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ADF XI REPLENISHMENT MEETING
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ADF XI: Fifth Replenishment of Technical Assistance Special Fund

Asian Development Bank

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPS	–	country partnership strategy
FCAS	–	fragile and conflict-affected situations
IED	–	Independent Evaluation Department
IMfTL	–	Institute for Microfinance in Timor-Leste
JFPR	–	Japan Fund for Poverty Reduction
JSF	–	Japan Special Fund
OCR	–	ordinary capital resources
SES	–	special evaluation study
TA	–	technical assistance
TCR	–	technical assistance completion report
TASF	–	Technical Assistance Special Fund

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.

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EXECUTIVE SUMMARY

Technical Assistance (TA) is a key instrument in the operations of the Asian Development Bank (ADB). Through TA, ADB provides support to its developing member countries for preparing projects, building capacity, undertaking analytical work, and supporting policy reforms.

Responding to strong demand, ADB's TA operations, and particularly its Technical Assistance Special Fund (TASF)-supported TA operations, have been growing in terms of dollar volume over the past decade. However, the growth in TA has not kept pace with the expansion in loan and grant operations over the same period. As a result, TA operations have declined in proportion to loan and grant operations. While it is difficult to determine the appropriate ratio of TA to loan and grant operations that ADB needs to maintain to achieve development results, a recent special evaluation study by the Independent Evaluation Department of ADB argued that the continued decline in TA resources would likely affect the quality of project design and implementation in ADF countries.

ADB provides more intensive TA support to ADF countries than other developing member countries that are relatively well-off and have access to ADB's ordinary capital resources, reflecting both the needs and emphasis of TA operations. The ratio of TA to loan and grant in ADF-only countries is 4 times as large as that in OCR countries, although the ratio for both groups of countries has decreased over the last decade. Among ADF countries, those in fragile and conflict-affected situations received relatively more TA support.

The performance rating of TA projects have recovered recently from their low point in 2008. In 2010, the success rate of TA projects was 78% in all countries, and 80% in ADF countries. To further improve TA operations, ADB recently strengthened strategic programming, process for design and implementation, and financial management of TA. For example, TA projects are classified by their level of complexity. More complex TA projects receive more resources and are subject to more intensive scrutiny in their design and implementation; whereas less complex TA projects have streamlined design and approval procedures. ADB has also improved its efficiency in recruiting consultants for TA operations.

Demand for TA is expected to remain strong over ADF XI. The number of ADF projects is expected to increase from ADF X to ADF XI. Adequate TA resources are required to help ensure the effectiveness of overall ADF operations in ADF countries, especially those in fragile and conflict-affected situations. Increasing support for regional cooperation and integration will also require more TA support.

ADB has recently managed to increase TA funding from external sources, and it will continue with these efforts to meet the overall TA demand of its developing member countries. However, the TASF will remain the most critical, predictable, and stable source of TA funding, allowing ADB to plan and implement TA projects more strategically and effectively over the long term—especially in ADF countries where the needs are vast.

It is proposed that the size of the TASF replenishment under ADF XI be either at least the same as that under ADF X in real terms, or 3% of the size of ADF XI, whichever is greater.

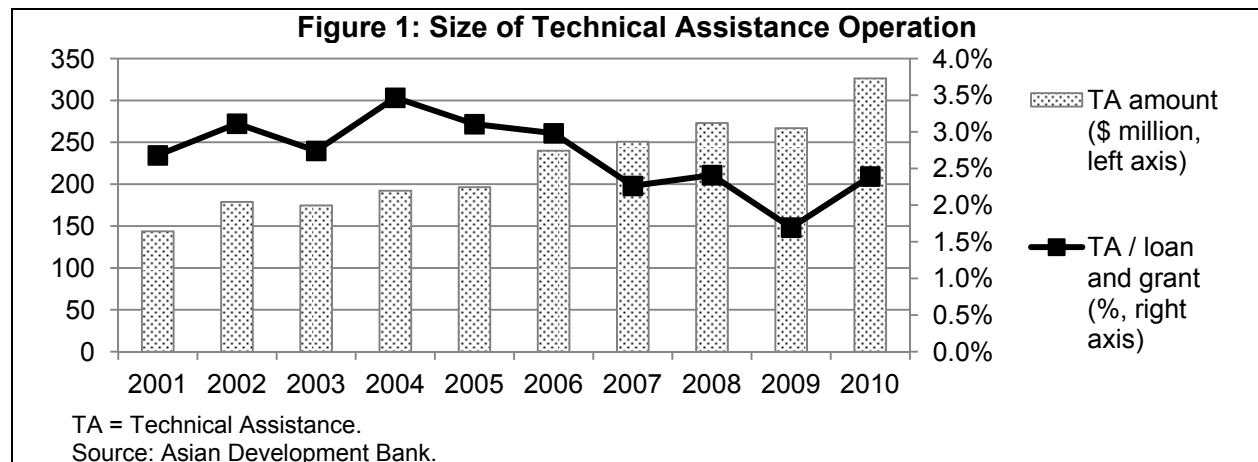
I. INTRODUCTION

1. Technical assistance (TA) plays a vital role in Asian Development Bank (ADB) operations, particularly in Asian Development Fund (ADF) countries.¹ TA is used help developing member countries of ADB prepare development projects, enhance the capacity of governments and their agencies, undertake analytical work, and support policy reforms. TA is also a key instrument for ADB to achieve its strategic objective under Strategy 2020 in promoting regional cooperation and integration and in providing knowledge solutions for development.²

II. HISTORICAL TREND OF TECHNICAL ASSISTANCE OPERATION

A. Size of Technical Assistance Operation

2. ADB's TA operations have been growing in volume although they have not kept the pace with the expansion of loan and grant operations. In response to strong demand, the total amount of TA approvals increased from \$144 million in 2001 to \$327 million in 2010, a compound annual growth rate at 8.5% (Figure 1). However, the amount of ADB's loan and grant approvals grew more rapidly in that period. As a result, the size of TA operations has become smaller relative to loan and grant approvals. The ratio of TA approvals to loan and grant approvals declined from a peak of 3.5% in 2004 to 1.7% in 2009.³ Though the ratio of TA approvals to loan and grant approvals increased to 2.4% in 2010, this was largely due to the approval of an exceptionally large TA project and it is uncertain if the increase will be sustained.⁴



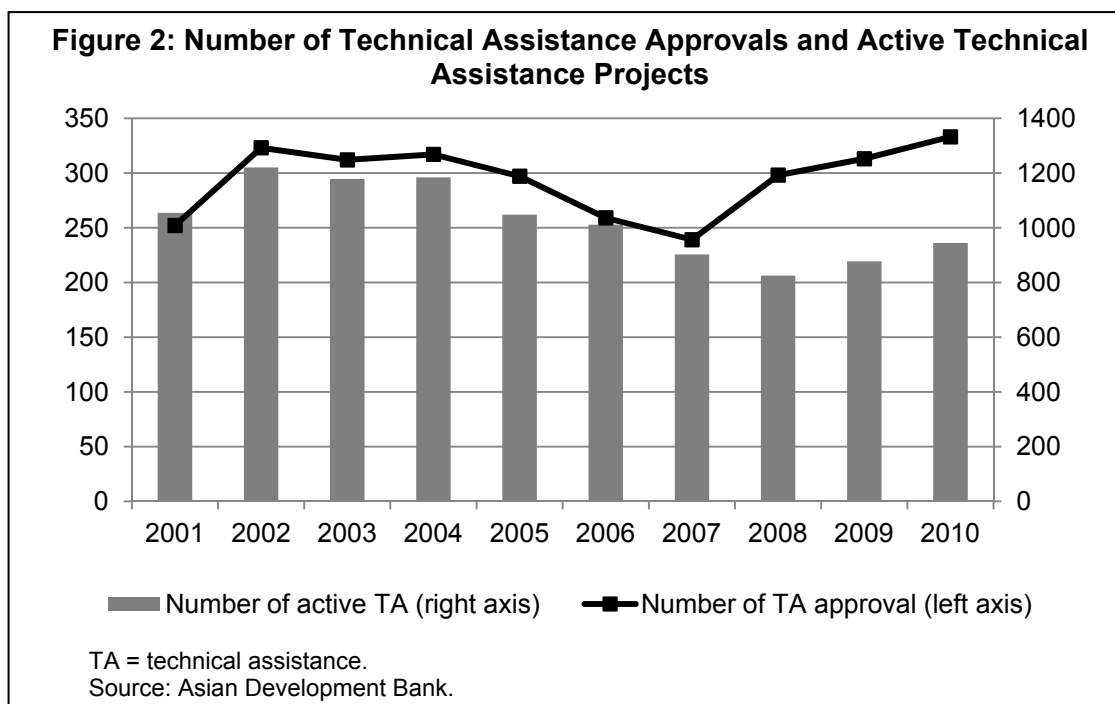
¹ In this paper, TA refers to all TA grants funded by the Technical Assistance Special Fund (TASF) and other sources. TA loans, which are funded by ordinary capital resources (OCR) or the ADF, are excluded. ADF countries are classified as either (i) "ADF-only" countries which only have access to ADF, and (ii) "blend" countries which have access to both the ADF and OCR. In this paper, ADF-only countries and blend countries are based on the classification as of August 2011. Although Mongolia and Timor-Leste were subsequently reclassified from ADF-only countries to blend countries, they are treated as ADF-only countries in this paper, which was prepared primarily from historical perspective. Countries eligible for ADF assistance but without access to the ADF are not included among the ADF countries.

² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

³ The high ratio of TA operations to loan and grant operations in 2004 partly reflects the smaller amount of loan and grant approvals. The drop in the ratio of TA operations to loan and grant operations in 2009 is due to very large loan approvals responding to the global economic crisis.

⁴ Technical Assistance to Indonesia for the Education Sector Analytical and Capacity Development Partnership was approved in 2010, in the amount of \$50 million. The TA project is cofinanced by the Government of Australia and the European Union. If this TA is excluded, the ratio of TA to loan and grant was 2.0% in 2010.

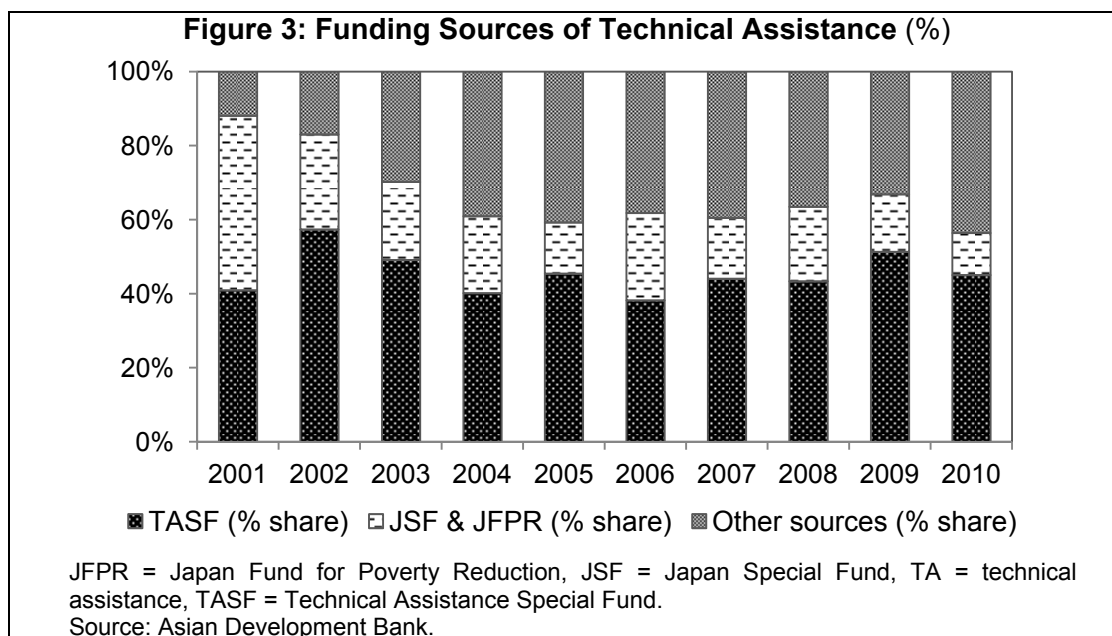
3. While the volume of TA operations increased, ADB has managed to control the total number of active TA projects in the portfolio by managing TA approvals, increasing the average size of TA projects, and implementing TA projects in a timely manner. The number of active TA projects remains below 950 despite the increase in TA approvals in 2009–2010.



B. Technical Assistance Funding Sources

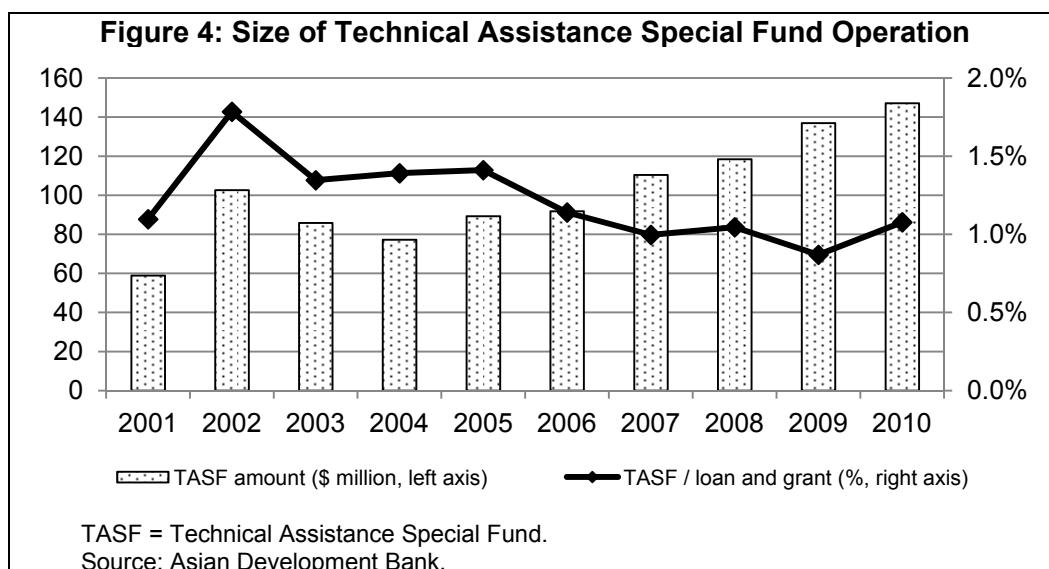
4. While ADB has diversified technical assistance funding sources, the Technical Assistance Special Fund (TASF) remains the most vital source of funding for ADB's TA operations, especially in ADF countries. Figure 3 shows TA funding sources, broken down into the TASF, the Japan Special Fund (JSF) and the Japan Fund for Poverty Reduction (JFPR), and other sources.⁵ ADB has been proactively seeking other sources to meet growing TA demand, resulting in significant increase of other sources from 11.9% of the total in 2001 to 43.6% in 2010. In dollar terms, other source funding rose from \$17.2 million to \$142.3 million in that period. While the JSF and the JFPR were major funding sources in the early 2000s, their shares have declined gradually. The TASF has been the largest funding source since 2002, accounting for 40%–50% of total funding in most years. Besides being the largest funding source, the TASF, as a stable and predictable funding source, enables longer-term planning and effective resource management. The other sources tend to concentrate on certain countries and themes, which may result in mismatches between demand and supply.

⁵ Other sources include all funds except the TASF, JSF and JFPR. Funds partly or wholly funded by ADB, such as the Pakistan Earthquake Fund, the Regional Cooperation and Integration Fund, and the Climate Change Fund, are also included.



C. Technical Assistance Special Fund

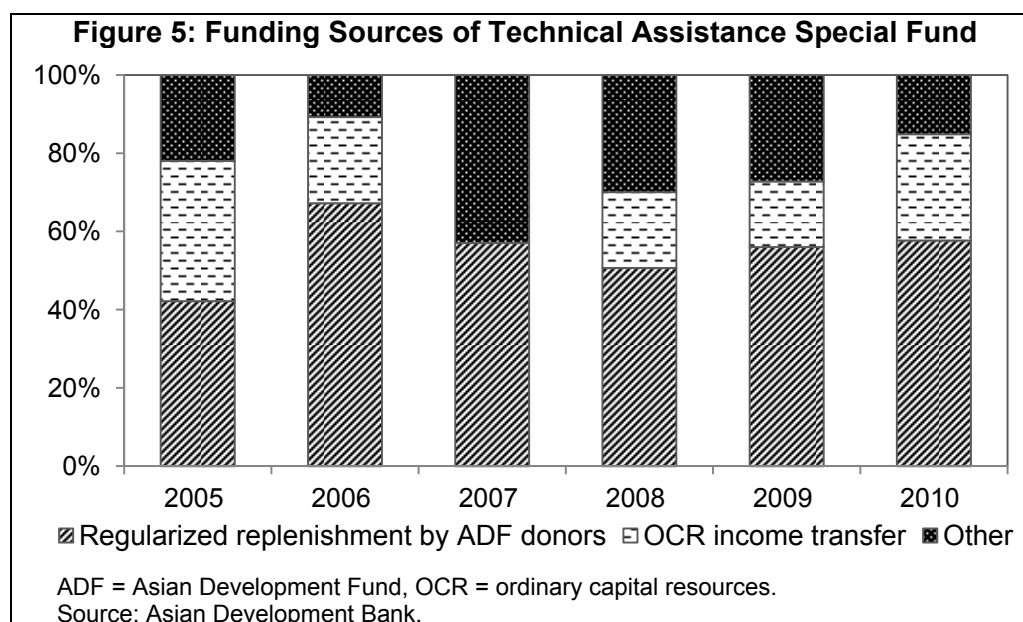
5. The TASF has grown in terms of its dollar volume of approvals from \$58.9 million in 2001 to \$147.1 million in 2010 (Figure 4). However, like overall TA resources, this growth has not kept the pace with the increase of loans and grants. As a result, the ratio of TA approvals funded by the TASF to total loan and grant approvals declined from a peak of 1.8% in 2002 to 0.9% in 2009.⁶



6. A major funding source of the TASF has been regularized replenishment by ADF donors, which was supplemented by the OCR net income transfer and other sources (Figure 5). Until

⁶ The drop of ratio of TA to loan and grant in 2009 is due to large loan approvals responding to the global economic crisis.

1987, the TASF was funded by voluntary contributions from individual donors; most of these contributions were tied to consulting services from the contributing countries. Under ADF V (1987–1990), donors agreed to replenish the TASF with a certain share of the ADF replenishment. This regularized replenishment was carried out under ADF V, VI, IX, and X.⁷ The size of the TASF regularized replenishment was equivalent to 3% of the ADF replenishment under ADF IX and X. The regularized replenishment is the largest source of TASF funding, accounting for 54% under ADF IX and 57% during the first half of ADF X. Income transfer from OCR is the second-largest source. Other sources include voluntary contributions, and savings and cancellations.



III. UTILIZATION OF TECHNICAL ASSISTANCE SPECIAL FUND

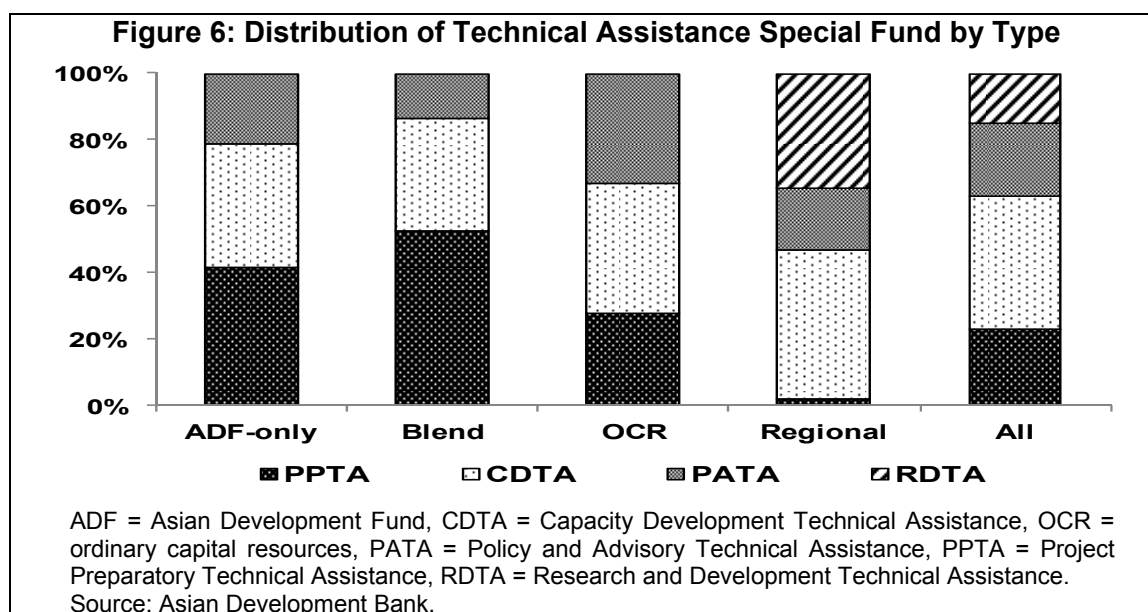
A. Distribution by Type of Technical Assistance

7. Since 2009, TA projects have been classified as follows: (i) project preparatory TA for preparing development projects, (ii) capacity development TA for enhancing capacity of developing member countries, (iii) research and development TA for undertaking thematic studies, and (iv) policy and advisory TA for supporting policy formulation. The largest share of resources is used for capacity development TA, reflecting the critical role of capacity development in ensuring effective project implementation and sustainable development impacts. In 2009–2010, capacity development TA projects accounted for 40% of the TA projects funded by TASF; project preparatory TA accounted for 23%, policy and advisory TA made up 22%, and research and advisory TA comprised 15% (Figure 6).⁸ Capacity development TA often is strongly linked with loan or grant projects, and provides vital support in realizing development impacts in a timely and effective manner (Box 1).

⁷ Under ADF VII and VIII, TASF was funded by OCR income transfer and other sources.

⁸ Similar trends are observed for overall TA, including those funded by other sources.

8. In ADF countries, the share of project preparatory TA is larger than in OCR countries, reflecting their more limited capacity to prepare investment projects.⁹ The share of policy and advisory TA is larger in OCR countries, because ADB emphasizes providing knowledge solutions by introducing innovative approaches and regional and international best practices.



Box 1: Strengthening Institutional Capacity for Emergency Response to Food Crisis and Improving Food Security in Cambodia

Responding to the extraordinary increase in food prices and food scarcity in 2008, the Asian Development Bank (ADB) provided technical assistance (TA) to the Government of Cambodia to promptly assist the poor and vulnerable.^a The TA strengthened the government's capacity to implement the Emergency Food Assistance Project funded by the Asian Development Fund.^a The TA supported rigorous targeting of beneficiaries, and independent monitoring and assessment of the distribution of free rice and subsidized fertilizer. These measures under the TA improved transparency and built mutual trust between the government and the beneficiaries.

The TA helped increase the availability of food for 280,000 households from vulnerable groups. It contributed to increased rice production of 73,000 farmers by increasing irrigated areas by 22,000 hectares and improving 700 kilometers of rural road.

^a ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to Kingdom of Cambodia for Emergency Food Assistance Project*. Manila. The Technical Assistance, *Strengthening Institutional Capacity for Emergency Response to Food Crisis and Improving Food Security* was included in the Report and Recommendation of the President for the project.

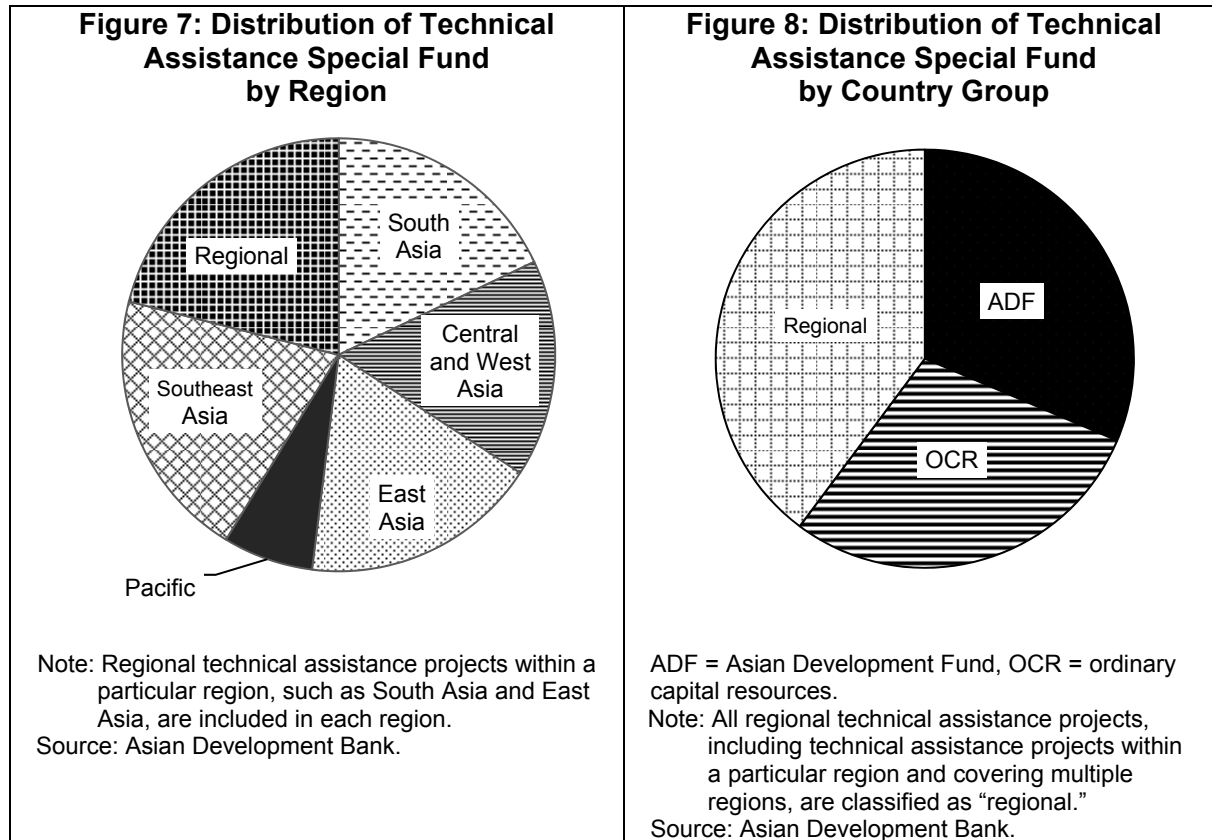
B. Country Distribution

9. The geographical allocation of TASF resources is well-balanced across regions.¹⁰ Each region, except the Pacific, accounted for about 20% of TA funded by the TASF during 2006–

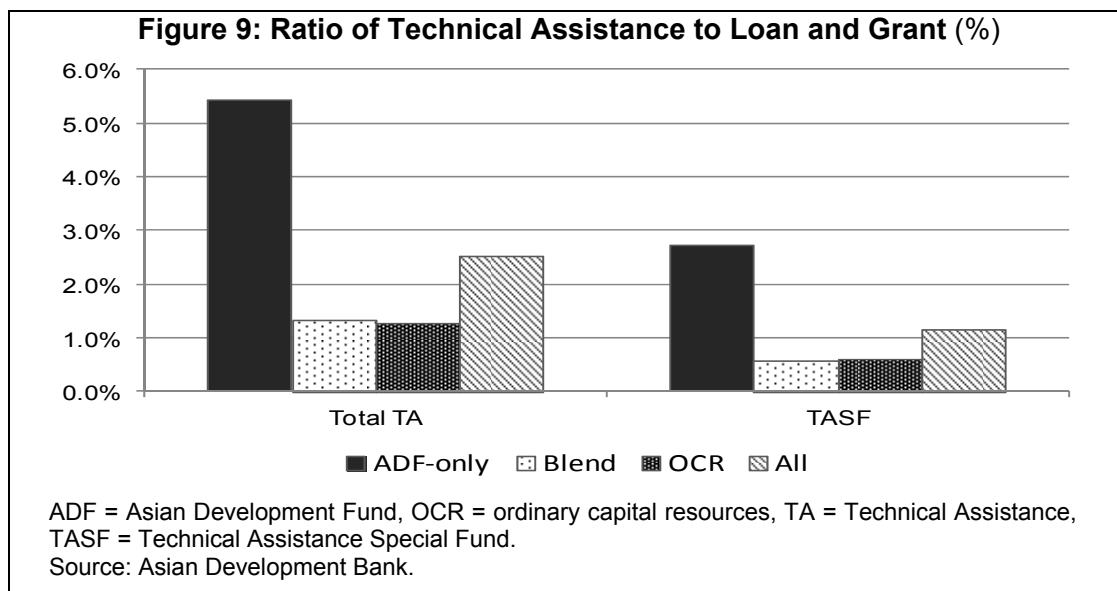
⁹ Though the share of project preparatory TA is larger for blend countries than that for ADF-only countries, the size of project preparatory TA relative to loan is larger for ADF-only countries than that for blend countries, because the total size of TA relative to loan is much larger for ADF countries (para. 10).

¹⁰ Similar trends are observed for total TA operations, including those funded by other sources.

2010 (Figure 7). By country group, 31% of TASF resources was allocated to ADF countries, 29% to OCR countries, and 40% of for regional TA projects (Figure 8).



10. The TASF helps ADB provide more intensive TA support to ADF-only countries. The ratio of TA approvals to loan and grant approvals in ADF-only countries was 5.4% during 2001–2010, 4 times larger than in blend and OCR countries. More intensive TA support reflects the limited capacity of ADF-only countries. The TASF helps augment the TA operations in ADF-only countries. The TASF’s share of total TA funding was 50.3% for ADF-only countries, higher than that in blend countries (41.5%) and OCR countries (46.9%).



11. ADB provides enhanced TA support to countries in fragile and conflict-affected situations (FCAS), as reported in detail at the first ADF XI meeting.¹¹ TA is an essential instrument to support FCAS countries, which are characterized by limited capacity and environments that are uncertain and quickly evolving. Since the endorsement of an approach paper for FCAS countries in 2007,¹² TA operations in FCAS countries totaled \$70.2 million, or 10.9% of total country-specific TA projects.¹³ The ratio of TA to loan and grant in FCAS countries was 2.7%¹⁴—higher than the average for all ADF countries (1.5%) in that period. TA projects in FCAS countries are designed with a longer-term perspective, and extensive consultation and participation are emphasized to establish effective ownership and partnership (Box 2).

Box 2: Technical Assistance Operations to Support Microfinance in Timor-Leste

ADB has been assisting Timor-Leste over the long term to develop microfinance industry. In 2000, ADB approved a technical assistance (TA) project on Strengthening the Microfinance Policy and Legal Framework, to support the implementation of the grant project on Microfinance Development Project.^a In 2001, the Institute for Microfinance in Timor-Leste (IMfTL) was established under this project. ADB continued to support the IMfTL through a series of TA projects, such as the Microfinance Information Technology Systems Development (2001),^b and the Strengthening Microfinance Operations (2004).^c The TA projects were designed and implemented with thorough dialogue and consultations with stakeholders. ADB has also collaborated with other development partners. For example, ADB's TA supported the installation and adoption of software developed by the Food and Agriculture Organization of the United Nations and GIZ.

The IMfTL saw strong growth after its establishment in 2001. In mid-2010, cumulative disbursement reached \$6.5 million for 40,417 loans. The institute has expanded its network, covering all 13 districts and became the country's first locally owned commercial bank in July 2011. The IMfTL's operational and financial performance has also improved. Nonperforming loans fell from 7.7% of the portfolio in 2004 to 2.2% in 2010. ADB is maintaining its support for the IMfTL under the Private Sector Development Initiative to further strengthen its capacity.^d

^a ADB. 2000. *Report on a Project Grant From the Trust Fund for East Timor and a Technical Assistance Grant from the Asian Development Bank to the United Nations Transitional Administration in East Timor for the Microfinance Development Project*. Manila. The Trust Fund for East Timor is a multi-donor trust fund established for East Timor, and the grant was administered by ADB. The TA, *Strengthening the Microfinance Policy and Legal Framework*, is included in the report on the project grant.

^b ADB. 2001. *Technical Assistance to the Democratic Republic of Timor-Leste for Microfinance Information Technology Systems Development*. Manila.

^c ADB. 2004. *Technical Assistance to the Democratic Republic of Timor-Leste for Strengthening Microfinance Operations*. Manila.

^d ADB. 2006. *Technical Assistance for Private Sector Development Initiative*. Manila.

12. ADB ensures that contributions from ADF donors are directed only to ADF countries and regional TA projects that benefit ADF countries.¹⁵ For this purpose, ADB established two categories within TASF: (i) TASF IV, which is funded through the regularized replenishment by

¹¹ ADB. 2011. *ADB Engagement in Fragile and Conflict-Affected Situations*. Manila.

¹² ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries (The Asian Development Bank's Approach to Engaging with Weakly Performing Countries)*. Manila. FCAS countries were formerly known as "weakly performing countries."

¹³ The figure refers to the total amount of TA during 2007–2010. The report presented in the first meeting (*Engagement in Fragile and Conflict-Affected Situations*) refers to 8.1 % as the share of TA for FCAS countries. There is an error in accounting the total amount of country-specific TA, which is corrected in this paper.

¹⁴ The estimated TA in FCAS countries is conservative, because regional TA projects covering FCAS countries are not included.

¹⁵ ADB. 2008. *Guidelines for the use of Technical Assistance Resources*. Manila.

ADF donors; and (ii) TASF other sources, which is funded through the voluntary contributions, the OCR net income transfer, and other sources. Resources under TASF IV are used only for ADF countries and regional TA projects that benefit ADF countries. The ADF X Midterm Review reported that beneficiaries of such regional TA projects were predominantly ADF countries.¹⁶

13. Among regional TA projects funded by the TASF, the proportion of TA projects that are implemented by regional departments within a region or subregion was 59% under ADF IX and 50% during the first 2 years of ADF X in dollar volume. These regional TA projects support regional or subregional initiatives and projects, such as the Greater Mekong Subregion, as well as common areas and themes across countries, such as climate change. Since these TA projects require the same consultant expertise, the regional TA approach is often more efficient than the country-by-country TA approach (Box 3).¹⁷

Box 3: Strengthening the Capacity of Pacific Developing Member Countries to Respond to Climate Change

Pacific countries are among the most vulnerable to climate change impacts, while their capacity to adapt to the impacts is still limited. Because the required intervention per country is not large in the Pacific region, a regional technical assistance project was developed to address climate change issues in multiple countries.^a

The technical assistance project supported studies to prepare climate risk profiles for 10 countries in Pacific region (the Cook Islands, the Fiji Islands, the Federated States of Micronesia, Kiribati, the Marshall Islands, Palau, Samoa, Tonga, Tuvalu, and Vanuatu). Based on the risk profiles, specific measures to adapt to climate change impacts were proposed and incorporated in the design of selected projects, such as the Avatiu Harbor Development Projects in the Cook Islands, the Highland Region Road Improvement Program in Papua New Guinea, the Second Road Improvement Project in Solomon Islands, and the Road Network Project in Timor-Leste. The technical assistance project also supported capacity development for climate change adaptation in the Fiji Islands, the Marshall Islands, Palau, Solomon Islands, and Timor-Leste.

^a ADB. 2009. *Technical Assistance for Strengthening the Capacity of Pacific Developing Member Countries to Respond to Climate Change (Phase 1)*. Manila.

14. A special evaluation study (SES) on ADF operations by the Independent Evaluation Department (IED) pointed out that allocations for country-specific TA projects to ADF countries have decreased relatively to loans and grants, and concluded that it is likely to exacerbate the project design and implementation issues of ADF projects.¹⁸ It should be noted that such a declining trend of country-specific TA projects will be less pronounced if the regional TA projects that benefit ADF countries are counted. As noted in para. 13, many regional TA projects directly support projects in specific countries. It is true that overall TA resources to countries, even with inclusion of regional TA projects, still show a declining trend relative to loans and grants. The SES rightly noted that adequate TA resources are required to strengthen ADF operations through problem analysis, stakeholder consultation, and institutional capacity development.

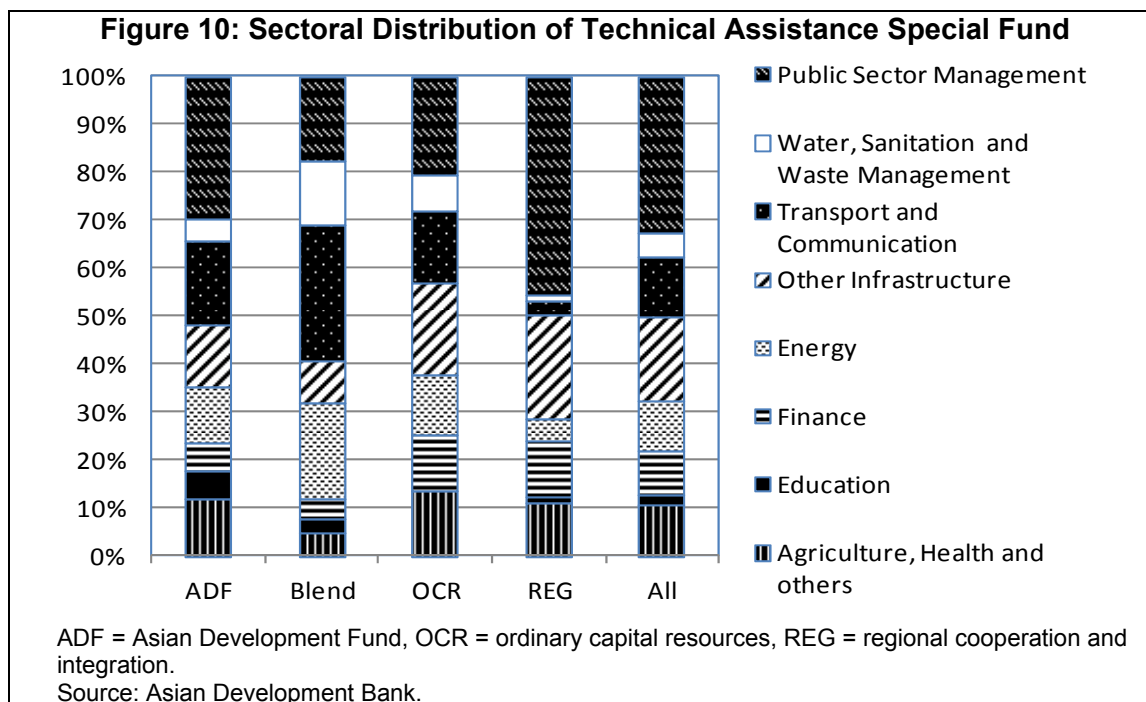
¹⁶ ADB. 2010. Review of Technical Assistance Special Fund Operations—Measures for Improving Effectiveness. Paper presented at the ADF X midterm review meeting, Manila, 18–19 November. Para. 15 discusses coverage of countries under regional TA projects.

¹⁷ Further, some TA projects by non-operations departments also directly support projects, in such areas as social and environmental safeguards and gender mainstreaming.

¹⁸ ADB. 2011. *Special Evaluation Study on the Asian Development Fund Operation: A Decade of Supporting Poverty Reduction in the Asia and Pacific Region*. Manila.

C. Sectoral Distribution

15. Technical assistance is targeted at Strategy 2020's five core areas of operation. The five core areas of operation outlined in Strategy 2020 are infrastructure, environment, regional cooperation and integration, finance sector development, and education. Figure 10 shows the share of major sectors among TASF operations approved in 2009–2010. Most TASF-funded TA projects are in infrastructure, such as energy and transport,¹⁹ and public sector management to support good governance and capacity development—one of the key drivers of change under Strategy 2020.²⁰



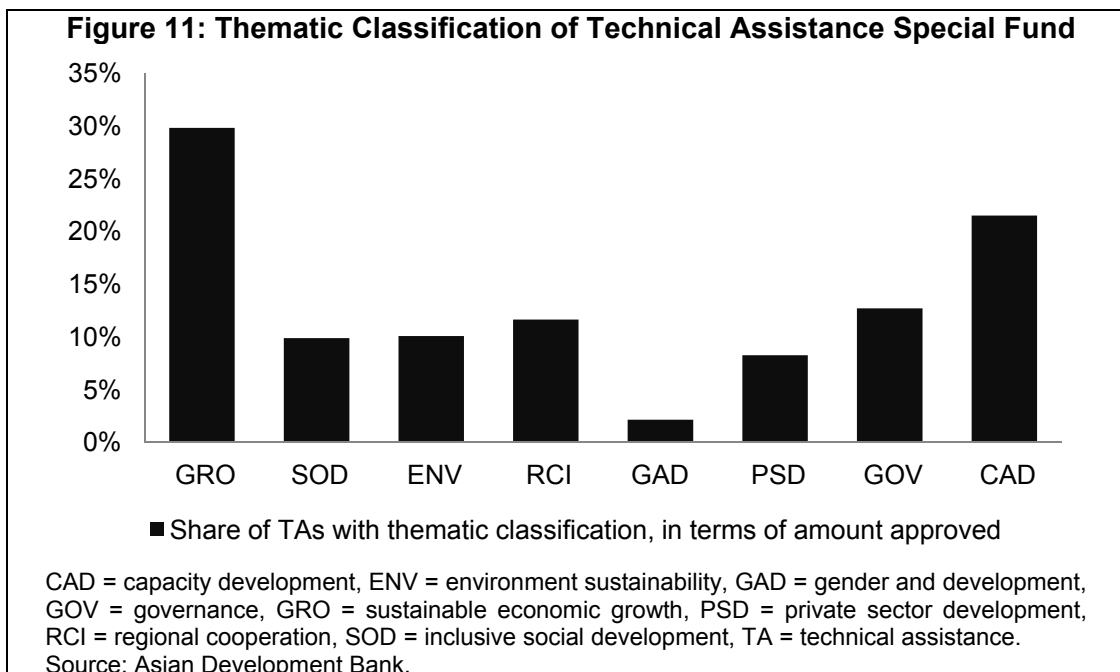
D. Thematic Classification

16. Each TA project may have a maximum of four thematic classifications (Figure 11). In terms of amount of TA approval during 2001–2010, 30% of projects had sustainable growth as theme, 22% capacity development, and 13% governance.²¹ ADF-only countries tended to have more TA projects with capacity development (23% in ADF-only countries, 20% for OCR countries) and governance (19% in ADF-only countries, 12% for OCR countries) as themes.

¹⁹ Similar trends are observed for total TA operations, including those funded by other sources.

²⁰ Public sector management makes up an especially large share of regional TA projects. They include capacity development TA projects for anticorruption activities, procurement, and financial management.

²¹ Similar trends are observed for the share of TA projects with each theme in terms of number of TA approval.



IV. PERFORMANCE OF TECHNICAL ASSISTANCE

A. Recent Measures for Improvement

17. ADB continuously strives to improve its TA operations. In response to IED's study of TA operation in 2007,²² ADB formulated a set of TA reform measures in 2008.²³ Recently, IED also conducted an SES of ADF operations in 2011 (footnote 18), which covered TA operations in those countries. The measures taken under the 2008 TA reform and progress made to date were reported at the ADF X Midterm Review in 2010 (footnote 16). An updated summary is provided in paras. 18–24.

18. Technical assistance operations are more strategically programmed. Programming of TA operations for a particular country is more closely aligned with loan and grant operation as an integral part of the country partnership strategy (CPS). TA operations within regions or subregions, such as the Greater Mekong Subregion, are anchored in the Regional Cooperation Strategy and Program. In the case of regional TA projects for research and development, strategic direction is provided by the TA Strategic Forum, established in 2008. Chaired by the vice president for Knowledge Management and Sustainable Development, the forum has been regularly convened to provide strategic guidance and coordination across departments.²⁴

19. The classification of TA projects was refined through TA reform in 2008 to explicitly reflect the expected outcomes of each TA. Prior to the 2008 reforms, TA projects were classified as project preparatory TA, advisory TA, and regional TA. Under the 2008 reforms, TA projects are classified as project preparatory TA, capacity development TA, research and development TA and policy and advisory TA. Each type is also classified as either country-specific or regional,

²² ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila.

²³ ADB. 2008. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila.

²⁴ The forum identified five priority themes: promoting inclusive growth, addressing climate change for sustainable development, facilitating knowledge for regional integration, providing support to address increasing commodity prices, and understanding demographic changes and their implications for urban development.

based on its coverage. The new classification system helps in monitoring the use of TA resource for different outcomes.

20. The design and implementation process of TA operations has been improved. The 2008 TA reform measures introduced the classification of TA projects (other than project preparatory TA) by their complexity. More complex TA projects are categorized as “A” and receive more resources and technical inputs during design and implementation. They are also subject to a more intense scrutiny and review for quality assurance. Criteria such as ADB’s experience in a country and sector, as well as institutional capacity, are considered in deciding on the appropriate categorization. Fifteen technical expert panels composed of ADB staff and external retainer experts were established for each sector and themes to provide technical inputs and scrutiny. Of the TA projects approved in 2009–2010, 21% were categorized as A. Less complex TA projects are categorized as “B”, and the design and approval procedures are streamlined to redirect resources to more complex TA projects. The preparation and approval procedure for project preparatory TA was streamlined and became an integral part of the processing of the ensuing project in 2010.²⁵

21. TA design was improved through staff training as well as technical inputs and scrutiny in the internal review process. Given the importance of capacity development, a guidebook was prepared to design and implement capacity development programs.²⁶ In 2010, the quality of design and monitoring frameworks of TA was improved in almost all dimensions through training and other measures. The improvements included clear articulation and causal links of outputs and activities, measurable indicators with baselines and targets, and explicit identification of assumptions and risks.²⁷

22. ADB has made the recruitment of consulting firms for TA operations more efficient, allowing staff to focus more on substantive aspects of TA. ADB introduced an electronic consultant management system in October 2010, which reduced the average time spent recruiting consulting firms from 160 days in October 2010 to 99 days in July 2011. Similarly, the system for managing individual consultants reduced the recruiting time to an average of less than a week (footnote 27).

23. Regular review missions from ADB headquarters supervise TA projects more closely. In addition, more TA operations are delegated to resident missions to take advantage of their presence within recipient countries. In 2010, resident missions administered 23% of operations departments’ TA projects (excluding project preparatory TA), an increase from 14% in 2004. Administration of some TA operations has been delegated to recipient countries to strengthen their ownership.²⁸ As TA operations are staff-intensive, adequate staff resources must be secured to ensure the quality of implementation. The number of active TA projects (excluding project preparatory TA) is monitored and controlled, resulting in a significant decline from a peak of 961 in 2002 to 640 in 2008. As of September 2011, there were 701 active TA projects.

24. Financial management of technical assistance projects has been strengthened. As more TA projects are now funded from other sources, trust funds have been established in various ways. To manage these funds efficiently while ensuring donors’ requirements and fiduciary control, trust funds were rationalized and consolidated as financing partnership facilities.

²⁵ ADB. 2009. *Better and Faster Loan Delivery. Report of the Loan Delivery Working Group*. Manila.

²⁶ ADB. 2011. *Practical Guide to Capacity Development in a Sector Context*. Manila.

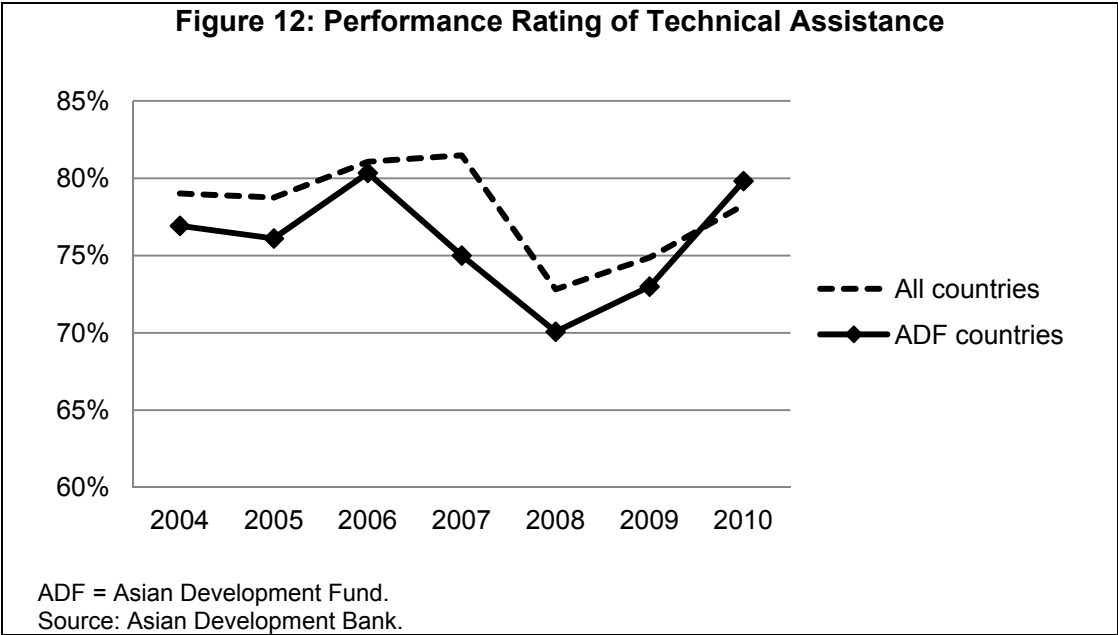
²⁷ Assessment conducted by Central Operations Services Office as part of the Annual Portfolio Review Report.

²⁸ This was introduced on a pilot basis, and eight TA projects were delegated in 2010.

Currently, there are five financing partnership facilities related to thematic issues: climate change, clean energy, regional cooperation and integration, urban development, and water. Standard guidelines were established to regulate the governance and management of these facilities.

B. Performance of Technical Assistance

25. The performance ratings of technical assistance projects have recovered from their low point in 2008. The target for TA performance in ADB’s results framework is for 80% of projects to be rated *successful* in TA completion reports (TCRs) (excluding project preparatory TA).²⁹ The success rate of TA operations has recovered since reaching a low point in 2008. In 2010, the success rate of TA projects was 78% in all countries, and 80% in ADF countries (Figure 12).



26. A 2011 SES (footnote 18) pointed out that TA success rates declined from ADF VIII (2001–2004) to ADF IX (2005–2008) based on the year of TA approval.³⁰ In this paper, the success rate is computed by the year of TCR circulation, which is close to TA completion. This is consistent with the way TA success rate is monitored in ADB’s results framework. The definitions of “ADF countries” also differ slightly.³¹ Since the implementation period varies across TA projects, the two assessments are not directly comparable. However, since TA approval and TA completion typically differ by a few years, the large number of TA projects with low success ratings in 2007–2009 (according to the completion year) corresponds to the low success ratings of TA projects approved during the ADF IX (2005–2008). As part of strengthening TA portfolio management, more TA projects were closed through a “spring-

²⁹ ADB. 2011. *Development Effectiveness Review 2010*. Manila. Project preparatory TA projects are excluded, because they are not rated separately from the ensuing projects. ADB’s results framework uses a rolling 3-year average as the performance indicator.

³⁰ The SES covers ratings of “advisory TA,” which includes all TA except project preparatory TA in the new classification.

³¹ For example, Indonesia, which was reclassified from blend to OCR countries in 2008, is treated as a blend country under SES, although it is treated as an OCR country in this paper. Regional TA projects are included in this paper following ADB’s results framework, though they are excluded in the SES.

cleaning” drive of old TA projects, and more TCRs were prepared around 2008.³² The TA projects closed included older ones with challenging issues in difficult environments, which tended to have unsuccessful ratings.³³ In 2010, the number of TCRs was reduced to the usual level, and success rating of TA rose especially for ADF countries.

27. Recent improvement in the success rate of TA, as defined by TA completion year, may reflect impacts of 2008 TA reform measures, especially those affecting TA implementation. Because of the time between TA approval and completion, the measures affecting TA design have not yet been fully reflected in the improvement of TA success rating.

V. PROPOSED REPLENISHMENT OF TECHNICAL ASSISTANCE SPECIAL FUND

28. Demand for technical assistance projects will remain strong during ADF XI. The number of ADF projects is expected to increase from ADF X to ADF XI. The larger number of projects will increase demand for project preparatory TA. The TA resource requirement for each project is also increasing. For example, following the adoption of the Safeguard Policy Statement in 2009,³⁴ all aspects of safeguard measures were strengthened, including assessments and consultations with stakeholders. Climate change mitigation and adaptation is increasingly mainstreamed and built into project design.

29. Despite arduous efforts and achievements, certain developing member countries are likely to remain in fragile and conflict-affected situations during the ADF XI period. FCAS countries have benefitted from enhanced TA support, and ADB intends to sustain this support for their long-term development.

30. Following the lead of the Greater Mekong Subregion Program, Central Asia Regional Economic Cooperation Program has expanded in recent years. The South Asia Subregional Economic Cooperation Program is also more energized. Regional cooperation and integration is one of the three pillars of ADB’s Strategy 2020 (footnote 2), and TA will remain as a vital instrument for ADB to continue to play its catalytic role.

31. Adequate TA resources are required for effective ADF operation. TA resources declined relative to loan and grant resources over the last decade. Further reduction may cause adverse impacts on ADF operations, as the SES on ADF operations concluded.³⁵ Adequate TA resources are required to ensure rigorous problem analysis, stakeholder consultation, and development of institutional capacity.

32. The TASF will remain a critical funding source for effective TA operations. ADB has managed to increase other funding sources of TA, and will keep pursuing ways to expand them further. The TASF will continue to play a critical role as a stable and predictable source of TA funding.

33. It is proposed that the size of the TASF replenishment under ADF XI be either at least the same as that under ADF X in real terms, or 3% of the total size of ADF XI, whichever is greater. Given the assumed inflation rate, the minimum level of the proposed TASF

³² ADB prepared 195 in 2008 and 183 TCRs in 2009, exceeding the average number of 157 during 2004–2007.

³³ *Development Effectiveness Review* (2008 and 2009) identified the following factors behind the low rating: ADB’s increasing engagement with FCAS countries, inadequate supervision, rising civil unrest and political instability, and more realistic ratings as a result of greater attention to outcomes and their sustainability.

³⁴ ADB. 2009. *Safeguard Policy Statement*. Manila.

³⁵ So far, there is no sign of deterioration in success rate of ADF projects, as the SES recognizes.

replenishment will be SDR230 million. The Table shows amount of the proposed TASF replenishment under each ADF XI replenishment scenario presented in the paper on the financing framework of ADF XI.

Replenishment of the Technical Assistance Special Fund
(SDR million)

Scenario	Size of total Replenishment	Size of TASF
ADF X actual replenishment at negotiation completion	7,132	214
ADF XI reference scenario: Demand-base case	8,469	254
ADF XI replenishment scenario 1: 5.0% increase in real SDR terms	8,039	241
ADF XI replenishment scenario 2: 2.5% increase in real SDR terms	7,848	235
ADF XI replenishment scenario 3: No increase in real SDR terms	7,656	230

SDR = special drawing right, TASF = Technical Assistance Special Fund.
Source: Asian Development Bank.

VI. REQUEST FOR DONORS' GUIDANCE

34. Donors' guidance is sought on the proposed size of the TASF V replenishment.