

**ASIAN DEVELOPMENT BANK**

**TAR:OTH 36666-01**

**TECHNICAL ASSISTANCE**

(Financed by the Government of the United Kingdom)

**FOR**

**SUPPORTING THE SECTOR APPROACH AND  
RESULTS-BASED MANAGEMENT IN ADB OPERATIONS**

**March 2003**

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CSP	–	country strategy and program
DFID	–	Department for International Development, United Kingdom
DMC	–	developing member country
LTSF	–	Long-Term Strategic Framework
MDB	–	multilateral development bank
RBM	–	results-based management
RM	–	resident mission
RSDD	–	Regional and Sustainable Development Department
TA	–	technical assistance

## **NOTE**

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. In its *Long-Term Strategic Framework* (LTSF) approved in March 2001, the Asian Development Bank (ADB) committed that, as part of its goal to reduce poverty in Asia, it would strive to institutionalize the measure of "developmental impact" as an integral monitoring tool of its operations. This is in line with its continuing commitment to enhance its own development effectiveness. In this connection, it also committed in the LTSF to the adoption of the sectorwide approach as a concrete step towards enhancing its focus on developmental impact.

2. The recent steps taken by ADB to improve performance measurement in its work with developing member countries (DMCs) reflects its efforts to actualize the above commitments made in the LTSF. The LTSF states that "impact must be evaluated systematically and the resulting feedback used continually to improve and enhance the effectiveness of ADB operations." ADB achieves and improves the measurement of development results through the sector agencies it works with in each DMC. The development success of these agencies becomes ADB's success, shared with other external agencies working in the sector. Thus there is a need to work on this initiative in both the DMCs and within ADB in tandem.

3. In August 2002, the Department for International Development (DFID) of the Government of the United Kingdom offered ADB technical assistance (TA) financing to help implement the above initiatives within DMCs and concurrently within ADB. DFID has confirmed that an amount of \$300,000 is available to be committed to the objectives and scope of activities as outlined below.<sup>1</sup> Details are found in the technical assistance framework in Appendix 1.

## II. ISSUES

4. Performance measurement is the process an organization follows to objectively measure how well it is meeting its stated objectives. It typically involves several phases: (i) articulating and agreeing on expected results, (ii) selecting indicators and setting targets, (iii) monitoring performance, and (iv) analyzing the results vis-à-vis those agreed upon and expected. When performance information is used for reporting to external stakeholders, such reporting is useful in competition for funds and can convince stakeholders that an organization's programs produce significant results and provide "value for money." Development cooperation agencies have faced considerable external pressures to reform their management systems to become more effective and results oriented. Public perception that development assistance programs are failing to produce significant development results have contributed to efforts by bilateral agencies and multilateral development banks (MDBs) to establish results-based performance management systems.

5. Results-based management (RBM) aims to improve management effectiveness and accountability by undertaking the phases described above— defining realistic expected results, monitoring progress towards their achievement, integrating lessons into management decisions, and reporting to external stakeholder audiences. The experience of funding agencies indicates that RBM has moved operating focus from inputs, such as loan and TA approvals and disbursements, to a "results chain," standardized at three distinct levels— inputs or activities/processes to **outputs**; objectives to **outcomes**; and goals to **impacts**. This realignment of focus for DMC sector agencies and ADB requires organizational changes such as modified procedures and business practices, perspectives, and incentives. Such changes will need to be introduced gradually over time, through an institutional change process.

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<sup>1</sup> The TA was first listed in *ADB Business Opportunities* on 3 December 2002.

6. ADB operations in its DMCs focus on specific and selected sectors as agreed upon with the concerned governments. These sectors are identified in the country strategy and program (CSP). In some of these sectors ADB is the lead agency; in others it is a supporting agency. A number of DMCs already have familiarity with sectorwide (e.g., Viet Nam) and RBM approaches (e.g., Philippines, Indonesia), as promoted by other MDBs and bilateral agencies.

7. ADB has committed in its LTSF to increasingly adopt the sectorwide approach in all of its operations in DMCs. This is in line with efforts to more effectively integrate its programs and projects with the DMCs and externally funded ongoing programs. In keeping with the sector approach, ADB's operational focus must therefore become the "sector results" that it targets in each sector in each DMC. The LTSF states that such approaches require improved and appropriate financial and performance monitoring, in line with measuring development impact. This would also entail the development of new mechanisms and instruments.

8. Sectorwide results are generally defined in terms of sector **outputs** (representing short duration results within the control of individual projects); **outcomes** (to be achieved over a 3-to 5-year time horizon, which projects have a responsibility to manage towards); and sector **impacts** (representing long-term broader targets achieved through the collective contributions of many external and DMC organizations). Sector outputs are tangible products and services provided to the public pertinent to the sector (e.g., delivery of equipment, training courses, infrastructure components). Sector outcomes reflect intermediate institutional behavioral or service-level changes for the client population. Sector impacts reflect changes that are consequences of these institutional or services changes and contribute to long-term widespread improvement in social, economic, or environmental conditions. The success of ADB's operations will increasingly be monitored and judged based on the achievement of targeted sector outcomes and impacts in each DMC (also linked to the Millennium Development Goals) and for the region as a whole.

9. The adoption of a sectorwide approach assumes that ADB will broaden its monitoring and reporting from individual project results to sector **outputs, outcomes, and impacts**. Projects will continue to be monitored, but achievements for all projects within a sector will need to be rolled up towards aggregate achievements against sectorwide targets. This will be done initially through the existing Project Performance Monitoring System, but evolution of the PPMS into a broader sector monitoring system is a secondary aim of this TA.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

10. Key results of the TA are expected to be the following:

- (i) Impacts
  - (a) Selected sector organizations in DMCs adopt sectorwide approaches fully incorporating RBM methodology and, more broadly, this influences others to adopt this methodology.
  - (b) Performance measurement using RBM is gradually adopted by ADB.
- (ii) Outcomes

- (a) Increased understanding and gradual adoption of the sectorwide approach using RBM methodology occurs within selected DMCs, sector divisions, country teams, and resident missions (RMs). This will be through a series of in-house workshops. A nominated officer in each selected sector division will coordinate this output.
- (b) A monitoring and reporting system is developed, tested, and in place that facilitates the specification and tracking of results chain achievements and their reporting by RMs and sector committees. The activities required for this output will be coordinated by the sector divisions and through the Regional and Sustainable Development Department (RSDD).
- (c) Results will be disseminated and experiences shared from this TA across sector committees, divisions, RMs, DMC agencies, and standardized RBM language and usage will be adopted consistent with the experience of international development partners within the selected sectors. This will be coordinated by RSDD.

(iii) Outputs

Sector divisions and RMs in pilot DMCs will work with key government sector agencies as well as other external agencies to establish or improve sectorwide roadmaps. In the selection, sector/thematic definitions under the Medium-Term Development Framework will be respected. Overall support will be coordinated by the sector divisions and /or a nominated officer in each RM.

## **B. Methodology and Key Activities**

11. The TA will assist pilot sector agencies in selected DMCs and the ADB RMs in these DMCs to develop a plan for sector results. The guiding principle in this activity will be that the sector agencies must themselves seek to develop and formalize the sectorwide roadmaps, demonstrating their leadership among funding agencies in this exercise. To assist them in this task, the TA will provide periodic workshops, ongoing guidance, and support. The DMCs will be up to five, possibly one in each of the subregions in which ADB operates (South Asia, East and Central Asia, the Mekong, Southeast Asia, and the Pacific). Particular consideration will be given to those where CSPs are in process. DMC interest in adoption of the sectorwide approach will also be an important criterion for selection. The actual DMCs have not been identified. However, letters of no objection from each of the selected DMCs will be obtained prior to initiation of the TA there, once the selection process is finalized during implementation.

12. The TA is intended to be a first step in a series of interventions to support the introduction of the sector approach and RBM within DMCs, and by so doing to improve ADB's institutionalization of RBM within its existing performance management system. This will inevitably be a long-term and phased process.

## **C. Cost and Financing**

13. The total cost of the TA, including travel, workshops, and other miscellaneous costs, is estimated at \$300,000. The TA will be financed on a grant basis by the Government of the

United Kingdom, Department for International Development. Details of the cost estimates and a financing plan are shown in Appendix 2.

#### **D. Implementation Arrangements**

14. It is estimated that the TA activities as described above will require the inputs of at least 12 person-months of international consultants over a period of 18 months. Two consultants are required, working closely together as a team, with one of them serving as the team leader. The two consultants will be able to spread their guidance efforts among the five or so DMCs in which ADB will pilot test this effort. Terms of reference for the consultants are in Appendix 3.

15. The TA will be coordinated and implemented by RSDD as the executing agency and implemented from March 2003 to August 2004. It will finance international consultants who have proven knowledge and experience in designing and implementing the sectorwide approach and RBM. They will be available to provide periodic inputs and guidance to the main units within ADB that will implement these systems. The consultants will also support pilot sector divisions, sector committees, and country teams in ADB (para. 10 [ii] and [iii]). The consultants will be engaged as individuals in accordance with ADB's *Guidelines on the Use of Consultants*.

#### **IV. THE PRESIDENT'S DECISION**

16. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$300,000, to be financed on a grant basis by the Government of the United Kingdom, for Supporting the Sector Approach and Results-Based Management in ADB Operations, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Expected Results	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<b>Goals</b> Improve the capacity of selected DMC sector organizations to implement sectorwide approaches using RBM processes  Institutionalize RBM in ADB	<b>Impacts</b> Selected sector organizations adopt sectorwide approaches fully incorporating RBM methodology  Performance measurement using RBM adopted by ADB	(i) Selected DMC sector agencies  (ii) Planning and implementing using sectorwide approaches and RBM  (iii) Every CSP identifies the results chain for each sector in which ADB operates.  (iv) Sector divisions within ADB monitor and report achievement of sector results annually.  (v) Sector committees within ADB prepare and report year-end ADB-wide sector performance based on achievement of results.	DMC agency roadmaps and sector plans  CSPs  Annual sector division reports  Annual sector committee reports	
<b>Immediate Purpose</b> Initiate the process of institutionalization of the sectorwide approach using RBM methodology with selected sector divisions, RMs, and DMCs	<b>Outcomes</b> Increased understanding and practice of the sectorwide approach using RBM methodology, within selected sector divisions, RMs, and DMCs.  A monitoring and reporting system tested and in place that facilitates the specification and tracking of results chain achievements and their reporting by RMs, sector divisions, and sector committees	(i) Pilot DMC sector organizations; prepare sectorwide plans with results chain  (ii) Selected sector divisions and country Teams improve CSP sector sections and sector roadmaps by incorporating RBM.	CSPs Annual reports Division reports  Sector committee year-end results reports Year-end reports	Directors general and division directors are supportive.  Staff time is made available.  Sector divisions take the time to report.  RSDD commitment to make this work

ADB = Asian Development Bank, CSP = country strategy and program, DMC = developing member country, RBM = results-based management, RM = resident mission.

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	Results disseminated and experiences shared from this TA across sector committees, divisions, RMs, and DMC agencies	(iii) Results being disseminated starting end 2003	Publications, in-country roundtables, and ADB in-house Governance Network meetings to share TA results	Timely availability of results
<b>Inputs</b> Minimum 12 person-months of consultant support  One Implementation workshop for each selected sector division in ADB and within pilot DMC sector agencies and RMs	<b>Outputs</b> Sector roadmaps designed by each sector agency in the pilot DMCs developed  Workshops completed on RBM and the sector approach for mission leaders of each sector division  Guidelines and indicators for sector results chain selected by ADB pilot sector committees	(i) Sectorwide roadmaps for each sector agency in target DMCs complete by end 2003  (ii) Workshops held by mid-2003 for every selected sector division; indicators guides available for each sector by end 2003  (iii) System in place by end 2003	Committee publications	Strong and committed committee leadership  Interested sector division leadership  Good and consistent follow up by RMs



**COST ESTIMATES AND FINANCING PLAN <sup>a</sup>**  
 (\$'000)

<b>Item</b>	<b>Foreign Exchange</b>	<b>Total Cost</b>
1. International Consultants		
a. Remuneration and Per Diem	210.0	210.0
b. International Travel	40.0	40.0
c. Reports and Communications	5.0	5.0
2. Training, Seminars, and Conferences	25.0	25.0
3. Miscellaneous Administration and Support Costs	10.0	10.0
4. Contingencies	10.0	10.0
<b>Total</b>	<b>300.0</b>	<b>300.0</b>

<sup>a</sup> Financed by the Government of the United Kingdom.  
 Source: Asian Development Bank estimates.

## **OUTLINE TERMS OF REFERENCE FOR CONSULTANTS**

1. Two consultants will be required, each for a period of about 6 months, with one acting as team leader. They will have generally similar terms of reference as described below, with the team leader taking on the additional accountability of leadership, liaison, and reporting.
2. The consultants should have proven knowledge and experience in results-based management (RBM) and the sector approach, and particularly in supporting their institutionalization in developing member countries (DMCs). It is preferable for the consultants to have had different sector experience so they can complement each other.
3. The detailed terms of reference of the consultants are as follows:
  - (i) Coordinate the Regional and Sustainable Development Department (RSDD) in supporting the resident missions (RMs) in selected DMCs to work with key government sector agencies to assist them to develop sector roadmaps as a guide for their operations, for Asian Development Bank (ADB) inputs as well as for other external inputs and investments. A nominated officer in each RM and/or a headquarters sector division will coordinate this output.
  - (ii) Coordinate with the Governance and Regional Cooperation Division (RSGR) in providing selected sector divisions (and, as appropriate, country teams) and their mission leaders with division-based workshops to facilitate the understanding and adoption of the sector approach using RBM methodology in their operations. A nominated officer in each sector division will coordinate this output.
  - (iii) Work with each pilot sector committee in ADB to choose sector indicators for results. Key sectors from which pilots will be selected are agriculture, natural resources (water, forestry), health, education, transport, energy, and finance. This output will be coordinated by the chair of each committee.
  - (iv) Help RSDD develop and implement a monitoring and reporting system that will facilitate the specification and tracking of outcomes and output achievements and their reporting by RMs, sector divisions, and sector committees.
  - (v) Assist RSDD in disseminating and sharing ongoing results and experiences of this technical assistance across sector committees, divisions, RMs, DMC agencies, and other external agencies involved.