



BUDGET OF THE ASIAN DEVELOPMENT BANK FOR 2018

NOVEMBER 2017



November 2017

Budget of the Asian Development Bank for 2018

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPS	–	country partnership strategy
CRP	–	Compliance Review Panel
DMC	–	developing member country
ELR	–	equity-to-loan ratio
IAE	–	internal administrative expenses
IED	–	Independent Evaluation Department
IT	–	information technology
NSO	–	nonsovereign operation
OCR	–	ordinary capital resources
OCRP	–	Office of the Compliance Review Panel
OPPP	–	Office of Public–Private Partnership
OSPF	–	Office of the Special Projects Facilitator
PPP	–	public–private partnership
PRGMIP	–	Post-Retirement Group Medical Insurance Plan
PSOD	–	Private Sector Operations Department
Q	–	quarter
SRP	–	Staff Retirement Plan
STA	–	short-term assignment
TA	–	technical assistance
TMS	–	time management system
US	–	United States
WFA	–	workforce analysis
WPBF	–	work program and budget framework

NOTES

(i) In this report, "\$" refers to United States dollars.

(ii) Numbers in this report may not sum precisely because of rounding.

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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2018 BUDGET MEMORANDUM

EXECUTIVE SUMMARY

The 2018 budget of the Asian Development Bank (ADB) supports the strategic and institutional priorities of the Work Program and Budget Framework (WPBF), 2018–2020. The 2018 work program commitments comprise \$17.0 billion and 145 projects for sovereign operations (from \$15.4 billion and 144 projects estimated for 2017), \$2.7 billion and 32 projects for nonsovereign operations (from \$2.2 billion and 22 projects estimated for 2017), and \$340.0 million and 270 technical assistance projects (from \$331.0 million and 289 projects estimated for 2017).

The demand for ADB assistance from its developing member countries (DMCs) remains strong. ADB will respond by designing quality projects that help DMCs towards achieving the Sustainable Development Goals, implementing climate change actions, mainstreaming gender, reducing poverty and inequality, and bridging infrastructure deficits. ADB will expand nonsovereign and public-private partnership operations. Field offices will be further empowered by taking a larger role in project implementation. More staff will be located in the field to improve responsiveness to clients and markets, along with resident missions being allocated additional administrative resources and capital expenditure budgets. The quality of operations will be improved as lending programs are complemented with knowledge solutions—tacit and explicit knowledge sharing and transfer—and integration of high-level technology. ADB is preparing its new long-term strategy leading to 2030.

ADB is building a stronger, better, and faster bank through the One ADB approach and human resources reforms. The One ADB approach will encourage multisector solutions and stronger departmental collaboration. Human resources reforms will strengthen the One ADB approach by increasing flexibility and mobility, improving performance management, and faster recruitment. ADB remains committed to improving its institutional gender balance, supporting career development, and fostering a respectful workplace.

The main cost drivers of the 2018 budget are (i) an increase in staff to strengthen ADB's capacity to deliver the work program, with emphasis on improving the quality of operations and increasing ADB's field presence; (ii) ongoing information technology (IT) reforms and the organizational resilience program; and (iii) enhanced financial sustainability of the Staff Retirement Plan (SRP).

In 2018, the estimated need for about 60 positions will be met through staff optimization measures; 75 net new positions are proposed. To support ADB's field-based expansion, 51% of these new positions will be assigned to field offices.

The ongoing IT reform program and the organizational resilience program are in their second year. The implementation of IT reforms is building momentum and disbursement of approved special capital expenditure will peak under Real-Time ADB in 2018. A new special capital expenditure proposal for further IT reforms is expected to be prepared for consideration by the Board of Directors in late 2018. Organizational resilience will be supported through a proposed special capital expenditure program.

The financial sustainability of the SRP is being strengthened by increasing the amount funded through the budget and introducing a new defined contribution plan. Beginning October 2017, new staff members are enrolled in the new plan. Incentives for existing staff to switch to the new plan will be provided during 2018.

The salary increase proposal has been circulated separately for approval by the Board of Directors. The budget impact of the salary increase proposal is \$4.0 million.

The proposed capital expenditure budgets include (i) \$10.8 million for annual capital expenditure to fund the cyclical capital requirements of headquarters and field offices for 2018, (ii) \$10.0 million for special capital expenditure to improve and expand field offices in order to accommodate more staff (2018–2022), and (iii) [Information has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).] for special capital expenditure to improve security and safety of ADB headquarters under the organizational resilience program (2018-2020).

The proposed 2018 net internal administrative expenses budget is \$672.3 million, an increase of \$25.3 million (3.9%) over the 2017 budget. This comprises a price increase of 2.2% and a volume growth of 1.7%. The 2018 volume growth includes (i) support for responding to strong DMC demand (equivalent of 2.7%) and (ii) a 1.0% provision for the SRP switch incentive scheme. The volume growth is 0.7% excluding the SRP switch incentive scheme.

ADB intends to allocate adequate budgetary resources to manage a growing portfolio and meet strong DMC demand, while increasing budget flexibility. ADB will continue to promote higher productivity and efficiency, as well as value for money.

Table E1: Key Components of Budget Growth, 2017–2018
(%)

Item	2017 Budget	2018 Budget Preview	Proposed 2018 Budget
Net Internal Administrative Expenses	3.0	4.1	3.9
Price			
Price before adjustment to SRP contribution rate ^a	2.3	1.8	1.4
Adjustment to SRP contribution rate			0.8
Price	2.3	1.8	2.2
Volume			
Responding to strong DMC demand	3.7	2.6	2.7
Midterm review actions	0.1	-	-
Information technology reforms	0.8	1.1	1.0
Organizational resilience	0.5	-	(0.2)
SRP switch incentive scheme			1.0
Staffing optimization	(2.7)	(0.7)	(0.9)
Efficiency gains	(1.7)	(0.7)	(1.9)
Volume	0.7	2.3	1.7
SRP switch incentive scheme			(1.0)
Volume less SRP switch incentive scheme			0.7

() = negative, DMC = developing member country, SRP = Staff Retirement Plan.

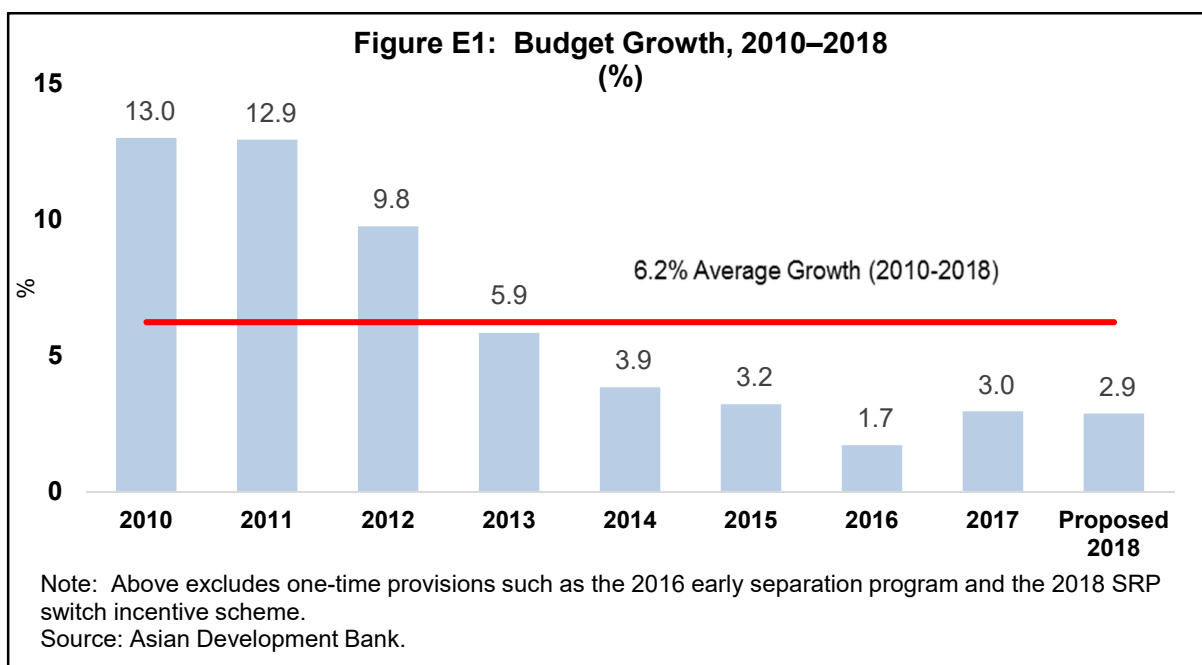
Note: Budget growth is over the previous year's approved budget.

^a [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

Source: Asian Development Bank.

Table E2: Assumptions for Price Factor

[The table has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]



24 November 2017

To: Board of Directors

2018 BUDGET PROPOSAL

1. Pursuant to Section 15 of the By-Laws, this memorandum presents for the Board of Directors' consideration the proposed budget of the Asian Development Bank (ADB) for 2018, and the special capital expenditure budgets, as described in this paper.

2. The proposed 2018 budget is strategy-driven and built on ADB's Work Program and Budget Framework (WPBF), 2018–2020.¹ It has been formulated through an iterative planning process.

I. STRATEGIC AND INSTITUTIONAL CONTEXT

3. The demand for ADB assistance will remain strong from 2018 through to 2020 (footnote 1). ADB will increase its operations to meet the needs of its developing member countries (DMCs) in order to achieve the Sustainable Development Goals, support climate change actions, reduce poverty and inequality, and help bridge infrastructure deficits. ADB will also support education, health, urban development, and private sector development.

4. ADB will respond to the challenges facing DMCs by designing projects and programs to foster greater inclusiveness, reduce climate footprints, increase disaster resilience, enhance sustainability, improve governance and capacity development, support the expansion of social protection programs, and incorporate high-level technologies. ADB will continue to improve the quality of its operations and mainstream gender in its operations.

5. In response to DMC demand, infrastructure financing will remain a central feature of ADB assistance, accounting for 71% of projected sovereign operations. Greater access to economic opportunities will be supported by 55% of the projected commitments, while 43% will support expansion of economic opportunities through interventions in infrastructure. Pipelines for health and education sectors will be strengthened further.

6. Support for regional cooperation and integration will continue for (i) economic connectivity, (ii) business competitiveness, (iii) regional public goods, (iv) financial development, and (v) policy and capacity development. ADB will remain the secretariat for regional and subregional programs including the Greater Mekong Subregion program, the Central Asia Regional Economic Cooperation program, and the South Asia Subregional Economic Cooperation program.

7. Commitments will increase for group A and B countries,² including those categorized as fragile and conflict-affected situations. Nonsovereign operations (NSOs) will also increase. The core work for NSOs involves private sector-led infrastructure and finance sector development. NSOs will continue to support clients in agribusiness and other sectors. NSOs will expand to include small, but high development impact, operations in new geographic areas.

¹ ADB. 2017. *Work Program and Budget Framework, 2018–2020*. Manila.

² Group A countries have access to concessional assistance only, while group B countries (excluding India) have access to both concessional and regular ordinary capital resources assistance.

8. ADB will continue to make steady progress towards its climate finance target of \$6.0 billion by 2020. It will exceed its annual clean energy target of \$2.0 billion and meet its average annual food security target of \$2.0 billion.

9. Knowledge solutions will complement ADB's lending program. ADB will share both tacit and explicit knowledge with its DMCs. This will help DMCs address the challenges of regional public goods, environment and climate change, natural disasters, and regional cooperation and integration.

10. **New long-term strategy.** ADB is preparing its new long-term strategy leading to 2030. The strategy, which is expected to be approved by the end of 2018, will outline the vision and key directions for ADB's future engagement with its DMCs. ADB will continue to carry out internal and external consultations throughout 2018 on the draft Strategy 2030 and the accompanying corporate results framework. A transitional results framework will be in place until a new results framework aligned with Strategy 2030 is approved. In preparing for Strategy 2030, ADB is reviewing its products with a view to improving responsiveness. The first draft of Strategy 2030 will be discussed with the Board of Governors at the Annual Meeting in May 2018. The draft will be revised based on the feedback received. The Board of Directors is expected to consider Strategy 2030 by the third or fourth quarter (Q3 or Q4) of 2018.

11. ADB will continue working to become stronger, better, and faster. It will improve project preparation and design, implement procurement reforms, supplement lending operations with knowledge solutions, and continue reforms in information technology (IT) and organizational resilience. ADB will achieve these through the One ADB approach and human resources reforms.

12. **One ADB.** ADB will encourage greater interdepartmental collaboration to facilitate learning across regions and sectors. The One ADB approach will be essential to facilitate collaborative outcomes. Regional departments, the Private Sector Operations Department (PSOD), the Sustainable Development and Climate Change Department, the Economic Research and Regional Cooperation Department, and the Office of Public–Private Partnership (OPPP) will work more closely together in planning operations, jointly working on private sector development and project processing. ADB will continue to decentralize by outposting staff to field offices to stay closer to clients and markets.

13. **Human resources reforms.** The One ADB approach will be strengthened by human resources reforms. These reforms will support staff mobility and flexibility, and enhance career progression and staff development. The performance management system will be improved and recruitment will be faster. ADB remains committed to providing a respectful workplace and improving its institutional gender balance (Appendix 14).

II. FINANCIAL RESOURCES

14. The merger of Asian Development Fund (ADF) lending operations with the ordinary capital resources (OCR) balance sheet significantly strengthened ADB's financial resources. ADB has sufficient financial capacity to support the projected 2018–2020 commitments for concessional lending (including grants) and regular OCR lending. Under ADF 12, ADB is providing grants to group A countries for disaster risk reduction and has also provided resources to improve regional health security.³

³ [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

15. **Projected allocable net income.** The impact of the proposed internal administrative expenses (IAE) budget and accrual adjustments to the Allocable Net Income are reflected in the income figures shown in Table 1. The proposed IAE budget is financially prudent as ADB generates income from its operation and contributes to the capital growth of ADB.⁴

Table 1: Income and Expense Outlook, 2017–2018
(\$ million)

[The table has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

⁴ ADB. 2017. *Review of the Asian Development Bank's Loan Charges and Allocation of 2017 Net Income*. Manila.

16. **Financial sustainability.** [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

17. **Borrowing program.** [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

18. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

III. INDEPENDENT EVALUATION AND ACCOUNTABILITY MECHANISM

19. **Independent evaluation.** The Independent Evaluation Department (IED) aims to have a stronger impact on ADB priorities and operations through high-quality evaluations, better alignment of its work with these priorities and operations, and more effective communication and dissemination of evidence-based findings and lessons. Through the 2018 work program (Box 1), IED intends to achieve this by (i) improving the balance of its product mix between macro- and micro-evaluations, (ii) strengthening the use of evaluations, (iii) addressing evaluation gaps and key risks to development outcomes of ADB's work, and (iv) strengthening the quality and credibility of evaluation work.

20. The IED work program is guided by ADB's strategic agendas, policies, and operational concerns. IED will improve the effectiveness and quality of evaluations through four new initiatives: (i) reintroduction of sector evaluation work across and within countries, (ii) systematic assessment of key ADB corporate operational processes for improved development effectiveness, (iii) enhancement of country and project validations, and (iv) feasibility of a validation system for technical assistance (TA) self-assessments. To strengthen the use of evaluations, IED will intensify its outreach and knowledge-sharing activities within and outside ADB. High-level evaluations will be supported with more systematic internal and external dissemination activities. IED will further expand its training of staff in other departments on evaluation methodologies, while intensifying evaluation capacity development activities in DMCs.

21. IED's proposed 2018 budget is \$12.9 million, an increase of 6.4% over the 2017 approved budget.⁵ About \$0.4 million (or 45.3% of the proposed \$0.8 million increase) is to support the new program of validation of TA self-assessments, at the request of the Development Effectiveness Committee. Appendix 12 provides details of IED's 2018 budget.

⁵ The Director General, IED prepared the IED budget for 2018, and the Development Effectiveness Committee endorsed it. The proposed budget was reviewed by the Budget Review Committee. It is presented separately for Board approval.

Box 1: Highlights of 2018 Independent Evaluation Department Work Program

- A. Cross-Cutting Evaluations (5)**
- (i) Corporate evaluation of policy-based lending
 - (ii) Corporate evaluation on ADB's use of private sector equity investments
 - (iii) Thematic evaluation on ADB support for small and medium-sized enterprises
 - (iv) Thematic evaluation for ADB support for state-owned enterprises reform
 - (v) Sector-wide evaluation on ADB support for agriculture
- B. Annual Report (1)**
- (i) Annual Evaluation Review
- C. Country, Sector, Project, Program, and Technical Assistance (85)**
- (i) 1 country assistance program evaluation for Azerbaijan (and associated sector assessments)
 - (ii) 7 validations of country partnership strategy final reviews (Armenia, Bhutan, Fiji, Kyrgyz Republic, Solomon Islands, Thailand, and Uzbekistan)^a
 - (iii) 1 sector assistance program evaluation on Pakistan energy sector
 - (iv) 1 sector synthesis note on energy
 - (v) 1 impact evaluation on Nepal small towns water supply and sanitation project
 - (vi) 9 project performance evaluation reports on sovereign operations
 - (vii) 3 project or program performance evaluation reports on nonsovereign operations
 - (viii) 2 technical assistance performance evaluation reports
 - (ix) 100% validation of circulated PCRs and XARRs^b
- D. Communication and Outreach, and Knowledge and Evaluation Capacity Development**
- (i) Training and evaluation capacity development program within and outside ADB
 - (ii) Knowledge and learning events
 - (iii) Enhancements of evaluation information systems (website, lessons and success rates databases, Management Action Record System)
 - (iv) Partnerships
- E. New Initiative**
- (i) Validation of technical assistance self-assessments^c

PCR = project or program completion report, XARR = extended annual review report.

^a Subject to timely availability of country partnership strategy final review and PCRs.

^b Assumes a notional target of 60 PCRs and XARRs circulated and available for validation during the year.

^c Requested by the Development Effectiveness Committee.

Source: Asian Development Bank.

22. **Accountability Mechanism.** The Office of the Compliance Review Panel (OCRP) will continue to support the mandate of the Compliance Review Panel (CRP) in 2018. OCRP will also foster partnerships with other independent accountability mechanisms operating in Asia and the Pacific. The Office of the Special Project Facilitator (OSPF) will monitor and process complaints under its purview and develop the capacity of key stakeholders in complaint handling and improving governance of projects. Targeted awareness-raising initiatives are also planned to help build awareness of the OSPF's role and relevance in operations work. The OCRP and OSPF will also jointly conduct outreach activities to highlight the importance of policy compliance in projects.

23. The proposed 2018 Accountability Mechanism budget is \$2.9 million (Appendix 10), comprising \$1.0 million for the OSPF and \$1.8 million for the CRP and the OCRP⁶ (Appendix 11).

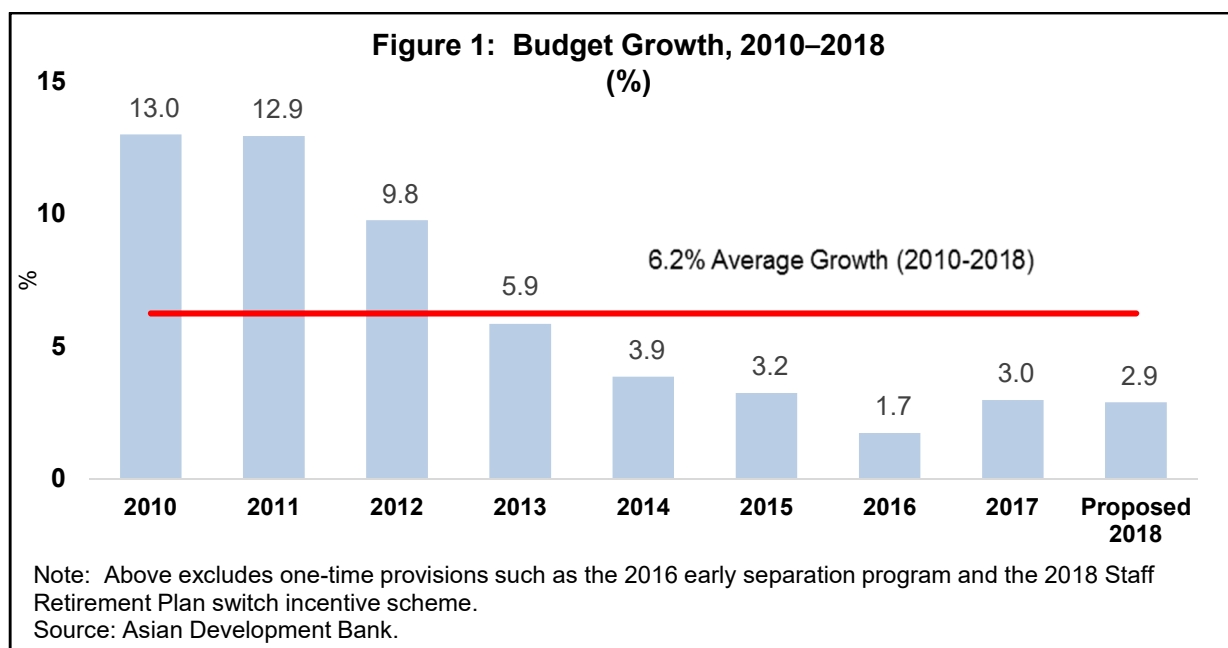
⁶ The CRP chair prepared the combined annual work plan and budget of the CRP and the OCRP. This annual work plan and budget were endorsed by the Compliance Review Committee in consultation with the President, and reviewed by the Budget Review Committee. The work plan and budget proposal are presented to the Board of Directors for approval, separately from ADB's IAE budget.

IV. 2018 INTERNAL ADMINISTRATIVE EXPENSE BUDGET AND COST DRIVERS

A. Approach to 2018 Budget

24. ADB has been meeting strong DMC demand, while maintaining appropriate budget growth. This remains a key principle in formulating the 2018 budget. The lower rate of budget growth compared with the increasing resources available for approval reflects ADB's continuing efforts in enhancing productivity and improving efficient use of budget resources.

25. ADB intends to allocate adequate budgetary resources to manage a growing portfolio and meet strong DMC demand, while increasing budget flexibility, operational and organizational efficiency, and work program prioritization. Figure 1 shows ADB's budget growth from 2010 to 2018.



B. Cost Drivers of the 2018 Budget

26. Consistent with the WPBF, 2018–2020, ADB identified three main cost drivers in developing the 2018 budget request: (i) increased staffing to expand operations with an emphasis on the quality of operations and a larger field presence; (ii) ongoing support for IT reforms and the organizational resilience program; and (iii) strengthening the financial sustainability of the Staff Retirement Plan (SRP). The net IAE budget required is \$672.3 million, representing a 3.9% budget growth over the 2017 budget (Table 2). This includes a price increase of 2.2% and volume growth of 1.7%. The price increase comprises (i) 0.8% from the SRP contribution rate increase; and (ii) 1.4% from salary structural adjustments, exchange rate movements, and other price factors (Appendix 9). The volume growth of 1.7% includes (i) support for responding to strong DMC demand (equivalent to 2.7%) and (ii) a 1.0% provision for the SRP switch incentive scheme. The volume growth is 0.7% excluding the SRP switch incentive scheme.⁷

⁷ The 0.7% volume growth includes depreciation for capital investments in organizational resilience and IT reforms, equivalent to 0.9%. The volume growth without these is –0.2% in 2018.

Table 2: Key Components of Budget Growth
(%)

Item	2017 Budget	2018 Budget Preview	Proposed 2018 Budget
Net Internal Administrative Expenses	3.0	4.1	3.9
Price			
Price before adjustment to SRP contribution rate ^a	2.3	1.8	1.4
Adjustment to SRP contribution rate			0.8
Price	2.3	1.8	2.2
Volume			
Responding to strong DMC demand	3.7	2.6	2.7
Midterm review actions	0.1	-	-
Information technology reforms	0.8	1.1	1.0
Organizational resilience	0.5	-	(0.2)
SRP switch incentive scheme			1.0
Staffing optimization	(2.7)	(0.7)	(0.9)
Efficiency gains	(1.7)	(0.7)	(1.9)
Volume	0.7	2.3	1.7
SRP switch incentive scheme			(1.0)
Volume less SRP switch incentive scheme			0.7

() = negative, DMC = developing member countries, SRP = Staff Retirement Plan.

Note: Budget growth is over prior year's approved budget.

^a [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

Source: Asian Development Bank.

27. Net IAE budget growth, before the provision of 1% for the SRP switch incentive scheme, is 2.9% (Appendix 1).

28. The currency mix of ADB's budget is about 72% US dollar expenditures, 20% in Philippine peso, and the remaining 8% in other currencies. The forecast appreciation of the US dollar against the Philippine peso has helped to reduce projected 2018 costs.⁸

1. Meeting Developing Member Country Demand

29. Meeting the strong demand from DMCs will require additional resources. Full work program details are available in the WPBF, 2018–2020 (footnote 1). Key operational deliverables in commitments, approvals, contract awards, and disbursements are in Table 3.

⁸ [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

Table 3: Key Operations Outputs and Internal Administrative Expense Budget

Item	2014	2015	2016	2017	2018
Key Operations Outputs					
A. Projects					
Commitments (\$ million)	13,908	16,190	13,299	17,628	19,715
Commitments (number)	123	130	120	166	177
B. Technical Assistance					
Commitments (\$ million)	307	259	327	331	340
Commitments (number)	337	275	314	289	270
C. Contract Awards (\$ million)	8,176	8,147	9,256	10,390	9,911
D. Disbursements (\$ million)	10,200	12,348	12,489	12,800	12,909
Net Internal Administrative Expense Budget (\$ million)	598	618	636	647	672

Notes:

1. The operational outputs for 2014–2016 are actual figures, 2017–2018 are based on the WPBF, 2018–2020.
2. Approvals and commitments include sovereign and nonsovereign projects funded by the ADF, concessional OCR, and regular OCR.
3. Contract awards covers sovereign project loans and grants funded by ADF, concessional OCR, regular OCR, other special funds, and cofinanced grants fully administered by ADB.
4. Disbursements targets for 2017 and 2018 cover (i) sovereign (projects and policy-based) and nonsovereign operations; (ii) including loans, grants, and equity investment; and (iii) financed by ADF, concessional OCR, regular OCR, other special funds, and cofinanced grants fully administered by ADB.
5. The 2014–2017 IAE budget figures are approved budgets; and figure for 2018 is the proposed budget.

Source: Asian Development Bank.

30. **Operations program.**⁹ Consistent with the WPBF, 2018–2020, ADB plans to deliver 177 committed¹⁰ projects—145 sovereign and 32 NSOs—totaling \$19.7 billion in commitments for 2018 (Appendix 5).

- (i) **Sovereign operations.** Projected sovereign commitments total \$17.0 billion (145 projects). The new projects will be financed by \$629.0 million in ADF grants, \$3.3 billion in concessional OCR, and \$13.1 billion in regular OCR.
- (ii) **Nonsovereign operations.** Private sector operations continue to grow, with commitments projected to reach \$2.7 billion (32 projects), estimated at 17% of total regular OCR operations.
- (iii) **Public–private partnerships.** Business development efforts will continue with the target of securing three additional mandates for transaction advisory services. The public–private partnership (PPP) portfolio is estimated to increase by 23% to 16 from 13 transaction advisory services mandates under implementation by OPPP.

31. **Technical assistance program.** In 2018, 270 new committed TA projects totaling \$340.0 million are planned: 133 transaction TA projects (including 90 project preparatory TA) and 137 knowledge and support TA projects. The TA volume represents an increase over the 2017 amount, however, the number of TA in 2018 will be lower. TA reforms were implemented in 2017. Among others, the reforms promoted the use of programmatic TA, which has contributed to lower TA

⁹ The operations program is anchored on the firm pipelines jointly identified by DMCs and ADB, and is reflected in country operations business plans.

¹⁰ ADB. 2017. *Operational Adjustments and Change in Application of Existing ADB Policies Following the Introduction of Commitments as Performance Measurement*. Manila. A commitment is defined as the financing approved by ADB's Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.

number in 2018. Further, ADB revisited in 2017 its methodology to project future TA operations, and a more realistic TA cofinancing estimate has been established.

32. **Contract awards and disbursements.** Annual contract awards for 2018 are projected at \$9.9 billion for sovereign operations. Disbursements are projected at \$12.9 billion. The contract award ratio¹¹ target for 2018 is 26% and the disbursement ratio target¹² is 21%—the same level as the 2017 ratios, which were marked increases from previous years (Table 4).

Table 4: Contract Awards and Disbursement Ratios

Item	(%)				
	2014	2015	2016	2017	2018
Contract awards ratio	24	23	24	26	26
Disbursement ratio	18	17	18	21	21

Note: Contract awards and disbursement ratios (%) cover sovereign project loans and grants, and includes cofinanced grants administered by ADB. Actual figures are used up to 2016, and work program figures for 2017 and 2018.

Source: Asian Development Bank.

33. ADB will improve quality and reduce end-to-end procurement time.¹³

34. **Portfolio management.** By the end of 2018 (Table 5):

- (i) The sovereign portfolio is expected to increase by 7% to 734 projects from 688 in 2017.
- (ii) The nonsovereign portfolio is expected to increase by 10% to 246 projects from 224 in 2017.
- (iii) The TA portfolio is estimated to increase by 1% to 843 TA projects from 831 in 2017.

Table 5: Project and Technical Assistance Portfolio

	(number)				
	2014	2015	2016	2017	2018
A. Project	799	825	871	912	980
Sovereign	625	645	672	688	734
Nonsovereign	174	180	199	224	246
B. Technical Assistance	1,070	965	897	831	843

Note: 2014–2016 are actual figures, 2017–2018 are based on WPBF, 2018–2020.

Source: Asian Development Bank.

35. **Cofinancing, credit enhancement, and risk mitigation.** Cofinancing and partnerships with other development partners enable ADB to mobilize financing and jointly support its DMCs. In 2018, cofinancing for investment projects is estimated at \$16.6 billion (84% of ADB's projected commitments). Internal business processes are being reviewed to streamline workflows related to cofinancing and trust fund operations. In developing the new corporate results framework for

¹¹ Starting in 2018, the contract awards ratio will be defined as the value of contracts awarded during the year to the total value for contract awards of signed loans and grants at the beginning of the year plus newly signed loans and grants during the year.

¹² The ratio of total disbursements during the year (including disbursements from newly approved operations during the year) to the undisbursed balance at the beginning of the year (based on approvals as of the previous year). Starting in 2018, the disbursement ratio will be defined as the disbursements during the year to the undisbursed balance at the beginning of the year. The undisbursed balance includes those of (i) effective loans and grants and (ii) loans and grants that were signed but not yet effective as at the beginning of the year.

¹³ Refers to the time from the date of receipt of draft bidding documents by ADB for review to the date of contract signing by the executing agency and the winning bidder.

Strategy 2030, cofinancing and its target-setting will be reviewed, paying due consideration to value addition and harmonization with other multilateral development banks.

36. Mobilization of third party funds from commercial and official sources will be increased. Risk transfers and credit enhancement products will be used to attract new market participants.

37. **Knowledge program.** ADB's knowledge program is embedded in all facets of operational work. Tacit knowledge sharing and collaboration will be supported through the One ADB approach. ADB will ensure lending operations are complemented by knowledge work, reflecting DMCs' priority development needs. ADB will develop pipelines of innovative projects, including ones that make greater use of high-level technology and multisector solutions. Knowledge sharing and collaboration will be promoted by facilitating staff mobility and joint work across ADB.

38. The sector and thematic groups continue to provide technical expertise and work closely with operations departments from the early stages of project development, especially for complex and flagship projects. In delivering knowledge solutions, ADB will engage with knowledge centers of excellence including development partners, private companies, academia, and research centers. ADB will generate explicit knowledge by producing selected, high-quality knowledge products and services that encourage discussion on policies and provide regional insights.¹⁴

39. **Strategies and business plans.** During 2018, ADB will prepare five country partnership strategies (CPSs), 39 country operations business plans, and the Pacific regional operations business plan. Sector assessments, road maps, and other studies and assessments will continue to support CPS preparation.

40. **Empowering the resident missions.** ADB has been progressively increasing the role of the resident missions. In addition to country programming, resident missions are taking a larger role in project implementation and as knowledge custodians. At the end of 2016, 54% of active sovereign projects were being administered by the resident missions.

41. Of the total staff positions at the end of 2017,¹⁵ 847 (27%) are expected to be based in resident missions (Table 6). Of these, 740 (87%) will be staff positions in the resident missions and 107 (13%) will be outposted from headquarters. An additional 47 international and national staff are expected to be outposted in 2018 to (i) support the rollout of the new procurement policy, (ii) increase ADB's field presence, and (iii) strengthen security support to resident missions. With the new positions and continued outposting in 2018, ADB is expected to have about 905 (28%) staff positions in resident missions.

42. The expanded role of resident missions will require an increase in budgetary resources for staff-related costs, office facilities, and security. Direct resident mission costs¹⁶ are estimated to be 21.2% of the 2018 net IAE. While the annual increase in resident mission staff is expected to be 6.8% by the end of 2018, the budget resources for the resident missions is estimated to

¹⁴ Only five types of knowledge products and services are reported to the Board and Management, which are (i) flagships, (ii) technical studies, (iii) working papers, (iv) policy briefs, and (v) op-eds. Staff continue to produce other types of KPS, which are reported through departmental and staff work programs. Knowledge products will include the *Asian Development Outlook 2018*, and subsequent update and supplements; country diagnostic studies for Uzbekistan, Kyrgyz Republic, and Azerbaijan; *Asian Economic Integration Report 2018*; and *Preparing for Emerging Skills and Jobs*.

¹⁵ Total staff positions refer to total international, national, and administrative staff in Appendix 8, excluding Board of Directors.

¹⁶ Direct resident mission costs consist of operational expenses (staff costs, staff consultants, business travel, and representation), administrative expenses, and estimated staff costs of outposted positions.

increase by 10.9%. The increase in resource allocation is consistent with efforts to strengthen resident mission capacity.

43. The cost drivers in resident missions include (i) supporting the extended missions in Samoa, Solomon Islands, Tonga, and Vanuatu to enable greater delegation of projects to these field offices; and (ii) supporting PSOD outposting plans to the People’s Republic of China, Georgia, India, and Thailand.

Table 6: Resident Mission Expenses, 2017–2018

Item	Budget	
	2017	2018
Number of Resident Missions ^a	32	32
Indicative Staff in Resident Missions	847	905
Operational and Administrative Expenses (\$ million)	127.1	141.0
% to Net Internal Administrative Expenses	19.6	21.2

^a Data in this table includes the extended missions in Samoa, Solomon Islands, Tonga, and Vanuatu, but excludes representative offices.

Source: Asian Development Bank.

44. **Increasing support for private sector operations.** Private sector operations continue to grow. Infrastructure will remain the priority, because of the sector’s important contribution to the Sustainable Development Goals and the 2015 climate change commitments. Renewable energy is a key and growing focus of private sector operations, and coverage of other sectors will be broadened. From 2014 to 2018, 81.1% of ADB’s increase in the business travel and staff consultant budgets, and 15.6% (or 39 positions) of the cumulative ADB increase in positions, will be attributable to PSOD.

45. **Strengthening public–private partnerships operations.** The PPP operations will be aligned with ADB’s strategic priorities to scale up PPP thematic support for private sector development and increased PPP transactions in ADB operations across all DMCs. Since its first full year of operation in 2015, budget support through business travel and staff consultants will have increased by almost three times, while staffing is expected to increase by twice the original headcount.

46. **Support for innovation.** Strengthening innovation is central to ADB becoming stronger, better, and faster. ADB is working to increase innovation in operations and plans to strengthen the expertise of staff on advanced technology. ADB will provide sufficient resources to support the move towards a more innovative ADB. Recent and new initiatives are explained in Box 2.

Box 2: Supporting Innovation in 2018

The Asian Development Bank (ADB) is fostering innovation through the following programs:

- **Experts pool.** Launched in 2016, this pool will bring in top-notch experts as ADB staff covering new priority areas (e.g., smart grids, waste-to-energy, disaster risk finance). It has been expanded to eight areas in 2017 with another seven areas targeted in 2018. Appointments of experts pool staff are on a fixed-term basis (including secondment). The experts are assigned to 2–3 projects every year, design and give advice to projects, and help build the capacity of staff in ADB and developing member countries (DMCs).
- **New programs for training staff of sector and thematic groups.** In 2018, ADB will start a new program to bring in external experts to headquarters to share their experience and expertise on advanced technologies, innovative and practical approaches, and transformative models that are gender and socially inclusive. This program will strengthen the capacity of ADB staff to integrate innovation in ADB operations.
- **High-Level Technology Fund.** In April 2017, ADB established the High-Level Technology Fund, a multi-donor trust fund, with a \$40 million commitment over 2 years. The fund provides grant financing for technical assistance and investment projects to promote the integration of high-level technologies into projects.
- **Performance management reforms.** The performance management reforms being introduced will better recognize innovation, collaboration, and knowledge sharing. Innovation will be assessed as part of the performance review in January 2019.
- **Information technology reforms.** The Real-Time ADB information technology (IT) reforms will strengthen ADB's capacity to provide innovative solutions for DMCs. By using cloud-based and other emerging technologies, IT reforms provide tools to support innovative program delivery and knowledge services. As part of the IT reforms, adoption and change management programs are encouraging a culture of innovation and collaboration.
- **Procurement reforms.** ADB's new procurement policy approved in April 2017 will support innovation in ADB-financed projects. The new procurement principles of value for money and fit for purpose will support the adoption of innovative and high-value technologies in ADB projects. Procurement specialists will be engaged early in the project cycle to help prepare procurement strategies that support innovation and advanced technologies.

Source: Asian Development Bank.

2. Staff Requirements to Support Developing Member Country Demand

47. Staff are ADB's most valuable resource. The 2017 workforce analysis (WFA) assessed the staffing requirements to meet the strong demand from DMCs, as well as other institutional programs.

48. **Workforce analysis and key findings.** The two key findings of the 2017 WFA are (i) the average processing workload will increase, as will the need for further workload balancing; and (ii) the heavier implementation workload will require additional staff resources and continued optimization measures, such as redeployment and outposting, to support the growth of the portfolio. The operational growth in 2018–2020 also has implications for the workload of direct operations support departments, such as the Office of the General Counsel, the Operations Services and Financial Management Department, and the Office of Risk Management.

49. **Gross staff requirements for 2018–2020.** Estimated gross staffing requirements are shown in Table 7. These requirements are intended to deliver increased sovereign and nonsovereign operations, and meet other priority staffing needs, including new initiatives.

Identified staffing needs in 2017, which will remain relevant in 2018, include the second generation of procurement reforms, further expansion of PPP operations (particularly transaction advisory services), capacity strengthening to implement reforms, and enhancement of treasury operations (e.g., local currency operations).

Table 7: Indicative Staffing Requirements
(number of staff)

Staff Requirements	2018			2019 and 2020			2018–2020		
	IS and NS	AS ^a	Total	IS and NS	AS ^a	Total	IS and NS	AS ^a	Total
Gross requirements	95	40	135	105	60	165	200	100	300
Offset through optimization	(25)	(35)	(60)	(20)	(40)	(60)	(45)	(75)	(120)
Net Requirements	70	5	75	85	20	105	155	25	180

() = negative, AS = administrative staff, IS = international staff, NS = national staff.

^a Refers to analyst or analyst-type position.

Source: Asian Development Bank.

50. Emerging priority areas that will require staff resources include (i) strengthening security and safety, (ii) providing transactional support and integrity due diligence, (iii) increasing the experts pool and expanding the Young Professional program, (iv) resourcing ADB's Pacific Department to deliver the Pacific Approach,¹⁷ and (v) strengthening PSOD's field presence.

51. **Staff optimization.** Part of the requirements for additional staffing will be met through continued staff optimization measures. In 2018, the Budget, Planning, and Management Systems Department will facilitate reclassification of positions across staff categories to meet changes in department's business requirements and address skills and staffing gaps. Further, staff requirements are expected to be reduced through efficiency improvements in operations as well as automation and outsourcing initiatives. Staff optimization forecasts will be revisited to assess actual impact on staffing of ongoing and upcoming business process reforms and IT-related improvement initiatives (Table 8).

Table 8: Indicative Scope for Further Optimization
(number of staff)

Optimization Measures	2018		2019–2020	
	IS and NS	AS	IS and NS	AS
Operations efficiency improvements ^a	10	5	5	5
Efficiencies through flexibilities in position management	15	10	15	15
Converting administrative assistant to technical or analyst positions ^b	-	10	-	5
Various automation and outsourcing initiatives ^c	-	10	-	15
Overall	25	35	20	40

AS = administrative staff, IS = international staff, NS = national staff.

^a TA reforms (2017) are expected to further increase the average size of TA operations because of the processing of TA facility and cluster TA. However, the gains are expected to diminish as total TA numbers decline. Scope for additional operational efficiency will be further identified.

^b Increasing technical and analyst positions to directly support processing and implementation, and/or a department's core operations (increased ratio of IS and NS to administrative assistant).

^c The number may differ depending on the actual implementation of various information technology-related business cases.

Source: Asian Development Bank.

¹⁷ ADB. 2016. *Pacific Approach, 2016–2020*. Manila.

52. **Net staffing requirements.** About 300 additional staff will be required for 2018–2020.¹⁸ About 120 of these positions will be met through optimization measures, leaving a net requirement of 180 new positions to be recruited.

53. In 2018, 75 net new staff positions will be deployed, largely to address the increase in the pipeline for sovereign operations (27 staff positions, including for infrastructure, social sectors, agriculture and natural resources, and climate change), and NSOs (16 staff positions in PSO and OPPP). The remaining 32 positions are for other priorities highlighted in the WPBF, 2018–2020, including for legal and risk management staff positions to support PSOD and OPPP. Table 9 shows the indicative allocation of the 2018 new positions. The indicative location (headquarters or resident mission) of the proposed new positions are in Table 10. Appendix 8 presents the indicative staff positions by department and offices for 2017 and 2018.

Table 9: 2018 Indicative Allocation of New Positions^a

	IS	NS	AS	Total	
				No.	%
Sovereign Operations	12	13	2	27	36%
(i) Infrastructure	6	2	2	10	-
(ii) Agriculture and natural resources, and climate change	1	1	-	2	-
(iii) Social sectors (Health and Education)	1	1	-	2	-
(iv) Project administration and portfolio management ^b	1	3	-	4	-
(v) Safeguards	1	6	-	7	-
(vi) Others	2	-	-	2	-
PSO and PPP	12	3	1	16	21%
(i) Private sector operations	6	3	1	10	-
(ii) Transaction advisory services for PPP	6	-	-	6	-
Other Priority Needs	21	9	2	32	43%
(i) Legal and risk management supporting PSOD and OPPP	6	2	-	8	-
(ii) Procurement reforms	6	-	-	6	-
(iii) Others—including experts pool, and safety and security	9	7	2	18	-
Total	45	25	5	75	100%

AS = administrative staff, IS = international staff, No. = number, NS = national staff, OPPP = Office of Public–Private Partnership, PPP = public–private partnership, PSO = private sector operations, PSOD = Private Sector Operations Department.

^a By skills for the new positions.

^b Includes country coordination staff positions for extended missions in the Pacific.

Source: Asian Development Bank.

Table 10: 2018 Indicative Allocation of New Positions by Location

Item	IS		NS		AS		Total	
	No.	%	No.	%	No.	%	No.	%
Headquarters	22	49	12	48	3	60	37	49
Resident missions ^a	23	51	13	52	2	40	38	51
Total	45	100	25	100	5	100	75	100

AS = administrative staff, IS = international staff, No. = number, NS = national staff.

^a Includes outposting to resident missions.

Source: Asian Development Bank.

54. Should staffing demand increase beyond the 2018 allocation of 75 net new positions, and with recruitment activities remaining robust, the 2019 net new positions may be advanced to 2018,

¹⁸ Of the 300 gross staffing requirements, about 204 positions will support the increased operations to ensure timely and quality project implementation. The remaining staff requirements pertain to other priority needs.

as necessary. This would be facilitated by the recently introduced flexible position management reforms through advance recruitments. These advanced new staff positions hired to meet operational demands, may start to work in 2018, and can be supported by savings from the year's confirmed IAE budget utilization.

55. **Outposting to resident missions.** New outposting to resident missions as of end September 2017 is 33 (30 international staff and 3 national staff).¹⁹ By end 2017, new outpostings are expected to reach 41 (35 international staff and 6 national staff). In 2018, 47 more (31 international staff and 16 national staff) are expected to be outposted. Total outposting is expected to reach 154 (120 international staff and 34 national staff) by 31 December 2018 (Table 11).

Table 11: Indicative New Outposting to Resident Missions^a
(number)

Item	2017			2018			Total Planned (by the end of 2018) ^b		
	IS	NS	Total	IS	NS	Total	IS	NS	Total
Sovereign	19	–	19	17	–	17	77	–	77
Country coordination ^c	–	–	–	–	–	–	–	4	4
Legal counsel	–	–	–	1	–	1	3	–	3
Procurement	2	–	2	2	–	2	11	–	11
Security	1	1	2	–	4	4	2	5	7
Nonsovereign	13	5	18	11	12	23	27	25	52
Total	35	6	41	31	16	47	120	34	154

IS = international staff, NS = national staff.

^a Excludes strategic placement of Operations Services and Financial Management Department (4 IS procurement specialists placed in sector divisions and/or front office of regional departments as of 30 September). Excludes outposting from the Controller's Department and Treasury Department for organizational resilience.

^b Includes total actual outposting as of 30 September 2017 and additional planned outpostings for 2017–2018.

^c For extended missions in the Solomon Islands, Vanuatu, Samoa, and Tonga, positions are housed in the Pacific Sub-regional Office in Suva, Fiji and the Pacific Liaison and Coordination Office in Sydney, Australia.

Source: Asian Development Bank.

3. Maintaining the Momentum of the Information Technology Reforms

56. Central to ADB's efforts to increase the productivity, efficiency, and effectiveness of the organization are the Real-Time ADB IT reforms, which began in July 2016. Real-Time ADB encompasses key operations and financial systems, administrative and department-specific services, mobile and collaborative knowledge solutions, and organizational resiliency and IT security programs.

57. ADB will continue IT reforms in 2018 and 2019. IT-related capital expenditure spending is expected to gain greater momentum in 2018 when all due diligence processes and procurement requirements are completed. This reflects the preparation phases, which were longer than initially planned, for the two largest IT projects: (i) NSOs and (ii) the disbursement system modernization. Progress on individual projects is contained in Box 3 and Appendix 6.

58. Most of the Real-Time ADB spending is funded from the special capital expenditure budget of the Information Systems and Technology Strategy III.²⁰ This impacts the 2018 administrative expenses through about \$5.9 million in additional depreciation from capitalized projects, as well as through \$5.4 million in administrative expenses to support the new systems.

¹⁹ Outposting refers to international staff and national staff positions which belong to headquarter divisions but are deployed to field offices.

²⁰ ADB. 2013. *Information Systems and Technology Strategy III*. Manila.

A new special capital expenditure proposal for additional IT reforms is expected to be prepared in late 2018 for consideration by the Board.

Box 3: Information Technology Progress

- **Key operations and financial systems.** Significant due diligence, solution designs, and procurement have been undertaken for nonsovereign, treasury, disbursement system modernization, and partner fund management. In addition, business process review for nonsovereign operations will be completed in early 2018. For disbursement system modernization, the technical assistance claim portal has been delivered.
- **Administrative and department-specific services.** The institutional procurement system achieved two major milestones by the end of September, through streamlining and automating the (i) requisition-to-contract process; and (ii) inventory and sourcing. This contributes to operational efficiency through a simple, user-friendly system that can be accessed on any device. The remaining deliverables are expected to be completed by the first quarter of 2018 before rolling out to the field offices.

The Human Resources Centralized Service Desk consolidates human resource-related inquiries and concerns for all staff, and automates key human resources policies. myCareer provides the foundation for all career-related information accessible to both staff and managers. It will enhance efficiency and real-time reporting on career-related matters. These capabilities are expected to be available across ADB by the fourth quarter of 2017.

- **Mobile and collaborative knowledge solutions.** The rollout of Office 365 capabilities, including OneDrive, Outlook e-mail migration, and SharePoint platform, is expected to be completed by the end of 2017. This provides the foundation for content and collaboration solutions. The development of the knowledge management road map is underway.

ADB has deployed tablets, hybrid devices, and Mac computers. In addition, password-less solutions, enterprise mobile management tools, and better data roaming services were introduced to improve ADB's productivity and resiliency.

- **Organizational resiliency and information technology security.** In March 2017, Real-Time ADB completed its first delivery: the offshore active disaster recovery site in Geneva, Switzerland. This enables the resiliency of ADB's critical financial systems. Furthermore, the information technology reforms have secured and increased internet bandwidth for headquarters and field offices, and provided a modern integration platform for cloud services. ADB's cyber security is also being strengthened.

Source: Asian Development Bank.

4. Implementing the Organizational Resilience Program

59. ADB is strengthening organizational resilience. ADB's capability to deal with unexpected disruptions has been enhanced through the rollout of the short-term (2017–2018) and medium-term (2019–2021) action plans under the organizational resilience framework.

60. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

5. Strengthening the Financial Sustainability of the Staff Retirement Plan

61. ADB is strengthening the financial sustainability of the SRP and improving the governance and administration of the SRP. One of the major reforms was the introduction of a new SRP as of 2 October 2017.²¹ It features a reformed defined benefit plan component and a new defined contribution plan component. In addition, the SRP funding policy will be reviewed in 2018. As a prudent step before this review, the 2018 budget includes a provision for an increase in the SRP contribution rate. The budget also includes a provision for incentives for staff to switch from the older retirement plans to the new plans. Funding status of the SRP is outlined in Appendix 13.

62. **Improving funding policy and budgeting.** On 6 October 2017, the Pension Committee endorsed an increase in the SRP contribution rate from 23% to 25% of the pensionable payroll. This will bring ADB's contribution to the SRP closer to the required contribution rate of 28.8%.²² An increase in the contribution rate will help bridge the funding gap in the SRP. As part of the SRP reforms, ADB will start considering the funding policy beyond plan year 2017.²³ This includes the definition of an appropriate funding status, planning horizon, and speed of recovery of funded status, while also targeting the defined level and stability of SRP contributions (both budgeted contributions and any transfers from OCR). The improved mechanisms would be implemented from plan year 2018.

63. **Option for current staff in the pre-2006, 2006, and 2012 defined benefit plans to switch into the 2017 plans.** ADB will offer staff recruited before 1 October 2017 incentives to switch from their current plan into the 2017 plans. This option will be based on the following principles:

- (i) The up-to-date accumulated pension rights under their current plans would be converted into a lump-sum buyout value. The buyout value would be funded from the SRP.
- (ii) This lump-sum buyout value would then be allocated into the 2017 plans (the new defined benefit and defined contribution components), with possible immediate partial cash withdrawal.
- (iii) On top of the amount allocated to the defined contribution plan, an incentive amount would be added. The incentive amount would be funded from the IAE budget.
- (iv) Future pension benefit rights and future contributions would accrue into the new and reformed 2017 plans.

64. **Option to switch staff's current discretionary benefits balances into the defined contribution plan.** ADB will offer to staff the option to switch current discretionary benefit balances into the new defined contribution plan. This will be based on the following principles: (i) after electing to shift balances of a contract into the defined contribution plan, no further discretionary benefits contracts would be allowed and the decision to switch would be irrevocable; (ii) an incentive would be added on top of the switched-over balance of the discretionary benefits; and (iii) as a further incentive, staff would be able to immediately withdraw a percentage (up to a certain maximum) in cash.

65. **Budget impact of Staff Retirement Plan reforms.** The SRP reforms will be reflected through the following in the 2018 budget: (i) an increase of the SRP contribution rate from 23% to

²¹ ADB. 2017. *Reform of the Staff Retirement Plan and Introduction of Defined Contribution Plan*. Manila.

²² The required contribution rate is the rate that, when applied to current and future salaries, will return the plan to funding equilibrium. It enables the fund to meet both the past unfunded liabilities and the future liabilities of the plan.

²³ Plan year 2017 begins on 1 October 2016 and ends on 30 September 2017.

25% of the pensionable payroll, (ii) about \$0.4 million for the new defined contribution plan, and (iii) a 1% provision for the SRP switch incentive scheme. These changes make up \$12.4 million of the proposed 2018 budget, which accounts for 1.9% of the 3.9% budget growth (Table 12).

Table 12: Budget Impact of Staff Retirement Plan Reforms

Item	Amount (\$ million)	Budget Growth (%)
Adjustment to SRP contribution rate (23% to 25%)	5.3	0.8
New defined contribution plan ^a	0.4	0.1
SRP switch incentive scheme	6.7	1.0
Total	12.4	1.9

SRP = Staff Retirement Plan.

^a Contribution to the defined contribution plan for existing staff who shift to the new plan.

Source: Asian Development Bank.

6. Improving Corporate Management and Administration

66. **Recruitment.** Additional resources will be needed for recruitment activities including (i) expanded Young Professional, Experienced Professional, and Experts Pool programs; (ii) use of search firms (gender-targeted recruitment and difficult to recruit skills); and (iii) social media and traditional media campaigns (campaigns on LinkedIn, production of recruitment videos, and print media campaigns).

67. Recruitment performance has improved significantly in 2017, primarily due to initial impact of ongoing recruitment reforms and strengthening of staffing resources for recruitment. Key reform initiatives launched include batch recruitment, direct recruitment of external candidates previously assessed and found suitable, and improvements to the recruitment process. As a result, the external recruitment volumes have grown from 37 in Q1, to 53 in Q2, and 93 in Q3.

68. Improvements in volumes of external recruitment are expected to be sustained in Q4, given the large number of recruitments at offer stage as of end October 2017. At the same time, average time to recruit has been brought down from 98 days in 2016 to 76 days in 2017—a reduction of about 22%. With the rollout of the full recruitment reform agenda in Q4 2017, recruitment performance is expected to improve further in 2018.

69. **Staff mobility.** ADB will support the lateral mobility of staff across field offices and headquarters to meet staffing needs in a more flexible and timely manner through (i) rotations and (ii) expanded use of short-term assignments (STAs). When STAs entail mobility between locations, a modified STA mobility package will be provided to staff to support temporary living and travel expenses. Staff consultant resources will be provided to cover staff on STAs. ADB estimates about 15 staff will participate in STAs in 2018.

70. **Overseas duty station allowances.** During 2017, ADB initiated and completed a review of overseas duty station allowances. The two main drivers of this review are: (i) simplification; and (ii) ensuring funds are focused on rewarding staff taking postings in hardship locations. The main changes include: (i) replacing the hardship allowance, the additional locality allowance, the hardship premium, and the assignment premium with one quality-of-living allowance; (ii) capping the cost-of-living allowance at 80%; and (iii) basing rental ceilings for developed countries on 3-bedroom apartments rather than 4-bedroom houses.

71. **Staff development.** New initiatives that will impact the staff development budget include (i) additional ADB-wide IT training for the adoption of, and change management associated with the implementation of IT reforms projects; and (ii) special topics under sector and thematic

learning programs such as in health, urban, water, governance, and gender. ADB will continue to support training on leadership, diversity and inclusion, and training for resident mission staff.

72. Safety and security in field offices will be strengthened to support field-based expansion. ADB will provide practical measures to provide adequate levels of safety and security. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

73. Support for field offices will increase in the areas of real estate and property management for office improvements, expansion, and/or relocation; and security and emergency services, including field security training, institutional procurement, and other services.

74. **Time management system.** The time management system (TMS) was rolled out ADB-wide in 2017 to help gauge effectiveness, efficiency, and productivity in delivering results. The TMS was redesigned to align the department-specific activities with those monitored under the WFA to ensure comparability. The average report rate for the 9 months ending September 2017 was 96%, from 84% in September 2016. In 2017, several departments used the TMS data to accomplish the survey for the WFA. As the TMS's robustness improves over the medium-term, its data will provide the basis for some inputs to the WFA.

C. Further Institutional Efficiency Savings

75. In 2015, ADB adopted a stronger approach to quantifying efficiency and continues to look for opportunities for cost savings and efficiency gains. Ongoing reforms are working to increase ADB's productivity. The 2018 budget takes into account the more significant, quantifiable, and incremental gains from the efficiency measures (Table 13). Details are in Appendix 7.

Table 13: Estimated Savings from Staff Optimization and Efficiency Measures, 2018
(\$ million)

Item	Estimated Incremental Savings
Staff optimization	5.7
Efficiency measures	12.2
Information technology and organizational resilience efficiency	2.0
Operations efficiency	2.8
Administrative services efficiency	4.8
Business travel savings from the annual meeting	0.9
Better budget estimations	1.6
Total	17.9

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

76. **Staff optimization.** Optimization measures have moderated the extent of additional staff requirements. In 2018, human resources reforms, flexible position management, and operations efficiency improvements will optimize staffing requirements and save about \$5.7 million.

77. **Information technology and organizational resilience efficiency.** The Real-Time ADB IT reform program is in its second year of implementation. With one project completed in 2017 and six more expected to be done by mid-2018, the IT reforms are beginning to improve ADB's efficiency. The projects expected to generate efficiency gains in 2018 are (i) organizational resilience (active data center), (ii) Treasury (structured products), (iii) institutional procurement, (iv) human resources system, (v) Office 365 implementation, and (vi) IT security. The estimated efficiency impact on the 2018 budget is \$2.0 million, including \$0.4 million in savings from organizational resilience.

78. **Operations efficiency.** Departments conduct internal reviews before requesting additional funds for discretionary items. Departments attribute about \$2.8 million of 2018 savings from better flexibility in managing budgets.

79. **Administrative services efficiency.** ADB's estimated administrative expenses in 2018 are \$129.4 million, similar to the overall level of 2017. However, the mix of expenses within this category has been rebalanced to reflect the estimated \$5.4 million in additional expenses from the Real-Time ADB IT reforms (largely in communications, equipment, maintenance and support, and contractual services). Appendix 6 provides details on Real-Time ADB. These increases have been offset against savings generated by prudent management of other administrative expenses by the Office of Administrative Services and the Office of Information Systems and Technology. Savings will be realized (i) in office occupancy through better contract management, and savings from maintenance and security contracts (\$1.0 million); (ii) through more efficient use of contractual services in field offices, as well as legal services and external relations (\$1.0 million); and (iii) in office supplies from the use of "just in time"²⁴ inventory system (\$0.2 million). The medical insurance provider's latest estimate of the annual insurance premium also resulted in budget savings of \$2.6 million in 2018.

80. **Business travel savings from the Annual Meeting.** In 2018, the Annual Meeting of ADB's Board of Governors will be held in Manila, Philippines. This will reduce business travel expenses by an average of \$0.9 million compared with annual meetings held in other locations.

81. **Better budget estimations.** ADB reviewed the underlying assumptions for budget estimation. Based on recent data, as well as the expected impact of human resources reforms, adjustments were made to these assumptions. For example, the estimated timing of staff onboarding for new recruits and the rate of promotion of existing staff were adjusted. Budget savings for 2018 are estimated to be \$1.6 million from better budget estimations.

D. Internal Administrative Expenses for 2018

82. The proposed net IAE budget for 2018 is \$672.3 million,²⁵ including an estimate of \$6.7 million for the SRP switch incentive scheme. This is an increase of \$25.3 million (3.9%) over the 2017 budget. The details on the 2018 budget are in Appendix 1. SRP details are in Appendix 13. The 2017 budget utilization up to September is nearly at a similar level to 2016. Better utilization is expected in the last quarter of the year; and for full year 2017, the utilization rate is expected to be the same, or better, than 2016's 92.6%.

83. **Board of Governors.** ADB will host the 51st Annual Meeting of the Board of Governors in Manila in May 2018. A \$2.4 million budget is allocated for the meeting, 10.5% higher than the 2017 budget allocation. The increase is to cover the cost of physical facilities for the meeting venues, transport, and support services, which are partially offset by savings in travel costs.

84. **Board of Directors.** The budget of \$33.5 million for the Board of Directors covers the offices of the directors (\$17.8 million), the Accountability Mechanism (\$2.9 million), and IED (\$12.9 million). Budget details are in Appendix 10. Further details on the budget for the CRP and OCRP are in Appendix 11. Appendix 12 presents the details on the IED budget.

85. **Operational Expenses.** In 2018, ADB's operational expenses are estimated at \$502.6 million, or 75.3% of the regular programs budget (compared with 74.5% in the 2017 budget). In

²⁴ Just in time inventory is a strategy to increase efficiency and decrease waste by receiving goods only as they are needed, thereby reducing inventory costs.

²⁵ Net IAE for 2018 consists of \$657.6 million for ADB, \$12.9 million for IED, and \$1.8 million for the CRP and OCRP.

line with WPBF, 2018–2020, more resources will be allocated to project processing and administration in 2018 compared with the 2017 midyear estimate—47.2% in 2018 versus 45.1% in 2017 (Table 14). In 2018, CPS-related activities are estimated at 6.1%, down from 7.1% in 2017. Knowledge management activities are projected to increase to 8.3% in 2018 compared with 8.1% in 2017. Because of continuing efforts to reduce overhead costs, institutional support services are projected at 38.4%, down from 39.7% in 2017.

Table 14: Operational Expenses by Program Category, 2017–2018
(\$'000)

Program Category	2017 Midyear Estimate		2018 Budget	
	Amount	Share ^a (%)	Amount	Share ^a (%)
Country and regional strategy and programming ^b	34,091	7.1	30,638	6.1
Project processing ^c	96,602	20.1	106,797	21.3
Project administration	120,332	25.0	130,395	25.9
Knowledge management	38,973	8.1	41,741	8.3
Institutional support services ^d	191,374	39.7	193,068	38.4
Total	481,372	100.0	502,639	100.0

^a This is the percentage share of operational expenses per program category.

^b Includes the preparation of country partnership strategies, regional cooperation strategies, country operations business plans, and regional cooperation operations business plans.

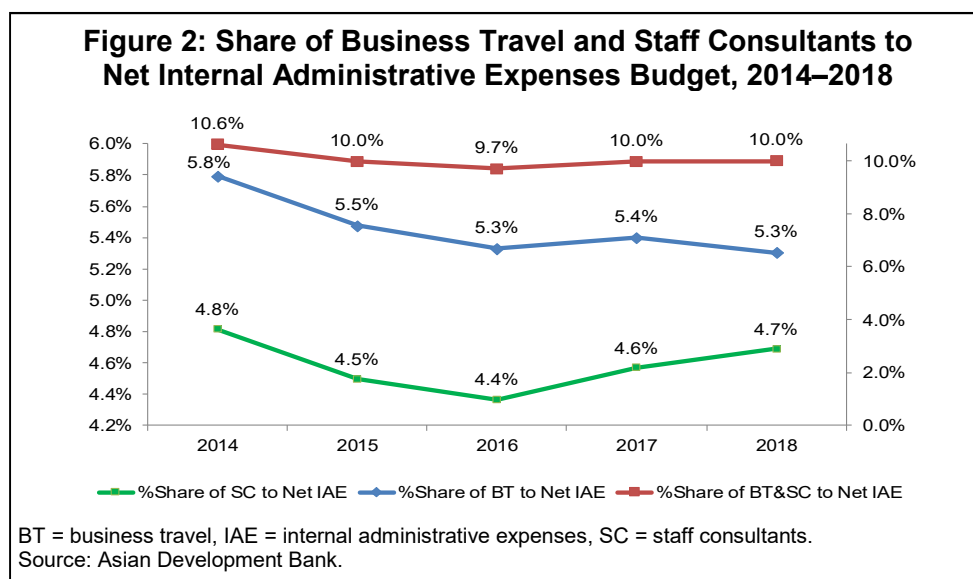
^c Includes the processing of new loans, grants, and technical assistance.

^d Includes human resources, finance, strategy, Management offices, administrative services, and IT.

Source: Asian Development Bank.

86. **Salaries.** In 2018, salaries in the operational expense category will increase by \$10.0 million (4.0%) over the 2017 budget to \$261.1 million. The \$10.0 million comprises a proposed staff salary increase of \$3.9 million and \$6.1 million to support new positions and other salary-related increases, such as confirmations and promotions.

87. **Discretionary operational expenses.**²⁶ ADB's business travel budget for 2018 will increase by 1.1%, while the budget for staff consultants will rise by 5.6% over the 2017 budget. The share of business travel and staff consultants is expected to be constant at about 10% of the annual budget. However, the mix is changing: the level of business travel is decreasing, while the cost of staff consultants is increasing (Figure 2).



²⁶ Discretionary operational expenses include business travel, staff consultants, representation, and overtime.

88. The staff consultant requirements are increasing due to demand for specialized technical skills to meet immediate 2018 needs, which may not be required in the medium term. About 78% of the business travel and staff consultant budget requests were for operations. Staff consultant requests from indirect operations support departments are also increasing. This includes contracts for (i) preparatory work for the 2019–2020 review of compensation and benefits; (ii) the staff engagement survey; (iii) IT reforms support; and (iv) a risk management review of the SRP.

89. **Administrative expenses.** The estimated budget in 2018 for other administrative expenses is \$129.4 million, or 19.4% of the regular programs budget. This is \$0.6 million lower than in the 2017 budget. The reduced requirements for office occupancy, office supplies, insurance, and miscellaneous categories are mainly because of better contract management (including reductions in maintenance and security contracts), resource conservation measures, and lower-than-expected office rental escalation in field offices because of favorable negotiations (para. 79). The lower requirements compensate for increases in communications, new software licenses, IT maintenance and services, and electronic subscriptions. These increases support the administrative expense requirements for Real-Time ADB and organizational resilience.

90. **General contingency.** A general contingency provision of 1.0%, or \$6.7 million, is included in the 2018 budget. The purpose of this general contingency is to meet any shortfall under any budget category during the implementation of the 2018 budget.

91. **Fee reimbursements.** Costs associated with administering external funds are included in the IAE. Reimbursements for these costs are estimated at \$9.0 million for 2018 based on the expected fees. These fees are recognized and claimed upon the disbursement of external funds during loan, grant, and TA implementation. Depending on the implementation progress of the projects, the actual fees could be higher or lower than the estimate for 2018.

92. **Sponsor funded program.** In 2018, sponsor funding of staff is estimated at \$1.5 million, which includes estimated amounts for sponsor funded programs for staff salaries and related costs supported by the governments of Australia, Germany, and the Republic of Korea.

93. **Overall administrative expenses.** The projections for overall administrative expenses for accounting purposes include the net periodic benefit cost for the SRP, the post-retirement group medical insurance plan (PRGMIP), and adjustments for loan origination costs. The 2018 accruals for the SRP and PRGMIP are based on preliminary estimates by the plan's actuary less ADB's budgeted contributions to the SRP and PRGMIP. The final 2018 figures for the net periodic benefit cost for the SRP and PRGMIP, and may be different from the current projection. For financial accounting reporting purposes, an accounting accrual is set up for the net periodic benefit cost less budgeted contributions. A separate approval by the Board will be sought if any cash transfers will be made from the OCR balance sheet to the SRP fund in 2018.

V. CAPITAL EXPENDITURE

94. ADB has two major capital expenditure budget categories: the annual capital expenditure budget²⁷ and the special capital expenditure budget.²⁸ Details of the 2018 requests under each category are discussed in paras. 95–101.

²⁷ The annual capital expenditure budget is for items that have an economic life greater than 1 year, and are cyclical or regular in nature. The implementation period is 18 months.

²⁸ The special capital expenditure budget is for items of high value and with a special purpose. They are funded separately from annual budgets, and the implementation period is generally 5 years. Special capital expenditure budgets can be approved by the Board at any time during the year, as the need arises.

A. 2018 Annual Capital Expenditure Budget

95. The proposed annual capital expenditure budget for 2018 is \$10.8 million (Table 15 and Appendix 2).

Table 15: Annual Capital Expenditure Budget
(\$'000)

Item	Amount
Headquarters Facilities	2,700
Building infrastructure	1,817
Nonbuilding infrastructure	883
Technology and Automation Systems	4,691
Computers and peripherals	3,085
Information technology infrastructure	1,106
Telecommunications	500
Field Offices	3,436
Total	10,827

Note: Numbers may not sum precisely because of rounding.
Source: Asian Development Bank.

96. **Headquarters facilities.** [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

97. **Technology and automation systems.** [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

98. **Field offices.** [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

B. Special Capital Expenditure Budget for Office Facilities in Resident Missions

99. **Expanding field office presence.** Staff in field offices have grown from 672 in 2013 to more than 900 expected by the end of 2018, through the allocation of new positions and staff outposting. ADB will increase the levels of its administrative support to resident missions in areas including property management (in renovation, relocation, and expansion), security an emergency services, asset management, and institutional procurement.

100. ADB conducted an internal assessment of all resident mission facilities in 2017. The special capital expenditure budget requirements²⁹ were based on this assessment. ADB estimates that \$10.0 million in special capital expenditure budget will be needed for 2018-2022. The budget will cover construction and fit-out works, telecommunications and IT infrastructure, and other associated costs for resident missions. Appendix 3 provides more details.

²⁹ [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

C. Special Capital Expenditure Budget for Organizational Resilience Program

101. **Improving security infrastructure.** ADB headquarters' security and fire management systems require upgrading. Special capital expenditure will be used to address these requirements. ADB estimates that [Information in this sentence has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).] in special capital expenditure budget will be needed for 2018-2020. ADB will invest in three key areas: [Information in this sentence has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).].

VI. RECOMMENDATIONS

102. I hereby recommend that the Board approve the budget consisting of:

- (i) 2018 net internal administrative expenses amounting to \$657,563,000 (including \$6,656,000 for the Staff Retirement Plan switch incentive scheme) for the Asian Development Bank, excluding the Compliance Review Panel and the Office of the Compliance Review Panel, and the Independent Evaluation Department; and
- (ii) 2018 annual capital expenditure budget amounting to \$10,827,000.

103. I hereby recommend that the Board approve the 2018 budget for the Compliance Review Panel and the Office of the Compliance Review Panel, consisting of internal administrative expenses of \$1,843,000.

104. I hereby recommend that the Board approve the 2018 budget for the Independent Evaluation Department, consisting of internal administrative expenses of \$12,858,000.

105. I hereby recommend that the Board approve the special capital expenditure budgets for

- (i) improving and expanding of resident missions amounting to \$10,000,000, as described in para. 99-100; and
- (ii) the Organizational Resilience Program amounting to [Information has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).], as described in para. 101.

Takehiko Nakao
President

APPENDIXES

2018 BUDGET: INTERNAL ADMINISTRATIVE EXPENSES
(\$'000)

Item	2017 Budget	2017 Midyear Estimate	2018 Budget	% Change over	
				2017 Budget	2017 Midyear Estimate
A. Board of Governors	2,187	2,021	2,417	10.5	19.6
B. Board of Directors	33,225	33,124	33,500	0.8	1.1
Offices of the Directors	18,502	18,401	17,791	(3.8)	(3.3)
Accountability Mechanism	2,638	2,638	2,851	8.1	8.1
Independent Evaluation	12,085	12,085	12,858	6.4	6.4
C. Operational Expenses	483,927	481,372	502,639	3.9	4.4
Salaries	251,065	250,509	261,088	4.0	4.2
Benefits	151,189	148,692	158,423	4.8	6.5
Contribution to Staff Retirement Plan ^a	55,997	55,996	64,207	14.7	14.7
Staff development	7,500	7,910	8,898 ^b	18.6	12.5
Relocation	9,104	8,875	7,170	(21.2)	(19.2)
Consultants	29,564	31,321	31,229	5.6	(0.3)
Business travel	34,925	33,485	35,294	1.1	5.4
Representation	580	580	537	(7.4)	(7.4)
D. Administrative Expenses	129,926	123,678	129,373	(0.4)	4.6
Communications	8,477	8,077	9,541	12.6	18.1
Office occupancy	34,549	32,687	33,273	(3.7)	1.8
Library and subscription	5,794	5,803	6,104	5.4	5.2
Office supplies	1,565	1,365	1,348	(13.9)	(1.2)
Equipment, maintenance, and support	11,619	11,619	13,370	15.1	15.1
Contractual services	33,928	33,142	34,300	1.1	3.5
Insurance	7,540	7,540	7,505	(0.5)	(0.5)
Depreciation	25,110	22,500	23,106	(8.0)	2.7
Miscellaneous	1,344	945	826	(38.5)	(12.6)
Total Regular Programs	649,265	640,195	667,929	2.9	4.3
E. General Contingency	6,493	6,493	6,679	...	...
IAE	655,758	646,688	674,608	2.9	4.3
F. Fee Reimbursements^c	(8,770)	(8,770)	(9,000)	...	...
G. Net IAE	646,988	637,918	665,608	2.9	4.3
SRP switch incentive scheme	...	...	6,656		
H. Net IAE after SRP switch incentive scheme	646,988	637,918	672,264^d	3.9	5.4
Sponsor Funded Program	1,025	1,475	1,518	48.1	2.9

Memo item	2017 Estimate	2017 Midyear Estimate	2018 Estimate	% Change	
				2017 Estimate	2018 Estimate
Gross IAE	655,758	646,688	681,264	3.9	5.3
Accounting Adjustments	114,052	51,769	25,062	...	...
Accrual for SRP	112,600	74,905	50,939	...	...
Accrual for PRGMIP	29,260	11,050	11,494	...	...
Loan origination costs ^e	(27,808)	(34,186)	(37,371)	...	...
Overall Administrative Expenses^f	769,810	698,457	706,326	(8.2)	1.1

... = not applicable or not calculated, () = negative, ADB = Asian Development Bank, IAE = internal administrative expenses, OCR = ordinary capital resources, PRGMIP = Post-Retirement Group Medical Insurance Plan, SRP = Staff Retirement Plan.

Note: Numbers may not sum precisely because of rounding.

^a This excludes SRP contribution for the Board of Directors. The SRP budget for the Board of Directors is included under the Board of Directors budget category.

^b Includes \$1.0 million to support short-term assignments of the mobility framework.

^c Estimated costs associated with administering external funds, excluding Japan funds for which the costs are charged to the funds.

^d Net IAE for 2018 consists of \$657.6 million (including \$6.7 million for SRP switch incentive scheme) for ADB, \$12.9 million for Independent Evaluation Department, and \$1.8 million for the Compliance Review Panel and Office of the Compliance Review Panel.

^e Refers to administrative expenses related to loan origination. Accounting standards require that a portion of the loan origination costs be deferred and amortized over the life of the loan. ADB uses 20 basis points of the amount of loans that become effective to represent the amount of loan origination costs that need to be deferred.

^f The overall administrative expenses for accounting purposes include (i) gross IAE (this excludes fee reimbursements and adds the SRP switch incentive scheme, (ii) accrual estimates for the net periodic benefit cost for the SRP and PRGMIP, and (iii) adjustments for loan origination costs. The estimates for the accruals for the SRP and PRGMIP for 2018 are based on preliminary projected estimates provided by the plan's actuary less ADB's expected contributions included in the 2018 budget. The final figures for the net periodic benefit cost for the SRP and PRGMIP for 2018 could be significantly different from these estimates, based on the demographic and market-based assumptions as of 31 December 2017, and will be available only in the first quarter of 2018. An accounting accrual is set up for the net periodic benefit cost less budgeted contributions for financial reporting purposes, which may be required for funding purpose. A separate approval of the Board will be sought if any cash transfers will be made from the OCR balance sheet to the SRP fund in 2018.

Source: Asian Development Bank.

2018 BUDGET: ANNUAL CAPITAL EXPENDITURE
(\$'000)

Item	2017		
	2017 Budget	Midyear Estimate	2018 Budget
A. Headquarters Facilities	2,020	2,020	2,700
Building infrastructure	1,150	1,150	1,817
Nonbuilding infrastructure	870	870	883
Transportation	121	121	468
Furniture	370	370	150
Equipment	379	379	265
B. Technology and Automation Systems	4,272	4,272	4,691
Computers and peripherals	2,672	2,676	3,085
Information technology infrastructure	1,067	1,067	1,106
Telecommunications	533	528	500
C. Field Offices	3,384	3,384	3,436
Total	9,676	9,676	10,827

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

**SPECIAL CAPITAL EXPENDITURE BUDGET:
IMPROVING AND EXPANDING OFFICE FACILITIES OF RESIDENT MISSIONS**

1. **Proposal.** The Asian Development Bank (ADB) proposes \$10.0 million in special capital expenditure (CAPEX) budget to improve and expand resident mission facilities.
2. **Business needs.** ADB will strengthen its field presence to be closer to clients and better meet their needs. The resident missions will continue to be strengthened by increasing staff numbers, including through the outposting of staff. ADB's strategic and institutional direction for strengthening resident missions is in the Work Program and Budget Framework (WPBF), 2018–2020.¹
3. Staff in field offices have grown significantly since 2013 (672 staff) and is expected to be more than 900 staff by the end of 2018.
4. ADB has drawn funds from the 2013 special CAPEX budget of \$10.0 million² for facilities in resident missions. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).] [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]³. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]⁴ The summary of implementation is in Table A3.1.
5. The Office of Administrative Services (OAS) assessed all resident mission facilities. This assessment formed the basis for determining CAPEX budget requirements of \$10.0 million. The utilization trends of the 2013 special CAPEX over 5 years also provided a basis for formulating the proposed CAPEX budget. The establishment of new resident mission(s) or significant changes to a current resident mission, such as build or buy, are not included in the scope of the proposed special CAPEX.
6. **Impact on budget.** Estimated impacts on the internal administrative expenses (IAE) budget from depreciation and indicative administrative expenses are considered small, ranging from 0.05% to 0.30% of the proposed 2018 net IAE budget (Table A3.2).
7. **Implementation period.** This will be implemented over 5 years (2018–2022) to cover construction and fit-out work, telecommunications and information technology infrastructure, and other associated costs for resident missions.
8. **Implementation arrangements.** Any resident mission requiring funding for improving its office facilities seeks approval from Management through the Budget, Personnel, and Management Systems Department (BPMSD) and OAS. BPMSD, OAS, and the Office of Information Systems and Technology (OIST) review, in collaboration with the regional department at headquarters and the resident mission, each request for capital expenditure budget. Based on the merits of each proposal, BPMSD and OAS recommend the budget allocation for Management approval.

¹ ADB. 2017. *Work Program and Budget Framework, 2018–2020*. Manila.

² ADB. 2013. *Special Capital Expenditure Budget Proposal: Improving Office Facilities of Selected Resident Missions*. Manila.

³ [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

⁴ [Information in this footnote has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

9. After Management approval of the capital expenditure budget allocation for improving office facilities in a resident mission, goods and services such as technical, project management, and construction services, will be procured in accordance with agreed procedures for institutional procurement and contract administration.

10. The budget request will include detailed cost estimates, plans, and justifications; and will require the endorsement of the concerned regional department, the Private Sector Operations Department, and other offices that have, or will have, staff in the resident mission.

11. OAS provides (i) guidance to resident missions on the lease of space, engagement of project management-design-construction contractors and implementation including endorsement of procurement actions and assistance with permits, detailed design of fit-outs, and any construction issues; (ii) security assessments for resident missions; and (iii) information to resident missions on the information technology requirements recommended by OIST to be incorporated in the design and implementation of projects, to upgrade or expand resident mission office facilities. The resident missions will be responsible for the day-to-day supervision of the design and works of contractors for the CAPEX projects.

12. The resident missions will allow sufficient lead time to facilitate the approvals by Management and government agencies, procurement of technical services, and construction and occupancy of offices. In coordination with OAS, OIST, and the Office of the General Counsel, the resident missions will implement the project following the implementing guidelines and procedures for resident missions set out in the resident mission operating guidelines.⁵ The resident missions will report to OAS regularly on the project implementation status, including any deviations from the original plan and design. The resident missions are required to consult with OAS for changes in the plan and design of the project.

13. The resident missions are required to report quarterly to BPMSD, through their respective regional departments, on the status of budget implementation by providing details of their commitments and actual budget utilization. The resident missions will coordinate with the Controller's Department for the proper recording of approved CAPEX.

⁵ ADB. Resident Missions Operating Guidelines.
<https://lnadbg1.adb.org/bpm0029p.nsf/webview?OpenView&Start=1&count=500>.

Table A3.1: Status of Implementation of 2013 Special Capital Expenditure Budget
(as of November 2017)

[The table has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

Table A3.2: Schedule of Indicative Depreciation and Administrative Expenses
(\$'000)

[The table has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

**SPECIAL CAPITAL EXPENDITURE BUDGET:
SECURITY, EMERGENCY SYSTEMS UPGRADES, AND FIRE MANAGEMENT SYSTEM
FOR ADB HEADQUARTERS**

[The information has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

INDICATIVE WORK PROGRAM: SUMMARY OF SELECTED DELIVERABLES

Key Outputs	2017	2018
A. Projected Commitments in Asian Development Fund and Ordinary Capital Resources		
Amount (\$ million)	17,628	19,715
No. of Committed Projects	166	177
Sovereign Operations ^a		
Amount (\$ million)	15,428	17,015
No. of Committed Projects	144	145
Private Sector Operations		
Amount (\$ million)	2,200	2,700
No. of Committed Projects	22	32
1. Investment Projects		
Amount (\$ million)	11,839	13,226
No. of Committed Projects	113	105
2. Policy-Based Lending		
Amount (\$ million)	2,073	2,222
No. of Committed Projects	19	20
3. Results-Based Lending		
Amount (\$ million)	1,363	492
No. of Committed Projects	5	4
4. Sector Development Programs		
Amount (\$ million)	67	971
No. of Committed Projects	1	9
5. Project Design Advance		
Amount (\$ million)	13	
No. of Committed Projects	4	
6. Technical Assistance Loans		
Amount (\$ million)	74	105
No. of Committed Projects	2	7
B. Multitranche Financing Facilities		
1. Facilities		
Amount (\$ million)	5,396	4,230
No. of Committed Facilities	8	8
2. Periodic Financing Requests		
Amount (\$ million)	2,990	3,419
No. of Committed Projects	26	26
C. Portfolio Management		
1. Ongoing Projects at Year-End (no.)	912	980
Regional Departments	688	734
Private Sector Operations Department	224	246
2. Contract Awards (\$ million)	10,390	9,911
3. Disbursements (\$ million)	12,800	12,909

Key Outputs	2017	2018
4. Project Completion Reports (no.)	71	83
D. Cofinancing		
Project Cofinancing (\$ million)	14,300	16,600
E. Technical Assistance Operations^b		
Portfolio (no.)	831	843
New Commitments (\$ million)	331	340
No. of New Committed TA projects	289	270
1. Transaction TA ^c	154	133
2. Knowledge and Support TA ^d	135	137
F. Transaction Advisory Services (no.)		
1. New Mandates	7	3
2. Mandates under Implementation	13	16
G. Knowledge Products (no.)^e		
1. Regional Departments	406	220
2. Specialized Knowledge Departments	161	100
3. Other Departments	98	58
H. Country and Regional Strategies and Operations		
Business Plans (no.)		
1. Country Partnership and Regional Cooperation Strategies	8	5
2. Country and Regional Operation Business Plans	39	40

No. = number, TA = technical assistance.

Note: The indicative work program is as of 30 June 2017. It will be revisited during preparation of the staff's annual results-based work plans.

^a Includes periodic financing requests but not multitranche financing facilities.

^b Includes cofinanced TA projects.

^c Transaction TA prepares, enhances readiness, develops capacity, and/or provides policy advice for a specific ensuing project; helps deliver outputs or mitigate the project risks under a specific ongoing project through capacity development and/or policy advice; or develops a specific public-private partnership project under transaction advisory services.

^d Knowledge and support TA is not directly linked to Asian Development Bank (ADB)-financed projects. Examples include capacity development, policy advice, and research and development. The outputs of the knowledge and support TA (i) are often fed into the preparation of government policies and strategies, and ADB's policies, strategies, and plans; or (ii) may lead to a transaction TA to prepare a specific ensuing project. The decline in the number of new committed TA projects does not imply a reduction in knowledge products and services, as not all knowledge products and services are TA-funded.

^e Using new typology introduced in April 2016, this appendix reports the five types of knowledge products: flagship, technical studies, working papers, policy briefs, and op-ed articles. Figures include knowledge products and services funded by TA and administrative budget.

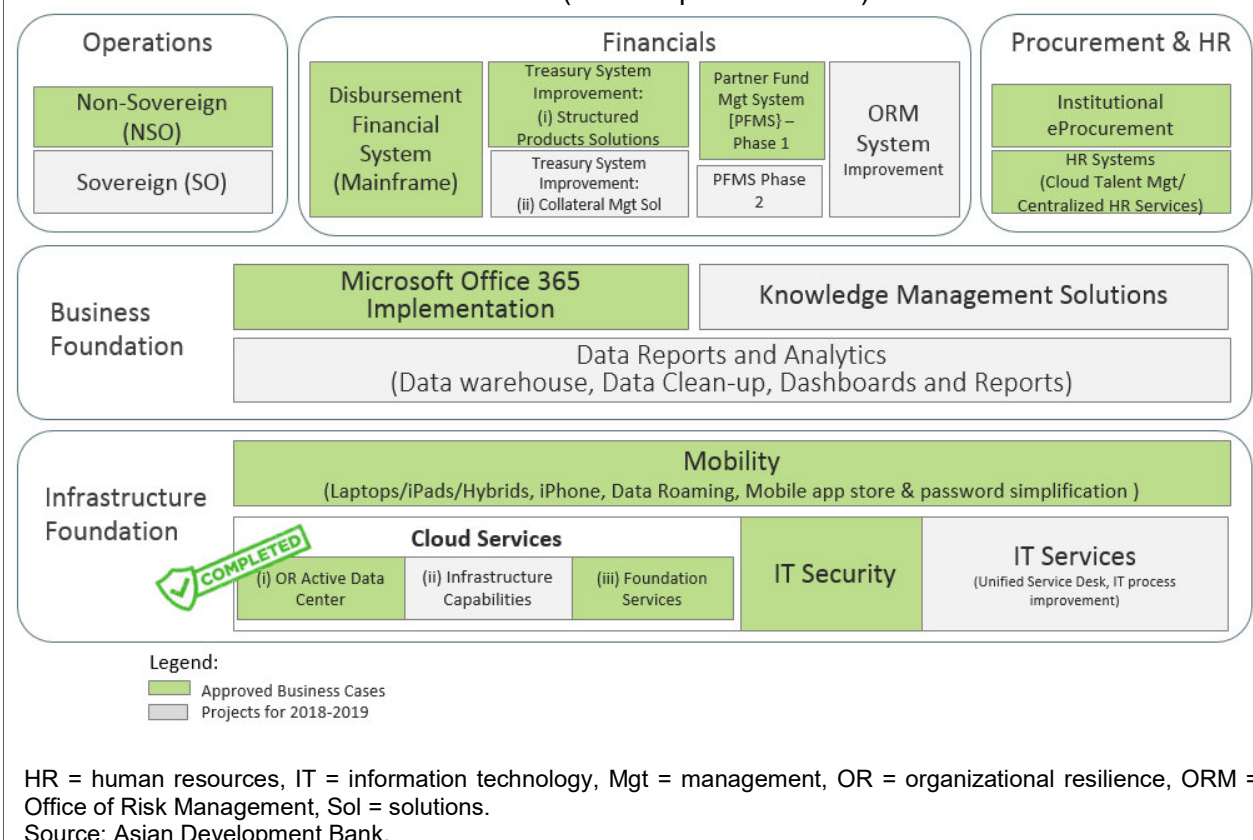
Source: ADB. 2017. *Work Program and Budget Framework, 2018–2020*. Manila.

INFORMATION TECHNOLOGY REFORMS AND ORGANIZATIONAL RESILIENCE

A. Highlights of the Real-Time ADB Information Technology Reforms

1. **Real-Time ADB.** The Asian Development Bank (ADB) continues to invest in information technology (IT) reforms to support a faster, more agile, and resilient organization. IT reforms will result in greater efficiency in key operations, streamlined institutional services, greater knowledge sharing and collaboration, and enhanced reporting capability, all supported by robust infrastructure and strengthened cybersecurity. The IT and Data Committee prioritized and approved the projects under Real-Time ADB (Figure A6.1).

Figure A6.1: Eleven Business Cases Endorsed by the Information Technology and Data Committee (as of September 2017)



2. **Projects completed.** In 2017, ADB completed the establishment of the offshore active data center site in Geneva, Switzerland. The project was completed ahead of schedule and cost \$1.0 million less than the approved capital expenditure budget. The active data center has reduced the potential data loss during a crisis from 4–5 days to 3 hours. This has significantly improved ADB’s organizational resilience.

3. **Projects in progress.** The remainder of the approved projects are either on track or ahead of schedule.

- (i) **Partner fund management.** The Partner Fund Management System (PFMS) has been split into two phases. The first phase, approved in July 2017, will include all

the back-end processes that are currently performed manually. Phase 1 is scheduled to be completed by mid-2018, at an estimated capital cost of \$6.0 million.

- (ii) **Office 365 implementation.** This project will provide ADB a new platform for content and collaboration tools. Email migration and the SharePoint Collaboration platform will be completed by the end of 2017. Capital expenditure costs are estimated at \$7.2 million.
- (iii) **Cloud foundation services.** This project will provide a secure platform and services for cloud-enabled solutions. The resulting architecture will support faster and secure access for headquarters and field offices. This project is scheduled to finish by the end of 2017, ahead of the original schedule of 2019, at a planned capital cost of \$3.4 million.
- (iv) **Mobility.** ADB has progressively introduced new standard devices (such as iPhones, iPads, hybrid laptops, and MacBook), and improved data roaming and remote access facilities. Increased mobility is expected to raise staff productivity and efficiency, and support organizational resilience by enabling staff to work anytime and anywhere. Current progress is ahead of schedule, with the project due for completion in early 2018 at a planned project cost of \$0.9 million.
- (v) **Human resources systems.** The new human resources (HR) applications will have better interfaces and integration mechanisms, enable real-time access to HR information, and combine several currently fragmented HR systems. This initiative is made up of two components: (i) HR centralized services and (ii) HR cloud talent management (in two phases). During 2017, HR centralized services and the first phase of the cloud talent management system were completed. The second phase of the cloud talent management system will be completed by mid-2018. The total project cost is on track, estimated at \$1.9 million.
- (vi) **Institutional procurement.** This project will automate the end-to-end institutional procurement processes of ADB, from sourcing to payment. The implementation of this system will (i) shorten procurement turnaround times, (ii) eliminate redundant approvals, and (iii) transform the formerly paper-heavy procurement process in ADB headquarters and field offices. Phase 1: Requisition to Receiving went live in July 2017 and Phase 2A on inventory and sourcing went live in September 2017. Phase 2B on invoicing and supplier inventory management is expected to go live in the first quarter of 2018. Phase 3 for the rollout to field offices will start in 2018. The project is expected to finish ahead of schedule, by the end of 2019, at a total estimated capital cost of \$1.6 million.
- (vii) **Information technology security.** Implementation of this project focuses on three key areas to improve and manage cybersecurity risks: (i) improve staff alertness through adaptive security awareness programs, (ii) ensure the correct users access ADB systems, and (iii) prevent and detect cyberattacks. To date, the project has completed the automated configuration management system. This project is scheduled to be completed in mid-2019, at an estimated capital cost of \$3.2 million.
- (viii) **Nonsovereign operations.** This project will provide an integrated system to support the full range of nonsovereign operations, from front-end to deal origination

to back office processes. It is expected to deliver more efficient processing, faster turnaround time, improved data quality, and better reporting. Overall, the project is scheduled for completion in 2019 at a total estimated cost of \$11.5 million.

- (ix) **Disbursement systems modernization.** This initiative will modernize the core disbursement systems into a modern, flexible, and user-friendly platform. This will allow for a more streamlined, effective, and efficient disbursement process. The project is scheduled for completion in 2019 at a total estimated cost of \$7.5 million.
- (x) **Treasury operations improvement: structured products.** This project will implement a new processing and pricing solution for treasury structured products. This will (i) increase the range of ADB treasury product offerings, (ii) lower the cost of funding for ADB, and (iii) improve the efficiency of treasury operations through process automation. This project is scheduled for completion by mid-2018. Estimated cost is unchanged at \$1.6 million.

4. **Remaining business cases for approval.** The IT and Data Committee has not yet approved several projects identified in 2016 for inclusion in Real-Time ADB. These include (i) the PFMS Phase 2; (ii) treasury improvement operations—collateral management; (iii) risk management operations improvement; (iv) knowledge management solutions; (v) data reports and analytics; (vi) cloud services—infrastructure capabilities; (vii) IT services; and (viii) sovereign operations. Uncommitted funds remaining under Real-Time ADB capital expenditure will not be sufficient to meet these demands. The IT and Data Committee will decide which projects will be funded from Real-Time ADB capital expenditure in early 2018. To meet the capital expenditure requirements for the remaining projects as well as emerging priorities, a new special capital expenditure, for Board approval, is planned for the second half of 2018.

5. **Training and change management.** Adoption and change management is critical for the success of the IT reforms. Customized training, together with a comprehensive change management program, is an integral part of project implementation. For example, to foster change adoption for the Office 365 implementation, more than 200 staff were identified as departmental champions. More than 300 change readiness workshops, group discussions, and trainings were conducted across ADB. More sessions will be conducted to assist staff in using the new products and solutions.

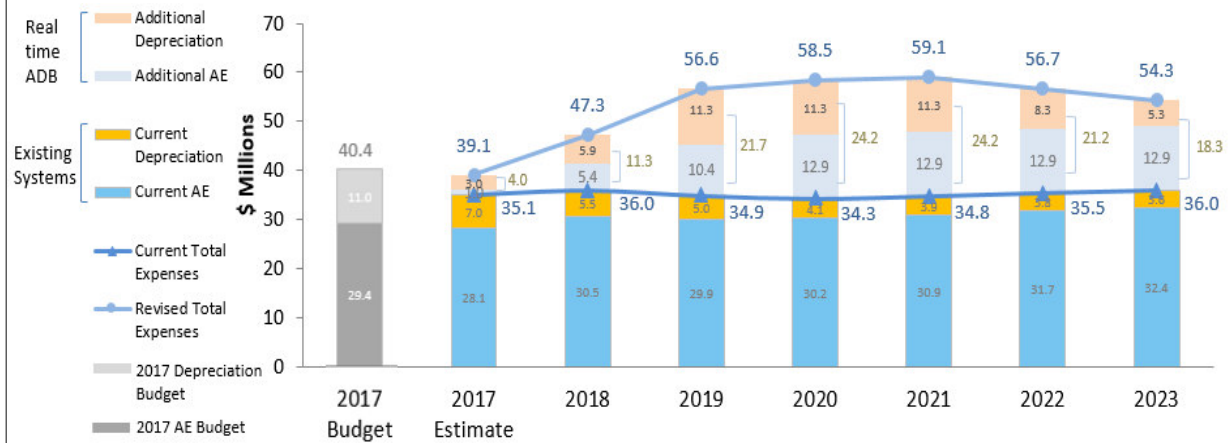
B. Organizational Resilience

6. ADB will strengthen physical entry points to headquarters facilities [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).].

C. Impact on ADB Budget Requirements and Benefits

7. Real-Time ADB IT reforms will require operational budget increases until 2021 to meet the depreciation costs from the capital expenditure and the ongoing costs of cloud-related services. The estimated cost impact of the reforms is in Figure A6.2.

Figure A6.2: Real-Time ADB and its Impact on Information Technology Budget
(Preliminary Estimates, 2018–2023)

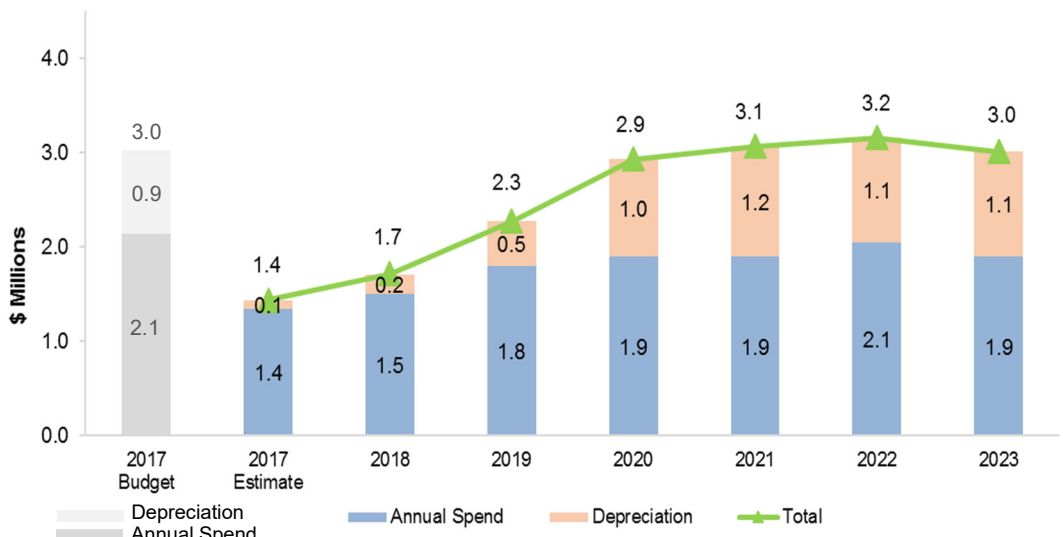


Real Time ADB Capex	\$28.3M	\$22.8M	\$27.3M	\$4.9M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$60.8M
ISTS II	\$2.5M	\$2.5M	-	-	-	-	-	-	\$2.5M
ISTS III	\$25.1M	\$19.7M	\$26.1M	\$3.8M	-	-	-	-	\$51.0M
Annual Capex	\$0.7M	\$0.6M	\$1.2M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$7.3M
Non Real Time ADB Capex	\$4.1M	\$4.1M	\$4.1M	\$4.1M	\$3.5M	\$3.5M	\$3.5M	\$3.5M	\$30.4M

AE = administrative expenses, CAPEX = capital expenditure, ISTS = Information Systems and Technology Strategy.
 Note: Figures are in nominal terms.
 Source: Asian Development Bank.

8. Figure A6.3 shows the estimated budget requirement in fulfilling the various actions under the organizational resilience implementation plan over 2018–2023.

Figure A6.3: Annual Organizational Resilience Spending, 2017–2023
(Preliminary Estimates, 2018–2023)



Note: Figures are in nominal terms.
 Source: Asian Development Bank.

D. Benchmarking Information Technology Spending against Comparator Organizations

9. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

10. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

Figure A6.4: [The information has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

11. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

EFFICIENCY AT ADB

A. Expectations for 2018

1. The Asian Development Bank (ADB) is regularly reviewing areas for reforms and other process improvements that could lead to efficiency improvements. In 2018, incremental efficiency savings of approximately \$12.2 million have been estimated, excluding the impact of staff optimization measures.

2. **Information technology and organizational resilience.** Information technology (IT) reforms are starting to enhance ADB's efficiency. Although the impact on the administrative budget is still small, this is expected to increase as the IT projects are completed. In 2018, the Real-Time ADB projects are expected to generate \$1.3 million in efficiency savings, from the human resources system (\$0.6 million), IT security (\$0.6 million), and the institutional procurement system (\$0.1 million). In addition, the Office of Information Systems and Technology saved \$0.3 million through the centralization of communication contracting for field offices. Organizational resilience also generated savings through the termination of the IBM Singapore contract for the offshore business continuity facility of \$0.3 million and savings in licenses of \$0.1 million. Together, these initiatives will generate efficiency savings estimated at \$2.0 million for 2018.

3. **Operations efficiency.** Better mission planning and budgeting, increased use of video conference facilities, use of other funds for staff consultant engagements, and a preference to use national consultants are some of the tools used by the operations departments to contain their budget requests. Many departments are quantifying expected efficiency savings for the coming year and are rationalizing their budget requests for discretionary items¹ through robust internal reviews. Departments are also making good use of the budget flexibility measures at their disposal in managing their discretionary expenses. Use of business travel and staff consultants budget is higher in 2017, up 2% on 2016, as of 30 September, and use is expected to continue increasing in 2018. These departmental initiatives are expected to save about \$2.8 million in budget requirements for 2018.

4. **Administrative services efficiency.** Efficiency savings in administrative services were a result of:

- (i) a decrease in headquarters office occupancy costs of \$0.6 million, through improvements to institutional procurement and the implementation of new supply agreements and lump-sum service contracts;
- (ii) lease negotiations lowering rental requests of field offices by \$0.4 million;
- (iii) better inventory management of office supplies, resulting in savings of \$0.2 million;
- (iv) a reduction of \$1.0 million in contractual services from legal contractual fees, and more efficient contracting in field offices; and
- (v) the latest estimate of the annual insurance premiums by ADB's medical insurance provider resulted in savings during the 2017 midyear review, and is expected to save \$2.6 million in 2018 budget.

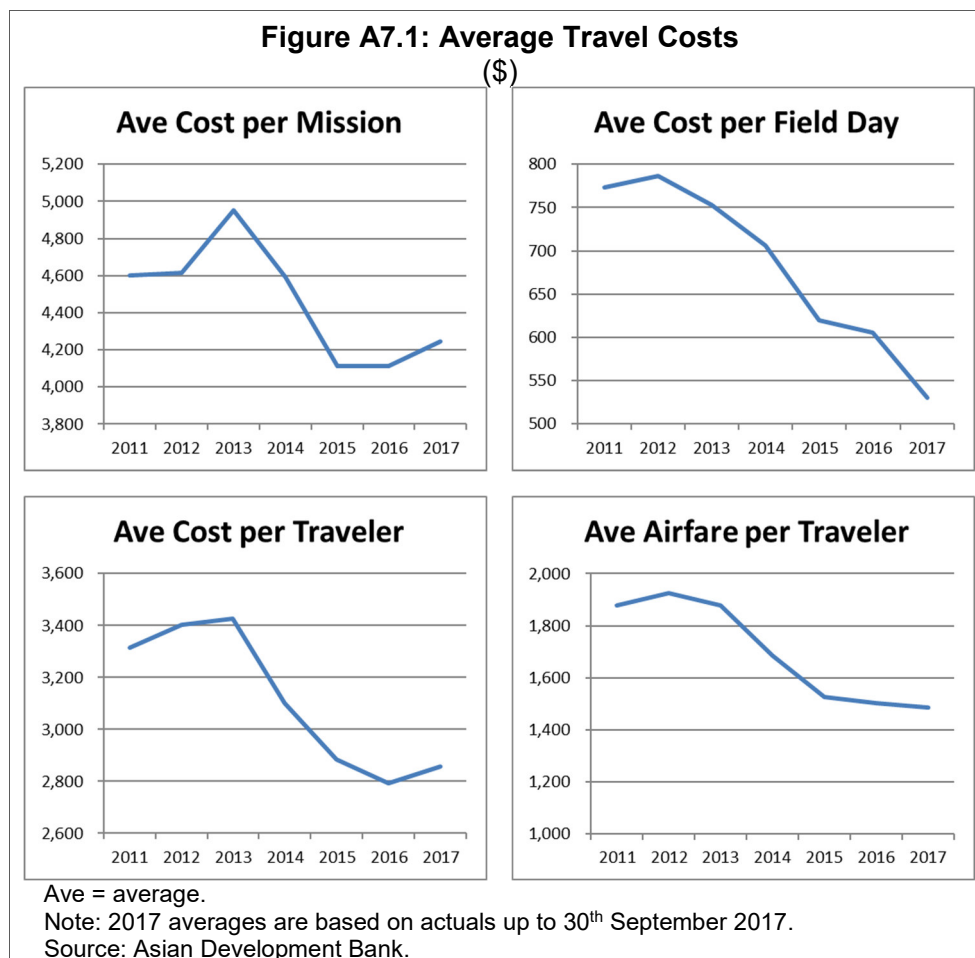
5. Many of these savings were reflected in the midyear review of 2017 budget, through a significant reduction, and this trend is expected to continue into 2018.

¹ Discretionary items include operational expenses for business travel, staff consultants, representation, and overtime.

6. **Strengthening the midyear budget review process.** In 2017, ADB simplified the midyear submission process by providing options in interfaces with the budget system, depending on the nature of the midyear requests. Over two-thirds of departments chose the new options during the 2017 midyear exercise. This significantly reduced the administrative burden for those departments. One department estimated that 2 weeks' worth of administrative work had been saved.

7. **Better budget estimations.** ADB has reviewed the underlying assumptions of budget formulation to improve the forecasts of centrally budgeted accounts. It started the annual budget planning cycle earlier to provide more scope for review and revision during what are usually very tight time frames. Standing assumptions were compared against recent actual experience. An adjustment was made to the timing assumption for new hires and the promotion rate for all staff categories. These adjustments resulted in a reduction of \$1.6 million to the budget.

8. Business Travel cost has maintained the low levels driven by the two rounds of reforms in 2014 and 2016. Mission numbers are remaining relatively constant, however the number of field days per mission is increasing. This is evidenced through a slight increase to the average cost per mission and per traveler, while the average cost per field day continues to decline (Figure A7.1).



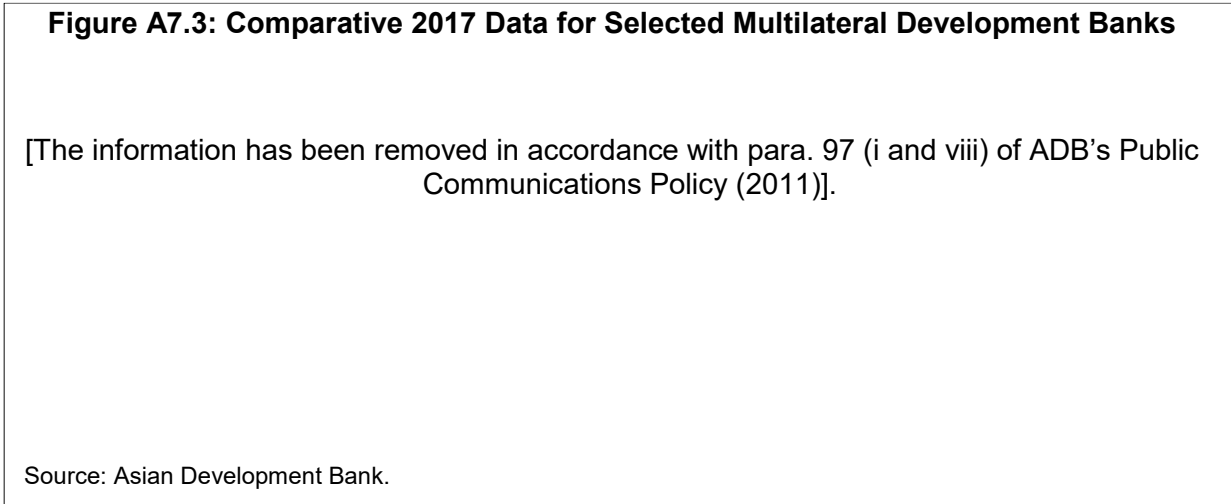
B. ADB Efficiency Compared with Other Institutions

9. Standard and Poor's publication *Supranationals Special Edition 2017* contains comparison data of the largest multilateral development banks (MDBs), including comparison of administrative expenses. ADB has consistently compared favorably with comparator institutions (Figure A7.2). The main MDBs are now within a close range between 2.2% and 2.6% for administrative expenses as a percentage of average adjusted common equity. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011)].

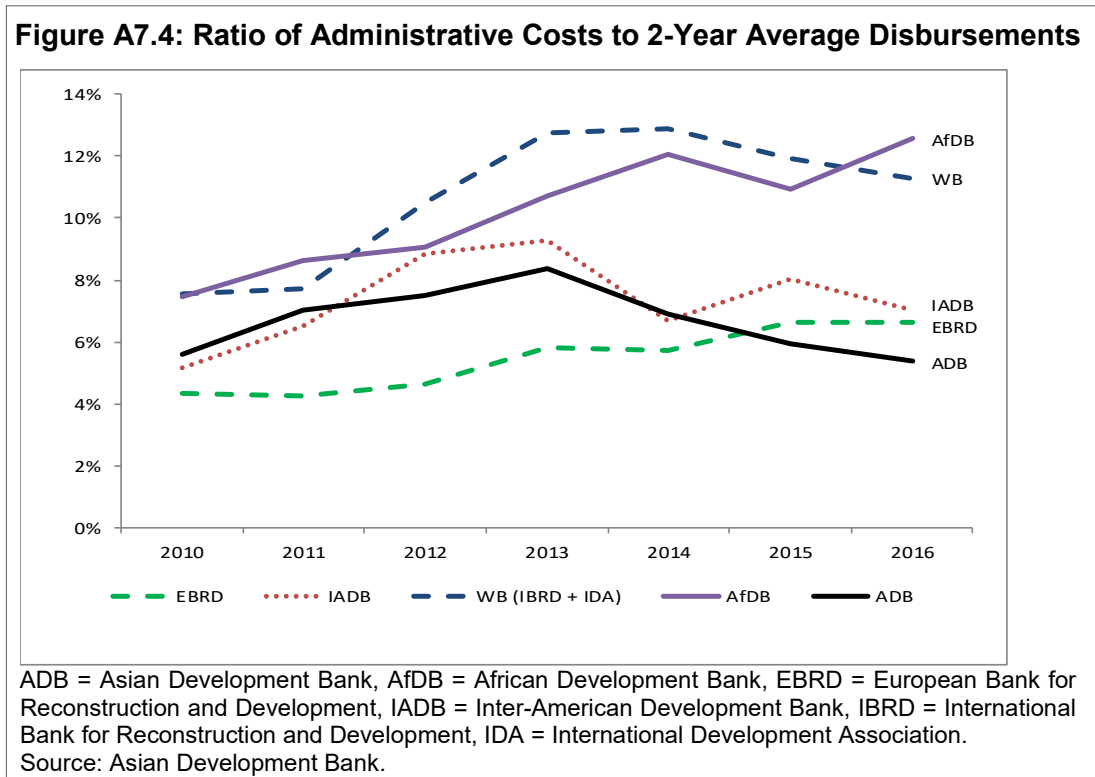
**Figure A7.2: 2016 Administrative Expense to Average Adjusted Common Equity
of Multilateral Development Banks
(%)**

[The information has been removed in accordance with para. 97
(i and viii) of ADB's Public Communications Policy (2011)].

10. [Information in this para. has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011)].



11. Further comparison of administrative expenses to the 2-year average level of disbursements has also been made using publicly available financial information (Figure A7.4). The Inter-American Development Bank and the African Development Bank displayed a volatile ratio over the last 3 years, while the World Bank and ADB exhibited a steadily declining ratio. The European Bank for Reconstruction and Development is currently flat, but has shown a stepped increase every few years.



STAFF POSITIONS BY DEPARTMENT AND OFFICE, 2017–2018

Department/Office	Start 2017					Current 2017					Indicative 2018				
	International Staff			NS	AS	International Staff			NS	AS	International Staff			NS	AS
	Senior ¹⁾	Other	Total			Senior ¹⁾	Other	Total			Senior ¹⁾	Other	Total		
A. President	25	60	85	44	66	25	60	85	44	65	25	67	92	45	65
Offices of Management	8	9	17	1	19	8	8	16	1	17	8	8	16	1	17
Office of the Special Project Facilitator	1	1	2	1	1	1	1	2	1	1	1	1	2	1	1
Office of the Auditor General	2	8	10	11	10	2	8	10	11	10	2	8	10	11	10
Office of Anticorruption and Integrity	3	8	11	11	6	3	8	11	11	6	3	9	12	12	6
Strategy, Policy and Review Department	5	17	22	15	16	5	18	23	15	17	5	18	23	15	17
European Representative Office	1	1	2	1	2	1	1	2	1	2	1	1	2	1	2
Japanese Representative Office	1	1	2	1	2	1	1	2	1	2	1	1	2	1	2
North American Representative Office	1	1	2	1	2	1	1	2	1	2	1	1	2	1	2
Office of Public-Private Partnership	3	14	17	2	8	3	14	17	2	8	3	20	23	2	8
B. Knowledge Management and Sustainable Development	29	106	135	73	82	29	106	135	73	82	29	109	138	73	83
Department of External Relations	2	19	21	17	15	2	19	21	17	15	2	19	21	17	15
Economic Research and Regional Cooperation Department	9	37	46	28	25	11	39	50	29	26	11	40	51	29	27
Sustainable Development and Climate Change Department	18	50	68	28	42	16	48	64	27	41	16	50	66	27	41
C. Operations 1	41	225	266	209	286	41	223	264	210	293	41	231	272	217	293
South Asia Department	18	117	135	112	158	18	116	134	113	160	18	119	137	117	160
South Asia Department (HQ)	11	101	112	27	63	11	99	110	26	62	18	119	137	117	160
Bangladesh Resident Mission	2	5	7	21	27	2	5	7	21	27					
Bhutan Resident Mission	1		1	1	1	1	1	2	2	4					
India Resident Mission	2	5	7	32	33	2	5	7	33	33					
Nepal Resident Mission	1	3	4	17	18	1	3	4	17	18					
Sri Lanka Resident Mission	1	3	4	14	16	1	3	4	14	16					
Central and West Asia Department	23	108	131	97	128	23	107	130	97	133	23	112	135	100	133
Central and West Asia Department (HQ)	11	100	111	23	55	11	97	108	20	58	23	112	135	100	133
Afghanistan Resident Mission	2	2	4	12	11	2	2	4	12	12					
Armenia Resident Mission	1		1	4	3	1	1	2	4	3					
Azerbaijan Resident Mission	1		1	5	3	1		1	5	3					
Georgia Resident Mission	1		1	4	3	1	1	2	5	4					
Kazakhstan Resident Mission	1	1	2	6	6	1	1	2	6	5					
Kyrgyz Republic Resident Mission	1	1	2	5	7	1	1	2	6	7					
Pakistan Resident Mission	2	2	4	20	19	2	2	4	20	19					
Tajikistan Resident Mission	1	1	2	4	11	1	1	2	5	11					
Turkey Regional Office			-	1					1						
Turkmenistan Resident Mission	1		1	3	1	1		1	3	1					
Uzbekistan Resident Mission	1	1	2	10	9	1	1	2	10	10					
D. Operations 2	37	225	262	182	257	37	221	258	187	258	37	225	262	193	260
East Asia Department	10	68	78	49	71	10	67	77	51	72	10	67	77	52	72
East Asia Department (HQ)	7	61	68	11	37	7	60	67	13	37	10	67	77	52	72
PRC Resident Mission	2	5	7	27	26	2	5	7	27	27					
Mongolia Resident Mission	1	2	3	11	8	1	2	3	11	8					
Southeast Asia Department	19	118	137	98	137	19	115	134	101	137	19	115	134	103	137
Southeast Asia Department (HQ)	10	82	92	20	60	10	80	90	20	60	19	115	134	103	137
Cambodia Resident Mission	1	5	6	11	14	1	4	5	14	14					
Indonesia Resident Mission	2	6	8	17	15	2	7	9	15	15					
Lao PDR Resident Mission	1	3	4	12	12	1	4	5	12	12					
Myanmar Resident Mission	1	6	7	5	5	1	6	7	5	5					
Philippines Country Office	1	5	6	6	3	1	5	6	6	3					
Thailand Resident Mission	1	3	4	5	5	1	2	3	5	5					
Viet Nam Resident Mission	2	8	10	22	23	2	7	9	24	23					

Department/Office	Start 2017					Current 2017					Start 2018				
	International Staff			NS	AS	International Staff			NS	AS	International Staff			NS	AS
	Senior ^a	Other	Total			Senior ^a	Other	Total			Senior ^a	Other	Total		
Pacific Department	8	39	47	35	49	8	39	47	35	49	8	43	51	38	51
Pacific Department (HQ)	4	30	34	8	21	4	29	33	7	19	8	43	51	38	51
Pacific Liaison and Coordination Office	1	2	3	8	6	1	3	4	8	7					
Pacific Subregional Office	1	3	4	10	11	1	3	4	10	11					
PNG Resident Mission	1	3	4	5	8	1	3	4	6	9					
Timor-Leste Resident Mission	1	1	2	4	3	1	1	2	4	3					
E. Private Sector and Cofinancing Operations	11	91	102	48	61	12	86	98	56	62	12	93	105	59	63
Private Sector Operations Department	9	85	94	40	48	10	80	90	48	49	10	86	96	51	50
Office of Cofinancing Operations	2	6	8	8	13	2	6	8	8	13	2	7	9	8	13
F. Finance and Risk Management	15	67	82	94	173	15	66	81	96	173	15	69	84	100	173
Office of Risk Management	4	24	28	29	20	4	23	27	31	20	4	26	30	33	20
Controller's Department	4	18	22	38	106	4	18	22	38	106	4	18	22	38	106
Treasury Department	7	25	32	27	47	7	25	32	27	47	7	25	32	29	47
G. Administration and Corporate Management	31	142	173	155	292	31	142	173	156	291	31	155	186	160	292
Operations Services and Financial Management Department	4	38	42	17	51	4	38	42	17	51	4	44	48	17	51
Budget, Personnel, and Management Systems Department	8	25	33	28	71	8	25	33	28	70	8	27	35	29	71
Office of Administrative Services	4	14	18	44	91	4	14	18	44	91	4	16	20	47	91
Office of Information Systems and Technology	5	18	23	50	38	5	18	23	50	38	5	18	23	50	38
Office of the Secretary	2	9	11	6	18	2	9	11	6	18	2	9	11	6	18
Office of the General Counsel	8	38	46	10	23	8	38	46	11	23	8	41	49	11	23
H. Unassigned Positions		2	2	1	4		4	4		5		4	4		5
Subtotal	189	918	1,107	806	1,221	190	908	1,098	822	1,229	190	953	1,143	847	1,234
I. Young Professional Program^b		10	10				10	10				10	10		
Subtotal	189	928	1,117	806	1,221	190	918	1,108	822	1,229	190	963	1,153	847	1,234
J. Board of Directors															
Office of the Compliance Review Panel	1		1	1	1	1		1	1	1	1		1	1	1
Director's Advisors		24	24				24	24				24	24		
Staff Services					35					35					35
Independent Evaluation Department	5	25	30	12	14	5	25	30	12	14	5	25	30	12	14
Total	195	977	1,172	819	1,271	196	967	1,163	835	1,279	196	1,012	1,208	860	1,284

Current = 30 September 2017, AS = administrative staff, HQ = headquarters, IS = international staff, Lao PDR = Lao People's Democratic Republic, NS = national staff, PNG = Papua New Guinea, PRC = People's Republic of China.

Ratios:

^a Staff at managerial level and above including country directors and deputy country directors, heads of regional and representative offices and technical advisors.

^b The YP positions may be increased in the midyear (2018) staff estimates considering the ongoing efforts of optimization

Source: Asian Development Bank.

PRICE FACTOR ASSUMPTIONS

1. The nominal budget growth comprises of “price increase” and “volume growth”. Price increase is derived from external factors such as the movements in market prices and currency exchange rates, etc. Applicable rates, based on relevant data sources, are used to compute price adjustments for all expense items to derive the overall price increase.
2. The volume growth is the nominal budget growth less the effects of price increases. The volume growth includes the change in quantity of goods and services, the special initiatives and institutional reforms such as information technology reforms and the organizational resilience program, and policy initiatives such as the Staff Retirement Plan (SRP) switch incentive.
3. The price increase for 2018 budget is computed using a price factor methodology discussed with the ADB’s Budget Review Committee in 2014. The table below summarizes these price factor items and assumptions for 2018.
4. The adjustment to SRP contribution rate is a price increase, as the level of contribution to the defined benefit plan is related to the funded status of the plan. It is also a function of the funding policy (which ADB is in the process of reviewing).
5. ADB’s expenditures are incurred in about 40 currencies. The impact of currency exchange rate movement is calculated to derive net price increase. For 2018 budget, the exchange rate movement impact is estimated at -1.3% of the budget growth.

Table A9: Assumptions for Price Factor

[The table has been removed in accordance with para. 97 (i and viii) of ADB’s Public Communications Policy (2011).]

BOARD OF DIRECTORS
(\$'000)

Item	2017 Budget	2017 Midyear Estimate	2018 Budget	% Change over	
				2017 Budget	2017 Midyear Estimate
A. Offices of the Directors	18,502	18,401	17,791	(3.8)	(3.3)
Salaries	9,239	9,239	9,253	0.2	0.2
Benefits	5,788	5,698	5,430	(6.2)	(4.7)
Relocation	980	980	748	(23.6)	(23.6)
Business travel	848	848	848	(0.1)	(0.1)
Staff services	1,573	1,557	1,433	(8.9)	(8.0)
Others ^a	74	79	79	6.8	-
B. Accountability Mechanism	2,638	2,638	2,851	8.1	8.1
Compliance Review Panel and Office of the Compliance Review Panel ^b	1,617	1,617	1,843	13.9	13.9
Office of the Special Project Facilitator	1,021	1,021	1,008	(1.2)	(1.2)
C. Independent Evaluation^c	12,085	12,085	12,858	6.4	6.4
Total	33,225	33,124	33,500	0.8	1.1

() = negative.

Note: Numbers may not sum precisely because of rounding.

^a Refers to dignitary hosting at headquarters and induction program of Board members.

^b Details are provided in Appendix 11.

^c Details are provided in Appendix 12.

Source: Asian Development Bank.

COMPLIANCE REVIEW PANEL AND OFFICE OF THE COMPLIANCE REVIEW PANEL
(\$'000)

Item	2017 Budget	2017		% Change over	
		Midyear Estimate	2018 Budget	2017 Budget	2017 Midyear Estimate
Compliance Review Panel	909	811	865	(4.9)	6.7
Salaries	282	280	289	2.4	3.2
Benefits	137	181	137	(0.6)	(24.5)
Business travel	40	50	40	0	(20.0)
Administrative expenses	450	300	400	(11.0)	33.3
Office of the Compliance Review Panel	708	807	977	38.1	21.2
Salaries	273	318	324	18.8	1.8
Benefits	161	210	360	123.7	71.1
Relocation	0	4	50	0	1,150.0
Consultants	160	180	140	(12.5)	(22.2)
Business travel	100	80	80	(20.0)	–
Representation	1	1	1	–	–
Administrative expenses	14	14	23	70.4	70.4
Total	1,617	1,617	1,843	13.9	13.9

() = negative.

Notes:

1. Numbers may not sum precisely because of rounding.
 2. This allocation does not include administrative overhead.
- Source: Asian Development Bank.

INDEPENDENT EVALUATION DEPARTMENT

(\$'000)

Item	2017 Budget	2017		% Change over	
		Midyear Estimate	2018 Budget	2017 Budget	2017 Midyear Estimate
Salaries	5,790	5,595	6,120	5.7	9.4
Benefits	3,742	3,594	3,449	(7.8)	(4.0)
Consultants	1,540	2,150	1,980	28.6	(7.9)
Business travel	840	700	793	(5.6)	13.3
Representation	3	6	5	66.7	(16.1)
Administrative expenses ^a	170	40	161	(5.3)	302.5
Subtotal	12,085	12,085	12,508	3.5	3.5
Special Initiative for Validation of Technical Assistance	...	...	350	...	...
Self-assessments					
Total	12,085	12,085	12,858	6.4	6.4

() = negative.

Notes:

1. Numbers may not sum precisely because of rounding.
2. This allocation does not include administrative overhead.

^a In 2017, the Independent Evaluation Department budget provided \$120,000 for contingency. During the midyear review, this allocation was used to fund some additional staff consultant costs for the year, such as (i) advance work on a 2018 project performance evaluation report, (ii) two thematic evaluations, (iii) validation of a country partnership final review due in 2018, (iv) a topical paper, and (v) more validations resulting from the increased coverage from 80% to 100% of circulated project self-evaluations. The 2018 budget includes \$125,000 for contingency.

Source: Asian Development Bank.

**STATUS OF STAFF RETIREMENT PLAN FUNDING
KEY HIGHLIGHTS: PLAN YEAR 1 OCTOBER 2015 TO 30 SEPTEMBER 2016**

[The information has been removed in accordance with para. 97 (i and viii) of ADB's Public Communications Policy (2011).]

UPDATE ON ADB ACTIONS TO IMPROVE GENDER EQUALITY

1. Women's representation of total international staff increased to nearly 35% as at end October 2017, from 34% in 2016. The promotion share of international staff women has reached 44.5% as of 30 September 2017, from 35.7% in 2016—the highest share since 2000. The termination rate for international staff women has decreased to 25.5% as of 30 September 2017 from 33.1% in 2016, indicating that, proportionally, fewer women are leaving.
2. International staff women (as of 30 September 2017):
 - (i) Overall women comprise 34.7% (381 out of 1,097)
 - (ii) international staff 9–10 women comprise 20.4% (10 out of 49)
 - (iii) international staff 7–8 women comprise 29.4% (45 out of 153)
 - (iv) international staff 4–6 women comprise 34.0% (259 out of 761)
 - (v) international staff 1–3 women comprise 50.0% (67 out of 134)
3. In recruitment, efforts to source women candidates were intensified, including through the use of LinkedIn and headhunters. The expanded use of batch recruitment is also widening the pool of potential women candidates. Training on interviewing skills for members of selection panels continued, to ensure an inclusive recruitment process and mitigate unconscious gender bias.
4. Leadership development programs with emphasis on women international staff continued to be implemented, with a high proportion of women participants (e.g., 50% + in the Breakthrough Leadership Program). A program across the Asian Development Bank (ADB) on mitigating unconscious bias at work is being implemented: over 500 staff have participated, including 100 managers.
5. Measures to support flexible work were strengthened through revisions to the work from home policy guidelines, system development to track utilization, and better communication to improve the uptake of work from home arrangements. The respectful workplace unit, established in late 2016, is contributing to a respectful workplace for all staff. The code of conduct was revised to include the strengthening of the responsibility of managers to promote a workplace culture that upholds ADB's staff values and code of conduct.
6. To support the attraction and retention of international staff, a pilot career coaching program is being implemented to facilitate the employment of spouses and partners of ADB international staff in the Philippines. ADB is pilot testing a strengthened approach to collecting information on the reasons why international staff, especially women, leave ADB. An independent consulting firm is conducting a salary equity study to identify and assess any unexplained pay gaps. Facilities for nursing mothers at headquarters were expanded and upgraded.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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