



ASIAN DEVELOPMENT FUND (ADF)
ADF XI MIDTERM REVIEW MEETING
12–13 November 2014 Manila, Philippines

Development Effectiveness of the Asian Development Fund

Asian Development Bank

October 2014

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPS	–	country partnership strategy
CSO	–	civil society organization
DFID	–	Department for International Development of the United Kingdom
DMC	–	developing member country
FCAS	–	fragile and conflict-affected situations
GDP	–	gross domestic product
km	–	kilometer
MDG	–	Millennium Development Goal
RCI	–	regional cooperation and integration

NOTE

In this report, “\$” refers to US dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
II. DEVELOPMENT PROGRESS IN ADF COUNTRIES	1
A. Achievements	2
B. Challenges	3
C. Fragile and Conflict-Affected Situations	4
D. Meeting the Challenges of a Transforming Asia	5
III. ACHIEVING RESULTS	5
A. Results Achieved through ADF Assistance, 2010–2013	7
B. Expected Results of ADF Assistance	8
IV. MANAGING OPERATIONS	9
A. Achievement Rate and Quality at Entry, during Implementation, and at Completion	9
B. Development Financing	10
C. Alignment with Strategy 2020 Agendas	11
D. Support for Strategy 2020 Drivers of Change	12
V. CHALLENGES AND ACTIONS	14
A. Challenges and the Strategy 2020 Midterm Review	14
B. Design and Implementation	15
C. Development Financing	16
D. Alignment with Priority Areas of Strategy 2020	17
VI. CONCLUSION	17
APPENDIXES	
1. Millennium Development Goal Progress, 2013	19
2. Delivered and Programmed Outputs from ADF Operations, 2010–2013	20
3. Development Effectiveness Review 2013 Scorecard	22
4. Midterm Review of Strategy 2020: Strategic Priorities and Key Actions	29

LINKED DOCUMENT

[2013 Development Effectiveness Review](#)

EXECUTIVE SUMMARY

Countries with access to the Asian Development Fund (ADF) have notably reduced poverty and improved the living conditions and quality of life of their people. Underpinned by strong and resilient economic growth, most ADF countries have made good progress toward achieving the Millennium Development Goals, particularly in the areas of income poverty, education, and access to safe drinking water.

ADF assistance has contributed significantly to these gains and has helped transform the lives of poor and vulnerable people, including those in fragile and conflict-affected situations. Through partnerships between the Asian Development Bank (ADB) and ADF countries, millions of poor people have gained access to reliable supplies of electricity and clean water, improved transport networks, quality education, and economic opportunities. In addition to supporting the development of key infrastructure and services, ADF operations have assisted countries in improving their institutional capacities and implementing reforms.

ADF operations completed during 2010–2013:

- (i) connected nearly 1.1 million households—75% of them rural—to electricity by building or upgrading more than 18,000 kilometers (km) of power transmission and distribution lines, and adding 230 megawatts of energy generating capacity;
- (ii) helped more than 91 million people (2010–2012) gain better access to wider economic opportunities and social services by constructing or rehabilitating more than 29,000 km of provincial, district, and rural roads, as well as 2,400 km of expressways and national highways;
- (iii) provided more than 2 million households with access to clean water by installing or rehabilitating 16,000 km of water supply pipes, and delivered better sanitation to more than 290,000 households by improving or adding 760,000 cubic meters per day of wastewater treatment capacity;
- (iv) enabled more than 20 million students to access better education under improved quality systems, and trained more than 700,000 teachers with quality or competency standards, enhancing student learning outcomes and teaching practices;
- (v) extended microfinance loans to more than 2 million borrowers, most of them women, and provided loans to almost 10,000 small and medium-sized enterprises; and
- (vi) facilitated the movement of more than 7.6 million tons per year of cross-border cargo.

The success of ADF operations is based on strong partnerships between ADF countries, ADB, and other development partners. ADB is committed to establishing partnerships with a diverse group of institutions as these are crucial in mobilizing financial resources and leveraging knowledge.

ADF operations achieved the targeted results in the core areas of Strategy 2020, and the success rates of those projects and programs continued to improve. While the proportion of operations rated *less successful* continued to decline, problems with design, start-up, and implementation still affected some ADF operations. Based on lessons learned from past performance, ADB is addressing these issues. ADB has introduced measures to expedite project start-up, streamline procurement, support project design readiness, improve project quality and timeliness, and strengthen staff skills. Efforts are being made to mobilize more

resources and promote knowledge and innovation in operations to ensure that good practices and new ideas are shared across the organization.

Despite recent development progress in ADF countries, poverty and vulnerability remain major challenges and inequality is rising. In 2010, 117 million people were still living in extreme poverty and 162 million people were vulnerable to poverty in ADF countries—with the gap between rich and poor continuing to widen. ADB must sustain its assistance to eradicate extreme poverty, achieve more inclusive economic growth, build the resilience of vulnerable populations, and address broader development challenges in ADF countries. ADB also needs to improve the effectiveness of its operations and strengthen staff skills to provide the best possible services to these countries.

In 2014, ADB undertook the Midterm Review of Strategy 2020 to better prepare the organization to meet the challenges of a transforming region and to reinforce its support for development in its developing member countries. The review identified 10 strategic priorities to guide ADB as it realigns its operations to (i) help its developing member countries, including ADF countries, eradicate remaining poverty; (ii) support greater inclusiveness to address inequality; and (iii) become more relevant and effective in middle-income countries. To achieve these objectives, ADB will focus on new approaches for mobilizing resources, simplifying business processes, strengthening staff skills, and using information and communication technology. Further, ADB will strive to become a more innovative, inclusive, and integrated organization. These measures are expected to improve ADB's development effectiveness in all developing member countries, including ADF countries.

I. INTRODUCTION

1. Asian Development Fund (ADF) countries have reduced poverty and improved the living conditions and quality of life of their people.¹ Underpinned by strong and resilient economic growth, most ADF countries have made notable progress toward achieving the Millennium Development Goals (MDGs), particularly in the areas of income poverty, education, and access to safe drinking water. Nevertheless, many challenges remain and new threats are emerging.

2. ADF assistance has contributed significantly to the gains in ADF countries and has helped transform the lives of poor and vulnerable people, including those in fragile and conflict-affected situations (FCASs), through initiatives in energy, transport, water and sanitation, education, and microfinance. With ADF support, millions of poor people have gained access to reliable supplies of electricity and clean water, improved transport networks, quality education, and economic opportunities. In addition to supporting the development of key infrastructure and services, ADF operations have assisted countries in improving their institutional capacities and implementing reforms.

3. This paper was prepared in response to a request from donors during the ADF XI replenishment meetings. It aims to (i) provide an overview of the important contributions that the ADF has made to the development of ADF countries; (ii) examine the development effectiveness of ADF operations; and (iii) describe measures being undertaken to maximize the impact of the ADF, including those identified by the Midterm Review of Strategy 2020² and its action plan.³

II. DEVELOPMENT PROGRESS IN ADF COUNTRIES

4. Asia and the Pacific accounts for more than half of the global population, more than one-third of global gross domestic product (GDP), and about one-third of world exports.⁴ Of the 3.7 billion people in developing member countries (DMCs) of the Asian Development Bank (ADB) in 2012, 643 million (17%) lived in ADF countries.⁵ The combined GDP of this group of countries amounted to 8% of the DMC total.⁶ In recent years, ADF countries have made considerable progress toward reducing poverty and achieving many MDG targets, but they continue to face many challenges.

¹ ADF countries are a subset of ADB's developing member countries (DMCs) that have access to the ADF. These can be disaggregated into ADF-only countries, which only have access to the ADF; and blend countries, which have access to both the ADF and ordinary capital resources. ADB has 29 ADF countries: 17 ADF-only countries (Afghanistan, Bhutan, Cambodia, Kiribati, the Kyrgyz Republic, the Lao People's Democratic Republic, the Maldives, Marshall Islands, Myanmar, Nauru, Nepal, Samoa, Solomon Islands, Tajikistan, Tonga, Tuvalu, and Vanuatu); and 12 blend countries (Armenia, Bangladesh, Georgia, the Federated States of Micronesia, Mongolia, Pakistan, Palau, Papua New Guinea, Sri Lanka, Timor-Leste, Uzbekistan, and Viet Nam). India is eligible for ADF assistance under ADB's Graduation Policy but currently does not have access to the ADF. Thus, it is not considered an ADF country in this paper.

² ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

³ ADB. 2014. *Midterm Review of Strategy 2020 Action Plan*. Manila.

⁴ GDP is expressed in purchasing power parity terms.

⁵ In this paper, ADB DMCs refer to ADF countries and Azerbaijan, the People's Republic of China, the Cook Islands, Fiji, Indonesia, Kazakhstan, Malaysia, the Philippines, Thailand, and Turkmenistan. Five developing members—Brunei Darussalam; Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China—have graduated from ADB assistance and are not included.

⁶ Information in this section is from ADB. 2013. *Key Indicators for Asia and the Pacific 2013*. Manila; and ADB. 2013. *Development Effectiveness Review*. Manila.

A. Achievements

5. Supported by macroeconomic, financial, and corporate governance reforms made since 1997, ADB DMCs have shown considerable resilience to global economic challenges, growing at an average annual rate of 8.4% during 2000–2012.⁷ Many of the economies of the ADF countries also expanded significantly during this period, achieving average annual growth of 5.7% for ADF countries—faster than any other region in the world.⁸ This sustained economic expansion has underpinned the substantial development progress made by many ADF countries since 2000.

6. Growth has contributed to rising incomes. In 2012, 6 of the 29 ADF countries had gross national incomes per capita between \$4,086 and \$12,615, putting them in the group of upper middle-income economies (the Marshall Islands and Tonga recently progressed to this group); 14 countries were classified as lower middle-income economies (\$1,036–\$4,085); and 7 were in the low-income group (\$1,035 or less). Two countries had no data on this indicator. By 2020, only Afghanistan and Nepal are expected to remain low-income countries. Since 2000, two DMCs have moved from the ADF-only group to the blend country group (Mongolia and Timor-Leste, both in 2011); and four have moved from blend countries to the ordinary capital resources-only group (the People’s Republic of China, the Cook Islands, and Indonesia in 2008; and Azerbaijan in 2013).

7. Sustained economic growth has also supported ADF countries’ progress toward the MDGs, notably in reducing income poverty, improving education, and widening access to safe drinking water. In line with the rest of the region, ADF countries achieved the target of halving the 1990 proportion of the population living on less than \$1.25 a day (extreme poverty) in 2006, 9 years ahead of the 2015 deadline. The proportion of the population in ADF countries living in extreme poverty dropped from 62% in 1990 to 23% in 2010, which was only slightly higher than the rate of 21% for ADB DMCs in the same year. Appendix 1 shows the progress of ADF countries toward the MDGs, by country.

8. ADF countries have also made significant improvements in primary school completion and have progressed well toward achieving near-universal primary enrollment. The number of children of primary school age in ADF countries who were not in school fell from 11 million in 2000 to 6 million in 2011.⁹ ADF countries have achieved other education successes as well: (i) the gross lower secondary education graduation rate improved for boys and girls; (ii) gender parity improved in primary, secondary and tertiary education; and (iii) the ratio of girls to boys in secondary and tertiary education continued to increase, reaching 0.93 for secondary education and 0.88 for tertiary in 2010.

9. Good progress has been made in increasing access to electricity and safe drinking water. The electrification rate improved by more than 60% between the early 2000s and 2011, with Bangladesh, the Lao People’s Democratic Republic, and Sri Lanka seeing the greatest gains. The MDG target for the proportion of the rural population using an improved drinking water source has also been met in ADF countries. The number of rural people without access to

⁷ The value refers to growth of real GDP.

⁸ By comparison, growth averaged 5.1% in developing countries in sub-Saharan Africa and 3.9% in Latin America and the Caribbean. The fastest-growing countries in Asia were Afghanistan (9.4%), Bhutan (8.8%), and Tajikistan (8.1%)—all ADF-only countries. However, many of the smaller Pacific DMCs grew at rates of 0%–3%.

⁹ While ADF countries as a group are unlikely to achieve universal primary education by the 2015 deadline because of the slower progress of some of the larger ADF countries, ADF-only countries had achieved this target by 2011.

drinking water declined from 120 million in 1990 to 76 million in 2011. However, drinking water access has increased more slowly in urban areas.

10. ADF countries have performed well in creating an enabling environment for private sector development and economic activity. Financial inclusion, as measured by access to financial services, has improved significantly: the number of deposit accounts in financial institutions per 1,000 adults increased from 369 in 2005 to 560 in 2012. The average time to start a business continued to decline—from 30 days in 2012 to 29 days in 2013. The most common reforms included introducing or improving online procedures, and simplifying preregistration and registration formalities. Further reforms are needed to ease bottlenecks and make business start-up more efficient.

11. ADF countries have strengthened governance, but much remains to be done to catch up with more advanced economies. Based on the results of the annual ADB country performance assessment, the average score for public sector management and institutions in ADF countries improved by 7% between 2009 and 2013. Among the underlying components, the score for quality of public administration for ADF countries increased the most (by 11% during that period), while the score for quality of budgetary and financial management improved the least (5%).

B. Challenges

12. Although ADF countries have made solid progress on many fronts, many challenges remain and new threats are emerging.¹⁰

13. The slower growth of ADF countries compared with ADB DMCs during 2000–2012 has further widened the development gap within Asia and the Pacific. Furthermore, growth has been highly uneven across ADF countries. While some economies, such as those of Afghanistan, Bhutan, Cambodia, and Tajikistan grew at an average annual rate of more than 8%, others—including some in the Pacific—grew at only 0%–2%.

14. The number of people living in extreme poverty in ADF countries almost halved from 220 million in 1990, but 117 million people were still living in extreme poverty in 2010 (Table).¹¹ During the same period, the number of people living on less than \$2 a day decreased only marginally from 301 million in 1990 to 279 million in 2010. Many of the poor have not broken the \$2-a-day barrier, leaving 162 million people vulnerable to poverty (living on \$1.25–\$2.00 a day). Furthermore, income inequality continues to worsen across countries.

15. ADF countries have made some headway in reducing undernutrition, but faster progress is needed to reach the MDG target of halving the proportion of underweight children by 2015. The percentage of underweight children under 5 years old decreased from 44% in 1990 to 26% in 2010. Under-5 child mortality per 1,000 live births dropped from 119 in 1990 to 58 in 2012, with all ADF countries showing improvements. However, progress needs to accelerate if the MDG target of a two-thirds reduction in child deaths between 1990 and 2015 is to be met. In 2012, there were 831,000 child deaths in ADF countries.

¹⁰ Assessing the progress made by Pacific countries, including toward eradicating extreme poverty and hunger, is difficult because of the limited availability of comparable data, as demonstrated by Appendix 1.

¹¹ Expressed as a proportion of the total population, extreme poverty declined by two-thirds.

Table: Poverty Incidence in ADF Countries

Year	\$1.25 a day poverty		\$2.00 a day poverty		Vulnerable (million) B-A
	Incidence (%)	Number of Poor (million) A	Incidence (%)	Number of Poor (million) B	
1990	62	220	84	301	80
2005	33	155	64	304	149
2010	23	117	55	279	162

ADF = Asian Development Fund.

Source: World Bank. 2013. PovcalNet Database.

16. The reduction in the maternal mortality rate has also been insufficient. Maternal mortality per 100,000 live births declined from 561 in 1990 to 220 in 2010 in ADF countries. This rate of progress makes it unlikely ADF countries will attain the MDG of reducing maternal deaths by three-quarters between 1990 and 2015.

17. The targets on the percentage of the rural and urban population using an improved sanitation facility are unlikely to be achieved. In 2011, about 258 million people in ADF countries still lacked improved sanitation, with the overwhelming majority—80% (206 million)—living in rural areas.

18. ADF countries have met the MDG target on the proportion of the rural population using an improved drinking water source, and are slowly progressing toward the drinking water target for urban areas. They have also made good progress toward improving the electrification rate. However, the large volume of people lacking access to these basic services still presents a major challenge for ADF countries. In 2011, 89 million people—85% of them in rural areas—still lacked access to an improved drinking water source; 188 million people lacked electricity. The vast majority of those without access to these basic services live in South Asia.

19. Although average annual ADB country performance assessment scores increased for both ADF and ADF-only countries during 2009–2013, weak institutions and poor governance are still serious challenges that require faster progress. The poorest component scores were for the quality of budgetary and financial management; property rights and rule-based governance; and transparency, accountability, and corruption in the public sector. Improvement in property rights and rule-based governance was particularly slow for ADF-only countries.

20. ADF countries face significant risks from environmental factors. Global warming and climate change pose a significant threat to food production and increase the risks of natural disasters, with Pacific islands being particularly vulnerable.

C. Fragile and Conflict-Affected Situations

21. All nine of the DMCs classified as fragile and conflict-affected situations (FCASs) are ADF countries. Most FCAS countries are at risk of failing to achieve many of the MDG targets.¹² FCAS countries have, by and large, either performed poorly on economic and social development, or have limited comparable data to assess their progress. However, they are generally on par with the rest of the region for having achieved gender parity in both primary

¹² The FCAS countries are Afghanistan, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Nepal, Solomon Islands, Timor-Leste, and Tuvalu.

and secondary education, while progress in ensuring gender parity in tertiary education is difficult to assess in the absence of sufficient data. Like the rest of the region, FCAS countries have been making slow progress in reducing child and maternal mortality. Nepal and Timor-Leste are the only two FCAS countries that are likely to achieve these targets.

22. In other development outcomes, FCAS countries lag in ensuring environmental sustainability because of the extractive nature of many of their industries. Many FCAS countries are expected to achieve the target for access to improved drinking water, but, like the rest of the region, they have made slower progress in providing improved sanitation. Basic infrastructure, including paved roads, electricity, and financial services, is severely limited.

D. Meeting the Challenges of a Transforming Asia

23. In 2014, ADB completed the year-long Midterm Review of Strategy 2020 to better prepare the organization to meet the challenges of a transforming Asia and Pacific.¹³ The midterm review analyzed lessons learned through the implementation of Strategy 2020, and assessed the existing and emerging development challenges of DMCs. It concluded that Strategy 2020's broad strategic directions remain valid and relevant to address the region's development challenges. However, the region is changing fast—and so must ADB.

24. Based on the findings, ADB identified 10 strategic priorities to deepen and rebalance ADB's partnership with DMCs, and to strengthen ADB's institutional effectiveness for the remaining years of Strategy 2020. The midterm review aims to improve ADB operations, build skills, and provide better services to client DMCs. It also discusses how ADB can become a more innovative, inclusive, and integrated institution, and how it can promote these three concepts to achieve sustainable growth and reduce poverty in the region. In 2014, ADB also prepared an action plan to implement the key recommendations of the midterm review. More information on the midterm review and the action plan are in paras. 67–68.

III. ACHIEVING RESULTS

25. Since it was established in 1973, the ADF has provided more than \$50 billion for projects and programs. ADF assistance has helped transform the lives of poor and vulnerable people, including those in FCAS countries, through assistance in energy, transport, water and sanitation, education, and microfinance. The partnerships between ADB and ADF countries across the region have enabled millions of poor people to gain access to a reliable supply of electricity and clean water, quality education and health care, and economic opportunities. ADF operations supported the development of key infrastructure and services, and helped countries strengthen institutional capacities and implement reforms. Box 1 describes four ADF projects, paras. 26–33 summarize results achieved through ADF assistance during 2010–2013, while paras. 34–37 summarize the programmed outputs and outcomes of ADF operations approved during the same period.

¹³ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

Box 1: Examples of Recent ADF Operations

Strengthening Connectivity in Afghanistan

The Hairatan to Mazar-e-Sharif Railway Project, the first railway line in Afghanistan's history, runs 75 kilometers from the city of Mazar-e-Sharif to Hairatan, a town on the country's northern border with Uzbekistan. Built with a \$165 million Asian Development Fund (ADF) grant, the project has helped the war-torn country overcome a critical transport connectivity problem, opening it up to more trade and commerce. Urgently needed reconstruction goods and humanitarian aid are now flowing in from the north to help rebuild the country and provide basic services to reduce widespread deprivation. Goods are also being shipped efficiently in the opposite direction to Uzbekistan and further into Central Asia and Europe. More than 7 million people have benefited through jobs and increased trade.

Developing Clean Energy in Bhutan

An ADF loan of \$54 million for the Green Power Development Project is helping Bhutan tap its huge potential to generate hydropower for export and economic development. The state-owned company Druk Green Power Corporation has partnered with Tata Power, an Indian private power company, to build the 126-megawatt Dagachhu run-of-river hydropower plant, which is Bhutan's first public-private partnership in infrastructure and serves as a pilot case for accelerating hydropower development.

The plant will supply clean energy through an existing cross-border grid connection to power 700,000–800,000 homes in India, replacing power generated using fossil fuels and avoiding 0.5 million tons of carbon dioxide emissions each year. Government receipts from this partnership are financing the expansion and operation of the country's rural electrification network. Electricity sourced from hydropower will provide clean, reliable power through grid connections to more than 8,500 households and facilities, while solar energy will electrify 119 schools, health clinics, and other community facilities in the remote central and eastern regions.

Improving Water Supply and Sanitation in the Lao People's Democratic Republic

The Northern and Central Regions Water Supply and Sanitation Sector Project in the Lao People's Democratic Republic devised a novel system of incentives and subsidies to solve the widespread problems of poor water supply and sanitation in the country's small towns. The project financed the development of 12 piped water supply and treatment systems in 12 towns, providing about 96,000 people with 24-hour potable piped water. It also helped achieve 100% sanitation coverage for poor households by tying the construction of household latrines to the availability of free water supply connections for a limited time and providing sanitation grants. Overall sanitation coverage was increased to 90% at the end of the project from less than 50% at the time of project preparation. Clean piped water has dramatically improved the lives of women and girls in poor communities, with drastic reduction of their time spent fetching water. The \$32 million project was supported by a \$16.6 million ADF grant.

Creating Social Safety Nets for the Poor in Mongolia

The Food and Nutrition Social Welfare Program and Project is helping the Government of Mongolia identify and assist the country's poorest and most vulnerable people. An ADF program grant of \$9 million is helping the government to rapidly design and implement a food stamp program, while an ADF project grant of \$3 million is financing capacity development to strengthen social welfare systems for more effective delivery of social welfare services.

Through this operation, the most vulnerable 5% of households have been identified and issued with monthly food stamps that are used to buy 10 essential food items, offsetting about 10% of monthly spending. By careful targeting, the government has ensured that 120,000 of the country's poor do not go hungry or become malnourished, while also containing its growing welfare expenditures. The food stamp program was confirmed in the 2012 Social Welfare Law as a pillar of Mongolia's social protection system, while the household living standards database established under the project has become an important tool for strengthening other social programs.

Source: ADB. 2014. *Together We Deliver: 10 Stories from ADB-Supported Projects with Clear Development Impacts*. Manila. <http://www.adb.org/publications/together-we-deliver>

A. Results Achieved through ADF Assistance, 2010–2013

26. During 2010–2013, ADB completed 238 loan and grant projects in ADF countries. These operations helped narrow the development gap between ADF countries and other DMCs, and have improved the long-term prospects of the region.

27. **Energy.** ADF energy sector operations helped increase productivity and economic growth by connecting nearly 1.1 million households—75% of them rural—to electricity, building or upgrading more than 18,000 kilometers (km) of power transmission and distribution lines, and adding 230 megawatts of energy generating capacity. By promoting renewable energy and energy conservation, ADF operations reduced greenhouse gas emissions by 0.6 million tons of carbon dioxide equivalent per year.

28. **Transport.** ADF transport sector operations helped more than 91 million people gain better access to wider economic opportunities and social services by constructing or rehabilitating more than 29,000 km of provincial, district, and rural roads, as well as 2,400 km of expressways and national highways.¹⁴ In the first year of operations, these roads had more than 11 million vehicle-km of use. Construction of 75 km of Afghanistan's first railway facilitated movement of people and goods, and had 0.5 million ton-km of use in the first year of operation.

29. **Water.** ADF operations in the water sector contributed to improvements in health and reduced pollution. They provided more than 2 million households with access to clean water by installing or rehabilitating 16,000 km of pipes. ADF operations also provided more than 290,000 households with better sanitation by improving or adding 760,000 cubic meters per day of wastewater treatment capacity. The operations also reduced the flood risk for 2.7 million households by improving irrigation, drainage, or flood management on 2 million hectares of land.

30. **Education.** ADF operations in the education sector provided more than 20 million students with access to better education under improved quality systems, and trained more than 700,000 teachers with quality standards, enhancing student learning outcomes and teaching practices. The operations also expanded access to better education facilities for more than 17 million children and students.

31. **Finance.** ADF finance operations helped to improve livelihoods and lift people out of poverty. By using revolving funds, building effective partnerships with nongovernment organizations and community-based organizations, and developing the capacity of both microcredit providers and beneficiaries, ADF operations extended microfinance loans to more than 2 million borrowers—most of whom were women—and provided loans to almost 10,000 small and medium-sized enterprises.

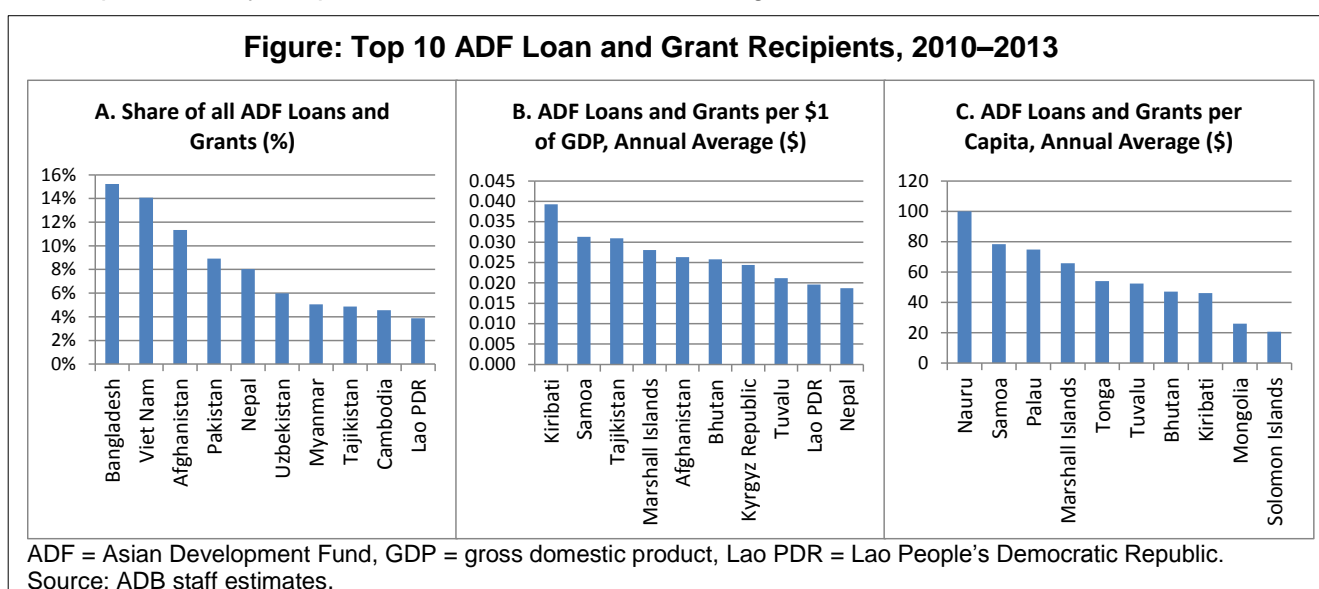
32. **Regional cooperation and integration.** ADF railway and transport corridor projects improved connectivity of ADF countries. They contributed to regional cooperation and integration (RCI) and promoted intraregional trade, facilitating the movement of more than 7.6 million tons per year of cross-border cargo. In addition, a growing number of Trade Finance Program transactions occurred either within the region, further supporting RCI.

¹⁴ Estimates of the number of people gaining access to wider economic opportunities refer to 2010–2012. No data were available for 2013.

33. In addition to the results in Strategy 2020's core operational areas, ADF operations supported agriculture, health, public sector management, and multisector projects. During 2010–2013, 47 projects in agriculture, 15 in health, 26 in public sector management, and 23 classified as multisector were completed. Furthermore, ADF-funded policy-based loans and grants completed during 2010–2013 improved sector policies, institutional capacities, public financial management, and service delivery; they also expanded private sector participation.

B. Expected Results of ADF Assistance

34. During 2010–2013, ADB approved 233 loan and grant projects in ADF countries, totaling \$12.6 billion. Bangladesh, Viet Nam, and Afghanistan, in that order, were the three largest recipients of ADF loans and grants. Bangladesh received \$2.35 billion (or 15% of all ADF loans and grants), Viet Nam \$2.3 billion (14%), and Afghanistan \$1.76 billion (11%). The figure shows the top 10 country recipients of ADF resources according to three different measures.



35. The operations approved during 2010–2013 will be implemented by about 2016–2019. These operations will further contribute to reducing poverty and improving the living conditions in ADF countries. These operations are expected to

- (i) connect nearly 250,000 households—67% of them rural—to electricity by building or upgrading more than 12,000 km of power transmission and distribution lines, and adding 2,000 megawatts of energy-generating capacity, of which 450 megawatts will be renewable energy generating capacity, thereby contributing to a reduction of 4.8 million tons of carbon dioxide equivalent per year and energy savings of 10 terawatt-hours per year;
- (ii) facilitate the movement of people and goods by constructing or rehabilitating more than 9,000 km of provincial, district, and rural roads; 2,600 km of expressways; almost 500 km of railways; and 10 km of urban rail- and bus-based mass transit systems—all of which are expected to move more than 10 million vehicle-km, 1 million ton-km, and 4.5 million passengers each day in their first year of use;
- (iii) provide 1.6 million households with access to clean water by installing or rehabilitating 7,000 km of water supply pipes;

- (iv) provide better sanitation to almost 1.1 million households by improving or adding 900,000 cubic meters per day of wastewater treatment capacity;
- (v) contribute to reducing flood risk for 1 million households by improving irrigation, drainage, and/or flood management on 4.3 million hectares of land;
- (vi) support almost 24 million students in accessing better education under improved quality systems, and train almost 300,000 teachers with quality or competency standards, enhancing student learning outcomes and teaching practices;
- (vii) extend microfinance loans to more than 2.6 million borrowers and provide loans to more than 3,000 small and medium-sized enterprises; and
- (viii) facilitate the movement of more than 181,000 tons per year of cross-border cargo and 6,000 gigawatt-hours per year of cross-border transmission of electricity.

36. ADF operations will also support agriculture, health, public sector management, and other operational areas. During 2011–2013, 5% of the total volume of approved ADF operations was in agriculture, 7% in health, 7% in public sector management, and 10% in other operational areas.

37. Appendix 2 summarizes outputs and outcomes achieved through the ADF support in various sectors, as well as expected results from operations approved during 2010–2013.

IV. MANAGING OPERATIONS

38. Successful achievement of outputs and outcomes depends on the relevance, selectivity, and quality of new and ongoing operations. Sustained good performance, which takes into account lessons learned from completed operations, underpins ADB's future success in delivering results. ADB monitors the quality of completed operations and its management of new and ongoing operations using the corporate results framework indicators (Appendix 3).¹⁵ These indicators measure (i) the quality at entry, during implementation, and at completion; (ii) the transfer and mobilization of development financing; (iii) the alignment of operations with Strategy 2020 agendas; and (iv) the promotion of Strategy 2020 drivers of change.

A. Achievement Rate and Quality at Entry, during Implementation, and at Completion

39. **Achievement rate.** In 2011–2013, the outputs and outcomes achieved by recently completed ADF operations in the core areas of Strategy 2020 met or exceeded the annual performance standard of 85% of planned outputs and outcomes in 14 of the 16 indicators tracked by the ADB corporate results framework. Five indicators achieved more than 100% of their targeted outputs. These high levels of achievement resulted from (i) resources being used more efficiently than planned, particularly through the use of revolving funds in the energy and finance sectors; (ii) local currency depreciations, which enabled more outputs to be produced; and (iii) augmentation of project designs and approaches, which increased output delivery. In two areas—roads built or upgraded and wastewater capacity added or improved—the results fell short of the 85% annual performance standard.

40. **Quality at entry.** To assess the quality at entry of ADF operations, ADB tracks the *satisfactory* ratings at entry of four indicators: quality of country partnership strategies (CPSs), quality of sovereign projects, quality of CPSs in supporting inclusive economic growth, and

¹⁵ ADB is updating the corporate results framework to align it with the outcomes of the Midterm Review of Strategy 2020. For more information, see ADB. 2014. Overview of ADF XI at Midterm. Discussion paper presented at the ADF XI Midterm Review Meeting, Manila, Philippines, 12–13 November.

project design and monitoring frameworks. ADF operations performed positively in these four areas, reflecting actions ADB has taken to improve quality at entry, such as introducing project readiness filters.

41. **Performance during implementation.** In 2013, 94% of ADF sovereign operations were rated *satisfactory* for performance during implementation. This strong result reflects continual reforms since 2008 that have streamlined business processes, strengthened staff and DMC capacity, and allocated a larger share of staff to operations. ADB also consolidated actions to improve project readiness, strengthen procurement performance, and promote accurate contract award and disbursement schedules. About 80% of new ADF operations were rated *on track* by the project performance rating system; about 14% were classified as *potential problem*. Contract award and disbursement issues were the cause of the potential and actual problems reported.

42. **Quality at completion.** The success rates of ADF projects and policy-based operations continued to improve. The average success rates of ADF sovereign operations completed during 2011–2013 were 74% for projects and 71% for policy-based operations, putting them on track to achieve the 2016 target of 80%. The success rates of ADF projects improved in seven sectors and exceeded the corporate target in three—energy, transport and information and communication technology, and health. For policy-based operations, success rates improved in all sectors except health.

43. Some of the major factors behind the rising success rates include (i) improvements in design, informed in part by lessons from past performance; (ii) responsiveness of ADB staff in dealing with government requests for timely loan processing; (iii) support for adjustments in project design to increase project relevance and enhance outcomes; and (iv) close attention to technical or safeguard issues. The level of government engagement has also been a major factor. For policy-based operations, the buy-in of governments and stakeholders to the proposed reforms, exemplified by efficient institutional coordination, was important for success.

44. Major challenges related to achieving core operational results and improving quality at entry, during implementation, and at completion, and actions taken to address them are discussed in paras. 69–72.

B. Development Financing

45. **Disbursement of financing to ADF operations.** Disbursement is an important metric of ADB's performance as a development financier. The disbursement ratio for ADF sovereign operations, which includes projects and policy-based operations, increased from 18% in 2012 to 23% in 2013. This was mainly driven by the rise in disbursement ratios for ADF policy-based operations from 39% in 2012 to 70% in 2013, and was significantly influenced by a large policy-based loan to Myanmar. The disbursement ratio for ADF sovereign projects improved slightly from 16% in 2012 to 17% in 2013, and was on track to meet the 2016 target of 20%.

46. **Direct value-added cofinancing.** ADB needs to catalyze other sources of financing to better respond to the tremendous challenges and need for development assistance in ADF countries. Total direct value-added cofinancing relative to approved ADB financing increased slightly for ADF operations during 2011–2013, but was below the levels required to meet the 50% target for 2016 in the corporate results framework. All \$1.1 billion in cofinancing for ADF operations in 2013 was from official sources.

47. ADB cooperates with its partners on a single-project basis, as well as through framework cofinancing agreements and trust funds that are based on a programmatic approach. In 2013, 48% of total official cofinancing was from programmatic sources, compared with 35% in 2012. The increased use of programmatic approaches has increased the predictability of cofinancing. Most official cofinancing comes from ADB's traditional development partners and bilateral, multilateral, and global funding initiatives.

48. Major challenges related to development financing and the actions taken to address them are discussed in paras. 73–77.

C. Alignment with Strategy 2020 Agendas

49. ADB aligns its operations closely with the Strategy 2020 agendas to ensure that it achieves ADB's strategic priorities. To ensure that ADB's operations are fully aligned with government's development objectives, projects and programs are guided by the relevant CPS for that country.

50. Similarly, ADF operations are closely aligned with ADB's three strategic agendas: inclusive economic growth, environmentally sustainable growth, and RCI.

51. **Foster inclusive economic growth.** ADB's approach to inclusive economic growth in ADF countries is determined by the country context. Support for inclusive economic growth is integrated in the CPSs and based on three pillars: growth and creation of jobs and opportunities (pillar 1), inclusive access to jobs and opportunities (pillar 2), and social protection (pillar 3). Because the country context determines how ADB should foster inclusive economic growth, the corporate results framework monitors the proportion of operations contributing to each pillar, instead of setting targets.¹⁶

52. During 2011–2013, more than 50% of ADF operations supported inclusive access to opportunities (pillar 2). ADF gradually funded more projects with social protection components, resulting in a larger proportion of ADF operations supporting pillar 3. A project supporting the Government of Pakistan's national social safety net program, which is funded by \$430 million in ADF resources, accounted for a significant share of the increased volume of support for social protection. Guided by the Midterm Review of Strategy 2020, ADB is striving to strengthen the inclusiveness of its operations; for example, by increasing financing for education and health, expanding social protection operations, and supporting infrastructure in lagging areas. All these will enhance ADB's support for inclusive economic growth, especially pillars 2 and 3.

53. **Promote environmentally sustainable growth.** During 2011–2013, the share of ADF operations supporting environmental sustainability met the 2016 target of 40%. ADB approved 57 operations supporting environment sustainability, of which 26 were financed by the ADF and most were in energy. ADB is continuing to scale up its support for climate change adaptation in ADF countries, while maintaining its assistance for mitigation. During 2011–2013, 32% of ADF operations addressed climate change, with adaptation increasing both in absolute terms and as a share of the total relative to mitigation. Climate finance to ADF countries rose fivefold during this period from \$219 million to \$1.1 billion.

¹⁶ The methodology adopted in the corporate results framework prohibits any overlap in operations counted under pillars 1 and 2. However, operations under pillar 3 can overlap with pillars 1 and 2, because support for social protection is often integrated as a component of operations, rather than as a stand-alone operation. Thus, tracking of pillar 3 includes operations that are aligned with pillar 1 or 2.

54. **Facilitate regional cooperation and integration.** During 2011–2013, 25% of ADF operations supported RCI, meeting the 2016 target (25%). ADB is seeking to complement its investments in infrastructure connectivity, such as expressways and power grids, with second-generation RCI initiatives in the areas of trade facilitation and standards harmonization, investment climate improvement, and skills development.

55. **Alignment with government development plans.** ADB made significant efforts to align its ADF operations with governments' medium- and long-term development plans. All ADF operations approved in 2012 and 2013 explicitly demonstrated links to country sector results, exceeding the annual performance standard of 90%. Results and indicators in the project design and monitoring framework for ADF operations were linked to government statements of results, goals, objectives, or targets.

56. Major challenges related to alignment with Strategy 2020 agendas and the actions taken to address them are discussed in paras. 78–81.

D. Support for Strategy 2020 Drivers of Change

57. Strategy 2020 identifies five drivers of change: gender equity, knowledge solutions, partnerships, good governance and/or capacity development, and private sector development and private sector operations.

58. **Gender equity.** The proportion of operations supporting gender mainstreaming increased to 60% in 2013, continuing a gradual upward trajectory and exceeding the target for ADF operations. Few opportunities for promoting gender mainstreaming were missed at entry. The strong performance in gender mainstreaming was the result of efforts to (i) reinforce staff resources in regional departments since 2008 to better identify gender mainstreaming opportunities, (ii) better articulate gender equality outcomes in project design, and (iii) strengthen project implementation to deliver the desired gender equality outcomes.

59. **Knowledge solutions.** Recognizing that knowledge solutions drive development, ADB strives to play a strong role in leveraging knowledge in the region. ADB conducts a perception survey every 3 years to track perceived ADB performance in promoting knowledge sharing and best practices. The most recent survey, in 2012, found that more than half of the respondents perceived ADB as excellent or good in promoting knowledge and best practices.

60. Guided by the Midterm Review of Strategy 2020, ADB is committed to promoting knowledge dialogue with DMCs through its resident missions to generate joint knowledge solutions. ADB will also strengthen knowledge partnerships with multilateral development banks, policy and research institutions in DMCs, and other international institutions. ADB will take a lead role in promoting knowledge sharing among DMCs, and will ensure that its own knowledge work is operationally relevant.

61. **Partnerships.** Given the scale of the challenges facing ADF counties, assistance must be underpinned by strong partnerships between ADF countries, ADB, and other development partners. Through its partnerships, ADB seeks to build collaborative work relationships in which parties work together to achieve a common purpose or task, while sharing risks, responsibilities, resources, competencies, and benefits. ADB is strongly committed to partnerships with a diverse group of institutions, and recognizes the need for coordinated efforts and combined financial resources and knowledge to address the enormous development challenges in the

region. Box 2 outlines the results of three recent assessments of ADB's performance as a development partner.¹⁷

Box 2: Perception of ADB by Its Development Partners

The Asian Development Bank (ADB) is perceived by its development partners as an organization that has strong strategic management, responds to the needs of its developing member countries, and is firmly committed to development in the region. In the 2013 Multilateral Organization Performance Network (MOPAN) report, ADB's organizational effectiveness was assessed to be very strong in the area of strategic management, country- and sector-level frameworks, and ability to respond to key development priorities of developing member countries.^a ADB's performance-based allocation system for the Asian Development Fund (ADF) was perceived to be transparent. Similarly, the 2013 Multilateral Performance Scorecard of the Australian Agency for International Development (AusAID) rated ADB as very strong or strong in delivering results, aligning with Australia's objectives, contributing to the wider multilateral system, strategic management and performance, cost and value consciousness, and transparency and accountability.^b The 2013 Multilateral Aid Review Update by the Department for International Development of the United Kingdom (DFID) recognized ADB's progress and commitment to addressing priority issues identified by DFID on gender and climate change, contribution to results, strategic and performance management, and cost and value consciousness.

ADB's development partners have also identified some areas where ADB needs to improve. In the MOPAN report, ADB's delegation of decision-making authority and use of country systems as a first option for its operations was perceived by the surveyed stakeholders as adequate. AusAID rated ADB's partnership behavior as satisfactory, while DFID noted that ADB's remaining challenges were to (i) improve results management at the project and program levels, (ii) work toward a stronger gender profile across programming, and (iii) increase evidence on efficiency gains in programs. ADB is addressing these issues through the implementation of the Midterm Review of Strategy 2020.

^a MOPAN is a network of donor countries with a common interest in assessing the organizational effectiveness of multilateral organizations and their measurement and reporting on development and/or humanitarian results. MOPAN is made up of 17 donor countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, The Netherlands, Norway, the Republic of Korea, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Each year MOPAN carries out assessments of several multilateral organizations based on criteria agreed upon by MOPAN members.

^b In 2012, AusAID released its first Multilateral Performance Scorecard for 42 multilateral organizations to track the performance of its multilateral partners.

Sources: MOPAN. http://www.mopanonline.org/upload/documents/MOPAN_2013-ADB_Vol.1.pdf; AusAID's Multilateral Performance Scorecard for ADB. http://www.ausaid.gov.au/Publications/Pages/693_6999_8205_7111_6531.aspx; DFID. 2013. *Multilateral Aid Review: Asian Development Fund Summary Assessment 2013*. <https://www.gov.uk/government/publications/multilateral-aid-review-asian-development-fund-asdf>. ADB. 2014.

62. ADB uses its corporate results framework to monitor partnerships with civil society organizations (CSOs). In 2013, CSOs participated in 89% of ADF sovereign operations, compared with the annual target of 90%. ADB conducted regional knowledge-sharing forums in 2013 to build staff capacity on participatory approaches for development operations. To increase staff awareness on CSO participation, ADB is conducting training to improve staff skills, and is planning to launch web-based participation tools. These efforts are expected to enhance CSO participation in operations.

63. **Good governance and capacity development.** The proportion of ADF operations supporting governance and/or capacity development declined from 68% in 2010–2012 to 66% in 2011–2013. Like the support for private sector development and private sector operations,

¹⁷ Information for this this section is from ADB. 2013. *Partnering for Development Donor Report 2013*. Manila.

the decrease may be related to the smaller share of policy-based operations. To meet the target, the proportion of ADF operations supporting this driver of change needs to exceed the baseline of 68%. The Work Program and Budget Framework, 2015–2017 shows that ADF operations supporting governance and/or capacity development are expected to reach 70% of the total number of sovereign operations approved during that period, exceeding the annual corporate target for ADF operations of 68%.¹⁸

64. **Private sector development and private sector operations.** ADF operations faced challenges to meet the target for private sector development and private sector operations. The proportion of ADF operations supporting private sector development and private sector operations was stable during 2011–2013 at 29%, falling considerably short of the 2016 target of 40%. ADF performance in this driver of change depends on the level of support for private sector development as no private sector operations are funded through the ADF. Operations supporting private sector development often aim to create an enabling environment for the private sector, and policy-based operations are a major source of this support. The decline in the number of policy-based operations in 2013 may have reduced support for this driver of change. Despite this decline, the proportion of funding for private sector development and private sector operations increased significantly from 22% of the total value of operations approved in 2010–2012 to 27% in 2011–2013. Furthermore, many ADF countries have private sector operations that are funded through ordinary capital resources. During 2011–2013, 62% of all ADB private sector operations were in ADF countries. An example of such an operation is a recently approved project in Mongolia, involving a senior loan of up to \$40 million to Khan Bank for supporting micro, small, and medium-sized enterprises.

65. Major challenges related to support for Strategy 2020 drivers of change and actions taken to address them are discussed in paras. 78–81.

V. CHALLENGES AND ACTIONS

A. Challenges and the Strategy 2020 Midterm Review

66. Although ADB has continued to improve its performance, its operations are not sufficiently aligned with some areas of Strategy 2020. ADB also faces implementation issues, modest levels of development financing, and some organizational effectiveness challenges. Lessons are being learned from past performance, and improvements are being made to address the issues and challenges identified. During the last few years, ADB has implemented reforms and initiatives to improve its operations and strengthen operational and organizational management. These ongoing departmental initiatives have been consolidated with a comprehensive set of further actions that relate to the implementation of the priorities of the Midterm Review of Strategy 2020.

67. The midterm review was conducted to prepare ADB to meet the challenges of a transforming Asia and Pacific. Based on the findings, the review identified 10 strategic priorities for ADB to sharpen and rebalance its operations; strengthen responsiveness to the changing business environment; and increase ADB's capacity and effectiveness. These strategic priorities are (i) poverty reduction and inclusive economic growth, (ii) environment and climate change, (iii) regional cooperation and integration, (iv) infrastructure development, (v) middle-income countries, (vi) private sector development and operations, (vii) knowledge solutions, (viii) financial resources and partnerships, (ix) delivering value for money, and (x) organizing to meet

¹⁸ ADB. 2014. *Work Program and Budget Framework 2015–2017*. Manila.

new challenges. The key actions under each of the strategic priorities are presented in Appendix 4.

68. A midterm review action plan sets out a detailed operational and organizational agenda to translate the review's outcomes into specific actions.¹⁹ These actions directly address the performance challenges facing ADB, as well as ADF operations. The development effectiveness of all ADB operations, including those of the ADF, is expected to improve considerably as a result of these measures.

B. Design and Implementation

69. **On-time and on-budget completion.** A rising proportion of ADF operations are completed successfully. However, successfully completed operations face difficulties delivering outputs within the planned budget and time frame. About 22% of successful ADF operations with project completion reports circulated in 2011–2013 encountered cost overruns or had to reduce their output targets. Delays were more widespread: 47% of successfully completed ADF operations required an extension of their closing dates by more than 1 year. Delays were typically caused by problems with procurement, slow consultant recruitment and mobilization, lack of detailed engineering design, and changes in project design or scope during implementation. The most common issue was a lack of readiness at approval; but design complexity, delays in establishing project management units, capacity limitations of executing and implementing agencies were also key causes of delay. Many projects had difficulty engaging qualified consultants and contractors. Slow compliance with safeguard requirements exacerbated the delays in some cases. Time and cost overruns are related as delays can expose projects to escalating prices, leading to reductions in output delivery and/or cost overruns. Efficient business processes and strong capacities in both ADB and DMCs are needed to address these issues.

70. **Design and implementation.** About 26% of ADF projects and 29% of ADF policy-based operations with project completion reports circulated in 2011–2013 were not completed successfully. At the design stage, some of the reasons behind the less-than-successful or unsuccessful performance included complex, overambitious, inadequate, or inappropriate designs; and inadequate assessments of local conditions and government capacity and commitment. During implementation, performance was undermined by complex or unclear institutional arrangements, lengthy procurement processes, poor performance of consultants and contractors, delayed or inadequate responses by ADB and government agencies to implementation issues, and negative external factors.

71. **Actions.** ADB has introduced measures to expedite project start-up since 2007. The use of project readiness filters, introduced in 2007, has become standard practice. Following the procurement governance review of 2013, a risk-based approach is being introduced to streamline procurement processes. ADB also introduced the procurement accreditation skills scheme in 2013 to improve staff skills in this important area. To strengthen project readiness and shorten the time from approval to signing of the first contract, ADB introduced the project design facility in 2011; a revised version was launched in 2014. Efforts are being made to promote knowledge and innovation in operations to ensure that good practices and new ideas are shared across the organization.

¹⁹ ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila. <http://www.adb.org/sites/default/files/strategy-2020-midterm-review-action-plan.pdf>

72. The Midterm Review of Strategy 2020 recognizes the need to implement projects more effectively and reform ADB's business processes. It states that ADB will emphasize total project readiness; build the capacity of executing and implementing agencies; undertake reform of the procurement system, including through the implementation of the 10-point action plan on procurement reform; use country systems where feasible; devolve project implementation to resident missions; and work with CSOs.

C. Development Financing

73. **Disbursements.** In 2013, disbursement for ADF projects was only marginally higher than in 2012 and needs to improve further. ADB portfolios are shifting to less developed areas where counterpart agencies are inexperienced and have weaker implementation capacity. Newer ADF operations also tend to be more innovative and complex, and have more components. Enabling business processes and strong capacity in both ADB and DMCs are required to implement more challenging operations effectively.

74. **Direct value-added cofinancing.** Direct value-added cofinancing increased only slightly in 2013. The gaps between current cofinancing performance and the 2016 targets remain large for ADF operations. Cofinancing is volatile and influenced by external conditions and the availability of large projects. These factors may add to the difficulty in achieving the targets.

75. **Actions.** ADB has enhanced its disbursement performance by ensuring frequent contact between ADB teams, project directors, and government officials, as well as by swiftly flagging projects where implementation is falling behind. It has also strengthened accountability in ADB by cascading responsibility for contract award and disbursement targets to all levels of project officers and analysts, and linking disbursement achievement to staff performance ratings.

76. The midterm review action plan includes the following actions to expedite disbursement:

- (i) ICT systems will be upgraded to ensure resident missions have full access to headquarters information for delegated disbursement functions.
- (ii) Regional departments will appoint deputy division directors with responsibility for disbursement targets.
- (iii) Training needs will be identified and programs on procurements, contract administration, and disbursement implemented.
- (iv) OCR allocations will be linked to project performance, including disbursement.
- (v) A client portal will be provided for filing, tracking, and receiving online payments

77. Midterm review actions to enhance business processes to meet cofinancing targets include the following:

- (i) Streamline processes relating to the Japan Fund for Poverty Reduction.
- (ii) Put credible financing targets in CPSs and country operations business plans.
- (iii) Streamline procedures to minimize transaction costs.
- (iv) Link the corporate cofinancing target with differentiated department-level targets.
- (v) Allocate a proportion of earned administrative fees to project teams for administration of cofinanced projects.

D. Alignment with Priority Areas of Strategy 2020

78. Alignment with Strategy 2020 agendas and core operational areas needs to be improved for operations supporting climate change mitigation and/or adaptation. Alignment with Strategy 2020 drivers of change should be strengthened for operations supporting private sector development and operations, governance and/or capacity development, and CSO participation.

79. **Actions.** New guidelines issued in 2013 on the integration of support for inclusive economic growth into the formulation of CPSs gave an added impetus to efforts to support inclusive economic growth. Recognizing that social protection (pillar 3) in DMCs remains underdeveloped, ADB adopted the Social Protection Operational Plan, 2014–2020 in 2013 to guide its work in this area. To further mainstream climate change in ADB operations, systematic risk screening for climate change has been made mandatory, and the revised project classification system will identify and track projects with climate change mitigation and/or adaptation components.

80. To strengthen knowledge partnerships, ADB is implementing its Knowledge Management Directions and Action Plan, 2013–2015: Supporting “Finance ++.” This plan aims to reinforce ADB’s finance with partnership and knowledge focusing on the second “+”—knowledge.

81. The Midterm Review of Strategy 2020 includes the following actions to address some of these challenges:

- (i) Expand support for achieving and sustaining rapid and inclusive economic growth by strengthening country focus, building closer operational and sector links with the inclusive growth agenda, improving the enabling environment, and more effectively monitoring and measuring results.
- (ii) Systematically pursue Strategy 2020’s target of scaling up ADB’s private sector development and private sector operations to 50% of annual operations by 2020, and increase the share of private sector operations in ordinary capital resources approvals from 15% during 2010–2012 to 25% by 2020.
- (iii) Expand support for good governance and capacity building to strengthen the quality of public institutions in order to deliver inclusive growth.
- (iv) Continue to strengthen partnerships with multilateral and bilateral institutions, the private sector, and CSOs to leverage additional resources and share knowledge and expertise.
- (v) Improve knowledge solutions by strengthening knowledge management, adopting a “One ADB” approach, expanding dialogue with DMCs, allocating more resources, promoting stronger partnerships, and catalyzing innovation.

VI. CONCLUSION

82. Sustained economic growth in ADF countries has underpinned their progress toward achieving the MDGs. ADF countries have substantially reduced income poverty, improved education, and widened access to safe drinking water. However, progress has been slower in the areas of reducing child mortality and improving maternal health. Although the number of people in extreme poverty almost halved between 1990 and 2010, 117 million people in ADF countries were still living in extreme poverty and 162 million remained vulnerable to poverty. Furthermore, income inequality has continued to worsen.

83. The \$50 billion provided by the ADF since its establishment in 1973 has been instrumental in reducing poverty and promoting human development in ADF countries. ADF operations in the core sectors during 2010–2013 have transformed the lives of the poor by connecting 1.1 million households to electricity, constructing more than 31,000 km of roads, connecting more than 2 million households to a clean water supply and almost 300,000 to better sanitation, reducing the flood risk for 2.7 million people, improving the quality of education for 20 million students, and providing microfinance loans to 2.1 million borrowers and 10,000 small and medium-sized enterprises. Recently completed ADF operations exceeded the performance standard for successful delivery of planned outputs and outcomes for 14 of the 16 indicators tracked by ADB's results framework. A larger proportion of completed operations were also rated *successful*.

84. ADF operations also face several challenges. About 26% of operations were not completed successfully. Implementation delays were the most frequent cause of underachievement, often leading to cost overruns. The disbursement rate of ADF projects has increased, but further improvement is needed. Total direct value-added cofinancing relative to ADB financing increased slightly for ADF projects, but more needs to be done to meet the 2016 target. ADF operations are aligned with ADB's strategic agendas, core operational areas, and drivers of change, but closer alignment is needed in private sector development and operations, and governance and capacity development.

85. ADB is addressing these issues by pursuing a range of measures. The completion of the Midterm Review of Strategy 2020 and the start of implementation of its action plan provide a comprehensive basis for fine-tuning the development effectiveness of ADB operations, including those supported by the ADF. The implementation of these actions is expected to improve operations and provide better service to DMCs, including ADF countries.

MILLENNIUM DEVELOPMENT GOAL PROGRESS, 2013

Goal	1	2	3	4	5	6	7														
Developing Member Economies	\$1.25 per day poverty	Underweight children	Primary enrolment	Reaching last grade	Gender Primary	Gender Secondary	Gender Tertiary	Under-5 Mortality	Infant Mortality	Maternal Mortality	Skilled birth attendance	Antenatal care (≥ 1 visit)	HIV prevalence	TB incidence	TB prevalence	Forest cover	Protected area	CO ₂ emissions	ODP substance consumption	Safe drinking water	Basic sanitation
Central and West Asia																					
Afghanistan		▶			■	■	◀	■	■	■	■	■	▶	▶	■	▶	▶	◀	■	■	■
Armenia	●	◀	●	●	●	●	●	▶	▶	■	■	●	◀	●	●	◀	●	◀	●	●	■
Georgia	◀	●	●	●	●	●	●	■	■	■	●	●	◀	●	●	◀	●	●	●	●	◀
Kyrgyz Republic	●	●	●	●	●	●	●	■	■	■	■	■	◀	●	●	●	●	●	●	●	■
Pakistan	●	■	■	◀	■	■	▶	■	■	■	■	■	■	▶	●	◀	▶	◀	●	■	■
Tajikistan	●		●	●	●	■	■	■	■	■	■	▶	◀	●	●	▶	●	●	●	■	●
Uzbekistan		●	◀	●	●	●	◀	■	■	■	●	●		●	●	●	●	●	●	◀	●
East Asia																					
Mongolia		●	●	▶	●	●	●	●	▶	■	●	●	▶	●	●	◀	●	●	●	●	■
South Asia																					
Bangladesh	■	▶			●	■	●	●	▶	▶	■	■	▶	▶	●	◀	●	◀	●	■	■
Bhutan	●	■	■	▶	●	●	■	▶	■	●	▶	●	◀	●	●	●	●	◀	◀	●	■
Maldives		▶	◀		●	●	●	●	●	●	■	●	▶	●	●	▶	▶	◀	●	●	●
Nepal	●	■		■	▶	▶	■	▶	■	●	■	■	●	▶	◀	◀	●	◀	●	●	■
Sri Lanka	●	▶	◀	●	●	●	●	■	■	■	●	●	▶	▶	●	◀	●	◀	●	●	●
Southeast Asia																					
Cambodia	●	■	●	■	●	▶	■	■	■	▶	■	■	●	●	●	◀	●	◀	●	●	■
Lao PDR	▶	■	●	■	▶	■	■	●	●	▶	◀	■	◀	●	●	◀	●	◀	●	●	●
Myanmar		■		■	●	●	●	■	■	■	■	■	●	●	●	◀	●	◀	●	●	▶
Viet Nam	●	●	●	▶	▶		●	■	■	●	▶	▶	◀	●	●	●	●	◀	●	●	●
The Pacific																					
Kiribati		●	◀	●	●		■	■			◀	▶		●	●	▶	●	◀	●	■	■
Marshall Islands		●	■	●	●		■	■		●				◀	◀	▶	●	◀	●	■	■
Micronesia, Fed. States of		●	◀	●	●		■	■		●				●	●	▶	●	●	●	◀	▶
Nauru		●		●	●		■	■		■				◀	◀	▶	●	●	●	■	■
Palau		▶		●	●		■	■		●	◀			◀	◀	●	●	◀	●	●	●
Papua New Guinea		■	◀	■	■	■	■	■	■	■	■	■	●	●	●	◀	●	◀	●	■	◀
Samoa		◀	◀	●	●	◀	■	■	■	■	■			●	●	●	●	◀	●	●	◀
Solomon Islands		■	■	●	▶		■	■	■	■	■			●	●	◀	●	●	●	■	■
Timor-Leste		◀	■	●	●	◀	●	▶	▶	▶	■	■		▶	●	◀	●	●	●	■	■
Tonga		●	◀	●	●	●	■	■		◀	●			●	●	▶	●	◀	●	■	◀
Tuvalu		●	◀	●			■	■		◀				●	●	▶	●		●	●	■
Vanuatu		◀	●	■	●	●		▶	▶	■	◀			●	●	▶	●	●	◀	●	■

● = Early Achiever ▶ = On track ■ = Slow ◀ = No progress/regressing

Lao PDR = Lao People's Democratic Republic.
Source: ADB. 2013. *Key Indicators 2013*. Manila.

DELIVERED AND PROGRAMMED OUTPUTS FROM ADF OPERATIONS, 2010–2013**Level 2: Standard Explanatory Data**

Indicator ^a /Standard Explanatory Data	ADF Operations	
	Results Achieved ^b (2010–2013 PCRs)	Results Programmed ^c (2010–2013 Approvals)
Aggregate Outputs and Outcomes Achieved and Programmed in 2010–2013		
Energy		
Greenhouse gas emission reduction (tCO ₂ -equiv/yr)	600,000	4,819,000
Energy saved (terawatt-hour equivalent per year)	0	10
New households connected to electricity (number)	1,081,000	242,000
Rural	809,000	163,000
Urban	272,000	79,000
Installed energy generation capacity (MW equiv.)	230	2,000
Renewable	0	450
Transmission lines installed or upgraded (km)	5,300	3,000
Distribution lines installed or upgraded (km)	13,000	9,000
Transport		
Use of roads built or upgraded (average daily vehicle-km in the first full year of operation) ^c	11,155,000	10,038,000
Use of railways built or upgraded (average daily ton-km in the first full year of operation)	488,000	1,000,000
Passengers on urban rail- and bus-based mass transit systems built or upgraded (average daily number in the first full year of operation)	0	4,543,000
Roads built or upgraded (km)	31,000	12,000
Expressways and national highways	2,400	2,600
Provincial, district, and rural roads	29,000	9,000
Rural	29,000	7,600
Urban	2,800	4,000
Railways constructed or/and upgraded (km)	75	490
Urban rail- and bus-based mass transit systems built or upgraded (km)	0	10
Water		
Households with new or improved water supply number)	2,054,000	1,597,000
Rural	1,529,000	169,000
Urban	525,000	1,428,000
Households with new or improved sanitation (number)	291,000	1,077,000
1. Waste water treatment capacity added or improved (m ³ per day)	762,000	897,000
2. Water supply pipes installed or upgraded (length of network in km)	16,000	7,000
3. Land improved through irrigation, drainage and/or flood	2,081,000	4,277,000

Indicator ^a /Standard Explanatory Data	ADF Operations	
	Results Achieved ^b (2010–2013 PCRs)	Results Programmed ^c (2010–2013 Approvals)
management (ha)		
Households with reduced flood risk (number)	2,748,000	1,001,000
Finance		
4. Trade finance supported (\$ million per year) ^d	14,000	0
5. Microfinance loan accounts opened / end borrowers reached (number)	2,095,000	2,652,000
Female	1,674,000	1,542,000
Male	420,000	1,110,000
6. Small and medium-sized enterprise loan accounts opened or end borrowers reached (number)	9,700	3,000
Education		
7. Students benefiting from new or improved educational facilities (number)	17,164,000	3,387,000
Female	8,431,000	1,831,000
Male	8,734,000	1,557,000
8. Students educated and trained under improved quality assurance systems (number)	20,120,000	23,788,000
Female	10,117,000	12,387,000
Male	9,957,000	11,401,000
Technical vocational education and training	6,000	748,000
9. Teachers trained with quality or competency standards (number)	703,000	289,000
Female	308,000	164,000
Male	388,000	126,000
Technical vocational education and training	2,400	1,800
Regional Cooperation and Integration		
10. Cross-border transmission of electricity (gigawatt-hour per year)	0	5,800
11. Cross-border cargo volume facilitated (ton per year)	7,629,000	181,000

ADB = Asian Development Bank, ADF = Asian Development Fund, ha = hectare, km = kilometer, m³ per day = cubic meters per day, MW = megawatt, tCO₂-equiv/yr = tons of carbon dioxide equivalent per year.

Notes: Results achieved are rounded to the nearest 1,000. Values smaller than 10,000 are rounded to nearest 100. Values smaller than 1,000 are rounded to nearest 10. Values smaller than 99 are not rounded.

^a Indicator numbers refer to results framework indicators.

^b Data under “Results Achieved” are an aggregate amount of outputs and outcomes reported in project completion reports and by staff estimates as achieved by ADB and ADF operations.











^c Data under “Results Programmed” are an aggregate amount of outputs and outcomes reported in reports and recommendations of the President, and e-Operations.

^d Data are based on Trade Finance Program annual reports.

Sources: ADB project completion reports and reports and recommendations of the President issued in 2010–2013, e-Operations, and Strategy and Policy Department.

DEVELOPMENT EFFECTIVENESS REVIEW 2013 SCORECARD

Table A3.1: Level 1 Scorecard 2013—Development Progress in Asia and the Pacific

Indicator	Baseline Year	Latest Year	ADF ^a		MDG Target (2015)	Signal
			Baseline Value	Latest Value		
1. Population living on less than \$1.25 (PPP) per day (%)	2008	2010	28.0	22.9	30.9	
2. GDP per capita growth rate (%)	2011	2012	4.2	4.6		
3. Countries with high income inequality (% of countries with Gini coefficient exceeding 0.4)	2000–2010	2000–2012	11.1	11.1		
4. Wage and salaried workers in total employment (%) ^b	2011	2012	37.1	37.5		
Female	2011	2012	26.3	30.5		
Male	2011	2012	37.4	41.4		
5. Underweight children under 5 years old (%)	2010	2011	26.2	26.3	21.8	
6. Under-5 child mortality (number per 1,000 live births)	2011	2012	60.4	58.4	39.5	
Female	2010	2012	55.7	52.1	38.2	
Male	2010	2012	62.9	59.1	40.8	
Ratio of girls to boys in education						
7. Secondary	2010	2011	0.93	0.93	1.00	
8. Tertiary	2010	2011	0.85	0.88	1.00	
9. Gross lower secondary education graduation rate (%)	2010	2011	50.5	51.7		
Female	2010	2011	49.4	50.6		
Male	2010	2011	51.5	52.8		
10. Maternal mortality ratio (number per 100,000 live births)	2009	2010	236.0	220.0	140.2	

Other Development Outcomes							●
Indicator	Baseline Year	Latest Year	ADF ^a		MDG Target (2015)	Signal	
			Baseline Value	Latest Value			
11. Paved roads (kilometers per 10,000 people)	2009	2010	8.2	8.0			
12. Electrification rate (%)	2010	2011	62.9	67.2			
13. Deposit accounts in financial institutions (number per 1,000 adults)	2010	2012	479.9	560.2			
Population using an improved drinking water source (%)							
14. Rural	2010	2011	82.0	82.7	81.8		
15. Urban	2010	2011	93.0	93.3	94.2		
Population using an improved sanitation facility (%)							
16. Rural	2010	2011	51.7	52.8	64.5		
17. Urban	2010	2011	73.1	73.6	84.6		
18. Governance and public sector management assessment (index) ^c	2012	2013	3.6	3.6			
19. Time to start business (days)	2012	2013	29.8	28.9			
20. Intraregional trade in total Asia and Pacific trade (%)	2011	2012	58.9	60.3			
21. Land area covered by forests (%)	2010	2011	22.1	22.2	Increase ^d		
22. Carbon dioxide emissions (metric tons per capita)	2009	2010	0.9	0.9			

ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, MDG = Millennium Development Goal, PPP = purchasing power parity, SED = standard explanatory data.

Notes: Estimates are averages of actual country values, or imputed country values wherever data are missing for the year required, weighted by population size. MDG targets were computed relative to 1990 values for the country group except that for gender parity in education. Some of these targets have been recalculated based on new data. Grey shading in cells indicates the column heading does not apply.

^a ADF countries refer to a subset of ADB countries that have access to the ADF according to ADB's 2013 Operations Manual on Classification and Graduation of Developing Member Countries (OM A1/ BP), issued on 4 September 2013.







^b Sex-disaggregated data are unavailable for some countries.

^c Data for the Governance and Public Sector Management Assessment (index) are from the annual ADB country performance assessment ratings for ADF countries.

^d This indicator does not have a numerical target, but is scored against the MDG objective to "increase the proportion/share of land area covered by forest." The estimates for 1990 are 22.2% for ADB and 24.5% for ADF.

Sources: Regional aggregates for MDG indicators were prepared by the Strategy and Policy Department using country data from the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Statistics Division as part of the partnership between ADB, UNESCAP, and the United Nations Development Programme on the MDGs. Population data used as weights are from the United Nations Population Division World Population Prospects: The 2012 Revision. Estimates were computed based on historical trends by the UNESCAP Statistics Division using the United Nations MDG Indicators database, <http://mdgs.un.org/unsd/mdg/> Sources for other indicators include the International Labour Organization Key Indicators of the Labor Market 7th Edition http://www.ilo.org/empelm/what/WCMS_114240/lang-en/index.htm (accessed 22 October 2013); United Nations Educational, Scientific and Cultural Organization Institute for Statistics <http://stats.uis.unesco.org/unesco/ReportFolders/ReportFolders.aspx> (accessed 21 October 2013); and the World Bank, World Development Indicators online database <http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators> (accessed 20 January 2014).

Table A3.2: Level 2 Scorecard 2013—ADB's Contributions to Development Results

Quality at Completion		ADF			Signal	
		Baseline Year	Baseline Value	2013		2016 Target
1.	Completed country strategies and assistance programs rated <i>successful</i> (%)	2010–2012	67	67	80	
	Completed sovereign operations rated <i>successful</i> (%) ^a					
2.	Projects	2010–2012	68	74	80	
3.	Policy-based operations	2010–2012	62	71	80	
4.	Rated <i>likely sustainable</i>	2010–2012	55	62	80	
5.	Completed nonsovereign operations rated <i>successful</i> (%) ^b	2010–2012				
6.	Completed technical assistance projects rated <i>successful</i> (%) ^c	2010–2012	82	86	80	
7.	Completed sovereign operations delivering intended gender equality results (%)	2010–2012	53	63	70	

ADB = Asian Development Bank, ADF = Asian Development Fund.

Note: Indicators of which the 2012 baseline value (which has been updated from 2011) is already better than target set for 2016 will be scored in 2013–2016 as follows: green check when performance equals or is better than this target, and red when performance falls short of this target.


^a Counting of sovereign operations rated *successful* in project completion reports (PCRs), PCR validation reports, and project performance evaluation reports (PPERs) is based on the year of PCR circulation. Where available, PPER ratings are taken as the final rating. If a PPER was not prepared, an available PCR validation report rating is used. The 2012 and 2013 success rates for sovereign operations incorporate projected changes in project success rates resulting from future Independent Evaluation Department validation.

^b Counting of nonsovereign operations rated *successful* in extended annual review reports (XARRs), XARR validation reports, and PPERs is based on the year of XARR circulation. Where available, PPER ratings are taken as the final rating. If a PPER was not prepared, an available XARR validation report rating is used, otherwise the original XARR rating is used. The 2012 success ratings are a combination of 7 validated ratings 7 original ratings. The 2013 success ratings are all original ratings from 18 XARRs as no XARR has been validated.

^c Technical assistance success ratings are all original ratings as technical assistance completion reports are not validated.

Source: ADB Strategy and Policy Department.

Core Operational Results	ADF Operations			Signal
	Indicator	No. of PCRs	Results Achieved ^a	
Energy		2		
8. Greenhouse gas emission reduction (tCO ₂ -equiv/yr)	1	600,000	100	
9. New households connected to electricity (number)	1	17,000	100+	
10. Installed energy generation capacity (MW equiv.)	0			
Renewable (MW equivalent)	0			
11. Transmission lines installed or upgraded (km)	0			
12. Distribution lines installed or upgraded (km)	0			
Transport		9		
13. Use of roads built or upgraded (average daily vehicle-km in the first full year of operation) ^b	6	2,639,000	96	
14. Use of railways built or upgraded (average daily ton-km in the first full year of operation)	1	488,000	100+	
15. Roads built or upgraded (km)	8	1,800	77	
16. Railways constructed or/and upgraded (km)	1	75	100	
17. Urban rail- and bus-based mass transit systems built or upgraded (km)	0			
Water		5		
18. Households with new or improved water supply (number)	3	142,000	91	
19. Households with new or improved sanitation (number)	3	50,000	86	
20. Waste water treatment capacity added or improved (m ³ per day)	1	3,600	21	
21. Water supply pipes installed or upgraded (length of network in km)	2	4,400	86	
22. Land improved through irrigation, drainage and/or flood management (ha)	2	87,000	92	
Finance		5		
23. Trade finance supported (\$ million per year) ^c				
24. Microfinance loan accounts opened / end borrowers reached (number)	3	831,000	100+	
Female		810,000		
Male		21,000		
25. Small and medium-sized enterprise loan accounts opened or end borrowers reached (number)	2	2,900	100+	
Education		6		
26. Students benefiting from new or improved educational facilities (number)	5	12,293,000	87	
Female		5,964,000		
Male		6,329,000		
27. Students educated and trained under improved quality assurance systems (number)	4	19,122,000 ^d	85	
Female		9,620,000		
Male		9,456,000		

Core Operational Results	ADF Operations			Signal
	No. of PCR	Results Achieved ^a	Achievement Rate (%) (Satisfactory: 85% or above)	
28. Teachers trained with quality or competency standards (number)	7	515,000 ^d	100+	
Female		241,000		
Male		267,000		
Regional Cooperation and Integration	2			
29. Cross-border transmission of electricity (gigawatt-hour per year)	0			
30. Cross-border cargo volume facilitated (ton per year)	2	5,335,000		

ADB = Asian Development Bank, ADF = Asian Development Fund, ha = hectare, km = kilometer, m³ per day = cubic meters per day, MW = megawatt, PCR = project completion report, SED = standard explanatory data, tCO₂-equiv/yr = tons of carbon dioxide equivalent per year.

Notes: Signals do not have arrows because there is no comparison to past or baseline achievement percentages. The entry "100+" under the column "Achievement Rate" means that outputs achieved exceeded the planned outputs. Grey shading in cells indicates the column heading does not apply.

^a Data under "Results Achieved" are an aggregate amount of outputs and outcomes reported in PCRs circulated in 2013 as achieved by ADB operations. "Achievement Rate" represents the percentage of total "Results Achieved" of the total planned outputs and outcomes as described in reports and recommendations of the President and by operations departments for the same operations. Of the 66 projects with PCRs and extended annual review reports, 37 projects (56%) reported outputs and outcomes covered by the indicators in level 2. The results presented include the contributions of ADB, cofinanciers, and the government. ADB financing accounts for 24% of the total project costs of these 37 operations. Results achieved are rounded to the nearest 1,000. Values smaller than 10,000 are rounded to nearest 100. Values smaller than 1,000 are rounded to nearest 10. Values smaller than 99 are not rounded.














^b There are no available data on "average daily vehicle-kilometers" for four operations in transport (2), multisector (1), and agriculture (1) sectors. These operations supported small community roads, so traffic count information was not collected.









^c This indicator is rated annually against the annual benchmark of \$2.5 billion.

^d Sex-disaggregated data are not available for one operation.

Source: ADB Strategy and Policy Department.

Table A3.3: Level 3 Scorecard 2013—ADB's Operational Management

Indicator	Baseline Year	Baseline Value	ADF			Signal
			2013	Target	Target Year	
Implementation Quality						
1. Performance of sovereign operations at implementation rated <i>satisfactory</i> (%)	2012	89	94	85	Annual	
2. Performance of nonsovereign operations at implementation, credit rated <i>satisfactory</i> (%)	2012					
3. Time from approval to first contract in sovereign projects (months)	2012	13.7	11.5	9	2016	
Quality at Entry ^a						
4. Quality at entry of country partnership strategies rated <i>satisfactory</i> (%)	2012	100		90	Annual	
5. Quality at entry of sovereign projects rated <i>satisfactory</i> (%)	2012	84		90	Annual	
6. Quality at entry of nonsovereign projects rated <i>satisfactory</i> (%)	2012					
7. Quality at entry of country partnership strategies in supporting inclusive economic growth rated <i>satisfactory</i> (%)	2012	100		90	2016	
8. Project design and monitoring frameworks rated <i>satisfactory</i> (%)	2012	81	83	90	2016	
Development Finance						
9. Disbursement ratio for sovereign projects (age standardized, %)	2012	16.3	17.6	20	2016	
10. Disbursement ratio for nonsovereign project finance loans (age standardized, %)	2012					
11. Direct value-added cofinancing (% of ADB financing approved)	2010–2012	31	32	50	2016	
12. Project development transactions for public–private partnerships (total number from 2013)	2012					
13. Cumulative public–private partnership leveraging achieved using ADB financing (ratio of leveraging amount to ADB financing approved)	2010–2012					
Strategy 2020 Development Agendas and Core Operations						
Operations contributing to inclusive economic growth focusing on						
14. growth and creation of jobs and opportunities (%)	2010–2012	39	44	Monitor	2016	
15. inclusive access to jobs and opportunities (%)	2010–2012	60	54	Monitor	2016	
16. social protection (%)	2010–2012	9	11	Monitor	2016	
17. Operations supporting environmental sustainability (%)	2010–2012	36	40	40	2016	
18. Operations supporting regional cooperation and integration (%)	2010–2012	27	25	25	2016	

Indicator	Baseline Year	Baseline Value	ADF			Signal
			2013	Target	Target Year	
19. Financing for Strategy 2020 core operational areas (%)	2010–2012	90	70	80	Annual	
Strategy 2020 Drivers of Change						
20. Operations supporting private sector development and private sector operations (%)	2010–2012	29	29	40	2016	
21. Operations supporting governance and/or capacity development (%)	2010–2012	68	66	Above baseline	Annual	
22. Operations supporting gender mainstreaming (%)	2010–2012	58	60	55	2016	
23. Perceived ADB performance in promoting knowledge sharing and best practices (%)	2012					
24. Web-distributed knowledge solutions (number of downloads)	2012					
25. Civil society organization participation in sovereign operations (% of approved operations)	2012	98	89	90	Annual	
Global Monitoring Indicators in line with Busan commitments						
26. Operations using country results frameworks (%)	2012	100	100	90	Annual	
27. Operations using country systems (%)	2012	47	48	Above baseline	Annual	

ADB = Asian Development Bank, ADF = Asian Development Fund.

Note: Indicators of which the 2012 baseline value (which has been updated from 2011) is already better than target set for 2016 will be scored in 201–2016 as follows: green check when performance equals or is better than this target, and red when performance falls short of this target. For results indicators that are monitored, the arrow shows the direction of movement only.

^a No composite signal is calculated for Quality at Entry as only one out of five underlying indicators has a signal.

Quality-at-entry assessments are conducted every 2 years.

Sources: ADB. 2013. *ADB Perceptions Survey: Multinational Survey of Stakeholders 2012*. Manila; ADB, reports and recommendations of the President approved in 2010–2013, Operations Services and Financial Management Department, Controller's Department, Independent Evaluation Department, Office of Cofinancing Operations, Private Sector Operations Department, Regional and Sustainable Development department, regional departments, and Strategy and Policy Department.

MIDTERM REVIEW OF STRATEGY 2020: STRATEGIC PRIORITIES AND KEY ACTIONS

Strategic Priorities	Key Actions
A. Sharpening ADB's Operational Focus	
1. Poverty Reduction and Inclusive Economic Growth	(i) Continue to invest in infrastructure projects, complemented by investments in education, finance, health, and agriculture
	(ii) Support infrastructure projects that benefit lagging areas and help achieve the Millennium Development Goals
	(iii) Increase share of education (to 6–10%) and health (to 3–5%) in total financing from 3% for education and 2% for health during 2008–2012 ^a
	(iv) Emphasize social protection, financial inclusion, and inclusive business ^a
	(v) Invest \$2 billion annually in food security and agriculture
	(vi) Address gender gaps including through investment in girls' education, employment, and income-earning opportunities
	(vii) Promote governance and capacity development by improving implementation of governance risk assessments, achieving specific outcomes from capacity building interventions, supporting improved public financial management and procurement systems, and strengthening corruption-free delivery of basic services.
	(viii) Provide more resources and financing for developing member countries (DMCs) categorized as fragile and conflict-affected situations (FCASs), including a \$3 million minimum Asian Development Fund (ADF) allocation for small FCAS DMCs ^a
2. Environment and Climate Change	(i) Invest \$2 billion annually in clean energy, including energy efficiency
	(ii) Increase financing for sustainable transport, such as railways, waterways, and urban transport
	(iii) Scale up assistance for climate adaptation by screening and building resilience of projects at risk from climate change ^a
	(iv) Promote integrated disaster risk management to reduce vulnerability to natural and environmental hazards ^a
	(v) Promote natural resource management to protect and maintain the productive potential of land, forests, and natural resources
	(vi) Strengthen environmental policies and institutional capacities for compliance and enforcement
	(vii) Ensure effective implementation of the Safeguard Policy Statement (2009), including strengthening country safeguard systems.
	(viii) Sharpening ADB's Operational Focus Help DMCs access global and regional climate funds for environment and climate change ^a

Strategic Priorities	Key Actions
3. Regional Cooperation and Integration	(i) Promote regional connectivity and value chains through cross-border infrastructure and connecting economic hubs for greater trade and commercial opportunities.
	(ii) Move to second-generation regional integration interventions to increase productivity and competitiveness of regional economies, such as those related to investment climate improvement, access to finance and skills development. ^a In particular, support <ul style="list-style-type: none"> (a) trade facilitation and harmonization of standards to complement hard infrastructure and reduce business costs; and (b) financial and monetary cooperation for greater financial, fiscal, and macroeconomic stability in the region; and (c) regional public goods, including effective regional responses to climate change and control of communicable disease.
4. Infrastructure Development	<ul style="list-style-type: none"> (i) Ensure alignment of infrastructure operations with the three strategic agendas of inclusive growth, environmentally sustainable growth, and regional integration. (ii) Strengthen outcomes of infrastructure projects by improving sector engagement, technical designs, and project implementation. (iii) Ensure sustainability, with focus on operations and maintenance. (iv) Develop infrastructure projects on a scale larger than the resources of the Asian Development Bank (ADB). (v) Leverage public and private resources, including through public–private partnerships, to generate additional resources for infrastructure development ^a (vi) Replicate innovative instruments such as ASEAN Infrastructure Fund in other subregions. ^a (vii) Support policy, regulatory, and governance reforms to strengthen public infrastructure management systems and attract private sector investment.
B. Responding to the New Business Environment	
5. Middle-Income Countries	<ul style="list-style-type: none"> (i) Adopt differentiated approaches to address specific needs of middle-income countries (MICs) to stay relevant and effective. ^a (ii) Support lower MICs on inclusive growth, infrastructure development, and governance. (iii) Support upper MICs as a provider of catalytic solutions, a partner in finance, and a source of knowledge and innovation. ^a (iv) Support regional public goods in MICs. (v) Support greater use of country systems in MICs to

Strategic Priorities	Key Actions
	<p>reduce transaction costs.^a</p> <p>(vi) Based on appropriate graduation criteria, help MICs graduate from ADB's concessional to non-concessional assistance, and from nonconcessional assistance.</p> <p>(vii) Continue to assess ADB's graduation policy, as appropriate, by taking into account graduation policies of other multilateral development banks, and in line with the changing circumstances of the region.</p>
<p>6. Private Sector Development and Operations</p>	<p>(i) Expand private sector support to 50% of annual operations by 2020.</p> <p>(ii) Increase private sector operations to 25% of annual OCR operations.</p> <p>(iii) Improve the investment climate to strengthen private sector participation in development; for this purpose, strengthen internal interdepartmental coordination.</p> <p>(iv) Become a more active project developer and a resource mobilizer, in addition to being a project financier.^a</p> <p>(v) Support PPPs, including through building regulatory and institutional frameworks, project development, and PPP transaction advisory services to support preparation of bankable projects.^a</p> <p>(vi) Explore innovative financing solutions, including credit enhancement products, local currency financing for private sector projects, and blending of concessional resources from trust funds and ADF with OCR to enable the provision of more flexible debt, equity, and guarantee instruments.^a</p> <p>(vii) Streamline business process requirements for smaller private sector transactions in ADF-recipient DMCs, and address related risks.^a</p> <p>(viii) Explore opportunities to update country and sector limits for private sector operations to increase capacity to undertake more developmental transactions.^a</p>
<p>7. Knowledge Solutions</p>	<p>(i) Ensure knowledge work is operationally relevant and emphasizes innovation through stronger engagement of communities of practice and capturing of knowledge embedded in operations.</p> <p>(ii) Improve information and communication technology (ICT) systems for effective storage, retrieval, and dissemination of knowledge products and data.^a</p> <p>(iii) Implement a "One ADB" approach to improve internal coordination on the delivery of knowledge solutions.^a</p> <p>(iv) Promote knowledge dialogue with DMCs, with resident missions coordinating, to prioritize and</p>

Strategic Priorities	Key Actions
	<p>generate joint knowledge solutions.^a</p> <p>(v) Take a lead role in promoting south-south knowledge sharing.^a</p> <p>(vi) Allocate more resources for knowledge work</p> <p>(vii) Strengthen knowledge partnerships with multilateral development banks, other international institutions, and policy and research institutions in DMCs.^a</p> <p>(viii) Support innovation in DMCs through knowledge solutions, and implementation of other strategic priorities of the midterm review.^a</p>
C. Strengthening ADB's Capacity and Effectiveness	
8. Financial Resources and Partnerships	<p>(i) Increase lending capacity by considering combining Asian Development Fund's lending operations with the Ordinary Capital Resources balance sheet, and other measures including controlling expenditures, increasing revenues, strategically reducing loan exposure through various risk-mitigation measures and risk-transfer agreements, issuing special bonds, and exploring a capital increase once a consensus is reached.^a</p> <p>(ii) Match own resources with cofinancing through strengthening incentives and streamlining procedures.^a</p> <p>(iii) Deepen partnerships with multilateral and bilateral institutions and civil society organizations to leverage additional resources and expertise.^a</p>
9. Delivering Value for Money in ADB	<p>(i) Link resource allocation to the performance of ongoing operations, including disbursement, to provide incentives for improving project implementation.^a</p> <p>(ii) Develop a prioritization mechanism to allocate technical assistance more effectively.^a</p> <p>(iii) Reform and rationalize business processes and implement projects more effectively—emphasize total project readiness, build the capacity of executing and implementing agencies, undertake reform of procurement system including through implementation of the 10 point Action Plan on Procurement Reform (main text, footnote 71), use country systems where feasible, decentralize project implementation to resident missions, and work with civil society institutions.^a</p> <p>(iv) Improve administrative cost efficiency and reduce dependence on consultants.^a</p> <p>(v) Update the corporate results framework and systematically apply results frameworks at the corporate, country, and project levels to strengthen results monitoring.^a</p> <p>(vi) Strengthen ADB's internal ICT systems to simplify and streamline business processes and</p>

Strategic Priorities	Key Actions
	procedures. ^a
10. Organizing to Meet New Challenges	<ul style="list-style-type: none"> <li data-bbox="698 359 1419 426">(i) Align and strengthen staff skills to deliver on strategic priorities.^a <li data-bbox="698 426 1419 493">(ii) Nurture and retain technical talent to build sector expertise.^a <li data-bbox="698 493 1419 560">(iii) Strengthen leadership skills of staff to assume management roles.^a <li data-bbox="698 560 1419 627">(iv) Provide more staff incentives for results, innovations, and partnerships. <li data-bbox="698 627 1419 695">(v) Introduce scorecard system for all departments and offices for key result areas.^a <li data-bbox="698 695 1419 762">(vi) Strengthen long-term sector engagement through quality sector road maps. <li data-bbox="698 762 1419 829">(vii) Promote skills sharing across departments and offices. <li data-bbox="698 829 1419 896">(viii) Improve communication and information-sharing with staff and among teams. <li data-bbox="698 896 1419 963">(ix) Empower resident missions by providing greater authority and mandate. <li data-bbox="698 963 1419 982">(x) Give national staff a greater role and upgrade their responsibilities.^a

ADB = Asian Development Bank, ADF = Asian Development Fund, ASEAN = Association of Southeast Asian Nations, CSO = civil society organization, DMC = developing member country, FCAS = fragile and conflict-affected situation, ICT = information and communication technology, MDB = multilateral development bank, MIC = middle-income country, MTR = midterm review, OCR = ordinary capital resources, PPP = public-private partnership, RCI = regional cooperation and integration.

^a New actions included under the midterm review.

Source: Asian Development Bank.