

PROGRESS REPORT

ON

MANAGING FOR DEVELOPMENT RESULTS AT THE

ASIAN DEVELOPMENT BANK

PREPARED FOR THE

SECOND INTERNATIONAL ROUNDTABLE ON MANAGING FOR

DEVELOPMENT RESULTS

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CONTENTS

	Page
I. INTRODUCTION AND BACKGROUND	1
A. Overall Approach and Genesis of Results Initiatives in ADB	1
B. Concrete Steps Toward Results Orientation	3
II. ACHIEVEMENTS AND ASSESSMENT OF PROGRESS	4
A. Key Achievements in Managing for Development Results	4
B. Assessment of Further Work Needed	5
C. Lessons Learned	6
D. ADB's Examples of Good Practice	6
III. GOING FORWARD: KEY CHALLENGES AND ACTIONS	7
A. Challenges Facing ADB	7
B. Planned Actions	8

PROGRESS REPORT ON MANAGING FOR DEVELOPMENT RESULTS AT THE ASIAN DEVELOPMENT BANK

I. INTRODUCTION AND BACKGROUND

This report presents a picture of the current status of, and future challenges in managing for development results at the Asian Development Bank (ADB). While the paper discusses the steps that have already been taken in line with the Statement of Heads of Multilateral Development Banks issued in Monterrey¹, it also presents planned future action to further enhance results management.

A. Overall Approach and Genesis of Results Initiatives in ADB

1. Overall Conceptual Approach

ADB's approach to managing for development results has three-aspects²: (i) managing for development results as part of ADB's accountability as an institution; (ii) managing for development results where the individual developing member country (DMC) is accountable and ADB can assist; and (iii) managing for development results in partnership with other development agencies. This approach, and an action plan for its implementation, received support from representatives of borrowing and donor member countries who discussed it in the context of the Asian Development Fund (ADF) IX replenishment meetings in Tokyo in December 2003.

At the institutional level, ADB's results agenda is defined as building on results-based business processes already instituted at the project and program levels and on results-oriented pilot initiatives being taken at the country and corporate levels. Institutionalized implementation will be accomplished in phases over the medium-term, with each phase encompassing an increasing scope to manage for development results. Scope will increase in terms of performance indicators (from simple and basic indicators, to those incorporating multifaceted relationships to results, requiring more data) and in terms of management hierarchy in ADB. In addition, the focus will shift upwards from the project and program levels, to the country-sector, country, and corporate levels. The effort will be led by Management, focusing, among other things, on organizational values and human resource management.

For DMCs, ADB's results agenda incorporates assistance to DMCs on the use of country-based results management approaches, particularly in pursuing the millennium development goals (MDGs). ADB will continue to assist its DMCs in developing results-oriented and coherent national poverty reduction strategies, in monitoring and evaluation (M&E) and statistical capacity building to enable countries to better monitor results, and in capacity building for result-oriented development at the national government level.

¹ See Statement of Heads of Multilateral Development Banks on Better Measuring, Monitoring, and Managing for Development Results, March 2002, Monterrey:
<http://lnweb18.worldbank.org/MIP/BMMMDR.nsf/0/88AF18B30D7BC6EC85256BE800668014/>

Annex C

² See "Enhancing Effectiveness: Managing for Development Results":
http://www.adb.org/Documents/Reports/ADF/IX/RBM_ADF_IX_Donors_Meeting_Tokyo.pdf

On the partnership front, ADB will continue to participate in global partnerships to (i) enhance joint efforts with agencies such as the UN (specifically on the MDGs), other international financial institutions, and bilateral donors; (ii) contribute to global forums; and (iii) take part in combined efforts to develop indicators and other monitoring and evaluation instruments.

2. Genesis of Results Orientation in ADB

In the last decade, in response to evolving global development concerns, the quest for development effectiveness has become one of ADB's institutional priorities. In 1994, an institutional Task Force on Improving Project Quality prepared a report that continues to guide organizational change. At the core of that report was the need to adopt a results orientation.

ADB reinforced its results-orientation when, in 1999, it adopted poverty reduction as its overarching institutional objective. In 2000, for the first time, ADB formulated a Long-Term Strategic Framework, covering 2001-2015, which affirmed that ADB's development impact in the context of poverty reduction would be evaluated systematically to improve the effectiveness of its interventions. To this end, the framework recommended that *Country Strategy and Program (CSP)* related benchmarks and indicators be assessed against long-term goals and outcomes, including those specified in the MDGs. To support its long term strategy, in 2002 ADB reorganized its organizational structure to ensure the efficient implementation of its newly adopted strategic agenda and operating principles. Along with the new structure, new business processes were put in place to improve the quality and efficiency of operations. This further clarified staff responsibilities and accountabilities, created a greater country and sub-regional focus, and allowed for better coordination of all interventions at the country and sub-regional levels.

To assist the Board of Directors to review and assess the development effectiveness of ADB operations on a continuous basis and in greater depth, the Board established its Development Effectiveness Committee in January 2001. To date, the Committee has reported to the Board regularly on lessons learned from studies by the Operations Evaluation Department and their relevance for future ADB operations. The Committee's work program and its deliberations are oriented toward enhancing development results; the achievement of value-adding and demonstrable development results have become constant themes in the Committee's reports, which are issued to the Board, Management and staff.

Following Monterrey, the results agenda in ADB was given a sharper focus with endorsement of the MDGs at the institutional level and MDG targets as part of the corporate benchmarks for ADB's operations.

At the same time, important progress has been made in (i) supporting improvements in country statistical capacity, technical assistance for results-based sector development, and in strengthening result-orientation at the national government level in DMCs; and (ii) ADB's proactive contribution to global initiatives, from the inter-MDB evaluation consultative group to presentation of discussion papers for the first international Roundtable on Results.³

However, an institutionally coherent structure and overall accountability system to manage for results remains to be implemented. To accelerate implementation of ADB's results

³ Better measuring, Monitoring and Managing for Development Results" 5-6 June 2002, Washington, D.C.

agenda, President Chino established an inter-departmental working group in May 2003, under the supervision of ADB's Managing Director General, to review the status of both results management and incorporation of the MDGs in ADB operations and its DMCs, and to recommend steps for acceleration of the processes and actions to speed up ADB's move to become fully results-oriented.⁴

B. Concrete Steps Toward Results Orientation

Based on the discussion above, and to summarize, ADB's concrete actions in implementing its results agenda to date have been:

- **Creating and communicating the focus:** ADB formulated and adopted its Poverty Reduction Strategy in 1999, defining the overarching objective of the institution to be poverty reduction. Following adoption of the Poverty Reduction Strategy, all new policies and strategies (e.g., Performance Based Allocation of ADF, Governance Action Plan, Information and Communication Technology Strategy, sector policies, etc.) are required to be articulated in the context of poverty reduction. At the same time, ADB's internal and external publications embrace poverty reduction and its related strategies as their core message.
- **Creating an internal top-level driving force:** In 2001, the Development Effectiveness Committee of the Board of Directors was created, with results orientation as the key to improved development effectiveness for ADB.
- **Reorganizing for country-level results:** ADB's recent reorganization has created an enabling environment for it to better measure, monitor and manage development results at country level.
- **Developing the project-level results base:** Full-time experts Help Desks have been established for ADB mission leaders to consult in formulating results-based project frameworks for loan proposals. The Project Performance Report used for monitoring project implementation was improved to include assessment and rating of the achievement of project strategic development objectives, in addition to such traditional criteria as disbursement volume and contract awards. ADB's Project Performance Monitoring System (PPMS) draws on these and other information.
- **A Management Information System** has been put in place to facilitate operational management reporting. It supports Management's directives on accountability and reporting by covering the status of progress in all operational key result areas; therefore, it facilitates bottom-up reporting to each Vice President. In addition to work unit reporting, the current system also supports reporting on ADB assistance by year, crosscutting thematic objective, poverty reduction intervention category, region, sector, country, and source of funds (OCR, ADF).
- **Adopting the MDGs:** Following Monterrey, ADB endorsed the MDGs and made efforts to incorporate the MDGs as part of its operational objectives. ADB is currently reviewing

⁴ To institutionalize the work and effect the recommendations of the working group, a Results Management Unit was established in January 2004 with the mandate to coordinate organization-wide implementation.

its Poverty Reduction Strategy and the continued relevance of its conceptual framework to the global agenda to achieve results including the MDGs.

- **Assisting DMCs in measuring progress toward MDGs:** ADB has actively supported statistical capacity building in its DMCs and provides technical assistance for results-based sector development, and capacity building at national government level.
- **Partnering in the global results agenda:** ADB has contributed to a wide range of initiatives, from the inter-MDB evaluation consultative group to preparation of discussion papers for the first Roundtable on Results. The Development Effectiveness Committee of ADB's Board of Directors plans to initiate a meeting among the chairpersons of the respective board committees overseeing development effectiveness in all MDBs, in early 2004, to establish a dialogue among the MDBs on best practices for development effectiveness, including the results agenda.
- **Establishing an institutional focal point for the results agenda:** So far, the review of various internal processes aimed at managing ADB's development results have been carried out through the work of separate working groups comprising staff from various departments. Such groups have, for example, reviewed the organizational structure, business processes, information system strategy, public communications strategy, and human resource management strategy needed to effectively manage for results. In January 2004, the Results Management Unit was established as ADB's focal point to oversee the coherence of these efforts and to provide guidance at the Bank-wide level to units undertaking these efforts.

II. ACHIEVEMENTS AND ASSESSMENT OF PROGRESS

The steps taken by ADB toward managing for development results, as described in Chapter I, must evolve into a coherent system of managing for development results. While several initiatives toward improving the manner in which ADB manages for development results have been taken, some other key elements of a coherent system remain underdeveloped. ADB will continue to learn by doing, and in this process will gradually introduce better tools for managing for development results. Part A below explains what has been achieved so far, Part B assess the further work that is required; Parts C and D talk of good practices in ADB and lessons learned.

A. Key Achievements in Managing for Development Results

ADB's key achievements in managing for development results are described below:

Managing for Development Results at Country Level: ADB has made contributions at country level to develop better focus on development results in conjunction with DMCs' national poverty reduction strategies (PRSPs); this is helping to harmonize the PRSPs and ADB's CSPs toward jointly accepted development results. In doing so, ADB has also nurtured the capacity and demand for improved techniques to manage for development results, including attainment of MDGs and related targets, within its DMCs.

Managing for Development Results at Institution Level: A renewed commitment to the principles of managing for development results by ADB Management and senior staff has emerged since Monterrey. ADB has (i) improved its results-orientation at program/project level,

country/sector level, and at corporate level; (ii) worked with Budget, Personnel, and Management Systems Department (BPMSD) to nourish human resource management; (iii) worked on strengthening management level through training; (iv) made efforts to develop technology and management information systems; and (v) strengthened technical expertise through recruitment of new experts in the area of development results management.

Participation in Partnerships: Following the commitments made at Monterrey, ADB remained actively involved in international efforts to (i) harmonize activities with UN (especially on MDGs), other IFIs, and bilateral donors; (ii) participate in global forums; and (iii) take part in unified efforts to develop indicators and other monitoring and evaluation (M&E) instruments. Currently, ADB is working with the World Bank Results Secretariat and the results team of UNDP; both of which have offered advice and expertise in helping to speed up the process by building on the current foundation of managing for development results in ADB.

Selecting Indicators for Measuring Progress: Currently, all Country Strategy and Program (CSP) documents, as well as project documents (lending and non-lending, including ETSW) contain references to medium to long-term impacts on potential beneficiaries. Indicators of output, intermediate outcomes, and impact (results) are included with varying degrees of specificity.

Monitoring and Evaluation are currently done at the project level, while the CSPs are updated annually to incorporate the lessons learned, and to reorient the operations to changing domestic and global economic situations. At the project level, ADB has improved its portfolio management and monitoring and, in several DMCs, joint Country Performance Review Missions are held with other donors, notably with the World Bank. Also as mentioned above, Project Performance Reports, used for monitoring project implementation, have been improved to include assessment and rating of the achievement of project development objectives, in addition to such traditional criteria as disbursement volume and number of contracts. For completed projects/programs, the lessons learned are documented in Project Completion Reports and Project Performance Audit Reports, and subsequent interventions attempt to address the causes for any inadequate performance. At the sector level, policy dialogue with DMCs has become more extensive with improvements in the analytical content of the Economic, Thematic and Sector Work (ETSW). At the country levels, Country Assistance Program Evaluations provide an assessment of the effectiveness of ADB's operations in a particular DMC.

B. Assessment of Further Work Needed

As discussed, several components of efforts to manage for development results are already in place at ADB. On the other hand, some of the main ingredients of a coherent system of managing for development results (e.g., a regime of indicators, upgrading monitoring and evaluation and information systems, and so on) have not been consistently introduced nor substantially realized. In addition, there is a need to upgrade awareness within ADB of the specific requirements and potential benefits of managing for development results approach beyond the project level. ADB is taking a gradual, "learning-by-doing" approach to address these areas. In doing so, the following needs will be addressed:

- Capacity building at DMC level needs to be more systematic.
- Country sector strategies need to become results-oriented.

- Management information systems based on information and data collected through monitoring and evaluation at project and country level must be improved.
- Management and staff accountability criteria for results will need to be better defined and tracked.
- Internal capacity building and an awareness campaign to create stronger ownership by staff must be pursued.
- ADB will need to continue its current efforts to enhance partnerships with other development partners and aid agencies.

C. Lessons Learned

Some of the main lessons that have been learned by ADB from its practices to date are:

- **Measuring results is not enough; ADB needs to manage for results.** While work has been on-going to improve the indicators of outputs and immediate outcomes of ADB's operations, there is an increasing recognition that this data will need to be used primarily to improve achievement of future outputs and outcomes. This lesson has been learned in the context of designing a knowledge management framework for ADB, revision of its human resource strategy, upgrading evaluation processes, and implanting appropriately designed information technology.
- **Learning from the experience and good practices of other organizations.** Delivering effective assistance requires that experience and good practices of others be assimilated. For this reason, participation by ADB in international discussions to exchange views and share knowledge is critical.
- **Managing for development results techniques must be specific for each institution.** The scope of activity, location, accountability mechanism, and comparative advantages of each bilateral and multilateral aid organization is unlikely to be the same as others.
- **Knowledge of results and results techniques in ADB is inadequate.** Intensified efforts at enhancing internal capacity and knowledge on managing for development results should be undertaken as part of any system. Particular attention will also need to be given to enhancing staff ownership.
- **Capacity building for, and participation by DMCs is crucial.** ADB has learned that delivering on its result agenda will require commitment by DMCs to partnerships; capacity building in DMCs and improving country-level data quality and availability, will have to be pursued strenuously. In this connection, enabling DMC officials and champions of change to participate in the global discussions on development results is essential.

D. ADB's Examples of Good Practice

Although at early stages of their development, some good practices are emerging in ADB's operations that can benefit the overall global efforts in this area. These practices are experimental but promising at this stage:

- In line with the increasing global focus on identifying and delivering global public goods (GPGs) and regional public goods (RPGs), ADB has moved to improve its **monitoring of results at sub-regional level**. Recognizing its comparative advantage in promoting regional cooperation and in undertaking regional projects that address issues of cross-border concerns and production of global and regional public goods, ADB has recently embarked on an approach to plan operations at regional level on the basis of medium-term strategy and program planning. Regional Cooperation Strategy and Program (RCSP) documents will now indicate ADB's plans in terms of cross-border projects in each of the five sub-regions in Asia-Pacific (East and Central Asia, South Asia, South-East Asia, Mekong, and Pacific). The example of the RCSP for the Pacific DMCs (Attachment 1) shows a strategic path from identification of challenges facing the Region to monitoring progress in addressing those challenges.
- ADB is also acquiring expertise in appropriate methods for building capacity and inspiring demand at the DMC level toward managing for development results. There are currently two separate Regional Technical Assistance projects being implemented by ADB that aim to improve the capacity of DMCs to manage for development results (Attachment 2).

III. GOING FORWARD: KEY CHALLENGES AND ACTIONS

Going forward, ADB's results agenda may not lead to wholesale changes in the way operations are undertaken; but the coherence and the effectiveness of the existing results-oriented processes will need to be enhanced and they need to be supported by necessary background infrastructure such as the IT systems and upgraded M&E and an effective human resource strategy that emphasizes results management.

A. Challenges Facing ADB

1. Improving Internal and Operational Focus on Results

A first, and most important challenge for ADB is to strengthen the channels of information and feedback between field operations and Management for decision making and fine-tuning of future operational directions. This is the area in which substantial time and effort, as well as financial resources will be needed (e.g., IT systems, results-based CSPs, upgrading of monitoring and evaluation processes, and other efforts).

A second crucial challenge is to identify the likely impact of ADB's operations on a subset of MDGs most directly linked to operations, taking into account the efforts of the DMC and other donors. Perhaps the most important single step in this regard will be to improve the results aspects of our CSPs. In other words, to design and pilot test a more results based CSP template.

A third important challenge - and in many ways one offering the most efficient means of mainstreaming the results agenda - is that of influencing an appropriate degree of reorientation in ADB policy reviews currently being undertaken, to incorporate the cross-cutting results agenda into these reviews, which include reviews of the poverty reduction strategy, the revised

organization structure and business processes, the next ADB medium term strategy, the knowledge management framework, public communications policy, ADB's internal human resource management strategy, and more. By incorporating results techniques into operational and administrative policy reviews, effective progress in addressing the results agenda systematically and coherently would be achieved.

An important ingredient of an effective results agenda, a merit based human resource management strategy, is being developed. A competency framework is being improved that provides a foundation for priority interventions in HR management. Further, a performance management system will be developed that will focus on feedback and will make meaningful distinctions among individual staff. A participatory process was initiated in mid-2003 to review the current performance management information system. Useful data has been gathered and the formulation of a strengthened system is in progress. The strengthened system will ensure that unambiguous Key Result Areas are determined for departments and divisions by the start of the fourth quarter of each year.

Credibility of ADB's efforts at managing for development results may be promoted by recognizing that many of the change initiatives, to date, have been launched independently of each other, and that this may have reduced their effective contribution to ADB's results agenda. ADB's success in becoming fully results oriented will require concerted and systematic action, for which the planned actions in 2004 (see footnote 2 above) will provide the common platform.

ADB's institutional capacity to undertake an expanded results agenda will depend on effective training for staff, the introduction of results techniques as part of ADB's business practices and procedures, the preparation of suitable "tool box" to help staff at all levels as results systems are rolled out and ensuring that ADB has access to the best expertise to help guide us at each stage of the process.

2. Participation in Partnerships

Improvement in ADB's role as a partner with other donors and stakeholders is a key component of efforts to improve ADB's contribution to development effectiveness and its own performance. A challenge facing the ADB in this regard, is to identify best ways to assess its effectiveness as a partner, including how to work with others to pursue development results, how to exchange information, and the scope of joint activities (such as joint reviews).

B. Planned Actions

ADB is aiming for a phased implementation of the actions under its intended framework to manage for development results over a number of years. Since ADB will "learn by doing", implementation will be closely monitored and reported, and any necessary adjustments to the implementation plan will be made as experience is gained. Nevertheless, a number of actions are planned for implementation over the short term during 2004 (see footnote 2, page 1).

Monitoring Results in the Pacific Region¹

A. IDENTIFIED MAIN DEVELOPMENT CHALLENGES FACING THE REGION

- Increasing productivity,
 - Low efficiency of public expenditure and investment,
 - Weak private sector development
- Reducing transport and transaction cost,
- Prudently managing the environment and natural resources.

B. ADB'S STRATEGY TO ADDRESS THE MAIN CHALLENGES FACING THE REGION (2004-2006)

- Build and/or strengthen knowledge and regional organizational capacity in the following areas:
 - Public expenditure and management,
 - Private sector development,
 - Transport and communication,
 - Environment and natural resources.

C. INDICATORS OF OUTPUTS FOR MONITORING

1. Public Expenditure/Private Sector Development /Transport and Communication

- Number of SOEs involved in commercial activity,
- Per unit cost for air and surface transport,
- Per unit cost of telephone and internet communication,

2. Environment

- Access to and availability of clean water supplies and sanitation services for both rural and urban population,
- Stabilizing net forest area in each Pacific developing member country (PDMC),
- Percentage of supply of energy through market-oriented non-fossil fuel sources

D. INDICATORS OF IMPACT

- Ratio of government to private sector employment,
- Commercial bank credit to private sector,
- Inflow of foreign direct investment (FDI),
- Magnitude of formal employment,
- Poverty incidence in selected communities,
- Carbon dioxide emission,

¹ While all Regional Departments (East and Central Asia, South-Asia, South-East Asia, Mekong, and Pacific) have developed Regional Cooperation Strategy and Program (RCSPs), the format and contents of these documents are not currently standardized. Therefore, ADB's work on managing for development results of global and regional public goods remain experimental at this stage.

Technical Assistance on Managing for Results

ADB is seeking to introduce managing for results as part of DMC capacity building.

ADB is currently implementing two regional technical assistance (RETA) projects introducing managing for results techniques at country level.

- a) TA for Supporting The Sector Approach and Results Based Management in ADB Operations: The scope of the TA includes examining and improving RBM in up to five DMCs by using five projects and working with each respective executing agency. The thrust will be on institutional diagnosis followed by capacity building principally through training. Training plans have been completed in Peoples Republic of China and Philippines, and are being formulated for Sri Lanka and Kyrgyz Republic. Training in a fifth DMC may be added.

An expected outcome of the TA is to assist the institutionalization of the sector approach and results based management in ADB and its operations in DMCs.

- b) TA for Strengthening Results-Based Management in Central Sector Agencies: The purpose of the TA is to develop a roadmap for strengthening performance-based management systems in DMC public sector agencies. The roadmap will be developed based on (i) a review of existing experiences with performance-based management in public sector agencies as well as on (ii) the experiences of pilot studies in two public sector agencies of up to three DMCs.

To date, the TA scope addresses RBM in the education sector in Mongolia and Cambodia. It will adopt a sector wide approach focusing on the initial assessment of existing RBM processes and developing a roadmap to strengthen RBM processes identified as priorities by the DMC. Lessons learned may guide institutional reform and capacity building strategy by respective governments and donors.

The two RETAs are designed to be complementary in terms of country and sector coverage. The RETAs will provide opportunities for sharing information, methodologies and lessons learned on results-based management (RBM) processes within individual projects, institutions and sectors as well as the influence of different ADB lending modalities. One RETA provides depth within a sector, while the other provides greater geographical and sector spread.

The RETAs are coordinated by:

- Establishment of a common website for sharing of working materials;
- Use of common terminology taking account of OECD-DAC nomenclature;
- Exchange of training materials both generic and sectoral;
- Exchange of institutional assessment instruments and findings;

The RETAs provide an opportunity to use common feedback to refine approaches, methodologies and inform stakeholders. A joint team meeting will take place between the two RETA teams early in 2004 to synthesize the findings and refine work plans. The RETAs may even be used as a basis of best practice in capacity building.