE):**
  - Less than 3 Years, 94%
  - 3 years & above, 6%

- **By Skill Group (100% = 352 FTE):**
  - Others, 65%
  - Sectors, 18%
  - Themes, 18%
C. Technical Assistance Consultants

14. TA consultants were the second-largest segment of the workforce during 2016–2020, representing 38% to 45% of the workforce. The estimated annual average FTE of TA consultants from 2018 to 2020 was about 2,550. ADB generally recruits and administers TA consultants using the TA funding resources. TA consultants support the clients in (i) assessing and addressing constraints to development and growth; (ii) developing, preparing, and refining project proposals; (iii) strengthening the clients’ ability to formulate strategies, policies, and programs; and (iv) implementing and evaluating projects. The largest percentages of FTE were provisioned under TA supporting capacity development, followed by TA supporting project preparation.

![Figure A1.5: Technical Assistance Consultants in Full-Time Equivalent, 2018–2020 Average](chart)

FTE = full-time equivalent, R&D = research and development, TA = technical assistance. Source: Asian Development Bank estimates.

15. **Operations departments.** From 2018 to 2020, 16 departments were regular users of the TA consultants. Of the 2,250 FTE of TA consultants, 80% (about 2,040 FTE) was from operations departments, 20% (about 510 FTE) was from direct operations support departments, and less than 0.1% were from indirect operations support departments (Figure A1.5).

16. **Individual consultants.** The 2,550 FTE of TA consultants comprise about 1,900 FTE of individual consultants (74%) and about 650 FTE of inputs of consulting firms (26%).

17. **Capacity development.** Of the 1,900 FTE of individual TA consultants, 53% (about 1,000 FTE) was for capacity building, 19% (about 370 FTE) for project preparation, 14% (about 280 FTE) for policy advice, and 11% (about 200 FTE) for research and development. The remaining 3% (about 50 FTE) was not categorized because of incomplete data.
18. **National consultants.** Of the 1,900 FTE of individual TA consultants, 68% (about 1,300 FTE) was nationally sourced; the remaining 32% (about 600 FTE) was sourced internationally (Figure A1.6).

19. **Philippine assignments.** Of the 1,900 FTE of individual TA consultants, 55% (about 1,000 FTE) was assigned to the Philippines with the remaining 45% (about 900 FTE) assigned to locations outside the Philippines.

20. **Sector, thematic, and safeguards skills.** Of the 1,900 FTE of individual consultants, 28% (about 530 FTE) was for sector skills and 22% (about 420 FTE) for thematic and safeguards skills. The remaining 50% (950 FTE) was for skills other than sector, thematic, and safeguards skills, such as project management, institutional development, finance, and investment.
21. Almost 90% of individual TA consultants’ FTE was sourced from shorter-term contracts (Figure A1.7). Of the 1,900 FTE of individual TA consultants, 89% (about 1,690 FTE) was through shorter-term contracts (less than 3 years) with the remaining 11% (about 210 FTE) sourced through longer-term contracts (3 years or more).

22. The distribution of skills among the 210 FTE of individual TA consultants under longer-term contracts resembled that of all individual TA consultants (1,900 FTE): 24% of the FTE (about 50 FTE) was for sector skills, 26% (about 55 FTE) for thematic and safeguards skills, and the remaining 50% (about 105 FTE) for skills other than sector, thematic, and safeguards skills.
ESTIMATING THE PLANNING PARAMETERS

A. Estimated Cost of New Staff Positions

1. The total cost of about 200 new staff positions was estimated at $50 million per year. The estimate was based on four key assumptions:

   (i) The allocation between two position categories (i.e., international and national staff positions) follows the actual distribution pattern in the Asian Development Bank (ADB) operations departments (52% for international staff and 48% for national staff in 2018–2020 average).

   (ii) The allocation between the headquarters and the field offices follows the actual distribution pattern in the operations departments (45% in the headquarters and 45% in field offices in 2018–2020 average).

   (iii) The position grades of international and national staff are IS5 and NS3 respectively, which are the largest groups in each position category.

   (iv) The annual unit cost of staff is based on the staff salary structure for the corresponding grades set for the headquarters and field offices and simulated annual staff benefits amount.

B. Adjusting Allocation to Staff Categories and Locations

2. The initial allocation of positions between different position categories and locations (para. 1) was only for the cost estimate assumptions. It was first tried to bring the ratio between international and national staff positions close to the ratio of FTE between international and national individual TA consultants (Appendix 1, para. 18). The allocation between two staff categories and different locations was adjusted without changing the indicative total number of the staff positions and estimated total cost taking a trial-and-error approach. As Figure A2.1 shows, the percentage of the overall international staff positions was reduced by 12 percentage points, while that of the overall national staff positions was increased by 12 percentage points.

3. The reduction in international staff positions created cost saving that allows more staff positions to be shifted from headquarters to field offices. As Figure A2.2 shows, taking a trial-and-error approach again, the percentage of overall staff positions in headquarters was reduced by 45 percentage points, while that of the overall staff positions in field offices was increased by 45 percentage points. This will help increase ADB’s field presence and strengthen ADB’s business continuity. Consequently, the indicative distribution of the new 200 staff position at the end of the Workforce Rebalancing Framework implementation period was settled at 10% for the

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**Figure A2.1: Step 1 of Allocation Adjustment**

<table>
<thead>
<tr>
<th>Distribution Used for Cost Estimates</th>
<th>HQ</th>
<th>FO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IS positions</td>
<td>39%</td>
<td>13%</td>
<td>52%</td>
</tr>
<tr>
<td>NS positions</td>
<td>16%</td>
<td>32%</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55%</td>
<td>45%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted Indicative Distribution</th>
<th>HQ</th>
<th>FO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IS positions</td>
<td>33%</td>
<td>7%</td>
<td>40%</td>
</tr>
<tr>
<td>NS positions</td>
<td>22%</td>
<td>38%</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55%</td>
<td>45%</td>
<td></td>
</tr>
</tbody>
</table>

FO = field offices, HQ = headquarters, IS = international staff, NS = national staff. Source: Asian Development Bank estimates.

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3. The reduction in international staff positions created cost saving that allows more staff positions to be shifted from headquarters to field offices. As Figure A2.2 shows, taking a trial-and-error approach again, the percentage of overall staff positions in headquarters was reduced by 45 percentage points, while that of the overall staff positions in field offices was increased by 45 percentage points. This will help increase ADB’s field presence and strengthen ADB’s business continuity. Consequently, the indicative distribution of the new 200 staff position at the end of the Workforce Rebalancing Framework implementation period was settled at 10% for the
headquarters (comprising 10% for international and 0% for national staff positions) and 90% for field offices (comprising 30% for international and 60% for national staff positions).

### Figure A2.2: Step 2 of Allocation Adjustment

<table>
<thead>
<tr>
<th>Distribution Used for Cost Estimates</th>
<th>Adjusted Indicative Distribution</th>
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<tbody>
<tr>
<td></td>
<td>HQ</td>
</tr>
<tr>
<td>IS positions</td>
<td>33%</td>
</tr>
<tr>
<td>NS positions</td>
<td>22%</td>
</tr>
<tr>
<td>Total</td>
<td>55%</td>
</tr>
</tbody>
</table>

FO = field offices, HQ = headquarters, IS = international staff, NS = national staff.
Source: Asian Development Bank estimates.

C. Cost Comparison between Staff and Consultants

4. The data on the expenses of staff and individual consultants at a similar international staff grade in 2020 on a sampling basis showed that the staff’s base salary and consultant’s remunerations are similar. However, the difference in the employment period (i.e., staff are on longer-term employment, while consultants are on shorter-term or part-time engagement) results in differences in the levels of benefits. Consequently, the overall staff cost of the sampled staff was about 25% more expensive than the sampled consultants.

5. The result poses a tradeoff between knowledge accumulation and costs. As discussed in the main text (para. 16), there is a tremendous level of implicit qualitative benefits to ADB’s human capital, which are often overlooked by simple input-outputs comparison. Further, the quality of human capital is one of the key foundations to evolve ADB into a knowledge institution and enhance its ability to formulate tailored and integrated solutions through policy dialogue with developing member country clients. However, this comes with additional cost, coincidentally equivalent to the level of staff benefits.

6. The Workforce Rebalancing Framework may reduce costs by releasing staff from consultant management. When delivery of outputs is not outsourced, ADB staff will need to process and administer less TA (including consultant selection and contract management). An analysis of the Time Management System data on ADB staff’s time spent on TA processing and administration found that 1 FTE of TA consultants requires about 0.1 FTE of staff per year as the sum of FTE saved from international, national, and administrative staff. The monetary value of 0.1 FTE was about $10,000 in 2020. In other words, reduction in 200 FTE of consultants is likely to release about 20 staff per year from TA processing and administration, allowing them to be engaged in activities that enhance the quality of operations.
MONITORING ARRANGEMENTS FOR TECHNICAL ASSISTANCE DELIVERED BY STAFF

DMCs' Demand for Technical Assistance

Country Programming Mission

Work Program and Budget Framework

DMCs = developing member country, ICPM report = indicative country pipeline and monitoring report, TA = technical assistance