Organizational Review
A New Operating Model to Accelerate ADB’s Transformation Toward Strategy 2030 and Beyond

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### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>BPMSD</td>
<td>Budget, People, and Management Systems Department</td>
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<td>CMT</td>
<td>country management team</td>
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<td>COVID-19</td>
<td>coronavirus disease</td>
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<td>CPS</td>
<td>country partnership strategy</td>
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<td>CTI</td>
<td>Culture Transformation Initiative</td>
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<td>DMC</td>
<td>developing member country</td>
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<td>ERDI</td>
<td>Economic Research and Development Impact Department</td>
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<td>HOD</td>
<td>head of department</td>
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<td>IED</td>
<td>Independent Evaluation Department</td>
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<td>IT</td>
<td>information technology</td>
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<td>ITD</td>
<td>Information Technology Department</td>
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<td>KPI</td>
<td>key performance indicator</td>
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<td>MDB</td>
<td>multilateral development bank</td>
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<td>NSO</td>
<td>nonsovereign operations</td>
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<td>OGC</td>
<td>Office of the General Counsel</td>
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<td>OMDP</td>
<td>Office of Markets Development and PPP</td>
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<td>OPPP</td>
<td>Office of Public–Private Partnership</td>
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<td>PPFD</td>
<td>Procurement, Portfolio, and Financial Management Department</td>
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<td>PPP</td>
<td>public–private partnership</td>
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<td>PSD</td>
<td>private sector development</td>
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<td>private sector operations</td>
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<td>PSOD</td>
<td>Private Sector Operations Department</td>
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<td>Q</td>
<td>Quarter</td>
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<td>RCI</td>
<td>regional cooperation and integration</td>
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<td>regional management team</td>
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<td>SDCC</td>
<td>Sustainable Development and Climate Change Department</td>
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<td>SEC</td>
<td>Office of the Secretary</td>
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<td>SPD</td>
<td>Strategy, Policy, and Partnerships Department</td>
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<tr>
<td>TA</td>
<td>technical assistance</td>
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<td>WPBF</td>
<td>work program and budget framework</td>
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### NOTE

In this report, “$” refers to United States dollars.
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I. INTRODUCTION

1. Asia and the Pacific has made great strides in poverty reduction and economic development. As it emerges from the coronavirus disease (COVID-19) pandemic, the region aspires to recover swiftly, accelerate unfinished development agendas, and overcome challenges such as climate change.

2. The Asian Development Bank (ADB) has effectively supported the region’s transformation, but it can do even more to increase impact and remain relevant to the region’s needs. Strategy 2030 sets an ambitious vision for ADB to respond effectively to the region’s changing development needs.\(^1\) ADB’s value proposition needs to be modernized, creating and using capabilities more effectively to offer more solutions to clients, scale up climate action, better support private sector development (PSD), and mobilize private financing, while becoming more client-centric by working more closely, innovatively, and collaboratively with clients.

3. Although ADB’s operating model has served the region well, it is not suitable for effectively delivering new capabilities. To implement Strategy 2030, ADB updated its policies and products and developed innovative platforms to mobilize resources. While supporting developing member countries (DMCs) throughout the pandemic, ADB made incremental organizational changes to align with its strategy. It implemented initiatives to renew its values and culture, enhance knowledge management, strengthen resident missions, and enhance information technology (IT) systems. Although these changes have yielded positive results, more comprehensive changes are needed to enable ADB to effectively help the region address current and future challenges.

4. ADB will pursue the organizational reforms comprehensively. This report proposes a roadmap to establish a new operating model to make ADB fit for purpose given the region’s changing landscape and development challenges. It primarily focuses on operations departments; ADB will consider the structure of operations support departments more fully in conjunction with related initiatives such as the organizational resilience framework.\(^2\) The road map will guide changes to ADB’s organizational structure, internal governance, skills, and processes through 2025 and provide a framework for ongoing initiatives.\(^3\) Altogether, the proposed organizational changes are the most significant for ADB since 2002.

5. The proposals are the result of extensive staff analytical work and consultations with DMCs, staff (para.152) and ADB’s Board. The review builds on ADB consultations with DMCs about their expectations—including through regular country interactions, client satisfaction surveys, and specific consultations held as part of the implementation of Strategy 2030 and the Review of ADB’s Resident Mission Operations.\(^4\) The President first commissioned a diagnostic of ADB’s readiness for Strategy 2030, which proposed guiding principles for change.\(^5\) The President then launched an organizational review in June 2021.\(^6\) Initially, the review identified the

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\(^3\) The organizational review does not seek to change the Board’s governance and oversight of the direction of ADB’s general operations.


\(^5\) The Policy, Strategy, and Partnerships Department (SPD) and the Budget, People, and Management Systems Department (BPMSD) conducted this exploratory study between January and June 2021.

\(^6\) The President led the review, which aimed to determine the reforms required to make ADB capable of implementing Strategy 2030. A steering committee comprising the managing director general and the directors general of SPD and BPMSD guided the work. Detailed work was done by a team of SPD and BPMSD staff, strengthened by operations
directions for change (paras. 6–30), then compared the identified options (paras. 31–35, Appendix 2), and lastly developed the selected option in detail (paras. 36–146).

II. RATIONALE FOR CHANGE

6. **ADB’s position of strength.** ADB is in a strong position. For more than 50 years, its dedicated staff and network of resident missions have built a foundation as trusted advisor and partner to its DMCs across Asia and the Pacific. ADB has a broad development mandate and the ability to offer a wide range of financial and technical solutions to its clients. Unlike some other development institutions, it can provide and combine sovereign and nonsovereign financing and advice. This unique combination enables ADB to provide comprehensive and coordinated solutions to clients. ADB is also in a strong financial position, which has been bolstered since 2015 by the merger of its balance sheet with the Asian Development Fund. Its AAA rating reflects its strong financial position and that of its shareholders.

7. **An effective but dated operating model.** ADB’s operating model was established in 2001 and made effective in 2002, when the development landscape and ADB’s operations were much different, to implement ADB’s first long-term strategic framework. Under this model, ADB’s operations are grouped into five regional departments that engage with DMCs and deliver sovereign operations, the Private Sector Operations Department (PSOD), the Office of Public–Private Partnership, and the Sustainable Development and Climate Change Department (SDCC)—the bank’s sector and thematic knowledge center. As the development landscape and ADB’s strategy have since changed, ADB is considering whether its operating model remains relevant.

8. **The changing development landscape.** The development environment has evolved significantly since ADB’s last major reorientation of operations in 2002. ADB needs to ensure it can adequately react to the following fundamental changes that have emerged since then.

   (i) **Economic and social strengthening.** Most DMCs have been undergoing steady economic development, shifting the focus away from solely alleviating poverty toward overall economic and social strengthening. ADB needs to increase its focus on economic resilience (including by building foreign currency reserves), domestic resource mobilization, and PSD. While continuing to focus on poverty alleviation, ADB also needs to broaden its focus to support DMCs through this transition.

   (ii) **Complex challenges.** Global issues, such as climate change, gender equality, food security, and digitalization, coupled with acute emergencies such as the COVID-19 pandemic, have fundamentally altered the development trajectories of many DMCs. DMCs, and by extension ADB, are forced to reprioritize and balance critical issues with finite resources. ADB needs to engage with clients more deeply, helping them think through trade-offs and creatively structure interventions to maximize developmental impact. Complexity requires a greater investment in in-

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department staff on short-term assignments, and a group of senior staff with a broad coverage of ADB departments. A consulting firm and individual consultants advised the team on organizational management and change aspects.

9 PSD refers to activities that lead to increased domestic and foreign private sector participation in DMCs. PSD requires taking a holistic approach and combining upstream improvements to the policy and enabling environment, midstream activities to create projects and opportunities for private investment and operation, and downstream activities to finance those.
house knowledge solutions to better support DMCs in understanding and addressing these issues.

(iii) **Climate change ambition.** The battle against climate change will be won or lost in Asia and the Pacific. Climate change mitigation and adaptation have become core issues for many DMCs, some of which face an existential crisis because of climate change. Private and non-state actors are also innovating with new and different approaches, creating a need and an opportunity for ADB to become a global and regional thought leader and to catalyze and align the efforts of partners to magnify the overall impact on climate change. To meet this challenge, ADB aims to reach $100 billion of climate financing from its own account by 2030 and has committed to having 100% of its sovereign operations and 85% of its private sector operations (PSO) aligned with the Paris Agreement by 1 July 2023. Achieving these and other climate-related objectives will require significant changes.

(iv) **Private sector development.** DMCs increasingly need the private sector to sustain development, provide innovation and quality services for people, and generate taxes to sustain budgets. COVID-19 has exacerbated public sector fiscal constraints, increasing public debt and intensifying the need for DMCs to mobilize private capital for development and develop new models for private sector participation. ADB can address this need by helping DMCs enhance their enabling environments for private sector participation, providing advice and finance for developing more projects that attract private sector participation, and mobilizing and leveraging private capital.

(v) **Responsiveness.** Client expectations for project delivery are changing, peers are adapting, and ways of working are evolving. Digital technology mainstreamed during the pandemic has created opportunities for staff to work more agilely, be more responsive to clients’ needs, and have a more fulfilling work experience.

9. The changing development landscape prompted ADB to focus on aspects of its business in which a paradigm shift would enable it to do more for and remain relevant to its DMCs. As a result, the organizational review focuses on the following four fundamental shifts: solutions, private sector development, climate change, and ways of working (paras. 10–30).

A. **Solutions Shift**

10. ADB has taken steady steps over the years to shift its focus from volume to greater quality and integrated solutions. Further changes are needed to accelerate this shift and strengthen ADB’s value proposition beyond providing affordable financing by offering high-impact, innovative, knowledge-intensive, and integrated solutions that bring together ADB’s products and expertise. ADB also needs to advance its ability to develop seamless strategic and programmatic solutions, bringing together the best mix of ADB products and services in the context of a coherent multiyear reform journey with ADB’s DMCs in line with their objectives. Timeliness and responsiveness are also increasingly important factors for sovereign, nonsovereign, and advisory operations.

11. Despite these imperatives, ADB sometimes focuses too much on volume over quality and impact; delivers inconsistent sector and thematic expertise to clients; inadequately integrates knowledge products into operations; and struggles to bring the best combination of public, private sector, knowledge, and advisory services for the benefit of clients. This happens because of fragmented sector and thematic expertise and the structural separation of knowledge across
seven operations departments and SDCC, internal incentives prioritizing volume, the placement of client-facing resident missions within regional departments focus only on sovereign operations, and varying degrees of cohesion across the networks of sector and thematic staff.

12. These challenges relate to ADB’s operating model, which was built to focus primarily on poverty reduction through sovereign lending, with volume as a principal metric for success. In 2002, the risk of fragmented expertise was deemed manageable because there was little demand to provide innovative knowledge. Cross-departmental teams were exceptional, and the demands of DMCs were relatively simpler. Conversely, DMCs now face more complex and multidimensional issues, making the fragmentation of knowledge an immense burden for the organization.

13. ADB needs to develop clear capabilities to address these challenges. First, the fragmentation of expertise needs to be corrected. ADB should be able to develop greater specialization and bring the right expertise within ADB to any client and situation. The flow of knowledge should be much stronger across regional departments, between knowledge units and operations, and between headquarters and the field.

14. Second, the organizational structure should be conducive to maximizing development impact and creating a balance between achieving volume targets and meeting immediate client needs by delivering high-quality solutions that address long-term challenges. Client-facing resident missions should have the capability and incentives to select the most appropriate solutions for DMC needs. Delivering integrated solutions should be easier and more natural. ADB should be able to create multidisciplinary project teams, pulling staff together from across sectors, themes, and products, as needed.

15. Third, ADB needs to establish a long-term reform vision with its clients on key areas such as climate change and PSD. Continuous and informed engagement with DMCs on the vision will enable ADB to influence, rather than follow, the development trajectories of its DMCs and lead to country partnership strategies (CPSs) and pipelines that are better aligned with ADB’s development objectives, with planned interventions that contribute to this journey. ADB should also focus on enhancing impact during the implementation of its projects, possibly using its suite of products, in line with the established development vision.

B. Private Sector Development Shift

16. ADB should be a catalyst for PSD. The private sector is the largest contributor to economic growth in Asia and the Pacific, generating quality jobs, tax revenues, and innovations that improve efficiency and productivity, and will be a crucial element in the region’s climate change response. Strategy 2030 acknowledges the need for ADB to catalyze private sector-led development impact and commits the bank to scaling up nonsovereign operations (NSO)\(^{10}\) to one-third by number of bank operations by 2024, a significant increase from a 27% share in 2021. It also acknowledges that private sector participation in the region’s development requires a supply of commercially viable projects and a supportive enabling environment.

\(^{10}\) NSO comprise providing financing to privately held, state-owned, or subsovereign entities (i) without a government guarantee; or (ii) with a government guarantee, under terms that do not allow ADB, upon default by the guarantor, to accelerate, suspend, or cancel any other loan or guarantee between ADB and the related sovereign. A substantial majority of ADB’s NSO clients are private sector entities.
17. Coordination and collaboration between ADB’s sovereign operations, NSO, and advisory operations have been inconsistent, and ADB has an overall slower response rate for NSO than market expectations and peers. The root causes include cumbersome business processes; inherent challenges in incorporating development impact into risk–return considerations; an inadequate share of staff who understand and can support public and private sector operations; and a technical skills gap in private sector financing, advisory operations, and PSD.

18. These challenges relate to ADB’s operating model. Given the bank’s narrower focus in 2001, CPSs could be developed and implemented almost entirely by the regional departments, which held the required skills mostly in-house. NSO were much smaller in 2001, and coordination between the regional departments and the nascent private sector team was simple and infrequent. ADB also did not have the sophisticated risk framework or products, such as transaction advisory services, that it has now.

19. ADB needs to develop clear capabilities to address these challenges. First, ADB needs greater capability to deliver assistance for DMCs’ sustainable market-based development. ADB needs to better understand the impediments to developing private sector activities in each country, engage with stakeholders, and articulate policy dialogue and country programs that will create an enabling environment and ensure alignment between development goals and risk–reward objectives. Upstream (reforms and institutional strengthening), midstream (advisory and project preparation), and downstream (nonsovereign financing) activities should be closely coordinated and coherently executed in the same way ADB has started doing with public–private partnerships (PPP). Greater internal capabilities for upstream and market creation activities are required.

20. Second, the internal environment should be more conducive to NSO and advisory operations. Scaling up NSO and advisory operations should be an objective shared by more managers, rather than just the teams delivering and supporting private sector and public sector nonsovereign transactions. Clear principles and bank-wide decision mechanisms should be considered when weighing NSO and/or advisory operations alongside other solutions. Decisions should be informed by a strong institutional risk culture, which acknowledges the risk-bearing nature of NSO, embraces the principles of effective risk management, and aligns around defined risk appetite and accountabilities. The number of staff with private sector transaction-related skills will need to expand to support larger operations. Sector and country expertise should be available to support transactions. Transaction processing time and efficiency should be improved and take into account relevant market standards. Where DMCs’ needs shift to NSO and advisory operations, ADB should be able to shift its operations and internal resources flexibly.

C. Climate Change Shift

21. ADB should leverage its unique regional positioning to help the region address its defining development challenges, particularly climate change, gender, and food security. ADB aims to reach $100 billion of climate financing from its own account by 2030 and has committed to having 100% of its sovereign operations and 85% of its NSO aligned with the Paris Agreement by 2023. Achieving these targets will require changes to the business approach in all sectors, and bold changes are needed across the organization.

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11 ADB’s advisory operations are transaction advisory services to assist public and private sector clients in structuring and procuring viable projects, particularly PPPs. In the context of PSD, advisory operations can be expanded to include other forms of advice to public or private sector clients to promote and enable PSD and participation.

12 This includes market-facing client advisory work or advisory work conducted to prepare a client to attract private sector participation, which requires a commercial skill set.
22. ADB’s capacity to incorporate climate into sector and country operations is not in line with the scale of needs. While initiatives such as the Energy Transition Mechanism and Innovative Financing Facility for Climate in Asia and the Pacific are being developed, they require intense and direct management efforts to overcome silos. Within the current operating model, accountability for climate action is fragmented across operations and support departments. Sector fragmentation makes it difficult to develop common approaches to the global development agenda and integrate them into country operations. Skill gaps exist in climate-related activities, particularly for adaptation. Silos and capacity gaps create barriers to the innovative approaches required for climate change; a similar argument applies to engaging digital experts who can contribute to how digital solutions, including applications, can be part of the solution to be built into investment projects.

23. ADB needs to develop clear capabilities to address these challenges, establish itself as a leading partner for public and private sector clients on climate matters and other new areas, and engage with clients strategically on climate change. The climate change agenda needs clear internal champions, and ADB needs to deepen its technical expertise in climate. Team leaders should have greater skills in climate change. They should also be able to rely on more climate specialists that can build client capacity for climate actions, develop solutions, and help ADB propose and develop projects with climate mitigation and adaptation outcomes.

24. Adaptation requires a different approach and, in line with the solutions shift, a greater focus on quality in addition to volume. Core adaptation issues such as floods, droughts, extreme heat, tropical cyclones, coastal sea level rise, and environmental degradation need to be clearly identified as priorities to be addressed resolutely, and appropriate incentives need to be established. Given its multi-sector and systemic nature, adaptation also requires greater integration of climate expertise across sectors and themes and in program work.

25. Achieving greater climate outcomes will also require coordinated action at the sector level. ADB should be able to resolutely orient key ADB sectors toward climate change, developing operational approaches and human resources and expanding knowledge of climate solutions. Climate specialists embedded in project teams can build client capacity for climate actions, develop solutions, and help ADB generate demand for and develop projects that deliver climate mitigation and adaptation outcomes. The ability to assign clear accountabilities, targets, and incentives will be critical to this ambition.

26. ADB also needs the capability to foster innovation, incubate new initiatives, and provide senior management support and advocacy to ensure nontraditional business models that may be needed to accelerate climate impact can thrive.

D. Ways of Working Shift

27. To achieve the other three shifts, ADB must modernize its ways of working.

28. First, ADB should become more client-centric and move closer to clients. Concentrating staff and decision-making authorities in headquarters, instead of resident missions, limits opportunities for ADB to understand and respond quickly to client needs. It can also contribute to a bureaucratic, headquarters-first mindset. Decentralization can make it easier for clients to work with ADB, create new business opportunities, improve ADB’s understanding of local contexts, and create more opportunities for constructive policy dialogue and impactful solutions. The technologies for a digital workplace that were mainstreamed during the pandemic can help include expert inputs into client discussions on short notice.
29. Second, ADB needs to create an environment that develops and empowers staff and is more collaborative and innovative, consistent with the organizational values formulated under the Culture Transformation Initiative (CTI). Business processes should be further improved and streamlined, preferring principles-based and risk-based approaches to rules-based ones. Approval authority should be delegated to the appropriate level to enable faster decision-making. Agile team approaches, where cross-functional teams include the people who need to make day-to-day decisions, should replace traditional review and comment-based approaches, where appropriate. Meeting these aspirations will also require realigning ADB’s workforce. ADB needs to increase expertise and better use talent, particularly local talent, and staff need to operate in an environment reflecting ADB’s values—embracing diversity and promoting innovation and collaboration across departments.

30. Third, ADB Management needs greater ability to steer the bank toward strategic objectives. It needs to be able to set clear directions, make trade-off decisions, and reallocate internal resources, recognizing that reskilling may also be necessary. There should be greater workforce agility to move internal resources to support changes in demands, which is also part of streamlining business processes. Incentive systems, e.g., key performance indicators (KPIs), could be more systematically used to pilot operations strategically, drive efficiency, and support collaborative behaviors.

E. The Need to Redesign ADB’s Operating Model

31. The identified challenges indicate that ADB’s operating model is unable to effectively deliver on the capabilities and, therefore, inadequate to deliver on the four shifts.

32. Since the 2002 restructuring, ADB undertook some nonstructural reforms to overcome the hurdles that became increasingly evident in operations. To enhance the use of knowledge in operations, ADB created communities of practice in 2002 and sector and thematic groups in 2014. More recently, it encouraged collaboration between sovereign operations, NSO, and advisory operations using collaboration metrics and targets, CPS business process changes, and matrix arrangements between resident missions and NSO staff.

33. Although these reforms have created positive experiences, major gaps remain. The reforms needed extensive leadership efforts since they aim to overcome structural limitations, and scaling up and mainstreaming good practices would not be possible within the current operating model. Management considered various options to make ADB’s organization suitable for achieving Strategy 2030. The Review of ADB’s Resident Mission Operations in 2020 (footnote 4), among other assessments, concluded that ADB’s operating model and enabling organizational structure limited its ability to implement Strategy 2030. Nonstructural reforms could only bring about partial solutions; combining structural and nonstructural reforms are needed to make ADB’s organization suitable for achieving Strategy 2030.

34. Among the key guiding principles for the organizational review are (i) minimizing disruptions for staff and clients, (ii) maximizing ADB’s effectiveness within the available resources, and (iii) ensuring it is not a cost-cutting exercise or a substitute for addressing ADB’s overall staff shortages. The review was to set a comprehensive medium-term road map of institutional reforms, providing a coherent framework for ongoing and future initiatives. Management ultimately acknowledged that changes would not be set in stone so ADB could adapt its organization, learn from experience, and adjust course regularly and flexibly, as necessary.
35. Each option was evaluated against the priorities for change and desired capabilities. No single model is perfect; each has strengths and weaknesses. A summary of the models considered and their assessments is in Appendix 2. Upon careful consideration of the performance of each option on the desired capabilities, the proposed model appears the most likely to deliver on Strategy 2030 and should be pursued.

III. NEW OPERATING MODEL FOR ADB

36. **Key features.** The new operating model combines structural and nonstructural changes, including the following:

   (i) **One ADB regional departments and resident missions.** Resident missions and regional departments will coordinate ADB-wide engagement with DMCs. They will draw from different parts of ADB to provide DMCs with solutions to more complex problems. The solutions may include sovereign finance, nonsovereign finance, advice, and/or convening services. In doing so, they will aim to maximize the development impact resulting from ADB’s internal resources.

   (ii) **ADB-wide sectors and themes.** All sector staff will be grouped into new ADB-wide sector offices to deliver client solutions. This will significantly reduce the fragmentation of sector expertise among different departments while increasing ADB’s flexibility and agility to deploy specialists. Similarly, thematic staff will work within new ADB-wide themes to provide coherent approaches to ADB’s cross-cutting priorities while working closely with regions and sectors. They will set internal strategic directions, engage and convene external partners, and support operations. The proposed sector and thematic groupings align well with Strategy 2030’s seven operational priorities by assigning clear operational priority leadership roles to the sectors and themes. Cross-sector and thematic work will be standard. To facilitate such work and prevent new silos, all sectors will be consolidated into a single group—the Sectors Group—and all themes will be consolidated into a new department—the Climate Change and Sustainable Development Department—that aims to provide coherent approaches to ADB’s cross-cutting priorities.

   (iii) **Expanded synergies between sovereign and nonsovereign operations.** Sovereign operations, NSO, and advisory operations will work collaboratively in each DMC to identify ADB activities that leverage ADB resources to support progress toward self-reliance and market-based development. Efforts will be organized around a medium- to long-term view of DMC development pathways and sector financing priorities informed by robust diagnostics. Mechanisms for unified decision-making will establish common ADB-wide perspectives and manage trade-offs, including allocating resources (staff or capital) and selecting instruments. To maximize synergies within ADB and better respond to changing DMC needs, ADB will gradually transition toward integrated sector offices comprising project origination staff from sovereign and nonsovereign sectors. Initially, several pilots will bring sovereign and nonsovereign sector managers and teams together through joint reporting. After a trial period, ADB will review the pilots for lessons to decide the next stage, where some nonsovereign sector units and sovereign sector units will be consolidated.

   (iv) **Private sector development platform.** ADB will expand its focus on delivering PSD through a program based on the One ADB approach. One ADB resident
missions will communicate with DMCs to develop country road maps for PSD and coordinate the delivery of upstream (e.g., policy reform, enabling environment), midstream (e.g., project preparation, bankability) and downstream (nonsovereign financing) activities. ADB also recognizes the need to expand the scope of its advisory services to prepare projects for nonsovereign financing; it will introduce an Office of Markets Development and PPP (OMDP) that will provide advisory services and technical assistance (TA) and coordinate bank-wide PSD activities.

(v) **Renewed role for economists.** ADB will further expand the role of economists and establish closer connections between economic research and operations. Economic research will be aligned with corporate and operational priorities and will help ADB set development agendas. The work of regional, country, sector, and project economists will be strengthened. ADB will also identify and apply methods to assess the potential contributions of projects to development impact. This will help inform the selection of projects for ADB support during country programming and improve project design.

(vi) **Empowered One ADB project teams.** ADB will expand the range of operations services, including for safeguards, procurement, and financial management, that will be housed in central units with bank-wide coverage. They will join cross-functional project teams, which will be empowered to resolve more issues within the team during processing and take more decisions when administering projects. This will enable a streamlined quality assurance process.

(vii) **Closer to clients.** ADB will step up efforts to be more responsive to DMC needs and develop more impactful solutions by being closer to clients. Initially, ADB will focus on moving regional sector directors and senior sector and investment staff empowered to lead client discussions and CPS implementation closer to clients. In the medium term, most projects will be processed by a team leader in the field. Over time, ADB may expand its decentralization approach to cover finance, risk, and other central functions, as needed, to ensure effective and efficient support to its operations.

(viii) **Updated governance, steering, and collaboration mechanisms.** A strengthened Management Committee will provide collective strategic leadership. The committee will oversee new resource planning and departmental KPI processes, which are designed to align collective efforts on client results and ADB priorities and boost incentives for collaboration. ADB will develop new practical ways to measure the impact of operations to guide staff efforts. To support the new ways of working and staff sharing, ADB will enhance performance management mechanisms to enable feedback and develop systems that capture and plan staff time against activities.

(ix) **Culture, skills, and people reforms.** The success of ADB’s transformation depends on the skills, capabilities, and engagement of its staff. ADB has begun key initiatives to support this transformation and will continue to focus on strengthening its staff and culture to support the new operating model. ADB will ensure the smooth transition of staff to their new roles and organizational structure.

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13 Where appropriate, some support functions may be organized around sovereign operations, NSO, or advisory operations lines.
To operationalize the new organizational structure, ADB will align and strengthen nonstructural measures, including organizational culture, job architecture, performance management, strategic workforce management, and mobility practices. Recruitment reforms will continue to strengthen the selection of country directors and their onboarding. Training will be provided to leaders and staff to effectively manage change and build skills required for the new organizational structure.

(x) **Business process reforms.** The rollout of business process improvements in tandem with the new operating model will improve the quality of solutions and decisions, promote efficiency, and improve consistency, thereby improving ADB’s client centricity. The envisaged key directions for the improved business processes entail (a) a renewed focus on preconcept activities to support selectivity and quality-at-entry, (b) empowered One ADB teams balanced with requisite quality assurance steps, and (c) the wider application of risk-based approaches.

37. The new operating model will require a new organizational structure, comprising three complexes: (i) a regional complex will lead country and DMC client engagements; (ii) a solutions complex will deliver the full range of ADB products and services and ensure ADB’s edge on technical and development thinking; and (iii) a finance, risk management, administration and corporate services complex will provide essential operational and corporate functions to support ADB operations. Two vice-presidents will lead each complex. A strategic core (e.g., strategy, legal, economic research, audit, safeguards, and the internal justice system) will report to the President, assisted by the managing director general.  

A. **One ADB Regional Departments and Resident Missions**

1. **Missions and Key Responsibilities**

38. **Mission.** The renewed One ADB regional departments will lead DMC engagement and oversee the implementation of ADB’s strategic agenda in DMCs. They will coordinate ADB’s capabilities to provide DMCs with comprehensive programs and solutions that maximize the efficiency, effectiveness, and development impact of ADB operations. In doing so, they will promote the optimal use of ADB’s funds, knowledge, advisory, resource mobilization, and convening services. They will facilitate ADB’s private sector shift by ensuring that country programs and upstream activities lead to tangible private sector midstream and downstream outcomes.

39. Regional departments will have targets that reflect their objective to create development impact using all ADB products, i.e., sovereign and nonsovereign finance, advisory services, and knowledge solutions.

14 The managing director general (MDG) executes certain priority strategic objectives of the ADB President. In the new operating model, the MDG will oversee (i) the Transformation Office, a temporary office to help facilitate the transformation during the transition period; (ii) a safeguards office, a new office that will house ADB’s safeguard activities; and (iii) support for special initiatives. The MDG will also support the day-to-day administrative activities of the Office of the Ombudsperson and Office of Professional Conduct, which both report to the President.
40. **Key responsibilities.** The regional departments’ key responsibilities will include:
   (i) leading country and regional DMC engagement and maintaining and developing client relationships,\(^{15}\)
   (ii) ensuring up-to-date country knowledge and diagnostics,
   (iii) leading subregional cooperation and integration programs,
   (iv) developing CPSs,
   (v) overseeing the conceptualization and programming of ADB sovereign operations and knowledge services and guiding origination priorities for nonsovereign and advisory operations,
   (vi) programming, coordinating and supporting PSD activities,
   (vii) monitoring implementation of the programs and of individual operations to ensure the solutions are effectively delivered according to DMC needs and fit local contexts, and
   (viii) supporting the processing and administration of regional and country-specific operations and monitoring the portfolio.\(^{16}\)

41. **Resident missions.** Reporting to regional department heads, resident missions are the primary operational interface between ADB and host DMCs. They represent ADB and have primary responsibility for developing ADB’s strategy and assistance programs that advance its strategic agendas and reflect country needs and client perspectives. The regional department determines the exact structure and responsibilities of resident missions based on each country’s operational needs. ADB will continue strengthening resident missions in line with the principles of the Review of ADB’s Resident Mission Operations (footnote 4).\(^{17}\)

42. **Geographic coverage.** No changes are proposed to the number (five) and geographical scope of the regional departments, although the relevance of this setup should be reassessed periodically.

2. **Authority over Processes**

43. Regional departments and resident missions should effectively guide and coordinate the programming of sovereign, nonsovereign, advisory, and knowledge activities to ensure CPS implementation. The responsibility and processes for country program reconciliation have been well determined for sovereign operations, giving ADB responsiveness and accountability. To mobilize internal resources for integrated approaches, robust decision-making covering all ADB activities in a country is needed.

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\(^{15}\) Regional departments and resident missions will manage relationships with DMC stakeholders regarding ADB operations. Initially, they will keep responsibility over sovereign client relationships while supporting PSOD in private sector client relationships. Management will consider extending their responsibility in the medium term to local private sector clients, where appropriate.

\(^{16}\) PSOD will continue to manage the private sector portfolio. Nonetheless, regional departments will monitor overall portfolio activity, sovereign and nonsovereign, to maintain a holistic view of ADB operations in each DMC and effectively support PSO on the ground.

\(^{17}\) The Review of ADB’s Resident Mission Operations’ action plan covers 2021–2023. Actions that are independent of the organizational review have either already been implemented and started to succeed or will be implemented in the remaining period. Some actions directly related to the operational model, e.g., establishing country management teams, have been pilot-tested; the lessons are reflected in this review. A few actions were proposed to overcome the limitations of the organizational structure, such as having the country director report to the directors general of the regional department and PSOD. These arrangements are no longer required since regional departments will now cover all ADB operations. Country directors will still receive broad feedback about their performance, but dual reporting is no longer required.
44. Regional departments will allocate ADB’s sovereign lending and grant resources as well as TA resources for regional and country-specific operations, following the parameters developed by the Strategy, Policy, and Partnerships Department (SPD), such as an indicative number of operations consistent with ADB-wide internal staff resources. SPD and the Budget, People, and Management Systems Department (BPMSD) will ensure that operations delivery and support services have sufficient resources to deliver the programs developed by the regional departments.

45. The regional departments will systematically and proactively coordinate country business development and planning between sovereign, nonsovereign, and advisory teams. As part of the CPS process, country management teams (CMTs) will develop diagnostics and road maps in priority sectors and geographic or thematic areas. These road maps will determine the optimal menu and sequencing of lending and nonlending interventions. The road maps should form the basis for developing business plans covering sovereign operations, NSO, and advisory operations. Although NSO and advisory operations are less predictable, business development and proposals should be pursued to the extent possible within the agreed upon road maps. Annual updates will be used to refresh premises, track progress and impact, and revisit priorities.

46. **Sovereign operations.** For sovereign operations, advisory services, and knowledge services where the DMC government is the client of ADB operations, resident missions and regional departments will ensure that the projects being developed meet the client’s needs and ADB’s operational priorities and that project decisions consider ADB’s strategic relationship with the DMC government. Regional departments or resident missions will be involved throughout the project life cycle. For instance, they may be expected to approve the initiation of activities by a sector, thematic, or advisory team; decide on project concepts and quality review steps; endorse final products (e.g., project report and recommendation of the President) before they are submitted to the Board; and approve specific project administration decisions that affect ADB’s lending to the DMC, such as loan extensions, suspensions, or cancellations. Sector offices will be responsible for preparing sovereign projects, ensuring technical quality and value-addition, and leading implementation through to completion.

47. Portfolio management will remain a collaborative process between several units, each with unique roles and responsibilities. Each sector may create a project processing and implementation support unit to support individual project teams on day-to-day project matters. Country directors or country operations managers in resident missions will guide project teams on country-specific project and portfolio management issues and lead portfolio and programming-related missions and activities with the counterpart government. They will monitor portfolio performance and provide guidance on portfolio-related matters to country and sector teams.

48. Staff instructions will define the exact arrangements, which may change from time to time.

49. **Nonsovereign and advisory operations.** Regional departments will ensure that investment, advisory, and upstream activities contribute to the CPS. The focus will be on guiding areas of business development for private sector transaction teams; coordinating with sovereign operations, advisory services, and knowledge services pipelines; and coordinating bank-wide PSD activities, including upstream work. Resident missions and regional departments will oversee countries’ sector road maps and priorities for business development, in partnership with managers from PSO and advisory services teams. Resident mission staff will contribute to the origination and portfolio management efforts for private sector transactions and advisory activities and support transaction teams. For instance, reflecting best practice, country directors or regional department heads may join early-stage committee deliberations on proposed transactions to advise on the contribution of pipeline transactions to the CPS.
50. **Regional work programs.** Based on the country business plans, the regional management teams (RMTs) will develop, monitor implementation and performances and regularly update regional work programs that contain the work programs of the solutions departments (the Sectors Group, Climate Change and Sustainable Department, PSOD, and OMDP) and selected operations services functions coordinated regionally (such as safeguards, procurement, or financial management). The regional work programs will be the basis for internal resource allocation to these units (paras. 114–120) to ensure a strong country focus and prevent supply-driven work. Regional managers will prepare a staffing plan to deliver on their regional work programs, in consultation with the regional department and resident missions. The staffing plan will consider field deployments consistent with ADB’s decentralization approach and country needs.

3. **Organization for Delivery**

51. **One ADB country management teams.** Each country will have a CMT led by the country director. The CMT’s composition will depend on the country context, and members will coordinate ADB’s work in their area and be the primary interface for clients. The CMT aims to collectively design the most impactful assistance program for the country and review country operations. It will take the lead in completing ADB’s country sector diagnostics and market research, sector road maps, business development, and project identification. Members will support country directors in defining ADB’s work program for the country. They will also coordinate pipelines; identify projects for further development; and propose integrated, multi-sector solutions when they best meet DMC needs.

52. **One ADB regional management teams.** Each regional department will have an RMT, which members will be jointly be responsible for achieving the regional department’s objectives and preparing and implementing ADB’s regional work program under the oversight of the regional department head. As in the current setup, the regional department head will consider issues that cannot be resolved by CMTs, being the final decider on country business plans. RMTs will review country strategies, programs, and road maps for consistency with corporate priorities, including PSD, and the appropriateness of the selected modality; and to confirm an integrated and holistic viewpoint across all regional operations.

53. **Country directors.** Country directors will continue to lead ADB’s resident missions, taking a more ambassadorial role that is focused on client relationships and managing a cross-functional office. They will lead ADB in developing a deep understanding of DMCs’ development needs and how to address them, ensuring that ADB provides the best solutions. In the new operating model, country directors will have access to the entire suite of ADB products and ADB-wide expertise to meet DMC needs. Country directors will oversee the preparation of CPSSs, country programming, business development, PSD activities, the allocation of some TA resources, the development of project concepts, and country portfolio reviews for sovereign operations. They will be assisted

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18 The One ADB CMT typically comprises the country director and, where relevant, a deputy country director; a country economist; a country operations manager; and focal persons from key sectors and themes, NSO and advisory operations, and key operations services functions. The focal persons will report to the country director for CMT-related tasks and to their regional manager (para. 55) for other tasks.

19 The One ADB RMT typically comprises the department head; country directors; regional heads for operations coordination, private sector development, and regional cooperation; a regional lead economist; and regional managers from the solutions departments. Regional focal persons for key themes and operations services functions may also be invited to join RMTs.

20 In coordination with the Office of Risk Management.

21 In line with the recommendations of the Review of ADB’s Resident Mission Operations (footnote 4).
with these tasks by a country economist, a country operations manager, a head of finance and administration, and for some resident missions a deputy country director. CMT members will report to the country director for CMT-related tasks (para. 51) and be increasingly placed in the field (para. 99). Country directors will also provide internal feedback on the quality of services provided by the solution departments. All staff located in a resident mission will have a reporting line to the country director, with arrangements varying across functions and local circumstances.

54. **Regional operations heads.** Regional departments will have up to four roles to manage and coordinate regional activities:

   (i) **Operations coordination head.** This position will assume the roles performed by the current regional department’s front offices and operations coordination division and, with the PSD head, lead regional programming and business planning and portfolio monitoring in their areas and organize the provision of operations services to project teams.

   (ii) **Private sector development head.** This new role supporting the regional department’s expanded remit will ensure that PSD is central to country programs and, in the execution of such work in the region, advise country directors on the most suitable nonsovereign products and advisory services and facilitate cooperation between upstream, midstream, and downstream PSD activities.

   (iii) **Regional cooperation and integration head.** This role will be for regional departments that manage the main subregional programs.

   (iv) **Regional lead economist.** This role will oversee regional and country economic monitoring and analytical work and country diagnostics and advise on the development impact of programs and operations.

55. **Regional managers.** The Sectors Group, PSOD, and OMDP will have regional managers (for each sector or private sector industry). They will be members of the RMTs and be the primary interface between the regional departments and the solutions departments. The level and authority of these regional managers will be managed flexibly, considering the volume of operations and staffing in the region. Regional managers are expected to lead country-based and regionally mapped staff and oversee all sector activities in the region. Sector offices with a limited number of operations in a region, may have a unit head or senior staff as a focal person, while sector offices with a larger number of operations in a region may have a regional director. The regional managers will guide sector CMT members, advise on regional sector targets, and develop staffing plans in consultation with BPMSD to deliver on the regional work programs.

56. Key themes (climate and gender) and operations services (procurement, financial management, and safeguards) may also have regional managers or focal persons, depending on the scale of activities in the region. The regional managers and focal persons will oversee country engagement for the region’s DMCs, coordinate service provision to the project teams, and advise or clear ADB operations in the region.

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22 Arrangements will vary across resident missions depending on local circumstances. The country operations manager will assume the role performed by the current country project administration unit heads, advise on processing and programming, and cover all ADB operations in the country. ADB will strengthen its network of resident mission country economists and specialists, focusing the roles on country diagnostics, policy advice, and operations’ development impact.

23 To ensure alignment with and connectivity to PSOD and OMDP during initial implementation, those departments will contribute inputs to the work plans and evaluations of PSD heads. The arrangements will be reviewed for applicability.
57. Regional managers and focal persons will report to the regional department head on regional work programming matters. The reporting will be done within a well-defined set of accountabilities, decision rights, and managerial authority, supported by KPIs that align incentives and reward collaboration, as well as performance management mechanisms. As regional operations centers are established (paras. 95–109), regional managers, focal persons, and some regional units may be relocated there for stronger client connection and context.

B. ADB-Wide Sectors and Themes

58. A new feature of the structure is the establishment of new ADB-wide sectors and themes consolidating staff across operations departments and integrating knowledge with operations. Consolidation is expected to raise the quality of ADB operations and enable ADB to become a leader in development expertise in the region.

(i) **Sharpened expertise and quality.** Consolidated sectors and themes will enable greater specialization, make it easier to engage in more frontier areas, and allow for agility to deploy the right expertise to clients. Consolidating expertise will also provide staff with better learning and career opportunities, particularly for frontline local staff in resident missions. Sector management will also ensure better project and knowledge service quality and incentivize staff toward development impact.

(ii) **Reduced fragmentation.** Consolidating expertise will enable greater continuity in project teams. While improving client experience, it will also allow for a virtuous cycle where operational experience and innovation lead to the development of actionable knowledge, which can be shared across ADB clients and replicated to new projects. Having all sector staff under one department will make it easier to develop multi-sector solutions, where needed, and to work in a more decentralized manner, placing more expertise closer to clients. Being ADB-wide, sectors and themes will be better positioned to work on regional public goods, integrate ADB corporate priorities into country programs, and align sector skills.

(iii) **Greater knowledge production, sharing, and use in operations.** Consolidating sectors and themes is expected to increase incentives for knowledge production, with more staff engaging in such activities. Knowledge work is also expected to be more relevant to DMC needs and embedded into operations. Being ADB-wide will also make it much easier for sectors and themes to share knowledge across regions and support cooperation between DMCs on sector and thematic issues.

1. Organization for Sectors

59. **Mission and key responsibilities.** The Sectors Group will be established as a single operational group comprising seven sector offices to deliver impactful sector policy dialogues, initiatives, and solutions that advance ADB’s strategic agenda in the region and with ADB’s clients. The Sectors Group will have three key responsibilities: (i) conceptualize, process, and administer financial and TA operations; and deliver knowledge services to clients; (ii) support resident missions in their country engagement, lead technical work on sector diagnostics and

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24 The primary reporting line of such staff will remain with their department.

25 Decision rights are a component of organization design. They identify what business decisions need to be made both to drive the business and to drive alignment to strategy; who is involved in making them; and define the framework for how they will be made through business processes and support tools.

26 Sector offices may be referred to individually as “sector” and collectively as “sectors.”
country sector road maps, and contribute to business development efforts; and (iii) ensure ADB’s
technical leadership externally and internally. Externally, the Sectors Group will lead ADB’s
sector-related initiatives, forge external partnerships, and disseminate ADB’s knowledge.
Internally, it will lead the development of sector knowledge, with the understanding that today’s
knowledge and analytical work leads to more impactful client engagements and long-term
relevance. The group will develop and coordinate sector strategies and policies and will lead the
implementation of some ADB cross-cutting operational priorities. It will serve as a center of sector
knowledge for ADB’s sovereign operations, NSO, and advisory operations, providing technical
support and guidance to operations led by other solutions departments, ensuring ADB develops
excellent sector expertise and manages internal knowledge from operations. Thus, the Sectors
Group will be responsible for developing and implementing a work program of knowledge
activities that support future ADB engagements, with resources earmarked for that purpose.

60. **Role in sovereign operations.** The Sectors Group will deliver all sovereign operations in
line with the priorities, pipelines, and sector targets determined by the regional departments and
resident missions under agreed upon CPSs, country programs, and country sector road maps.
The Sectors Group must ensure that ADB maintains the right set of skills necessary to deliver
programmed operations and knowledge services, consistent with ADB’s medium-term strategic
directions. The Sectors Group will also be responsible and accountable for the technical quality
and value addition of the projects they deliver to DMCs and should set up appropriate internal
quality assurance mechanisms.

61. **Role in nonsovereign and advisory operations.** Initially, the Sectors Group will support
NSO and advisory operations, which will be led by PSOD or OMDP, by providing technical
expertise and sector guidance on individual transactions; and coordinating the implementation of
sector strategies, policies, and road maps. In the medium term, sector offices may deliver NSO
in selected areas, following the gradual merger of sovereign operations and NSO teams (para.
77).

62. **Organization of sectors.** ADB will organize sector staff into seven sector offices working
across ADB DMCs and housed in the Sectors Group. As ADB’s operations and strategic agenda
change, the number and scope of each sector office should be periodically reviewed and adjusted.
Many well-defined sector offices could strengthen specialization but could also result in weaker
cross-disciplinary capability. Furthermore, internal coordination and interactions with clients will
require more resources, and smaller sector offices may not be well represented in each country
and region. Meanwhile, having too few sector offices runs the opposite risks and may require
additional management layers because of the large spans of control they will create. In addition,
regional focal persons and managers may not be specialized enough to engage in technical
dialogue with some clients.

63. The seven proposed sector offices strike a reasonable balance between these trade-offs:
(i) agriculture, food, nature, and rural development;27 (ii) energy; (iii) finance; (iv) human and
social development, covering health, education, and the social development agenda;28 (v) public
sector management and governance; (vi) transport; and (vii) water and urban development.29 A
range of criteria was applied in considering the sector groupings, including strategic relevance,
volume of operations and potential for growth, existing staff skills and number, institutional setup

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27 Including irrigation and water resources management.
28 Social development includes social protection, poverty and social inclusion (as defined in relevant documents
including Operational Priority 1 of Strategy 2030 and the Safeguard Policy Statement), participation and
empowerment, aging, and migration.
29 Water under the urban sector includes water supply, sanitation, wastewater, and flood control.
of ADB clients, synergies between sovereign operations and NSO, natural synergies between sectors, balance in size, and minimal disruption. These groupings largely follow existing sector and thematic arrangements.30

64. The sector offices will all report to a single head, who will be at the director general level and will have a strategic role. The head of the Sectors Group will ensure alignment of sectors with the region’s current and future needs, delivery of ADB’s seven operational priorities under Strategy 2030, and leadership on sector development issues. By overseeing all sectors, the head will effectively ensure collaboration in developing solutions that meet DMC needs.

65. **Arrangements within a sector office.** A senior sector director with substantial authority in operational and administrative matters will lead each sector office. Workforce agility in each sector will be enhanced by not creating internal divisions. The number of manager-level staff in each sector will generally reflect the sector’s volume of operations and strategic priorities. Preferably located in the field, regional sector directors will lead CMT sector members and other locally and internationally recruited sector staff in the field who will be responsible for the day-to-day delivery of operations.31 The remaining sector staff will primarily be based in headquarters and will deliver or support operations across all regions; develop sector strategies, initiatives, and knowledge; and ensure project quality.

66. **Cross-sector collaboration.** Individual sector offices are not meant to be watertight compartments and are supposed to collaborate closely on knowledge and operations and share resources, where necessary. The head of the Sectors Group will foster very strong collaboration across sectors and with other solutions departments, encourage cross-regional learning, and make solutions delivery seamless; and have the flexibility to allocate internal resources and the authority to form units and project teams across sectors to deliver on the regional work program. Although specialization is important, generalists will be needed to play the role of integrator and bring a more holistic perspective across sectors. Staff will be deployed efficiently and agilely to form teams and meet resident mission requests for expertise. In parallel, regions will be able to allocate projects to one or more sectors; the double counting will be acknowledged in the individual sector office’s KPIs.

67. The Sectors Group will deliver operations to advance ADB’s operational priorities, in coordination with other relevant departments. Together with the themes, sectors will develop action plans on key areas, particularly climate change, gender, poverty reduction, and food security, as part of their overall strategy and country road maps. Coordination mechanisms will be created for areas cutting across more than one sector, such as water management (covering water and sanitation and water resources management). It is also important to share knowledge across staff contributing to operations. Sectors, themes, PSOD, OMDP, and operations services will establish networks to ensure continuous dialogue, collaborative work, and knowledge sharing.

2. **Organization for Themes**

68. As with sectors, thematic staff will be consolidated into ADB-wide themes under the new Climate Change and Sustainable Development Department (CCSD). CCSD has three key responsibilities: (i) set strategic directions in these areas and monitor achievements, (ii) integrate

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30 Once appointed, sector management teams will finalize the naming of each sector.
31 Regional sector directors will advise CMT members reporting primarily to them, as appropriate, on CMT tasks led by country directors and guiding them on other tasks.
thematic priorities into ADB’s operations, and (iii) engage and convene external partners on thematic issues.

69. CCSD will be responsible for the following five proposed thematic areas: (i) climate change and resilience, covering climate change, disaster risk management, and environmental sustainability; (ii) gender; (iii) transition states and engagement; (iv) digital technology for development; and (v) regional cooperation and integration (RCI) and trade.32

70. The themes will report to the director general of CCSD and will have a key strategic role in positioning ADB as the region’s climate bank and the global thought leader on ADB’s thematic areas. The director general will ensure alignment of themes with current and future operations’ needs, and leadership on some Strategy 2030 operational priorities. By overseeing all the themes, the director general will be able to effectively ensure collaboration among the themes, sectors, and other departments in developing solutions that meet DMC needs.

71. To meet its responsibility for setting strategic directions, CCSD will lead the development of policy, strategy, operational plans and guidelines, and knowledge products in the thematic areas. It will inform country programs by creating tools and diagnostics and supporting resident missions’ policy dialogue. Where ADB has set corporate targets, such as for climate financing or gender mainstreaming, the department will monitor and report internal achievements. Operations-related tasks will be overseen by focal persons assigned to regions when it is practical to do so. The focal persons will be part of the RMTs.

72. With regards to integrating thematic priorities into ADB’s operations and helping meet corporate targets, CCSD will directly support the development and implementation of operations primarily by assigning staff to regions, resident missions, regional operations centers, sector offices, OMDP or PSOD; staff will be part of the project teams and will work under the day-to-day guidance of the operations managers and team leaders. CCSD may lead TA processing but not project processing. Advancing ADB’s thematic agendas is a common responsibility of ADB staff, and CCSD will have an important training role. Each thematic area will maintain core teams to lead on strategies and policies, technical leadership and knowledge services, and training and staff development.

73. Regarding RCI and trade, the existing division of roles and responsibilities of regional departments, the Economic Research and Regional Cooperation Department, and the RCI thematic group will remain generally as it is. Subregional programs are a core part of regional departments’ mission and programming function, and this set-up will be retained. The CCSD will include an RCI and trade unit to lead ADB-wide strategy, facilitate cooperation activities and policy dialogue that go beyond the remit of a single regional department or subregional program, and support knowledge sharing and job family management for a network of staff in the RCI and trade area.33 The unit will coordinate ADB-wide RCI and trade activities, including with PSOD, which will take the lead on trade and supply chain finance, among others; the Economic Research and Development Impact Department (ERDI) which will take the lead on regional economic monitoring and research (paras. 85–86); and sector offices who will deliver projects related to RCI and trade.

32 The climate change and resilience thematic area is in line with ADB’s operational priority 3 on tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability. The transition states and engagement thematic area will include fragile and conflict-affected situations, small island developing states, economic and political fragility, and engagement with nongovernment organizations and civil society.

33 A job family is a group of positions that involve work in the same functional occupation and have related core knowledge and expertise requirements.
74. CCSD will also oversee the existing Partner Funds Division.

C. Expanded Synergies between Sovereign and Nonsovereign Operations

75. A priority of the new operating model is to mainstream PSD and expand ADB’s NSO, in line with changing DMC and private sector client needs. Nonsovereign financing and advisory operations will be made increasingly integral to the suite of development solutions that ADB can deliver to DMCs. The changes will make it easier to incorporate NSO and advisory operations into country approaches and deliver integrated public and private sector solutions when appropriate. They will also allow ADB to support the expansion of nonsovereign and advisory operations in line with changing demand and to achieve its objectives for NSO under Strategy 2030.34

76. Private Sector Operations Department. PSOD’s core functions will initially remain the same, but the way these functions are executed will change. PSOD will be responsible for developing private sector operational plans, conducting lending and investment operations for private sector clients in line with regional work programs, mobilizing third-party cofinancing, providing blended concessional finance, managing ADB’s private sector portfolio, and providing transaction technical support for commercial matters (e.g., deal structuring or risk analytics). Its country and regional lending and investment operations will be carried out in partnership with the regional departments responsible for planning ADB-wide business including PSD activities, guiding origination priorities for nonsovereign operations, allocating some TA resources, supporting operations, and monitoring regional performances.35 As with other solutions departments, PSOD will be represented in the RMTs and CMTs and will collaborate with the Sectors Group and OMDP. In conducting its operations, PSOD will leverage support from (i) ADB’s operations services; (ii) resident missions, which will lead overall engagement with DMCs and provide economic services, local knowledge, and support across the transaction life cycle;36 and (iii) the sectors and themes, providing specialist expertise.

77. Gradual merger of sovereign and nonsovereign operations teams. ADB will pursue structural enhancements to create closer collaboration between sovereign and nonsovereign sector teams. These efforts are based on the principle that organizing sovereign and nonsovereign sector specialists under common managers can seamlessly support the development of DMC sectors. This approach also has the potential to lead to higher-quality and value-adding operations (e.g., through better knowledge sharing and collaboration on integrated operations). It will increase institutional agility to meet changing DMC and private sector client needs through greater sharing of expertise and staff. At the same time, such combinations require a phased approach because of the inherent differences in sovereign and NSO business processes, skills requirements and gaps at staff and management levels, and NSO-specific risks.37

78. Accordingly, ADB’s approach to the structural integration of sovereign and nonsovereign teams will be phased. ADB will aim to establish conditions for a natural transition toward more integrated approaches. This will involve efforts to establish joint sector strategies, investigate

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34 Under Strategy 2030, ADB is committed to scaling up NSO to one-third of total operations by number by 2024.
35 PSOD will also remain responsible for ADB-wide private sector programs.
36 Resident mission-based staff include those from various operations and support departments as well as staff with administrative designation of the resident mission.
37 ADB is exposed to various financial and nonfinancial risks in pursuing its strategic objectives for NSO. Primary risk exposures include credit and investment risk in the debt and equity portfolio, operational risks from inadequate or failed control processes, and client integrity-related reputational risks.
opportunities for some common processes or systems where appropriate, prioritize the mainstreaming of private sector-oriented skills in sector management teams, and take advantage of opportunities to share and transfer staff between nonsovereign and sovereign sector units or divisions when possible. ADB will pilot the integration of some joint sector offices and teams delivering sovereign and nonsovereign operations (e.g., dotted line reporting of a PSOD sector division or unit to the Sectors Group manager and forming several dedicated integrated project delivery teams). After a trial period, Management will review the pilots for lessons to guide a mainstreamed approach. The pace of further integration along sector lines will be subject to Management oversight, considering factors such as institutional readiness and progress achieved in scaling up NSO in a given sector. The stepwise approach allows ADB to move toward an integrated structure while mitigating the risk of negative impacts on client service, the portfolio credit profile, and financial performance. Formally migrating teams into integrated sector offices will require revising departments’ terms of reference.

79. Effective NSO scale-up will also be supported by (i) mainstreaming private sector approaches in country and operational programs; (ii) setting common targets in KPIs, recognizing collaboration efforts, joint products, and staff sharing (paras. 120–123); (iii) reforming business processes (paras. 135–143); (iv) reinforcing strategic leadership over nonsovereign-related areas (paras. 110–113); and (v) aligning NSO staffing and ADB-wide targets for NSO (paras. 125–134).

80. The management of credit risk will continue to be a key feature of NSO in the new operating model. ADB will continue following a standard three lines of defense model for credit risk management including a (i) business unit, which will initially be PSOD but will increasingly include sector offices as the gradual integration takes place, as the first line; (ii) the Office of Risk Management (ORM) as the second line; and (iii) internal audits and other assurance mechanisms as the third line.

D. Private Sector Development Platform

81. To be effective, PSD activities will require a whole-of-bank approach and strong coordination among its lending, advisory, and knowledge products for many years. In carrying out this approach, ADB’s impact is maximized when upstream activities (enabling environment, institutional development, and policy development), market-facing midstream activities (PPP transaction advisory, support for state-owned enterprises to tap private capital sources, the preparation of a municipality for bond issuance), and downstream activities (direct investments and cofinancing) are combined in integrated approaches or solutions. PSD activities should also be integrated into all applicable areas of the preparation processes for CPSs and indicative country pipeline and monitoring reports.

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38 ADB has a long history of teams formed to process projects on a joint sovereign–nonsovereign basis, with high-profile examples as early as the Greater Mekong Subregion: Nam Theun 2 Hydroelectric Project in 2005 and multiple One ADB initiatives. Under a pilot, this approach will be taken a step further through teams established to originate and process a series of projects in a target area of operations. Initial pilots will be selected based on operational readiness for joint approaches, a balanced pipeline of sovereign and nonsovereign projects, and staffing considerations.

39 PSD refers to activities that lead to increased private sector participation in DMCs. To achieve impact in this area, ADB needs to provide coordinated activities in upstream and midstream areas to create impact while also creating a pipeline for downstream private sector financing and private capital mobilization.

82. **ADB-wide strategic and business clarity.** Management will review the PSD strategic framework and may issue new guidance to teams, as needed, such as on (i) setting common directions in country operations (e.g., supporting DMCs achieve self-reliance and market-based development); (ii) selecting the most adequate modalities (e.g., sovereign financing, private sector financing, transaction advisory, and policy advisory) to fill an investment gap in a sector, considering DMC needs and ADB’s risk appetite and capital constraints; and (iii) ensuring that close business coordination leads to optimal client outcomes. ORM’s guidance on the PSD country road maps from a risk perspective will also help align ADB’s risk appetite and capital constraints for each DMC as well as strategic objectives.

83. **OMDP will be established to serve as an ADB-wide thematic champion for PSD-related matters, including existing PPP operations.** The office will provide technical support and guidance to the regions’ upstream and midstream PSD activities and provide market-facing advisory activities for clients leading to private investment and private capital mobilization. Such advisory services are currently being provided for PPP but are also needed in other areas, such as state-owned enterprise reforms, energy transition mechanisms, and other market-facing advisory activities. The office will also provide knowledge support and champion an ADB-wide network on PSD.

84. **Regional departments will have a key role in overseeing country sector road maps, selecting optimal products in consultation with the solutions departments, and developing synergies between them as described in paras. 38–57.** They will coordinate upstream market development activities with the solutions departments to create pipelines of bankable transactions for private sector or ADB financing. They will also lead or organize the delivery of such activities through the solutions departments and assess their efficiency in using resources for that purpose.

**E. A Renewed Setup for Economics and Research**

85. **The central role of economists in driving the development impact of operations will be expanded in the new operating model, with closer connections between economic research and operations.** A refreshed economics department, ERDI, will be mandated to (i) generate new ideas to advance the region’s development through research and analysis and (ii) advise Management and departments on how ADB can maximize the development impact of its operations. This type of upstream work creates opportunities for ADB to engage in dialogue with DMCs in new areas and strengthens ADB’s ability to convene relevant stakeholders, conduct high-level policy dialogue, and offer impactful operations and knowledge products and services. ERDI will continue to lead macroeconomic research, assessments, monitoring, and statistical work; support RCI-related work (para. 73); conduct studies, knowledge services and products, and capacity building on key topics; and provide operational support. As a knowledge center for project economic analysis and development impact assessment, ERDI will serve as the parent department for a job family of economists with strong links to operations departments.

86. **ADB will pursue several important organizational changes.** First, ERDI will report directly to the President to enhance the alignment of economic research with corporate priorities. Second, regional lead economists will spearhead teams conducting regional and country economics work in regional departments and resident missions. Third, the work of sector and project economists and statisticians will be strengthened to support the enhanced measurement of development impact and economic analysis in ADB. Each sector will have a sector economics focal person

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41 Aligned with corporate priorities, such as climate change, and in partnership with other concerned departments and units.
who will conduct economic analysis quality assurance for projects in that sector and maintain a
network of sector economists for knowledge exchange. Fourth, ERDI will support ADB’s corporate
effort to increase the development impact of ADB projects, including by establishing appropriate
methods to help select, design, adjust, and assess projects based on their contribution to
development impact (para. 124). This work will be carried out in close collaboration with the
Independent Evaluation Department (IED), SPD, and other relevant departments. Close
collaboration will continue with the Asian Development Bank Institute, and new opportunities will
be pursued for its research and capacity-building work to support the four key shifts.

F. Empowered One ADB Project Teams

87. A new project team approach will be established.

1. Challenges

88. ADB’s traditional approach has been to set up project teams comprising mostly staff from
a single operations department to cover most functions necessary to deliver projects, including
safeguards, procurement, and financial management. Documents prepared by the teams are then
reviewed by the departments overseeing compliance for specific functions. As an exception, the
Office of the General Counsel (OGC) provides legal support in the form of team members (from
concept to loan processing and through project administration) and quality assurance oversight.

89. This traditional approach constrains ADB’s ability to achieve the desired shifts. First, it is
not an efficient oversight structure for compliance, leading to different outcomes across regions,
as identified in IED’s review of ADB’s Safeguard Policy Statement (2009). It duplicates work,
limits responsiveness to clients, takes time away from sector specialists, focuses operations
services staff on review tasks, and leads to inconsistent decisions. It also fragments job families,
limiting career opportunities, knowledge flows, and the ability to balance one’s workload.

90. ADB has been moving away from its traditional approach. For emergencies and for
COVID-19 response projects, ADB has been forming One ADB teams with members from
operations and other departments; this has allowed a faster resolution of issues within the team,
while reducing the time needed for reviews. For procurement, the Procurement, Portfolio, and
Financial Management Department (PPFD) has been strategically posting staff to regional
departments, resident missions, and sector divisions so that they can become part of the teams
developing and implementing projects. Financial management has started moving toward a job
family approach, consolidating all financial management positions into a single team headed by
a chief financial management officer.

2. Directions

91. Under the new operating model, these directions will be pursued wider and deeper, with
a singular focus on delivering high-quality and timely solutions to DMCs while upholding all ADB
policies and fiduciary requirements. The setup of some operations services will be adjusted to
this effect. The project teams will comprise staff from multiple departments; they will be collectively
accountable for delivery and more empowered over project decisions. Conversely, the quality
 assurance processes will be more focused. The unit from the solutions complex leading the
project will appoint the team leader. The team members will take the lead in conducting the
requisite actions for projects, aiming to reach internal consensus on the way ahead and seeking

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guidance and approvals where necessary from their functional job family. In this way, most actions can be concluded within the project team with fewer issues requiring external review or escalation. Management will consider replacing the current interdepartmental review of documents with focused reviews of project quality, mainly for regional departments. Regional managers and focal persons primarily reporting to their functional areas will conduct these reviews, with other departments participating in some cases. Project team members will have more decision-making power over project implementation tasks in their areas of responsibility. Overall, the intent is to shift away from a commenting culture, in line with ADB’s trust and accountability values.

92. Safeguards, procurement, and financial management staff will be consolidated into separate groups responsible for developing, implementing, and monitoring compliance; and providing support to operations departments to deliver operations compliant with ADB policies and guidelines. The organization of these groups will be broadly similar. Most staff will be strategically placed in operational units (resident missions, sector offices, PSOD) or project teams to deliver operations services. Regional managers and focal persons assigned to regional departments will coordinate support regionally and provide clearances, except for the highest-risk issues. A group of staff will serve centralized functions, including ensuring the integrity of the compliance system, monitoring the bank-wide portfolio, developing staff skills, managing staff allocation and deployment based on DMC needs, and facilitating knowledge development and dissemination.

93. Organizationally, a safeguards office will be created for safeguards staff consolidated from across ADB. It will report to the managing director general to obtain high-level guidance on the ongoing development of the new safeguards policy. PPFD will take on an expanded role, housing the procurement and financial management groups, consolidating staff across the bank. These arrangements will be reviewed once the safeguards policy is completed.

94. PPFD’s Portfolio Management Division will continue to lead some centralized sovereign portfolio management functions. In this role, the division will serve as a secretariat to a project and portfolio focal point network, comprising regional operations coordination heads, country operations managers, project processing and implementation support unit heads from the sector offices, SPD, and the Transformation Office. This network will serve as a forum for discussing continued business process reforms.

G. Closer to Clients

95. There is a strong case for ADB to move closer to its clients so it can respond quickly with assistance tailored to their needs. Decentralization is essential for understanding DMCs and providing impactful services in a more competitive environment. It is critical for the volume, quality, risk management, and associated income generation capacity of sovereign and nonsovereign portfolios.

96. Decentralization is an ongoing effort of ADB. ADB has been continually decentralizing since the approval of the Resident Mission Policy and has a sizeable presence in the field. ADB’s experience has been positive, as confirmed by the 2020 Review of ADB’s Resident Mission Operations (footnote 4). Resident missions contributed substantially to ADB’s development impact, country focus, responsiveness, organizational effectiveness, and cost efficiency. The

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43 Such focused reviews would take place at key stages of the business process.
44 Under the managerial authority and control of their respective functional heads and based on clear quality standards.
review recommended moving more task management to resident missions and rebalancing expertise between headquarters and the field. However, ADB’s operating model is a constraint. Within a regional structure, decentralization worsens already insufficient knowledge flows. Each regional sector unit is relatively small and cannot place much of its staff in the field without losing critical mass. Local sector staff cannot be fully empowered over project tasks because, although they report to resident missions, the sector directors are all posted in headquarters.

97. The new operating model aims to make ADB more client-centric and therefore more field-oriented. The new organization of regions and sectors enables a greater level of decentralization; by consolidating sector staff into ADB-wide sectors, it creates critical mass, empowers local staff, increases knowledge flows across regions, and maintains agility even with a more dispersed workforce.

1. Proposed Decentralization Approach

98. Future efforts will focus on placing more specialist resources and decision makers in the field so that more client interactions and operations can be led, and related decisions taken, close to clients. Although it is challenging to determine an optimal level of decentralization, ADB will aim to place more CMTs; sovereign, nonsovereign, and advisory processing team leaders; and regional sector directors close to clients, underlining its commitment to be responsive to DMC needs.

99. Strengthening resident missions. ADB will continue enhancing the capacity of all resident missions to support operations in the field. Where there is a sufficient scale of operations, ADB will consider building up the resident mission with CMT members, which will cover the key sectors of the CPS, and empowered operations service staff (e.g., safeguards, financial management, and procurement). Staff placed in such resident missions should be able to fully lead country diagnostics, policy dialogue, and business development; process selected projects in key sectors; and handle most project administration decisions for projects managed in the field. Colocating the CMTs in the field under the guidance of the country director will support collaboration and the design of integrated solutions. Some may play a subregional role if technical (internationally and/or locally recruited) staff placed there also support nearby smaller resident missions. Resident mission staffing will be business driven, considered in parallel to CPS development and updates.

100. Enhancing regional capacity. In addition to strengthening resident missions, ADB will consider setting up regional operations centers to house operations and operations services functions for rapid deployment to clients and to execute these functions close to clients. The regional operations centers will not be organizational units, so they will not add any additional decision-making layers. Senior operations staff with substantial authority, including regional sector directors and some team leaders, will be located in the centers to drive the overall business of ADB from the field. This will accelerate decision-making on client solutions and enhance the management of sector staff in the field. Staff located in these centers will support resident missions in the regional department for most operational functions, handle some processing decisions, and lead the processing of a substantial share of projects in the field in the medium term. Management will select locations for these centers based on business needs and existing ADB presence and relationships. Other factors for selecting center locations may include (i) adequate privileges and immunities with respect to ADB, its personnel, offices, property, and communications; (ii) country risks; (iii) ease of travel to countries in the region and good quality

46 This nonetheless recognizes that many private sector clients are not in the DMCs where projects are located.
communications; (iv) attractiveness, particularly the presence of quality education and health facilities for staff and their families; (v) the local talent market; (vi) creation and maintenance costs; and (vii) contribution to organizational resilience.

101. In addition to strengthening resident missions and enhancing regional capacity, ADB will consider placing specialized teams in specific locations to support regional or ADB-wide needs, have access to unique local expertise, and be close to key partners or clients in a subregion.

102. These efforts will compound with other reforms to better serve clients, particularly an integrated setup of regions and sectors, including the private sector, that combines local knowledge with top-notch ADB-wide sector knowledge; increased project quality; delegation of authority to field staff; simplified business processes; and a clearer career path for staff. Decentralization and parallel reforms will enable greater use of ADB’s local workforce. Locally recruited staff will play a greater role in delivering ADB’s knowledge and services.

103. Another area of enhancement is instituting an improved staff mobility approach that is fully aligned with ADB’s business delivery requirements. With the increasing decentralization of sovereign operations, NSO, and advisory operations, ADB international staff will be more mobile between headquarters and field offices as well as across field offices, including regional operations centers.

2. Making Decentralization Cost Effective

104. **Facilities.** Facility cost is the largest decentralization-related investment. ADB’s field offices are already operating at near full capacity, and any additional staff placements will require relocation, expansion, and/or refurbishment. Establishing a larger staff presence in regional operations centers will require new premises. Specific facility options will have to be evaluated and discussed with host governments before precise costs can be assessed and optimization options considered. Adequate corporate and legal services will be required to establish and maintain a consistent quality of infrastructure and ensure that regional operations centers meet the workplace requirements of ADB personnel.

105. **Staff-related costs.** A second cost factor of decentralization relates to staffing, specifically the cost of (i) relocating international staff and the differential between the benefit packages in headquarters and the new locations and (ii) increasing the local staff head count in the field.

106. Management will seek to contain and optimize decentralization costs by pursuing the following approaches:

(i) **Adequate staffing.** Management will assess the needs by regions and ensure strong staff presence in the field. The consolidation of locally and internationally recruited technical staff into ADB-wide groups and regional operations centers will enable a greater share of locally recruited staff in the field while maintaining quality and ADB’s international knowledge.

(ii) **Reviewing location-related reward elements.** With the expected increase in the proportion of staff located outside headquarters, ADB will continue to assess the reward elements of the reward package to ensure the important balance is made between attracting and retaining talented staff in our locations and effective budget management. This assessment will particularly focus on how reward policies will be established for staff assigned to regional operations centers (once locations are
known), and how reward policies can better support staff mobility across field offices.

(iii) Optimizing field offices. Each field office should be fit for purpose, and the duplication of functions should be avoided. Consolidating solutions and operations services staff will make it easier to match staffing in the field with business needs. Staff presence in the field offices will help reduce cost related to staff business travel.

3. Implementation Approach

107. The scale and pace of decentralization will be based on long-term business needs across different locations, considering budget implications. Within broad ADB-wide parameters, regional departments will be responsible for developing and maintaining decentralization plans that meet the region’s business needs and for coordinating ADB-wide efforts. ADB will establish a task force to develop a detailed plan for the proposed decentralization approach. While developing the detailed plan, the Board of Directors will be closely engaged, other key stakeholders will be consulted as appropriate, and approval by the relevant authority will be sought as required by ADB policies and procedures.

108. Relocating, expanding, and/or refurbishing facilities require about 18 months from project approval, subject to project complexity and size as well as local market conditions. This timeline assumes relocation to a leased commercial property and not an ADB-built or greenfield facility. A phased approach will be needed to implement a pipeline of facility projects for multiple locations. Where necessary, interim solutions will be explored case by case and implemented cost efficiently to accelerate priority staff movements to the built-up resident missions and/or regional operations centers.

109. The recommendations of a study on reducing the concentration risk at headquarters are being finalized. Management will seek to integrate the implementation plan for the study’s recommendations and the decentralization approach into a single decentralization plan.

H. Governance and Steering Arrangements

1. Updated Steering Arrangements

110. With a more complex development agenda, multiple departments involved in operations, and resource constraints, it is important for Management to be able to steer cohesively toward ADB goals. Management’s role will become increasingly more strategic, and day-to-day operational decisions will be increasingly delegated to staff.

111. Board oversight. The new operating model will not affect the Board’s oversight of the direction of ADB’s general operations. The Board’s role is set out in Article 31 of the Agreement Establishing the Asian Development Bank (the Charter), which provides, among other things, that the Board “shall be responsible for the direction of the general operations of the bank and, for this purpose, shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular: (i) prepare the work of

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47 ADB has launched a study aiming to strengthen organizational resilience by addressing concentration risks at ADB headquarters. The study will identify the most cost-effective approach to mitigating ADB’s concentration risks by establishing the capacity to support core business functions outside headquarters.
the Board of Governors; (ii) in conformity with the general directions of the Board of Governors, take decisions concerning loans, guarantees, investments in equity capital, borrowing by the bank, furnishing of technical assistance and other operations of the bank; (iii) submit the accounts for each financial year for approval of the Board of Governors at each annual meeting; and (iv) approve the budget of the bank. 48 Under the new operating model, the Board will continue to exercise all of its functions under the Charter and delegated to it by the Board of Governors. 49 With the Board’s increased focus on ADB’s strategic directions, ADB will adopt a refined risk-based approach, and the Board and Management will review and consider projects according to their risk classification (paras. 135–142).

112. **Management Committee.** The Management Committee will continue to advise and support the President and be the principal forum for management coordination and decision-making. The Management Committee is expected to focus on (i) corporate policies, strategies, and results frameworks; (ii) resource allocation (e.g., preparation of budget and major investment decisions); (iii) operational planning guidelines, including the regional allocation of targets and capital; (iv) departmental target setting and performance assessment; (v) key organizational reforms and substantial changes to the operating model and structure; and (vi) other issues of importance to ADB. This setup will make it easier for Management to focus ADB resources on strategic priorities, such as the four shifts, and align the efforts of the regional, solutions, and operations services departments. Including transparency in each department’s objectives will also facilitate collaboration across the organization. Biannual dialogues between the Management Committee and the Board to discuss strategic issues will be considered.

113. **Vice-presidents.** The principal role of ADB vice-presidents is to support the President in managing the institution, overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas. The roles of the vice-presidents will be broadly in line with the current arrangements. In line with the reorganization, when the President announces the new operating model and associated realignment of departments—expected by the second quarter (Q2) of 2023, the following vice-presidents’ titles will be redesignated and their department assignments will become effective and adjusted as follows: (i) VPO1 will be redesignated as Vice-President (South, Central and West Asia) and will be in charge of the South Asia Department and the Central and West Asia Department; (ii) VPO2 will be redesignated as Vice-President (East and Southeast Asia and the Pacific) and will be in charge of the East Asia Department, Pacific Department, and Southeast Asia Department; (iii) VPPP will be redesignated as Vice-President (Market Solutions) and will be in charge of PSOD and OMDP; and (iv) VPKM will be redesignated as Vice-President (Sectors and Themes) and will be in charge of the Sectors Group and the Climate Change and Sustainable Development Department. VPAC will remain Vice-President (Administration and Corporate Management) and will oversee the Budget, People, and Management Systems Department; the Corporate Services Department; the Information Technology Department (ITD); PPFD; and administrative matters of the Office of the Secretary (SEC). VPFR’s designation—Vice-President (Finance and Risk Management)—and department assignment—the Controller’s Department, the Office of Risk Management (ORM), and the Treasury Department—will remain unchanged. The revised terms of reference (TOR) of VPO1, VPO2, VPPP, VPKM, and VPAC to align with the changes stipulated in this report are in Appendix 5. Although VPFR’s department assignment remains unchanged, the form and presentation of the TOR has been revised for consistency across all vice-president TORs (Appendix 5). The two regional vice-presidents will ensure alignment of CPs and regional and country work programs with ADB’s strategic agenda, including working to advance the integrated delivery of the full suite.

49 The Office of the Secretary may facilitate an internal Board review of the roles of the six Board committees.
of ADB sovereign and nonsovereign solutions in the areas under their purview and providing
Management guidance and quality assurance on NSO—in coordination with the Vice-President
(Market Solutions), and on sovereign projects. The two vice-presidents for solutions will ensure
alignment and delivery of ADB’s sector, thematic, NSO, advisory, and knowledge agenda as well
as activities with regional operations’ needs and ADB’s strategic agenda. The Vice-President
(Market Solutions) will provide Management guidance on NSO and advisory services, including
quality assurance. The two vice-presidents covering finance and risk management, and
administration and corporate management will ensure the effective and efficient delivery of
corporate functions for ADB’s operations.

2. Updated Operations Planning and Resource Allocation Processes

114. The introduction of a new operating model provides an opportunity to strengthen the
operational planning and resource allocation process. Building on existing country programming,
workforce planning, and budgeting processes, ADB intends to (i) deepen engagement with the
Board; (ii) strengthen links between strategy, work programs, and resources; (iii) improve the
iterative planning process; (iv) enhance accountability; and (v) become data-driven to enable
time- and activity-based planning.

115. **Strategic direction.** While preparing the Work Program and Budget Framework (WPBF),
2023–2025, discussions held at the Board and Management Retreat and the Operations Review
Meeting provided critical direction for shaping the work program. This deepened engagement with
the Board will be mainstreamed as the initial step of the planning process. For the engagement
to be effective and well-informed, an enhanced analysis will be carried out on the actual delivery
of the previous year’s plan.

116. **Holistic approach.** The new resource planning process will holistically consider ADB’s
strategic objectives, DMC demands, staffing and skills, budget availability, and risk-bearing
capacity, including capital optimization and risk management measures. More attention will be
placed on the trade-offs between these factors to ensure the work program is realistic and
implementable.

117. **Iterative process.** To better align operations planning and resource allocation, ADB is
considering an enhanced deliberative process. The process will involve multiple engagement
streams between senior management and operating units to develop a work program that
optimizes resource allocation trade-offs.

118. **Alignment.** Regional work programs will aggregate country business plans and include
plans for solutions departments and operations services departments to ensure the primary focus
of the departments is to achieve ADB’s regional and country goals. The solutions departments
will separately plan knowledge work and other types of activities that are not grounded in regional
operations. The resulting work programs, along with corporate priorities, will be the basis for the
workforce analysis, allocating resources and measuring the performance of the solutions
departments.

119. **Accountability.** Work programs formulated through the holistic iterative process will be
realistic and resourced adequately, thereby enhancing the accountability of managers. KPIs will
cascade down to the operational level, demarcating the regional departments and solutions
departments’ responsibilities and contributions to attaining the common objectives.
120. **Time- and output-based planning.** The planning process will adopt a data-driven approach and follow a more time- and output-based approach to ensure strategically targeted resource allocation. As data is collected, the approach will enable ADB to more strategically allocate resources, analyze efficiency, and promote staff's collaboration and sharing activities.

3. **Incentive Structure to Align with Priorities**

121. ADB will enhance internal incentive and performance management processes to guide operations planning and drive alignment and collaboration across departments.

122. **New internal key performance indicators architecture.** KPIs will be developed from the Corporate Results Framework and the medium-term strategic framework to monitor objectively the performance of all departments. The Corporate Results Framework will be updated for 2025–2030 as part of the midterm review of Strategy 2030. Management will comprehensively review the performance of the departments and offices against the KPI targets and share them with all staff. This will help create a strategic focus and align staff contributions toward a set of common goals, e.g., between the solutions and operations services departments. The Management Committee will finalize the KPI targets for all departments and collectively assess departmental performance toward achieving their KPIs. As the secretariat, SPD will develop indicators, record Management-assigned targets, and compile data for assessing departmental performance.

123. KPIs will be formulated around operations, processes, and collaboration. Illustratively, they may comprise (i) indicators measuring volume (lending or number of sovereign and nonsovereign projects and portfolio outcomes) and achievements toward ADB’s key strategic priorities (such as climate change or gender), and regional and solutions departments having matching indicators, which will align efforts; (ii) indicators measuring the efficiency with which services are delivered and work programs are adhered to; and (iii) indicators gauging internal satisfaction among departments over the quality of services mutually provided. Indicators should preferably be chosen so that they can be cascaded down to lower levels of management and determined objectively as an output of business and corporate systems.

124. **New approach to assessing development impact.** Management will also identify and apply methods to assess the potential contributions of projects to development impact. This will help guide staff toward common objectives and measure results of different types of ADB support. ADB has been using, on a pilot basis, a development impact assessment method for PSO. Based on lessons from this experience, Management will seek approaches that can be applied to the range of ADB operations and gradually mainstream them to provide comparative assessments and performance tracking by solutions and regional departments.

I. **Culture, Skills, and People Reforms**

125. BPMSD has been implementing key initiatives to improve human resource management, and its focused effort will continue through the following initiatives and reforms (Appendix 6) to align ADB’s culture, skills, and workforce with Strategy 2030 needs and support the new operating model.

126. **New job architecture.** The new operating model will need all staff to collaborate seamlessly as an integrated workforce and will require modernizing ADB’s job and career management practices. ADB will assess the job band structure of international, national, and administrative staff categories to support a more inclusive and agile culture. Consideration will be
given to expanding the range of tasks that locally recruited staff can perform. Job families will be created to reflect the different areas of functional expertise within ADB and define career paths.

127. **Strengthened performance management.** Performance management is another fundamental enabler for the new organization. People will work across departments and teams toward common goals. Feedback from multiple sources will be consolidated to evaluate staff performance. ADB will update its performance management framework to enable the changes and set the right criteria and incentives. Managers’ accountability over performance management will be strengthened, and ADB will continue to support and equip managers so they can provide constructive feedback and manage staff performance more effectively.

128. **Enhanced mobility practices.** To support the new operating model, ADB will improve the arrangements for staff mobility across the organization and facilitate systematic movements, particularly of international staff, across locations and functions. Staff mobility decisions will be based primarily on business needs. Reward policies will be reviewed, focusing on how they will be established for staff assigned to regional operations centers and how staff mobility can be supported across ADB field offices.

129. **Staff development.** ADB will implement a comprehensive professional development approach to help all staff thrive in the new operating model. ADB will scale up skill-building programs, provide new learning options, and implement a new learning management system to support efficient program administration. To foster managerial and leadership excellence, ADB will continue adapting its leadership development programs, focusing on leading through uncertainty, coaching, innovating, and building agility. A country director academy will be launched to build the capabilities needed for the expanded role of resident missions, prepare staff before appointment, and support staff during the assignment. ADB will continue to strengthen its cadre of country directors and deputy country directors, particularly with skills relevant for NSO and advisory operations, so they can effectively lead an ADB-wide country program.

130. Operations-related learning programs will support the four shifts (para.9), ADB’s role as knowledge solutions provider, and transdisciplinary sector and thematic work. ADB will support PSD training and upskilling of staff across the bank. For climate change, ADB will roll out a mandatory climate change e-learning program focused on foundation-level knowledge, upskill sector staff to integrate and drive the climate outcomes, and launch a climate leadership program to enable senior leaders to drive the climate agenda. To support new ways of working, ADB will focus on cross-team collaboration and resilience and build new programs to support matrix management. ADB will also continue to embed in-person, virtual, blended, and self-service learning options to support decentralization.

131. **Cultural transformation.** To enable the transformation agenda, ADB will continue the CTI rollout by strengthening the way staff work together and serve clients, guided by its values: client-centric, trustworthy, and transformational. ADB will continue to implement the identified CTI actions to decrease bureaucracy and hierarchy and foster an environment where staff can work more efficiently and collaboratively toward common goals under the new structure.

132. **Recruitment reform.** ADB will continue modernizing its recruitment processes to attract and retain top talent. ADB has streamlined and enhanced the quality of its selection process to strengthen ADB’s brand, reengineer the business process, and leverage modern technology. The new job families will further help with this. Given the importance of the role of country directors in the new operating model, ADB is strengthening the selection and placement process for country
directors and deputy country directors. This will be complemented with enhanced onboarding of
country directors and deputy country directors, capacity building, and orientation programs.

133. **Strategic workforce management.** ADB will continue to assess its workforce to close
the gap between it and Strategy 2030 needs, particularly by building the skills to be the region’s
climate, PSD, and solutions bank. ADB will keep rebalancing TA consultants and staff resources
under its Workforce Rebalancing Framework to address some gaps.50 Consolidating staff by
sector and theme will enable an efficient, consistent, and holistic approach to determining staffing
and skills requirements and identifying the remaining gaps. To strengthen field presence, ADB
will have more locally recruited staff positions in the field and support departmental medium-term
and long-term decentralization plans. BPMSD will coordinate with an HOD-level group for a skills
assessment of the new departments once they are established and conduct a workforce analysis
in line with the work programs to address the skills gaps.

134. Operations departments, particularly the Sectors Group and CCSD, will be held to greater
accountability over their staff resources while being more empowered to plan, deploy, and
rebalance the resources needed to meet the changing needs of clients and businesses across
regions and skills.

**J. Business Process Modernization**

135. ADB will pursue changes in business processes to make the new operating model work
and make it more effective at delivering the four key shifts. The changes will be rolled out in
phases and build on existing initiatives. Upon approval of this document, Management will make
adjustments to all relevant processes for the new operating model to become operational by Q2
2023. These will primarily entail operationalizing an accountability and decision-making
framework (para. 136), applying risk-based approaches more widely (para. 139), decentralizing
authority for implementation (para. 140), and updating key staff instructions and other internal
documents accordingly. In parallel (provisionally by Q1 2023), Management will complete a road
map for subsequent deeper and wider reforms. These may include digitizing and automating
various business processes (para. 141) and further updating nonoperational business processes
(para. 143). Management plans to initiate consultations with the Board on business process
reforms in Q4 2022. Anything that entails changes to Board-approved policies or to the Board’s
role in processes will be presented to the Board for its consideration and approval.

136. **Accountability and decision-making framework.** ADB will make it a priority to
operationalize an accountability and decision-making framework to bring clarity on each unit’s
role and responsibility in key business processes under the new operating model and
transparency on the level of decentralization of authority. The framework will be used as a
reference to align staff instructions on business processes with the new operating model.51 It will
be regularly updated to optimize arrangements based on lessons learned from implementing the
new operating model.

137. **Renewed focus on preconcept activities.** Updated business processes will rebalance
staff time and effort toward (i) policy dialogue; (ii) the preparation of robust sector and country
strategies and road maps; (iii) the development of an impactful project pipeline, supported by the
application of the proposed ADB-wide method of assessing project development impact (paras.
85–86 and para. 124; (iv) robust project conceptualization, including due consideration of all

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51 Primarily those related to processing steps and project administration actions.
modalities (including private sector approaches that could be enabled through NSO and/or advisory operations), risks, and mitigating measures; and (v) capacity building. Such activities underpin the quality of projects and the level of impact of ADB’s operations. Relevant staff instructions and guidelines will be updated to this effect.

138. The following areas will be the focus of specific attention.

1. **Sovereign Operations**

139. **Wider application of risk-based approaches.** Projects are classified for a differentiated quality review and approval process, including full Board discussion, no-objection procedure, and delegated approval by Management. ADB will reassess and refine outdated criteria for classifying projects. Project processing and administration steps will be differentiated by their classification, reflecting different risk levels. Projects with lower risk will be subjected to a more streamlined set of requirements, fast-track procedures, and delegated authority. One ADB project teams will internalize some quality assurance processes balanced with focused reviews, as described in paras. 91–94. The criteria for project risk classification will be refined, and Management and the Board will review and consider projects according to their risk level.

140. **Decentralization of authority for implementation.** ADB will reform business processes for project and TA implementation to grant authority to project teams, particularly those based in resident missions, over routine project matters including procurement decisions, minor adjustments to the project design, monitoring, and communication with clients. Enhanced training will be provided to team leaders to successfully fulfill these roles.

141. **Overhaul of systems.** A new SovOps system, which is part of the Digital Agenda 2030, will be the cornerstone of a comprehensive overhaul of systems that support the realization of the proposed business process reforms. Several existing systems will be integrated into the new SovOps system to allow for a single source of data, allowing effective and efficient monitoring and reporting. Most processes will be digitized and automated, reducing the need for internal memorandums.

2. **Nonsovereign Operations**

142. ADB will undertake a full-scale review and redesign of internal processes for NSO. These reforms aim to increase the speed and efficiency of operations, provide for a risk-based approach, and improve client experience. The initiative will include an end-to-end approval process for debt, guarantees, equity transactions, and nonsovereign revolving programs; development effectiveness and additionality governance and assessment; and noncredit processes, including integrity due diligence and safeguards. Reforms will also rationalize internal credit and noncredit processes and documentation requirements on a risk-based approach without diluting ADB’s due diligence and underwriting standards.

3. **Nonoperational Business Processes**

143. ADB will continue to examine ways to further streamline and improve nonoperational business processes, including those related to culture, skills, and people (paras. 125–134); corporate and administrative services; internal knowledge management; IT; institutional procurement; and others. Such changes will be designed to maximize the benefits of the new operating model, including delegating authority to country directors, sector and private sector directors, regional sector or private sector managers, and focal persons, among others. The
relevant departments will continue this work. A new unit, the Transformation Office, will help monitor implementation and support the implementing departments to better align and sequence the transformation initiatives.

K. Changes to Central Functions

144. OGC and SEC will report directly to the President on matters that fall under their respective purviews, considering their important roles in advising the President and the Board. SEC will continue to report to the Vice-President (Administration and Corporate Management) for administrative purposes. OGC will continue to advise the President; ADB departments and offices; and, when appropriate, the Board of Governors and the Board of Directors, through the President, on legal questions relating to the organization, structure, administration, policies, or operations of ADB and on the legal aspects of any such matters on which OGC is consulted. SEC will continue to provide strategic and operational support to the Board of Governors and the Board of Directors.

145. The Knowledge Advisory Service Center under SDCC will be moved to the Department of Communications, which will be renamed the Department of Communications and Knowledge Management, to ensure consistency in knowledge management and dissemination, and support for innovation.

146. Special Initiatives. The climate shift and need to develop new business models in partnership with other players in development ecosystems necessitate ADB to develop its capacity to identify new and innovative business models and provide the necessary environment and leadership to prioritize and develop these initiatives until they can be mainstreamed into ADB operations. ADB has some successful experiences taking management priorities and growing them into mainstreamed businesses, such as developing the transaction advisory business under the Office of the President in 2014 and the subsequent integration of the business with the rest of the bank in 2019 once it achieved a steady flow of projects; and initiating in 2021 the Energy Transition Mechanism, which originated from one regional department and has since been identified as a key priority of the bank and is being expanded as a bank-wide initiative. In 2022 ADB introduced the Innovative Finance Facility for Climate in Asia and the Pacific, a promising approach to mobilizing donor capital for climate which has potential for replicability in other sectors. ADB recognizes that successful implementation of these priorities transcends organizational boundaries, needs to create agile teams drawn from across the bank, and channel support from senior management. This support can take several forms depending on the needs, including (i) identifying skill sets required for the initiative to succeed and creating an agile team, (ii) breaking silos where needed, and (iii) coordinating or leading new initiatives in the initial stage until they are ready to be mainstreamed.

IV. IMPLEMENTATION ARRANGEMENTS

A. Implementation Approach

147. ADB has designed the implementation arrangements for the new operating model to deliver change agiley and to adjust course as needed. Ambitious organizational transformation can cause disruptions to operations and for staff. The implementation approach aims to minimize such disruptions. Implementation will start immediately upon approval of the redesignation and reassignment of the functions and duties of the vice-presidents and continue until 2025. Decentralization will continue beyond 2025. The general approach to implementation is as follows:

(i) Phase 1 (until the end of 2023). This phase will focus on establishing the bases of the operating model: rolling out the new organizational structure, including RMTs
and CMTs; implementing priority process changes, KPIs, and governance arrangements; launching pilots; and developing detailed plans for decentralization and staff skills alignment. Staff training and communications will focus on building the culture and skills required by the new operating model.

(ii) **Phase 2 (2024).** This phase will focus on consolidation: making any adjustments needed from the early implementation of the new operating model, implementing the new job architecture, rolling out modernized systems (such as SovOps) and processes, and aligning staff resources and skills. Decentralization will be incremental and part of a gradual approach that ensures staff are supported and office facilities are ready for expanded occupancy.

(iii) **Phase 3 (2025 onward).** This phase will focus on scaling up gains, integrating the directions from the midterm review of Strategy 2030. The new time-based resource management systems and the new Corporate Results Framework will be in place. The structural integration of selected sovereign and nonsovereign sector functions will begin, incorporating lessons from pilots. Decentralization will proceed.

148. The plan is for the new structure, accountabilities, and required changes in business processes to become effective in Q2 2023. Management will inform staff about the new structure and initiate a process of skills mapping, staff appointments, and movements to new positions. Change management efforts will support the transition process and be carried out in alignment with ADB’s CTI and the Diversity, Inclusion, and Belonging Framework. One of the basic principles of the transition is to keep workflow disruptions to a minimum. Departmental work plans and budgets developed within the existing structure will be carried over to the new structure.

149. Changes in processes and internal KPIs required in the short term to support the new operating model and in the medium term to fully achieve its objectives are being developed in parallel. The next phase of this work, which involves broad-based staff engagement, is expected to conclude by early 2023. Business process reforms that can be implemented independently of the structure will be initiated immediately. Changes in authorities will become effective together with the new structure. Longer-term changes will be further developed in 2023 together with system changes so they can be effective in 2024.

150. Implementing the new operating model will require modifications to ADB’s IT systems, which will be delivered in phases. The first phase will create the new structures in the relevant IT systems, move staff to their new organizational units, provide new document repositories, modify business workflows, and work with business units to apply updated access controls. This phase is expected to be completed by Q2 2023.

151. Changes required for the subsequent phases are expected to be more extensive and will need further exploration. Therefore, ITD will work with SPD and the business units to understand the extent of changes to ADB’s business processes and estimate corresponding costs necessary to transform ADB IT systems. ITD will then plan all projects to execute by order of business priority based on resource availability. All phases of ITD work will require strict reprioritization of ongoing and pipeline projects as well as the reassignment of existing personnel to accommodate the organizational review efforts.
B. Staff and Client Engagement

152. Staff buy-in of the changes is essential to achieve the objectives of the new operating model. A consultative approach was used to design the new operating model. The rationale for change, the process, and key developments were shared with staff in a timely and open manner, soliciting feedback. Management clarified from the outset that cost cutting was not the objective of the review. Staff engagement will continue during implementation to identify any need for course corrections. The messaging will focus on (i) the vision and importance of sustaining the transformation, (ii) the details of the changes and how they affect staff, and (iii) the role of individuals to take responsibility for delivering the transformation.

153. ADB is in regular dialogue with its sovereign and private sector clients; the new operating model aims to respond to their expectations. During implementation, ADB will engage with clients to raise awareness of upcoming enhancements to ADB’s services and engagement.

154. Demonstrated leadership of the changes and role modeling by leaders will be essential. ADB will provide structured support to leaders across the organization to step into their new roles, establish their formal and informal authority, and guide their teams to adapt to the new operating model. ADB will also provide learning resources and training to help staff acquire new behaviors and capabilities.

C. Implementation Arrangements

155. Managers of the business units will be accountable for delivering change under each initiative and achieving the new operating model’s target outcomes. To support the President in providing oversight of the overall progress of the organizational transformation, the Transformation Office will coordinate the implementation of the new operating model and rollout of the transformation agenda. As evidenced by peer multilateral development banks’ reorganization experiences and recommended by IED’s evaluation, it is crucial to have a dedicated institutional arrangement to oversee, evaluate, and make timely course corrections for a comprehensive reform agenda as well as to coordinate changes across the organization. The office will report to the managing director general, who will serve as the chief transformation officer and chair a steering group providing guidance on the implementation of the new operating model, under the oversight of the Management Committee.

156. Board engagement will be maintained throughout implementation. Management, through the Transformation Office, will regularly report progress, issues identified, and any changes required to the Board through informal Board seminars or briefings and Board committees. The Board will be involved in key decisions affecting the budget and human resources.

157. The Transformation Office will have a small staff team, supplemented by external capabilities in change management and program management. The office will support implementation, coordination, communication, and monitoring. The team will oversee the program, support the design and implementation of cross-cutting initiatives to ensure coherence with overall objectives, measure progress and performance, manage interdependencies, flag risks, scope changes, and facilitate the resolution of issues.

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52 The organizational review team used, and will continue to use, several methods to obtain continuous staff feedback and engagement on the design, including periodic written communications through OneADB Today and the ConneXions newsletter, a dedicated SharePoint site, periodic staff surveys, town hall meetings, targeted consultations with business units, and a series of focus group discussions conducted with groups of 8–10 staff at a time to obtain detailed feedback on particular aspects of the new operating model.
158. **Monitoring and course correction.** The Transformation Office will monitor whether the changes are leading to key expected outcomes along the four shifts (Appendix 3) and the extent to which the 10 key features (para. 37) of the new operating model are being adequately implemented. Key indicators will be selected from the Corporate Results Framework, 2019–2024 and augmented, as needed, with additional indicators that may be considered for the Corporate Results Framework, 2025–2030. The indicators will help track ADB’s operational management as well as changes to its organizational effectiveness relevant for each of the four shifts. Outcome level indicators monitored may include the following:

(i) Solutions shift: more frequent cross-sector and thematic collaboration, stronger knowledge flows between regions, and a greater degree by which CPSs, programs, and projects are informed by country and sector diagnostics and ADB-wide operational frameworks.

(ii) Climate shift: increased climate change mitigation and adaptation financing, systematic consideration of climate change in operations, and improved internal staff skills in related areas.

(iii) Private sector development shift: increased number of NSO projects as a share of total ADB operations, increased number of advisory operations leading to private sector participation and investment, more systematic sovereign–nonsovereign collaboration, and increased achievement of PSD outcomes in sector road maps.

(iv) Ways of working shift: reduced time for key business processes and an increased number of operations led by a team leader located close to clients.

159. Arrangements will likely need minor adjustments and fine-tuning as implementation proceeds and long-term efforts to keep enhancing them. The Transformation Office may recommend to the relevant approving authority such changes to the proposed transformation program and to organizational arrangements that are necessary to achieve the expected outcomes. An initial stocktaking of implementation will be carried out within the first year of the effectiveness of the new structure and before phase 2 starts (para. 147). The second one will be conducted after 1 year and will be inputted into the midterm review of Strategy 2030 and phase 3. A comprehensive evaluation will be carried out at the end of Strategy 2030 implementation. An independent formative evaluation of the organizational review will also take place in 2025, conducted by IED as part of its work program. The evaluation will assess the early implementation of these reforms and whether future adjustments are needed. It will focus on the extent to which greater collaboration across the organization has been achieved.

160. **Risk assessment.** A variety of risks that may result from the transition to the new operating model were assessed in coordination with ORM, and corresponding mitigation measures were identified. The assessment did not identify any high risks because the approach adopted from the outset to minimize disruptions for clients and staff also limits risks. Risk profiles may change as more details emerge throughout the transition. To address existing and future risks, risk mitigation is anchored in various measures including (i) the establishment of the Transformation Office to oversee, manage, and implement the transformation agenda; (ii) consideration for business continuity with adequate business processes and IT systems updates to minimize disruptions; (iii) a built-in assessment and course-correction mechanism in the phased implementation approach; (iv) the provision of ample training and coaching of staff; and (v) the maintenance of various communication channels for transparent and timely communication. The
Transformation Office will monitor these risks and coordinate with ORM on risk management-related matters.

D. Resource Implications

161. Resource implications are considered under three tracks.

162. **Reorganization (track 1).** In the structural reorganization, Management will continue to prioritize the efficient use of existing staff resources and minimize additional position requests, including for senior staff positions. Change management costs refer to the Transformation Office’s operating costs, including change management and program management services, staff reskilling, and IT reconfiguration to implement the changes and initiatives and reskill staff. Incremental costs are estimated to be $13.5 million during 2023–2026.53

163. **Decentralization (track 2).** Management, in consultation with the Board, will develop a detailed plan for decentralization drawing from the proposed approach (paras. 104–118) and optimizing the scale, pace, and modalities considering resource requirements.54 The capital expenditure budget will be required to fit out and equip new office space to ADB standards, prior to increasing the field office head count. There will be recurring incremental costs for maintaining more staff in the field, such as benefits and allowances, additional field office space (e.g., utilities and rent), and additional support staff.55 To support decentralization, a review of reward policies in the context of regional operational centers will be conducted. Decentralization will also enable a more effective use of local talent in operations. Linked changes in the staffing mix can offset some of the incremental costs. Staffing requirements will be addressed in the WPBF, as part of the workforce analysis. Internal administrative expenses and capital expenditure funding requirements will be included in the annual budget document.

164. **Staffing requirements to implement Strategy 2030 (track 3).** Throughout the WPBF process, ADB will continue to assess the workforce requirements and close the skills gap between its current workforce and the resources required to deliver Strategy 2030. Because operations have expanded in scale and complexity, the workforce has faced continuous pressure to deliver commitments with increased speed and quality, even during the pandemic. Productivity enhancements generated by the new operating model (para. 165) are expected to reduce the need for additional resources in selected areas as ADB shifts toward more value-adding services. Remaining resource requirements will be determined in the context of the new operating model and reflected in subsequent WPBFs. ADB will ensure it is resourced adequately to deliver Strategy 2030, particularly the four shifts identified in paras. 6–30.

E. Productivity Enhancements

165. The new operating model will help ADB achieve Strategy 2030’s objectives more efficiently. The following productivity enhancements are expected from the consolidation of staff along job families, the integration of sovereign operations and NSO, and the reduction in transaction costs.

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53 The midterm review of Digital Agenda 2030 will integrate the IT system requirements associated with the new operating model into the investment road map.

54 The proposed decentralization will accommodate already planned or foreseeable increases in ADB field staff, based on future business needs. The Workforce Rebalancing Framework identified the need for 200 additional positions, of which indicatively up to 90% will be placed in field offices.

55 Illustratively, the annual incremental cost of placing an extra 300–400 staff in the field rather than in headquarters could range from $13.2 million to $20.3 million by 2028, depending on the number of staff and the location.
(i) Establishing ADB-wide sectors and themes will create economies of scale because new capabilities can be created once instead of in each regional department. Because overall workloads will be able to be more effectively assessed, it will increase agility and enable the rebalancing of resources across the sectors and themes and within the sectors and themes across regions. It will also enable staff performance in each job family to be managed more effectively and consistently. Finally, it will allow knowledge management resources to be used more effectively.

(ii) Establishing One ADB regional departments and resident missions will reduce coordination costs of integrated approaches, allowing a wider set of resources from resident missions, sectors, and themes to be mobilized to support the scale-up of NSO and advisory operations.

(iii) Gradually integrating sovereign and nonsovereign origination functions will make it easier to adjust sector or regional resources to changing client needs.

(iv) Decentralizing will create new business opportunities and accelerate decision-making over operational matters.

(v) Introducing the new team-based delivery approach will save staff time in internal reviews and processes. Staff involved in selected compliance functions will directly support operations, strengthening operations teams. Business process rationalization, supported by new systems, will also save staff time and increase effectiveness. The scale of the savings will be assessed during the development of the new business processes.

V. CONCLUSION

166. ADB is about to transform the way it operates by building on its strengths, guided by Strategy 2030. The objective is that ADB remains relevant to Asia and the Pacific, becomes a stronger driver of development, and an even closer and more responsive partner to DMCs. The changes in ADB’s operating environment, and its strategic response, require an operating model that accelerates four shifts: providing highly effective and client centric solutions, becoming a driver for PSD, addressing climate change, and promoting new ways of working. The new operating model aims to accelerate these shifts, making it easier for ADB staff to deliver the most impactful development solutions to ADB’s clients. These reforms are essential and timely. With them, ADB will be better equipped to respond to the challenging tasks it has set for itself.

VI. RECOMMENDATION

167. The President recommends that the Board of Directors (i) endorse the new operating model described in paras. 36 to 146 and (ii) approve, pursuant to Article 35.1 of the Agreement Establishing the Asian Development Bank, the redesignation and reassignment of the authority, functions, and duties of the vice-presidents, as set in para. 113.
PROPOSED DEPARTMENT-LEVEL ORGANIZATIONAL ARRANGEMENTS

PPP = public–private partnership.

* Operational services also represented in the regional and country management teams.

OPTIONS REVIEW

A. Lessons from Evaluation and Review

1. The Independent Evaluation Department (IED) carried out several corporate, sector, and thematic evaluations of the Asian Development Bank (ADB) during 2018–2022. Some of the findings and recommendations are presented in the following paragraphs.

2. Two evaluations reviewed the organization for its suitability to deliver Strategy 2030. Knowledge Solutions for Development, a thematic evaluation conducted in 2020, considered ADB’s ability to add value through greater integration of knowledge in its financial support. The review found ADB to be responsive to government requests and have good access to technical assistance consultants to develop sophisticated knowledge solutions. However, strong operational silos across the five regional departments and two nonsovereign units and small team sizes hampered the flow of knowledge across the institution. The 2022 corporate evaluation on One ADB considered ADB’s approach to promoting collaboration, particularly for developing integrated solutions. The review found variable results in ADB’s delivery of integrated solutions because the organizational structure, business processes, and reporting lines limited their development. It identified a country divide between sovereign, nonsovereign, and advisory operations, with cultural differences impeding greater collaboration. The review found a mismatch between ADB’s organizational structure and its strategy, which could be addressed in various ways. IED recommended that ADB strengthen the corporate coherence of the One ADB approach by developing an explicit road map of institutional reforms; establishing a dedicated change management team responsible for coordinating reforms; and strengthening the country-focused model through a matrix approach and better collaboration at the country level, particularly accelerating the integration of private sector staff into the country-level matrix.

3. In 2021, IED reviewed ADB’s support for action on climate change during 2011–2020. It found that ADB had strongly supported its developing member countries (DMCs) by doubling its climate finance and strengthened its strategic approach over the period. It recommended that ADB raise its ambition by having specific regional and sector targets, increasing country climate diagnostics, leveraging its financial resources, and strengthening staff skills and senior-level coordination. Three sector evaluations—agriculture, natural resources, and rural development (2018); energy (2020); and transport (2020)—found ADB’s results to be largely positive in addressing poverty and promoting gender equality but relatively weak in tackling climate change and environmental issues and in strengthening governance and institutional capacity. Sector operational plans had limited effectiveness in providing guidance to operations because ADB-wide sector priorities were weakly integrated into country partnership strategies.

4. The Review of ADB’s Resident Mission Operations (2020) found ADB’s efforts to expand resident missions had substantially contributed to ADB’s development impact, country focus, responsiveness for sovereign operations, organizational effectiveness, and cost efficiency. The

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role of resident missions in developing ADB’s knowledge of local development issues has strengthened the institution. DMCs appreciate the role resident missions play in developing strong relationships with ADB. The review recommended a new governance framework in the field to facilitate collaborative work by strengthening the role of country management teams, comprising staff from multiple operations departments, and defining common country work plans; empowering resident missions over client engagement and programming tasks while strengthening connections between locally and internationally recruited staff along job families; better empowering staff in the field; continuing efforts to manage a greater share of operations in the field; and developing regional operations centers. The review assessed that its recommendations could only bring partial solutions to the identified structural issues and should be examined under a follow-on initiative.

B. Comparisons with Other Multilateral Development Banks

5. Other multilateral development banks (MDBs) have been transforming as they faced similar external constraints, such as changing DMC needs and available options, more complex development challenges requiring integrated solutions and responsiveness, and a greater private sector role in economies. Although there is no single approach, some common trends exist. Other banks have adopted matrix structures to combine the need for a country focus while developing sector depths. Regional development banks have all consolidated their sector specialists to create critical mass, and several MDBs have decentralized to a higher degree than ADB to increase client centricity and responsiveness. The African Development Bank and the European Bank for Reconstruction and Development, which both have a single balance sheet for sovereign and nonsovereign operations like ADB, have integrated their public and private operations at the sector and country level. Some MDBs with separate institutions, such as the World Bank and the International Finance Corporation and the Inter-American Development Bank and IDB Invest, have developed mechanisms for coordination and collaboration at the country level.

6. Organizational changes are complex and can take several years. The experience of other MDBs and the private sector shows staff support for the reforms is weaker when organizational reforms are combined with expenditure cuts. Some of the factors for success include (i) an adequate implementation time frame with a sequenced plan, (ii) a transformation office active throughout planning and implementation to coordinate multiple initiatives, (iii) effective communication with staff and stakeholders, and (iv) extensive change management.

C. Options Considered

7. Different operating models and enabling organizational structures were considered as key ingredients of a transformation initiative. Each option was evaluated against the priorities for change and the desired capabilities identified in paras. 6–30 of the main text. This exercise focused primarily on the organization of the operations departments, which are the groups delivering solutions to DMC clients.

1. Optimizing ADB’s Current Structure

8. A starting option, and the default against which any alternative should be assessed, is to leverage ADB’s current structure to the maximum extent. This option avoids structural change. Instead it relies on a comprehensive suite of nonstructural measures, such as process changes, to renew ADB’s operating model and enhance its performance. In so doing, ADB would build on reform initiatives already underway, including recent pilots and experiments with new operational approaches, and adopt observed best practices among peer MDBs.
9. The nonstructural reforms would include (i) strengthened interfaces for coordination and alignment between the regional departments, the Private Sector Operations Department (PSOD), and the Office of Public–Private Partnership (OPPP) in operational planning and delivery; (ii) agile resource management to more easily deploy staff between departments to share expertise; (iii) fewer and stronger ADB-wide sector groups with the additional responsibilities of managing the career of sector and thematic staff and providing more quality oversight; (iv) decentralization, with more staff in the field, particularly in country management teams; and (v) business process streamlining.

10. This approach would preserve the success factors of ADB’s structure, including its strong country and regional focus, while addressing specific challenges with targeted changes. It would lower implementation costs and mitigate some risks that might arise from more significant structural changes.

11. However, this approach does not go far enough in addressing the challenges observed from ADB’s structure. As concluded by the Review of ADB’s Resident Mission Operations, nonstructural changes alone are unlikely to resolve the fragmentation of sector expertise; silos between sovereign, nonsovereign, and advisory teams; and internal resource competition. Such an approach would put the delivery of Strategy 2030 at risk.

2. East and West Option

12. A limited variation on ADB’s structure would group sovereign, nonsovereign, and advisory operations into two regional complexes, east and west, along the geographic lines of the current operations groups 1 and 2. Each complex would be overseen by a vice-president and consist of (i) regional departments with a sovereign focus, (ii) a private sector department (i.e., PSOD East and PSOD West), (iii) a public–private partnership (PPP) advisory department (i.e., OPPP East and OPPP West), and (iv) resident missions with reporting lines to all groups in their complex. Outside of the regional complexes, support departments would provide specialized technical inputs or house operations groups that are too small to be divided.

13. This option aims to preserve some qualities of ADB’s structure—in particular, a well-established regional department setup—while aiming to encourage sovereign–nonsovereign–advisory synergies under a common regional vice-president. Resident missions would be more product-agnostic, with country directors driving stronger connections between sovereign operations, nonsovereign operations, and advisory operations within their regional complex. With only limited structural changes, this option may carry fewer implementation risks.

14. Nonetheless, it does not appear that an east–west model would solve the fragmentation of sector expertise across regional departments and the Sustainable Development and Climate Change Department; in fact, it may worsen the fragmentation of nonsovereign and advisory staff by creating parallel private sector and PPP advisory departments. While the east–west construct may bring about synergies within each region, it could introduce new geographic silos. Finally, without other changes to the ways of working, this model would rely heavily on country directors as the main interface for cross-product coordination, which may not be effective.

3. Functional Structure

15. A functional model option would redefine the roles of operations staff into two broad categories: (i) client service and project managers in regional departments; and (ii) sector and
products experts in a technical complex of sector, thematic, and product departments. Under this option, staff would collaborate per project to deliver client solutions: client managers in the regional departments would oversee relationships, set programming and project design, and coordinate delivery; staff in the technical complex would provide project-by-project inputs into solutions delivery and quality assurance. A key principle of this option is that staff could collaborate flexibly as project needs dictate.

16. Knowledge organizations have adopted variations of this model with some success. Under the right conditions, a functional model can promote expertise by allowing technical staff greater room to specialize. This option may also foster institutional agility, allowing resources to “flow to work”6 and enabling teams to be combined in new ways. It can also introduce more differentiated career pathways for operations staff, including national staff, to promote employee experience and growth.

17. This option poses specific challenges in ADB’s context. Redefining operational roles marks a sharp departure from the current setup; operations staff would face a binary distinction between client-facing and technical functions. While aiming to drive technical excellence, separating experts from the day-to-day client interface could diminish ADB’s reputation of expertise. ADB-wide initiatives on climate change and other operational priorities may be harder to implement because local considerations may trump sector ones.

4. Integrated Structure Options

18. In an integrated model combining regional and functional groupings, regional departments would serve as One ADB channels to integrate delivery across all ADB solutions and to reconcile country, thematic, and sector priorities. They would work with staff assigned from (i) a solutions complex, which is accountable for delivery and comprises sector, thematic, private sector, and PPP departments; and (ii) other support functions, in areas such as safeguards, economic analysis, and procurement. As currently, regional departments would be organized around sector teams and involve a substantial field presence. However, staff would have their administrative base in the solutions and support departments.

19. ADB considered several variations of integrated models. In its simplest form, staff from technical and sector departments would be assigned formally to regional departments on a fixed multiyear term. These assignments would be reset periodically as needs dictated. A drawback is that coordination over staffing would be harder and regional silos would remain. A more flexible version—reflected in the final recommended design—notionally assigned managers and some teams to a regional department but with variability regarding their term and function.

20. Integrated models offer attractive advantages. One ADB regional departments will preserve a strong country focus while mobilizing a broad suite of ADB solutions, including sovereign, nonsovereign, and advisory products. Strong sector and thematic departments would facilitate greater technical specialization and knowledge sharing and, by deploying pooled staff across regional departments, more consistent bank-wide approaches. A model allocating staff dynamically to meet changing client needs would also increase institutional agility.

21. The integrated model creates an increased degree of managerial complexity. Sector, thematic, or support managers deployed to regional departments would have multiple supervisors, each with specified decision rights, requiring an adjustment to decision-making practices and

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6 A “flow to work” model is where a team of people in an agile model of organization flow towards work.
behaviors. Priority-setting, resourcing, and performance management would require new institutional coordination capabilities. New ways of working more collaboratively will be required.
## DESIRED SHIFTS AND RESPONSES

### Solutions Shift

Expected outcome: ADB’s role as Asia and the Pacific’s solutions bank is elevated by delivering high impact, innovative, knowledge-intensive, and integrated solutions

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Resident missions structurally focus on sovereign operations because the structure places them in a regional department that focuses on sovereign operations. This limits their ability to bring the best combination of public, private sector, knowledge, and advisory services that ADB’s clients need.</td>
<td>1. Widen the remit of ADB resident missions and regional departments to lead ADB-wide engagement.</td>
</tr>
<tr>
<td>2. Insufficient development and use of expertise across five regions, the Private Sector Operations Department, the Office of Public–Private Partnership, and SDCC has led to insufficient knowledge flows. This limits the quality of knowledge and projects brought to clients and inhibits ADB from driving reforms in DMCs through its programming.</td>
<td>2. Organize all sector staff into ADB-wide sectors to (i) bring ADB-wide expertise to clients, (ii) enable greater specialization in sectors, (iii) increase knowledge flows between regions and between the resident missions and headquarters, and (iv) improve quality.</td>
</tr>
<tr>
<td>3. Research, knowledge, and innovation are separated from operations in the Economic Research and Regional Cooperation Department and SDCC.</td>
<td>3. Establish the Office of Markets Development and PPP, which will work with regions to optimally use ADB products, conduct upstream and advisory activities, and support private capital mobilization.</td>
</tr>
<tr>
<td>4. Operational staff are incentivized to deliver on volume over quality, lacking time for knowledge work and collaboration over complex, integrated solutions.</td>
<td>4. Strengthen connections between research, regional, country, and sector economists, under a refocused ERDI, with support from new regional lead economists.</td>
</tr>
<tr>
<td>5. Establish an ADB-wide development impact assessment method to provide all staff with a clear common goal.</td>
<td>5. Establish an ADB-wide development impact assessment method to provide all staff with a clear common goal.</td>
</tr>
<tr>
<td>7. Keep rebalancing staff and TA consultant resources to unlock greater knowledge capability.</td>
<td></td>
</tr>
</tbody>
</table>
Climate Change Shift

Expected outcome: ADB’s ambition to be Asia and the Pacific’s climate bank is realized by leading climate action and near doubling its annual climate financing

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No single person is accountable for key cross-cutting results such as climate.</td>
<td>1. Revamp ADB’s governance structure, featuring a strengthened Management Committee and an HOD-level collaborative platform to strategically lead ADB toward climate and other key priorities.</td>
</tr>
<tr>
<td>2. Orienting departments’ efforts and resources toward corporate priorities and common objectives is difficult.</td>
<td>2. Modernize resource management processes by closely aligning bank-wide strategic priorities, KPIs, and resources.</td>
</tr>
<tr>
<td>3. ADB has been unable to engage in substantial policy dialogue on climate change with DMCs or systematically consider climate when developing country programs.</td>
<td>3. Establish a new Climate Change and Sustainable Development Department and a senior director for climate change and resilience.</td>
</tr>
<tr>
<td>4. ADB climate specialists are structurally separated from operations, limiting their contribution to operations.</td>
<td>4. Reorganize climate staff into a single job family; provide operational and policy support; and embed staff in sectors, regions, and country offices.</td>
</tr>
<tr>
<td>5. ADB does not have enough climate specialists, economists, or sector specialists with the capacity to identify and deliver on future public transport, clean energy, and other climate-friendly projects.</td>
<td>5. Task the new sector offices with developing business and HR plans toward their medium-term climate targets.</td>
</tr>
<tr>
<td>6. ADB has limited ways to implement innovative multiproduct approaches for climate change; coordination between departments is challenging.</td>
<td>6. Assign a new mandate around climate change development economics and country diagnostics to the refocused ERDI.</td>
</tr>
<tr>
<td></td>
<td>7. Use upstream engagement, policy-based lending, and results-based lending to reorient pipeline and design projects with mitigation and/or adaptation as the primary focus.</td>
</tr>
<tr>
<td></td>
<td>8. Keep rebalancing staff and TA consultant resources to unlock greater knowledge capability.</td>
</tr>
</tbody>
</table>
### Private Sector Development Shift

**Expected outcome:** ADB’s role as a catalyst for the private sector is strengthened by spurring greater private sector participation in the development of Asia and the Pacific and developing capabilities for private sector development and capital mobilization

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. More sophisticated collaboration between public, private, and advisory activities is needed to mobilize larger-scale private sector financing and meet DMCs’ growing private sector development needs. Coordination varies, however, hampered by structural and process limitations.</td>
<td>1. Assign teams of sector and private sector staff to resident missions tasked with developing integrated country programs and approaches under country directors’ guidance.</td>
</tr>
<tr>
<td>2. Few bank-wide decision forums span across sovereign, nonsovereign, and advisory operations.</td>
<td>2. Assign private sector and advisory targets to the new One ADB regional departments, empowering the One ADB regional director general to coordinate business planning and resource allocation of sector, private sector industry, and advisory regional managers with the support of a new regional PSD head.</td>
</tr>
<tr>
<td>3. Resources and ADB’s risk appetite are mismatched for a rapid scale-up of private sector financing and advisory activities.</td>
<td>3. Empower One ADB resident missions to engage in dialogue with DMCs to develop country road maps for PSD and coordinate the delivery of upstream (e.g., policy reform, enabling environment), midstream (e.g., project preparation, bankability), and downstream (e.g., nonsovereign financing) activities.</td>
</tr>
<tr>
<td>4. ADB does not have a holistic program approach to private sector development, creating a fragmented, reactive, and sometimes misaligned approach to these key areas.</td>
<td>4. Expand the scope of transaction advisory services in OMDP to cover other areas where advisory or preparation support can be used to prepare projects for nonsovereign financing.</td>
</tr>
<tr>
<td>5. Few operations and support staff and managers have both sovereign and nonsovereign expertise. The skills gap is most pronounced in private sector financing and private sector development.</td>
<td>5. Keep expanding internal capability to deliver nonsovereign operations in line with ADB’s operational targets.</td>
</tr>
<tr>
<td>6.</td>
<td>6. Modernize business processes for private sector transactions to cut processing times and increase efficiency, in line with market expectations.</td>
</tr>
<tr>
<td>7.</td>
<td>7. Gradually merge sovereign and nonsovereign teams into combined sector offices to maximize synergies and provide seamless support to DMCs.</td>
</tr>
</tbody>
</table>
## Ways of Working Shift

**Expected outcomes**: ADB becomes more efficient, agile, and collaborative. Staff are empowered to deliver value and impact by moving closer to clients.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Most ADB managers and sector staff are located far from clients, and team leaders in resident missions process only 20% of projects. This limits ADB’s ability to produce innovative approaches matching local needs.</td>
<td>1. Sustain ADB’s digital transformation (Digital Agenda 2030).</td>
</tr>
<tr>
<td>2. Top-down business processes focus excessively on compliance, slowing the bank down and making it harder to deliver complex and innovative solutions.</td>
<td>2. Decentralize. Strengthen selected resident missions so they can fully lead country partnership strategy implementation. In the medium term, develop regional operations centers housing sector managers, potentially having 50% of projects processed close to clients.</td>
</tr>
<tr>
<td>3. Internal incentives worsened by rigid human resource and budgetary processes and siloed structures have led to a lack of agility and collaboration, with staff fixed to home units with insufficient sharing.</td>
<td>3. Establish a new project delivery approach. Replace the outdated heavy interdepartmental commenting process with the systematic use of One ADB teams and empower project teams to implement projects. The new ADB-wide sectors will enable a more value-adding quality review.</td>
</tr>
<tr>
<td>4. Employee value proposition and career pathways are underdeveloped, making it harder to attract, motivate, and effectively use ADB’s staff talent.</td>
<td>4. Improve all operations support, working within One ADB teams to make it easy to deliver complex projects, accelerate delivery to clients, and free up team leader time for new value-adding tasks.</td>
</tr>
<tr>
<td>5. Modernize ADB’s job architecture, supporting an inclusive work environment and clearer career paths for all staff, including national and administrative staff.</td>
<td>5. Make collaborating across ADB even easier, with new staff assignment and activity planning systems, wider feedback in performance management, and supporting incentives.</td>
</tr>
</tbody>
</table>

**Source**: Asian Development Bank.
SECTOR AND THEMATIC COVERAGE

A. Current Setup

1. The Asian Development Bank has seven sector groups and eight thematic groups (Table A4.1), which are communities of practice of staff with a particular expertise and interest.1

<table>
<thead>
<tr>
<th>Table A4.1: Current List of Sector and Thematic Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector Groups</strong></td>
</tr>
<tr>
<td>1. Education</td>
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<tr>
<td>2. Energy</td>
</tr>
<tr>
<td>3. Finance</td>
</tr>
<tr>
<td>5. Transport</td>
</tr>
<tr>
<td>6. Urban</td>
</tr>
<tr>
<td>7. Water</td>
</tr>
<tr>
<td>8. Social development</td>
</tr>
</tbody>
</table>


2. The Sustainable Development and Climate Change Department also includes the following groups under its thematic advisory service cluster:
   (i) Digital Technology for Development Unit,
   (ii) fragile and conflict-affected situations and small island developing states, and
   (iii) NGO and Civil Society Center.

3. Each regional department includes divisions covering sector and thematic areas. Larger departments have the following setup:2
   (i) Energy Division;
   (ii) Environment, Natural Resources, and Agriculture Division;
   (iii) Human and Social Development;
   (iv) Public Management, Financial Sector, and Trade Division;
   (v) Transport and Communications Division;
   (vi) Regional Cooperation and Operations Coordination Division; and
   (vii) Urban Development and Water Division.

4. The Private Sector Operations Department (PSOD) is organized along sector, product, and functional lines. Sector operations are conducted primarily by the divisions covering infrastructure (two divisions organized by geography), financial institutions, and private equity investments; and units covering agribusiness, trade and supply chain finance, venture investment, and social sectors.3

B. New Setup

5. The Sectors Group will have seven sector offices, and the Climate Change and Sustainable Development Department will include five themes (Table A4.2). The management of

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1 The Office of Public–Private Partnership houses the secretariat of the public–private partnership thematic group, and the Sustainable Development and Climate Change Department houses the secretariat of the other groups.

2 Central and West Asia Department, South Asia Department, and Southeast Asia Department. The Central and West Asia Department has a Social Sector Division instead of a Human and Social Development Division. The East Asia Department and the Pacific Department have some divisions combining several sectors.

3 Thematic support is provided under the Private Sector Transaction Support Division for gender and the PSOD front office for climate finance.
the new departments will determine the exact coverage of each sector and thematic grouping. PSOD will review its internal structure to align with the sector structure.

Table A4.2: New List of ADB-Wide Sectors and Themes

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture, food, nature, and rural development</td>
<td>1. Climate change and resilience (covering climate change, disaster risk management, and environmental sustainability)</td>
</tr>
<tr>
<td>2. Energy</td>
<td>2. Transition states and engagement (including FCAS, SIDS, engagement with nongovernment organizations and civil society, and political and economic fragility)</td>
</tr>
<tr>
<td>3. Finance</td>
<td>3. Digital technology for development</td>
</tr>
<tr>
<td>4. Human and social development (covering education, health, and social development)</td>
<td>4. Gender</td>
</tr>
<tr>
<td>5. Public sector management and governance</td>
<td>5. Regional cooperation and integration, and trade</td>
</tr>
<tr>
<td>6. Transport</td>
<td></td>
</tr>
<tr>
<td>7. Urban development and water</td>
<td></td>
</tr>
</tbody>
</table>

FCAS = fragile and conflict-affected situations, SIDS = small island developing states. Note: Coordination mechanisms will be created for areas cutting across more than one sector, such as water management (covering water and sanitation, and water resources management). Source: Asian Development Bank.
TERMS OF REFERENCE OF VICE-PRESIDENTS

TERMS OF REFERENCE
VICE-PRESIDENT
(SOUTH ASIA, CENTRAL AND WEST ASIA)

1. Reporting to the President, the Vice-President for South Asia and Central and West Asia is a member of the Management team with the principal responsibility of supporting the President in managing the Asian Development Bank (ADB), overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas.

2. They should have a high level of commitment to the bank’s Charter, including Article 36 para. 3, which requires that the President, vice-president(s), officers, and staff, in the discharge of their offices, “owe their duty entirely to the Bank and to no other authority.” They shall abide by the bank’s Charter, policies, and rules in effect from time to time.

3. They shall attend meetings of the Management Committee, which advises and supports the President and serves as the principal forum for management coordination and decision-making. The committee comprises the President (as Chair), vice-presidents, managing director general, and other members as may be determined by the President.

4. They will be specifically responsible for the overall management of the operations of the South Asia Department (SARD) and the Central and West Asia Department (CWRD). They are expected to deliver ADB’s strategic agenda in their areas of responsibility and provide leadership in enhancing ADB’s efficiency, effectiveness, and development impact in those areas.

5. In particular, the vice-president will
(i) ensure that country strategies and programs, and regional departmental targets are aligned with ADB’s strategic agenda and ADB-wide targets;
(ii) ensure that these programs are adequately resourced within the allocation of financing and technical assistance resources approved by the President, and adjust these, as needed;
(iii) regularly monitor regional work programs;
(iv) coordinate with the Vice-President (Market Solutions) and Vice-President (Sectors and Themes) on the sector, thematic, and private sector development agendas and initiatives in the regions; and advance the integrated delivery of the full suite of ADB sovereign, nonsovereign, and advisory solutions in South Asia and Central and West Asia;
(v) provide Management guidance on sovereign and nonsovereign projects including chairing quality assurance meetings as necessary;
(vi) chair interdepartmental committees set up for specific tasks, singly or jointly;
(vii) undertake representational and external relations work in South Asia and Central and West Asia and in international gatherings;
(viii) recommend to the President the performance rating and the evaluation of heads of departments under their supervision;
(ix) recommend to the President the annual salary increases and other remuneration components of each head of department concerned;
(x) act as a member of the selection panels that recommend the selection of directors to the President;
(xi) provide advice to the President in the selection of the heads and/or deputy heads of the departments concerned; and
(xii) provide other advice and assistance to the President and carry out other duties as may be requested by the President or required by the processes of the bank in effect from time to time.

6. SARD and CWRD lead engagement and oversee the implementation of ADB’s strategic agenda in the developing member countries (DMCs) they cover. They coordinate ADB’s capabilities to provide comprehensive programs and solutions to DMCs that maximize the efficiency, effectiveness, and development impact of ADB operations in DMCs. They are responsible for country and regional DMC engagement and client relationships, country partnership strategies, the programming of sovereign operations and knowledge services, the guiding of origination priorities for nonsovereign and advisory operations, the programming and coordinating of private sector development activities, and the monitoring of implementation programs, among other things.


9. The aforementioned functions may be adjusted from time to time subject to further instruction from the President. Departments and offices covered by the vice-president may be changed by the President, as necessary, upon approval by the Board.
TERMS OF REFERENCE
VICE-PRESIDENT
(EAST ASIA, SOUTHEAST ASIA, THE PACIFIC)

1. Reporting to the President, the Vice-President for East Asia, Southeast Asia, and the Pacific is a member of the Management team with the principal responsibility of supporting the President in managing the Asian Development Bank (ADB), overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas.

2. They should have a high level of commitment to the bank’s Charter, including Article 36 para. 3, which requires that the President, vice-president(s), officers, and staff, in the discharge of their offices, “owe their duty entirely to the Bank and to no other authority.” They shall abide by the bank’s Charter, policies, and rules in effect from time to time.

3. They shall attend the meetings of the Management Committee, which advises and supports the President and serves as the principal forum for management coordination and decision-making. The committee comprises the President (as Chair), vice-presidents, managing director general, and other members as may be determined by the President.

4. They will be specifically responsible for the overall management of the operations of the East Asia Department (EARD), the Southeast Asia Department (SERD), and the Pacific Department (PARD). They are expected to deliver ADB’s strategic agenda in their areas of responsibility and provide leadership in enhancing ADB’s efficiency, effectiveness, and development impact in those areas.

5. In particular, the vice-president will
   (i) ensure that country strategies and programs, and regional departmental targets are aligned with ADB’s strategic agenda, and ADB-wide targets;
   (ii) ensure that these programs are adequately resourced within the allocation of financing and technical assistance resources approved by the President, and adjust these, as needed;
   (iii) regularly monitor regional work programs;
   (iv) coordinate with the Vice-President (Market Solutions) and Vice-President (Sectors and Themes) on the sector, thematic, and private sector development agendas and initiatives in the regions; and advance the integrated delivery of the full suite of ADB sovereign, nonsovereign, and advisory solutions in the regions;
   (v) provide Management guidance on sovereign and nonsovereign projects including chairing quality assurance meetings as necessary;
   (vi) chair interdepartmental committees set up for specific tasks, singly or jointly;
   (vii) undertake representational and external relations work in East Asia, Southeast Asia and the Pacific and in international gatherings;
   (viii) recommend to the President the performance rating and evaluation of heads of departments under their supervision;
   (ix) recommend to the President the annual salary increases and other remuneration components of each head of department concerned;
   (x) act as a member of the selection panels that recommend the selection of directors to the President;
   (xi) provide advice to the President in the selection of the heads and/or deputy heads of the departments concerned; and
(xii) provide other advice and assistance to the President and carry out other duties as may be requested by the President or required by the processes of the bank in effect from time to time.

6. EARD, SERD, and PARD lead engagement and oversee the implementation of ADB’s strategic agenda in the developing member countries (DMCs) they cover. They coordinate ADB’s capabilities to provide comprehensive programs and solutions to DMCs that maximize the efficiency, effectiveness, and development impact of ADB operations in DMCs. They are responsible for country and regional DMC engagement and client relationships, country partnership strategies, the programming of sovereign operations and knowledge services, the guiding of origination priorities for nonsovereign and advisory operations, the programming and coordination of private sector development activities, and the monitoring of implementation programs, among other things.

7. Members covered by EARD comprise the People’s Republic of China; Hong Kong, China; Republic of Korea; Mongolia; and Taipei, China. The People’s Republic of China Resident Mission and the Mongolia Resident Mission are included in the department.


10. The aforementioned functions may be adjusted from time to time subject to further instruction from the President. Departments and offices covered by the vice-president may be changed by the President, as necessary, upon approval by the Board.
1. Reporting to the President, the Vice-President for Market Solutions is a member of the Management team with the principal responsibility of supporting the President in managing the Asian Development Bank (ADB), overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas.

2. They should have a high level of commitment to the bank’s Charter, including Article 36 para. 3, which requires that the President, vice-president(s), officers, and staff, in the discharge of their offices, “owe their duty entirely to the Bank and to no other authority.” They shall abide by the bank’s Charter, policies, and rules in effect from time to time.

3. They shall attend the meetings of the Management Committee, which advises and supports the President and serves as the principal forum for management coordination and decision-making. The committee comprises the President (as Chair), vice-presidents, managing director general, and other members as may be determined by the President.

4. They will be specifically responsible for the overall management of the operations of the Private Sector Operations Department (PSOD) and the Office of Markets Development and Public–Private Partnership (OMDP). They are expected to deliver ADB’s strategic agenda in their areas of responsibility and provide leadership in enhancing ADB’s efficiency, effectiveness, and development impact in those areas.

5. In particular, the vice-president will
   (i) ensure that the strategies, programs, and targets for PSOD and OMDP are aligned with regional operations needs, ADB’s strategic agenda, and ADB-wide targets;
   (ii) ensure that resource allocations for PSOD and OMDP regarding country strategies and regional work programs are sufficient to enable PSOD and OMDP to deliver against their targets;
   (iii) coordinate with the regional vice-presidents and the vice-president for sectors and themes on the private sector development agendas and initiatives in the regions;
   (iv) regularly monitor annual work plans within their functional responsibility;
   (v) provide guidance on policies and directions in their areas of responsibility;
   (vi) provide Management guidance on nonsovereign and advisory operations including chairing quality assurance meetings as necessary;
   (vii) chair interdepartmental committees set up for specific tasks, singly or jointly;
   (viii) undertake representational and external relations work in their functional areas and in international gatherings;
   (ix) recommend to the President the performance rating and evaluation of heads of the department and office under their supervision;
   (x) recommend to the President the annual salary increases and other remuneration components of each head of department and office concerned;
   (xi) act as a member of the selection panels that recommend the selection of directors to the President;
   (xii) provide advice to the President in the selection of the heads and/or deputy heads of the department and office concerned; and
   (xiii) provide such other advice and assistance to the President and carry out such other duties as may be requested by the President or required by the processes of the bank in effect from time to time.
6. PSOD utilizes ADB’s financial resources to promote and drive private sector participation in Asia and the Pacific’s development and supports the leveraging of private sector funds for development. The department is responsible for private sector operational plans, leading lending and investment operations for nonsovereign clients in line with regional work programs, mobilizing third-party cofinancing, leveraging blended concessional finance, managing the bank’s private sector portfolio, and providing financial structuring and transaction technical support on commercial matters.

7. OMDP aims to enhance the role of ADB in supporting and enabling developing member countries to secure greater private investment and generate private sector-led growth in Asia and the Pacific. OMDP will provide market-facing advisory services for clients leading to private investment, serve as a public–private partnership thematic and knowledge nexus, and act as a bank-wide advocate for private sector development. OMDP will help develop markets and engage in advocacy and capacity building, creating an enabling environment, project preparation and structuring, and mobilizing project financing.

8. The aforementioned functions may be adjusted from time to time subject to further instruction from the President. Departments and offices covered by the vice-president may be changed by the President, as necessary, upon approval by the Board.
TERMS OF REFERENCE
VICE-PRESIDENT
(SECTORS AND THEMES)

1. Reporting to the President, the Vice-President for Sectors and Themes is a member of the Management team with the principal responsibility of supporting the President in managing the Asian Development Bank (ADB), overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas.

2. They should have a high level of commitment to the bank’s Charter, including Article 36 para. 3, which requires that the President, vice-president(s), officers, and staff, in the discharge of their offices, “owe their duty entirely to the Bank and to no other authority.” They shall abide by the bank’s Charter, policies, and rules in effect from time to time.

3. They shall attend the meetings of the Management Committee, which advises and supports the President and serves as the principal forum for management coordination and decision-making. The committee comprises the President (as Chair), vice-presidents, managing director general, and other members as may be determined by the President.

4. They will be specifically responsible for the overall management of the operations of the Sectors Group and the Climate Change and Sustainable Development Department (CCSD). They are expected to deliver ADB’s strategic agenda in their areas of responsibility and provide leadership in enhancing ADB’s efficiency, effectiveness, and development impact in those areas.

5. In particular, the vice-president will
   (i) ensure that the strategies, programs, and targets for the Sectors Group and CCSD are aligned with regional operations needs, ADB’s strategic agenda, and ADB-wide targets;
   (ii) ensure that resource allocations for the Sectors Group and CCSD in relation to country strategies and regional work programs are sufficient to enable the Sectors Group and CCSD to deliver on their targets;
   (iii) coordinate with the regional vice-presidents and the vice-president for market solutions on sector and thematic agendas and initiatives in the regions;
   (iv) regularly monitor annual work plans within their functional responsibility;
   (v) provide guidance on policies and directions in their areas of responsibility;
   (vi) ensure effective cooperation with other institutions in sustainable development and help establish ADB as a respected voice in the development community;
   (vii) oversee the effective operation of the Sectors Group and CCSD to facilitate smooth ADB-wide knowledge sharing, staff development, and learning in these areas;
   (viii) oversee the effective operation of ADB’s climate change program;
   (ix) chair interdepartmental committees set up for specific tasks, singly or jointly;
   (x) undertake representational and external relations work in their functional areas and in international gatherings;
   (xi) recommend to the President the performance rating and evaluation of heads of the group and department under their supervision;
   (xii) recommend to the President the annual salary increases and other remuneration components of each head of the group and department concerned;
   (xiii) act as a member of the selection panels that recommend directors to the President;
   (xiv) provide advice to the President in the selection of the heads and/or deputy heads of the group and department concerned; and
(xv) provide such other advice and assistance to the President and carry out such other duties as may be requested by the President or required by the processes of the bank in effect from time to time.

6. The Sectors Group aim to deliver sector policy dialogues as well as initiatives and solutions that advance ADB’s strategic agenda in the region and with ADB’s clients. The Sectors Group is responsible for (i) conceptualizing, processing, and administering financial and technical assistance operations and delivering knowledge services to clients; (ii) supporting resident missions in their country engagement, leading technical work on sector diagnostics, sector road maps, and contributing to business development efforts; and (iii) ensuring ADB’s technical leadership externally and internally. The Sectors Group comprises the following sector offices: (i) agriculture, food, nature, and rural development; (ii) energy; (iii) finance; (iv) human and social development covering health, education, and the social development agenda; (v) public sector management and governance; (vi) transport; and (vii) water and urban development.

7. CCSD aims to provide coherent approaches to ADB’s crosscutting priorities. It has three key responsibilities: (i) setting strategic directions in these areas and monitoring achievements, (ii) integrating thematic priorities into ADB’s operations, and (iii) engaging and convening external partners on thematic issues. CCSD comprises the following themes: climate change and resilience covering climate change, disaster risk management, and environmental sustainability; gender; transition states and engagement; digital technology for development; and regional cooperation and integration.

8. The composition of sectors and themes of ADB assistance will be periodically reviewed and may change from time-to-time.

9. The aforementioned functions may be adjusted from time to time subject to further instruction from the President. Departments and offices covered by the vice-president may be changed by the President, as necessary, upon approval by the Board.
TERMS OF REFERENCE
VICE-PRESIDENT
(FINANCE AND RISK MANAGEMENT)

1. Reporting to the President, the Vice-President for Finance and Risk Management is a member of the Management team with the principal responsibility of supporting the President in managing the Asian Development Bank (ADB), overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas.

2. They should have a high level of commitment to the bank’s Charter, including Article 36 para. 3, which requires that the President, vice-president(s), officers, and staff, in the discharge of their offices, “owe their duty entirely to the Bank and to no other authority.” They shall abide by the bank’s Charter, policies, and rules in effect from time to time.

3. They shall attend the meetings of the Management Committee, which advises and supports the President and serves as the principal forum for management coordination and decision-making. The committee comprises the President (as Chair), vice-presidents, managing director general, and other members as may be determined by the President.

4. They will be specifically responsible for the overall management of the operations of the Office of Risk Management (ORM), the Controller’s Department (CTL), and the Treasury Department. They are expected to deliver ADB’s strategic agenda in their areas of responsibility and provide leadership in enhancing ADB’s efficiency, effectiveness, and development impact in those areas.

5. In particular, the vice-president will
   (i) ensure effective and efficient support to ADB’s operations;
   (ii) ensure that departmental and office strategies, programs, and targets are aligned with ADB’s vision, mission, strategic agenda, and ADB-wide targets;
   (iii) provide guidance on policies and directions in their area of responsibility;
   (iv) chair interdepartmental committees set up for specific tasks, singly or jointly;
   (v) undertake representational and external relations work in their functional areas and in international gatherings;
   (vi) recommend to the President the performance rating and evaluation of the heads of departments and office under their supervision;
   (vii) recommend to the President the annual salary increases and other remuneration components of the heads of departments and office concerned;
   (viii) act as a member of the selection panels that recommend the selection of directors to the President;
   (ix) provide advice to the President in the selection of the heads and/or deputy heads of the departments and office concerned; and
   (x) provide such other advice and assistance to the President and carry out such other duties as may be requested by the President or required by the processes of the bank in effect from time to time.

6. ORM is a second line of defense that oversees and reports on all risks across the bank. ORM’s primary responsibilities include identifying and assessing credit, market, and operational risks in ADB’s balance sheet and operations. ORM is expected to promote a sound risk culture at ADB.
7. CTL’s primary responsibilities are (i) maintaining accounting records, systems, and policies and preparing ADB’s financial statements, while ensuring sound internal controls over financial transactions and reporting; (ii) managing and overseeing fiduciary controls over ADB’s disbursements for projects (loans, grants, technical assistances, and equity investments); and (iii) authorizing and processing payments of institutional administrative expenses.

8. The Treasury Department performs a strategic role in efficiently planning, mobilizing, and managing the bank’s finances with the view of protecting ADB’s solid financial standing to enable the bank to deliver on its developmental goals. The Treasury Department defines ADB’s asset and liability management policies on liquidity, income management, currency management, and loan pricing. It coordinates increases in ADB’s general capital and raises funds in capital markets. It also manages ADB’s investment portfolio to ensure the bank’s liquidity requirements are always met.

9. The aforementioned functions may be adjusted from time to time subject to further instruction from the President. Departments and offices covered by the vice-president may be changed by the President, as necessary, upon approval by the Board.
TERMS OF REFERENCE
VICE-PRESIDENT
(ADMINISTRATION AND CORPORATE MANAGEMENT)

1. Reporting to the President, the Vice-President for Administration and Corporate Management is a member of the Management team with the principal responsibility of supporting the President in managing the Asian Development Bank (ADB), overseeing activities and staff in their areas of responsibility, and acting on the President’s behalf in various areas.

2. They should have a high level of commitment to the bank’s Charter, including Article 36 para. 3, which requires that the President, vice-president(s), officers, and staff, in the discharge of their offices, “owe their duty entirely to the Bank and to no other authority.” They shall abide by the bank’s Charter, policies, and rules in effect from time to time.

3. They shall attend the meetings of the Management Committee, which advises and supports the President and serves as the principal forum for management coordination and decision-making. The committee comprises the President (as Chair), vice-presidents, managing director general, and other members as may be determined by the President.

4. They will be specifically responsible for the overall management of the operations of the Budget, People, and Management Systems Department (BPMSD); the Procurement, Portfolio, and Financial Management Department (PPFD); the Corporate Services Department (CSD); the Information Technology Department (ITD); and for administrative matters, the Office of the Secretary (SEC). They are expected to deliver ADB’s strategic agenda in their areas of responsibility and provide leadership in enhancing ADB’s efficiency, effectiveness, and development impact in those areas.

5. In particular, the vice-president will
   (i) ensure effective and efficient support to ADB’s operations;
   (ii) ensure that departmental strategies, programs, and targets are aligned with ADB's vision, mission, and strategic agenda and ADB-wide targets;
   (iii) provide guidance on policies and directions in their areas of responsibility;
   (iv) coordinate the institutional response to business continuity in case of emergency or crisis situations facing ADB;
   (v) chair interdepartmental committees set up for specific tasks, singly or jointly;
   (vi) undertake representational and external relations work in their functional areas and in international gatherings;
   (vii) recommend to the President the performance rating and evaluation of heads of departments under their supervision;
   (viii) recommend to the President the annual salary increases and other remuneration components of each head of department concerned;
   (ix) chair the selection panels that recommend the selection of directors to the President;
   (x) provide advice to the President in the selection of the heads and/or deputy heads of the departments and office concerned; and
   (xi) provide such other advice and assistance to the President and carry out such other duties as may be requested by the President or required by the processes of the bank in effect from time to time.

6. PPFD is responsible for (i) delivering procurement and financial management services in support of operations and ensuring compliance with related ADB policies and procedures; (ii)
assisting operations teams in the sound design and management of projects and programs; and (iii) setting and maintaining ADB's policies, procedures, and databases in such areas.

7. SEC’s responsibilities are (i) acting as liaison between the Board of Governors (BOG), Board of Directors (BOD), and staff members; (ii) providing secretariat services and advice on procedures for meetings of the BOG and BOD; (iii) planning and conducting the biennial election and any interim election of Executive Directors; (iv) processing applications for membership, withdrawal from membership, and changes in capital subscription; (v) serving as the official depository for agreements entered into by ADB; and (vi) keeping custody and administering the use of the seal of ADB.

8. BPMSD is responsible for managing the budget and human resources of ADB and providing advice and services in budget, staff position management, human resources, staff development, benefits, and compensation.

9. CSD provides a range of administrative services relating to building facilities and equipment; the procurement of goods and services; materials management; travel services; library and records management; communication facilities and services; safety and security; immunities and privileges accorded to ADB, its staff, and dependents; and liaison with the host government and other international organizations.

10. ITD manages ADB's information systems and telecommunications services required for the bank’s operational activities and knowledge exchange. ITD also partners with operational units to deliver ICT-related components of ADB programs and projects.

11. The aforementioned functions may be adjusted from time to time subject to further instruction from the President. Departments and offices covered by the vice-president may be changed by the President, as necessary, upon approval by the Board.
# CULTURE, SKILLS, AND PEOPLE REFORMS ROAD MAP

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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<tbody>
<tr>
<td>(Upon approval, until end 2023)</td>
<td>(2024)</td>
<td>(2025 and onwards)</td>
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<tr>
<td>Roll out the new organizational structure, including regional and country management teams</td>
<td>Focus on consolidation</td>
<td>Focus on scaling up gains</td>
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<tr>
<td>Work with Solutions complex to identify skills gap for Strategy 2030 implementation</td>
<td>Make any adjustments needed from early implementation of the new structure</td>
<td>Launch the new time-based resource management systems</td>
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<tr>
<td>Review and update the job grading structure and develop job families</td>
<td>Implement the job architecture review outcomes</td>
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<tr>
<td>Conduct a comprehensive review of the Performance Management Framework</td>
<td>Implement the performance management framework review outcomes</td>
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<tr>
<td>Enhance the mobility framework</td>
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<tr>
<td>Scale up staff development programs on change management</td>
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<td>Update human resources systems to reflect the new structure and support human resources reforms</td>
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<tr>
<td>Update relevant administrative orders</td>
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<td>Reallocate and adjust the 2023 budget and further assess the budget impact, including decentralization</td>
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<tr>
<td>Assess reward policies to ensure they support decentralization and the use of regional operational centers</td>
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<tr>
<td><strong>Actions starting in Phase 2 and continuing in Phase 3</strong></td>
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<tr>
<td>Deploy staff to implement decentralization</td>
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<tr>
<td>Roll out modernized human resources systems</td>
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<tr>
<td>Implement the enhanced mobility framework</td>
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<tr>
<td><strong>Ongoing initiatives rolled out in parallel to Phases 1 to 3</strong></td>
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<tr>
<td>Align and adjust skills requirements for Strategy 2030 implementation</td>
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<tr>
<td>Continue rebalancing staff resources and technical assistance consultants</td>
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<tr>
<td>Enhance the country director and deputy country director selection and placement process</td>
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<tr>
<td>Continue adapting leadership development programs to support the Culture Transformation Initiative (CTI) and principles of the organizational transformation, including the launch of a country director academy</td>
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<tr>
<td>Reskill and upskill staff to complement skills required for Strategy 2030 implementation, such as climate change training</td>
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<tr>
<td>Continue the rollout of CTI and implement identified CTI actions</td>
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<tr>
<td>Continue implementing modernized recruitment processes</td>
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</table>

Note: Timing is indicative and will be updated as the implementation of the organizational transformation progresses.