



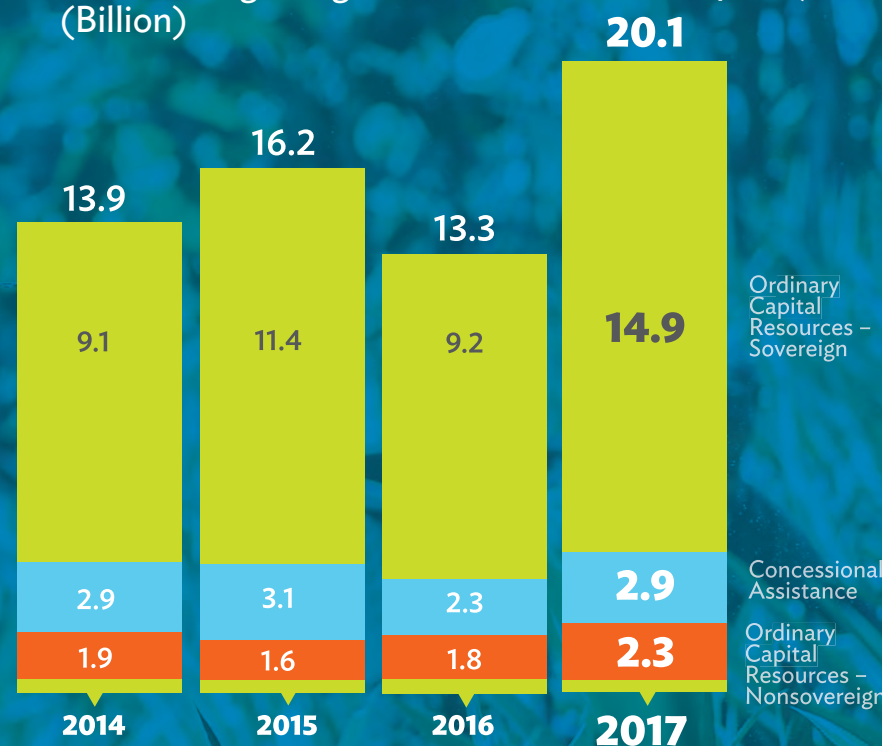
# 2017 DEVELOPMENT EFFECTIVENESS REVIEW

MAY 2018

# 2017 PERFORMANCE AT A GLANCE

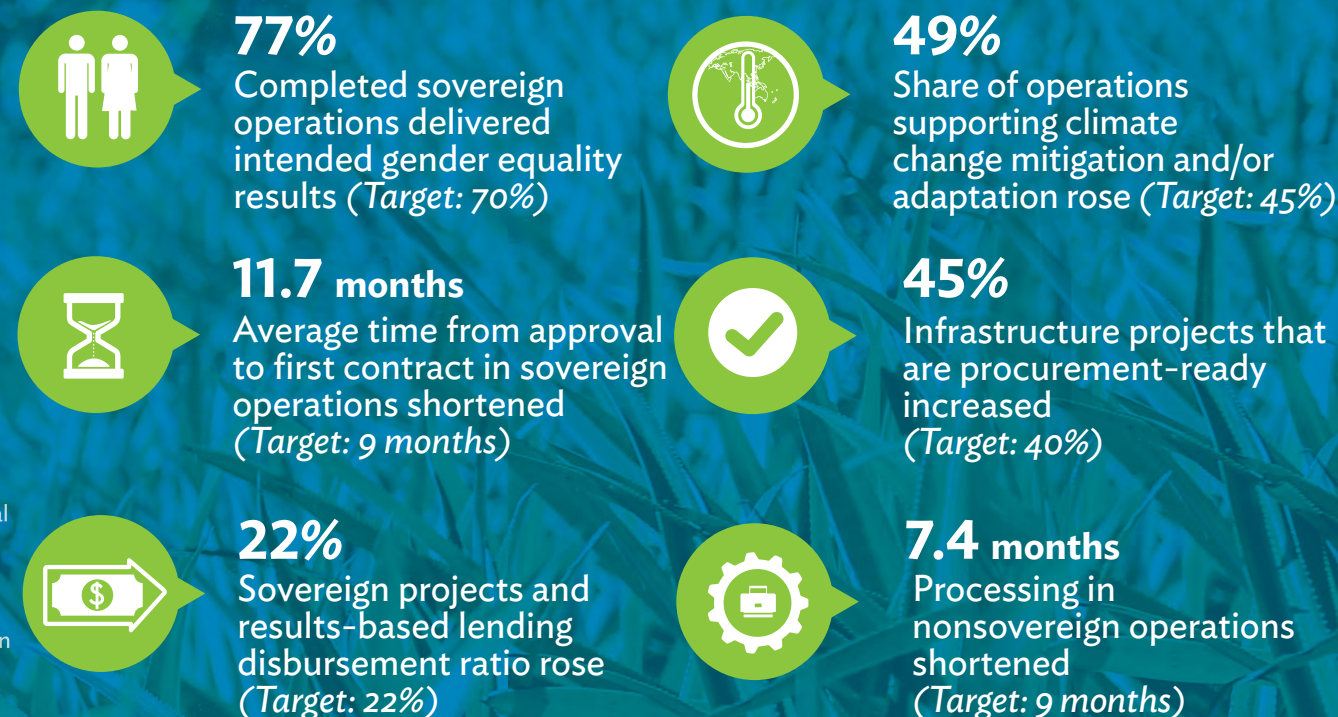
## COMMITMENTS

ADB lending and grants committed in 2014-2017 (Billion)

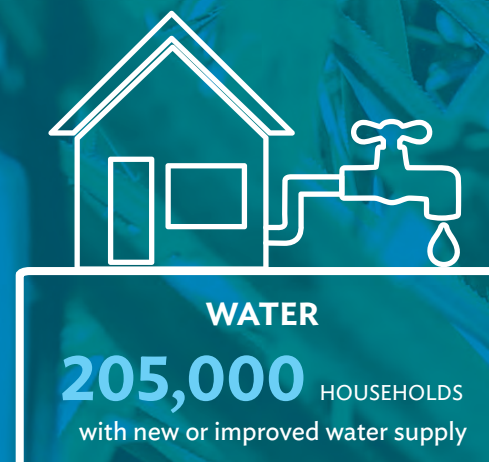
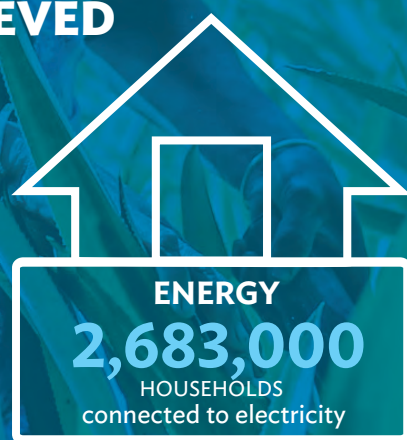
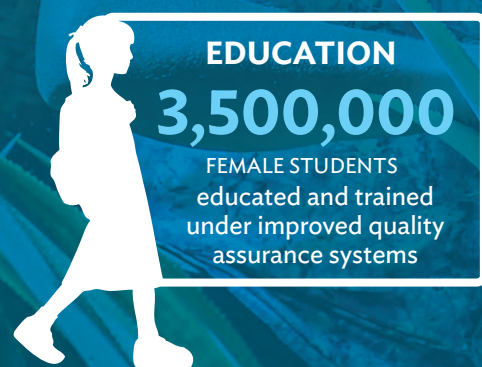


## MAJOR ACHIEVEMENTS

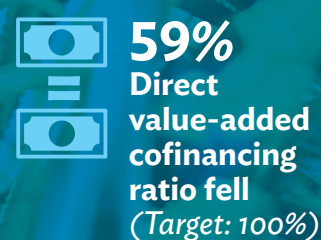
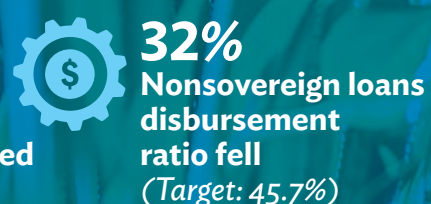
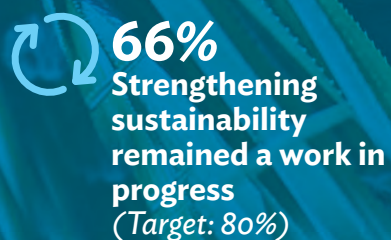
(Targets ADB met or is on track to meet by 2020)



## RESULTS ACHIEVED



## CHALLENGES (Targets ADB did not meet and is off track to meet by 2020)





# 2017 DEVELOPMENT EFFECTIVENESS REVIEW

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MAY 2018



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COVER PHOTO: Aattiya Etna (left) and Tippawan Chaiyaka are helping construct a wind turbine under the ADB-supported Chaiyaphum Wind Farm Project in Thailand.

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# Contents

## PERFORMANCE HIGHLIGHTS

I. Regional Progress on Development Indicators	
Level 1: Development Progress in Asia and the Pacific	iv
II. ADB's Performance in 2017	
Level 2: ADB's Contributions to Development Results	v
Level 3: ADB's Operational Management	v
Level 4: ADB's Organizational Management	vii

## INTRODUCTION

A. Changes Introduced with the Transitional Results Framework	4
B. Structure of the Transitional Results Framework	5

## LEVEL 1: DEVELOPMENT PROGRESS IN ASIA AND THE PACIFIC

A. Poverty	8
B. Other Development Outcomes	12

## LEVEL 2: ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

A. Quality at Completion	18
1. Country Strategies and Assistance Programs	18
2. Sovereign Operations	19
3. Nonsovereign Operations	27
4. Technical Assistance	28
5. Gender Equality Results	29
6. Impact Evaluation Studies	30
B. Core Operational Results	31

## LEVEL 3: ADB'S OPERATIONAL MANAGEMENT

A. Implementation Quality	36
B. Quality at Entry	38
C. Development Finance	39
1. Commitments	39
2. Disbursement	40
3. Direct Value-Added Cofinancing	41
4. Public-Private Partnerships	42
D. Strategy 2020 Agendas and Operations	43
1. Inclusive Economic Growth	43
2. Environmental Sustainability, Climate Change, and Disaster Risk Management	45
3. Regional Cooperation and Integration	47
4. Strategy 2020 Operational Areas	49
E. Strategy 2020 Drivers of Change	51
1. Private Sector Development and Operations	51
2. Governance and Capacity Development	52
3. Gender Mainstreaming	53
4. Knowledge Solutions	54
5. Partnerships	55

## LEVEL 4: ADB'S ORGANIZATIONAL MANAGEMENT

A. Human Resources	60
B. Budget Resources	61
C. Process Efficiency and Client Orientation	62

**ACTIONS TO ADDRESS CHALLENGES** 68

**APPENDIXES**

- 1. List of ADB Developing Member Countries 76
- 2. Delivering Results in Fragile and Conflict-Affected Situations 78
- 3. Changes to Data 84
- 4. Support for Strategy 2020 87

**SCORECARDS AND RELATED INFORMATION**

**Results Framework Indicators**

- 1. Level 1: Development Progress in Asia and the Pacific 2
- 2. Level 2: ADB's Contributions to Development Results 8
- 3. Level 3: ADB's Operational Management 16
- 4. Level 4: ADB's Organizational Management 22

**Scoring Methods**

- 1. Level 1 Signals Explained 28
- 2. Level 2–4 Signals Explained 29
- 3. Composite Signals 30
- 4. Signals and Scoring Methods 30

**Standard Explanatory Data Indicators**

- 1. Level 1: Development Progress in Asia and the Pacific 34
- 2. Level 2: ADB's Contributions to Development Results 38
- 3. Level 3: ADB's Operational Management 56
- 4. Level 4: ADB's Organizational Management 64

**LINKED DOCUMENTS**

- 1. ADB's Transitional Results Framework, 2017–2020
- 2. Results Framework Indicator Definitions
- 3. Standard Explanatory Data Indicator Definitions
- 4. Technical Note on the Development Effectiveness Review Rating System

**WEB-LINKED RESOURCES**

Download the development effectiveness reviews, scorecards, standard explanatory data indicators, and linked documents from <http://www.adb.org/Documents/LinkedDocs/?id=2017-DEFR>.

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# List of Tables, Figures, and Box

## TABLES

Summary Performance Scorecard, 2017	viii
1. Reasons for Less than Successful or Unsuccessful Ratings in ADB Sovereign Projects, 2015–2017	23
2. Reasons for Delays in ADB Sovereign Projects, 2015–2017	24
3. First Contracts by Type and Award Times, 2016–2017	37
4. ADB Disbursement Ratios and Amounts, 2014–2017	40
5. Civil Society Participation in ADB Sovereign Operations, 2017	55
6. ADB Sovereign Operations Using Country Systems, 2017 (%)	56
7. ADB Staff in Operations Departments, 2016–2017	60
8. Representation of Women in the ADB International Staff, 2017 (%)	61
9. ADB Budget Management Indicators, 2017	62
10. ADB Business Process Efficiency Indicators, 2017	62
11. Ongoing and Recently Completed Actions to Improve ADB Performance	68

## FIGURES

1. Decline in Poverty in Asia and the Pacific, 2002–2013 (million)	8
2. Annual Gross Domestic Product Growth per Capita in ADB Developing Member Countries, 2010–2016 (%)	9
3. Child Mortality Rates, 2015	10
4. Lower Secondary Education Graduation Rates (%)	11
5. Distribution of People without Access to Water and Sanitation, 2015 (%)	12
6. Carbon Dioxide Emissions in ADB Developing Member Countries, 2010–2014	15
7. Success Rates of Completed ADB Sovereign Operations, 2014–2017 (%)	19
8. Success Rates of Completed ADB Sovereign Projects by Sector, 2014–2017	21
9. Success Rates of Completed ADB Policy-Based Sovereign Operations by Sector, 2014–2017	25
10. ADB Sovereign Operations Rated Most Likely or Likely Sustainable, 2014–2017	26
11. Success Rates of Completed ADB Nonsovereign Operations, 2014–2017	27
12. Completed Technical Assistance Projects Rated Successful, 2014–2017 (%)	28
13. Completed Sovereign Operations that Delivered Intended Gender Equality Results, 2014–2017 (%)	29
14. Average Time from ADB Approval to First Contract Award, 2014–2017 (months)	37
15. ADB Project Readiness, 2016–2017 (%)	38
16. ADB Lending and Grants Approved versus Committed, 2014–2017 (\$ billion)	39
17. Annual Signed Official and Other Concessional Cofinancing and Commercial Cofinancing, 2014–2017 (\$ billion)	42
18. ADB Support for Inclusive Economic Growth	44
19. ADB Support for Climate Change Mitigation and/or Adaptation (%)	46
20. ADB Financing for Private Sector Operations, 2014–2017 (%)	52
21. ADB Support for Gender Mainstreaming (%)	53
22. Use of ADB Knowledge Solutions, 2017	55

## BOX

Implementation of Second-Phase Procurement Reforms	63
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# Abbreviations

µg/m <sup>3</sup>	–	micrograms per cubic meter
ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ASEAN	–	Association of Southeast Asian Nations
BRT	–	bus rapid transit
CAREC	–	Central Asia Regional Economic Cooperation
CO <sub>2</sub>	–	carbon dioxide
CPD	–	client portal for disbursement
CPS	–	country partnership strategy
CSO	–	civil society organization
DEFr	–	Development Effectiveness Review
DMC	–	developing member country
ESCAP	–	Economic and Social Commission for Asia and the Pacific
FCAS	–	fragile and conflict-affected situations
FSM	–	Federated States of Micronesia
GDP	–	gross domestic product
IED	–	Independent Evaluation Department
km	–	kilometer
MW	–	megawatt
OCR	–	ordinary capital resources
PBL	–	policy-based lending
PCR	–	project completion report < or > program completion report
PM <sub>2.5</sub>	–	particulate matter of less than 2.5 microns in diameter
PNG	–	Papua New Guinea
PPER	–	project performance evaluation report
PPP	–	public–private partnership
PRC	–	People’s Republic of China
PSM	–	public sector management
RCI	–	regional cooperation and integration
SASEC	–	South Asia Subregional Economic Cooperation
SDG	–	Sustainable Development Goal
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance
TVET	–	technical and vocational education and training
UNICEF	–	United Nations Children’s Fund
WHO	–	World Health Organization

A photograph of two women smiling and holding woven baskets. The woman on the left is wearing a pink and white plaid shirt and has her hair in a bun. The woman on the right is wearing a yellow and white patterned shirt and has her hand on the first woman's shoulder. They are both holding several light-colored woven baskets. The background is a blurred outdoor setting with green foliage. A large blue geometric shape is overlaid on the left side of the image.

**The 2017 Development Effectiveness Review is ADB's 11th annual performance report and the first to apply ADB's Transitional Results Framework, 2017–2020. The review uses the transitional results framework's 85 indicators as a yardstick to monitor progress in the Asia and Pacific region and assess ADB's performance in delivering development results. The main findings are summarized in this section.**

A woman with dark hair, smiling, wearing a blue floral patterned shirt. She is holding a stack of woven baskets. The background shows a wooden structure and greenery. A blue diagonal overlay is present on the right side of the image.

# Performance Highlights

Members of a handicraft producers' group in Kampong Thom, Cambodia

# PERFORMANCE HIGHLIGHTS

## I. Regional Progress on Development Indicators

### Level 1: Development Progress in Asia and the Pacific

Level 1 of the 2017 Development Effectiveness Review shows that the development outlook for the region remains encouraging overall. Eleven indicators improved from the baseline, eight stayed constant, and two regressed. Selected highlights are as follows:

- **Movement toward increased prosperity, despite moderating growth.** The annual per capita gross domestic product growth rate in developing member countries (DMCs) of the Asian Development Bank (ADB) remained robust at 5.4% in 2016 but declined slightly from the preceding year. Poverty reduction has continued, but 326 million of the region's people still lived below the extreme poverty line in 2013, according to the most recent data, and nearly 1 billion others were positioned only slightly above it. Inequality declined slightly in some ADB DMCs, but the gap between rich and poor remains substantial.
- **Slow improvements in human well-being, including health and education.** The regional incidence of stunting in children under 5, an indicator of malnutrition and hunger, declined by only 0.3% from the baseline of 29.8%. Parity between boys and girls was largely reached in the region's secondary and tertiary schools in 2015. Graduation rates in lower secondary schools, though still above 80%, have been slipping since they peaked in 2012.
- **Mixed picture on infrastructure.** About 89% of the region's people now have access to electricity, although much of this is still generated from fossil fuels. The rates of sanitation service coverage remain largely unchanged, leaving about 1.5 billion people without improved facilities. This includes more than half of the region's rural population.
- **Better enabling environment for development.** The average time needed to start a business in ADB's DMCs declined by 1.0 day in 2017 to 19.8 days. About 58% of the region's adults had an account with a financial institution or mobile money service provider in 2014, up from 44% in 2011.
- **Some improvement on environment indicators amid persistent challenges.** Forest cover remained stable at about 23%. Large afforestation programs in some countries offset sizable losses elsewhere, but the region's environment and biodiversity remain under stress. The carbon intensity of ADB DMC economies was still declining, but total carbon dioxide emissions continued to rise and now account for about 40% of the global total.

## II. ADB's Performance in 2017

### Level 2: ADB's Contributions to Development Results

While the success rates for ADB's sovereign policy-based operations remained steady in 2017, the rate for sovereign projects dipped slightly after particularly strong 2016 results. The nonsovereign operations success rate fell as well. ADB continued its above-target performance in delivering gender equality results, but it also faced an ongoing challenge to ensure that the outcomes and benefits of its projects are sustained. Most of the operations ADB completed in 2017 delivered their targeted results in ADB's core sectors of focus.

- **Sovereign project success rate declined to 75% from a baseline of 78%.** This was largely due to lower success rates during the 2015–2017 reporting period in five sectors: agriculture, natural resources, and rural development; education; health; transport; and water and other urban infrastructure and services.
- **Success rates for ADB's policy-based operations were unchanged.** The 3-year averages remained at 74% for ADB operations overall and 77% for operations financed by concessional assistance.
- **Performance weakened in nonsovereign operations.** Year-on-year success rates of completed nonsovereign operations improved over the course of 2015–2017. However, the 3-year average success rate of 58% was still below the target, affected by the poor performances of finance operations approved more than a decade ago and a slight decline in the historically high success rates of infrastructure projects.
- **Important gender target surpassed again.** The share of sovereign operations that delivered intended gender equality results reached 77% in 2015–2017, up from a baseline of 74%.
- **Sustainability remains a challenge.** Of the sovereign operations completed in 2015–2017, 66% were rated *likely sustainable*, a drop of 1 percentage point from the baseline period. Transport and water operations continued to have the lowest sustainability ratings.
- **ADB met most of its development results targets in 2017.** Results were satisfactory for 16 of the 22 indicators for operations overall and 19 of 20 indicators for those in the concessional assistance subset. Seven projects that missed their targets during the year pulled results for one energy indicator, two transport indicators, one water indicator, and two finance indicators below the 85% performance standard.

### Level 3: ADB's Operational Management

Quality at entry and of implementation was strong in 2017 operations. Time from approval to first contract shortened for sovereign projects. More infrastructure operations were procurement-ready at approval. Performance was mixed on other indicators, including those for the amounts and speed with which ADB mobilizes and distributes funds for its DMCs. Performances also varied on strategic alignment.

- **ADB projects started up faster.** Both ADB's operations overall and its concessional assistance operations were *on track* to achieve the ambitious 2020 start-up time target of 9 months. The average time from approval to first contract in sovereign operations shortened to 11.7 months from the 2016 baseline of 14.4 months.

- 
- **Procurement-ready infrastructure projects above target.** In 2017, 45% of infrastructure operations were procurement-ready, up 1 percentage point from 2016 and well above the 40% targeted for 2020. A large share of the infrastructure projects were also design-ready in 2017.
  - **Disbursement ratios mixed but generally good.** The combined disbursement ratio for sovereign projects and results-based lending rose in 2017 from 20.4% in 2016 to reach the 22.0% target for 2020. Although down from the 21.0% baseline, the ratio for the concessional assistance subset remained only 20 basis points short of its 2020 target of 20.0%. The ratio for nonsovereign loans fell to 32.0% in 2017 and so missed the annual target, which was to maintain the baseline 3-year average of 45.7% recorded during 2014–2016.
  - **Direct value-added cofinancing ratio fell.** Cofinancing totaled \$11.8 billion, \$61 million less than in the previous year. This equated to 59% of ADB financing, down from the 2014–2016 average of 71% that serves as the baseline. While commercial cofinancing continued to perform strongly and increased by \$0.1 billion to \$5.8 billion in 2017, official and other concessional cofinancing declined by \$0.2 billion to \$6.1 billion.
  - **Shares of social protection-related operations slipped.** The proportion of committed operations providing this support was down to 5.1% for ADB overall during 2015–2017 from 6.0% during the 2014–2016 baseline period. It dropped from 7.1% to 5.8% in the concessional assistance subcategory. This left ADB *off track* to meet the 2020 target, which is to keep these two ratios above their 2014–2016 baselines.
  - **New highs in climate change support kept ADB above target.** The share of operations supporting climate change mitigation and/or adaptation rose to 49% in 2015–2017, exceeding the 45% that serves as both a baseline and the 2020 target. Climate change finance was a record \$5.16 billion and included \$643 million from external resources.
  - **Financing for education and health off track.** The \$710 million in nine loans and grants for education accounted for 3.5% of ADB’s total commitments, leaving ADB *off track* to meet the 2020 indicator target of 6.0%–10.0%. Financing for health projects represented 1.0% of total commitments, compared with the 3.0%–5.0% target for 2020.
  - **Private sector financing increased but represented smaller share of overall commitments.** Commitments for private sector operations reached \$2.3 billion in 2017, up 31% from \$1.8 billion the year before. They nonetheless accounted for only 13.3% of overall signed regular ordinary capital resources financing, which grew at a faster 57% pace. This share was below the level required to achieve the 2020 target of 20.0%.
  - **ADB rated on track but watch to meet 2020 gender mainstreaming targets.** The share of committed sovereign operations supporting gender mainstreaming remained steady during 2015–2017 at 2 percentage points short of the 50% target for ADB operations overall and increased to within 1 percentage point of the 55% target for concessional assistance operations.













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## Level 4: ADB's Organizational Management

ADB boosted budget efficiency and representation by women in its international staff. It continued to decentralize and strengthen its presence in its DMCs. Resident missions had a larger share of ADB staff and a bigger role in administering sovereign operations. ADB processed nonsovereign operations faster in 2017, but its processing of sovereign operations and sizable sovereign operation procurement contracts slowed.


- **ADB met staff deployment target.** The share of budgeted international and national staff assigned to the operations departments met the 56% target. New positions and postings at ADB's resident missions raised their share of overall staff from 54% in 2016 to 56% in 2017.
- **Women gained a greater share of positions in ADB's international staff.** The share of women in international staff rose at all levels and by 1.2 percentage points overall, reaching 35.2% in 2017. The 2020 target is 38.0%.
- **Budget efficiency was on target.** Internal administrative expenses per \$1 million disbursed remained almost constant at \$47,300, compared with the 2016 baseline of \$47,600.
- **Share of ADB's portfolio management costs was on target.** The share of total operational expenses attributed to managing the portfolio was in the target range at 52.0% in 2017, compared with 54.6% in the year before.
- **Role of ADB's resident missions continued to grow.** There was substantial resident mission involvement in 90% of sovereign operations in 2017, up 1 percentage point from the 2016 baseline and well above the 80% target for 2020.
- **Longer time to process sovereign operations.** The average processing time from the start of loan fact-finding to Board approval slowed to 8.0 months from 7.2 months in 2016 and missed the annual target of 6.0 months.
- **ADB faster at processing nonsovereign operations.** Measured from the start of due diligence to Board approval, processing time was down to 7.4 months from the baseline of 9.0 months in 2016. The annual target to maintain the baseline was thereby met.
- **Overall procurement time longer.** Sovereign operations procurement contracts of more than \$10 million took 52 days to process in 2017, up from 45 in 2016 and further from the 2020 target of 40. Processing time in the year's concessional assistance operations averaged 63 days, 5 days longer than in 2016 and well over the target of 40.

## Summary Performance Scorecard, 2017











Development Progress in Asia and the Pacific (Section I: Level 1)						
Item	ADB			CA		
Poverty	70% 	10% 	20% 	50% 	50% 	0% 
Other development outcomes	36% 	64% 	0% 	17% 	83% 	0% 

### ADB's Development Effectiveness (Section II: Levels 2–4)





#### ADB's Contributions to Development Results (Level 2)







	ADB	CA
Country assistance programs successfully completed		
Results in Strategy 2020 core operational areas achieved		

#### ADB's Operational Management (Level 3)

Operations satisfactorily implemented		
High-quality country strategies and operations prepared		
Development finance mobilized and transferred		
ADB operations focused on strategic agendas and core operational areas		
ADB operations promote drivers of change		

#### ADB's Organizational Management (Level 4)


Sufficient staff resources maintained, and staff motivation and diversity increased		
Budget efficiency and adequacy improved		
Business process efficiency and client orientation improved		

 = progressed above the baseline,  = no significant progress,  = declined from the baseline,  = good,  = mixed,  = poor.  
 ADB = Asian Development Bank, CA = ADB concessional assistance.  
 Source: ADB (Strategy, Policy and Review Department).





The 80-megawatt Chaiyaphum Wind Farm in Chaiyaphum Province, Thailand, feeds clean wind energy to the national grid

A photograph of two men standing in a field of large haystacks. Both men are smiling and holding long-handled pitchforks. The man on the left is wearing a brown jacket, and the man on the right is wearing a dark jacket over a grey sweater and a red shirt. The background is filled with golden-brown hay. The image is overlaid with a semi-transparent orange and brown geometric design on the left and bottom sides.

**The Development Effectiveness Review is ADB's primary tool for monitoring and strengthening its progress on the priorities of Strategy 2020 and its midterm review. The Transitional Results Framework, 2017–2020, on which this report is based, preserves the previous framework's four-level structure, aligns selected indicators with the Sustainable Development Goals, and incorporates revised targets and baselines.**



# Introduction

Workers at a dairy farm near Khachmaz City, Azerbaijan

# INTRODUCTION

1. The 2017 Development Effectiveness Review (DEfR) is the 11th in the series of annual performance reports prepared by the Asian Development Bank (ADB). The DEfR assesses ADB's performance in achieving the priorities of Strategy 2020, ADB's long-term strategic framework for 2008–2020, and its midterm review.<sup>1</sup> The DEfR is based on ADB's corporate results framework, which covers ADB operations overall and the subset of ADB operations and countries that receive concessional assistance.<sup>2</sup> In December 2017, ADB adopted the Transitional Results Framework, 2017–2020.<sup>3</sup>

## A. Changes Introduced with the Transitional Results Framework

2. This is the first DEfR to apply the transitional results framework, which introduced the following changes:

3. **Indicators aligned with global goals.** Level 1 indicators, which monitor development progress in Asia and the Pacific, have been updated to align with the Sustainable Development Goals (SDGs).<sup>4</sup> Where appropriate, selected indicators at Levels 2 and 3 have been mapped to the related SDGs. This is part of an institution-wide effort to align ADB operations with the SDGs and track ADB's support toward achieving them.

4. **Targets and baselines updated.** In consultation with the relevant departments and offices, some targets at Levels 2–4 were revised based on the targets set in the President's Planning Directions and sector operational plans. Some baselines were also updated. The Level 1 scorecard now indicates whether performance has improved, stayed constant, or regressed.

5. **Reporting shifted from approvals to commitments.** In 2016, ADB introduced corporate performance measurement based on commitments rather than approvals.<sup>5</sup> Reflecting this change, many baselines and targets of Level 3 indicators were calculated using commitment data (footnote 3). Indicators that did not switch to a commitment basis were those calculated using harmonized multilateral development bank methodologies, such as indicators related to climate change, and those that required continued use of approvals, such as the indicator tracking time from approval to first contract.

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<sup>1</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank*. Manila; and ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

<sup>2</sup> Concessional assistance is the subset of ADB's overall operations financed by concessional ordinary capital resources (OCR) loans and Asian Development Fund (ADF) grants.

<sup>3</sup> ADB. 2017. *The Asian Development Bank's Transitional Results Framework, 2017–2020*. Manila.

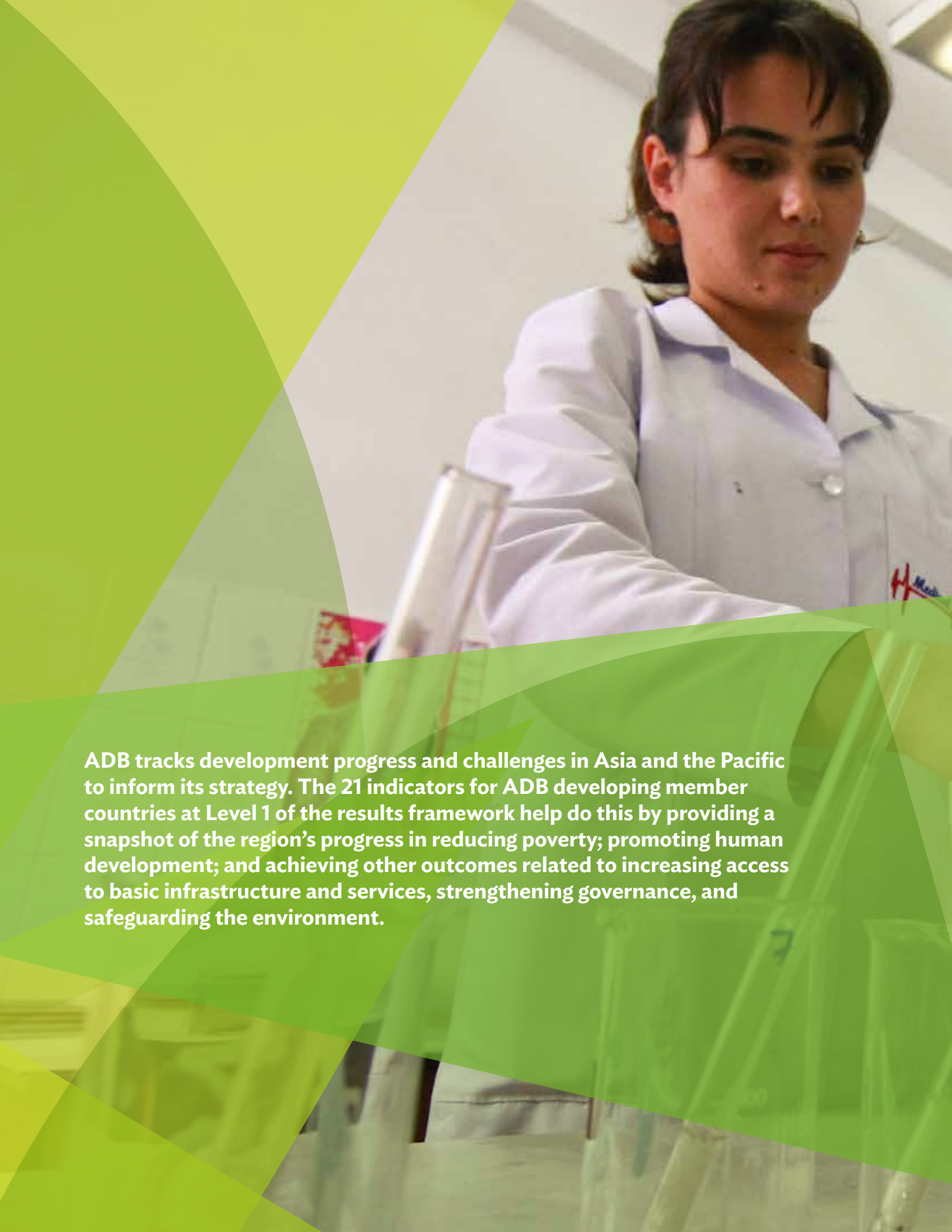
<sup>4</sup> United Nations General Assembly. Resolution 71/313. Work of the Statistical Commission Pertaining to the 2030 Agenda for Sustainable Development, A/RES/71/313 (6 July 2017). <https://undocs.org/A/RES/71/313>.

<sup>5</sup> For sovereign and nonsovereign operations, "commitment" refers to financing approved by the Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or investee company and ADB. The date of commitment is the date of this signature. "Approval" refers to the approval of financing by the Board of Directors or Management, and the approval date is the date of this approval.

- 
6. **Concessional assistance results subset adjusted.** Asian Development Fund (ADF) results were reported as a subset of overall ADB results in the previous DEFRs. ADF lending operations were combined with ADB's ordinary capital resources (OCR) balance sheet in January 2017. To provide general comparability with the way ADF results have been reported in the past, the transitional results framework tracks (i) the progress of concessional assistance countries on Level 1 indicators, and (ii) the performance of operations funded by concessional OCR loans and ADF grants on indicators at Levels 2–4 (footnote 2).
  7. **Results framework streamlined.** The transitional framework contains six fewer indicators than its predecessor. Indicators for which data were collected infrequently and those that were no longer appropriate were removed.

## B. Structure of the Transitional Results Framework

8. The transitional framework's 85 indicators are arranged in four levels and divided into two sections.
9. **Section 1** comprises Level 1, which tracks development progress in Asia and the Pacific to monitor the continued relevance of ADB's strategy. It does not assess ADB's performance, but instead reflects the collective development results in the region.
10. **Section 2** includes Levels 2–4, which together measure ADB's performance in executing Strategy 2020 and its midterm review. Level 2 focuses on ADB's contributions to development results through the successful delivery of the results of operations completed in the last 3 years (2015–2017). Level 3 tracks ADB's operational management of its new and ongoing operations. Level 4 examines ADB's performance in managing its internal resources and processes to support its operations effectively.
11. The 2017 DEFR continues the practice of using signals. They illustrate the direction of change in the case of Level 1 indicators and performance against targets for the indicators in Levels 2–4. Performance on indicators with 2020 targets is expected to progress from the baseline value to attain these targets. Performance on indicators with annual targets needs to meet minimum and/or maximum threshold values set for each year during 2017–2020.
12. Appendixes 1–4 provide the names and categories of ADB's developing member countries (DMCs), country and operational performance of the nine DMCs faced with fragile and conflict-affected situations, a summary of changes to data, and the sector and area distribution of ADB financing committed in 2017. The scorecards, scoring methods, and standard explanatory data indicators are in the pocket at the back of the report. The linked documents present the definitions for the results framework indicators and standard explanatory data indicators. They also include a technical note on the DEFR rating system. These are available online at <http://www.adb.org/Documents/LinkedDocs/?id=2017-DEFR>.



**ADB tracks development progress and challenges in Asia and the Pacific to inform its strategy. The 21 indicators for ADB developing member countries at Level 1 of the results framework help do this by providing a snapshot of the region's progress in reducing poverty; promoting human development; and achieving other outcomes related to increasing access to basic infrastructure and services, strengthening governance, and safeguarding the environment.**

A photograph of laboratory staff in white coats working in a lab. One person in the foreground is holding a long glass tube, while another person in the background is also working with glassware. The scene is brightly lit, and a large green diagonal overlay covers the bottom half of the image.

# LEVEL 1 DEVELOPMENT PROGRESS IN ASIA AND THE PACIFIC

Laboratory staff at the aluminum processing plant in  
Tursunzade City, Tajikistan

# LEVEL 1: DEVELOPMENT PROGRESS IN ASIA AND THE PACIFIC

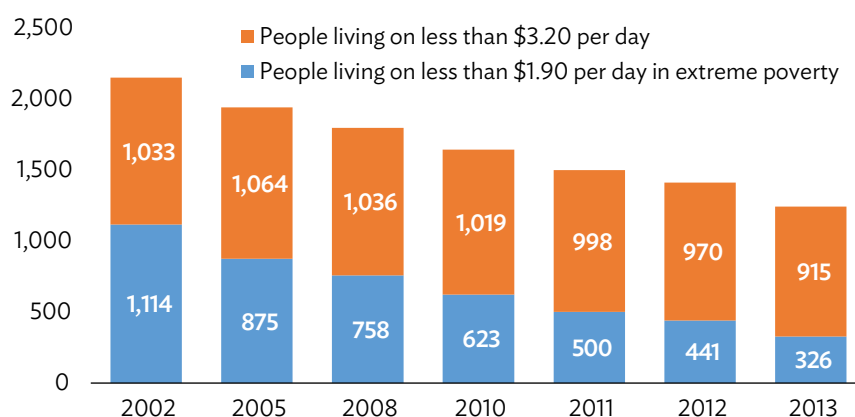
13. Level 1 of ADB’s transitional results framework is now based largely on SDG indicators.<sup>6</sup> Level 1 indicators no longer assess progress against precise targets. Instead, the DEfR signals whether progress on each indicator has improved, remained unchanged, or regressed.

## A. Poverty

### 1. Promoting Prosperity: No Poverty (SDG 1), Decent Work and Economic Growth (SDG 8), and Reduced Inequality (SDG 10)

14. **Despite significant progress, poverty and risks of renewed poverty remain.** The **proportion of the population below the international poverty line** of \$1.90 a day (at 2011 international prices) fell from 33.8% in 2002 to 8.8% in 2013 in ADB’s DMCs.<sup>7</sup> This left about 326 million people living below the extreme poverty line. Another 915 million people living on less than \$3.20 a day are vulnerable to falling back into extreme poverty (Figure 1).<sup>8</sup> Rates of extreme poverty vary across the region, and are highest in the Pacific (24.6%), followed by South Asia (14.0%), Central and West Asia (11.7%), Southeast Asia (5.7%), and East Asia (1.8%) (footnote 7).

Figure 1: Decline in Poverty in Asia and the Pacific, 2002–2013 (million)



Source: PovcalNet. World Bank Development Research Group. <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx> (accessed 11 January 2018).

<sup>6</sup> Six indicators have been retained in their original form. This is because the official SDG indicator framework did not include an appropriate analogous indicator, or sufficient data were not available for ADB DMCs.

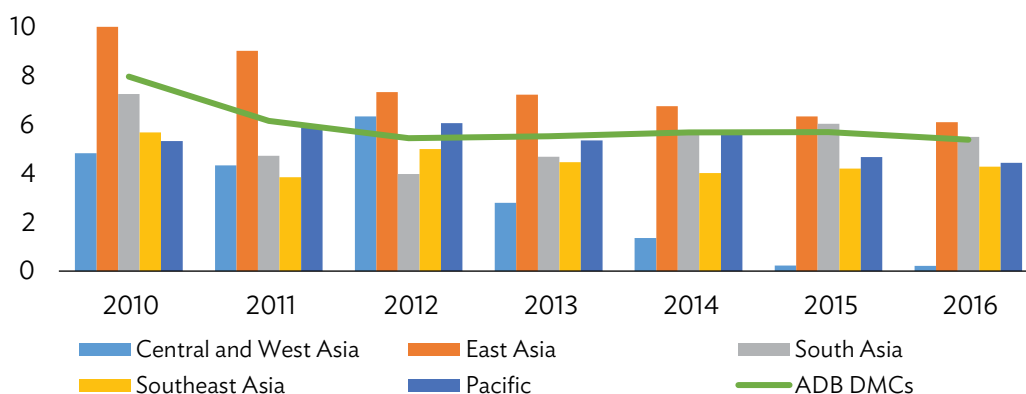
<sup>7</sup> World Bank. PovcalNet. <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed 11 January 2018).

<sup>8</sup> The significant drop in estimates of extreme poverty from 2012 to 2013 is partly due to the availability of better quality data from household surveys conducted in the People’s Republic of China (PRC) and Indonesia, as well as to significant poverty reduction in India. (World Bank. 2016. *Poverty and Shared Prosperity 2016: Taking on Inequality*. Washington, DC.)



15. **Growth robust but moderating.** The overall **annual growth rate of real gross domestic product (GDP) per capita** slowed slightly from 5.7% in 2015 but remained healthy at 5.4% in 2016 (Figure 2).<sup>9</sup> Growth in Central and West Asia has been affected by external shocks since 2014, including slumps in commodity prices (particularly for oil).<sup>10</sup> ADB DMCs accounted for nearly half of global GDP growth in 2016.

**Figure 2: Annual Gross Domestic Product Growth per Capita in ADB Developing Member Countries, 2010–2016 (%)**



ADB = Asian Development Bank, DMC = developing member country.

Source: World Bank. World Development Indicators. <http://data.worldbank.org/data-catalog/world-developmentindicators> (accessed 16 January 2018).

16. **Progress on income inequality mixed.** Inequality remained a significant concern and a difficult challenge for the region. The most recent data show that the average **growth rates of household expenditure or income per capita** of the **bottom 40%** of the population is 4.9%, which is slower than the 5.2% income growth experienced by the **total population**.<sup>11</sup> This is a 0.1-percentage-point improvement over the 2000–2012 baseline average of 0.4 percentage points, although the incomes of the top 60% are still benefiting more from growth. In concessional assistance DMCs, the growth in household expenditure of the bottom 40% is 0.6 percentage points higher than that of the total population, indicating modest progress in narrowing of equity gaps. Inequality, as measured by the Gini coefficient, declined during 2010–2014 in several ADB DMCs. This coefficient now exceeds the 0.4 threshold for high income inequality in 10 DMCs. However, income inequality rose in a few countries with large populations, including India, Indonesia, and Pakistan. Inequality has many dimensions, and the gap between the rich and the poor in the region remains substantial.

17. **Slight gains in employment.** The share of **wage and salaried workers in total employment**—an indication of the availability of decent work and the need to create more good jobs—rose slightly from 31.0% in 2014 for **females** to 33.1% in 2015, and from 30.9% for **males** to 34.2%. The share for ADB’s concessional

<sup>9</sup> World Bank. World Development Indicators. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> (accessed 16 January 2018).

<sup>10</sup> Falling oil prices affected export-dependent countries, such as Azerbaijan and Kazakhstan, as well as the Central and West Asia DMCs’ major economic partners, including the Russian Federation.

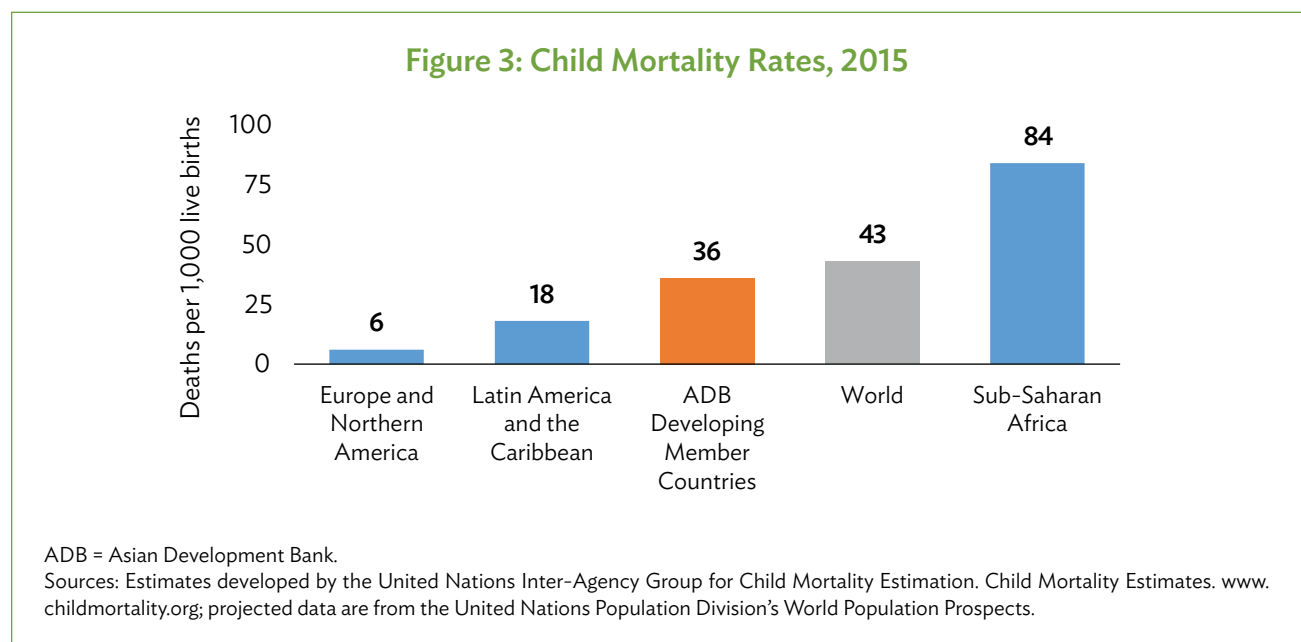
<sup>11</sup> The information presented refers to two data points between 2000 and 2014. The baseline year is between 2000 and 2012. The latest year is 2014.

assistance countries stayed almost constant for **females**, changing from 33.1% to 32.6%, and increased for **males** from 42.5% to 43.7%.<sup>12</sup>

## 2. Investing in People: Zero Hunger (SDG 2), Good Health and Well-Being (SDG 3), and Quality Education (SDG 4)

18. **Modest progress on child nutrition, health, and growth.** The **prevalence of stunting among children under 5 years of age** was 29.5% in ADB DMCs in 2006–2016, a slight decline from 29.8% in 2006–2014. Stunted growth in young children usually signals hunger, malnutrition, and frequent illness and is significantly more common among the poor. In some countries in South Asia and Central and West Asia, for example, prevalence was 59% in the poorest households, compared with 25% in the wealthiest.<sup>13</sup>

19. **Child mortality declining but still high.** The average **under-5 mortality rate** in ADB DMCs continues to fall slowly. The number of deaths per 1,000 live births dropped from 71 in 2000 to 37 in 2014 and 36 in 2015 but still exceeded 40 in 10 DMCs. Despite progress across all the ADB subregions, only sub-Saharan Africa has a higher child mortality rate than ADB DMCs overall (Figure 3).



20. **Downward trend in maternal mortality.** The average number of **maternal deaths per 100,000 live births** declined in ADB DMCs from 134 in 2014 to 126 in 2015. This declined from 252 in 2000 but fell short of the 2015 Millennium Development Goal target of 83. South Asia led the 2000–2015 decline with a drop from 182 to 78.<sup>14</sup>

<sup>12</sup> International Labour Organization. ILOSTAT database. <http://www.ilo.org/ilostat> (accessed 16 January 2018).

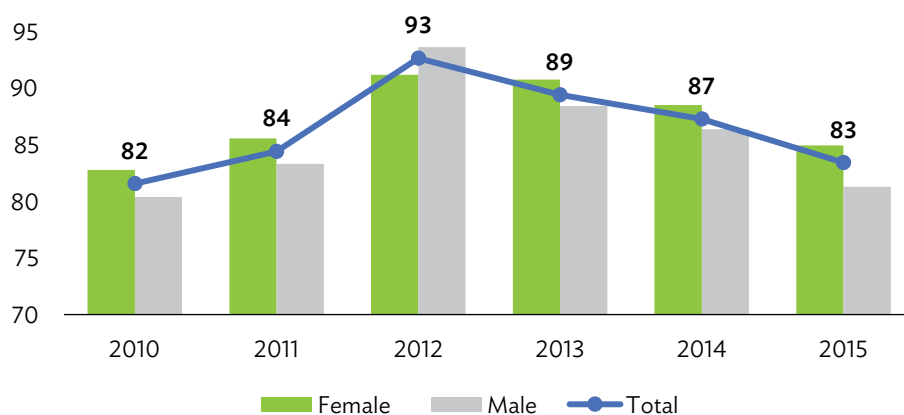
<sup>13</sup> United Nations Children's Fund (UNICEF). 2016 Progress Report: Six Headline Results for Children in South Asia. UNICEF's study in South Asia covers Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. <http://www.unicefrosa-progressreport.org/> (accessed 22 January 2018).

<sup>14</sup> Data are from ADB estimates based on UNICEF, World Health Organization (WHO), and World Bank. Global Database on Child Growth and Malnutrition. <http://www.who.int/nutgrowthdb/database/en/> (accessed 31 May 2017).

21. **Noncommunicable diseases in need of greater attention.** Noncommunicable diseases are among the leading causes of mortality in ADB DMCs. In nine countries, they accounted for at least 80% of all deaths in 2015.<sup>15</sup>

22. **Overall gender parity in education, but lower secondary graduation a challenge.** Based on the **gender parity index in education**, males and females now generally have equal access to secondary and tertiary education across the region. The **gross lower secondary education graduation rate** in ADB DMCs remained above 80% but has declined since 2012 (Figure 4). Available data showed drops from 91% in 2012 to 85% in 2015 for **females**, and from 94% to 81% for **males**.<sup>16</sup> The reasons differ across countries. In some of ADB's poorest countries, for example, students from comparatively wealthier backgrounds are as much as seven times more likely than their poorer classmates to complete the minimum 9 years of education.<sup>17</sup> Students may face pressure to augment household income instead of attending class, as well as additional difficulties related to the accessibility of schools and quality of teaching.

**Figure 4: Lower Secondary Education Graduation Rates (%)**



Source: United Nations Educational, Scientific and Cultural Organization Institute of Statistics. <http://stats.uis.unesco.org/unesco/ReportFolders/ReportFolders.aspx> (accessed 1 February 2018).

23. **Strengthening social protection systems.** An estimated 27% of people in ADB DMCs overall now have access to social assistance programs provided by government.<sup>18</sup> About 55% are covered by social health protection.<sup>19</sup> DMC investment in these programs has grown. The People's Republic of China (PRC), Mongolia, Thailand, and Viet Nam have established universal coverage in such areas as health and unemployment protection in a very short amount of time. In many DMCs, however, social protection systems remain weak.<sup>20</sup>

<sup>15</sup> WHO. 2017. *Noncommunicable Diseases Progress Monitor 2017*. Geneva.

<sup>16</sup> These figures reflect both those who do not enroll in lower secondary education programs, and those who enroll but do not complete the program.

<sup>17</sup> UNICEF. Globally, Four in Five Children of Lower Secondary School Age Are Enrolled in School. <https://data.unicef.org/topic/education/secondary-education/#> (accessed 26 December 2017).

<sup>18</sup> Social assistance refers to assistance rendered by governments without required contributions from beneficiaries to access this assistance.

<sup>19</sup> ADB estimates are based on Economic and Social Commission for Asia and the Pacific (ESCAP) Online Statistical Database. <http://data.unescap.org/sdg/> (accessed 1 February 2018). Social health system protection refers to public or publicly organized and mandated private measures to protect against social distress and economic losses related to ill health.

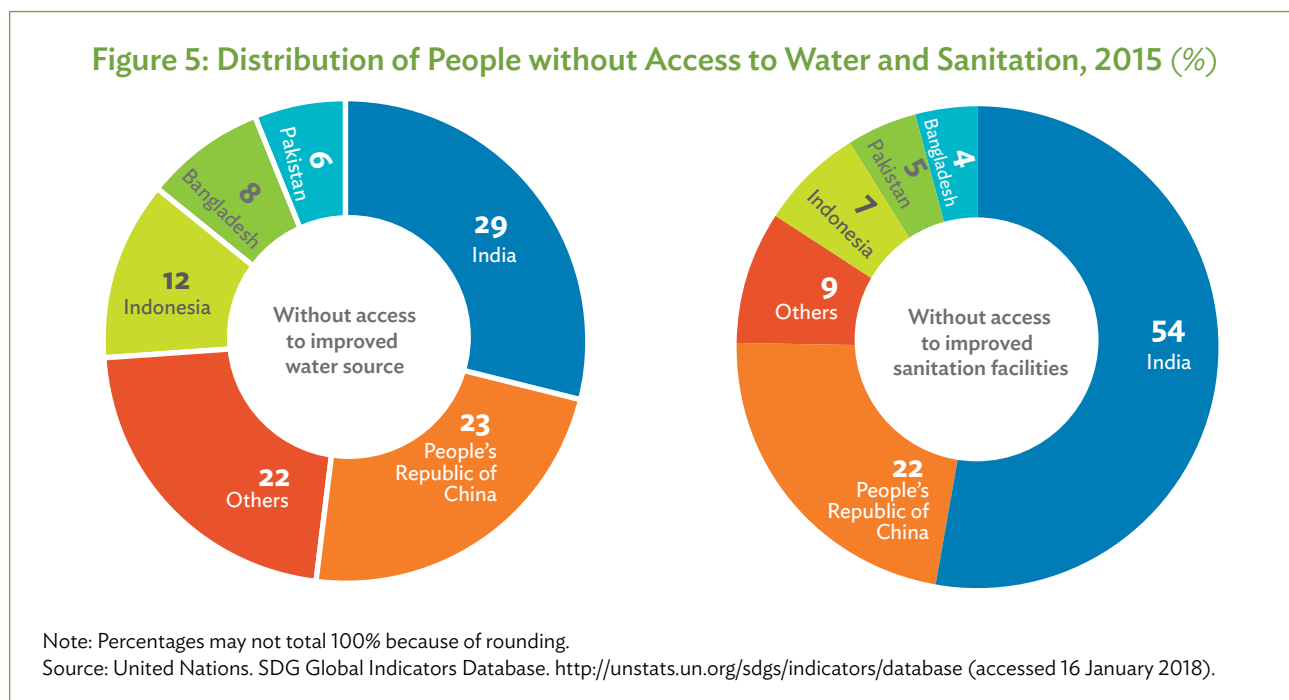
<sup>20</sup> International Labour Organization. 2017. *World Social Protection Report 2017–2019*. Geneva.

## B. Other Development Outcomes

### 3. Infrastructure for Sustainable Development: Affordable and Clean Energy (SDG 7); Clean Water and Sanitation (SDG 6); and Industry, Innovation, and Infrastructure (SDG 9)

24. **Electricity more widely available.** The **proportion of the population with access to electricity** in ADB's DMCs increased to 88.7% in 2016 from 86.2% in 2015. The rate for concessional assistance countries rose from 67.7% to 75.0%.<sup>21</sup> One-quarter of ADB DMCs have achieved universal access to affordable clean energy. Countries where overall access to electricity is high still have pockets that are not yet connected. These areas are often home to the poorest of the poor. The region continued to rely heavily on fossil fuels to generate electricity (particularly coal, which is estimated to be the source of 60% of the region's power supply).<sup>22</sup>

25. **Water supply improved; much left to be done on sanitation.** In 2015, 96.4% of ADB DMCs' **urban** residents and 90.4% of their **rural** populations were **using safely managed drinking water services**, but only 78.3% in the **urban** areas and 49.3% of **rural** residents were **using safely managed sanitation services, including handwashing facilities with soap and water**. About 267 million people lacked an improved water source, and almost 1.5 billion lacked access to improved sanitation facilities. Gaps were concentrated in the five most populous countries in the region (Figure 5). Two DMCs—Palau and Uzbekistan—have met the SDG 6 target to achieve universal access to adequate and equitable sanitation and hygiene by 2030.<sup>23</sup>



<sup>21</sup> More than 20% of the populations of Afghanistan, Bangladesh, Cambodia, Myanmar, Nepal, Pakistan, and Timor-Leste lack access to electricity. World Bank. Sustainable Energy for All (SE4ALL) database. <https://datacatalog.worldbank.org/dataset/sustainable-energy-all> (accessed 12 February 2018).

<sup>22</sup> ADB estimates based on World Bank. World Development Indicators. <https://data.worldbank.org/> (accessed 1 March 2018).

<sup>23</sup> United Nations. SDG Global Indicators Database. <http://unstats.un.org/sdgs/indicators/database> (accessed 16 January 2018).

26. **Increasing connectivity.** ADB DMCs continued to invest in infrastructure to increase connectivity; however, average access to **paved roads** in ADB DMCs slipped by 0.1 kilometers (km) during 2013–2014 to about 19.3 km per 10,000 people. The rapid expansion of information and communication technology holds the potential to accelerate progress toward all 17 SDGs. As of 2016, more than 96% of the population in ADB DMCs lived in areas served by a 2G mobile network or better.<sup>24</sup> Service coverage in some Pacific and South Asian countries is relatively low, and there is sometimes a “digital divide” between those who have been able to take advantage of the benefits of information and communication technology and those who have not. Given ADB DMCs are highly vulnerable to natural hazards whose frequency and intensity is increasing due to climate change, building resilience into infrastructure delivery remains a priority.

#### 4. An Enabling Environment for Sustainable Development: Decent Work and Economic Growth (SDG 8); Peace, Justice, and Strong Institutions (SDG 16); Partnerships for the Goals (SDG 17)

27. **Doing business still getting easier.** While they have far to go to catch up with New Zealand, which tops the global index for **time to start a business** at half a day, ADB DMCs continue to improve on this indicator. Regulatory reforms undertaken to help create private sector jobs shortened the overall average from 20.8 days in 2016 to 19.8 days in 2017. It was down to 21.0 days from 21.5 days in 2017 in ADB’s concessional assistance countries. South Asian countries led the streamlining effort in 2016–2017 with the largest number of reforms.

28. **Slight growth in intraregional trade.** The share of **intraregional trade in total Asia and Pacific trade** grew from 50.7% in 2015 to 51.1% in 2016.<sup>25</sup> Intraregional trading by such large economies as the PRC’s, India’s, and Malaysia’s fell by an average of 4%, however. Total trade within the region dipped to \$3.2 trillion from \$3.3 trillion, and trade between the region and the rest of the world declined to \$6.3 trillion from \$6.5 trillion.

29. **Access to finance expanding but fragmented.** The **proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service provider** grew from 44% in 2011 to 58% in 2014 across ADB DMCs overall and from 22% to 25% in the concessional assistance countries.<sup>26</sup> In some of the region’s poorest countries, Afghanistan and Pakistan among them, more than 90% of people still have no access to banking services. Financial technology and related innovations offer new pathways for improving financial inclusion.

30. **Uneven progress on governance.** The **Governance and Public Sector Management Assessment Index** suggests that the quality of governance in many of ADB’s concessional assistance countries remains weak.<sup>27</sup> Overall, however, ADB DMCs made some headway during 2013–2016 in all of the index’s six

<sup>24</sup> ESCAP Online Statistical Database based on data from the International Telecommunication Union, 18 July 2017. ESCAP, ADB, and United Nations Development Programme. Asia Pacific SDG Partnership. <http://data.unescap.org/sgd/> (accessed 2 February 2018).

<sup>25</sup> ADB estimates based on the International Monetary Fund’s Direction of Trade Statistics dataset. International Monetary Fund. IMF Data. <http://data.imf.org/> (accessed 12 January 2018).

<sup>26</sup> No new data have been available since the 2016 DEF. ADB estimates are based on the World Bank World Development Indicators. [https://data.worldbank.org/indicator/WP\\_time\\_01.1?view=chart](https://data.worldbank.org/indicator/WP_time_01.1?view=chart) (accessed 30 January 2018).

<sup>27</sup> No new data are available from the Governance and Public Sector Management and Assessment Index, which is the official source data for Level 1 indicator 18. This is a concessional assistance country indicator and is not tracked for the DMCs overall.

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dimensions of good governance including government effectiveness, political stability and absence of violence, regulatory quality, rule of law, voice and accountability, and control of corruption.<sup>28</sup>

## 5. Protecting the Planet: Climate Action (SDG 13) and Life on Land (SDG 15)

31. **Forest cover sustained, but still under stress.** The percentage of **forest area as a proportion of total land area** rose from 22.1% in 2000 to 23.2% in 2015. Afforestation had positive results in some countries, including the PRC and India, but cover fell in several forest-rich DMCs. Timor-Leste lost 20% of its forests during the period, Cambodia 18%, and Myanmar 17%.<sup>29</sup> Fires drove up forest loss in Indonesia in 2015.<sup>30</sup> Unsustainable logging and clearing to make way for agriculture are among the main causes of deforestation, especially in Southeast Asia. Forestry regulations are often poorly enforced, and the region's rich biodiversity and ecosystems face many other threats as well. In 2016, only 30% of the areas considered ecologically important had been accorded protected status.<sup>31</sup>

32. **Carbon intensity continued to decline.** Greater energy efficiency and wider uptake of clean fuels and technologies have helped cut the DMC rate of **carbon dioxide (CO<sub>2</sub>) emission per unit of value added** from about 0.51 kilograms per \$1.00 of gross domestic product (GDP) at purchasing power parity in 2011 to 0.45 kilograms in 2014 (Figure 6).<sup>32</sup> Overall, however, the region's CO<sub>2</sub> emissions continue to grow, albeit at a slower pace since 2012. Per capita CO<sub>2</sub> emissions increased from 3.7 tons in 2011 to 3.9 tons in 2014. ADB DMCs produce about 40% of global CO<sub>2</sub> emissions.<sup>33</sup>

33. **Low-carbon transitions in the energy sector remain essential.** Fossil fuels account for more than two-thirds of the region's greenhouse gas emissions.<sup>34</sup> Climate change mitigation in the energy sector remains critical, particularly in the electricity sector. New technologies can provide cleaner power to more people at ever lower costs: for example, the costs of solar photovoltaics and onshore and offshore wind technologies continued to come down in 2016, dropping an additional 10% on average from 2015.<sup>35</sup>

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<sup>28</sup> World Bank. 2017. *Worldwide Governance Indicators*. <http://info.worldbank.org/governance/wgi/#home>.

<sup>29</sup> World Bank. World Development Indicators. <https://data.worldbank.org/data-catalog/world-development-indicators> (accessed 22 February 2018).

<sup>30</sup> World Resources Institute Global Forest Watch. 2017. *Global Tree Cover Loss Rose 51% in 2016*. [http://blog.globalforestwatch.org/data/global-tree-cover-loss-rose-51-percent-in-2016.html?utm\\_campaign=gfw\\_climate&utm\\_source=wriinsights&utm\\_medium=hyperlink&utm\\_term=naturalclimatesolutions\\_11\\_2017](http://blog.globalforestwatch.org/data/global-tree-cover-loss-rose-51-percent-in-2016.html?utm_campaign=gfw_climate&utm_source=wriinsights&utm_medium=hyperlink&utm_term=naturalclimatesolutions_11_2017) (accessed 12 December 2017).

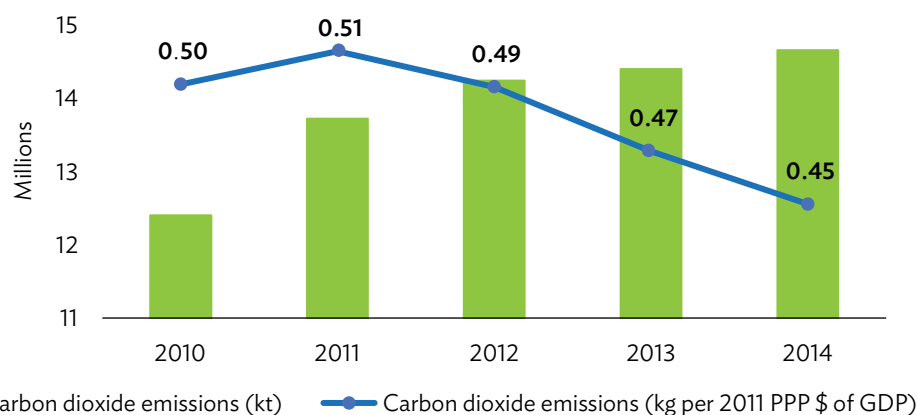
<sup>31</sup> ADB estimates are based on United Nations ESCAP Online Statistical Database. <http://data.unescap.org/sdg/> (accessed 1 February 2018).

<sup>32</sup> Purchasing power parity represents the number of currency units required to purchase the amount of goods and services equivalent to what can be bought with one unit of the currency unit of the base or reference or numeraire country. Source: World Bank. 2013. *Measuring the Real Size of the World Economy: The Framework, Methodology, and Results of the International Comparison Program—ICP*. Washington, DC.

<sup>33</sup> ADB estimates are based on World Development Indicators. <https://data.worldbank.org/data-catalog/world-development-indicators> (accessed 10 January 2018).

<sup>34</sup> ADB. 2016. *Fossil Fuel Subsidies in Asia: Trends, Impacts, and Reforms*. Manila.

<sup>35</sup> Frankfurt School, United Nations Environment Programme, and Bloomberg New Energy Finance. 2017. *Global Trends in Renewable Energy Investment 2017: Key Findings*. Frankfurt am Main.

**Figure 6: Carbon Dioxide Emissions in ADB Developing Member Countries, 2010-2014**

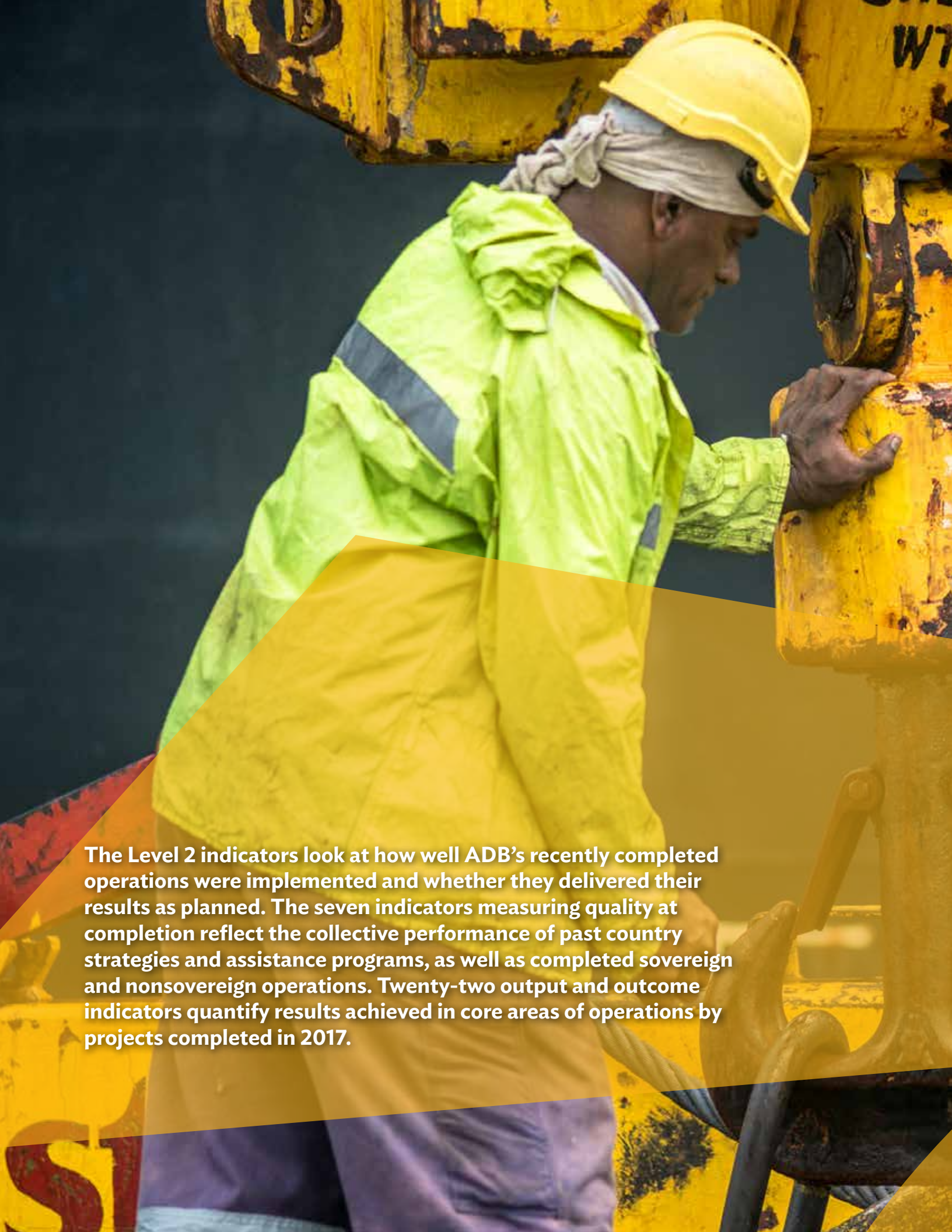
ADB = Asian Development Bank, GDP = gross domestic product, kg = kilogram, kt = kiloton, PPP = purchasing power parity.  
 Source: World Bank. World Development Indicators online database <https://data.worldbank.org/data-catalog/world-development-indicators> (accessed 1 November 2017).

34. **Increasing air and marine pollution.** The region continues to bear the health burdens of poor air quality. For instance, average air pollution in ADB DMCs is multiples above the 10.00 micrograms per cubic meter ( $\mu\text{g}/\text{m}^3$ ) level for particulate matter of less than 2.5 microns in diameter ( $\text{PM}_{2.5}$ ) recommended by the World Health Organization.<sup>36</sup>  $\text{PM}_{2.5}$  concentrations averaged 52.31  $\mu\text{g}/\text{m}^3$  in ADB DMCs overall in 2012. More than half of the 8 million tons of plastic waste dumped in the world's oceans each year comes from just five countries in Asia and the Pacific, contributing to unprecedented stress on the region's marine environments.<sup>37</sup> Only 3.6% of marine areas in DMCs, and 5.2% in the subset of concessional assistance countries, are considered protected.<sup>38</sup> Curbing pollution and improving ecosystem health are critical to achieving sustainable development in the region.

<sup>36</sup> WHO recommends reducing the  $\text{PM}_{2.5}$  level to 10  $\mu\text{g}/\text{m}^3$  to reduce the higher rates of premature mortality and other adverse health outcomes observed from long-term exposure to higher levels. (WHO. 2006. *WHO Air Quality Guidelines for Particulate Matter, Ozone, Nitrogen Dioxide and Sulfur Dioxide: Global Update: Summary of Risk Assessment*. Geneva.) ADB estimates are based on the ESCAP Online Statistical Database based on data from the UN Statistics Division SDG Global Database and WHO. <http://data.unescap.org/sdg/> (accessed 1 February 2018).

<sup>37</sup> ESCAP and United Nations Environment Programme. 2017. *Towards a Resource-Efficient and Pollution-Free Asia-Pacific Region*. [http://apministerialenv.org/document/MCED\\_UNEP\\_INF2E.pdf](http://apministerialenv.org/document/MCED_UNEP_INF2E.pdf).

<sup>38</sup> ADB estimates are based on the ESCAP Online Statistical Database. <http://data.unescap.org/sdg/> (accessed 1 February 2018).

A construction worker wearing a yellow safety jacket with reflective stripes, a yellow hard hat, and a white headscarf is focused on a task. He is standing on a yellow piece of heavy machinery, possibly a crane or excavator, with his hands on a component. The background is dark and out of focus. A semi-transparent yellow and orange graphic overlay is positioned in the lower-left quadrant, containing text.

**The Level 2 indicators look at how well ADB's recently completed operations were implemented and whether they delivered their results as planned. The seven indicators measuring quality at completion reflect the collective performance of past country strategies and assistance programs, as well as completed sovereign and nonsovereign operations. Twenty-two output and outcome indicators quantify results achieved in core areas of operations by projects completed in 2017.**



A dockworker wearing a yellow hard hat and a high-visibility yellow and blue vest is working on a yellow crane. The worker is looking down at a large metal ring or pulley on the crane. The background is a blurred industrial setting. The image is overlaid with a large yellow geometric shape on the right side.

# LEVEL 2 ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

Dockworkers at the main container and multipurpose port facility in Suva, Fiji.

# LEVEL 2: ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

## A. Quality at Completion

### *Country assistance programs successfully completed*

#### 1. Country Strategies and Assistance Programs

35. **Country assistance program success rates slightly lower.** Of 16 completed country strategies and assistance programs evaluated by ADB's Independent Evaluation Department (IED) in 2015–2017, 11 (69%) were rated *successful*. This was down slightly from the 71% recorded in the 2014–2016 baseline period and shows that performance needs to improve to meet the target of 80% of **completed country strategies and assistance programs rated successful** by 2020.

36. **Infrastructure, private sector, and gender equity success in India.** ADB's successful 2007–2015 country program in India delivered strong private and public sector results.<sup>39</sup> Nine transport projects improved connectivity and access to markets and services, particularly in less-developed states and remote areas. They made it easier for villagers to travel, transport goods, and seek income opportunities through trade or employment, as well as for women to visit health centers and girls to go to school. The program emphasized inclusive growth. The percentage of projects undertaken with gender equity as a theme or effective gender mainstreaming increased steadily from 18% in 2007–2010 to 46% in 2011–2015. Power transmission capacity was boosted to meet growing electricity demand in Madhya Pradesh State. The program worked to ensure sustainability by using performance-based contracts and building the capacity of local institutions in transport and energy sector operations. Water supply and other public service interventions were designed to ensure that the poor and the better-off would have equitable shares of the increased access provided in urban areas. Nonsovereign operations bolstered private sector development, increased green energy production capacity, promoted financial inclusion, and introduced innovations in housing finance.

37. **Infrastructure rehabilitation and education advances in Sri Lanka.** The successful 2006–2015 country program in Sri Lanka focused on rehabilitating infrastructure and expanding services, including education in areas affected by conflict, the 2004 Indian Ocean tsunami, and lagging development.<sup>40</sup> Transport operations constituted the majority of the portfolio, and a series of successful road projects helped lift Sri Lanka's score on the global Logistics Performance Index by 13% during 2007–2014. Capacity was created in the country's education system to respond to the demand of the labor market in an equitable manner, and ADB operations helped set new standards for public–private partnerships (PPPs) in education. Multisector community projects restored access to social and economic services and opportunities for more than 750,000 households in conflict- and disaster-affected regions, generating health benefits and better living conditions for all and greater social and economic power for women.

<sup>39</sup> IED. 2017. *Country Assistance Program Evaluation: India, 2007–2015*. Manila: ADB.

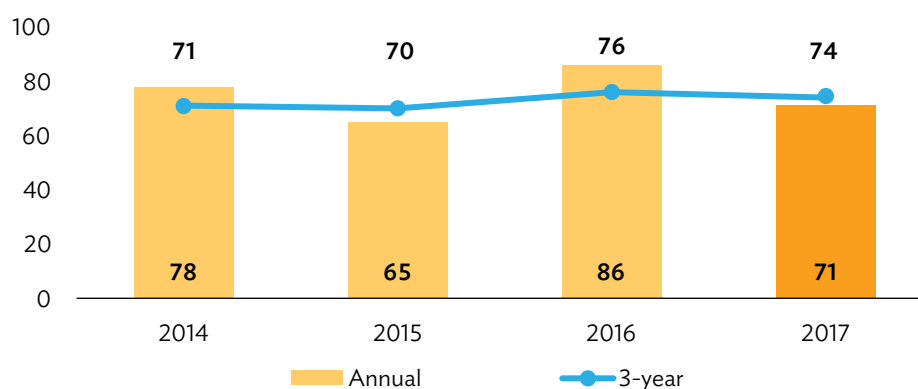
<sup>40</sup> IED. 2016. *Country Assistance Program Evaluation: Sri Lanka, 2006–2015*. Manila: ADB.

38. All the country programs reviewed during 2017 were assessed as relevant to country-specific development strategies. Three (in India, Kazakhstan, and Sri Lanka) were rated *successful* overall. Two (in Afghanistan and Mongolia) were rated *less than successful*. The common challenges in the five programs, particularly those rated *less than successful*, related to their performance on efficiency criteria and the likelihood that project outcomes could be sustained in difficult institutional and policy environments.

## 2. Sovereign Operations

39. Of the 153 completed sovereign projects and policy-based operations evaluated by IED in 2015–2017, 74% were rated *successful*, down from 76% during the 2014–2016 baseline period (Figure 7).<sup>41</sup>The annual success rate dipped to 71% in 2017 from 86% in 2016, its highest level ever.

**Figure 7: Success Rates of Completed ADB Sovereign Operations, 2014–2017 (%)**



ADB = Asian Development Bank.

Notes:

1. The reporting year is based on the circulation dates of project and program completion reports (PCRs) and ends on 30 June, e.g., the 2017 reporting year is 1 July 2016–30 June 2017.
2. The success rates are based on ratings by ADB's Independent Evaluation Department (IED) in PCR validation reports or project performance evaluation reports.

Source: ADB (regional departments and IED).

40. Five sectors accounting for 64% of the total operations reviewed in 2015–2017 suffered declines in success rates since the baseline period. The drops were in education (24 percentage points); agriculture, natural resources, and rural development (7 percentage points); water and other urban infrastructure and services (5 percentage points); health (2 percentage points); and transport (1 percentage point).

<sup>41</sup> Of the 172 project and program completion reports (PCRs) circulated during reporting years 2015–2017, 153 (89%) were validated by IED. Since reporting year 2017, IED's target has been to validate 100% of PCRs. The DefR scorecard covers rolling 3-year periods. Reflecting the time required for IED to validate a PCR, the reporting years for Level 2 Quality at Completion indicators (1–7) are 1 July–30 June, e.g., the 2017 reporting year ends on 30 June 2017. The results for indicators 1–7 shown for 2015–2017 are based on PCRs circulated from 1 July 2014 to 30 June 2017.

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## a. Success of Sovereign Projects

41. The proportion of **completed sovereign projects rated successful** during 2015–2017 was 75% for both ADB overall (88 of 118 projects) and the concessional assistance subset (53 of 71 projects), down 3 percentage points from the 2014–2016 baselines.<sup>42</sup>

42. **Performance declines in important sectors.** Performance declined in five sectors that accounted for 80% of the projects reviewed in 2015–2017. The success rates slipped by 20 percentage points in education (para. 45); 6 in agriculture, natural resources, and rural development; 4 in water and other urban infrastructure and services; 3 in health, and 2 in transport (Figure 8). Some agriculture projects fell short on results delivery (effectiveness) and sustainability. Efficiency and sustainability were problem areas in several urban water supply and sewerage projects and in the underperforming road projects that made up most of the transport operations rated *unsuccessful* or *less than successful* (para. 55). Common causes of project delays reduced the economic and social rates of return on these projects, lowering their efficiency ratings (para. 48).

43. **Targets met in half of sectors, with increase in finance performance.** The 5 of ADB’s 10 operations sectors that met or surpassed the 80% success target for the 2015–2017 review period were industry and trade (100%), public sector management (PSM) (100%), energy (93%), health (80%), and education (80%) (Figure 8). One high-performing finance sector development project reviewed in 2017 pulled the success rate of the finance sector up by 17 percentage points from the preceding period to 67%.

44. **Sovereign energy performance strong and steady.** Energy operations sustained their stable record of high performance with a success rate of 93% in 2015–2017. Half of the successful projects involved the transmission and distribution of electricity. Strong project governance led to efficient execution and results in a successful concessional assistance project to develop and operate a transmission link between Bangladesh and India.<sup>43</sup> The operation’s steering committee was headed jointly by each country’s power secretary. Coordination through a binational working group kept design and implementation on time. Benefits are expected to be sustained due to capacity building undertaken at the operating agency. The project should spur economic growth by easing an energy shortage in Bangladesh, and it has freed up public resources by reducing the government’s need to buy power. An institutional mechanism was set up under the project for a regional power market. This has led to more discussions between the two developing member countries (DMCs) on greater economic cooperation.

45. **Successes down in still strongly performing education sector.** The latest 3-year results in the education sector were heavily impacted by ratings of *less than successful* for three of the five operations validated in 2017. The resulting 20-percentage-point decline to an 80% success rate was the largest downturn in this development effectiveness review (DEfR) period and followed 100% success in the three previous reviews. The main issues were weak sustainability and design. Two *less than successful* operations were in the education sector development subsector and one was in technical and vocational education and training (TVET). Although aligned with DMC priorities, the projects scored poorly on the relevance criteria due to designs deemed too ambitious to implement with existing DMC capacity, or incapable in practice of achieving the project’s intended outcomes.<sup>44</sup>

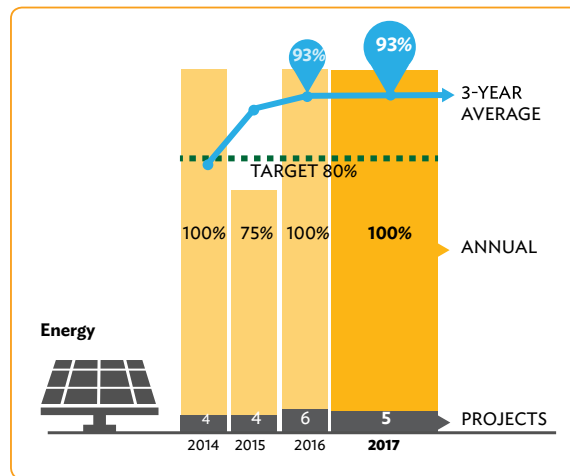
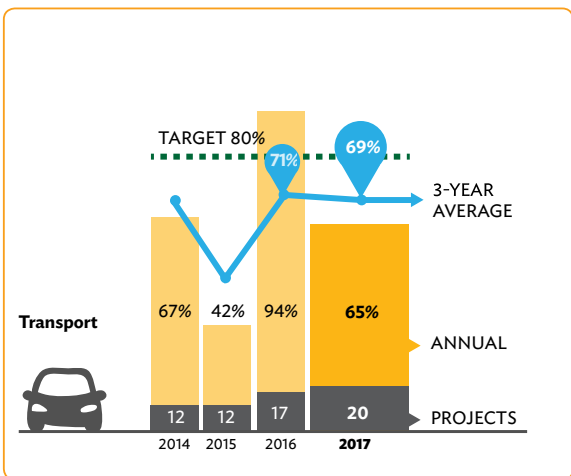
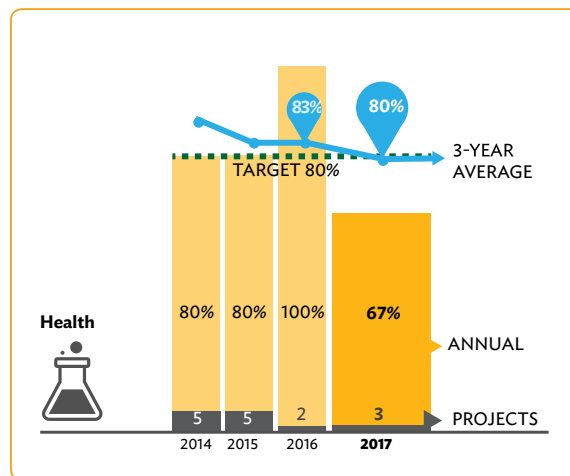
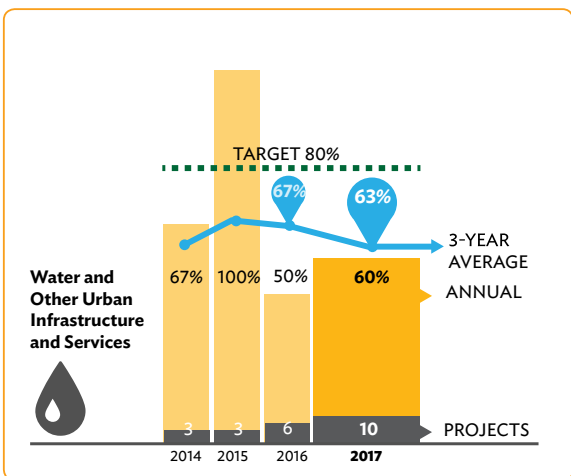
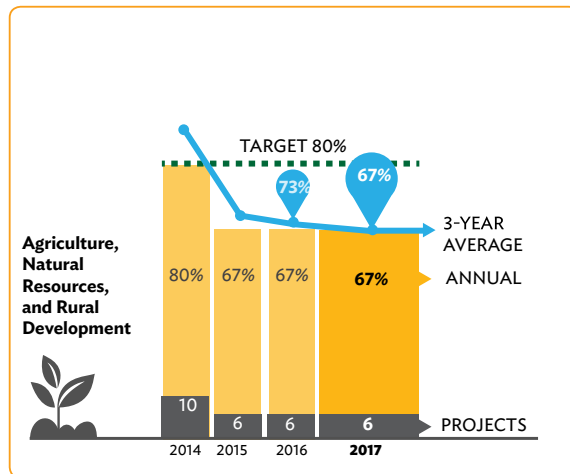
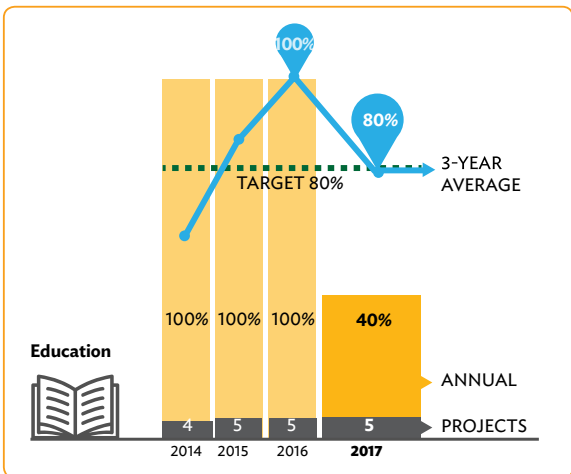
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<sup>42</sup> The concessional assistance subset refers to operations financed by concessional ordinary capital resources (OCR) loans and Asian Development Fund (ADF) grants.

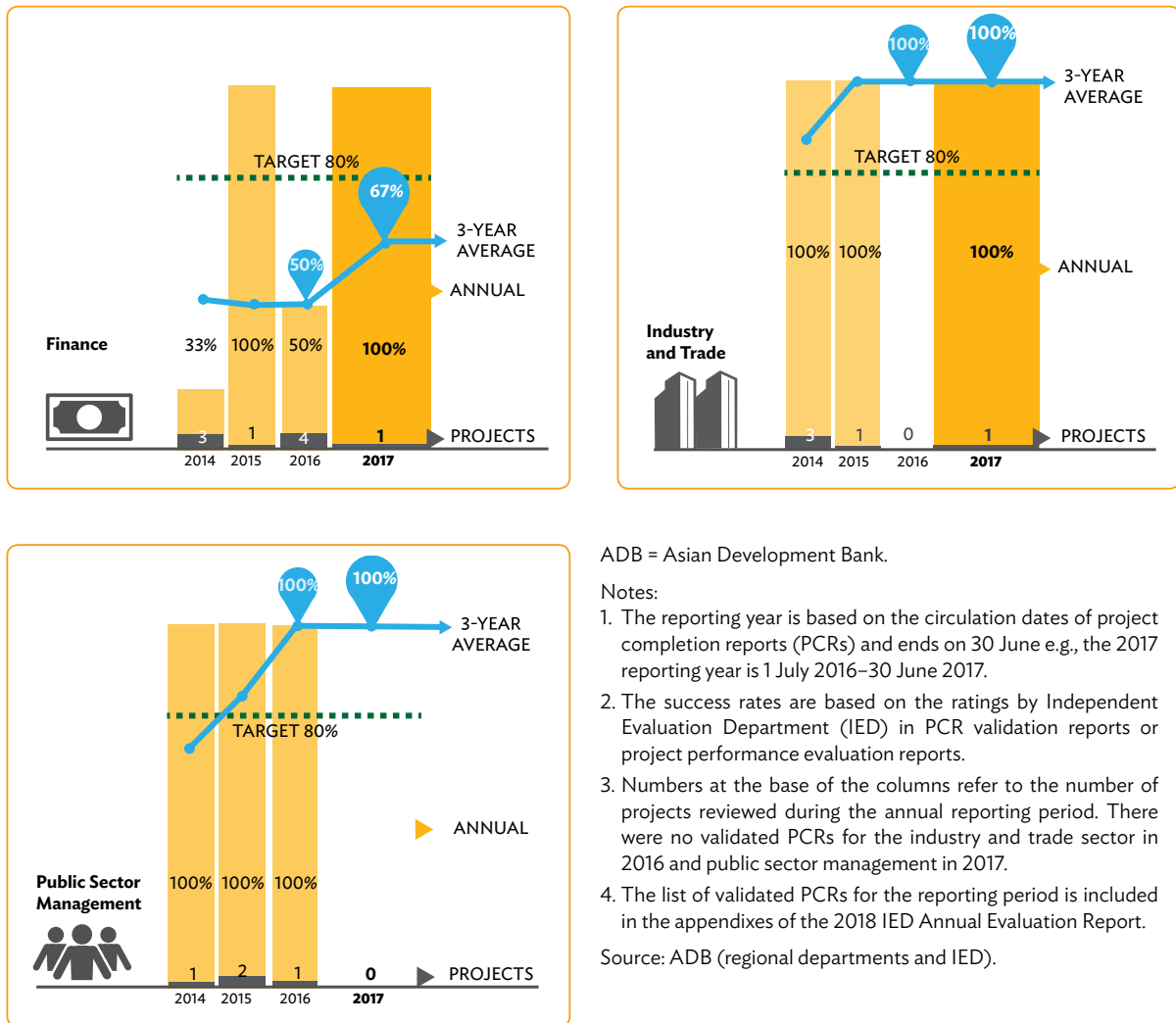
<sup>43</sup> ADB. 2016. *Completion Report: Bangladesh–India Electrical Grid Interconnection Project in Bangladesh*. Manila; and IED. 2017. *Validation Report: Bangladesh–India Electrical Grid Interconnection Project in Bangladesh*. Manila: ADB.

<sup>44</sup> IED. 2017. *Validation Report: Education Sector Project II in Samoa*. Manila: ADB; IED. 2017. *Validation Report: Education for Knowledge Society Project in Sri Lanka*. Manila: ADB; and IED. 2017. *Validation Report: Thanh Hoa City Comprehensive Socioeconomic Development Project in Viet Nam*. Manila: ADB.

Figure 8: Success Rates of Completed ADB Sovereign Projects by Sector, 2014–2017



**Figure 8: Success Rates of Completed ADB Sovereign Projects by Sector, 2014–2017**  
(continued)



ADB = Asian Development Bank.

Notes:

1. The reporting year is based on the circulation dates of project completion reports (PCRs) and ends on 30 June e.g., the 2017 reporting year is 1 July 2016–30 June 2017.
2. The success rates are based on the ratings by Independent Evaluation Department (IED) in PCR validation reports or project performance evaluation reports.
3. Numbers at the base of the columns refer to the number of projects reviewed during the annual reporting period. There were no validated PCRs for the industry and trade sector in 2016 and public sector management in 2017.
4. The list of validated PCRs for the reporting period is included in the appendixes of the 2018 IED Annual Evaluation Report.

Source: ADB (regional departments and IED).

46. **Sovereign performance challenged by design, procurement, and contractor issues.** Design flaws disrupted the implementation of 25 of the 30 sovereign projects rated *less than successful* or *unsuccessful* in 2015–2017. Slow procurement and poor contractor and/or consultant performance significantly delayed 22, and 18 encountered difficulties because their executing agencies lacked management capacity (Table 1).

**Table 1: Reasons for Less than Successful or Unsuccessful Ratings in ADB Sovereign Projects, 2015–2017**

Reasons Cited	Projects Affected (%)
1. Project design flaws or inappropriate engineering design	83
2. Slow procurement and poor performance by contractors	73
3. Inadequate project management and procurement capacity in government	60
4. Delayed government or ADB approvals, including lengthy country and ADB procedures	47
5. Insufficient project monitoring and supervision	37
6. Land acquisition and resettlement issues	30
7. Insufficient or delayed counterpart funds	13

ADB = Asian Development Bank.

Notes:

1. The percentages reflect the number of underperforming sovereign projects whose project completion reports (PCRs), PCR validation reports, or project performance evaluation reports cited a particular problem as a reason for its overall rating of *less than successful* or *unsuccessful*. A PCR or PCR validation report may cite more than one reason.
2. Analysis is based on PCRs reviewed by the Independent Evaluation Department (IED). The PCRs were circulated during reporting years 2015–2017.

Source: ADB (regional departments; IED; and Strategy, Policy and Review Department).

### b. On-Budget and On-Time Completion of Sovereign Projects

47. **Budgets often met.** About 72% of 118 sovereign projects (85) covered in this reporting period were completed on budget. Most of these (89%) were also rated *successful*. More than half (52%) of the 33 sovereign projects with cost overruns had to reduce their original output targets. The other 48% requested additional funding to complete the original project scope in full. The main causes of cost overruns were price escalation for civil works, labor, and materials due to delays in implementation; higher costs than estimated during project design; design changes during implementation; and foreign exchange differentials.

48. **Frequent delays due to procurement issues and scope and design changes.** Only 36% of sovereign projects reviewed in 2015–2017 were finished on time (i.e., early or within 1 year of the target end date). The planned implementation period averaged 5.4 years; actual implementation took an average of 7.2. On average, projects delayed by more than 12 months were eventually finished with a 2.8-year lag. Delay in procuring construction works was the most common problem. Changes in project designs and scope and issues around land acquisition and resettlement were others. It often took too long to recruit and mobilize consultants and establish project implementation units. This put operations behind schedule from start-up. Additional delays arose when a project's implementation staff lacked capacity and familiarity with ADB and government procedures (Table 2).

49. **Solid planning and management keys to improving road project success.** The only sovereign project awarded the top rating of *highly successful* during 2015–2017 contained several of the key ingredients of operational success and timeliness. Strong commitment, planning, and procurement and management capacity at the executing and implementing agencies in Yunnan Province led to quality works and on-time, on-budget completion in an integrated road network project in the People's Republic of China (PRC).<sup>45</sup>

<sup>45</sup> ADB. 2017. *Completion Report: Yunnan Integrated Road Network Development Project in the People's Republic of China*. Manila; and IED. 2017. *Validation Report: Yunnan Integrated Road Network Development Project in the People's Republic of China*. Manila: ADB.

**Table 2: Reasons for Delays in ADB Sovereign Projects, 2015–2017**

Reasons Cited	Projects Affected (%)
<b>Start-up</b>	
1. Slow consultant recruitment and mobilization	49
2. Slow establishment of project implementation units; inadequate capacity of project management staff	43
3. Lack of familiarity with ADB procedures; lengthy domestic procedures	34
4. Slow disbursement of counterpart funds	17
<b>Implementation</b>	
5. Delays in procurement of construction works	64
6. Changes in project design and scope of implementation	45
7. Land acquisition and resettlement issues	36
8. Poor performance of contractors and consultants	34
9. Other factors (security and political conditions)	23

ADB = Asian Development Bank.

Note: Based on projects rated *successful* and *less than successful* that encountered a delay of more than 2 years. More than one reason may be reported per project.

Source: ADB (regional departments; Independent Evaluation Department; and Strategy, Policy and Review Department).

### c. Policy-Based Operations

50. The proportion of **completed sovereign policy-based operations rated successful** was unchanged in 2015–2017 from the baseline period: 74% for the operations overall (31 of 42 projects), and 77% for the concessional assistance subset (23 of 30 projects).

51. **2020 success target met in four sectors.** The success rates of policy-based operations in PSM and finance rose marginally in 2015–2017 (Figure 9). These two sectors accounted for 62% of the operations and 74% of those rated *successful*, mostly in the areas of public expenditure and fiscal management, economic affairs management, and finance sector development. The two large sectors were still marginally short of the 2020 success target of 80%, but four others met or exceeded it. The strong success ratios in energy (100%), industry and trade (100%), transport (100%), and education (80%) were the product of appropriate design, strong government commitment and ownership, and adequate institutional and staff capacity. Programs in these sectors provided technical assistance (TA) to deal with capacity weakness whenever it existed.

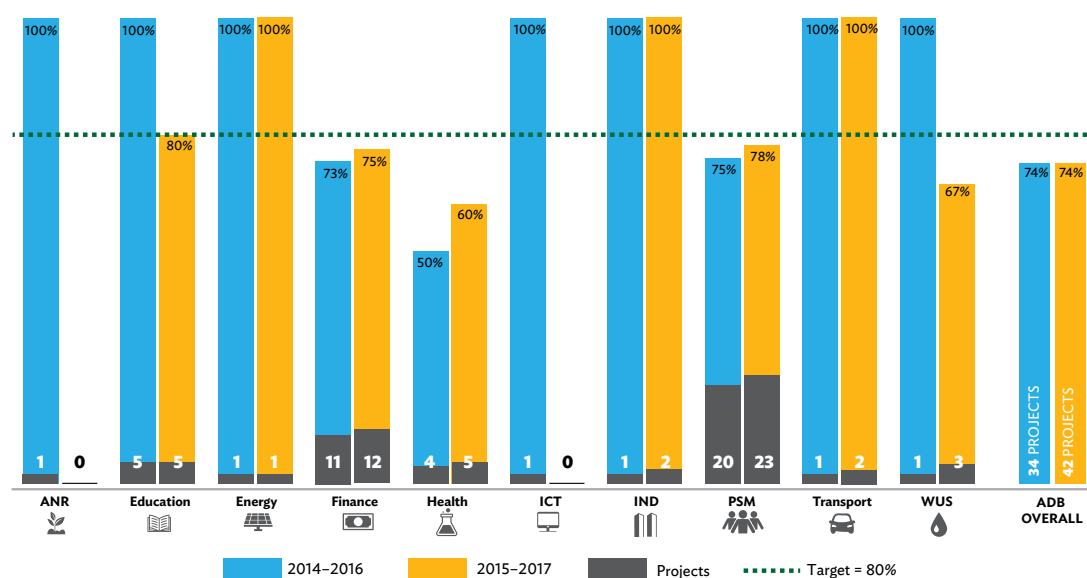
52. **Design and capacity issues in two sectors.** A successful operation in Indonesia in 2017 boosted the health sector success rate to a still-low 60%. The rate for the water and other urban infrastructure and services sector fell to 67% due to a *less than successful* operation in Palau in 2017.<sup>46</sup> The program designs of underperforming policy-based loan operations in these sectors were often overly ambitious, and institutional and staff capacity was not strong enough to deliver the required reforms and desired outcomes on time.<sup>47</sup>

<sup>46</sup> IED. 2017. *Validation Report: Poverty Reduction and Millennium Development Goals Acceleration Program in Indonesia*. Manila: ADB; and IED. 2017. *Validation Report: Water Sector Improvement Program in Palau*. Manila: ADB.

<sup>47</sup> IED. 2015. *Validation Report: Health Sector Development Program in the Republic of the Philippines*. Manila: ADB; and IED. 2015. *Validation Report: Punjab Millennium Development Goals Program in Pakistan*. Manila: ADB.



Figure 9: Success Rates of Completed ADB Policy-Based Sovereign Operations by Sector, 2014–2017



ADB = Asian Development Bank; ANR = agriculture, natural resources, and rural development; ICT = information and communication technology; IND = industry and trade; PSM = public sector management; WUS = water and other urban infrastructure and services.

Notes:

1. The reporting year is based on the circulation dates of project completion reports (PCRs) and ends on 30 June, e.g., 2015–2017 refers to 1 July 2014–30 June 2017.
2. The success rates are based on ratings by ADB's Independent Evaluation Department (IED) in PCR validation reports or project performance evaluation reports.
3. Numbers at the base of the columns refer to the number of policy-based loans reviewed during the reporting period. There were no validated PCRs for the ANR and ICT sectors in 2015–2017.

Source: ADB (regional departments; IED; and Strategy, Policy and Review Department).

53. **Policy-based success through strong design.** The complexity of issues affecting the rural finance system were addressed through the cluster approach taken by a successful policy-based program in Nepal.<sup>48</sup> The design provided for a series of sequenced reforms. While institutional capacity was strengthened, these reforms gradually created a more favorable policy, legal, and regulatory environment. The government's commitment and ownership were firm. The rural finance system is now sounder and more inclusive. In an example of its wider reach, 169 new cooperatives are providing microcredit in hill and mountain areas, and more rural women and men have opened accounts at their local banks. The program also improved case processing by Nepal's debt recovery tribunal and helped make the country's largest rural financial institution a more viable, efficient financial intermediary.

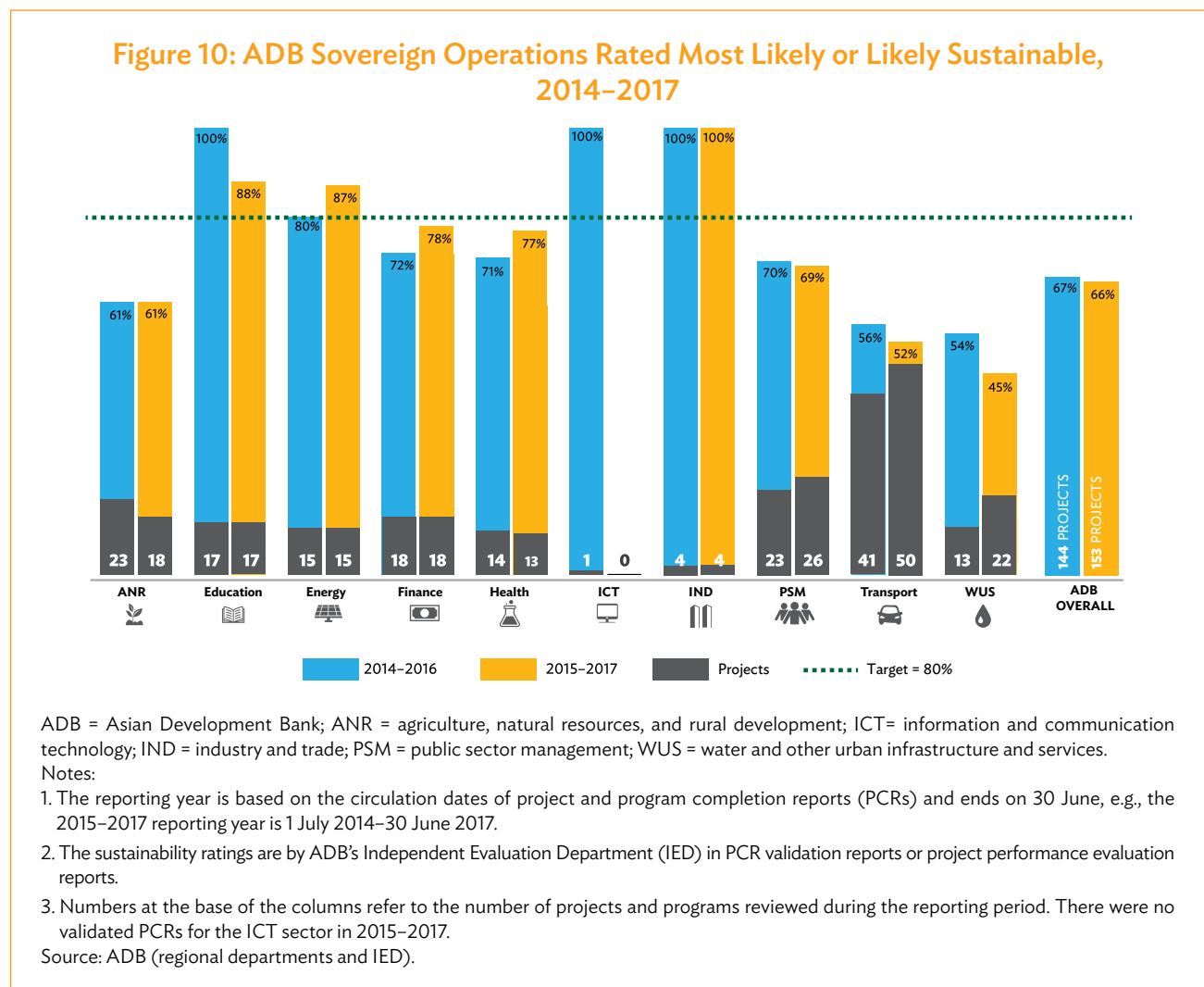
#### d. Sustainability of Operations

54. **Sustainability an ongoing challenge.** The share of **completed sovereign operations rated likely sustainable** remained low at 66% in 2015–2017, a small drop from 67% in 2014–2016 and still well short of

<sup>48</sup> ADB. 2016. *Completion Report: Rural Finance Sector Development Cluster Program (Subprogram 2) in Nepal*. Manila; and IED. 2017. *Validation Report: Rural Finance Sector Development Cluster Program (Subprogram 2) in Nepal*. Manila: ADB.

the 2020 target of 80%.<sup>49</sup> The sustainability rate in operations financed by concessional assistance edged up 1 percentage point to 61%.

55. **Persistent issues in some sectors.** A few major sectors have faced more sustainability obstacles than others and act as a drag on ADB’s overall performance rates (Figure 10). Sustainability ratings were highest in industry and trade (100%), energy (87%), and education (88%, despite a 12-percentage-point drop). Performance improved in energy, finance, and health. The lowest scores and biggest challenges were in PSM, with a sustainability rate of 69%; agriculture, natural resources, and rural development (61%); transport (52%); and water and other urban infrastructure and services (45%). The main barriers to the likely sustainability of the outcomes achieved by ADB’s PSM operations are uncertainties about government commitments and capacity to sustain reforms. Similarly, uncertainty about sustainability is a common issue with projects in three other sectors: transport; water and other urban infrastructure and services; and agriculture, natural resources, and rural development. In these, sustainability concerns included whether sufficient capacity and financing exists for the proper long-term operation and maintenance of the delivered outputs.

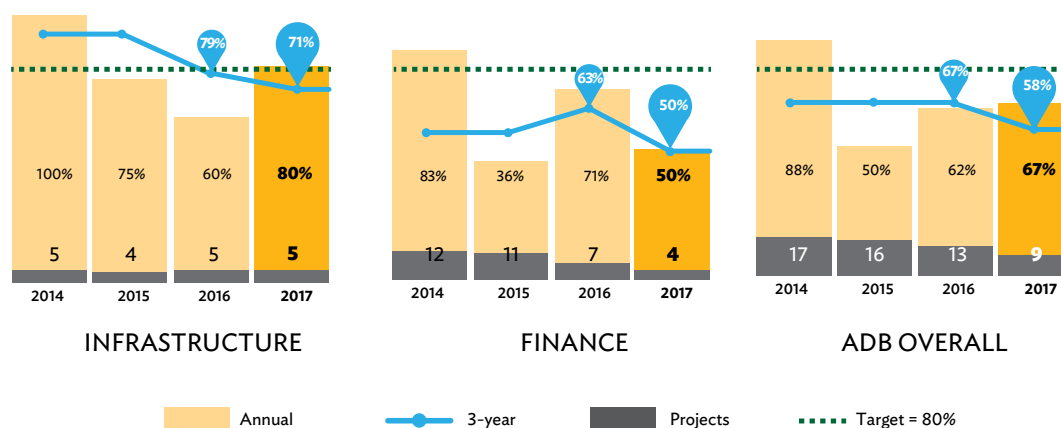


<sup>49</sup> Sustainability assesses the likelihood that sufficient institutional, financial, and other resources are in place to sustain the operation’s outcomes and outputs over its economic life in an environmentally and socially sustainable way.

### 3. Nonsovereign Operations

56. **Declining performance.** Despite a year-on-year performance improvement over the course of 2015–2017, the portion of **completed nonsovereign operations rated successful** as a 3-year average declined to 58% in 2015–2017 from 67% during the previous reporting period, pulling performance further away from the 2020 target of 80% (Figure 11). Many projects covered date back to the early years of ADB's nonsovereign portfolio. Of the 38 operations completed in the reporting period, more than half (20 projects) were approved during or before 2007.

Figure 11: Success Rates of Completed ADB Nonsovereign Operations, 2014–2017



ADB= Asian Development Bank.

Notes:

1. The reporting year is based on the circulation dates of extended annual review reports (XARRs) and ends on 30 June. e.g., the 2017 reporting year is 1 July 2016–30 June 2017.
2. The success rates are based on the ratings by ADB's Independent Evaluation Department (IED) in XARR validation reports or project performance evaluation reports.
3. The infrastructure aggregate includes energy, transport, water and other urban infrastructure services, and information and communication technology. Only two projects evaluated during reporting years 2014–2017 were in the category of Other Sectors, which include health and education projects not shown separately in the graph.
4. Numbers at the base of the columns are the number of projects reviewed during the reporting period.

Source: ADB (IED).

57. The success rate for finance sector projects, which constituted 58% of the 38 operations reviewed during 2015–2017, dropped by 13 percentage points.<sup>50</sup> The rate was down 8 percentage points in the infrastructure sector, which included 14 projects. The two remaining nonsovereign operations were in education (*successful*) and health (*unsuccessful*).

58. **Finance sector performance still affected by global crisis.** The nonsovereign operations assessed during the 2015–2017 reporting years included the highest proportion to date of finance sector projects approved during 2006–2009 and thus impacted by the 2008–2009 global financial crisis. Half of the

<sup>50</sup> Finance sector operations reviewed in 2015–2017 included infrastructure funds; trade, housing, and small and medium-sized enterprise (SME) finance; equity investments; a guarantee facility; and support to bank and nonbank financial institutions.

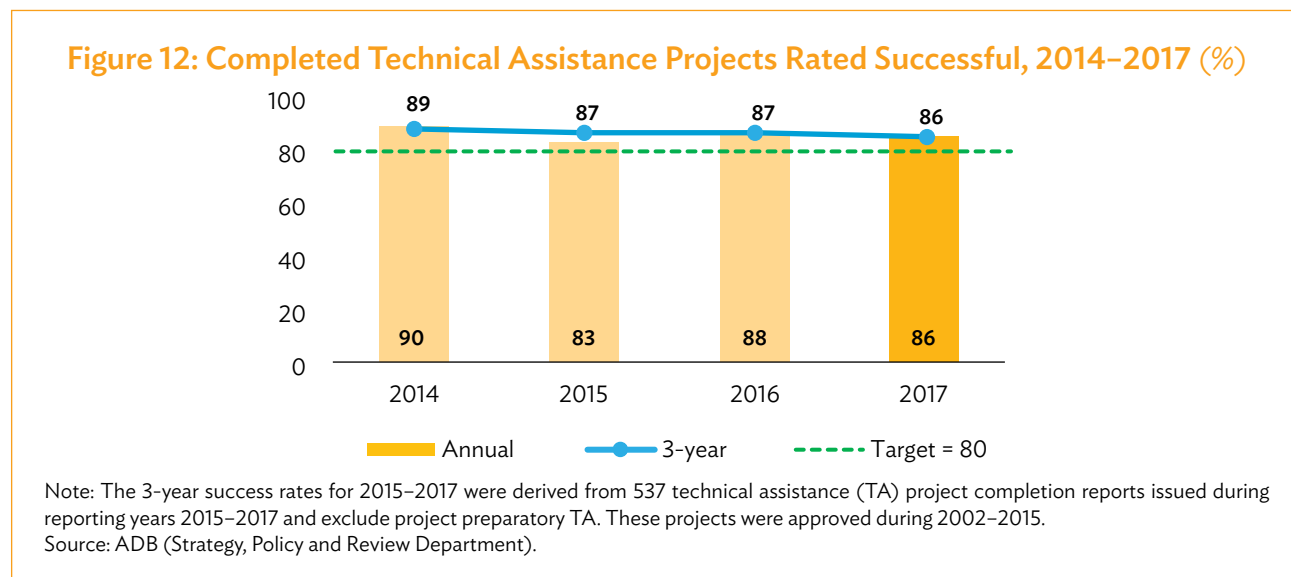
nonsovereign operations in the reporting period that were rated *unsuccessful* fall into this category. Equity fund projects were particularly affected by such crisis-related conditions as a lack of viable investment projects, poor performance by investee companies, and a troubled economic and political climate that made mobilizing investments difficult. However, subpar fund performance was also due to factors unrelated to the crisis, such as the assignment of fund managers who lacked experience in the region’s lending business. Common challenges faced by other types of finance projects included design flaws, poor performance of investee companies, and shortfalls in the extent to which ADB financing actually supported private sector development.

59. **Viability of wind power demonstrated in Thailand.** Among the successful infrastructure operations was a project that demonstrated the viability of utility-scale wind power farms in Thailand.<sup>51</sup> ADB’s investment proved catalytic in building private investor confidence in such projects and has led to larger private sector replications in the country, including an 81-megawatt (MW) wind farm. A second wind power farm with a capacity of 256 MW is now under development.

60. **Financial services made more inclusive in Armenia.** Successful finance sector operations encouraged inclusive development by giving underserved households and small and medium-sized enterprises (SMEs) easier access to finance and banking. Among these was a project in Armenia that increased a private bank’s microenterprise lending in Armenia’s countryside.<sup>52</sup> SME loans have now grown to almost 60% of the bank’s portfolio, and an extension of its branch and ATM network is delivering new banking services to rural communities.

## 4. Technical Assistance

61. **Technical assistance targets surpassed again.** The share of **completed TA projects rated successful** declined by 1 percentage point to 86% in this reporting period (Figure 12). The concessional assistance project rate was down 2 percentage points to 85%, but both rates exceeded the 80% target.



<sup>51</sup> IED. 2017. *Validation Report: Theppana Wind Power Project in Thailand*. Manila: ADB.

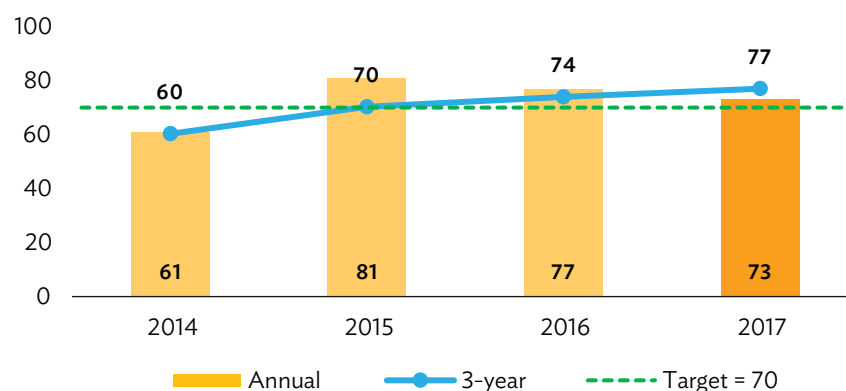
<sup>52</sup> IED. 2017. *Validation Report: Small and Medium-Sized Enterprise Finance Program (ACBA Credit Agricole) in Armenia*. Manila: ADB.

62. **Success variable across sectors.** Higher TA success rates in education, finance, transport, and PSM were offset by lower rates in other sectors. Underperforming TA operations encountered implementation setbacks. Factors included unexpected political change, human resources constraints, poor-quality inputs from consultants, weak executing agency capacity, and overly complex arrangements.

## 5. Gender Equality Results

63. **Gender target met.** The proportion of **completed sovereign operations delivering intended gender equality results** rose to 77% during 2015–2017 from 74% in 2014–2016 (Figure 13). Although this was well above the 70% target, there was a decrease in annual success rates to 73% in 2017 from 77% in 2016 and 81% in 2015.

**Figure 13: Completed Sovereign Operations that Delivered Intended Gender Equality Results, 2014–2017 (%)**



Notes:

1. The reporting year is based on the circulation dates of project and/or program completion reports and ends on 30 June, e.g., 2017 refers to 1 July 2016–30 June 2017.
2. The percentages are based on the number of completed sovereign operations that were categorized as gender equity theme or effective gender mainstreaming by the Asian Development Bank (ADB) and achieved the gender equality results targeted by their gender actions plans and project and program design and monitoring frameworks.

Source: ADB (regional departments and Sustainable Development and Climate Change Department).

64. **Broad-based benefits for women.** Facilities built or upgraded through successful gender-themed ADB projects provided women with health services they had previously gone without. Other projects established technical and vocational education and training (TVET) courses and created employment opportunities for hundreds of thousands of women looking for decent jobs. TA attached to finance sector development operations expanded the credit services available to female farmers and women starting or expanding small businesses, by helping microfinance institutions and rural development banks introduce products targeted to their needs. ADB TA also worked to strengthen the financial and legal literacy of potential female borrowers. Some operations helped developing member countries (DMCs) foster greater gender equity in their societies and bring about such systemic change as gender-responsive government budgeting and more legal rights and justice for women.

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65. **Higher living standards through improved water and sanitation.** A water supply and sanitation project in Uzbekistan freed women and girls from the daily drudgery of fetching water.<sup>53</sup> They now use the time saved—including time previously spent caring for those ill with waterborne diseases—for schooling, earning additional income for their families, and leisure activities.

66. **Expanding opportunities for women through tourism.** A sustainable tourism development operation provided training and activities to strengthen the voice, agency, skills, and economic opportunities of 32,000 women in the Lao People’s Democratic Republic and Viet Nam.<sup>54</sup> The project organized conferences for policy makers and entrepreneurs in both countries to explore the best ways to reduce poverty and empower women through tourism. About 72,000 people benefited directly and 288,000 indirectly from new jobs and economic opportunities, improved transport services, better recreation services, and more local involvement in tourism planning and management. More than half the beneficiaries were women, and they now hold 75% of the tourism jobs in the project areas. Many have lifted themselves from poverty by starting micro and small enterprises in the sector or working in hotels, guesthouses, and other tourism businesses.

## 6. Impact Evaluation Studies

67. ADB completed 15 impact studies in 2014–2017 to establish empirical evidence of what has worked well in its operations and what has not. The studies covered completed interventions in nine countries and the education, health, water supply, energy, and transport sectors. Four studies were completed in 2017, including two using experimental approaches. Six new studies were started during the year, adding to the 10 still under way.

68. **Increased empowerment and earnings for women in rural India.** An impact study completed in 2017 identified the positive results of an ADB TA project delivered alongside an ADB energy sector operation in India’s Madhya Pradesh State.<sup>55</sup> A total of 20,729 female self-help group members benefited from TA-delivered knowledge and skills training meant to help them take advantage of the business opportunities opened up by the ADB-supported power supply expansion. The per capita income of women micro-entrepreneurs from poor households rose, and their propensity to save increased.<sup>56</sup> Household access to reliable electricity made household chores normally carried out by women, such as cooking, easier and faster. The TA project trained female householders in the correct use of electrical appliances, and they had fewer injuries later than those who were not. The study also found that women had been empowered by participating in the project and had gained a greater say in household decision-making.

69. Two of the studies completed in 2017 analyzed the results and outcomes of completed ADB operations. One attributed improved learning outcomes for junior secondary school students in Bhutan to the use of an e-learning tool for mathematics. The other established a baseline for measuring the poverty reduction impact of ADB’s rural road investments in the People’s Republic of China (PRC).

70. ADB published *Impact Evaluation of Development Interventions: A Practical Guide* in 2017, part of its ongoing efforts to provide ADB staff, development partners, and applied researchers with the knowledge

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<sup>53</sup> ADB. 2016. *Completion Report: Surkhandarya Water Supply and Sanitation Project in Uzbekistan*. Manila.

<sup>54</sup> ADB. 2017. *Completion Report: Greater Mekong Subregion: Sustainable Tourism Development Project in Lao People’s Democratic Republic and Viet Nam*. Manila.

<sup>55</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility and Technical Assistance Grant: India: Madhya Pradesh Energy Efficiency Improvement Investment Program*. Manila.

<sup>56</sup> PricewaterhouseCoopers. 2017. *Final Impact Evaluation report under the project “TA 8332-REG: Developing Impact Evaluation Methodologies, Approaches, and Capacities in Selected Developing Member Countries (Subproject 1) for the Project “TA-7831: Enhancing Energy-based Livelihoods for Women Micro-entrepreneurs.”* April 2017.

resources, guidance, and good practices needed to plan, design, manage, and carry out quality impact evaluations.<sup>57</sup>

## B. Core Operational Results

### *Results in Strategy 2020 core operational areas achieved*

71. The results framework's 23 Level 2 output and outcome indicators measure the extent to which completed projects delivered on their results targets in ADB's core areas of operations. Of the 65 project completion reports (PCRs) and 11 extended annual review reports circulated in 2017, 70% provided data on the targeted results for 22 indicators.<sup>58</sup> They covered 45 sovereign and 8 nonsovereign operations.

72. **Results rates positive overall.** Core operational results achievement rates were good for ADB operations completed in 2017 overall, as well as for the concessional assistance subset. Results were satisfactory for 16 of the 22 ADB-wide indicators and 19 of the 20 concessional assistance indicators (with 2017 PCRs, and extended annual review reports), meeting or surpassing 85% of the intended annual targets. The results of ADB's operations overall, as well as of the concessional assistance subset, fell short of this satisfactory benchmark on some energy, transport, water, and finance indicators mainly due to seven operations missing their targets.

73. **Missed targets due to a combination of external and internal factors.** Results shortfalls were often due to external events or circumstances. Railway transport projects missed their targeted results due to unexpected increases in building material costs and delays in parallel development partner projects. Unfavorable market conditions affected the final outputs in finance sector projects. However, factors within the control of projects also caused shortfalls. Target shortfalls in sanitation operations were mostly due to designs that did not address the technical issues properly or correctly anticipate the interests of the intended beneficiaries. Failure to adjust results targets to reflect changes in project design sometimes meant these targets were missed in sanitation and road transport projects.

74. **Energy.** Completed energy sector operations delivered satisfactory results for four of the sector's five indicators. Five operations **installed** 1,400 MW of **energy generation capacity**. This included 340 MW of capacity from **renewable** sources through projects in Bhutan, Thailand, and Viet Nam. Nine operations, including three renewable energy projects, will achieve an annual **greenhouse gas emission reduction** of 4.1 million tons of carbon dioxide (CO<sub>2</sub>)-equivalent. Six operations **connected** 2.7 million **new households to electricity**. The largest provided electric power to 2.3 million households and reduced distribution losses in Indonesia's Java-Bali distribution network.<sup>59</sup> A project in the PRC connected 1.6 million urban residents of Inner Mongolia to natural gas and district heating supply networks.<sup>60</sup> The beneficiaries, including those from 46,100 poor households, were able to replace coal-fired stoves with cleaner, more efficient ways of heating and cooking. The project has benefited 2.8 million people by eliminating 1.1 million tons of annual greenhouse gas emissions, partly through greater use of natural gas instead of coal, and in part by replacing small coal-fired boilers with more energy-efficient larger ones.

<sup>57</sup> ADB. 2017. *Impact Evaluation of Development Interventions: A Practical Guide*. Manila.

<sup>58</sup> This section on core operational results discusses a selection of the results framework indicators. Results for all indicators are provided in the Scorecard.

<sup>59</sup> ADB. 2017. *Completion Report: Java-Bali Electricity Distribution Performance Improvement Project in Indonesia*. Manila; and IED. 2017. *Validation Report: Java-Bali Electricity Distribution Performance Improvement Project in Indonesia*. Manila: ADB.

<sup>60</sup> ADB. 2017. *Completion Report: Inner Mongolia Autonomous Region Environment Improvement Project in the People's Republic of China*. Manila.

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75. **Clean energy for poor households in Bhutan.** A 126 MW run-of-the-river hydropower generation plant built under an ADB operation has provided green power to about 9,600 poor households in rural Bhutan.<sup>61</sup> The air quality inside these homes is better now that the use of kerosene for light and firewood or charcoal for cooking has been eliminated. The health benefits should accrue mainly to those who were most exposed to indoor air pollution—women and children. The project was designed to help mitigate climate change under the Clean Development Mechanism and will cut greenhouse gas emissions by more than 500,000 tons of CO<sub>2</sub>-equivalent per year. It has enabled Bhutan to export more electricity to India and allowed India to distribute more green power on its eastern grid.

76. **Transport.** The results for two of four transport indicators were satisfactory. ADB's 19 transport projects helped **build or upgrade** 7,100 kilometers (km) of **roads**. This included 5,300 km in rural areas, where they give communities and residents the socioeconomic benefits of improved mobility and connectivity.

77. **Jobs and better mobility for women and ethnic groups.** County and provincial road authorities worked together with ADB to upgrade 134 km of expressway, 29 km of highway, and 636 km of provincial roads in the PRC's Yunnan Province (footnote 45). The integrated road project halved travel time between the cities of Longling and Ruili, expanding economic opportunities and access to social services for countryside communities in between. Local workers provided 17% of the 196,408 person-months of unskilled labor needed to build the highway. Most were members of ethnic minority groups. The project's rural road maintenance component created jobs for 261 poor people, 90% of them women.

78. **Water.** The 19 ADB operations in the water sector achieved satisfactory results for four of the five sector indicators. The installation of 630 km of **water supply pipes** provided 205,000 **households with new or improved water supply** in Bangladesh, Bhutan, India, Indonesia, the Kyrgyz Republic, Nepal, Pakistan, and Viet Nam. Wastewater treatment plant upgrades provided more than 142,000 **households with new or improved sanitation**. Seven completed operations expanded **wastewater treatment capacity** by 245,000 cubic meters per day. Ten ADB operations **improved** 410,000 **hectares of land through irrigation, drainage, and/or flood management measures**. A project in the PRC's Shandong Province lowered the threat of flooding for about 2.8 million people from seven reservoirs previously at risk of failure.<sup>62</sup> Rehabilitating the endangered reservoirs has almost doubled the irrigable land of downstream farmers, and the project is now being replicated in other parts of the country.

79. **Infrastructure access boosted through a participatory approach.** A project in Indonesia improved the living conditions of 3.6 million people in rural villages and urban neighborhoods.<sup>63</sup> In line with a national program for community empowerment, it helped mobilize local people to participate in planning and implementation and established 2,400 local organizations to give communities greater ability to carry out development projects. The project boosted agricultural production and reduced crop losses by improving almost 21,000 hectares of land and building or rehabilitating 28 km of irrigation channels and 410 km of drainage and flood control infrastructure. The construction or upgrading of more than 1,400 km of village roads and 1,900 bridges gave villagers cheaper, faster, safer access to health centers, schools, and business opportunities. More access to sanitation facilities and greater awareness of good hygiene reduced the health risks for 84,000 poor urban households.

80. **Finance results mixed.** The 12 completed finance operations delivered satisfactory results on one of three indicators. Nine ADB operations provided 121,000 **SME end-borrowers** with loans and other

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<sup>61</sup> ADB. 2017. *Completion Report: Green Power Development Project in Bhutan*. Manila.

<sup>62</sup> ADB. 2017. *Completion Report: Risk Mitigation and Strengthening of Endangered Reservoirs in Shandong Province Project in the People's Republic of China*. Manila.

<sup>63</sup> IED. 2017. *Validation Report: Urban Sanitation and Rural Infrastructure Support to the PNPM Mandiri Project in Indonesia*. Manila; ADB; and ADB. 2017. *Completion Report: Urban Sanitation and Rural Infrastructure Support to the PNPM Mandiri Project in Indonesia*. Manila.



financial services. Five **microfinance** operations reached 37,000 people, almost half of them women. An ADB project in rural Cambodia established or strengthened the credit businesses of 122 savings groups and 15 agricultural cooperatives that have provided finance to 3,200 beneficiaries and helped establish or strengthened about 400 agribusinesses and significantly boosted access to loans for women.<sup>64</sup>

81. **Education.** Six ADB operations exceeded the satisfactory output target levels in all three education sector indicators. Five completed operations gave 1.6 million students **new or improved educational facilities**. Two **trained** 73,000 **teachers with quality or competency standards**.

82. **Large gains from international development partnership in Nepal.** ADB and eight other development partners improved basic education for 7 million students in Nepal.<sup>65</sup> A school sector program increased the numbers of textbooks, other learning materials, mini libraries, and quality teachers. The separate male and female toilets built in more than 17,000 schoolhouses helped keep girls in school. The project played a part in reducing the proportion of out-of-school children aged 5–12 years to 12% in 2014 from 27% in 2008. It also tested a pilot scheme in the Kathmandu Valley to retrofit school facilities for earthquake resilience, an approach now being replicated across Nepal and in other DMCs to reduce the exposure of students to natural disaster risks.

83. **Regional cooperation and integration.** The results from four completed regional cooperation and integration (RCI) operations were satisfactory for both RCI indicators. Greater green power exports to India from a hydropower project in Bhutan increased **cross-border transmission of electricity** by 500 gigawatt-hours per year (footnote 61). Completed transport projects in Papua New Guinea (PNG), Tajikistan, and Viet Nam have **facilitated** a total of 2.5 million tons of **cross-border cargo** per year.

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<sup>64</sup> ADB. 2017. *Completion Report: Tonle Sap Lowlands Rural Development Project in Cambodia*. Manila.

<sup>65</sup> ADB. 2017. *Completion Report: School Sector Program in Nepal*. Manila.

**Level 3 measures how well ADB is managing its newly committed and ongoing operations. To deliver the greatest benefit to its developing member countries, ADB must ensure that its operations are implemented to a high standard. It needs to mobilize sufficient development finance to add to its own funds and transfer these resources quickly, while also ensuring its operations are aligned with the strategic priorities of Strategy 2020 and its midterm review and promote key drivers of change. The 24 Level 3 indicators measure all these ingredients of future success.**



The image features a background of lush green pepper vines. In the lower-left corner, a person's hand is visible, holding a blue-handled tool to tend to the plants. The scene is overlaid with a large, semi-transparent orange geometric shape that frames the title text. The overall composition is a mix of natural greenery and modern graphic design elements.

# LEVEL 3 ADB'S OPERATIONAL MANAGEMENT

Herath Mudiyansele Biso Menike tends her pepper vines in Polonnaruwa, Sri Lanka

# LEVEL 3: ADB'S OPERATIONAL MANAGEMENT

## A. Implementation Quality

### *Operations satisfactorily implemented*

84. **Targets surpassed.** The **performance of sovereign operations at implementation rated satisfactory** remained strong despite a slight decline from 95% in 2016 to 92% in 2017.<sup>66</sup> The decline reflected a diminished share of operations rated *satisfactory* on the criteria for disbursement, compliance with audit and accounts covenants, and compliance with safeguards. The **performance of nonsovereign operations at implementation, credit-rated satisfactory** was unchanged at 99% and still above the annual target of 95%.<sup>67</sup>

85. **Start-up time improving.** Project start-up times shortened considerably, and ADB was rated *on track* to achieve the ambitious 2020 target of 9 months. The **time from approval to first contract in sovereign projects** tightened substantially year on year from 14.4 to 11.7 months.<sup>68</sup> Start-up time for concessional assistance operations was down to 11.4 months in 2017 from the baseline of 16.2 months (Figure 14).

86. **Time to first contract shortened across all four types of contracts.** The average time from an operation's approval to first contract was shorter for all contract types in 2017. It was down to 12 months from 14 in 2016 for construction or civil works contracts, which showed the greatest improvement (Table 3). Consulting service contracts, which accounted for more than 40% of the first contracts awarded in 2017, continued to have the shortest average time at 9 months, followed by construction or civil works contracts at 12 months and goods contracts at 14 months. The average time for turnkey contracts shortened slightly. They have the longest start-ups due to their complexity but made up a smaller portion of first contracts in 2017. Of the seven awarded, four averaged 35 months from approval to the first contract signing.

87. **Initial benefits felt from improvements in project readiness.** Of the 80 projects with first contracts awarded in 2017, 24 (including 3 turnkey contracts) were procurement-ready before Board approval, up from 3 in 2016.<sup>69</sup> The number of design-ready projects rose from 2 to 17. This and shorter average approval-to-signing times showed that ADB's persistent efforts to improve project readiness and reduce implementation delays were having an effect.

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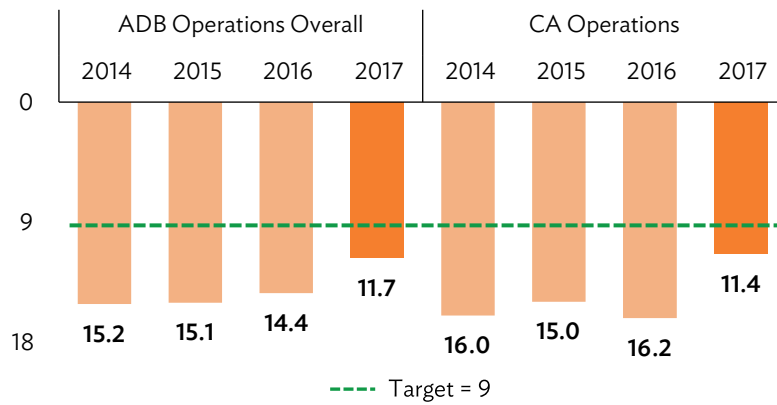
<sup>66</sup> The high rating for sovereign operations is partly the product of a binary performance monitoring system used in some of the evaluation dimensions. The system indicates only whether operations encounter technical, financial management, or safeguard performance problems. It does not measure the severity of these problems.

<sup>67</sup> ADB's requirement that 95% of its operations overall do not involve serious credit risk provides a high floor for achieving this target.

<sup>68</sup> In 2016, ADB introduced corporate performance measurement based on commitments rather than approvals. Reflecting this, most of the baselines and targets of relevant Level 3 indicators were calculated using commitment data. The indicators that were not shifted to a commitments basis were those based on harmonized multilateral development bank methodology, such as climate change indicators, and those that required the use of approval data, such as the indicator for time from approval to first contract (para. 5).

<sup>69</sup> Procurement-ready projects are infrastructure projects for which bidding documents were launched before project approval for engagement of contractors required for a major construction or goods contract.

**Figure 14: Average Time from ADB Approval to First Contract Award, 2014–2017 (months)**



ADB = Asian Development Bank, CA = ADB concessional assistance.  
Source: ADB (regional departments and resident missions).

**Table 3: First Contracts by Type and Award Times, 2016–2017**

Contract Type	Average Time from Approval to First Contract (months)		Percentage of Contracts		Number of Contracts	
	2016	2017	2016	2017	2016	2017
Consulting services	10.82	8.87	39	43	30	34
Construction	14.47	11.67	33	33	25	26
Goods	15.93	13.73	13	16	10	13
Turnkey	22.34	21.86	14	9	11	7
<b>Total</b>	<b>14.36</b>	<b>11.70</b>	<b>100</b>	<b>100</b>	<b>76</b>	<b>80</b>

Source: ADB (Procurement, Portfolio and Financial Management Department).

88. **New procurement improvement measures.** The action plan for the Midterm Review of Strategy 2020 included a 10-point plan for strengthening and quickening the pace of procurement.<sup>70</sup> The results have been encouraging, and ADB approved a new procurement framework in 2017 to further reduce overall procurement times and improve the procurement outcomes in ADB-financed projects (para. 166).<sup>71</sup> Under the framework, ADB is using alternative procurement arrangements under certain conditions. These will include the use of a project executing agency’s procurement rules and regulations when ADB accredits an agency because it has wide experience in multilateral development bank operations and a well-developed procurement system that satisfies ADB’s policy and core procurement principles. Open competitive bidding is now the preferred method for procurement of all ADB-financed contracts, whether these contracts are advertised nationally or internationally, and whether they are based on ADB procedures or on those permitted under alternative procurement arrangements of other development partners’ systems or national procurement systems. ADB is delegating procurement decisions to regional departments and sector

<sup>70</sup> ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

<sup>71</sup> ADB. 2017. *Improving ADB Project Performance through Procurement Reforms*. Manila.

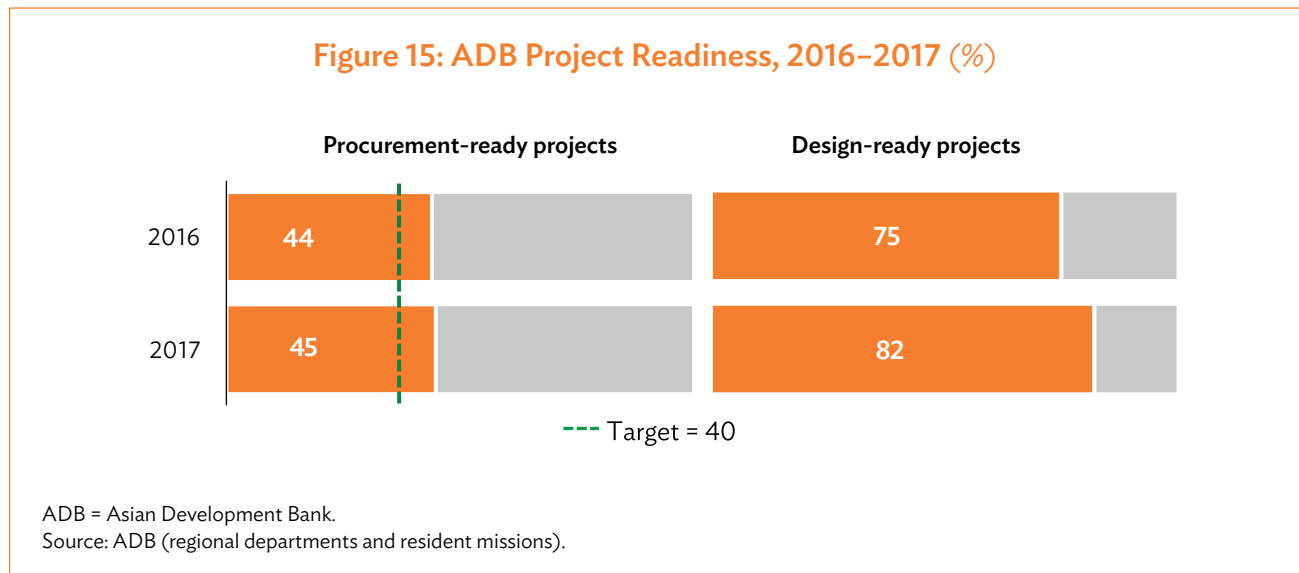
divisions that have international procurement specialists, while retaining the key strategic functions in the Procurement, Portfolio and Financial Management Department.<sup>72</sup>

## B. Quality at Entry

### *High-quality country strategies and operations prepared*

89. **Inclusive economic growth promoted.** Performance was above the target of 90% on the indicator for **quality at entry of country partnership strategies (CPSs) in supporting inclusive economic growth rated satisfactory**.<sup>73</sup> All the CPSs reviewed integrated the first two pillars of inclusive growth—creation of employment opportunities and improving access to these opportunities. This was consistent with the support ADB gives to these pillars through its primary areas of engagement in infrastructure, education, and finance (including microfinance). However, the CPSs addressed the third pillar—social protection—only briefly or not at all.

90. **Procurement readiness target achieved.** The share of **infrastructure projects that are procurement-ready** at approval remained over the 2020 target of 40% and was up slightly to 45% in 2017 from 44% in 2016 (footnote 69). The share of design-ready operations rose to 82% from 75% (Figure 15). Of the design-ready projects, 70% had detailed engineering designs in 2017, and 98% had completed preliminary design and specifications.



<sup>72</sup> Key strategic functions include (i) establishment and oversight of a procurement committee secretariat; (ii) procurement complaints monitoring; (iii) capacity building and the Procurement Accreditation Skills Scheme; (iv) coordinating with multilateral development banks and bilateral partners on procurement arrangements; (v) receiving feedback on the new procurement policy and regulations, and introducing improvements to the regulations; (vi) preparing guidelines, guidance notes, and standard templates; (vii) supporting procurement audits; and (viii) taking responsibility for special initiatives such as public-private partnerships (PPPs) and agency accreditation.

<sup>73</sup> The eight CPSs approved in 2017 were for Afghanistan, India, Kazakhstan, the Lao People's Democratic Republic, Mongolia, Myanmar, Sri Lanka, and Turkmenistan. The integration of the inclusive economic growth dimension was rated *satisfactory* in seven CPSs and *highly satisfactory* in one.

91. **Project readiness actions stepped up.** Some regional departments fine-tuned the detailed project readiness checklists that they continue to apply to new projects. They added more stringent procurement and consultant recruitment monitoring, as well as updates on readiness before loan negotiations and project approval. Project mission leaders are using the checklists to consider and overcome possible obstacles to smooth implementation. Potential trouble spots include government capacity for project management, consultants' roles and packages, and procurement packaging and preparation. Project readiness is also being reviewed through staff and management meetings. Among several tools being employed to strengthen project readiness is ADB's multitranche financing facility. Of the 16 operations under this lending modality in 2017, 10 had been made procurement-ready. Use of bilateral partner support to fund part of transaction technical assistance (TA) is another. Four operations that made use of ADB's project design advance instrument were design-ready at approval in 2017. Pilot-testing of this tool will continue until 31 December 2018. This will ensure that ADB can provide pre-approval project design support while it completes its review of its product offerings.

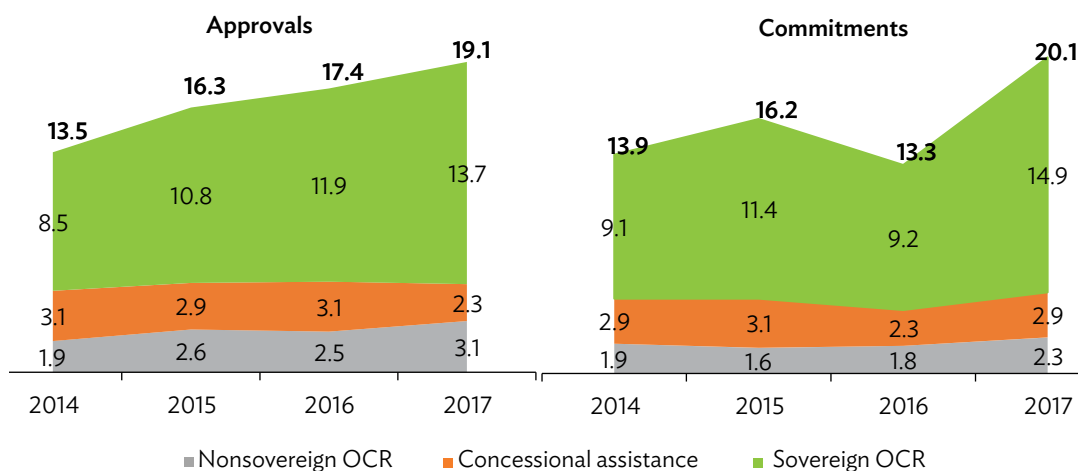
## C. Development Finance

### *Development finance mobilized and transferred*

#### 1. Commitments

92. **Record commitments.** ADB committed \$20.1 billion in financing in 2017, nearly \$7 billion more than in 2016 (Figure 16). The increase included a 62% rise in committed ordinary capital resources (OCR) sovereign financing. Sovereign operations accounted for 89% of total ADB financing committed, comprising \$12.3 billion in project financing, \$3.4 billion in policy-based lending (PBL), and \$2.2 billion in results-based lending. Of the 132 projects committed, 105 were sovereign operations and 27 nonsovereign operations.

**Figure 16: ADB Lending and Grants Approved versus Committed, 2014–2017 (\$ billion)**



ADB = Asian Development Bank, OCR = ordinary capital resources.

Note: Commitments include loans and grants but exclude technical assistance and cofinancing.

Source: ADB (Strategy, Policy and Review Department).

93. **Higher sovereign and nonsovereign ordinary capital resources approvals overall.** The amount of ADB financing approved in 2017 increased alongside the rise in commitments. Sovereign and nonsovereign OCR approvals were both up, and the ADB total rose to \$19.1 billion from \$17.4 billion in 2016. Operations in 2017 took an average of 3.8 months from approval to signing. The average time from approval to commitment was 3.3 months for sovereign operations and twice as long for nonsovereign operations.

## 2. Disbursement

94. **Mixed performance on disbursement.** The combined **disbursement ratio for sovereign projects and results-based lending** rose to 22.0% in 2017 from 20.4% in 2016 and met the target for 2020 (Table 4).<sup>74</sup> At 19.8% in 2017, down from 21.0% the year before, the ratio for the concessional assistance subset was rated *on track but watch* to reach the 20.0% target for 2020. The **disbursement ratio for nonsovereign loans** fell from the 3-year baseline average of 45.7% during 2014–2016 to 32.0% in 2017, failing to achieve the annual target of maintaining the baseline and down more than one-third from 53.4% in 2016.

**Table 4: ADB Disbursement Ratios and Amounts, 2014–2017**

ADB Operations Overall								
Item	Disbursement Ratio (%)				Disbursement Amount (\$ million)			
	2014	2015	2016	2017	2014	2015	2016	2017
<b>Sovereign loans and grants<sup>a</sup></b>	<b>26.0</b>	<b>29.8</b>	<b>27.6</b>	<b>26.2</b>	<b>8,912</b>	<b>10,773</b>	<b>10,737</b>	<b>10,069</b>
Projects and RBL (RFI)	21.7	19.5	20.4	22.0	7,171	6,869	7,627	8,187
Policy-based lending (SEDI)	140.6	408.6	217.6	157.2	1,742	3,904	3,110	1,882
<b>Nonsovereign loans, equity investments, and debt security</b>	<b>36.6</b>	<b>44.8</b>	<b>50.9</b>	<b>34.6</b>	<b>1,279</b>	<b>1,567</b>	<b>1,743</b>	<b>1,371</b>
Nonsovereign loans (RFI)	36.5	47.7	53.4	32.0	1,088	1,444	1,516	1,054
Equity investments <sup>b</sup>	37.3	26.0	18.0	40.7	190	123	79	242
Debt security <sup>c</sup>			100.0	100.0			148	75
<b>Total</b>					<b>10,191</b>	<b>12,340</b>	<b>12,480</b>	<b>11,441</b>
Concessional OCR Loans and ADF Grants								
	2014	2015	2016	2017	2014	2015	2016	2017
Projects and RBL (RFI)	17.6	18.3	21.0	19.8	1,814	1,863	2,140	1,934
Policy-based lending (SEDI)	203.7	392.0	115.2	207.5	819	688	350	472
<b>Total</b>	<b>24.6</b>	<b>24.7</b>	<b>23.7</b>	<b>24.1</b>	<b>2,632</b>	<b>2,550</b>	<b>2,490</b>	<b>2,407</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, RBL = results-based lending, RFI = results framework indicator, SEDI = standard explanatory data indicator.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Excludes disbursements for special funds and cofinanced grants fully administered by ADB, which were \$235 million in 2017.

<sup>b</sup> Includes both sovereign and nonsovereign equity disbursements.

<sup>c</sup> Includes debt security disbursements of \$6 million in 2014. Debt securities include ADB's financial assistance to developing member countries made through subscriptions to an entity's debt instruments, such as bonds and debentures issued for purpose of financing development projects and programs.

Source: ADB (Controller's Department).

<sup>74</sup> All disbursement ratios, including the disbursement ratio for sovereign projects and results-based lending, were computed based on commitments.



95. **Smaller disbursement volume.** ADB's disbursements fell short of the previous record of \$12.48 billion in 2016, slipping to \$11.44 billion in 2017. PBL disbursements dropped by \$1.23 billion (39.5%) and nonsovereign loan disbursements by \$0.46 billion (30.5%). Partly offsetting these declines were increases in sovereign project disbursements of \$0.42 billion (5.8%) and in equity investments disbursements of \$0.16 billion (206.0%).

96. **Factors in falling policy-based disbursement results.** Overall ADB PBL disbursements decreased from \$3.11 billion in 2016 to \$1.88 billion in 2017. The 2017 total included significantly fewer large PBL disbursements. Only three exceeded \$300 million, compared with six in 2016, which also included two of more than \$500 million. The rise in PBL commitments from \$2.9 billion in 2016 to \$3.4 billion in 2017 combined with lower disbursements pushed the PBL disbursement ratio lower.

97. **Lower nonsovereign loan disbursements and disbursement ratio.** Among the underlying factors in the drop in both the value of nonsovereign loan disbursements and the nonsovereign loan disbursement ratio was a significant rise in the number of the projects signed in 2017. This greatly increased the gross undisbursed amount, which served to depress the ratio with actual disbursements. Disbursements did not go ahead on schedule for two \$500 million deals in India and Azerbaijan signed during the year. ADB's Private Sector Operations Department has been working to improve the conversion rate from approval to commitments to disbursements. It has done so by reducing droppages (the cancellation of projects before signing) and cancellations of deals or parts thereof after signing. Both can skew the disbursement ratio. Together with more robust project monitoring and supervision, these improvements should lead to a stronger disbursement performance in the future, although year-on-year volatility is likely to remain.

98. **Speeding up disbursement processing.** ADB continued to roll out the Client Portal for Disbursement (CPD) system to make the disbursement process swifter and more efficient. The CPD lets borrowers submit withdrawal applications and respond to ADB queries online, and 58% of executing agencies involved in ongoing ADB operations (206) were connected to the system by the end of 2017. The disbursement team averaged 1.4 days to process CPD withdrawal applications in December 2017, compared with 2.2 days for those in hard copy. Executing agencies took 6.9 days to clear and respond to ADB queries on hard copy applications, but only 3.8 days when the CPD was used.

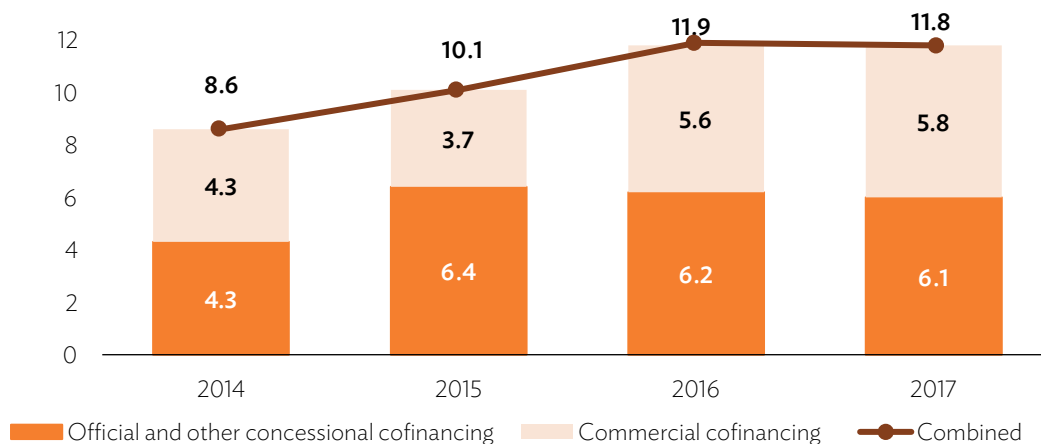
99. **New system in development.** In 2017, ADB began the design work for modernizing the disbursement system to make it more automated, streamlined, and faster by improving the overall process and reporting. The current mainframe will be replaced by a more advanced platform that provides real-time integration with systems like the CPD. Phase 1 is targeted for completion by early 2019 and phase 2 in 2020.

### 3. Direct Value-Added Cofinancing

100. **Cofinancing slightly lower than the previous year.** A total of \$11.8 billion of **direct value-added cofinancing** was signed in 2017, marginally lower than the \$11.9 billion in 2016 (Figure 17). This represented 59% of total ADB financing signed during the year, which was a significant drop from the baseline of 71% during 2014–2016 and below the level necessary to achieve the 2020 target of 100%. While commercial cofinancing continued to perform strongly and increased by \$0.1 billion to \$5.8 billion in 2017, official and other concessional cofinancing declined by \$0.2 billion to \$6.1 billion. ADB also mobilized \$109 million in cofinancing for 80 TA projects.

101. Approved official and other concessional cofinancing was down 55% to \$3.8 billion from a record \$8.3 billion in 2016. Delays in processing projects with sizable expected cofinancing was a contributing factor, as was the lack of significant policy-based projects with cofinancing programmed and processed. These have made up a large part of official cofinancing in the past.

**Figure 17: Annual Signed Official and Other Concessional Cofinancing and Commercial Cofinancing, 2014–2017 (\$ billion)**



Notes: Excludes cofinancing for technical assistance projects. Numbers may not sum precisely because of rounding.  
Source: ADB (Office of Cofinancing Operations and Private Sector Operations Department).

102. **Expanding cofinancing to meet huge development needs.** ADB continued its vigorous efforts to build collaborative relationships in development finance. Mobilizing resources to augment its own can help close massive funding gaps for achieving the Sustainable Development Goals (SDGs), meeting developing Asia’s infrastructure needs, and fulfilling ADB’s climate finance commitments. ADB established five new trust funds to help meet these objectives in 2017: (i) the Asia-Pacific Climate Finance Fund, (ii) the Canadian Climate Fund for the Private Sector in Asia II, (iii) the Cities Development Initiative in Asia, (iv) the Domestic Resource Mobilization Fund, and (v) the High-Level Technology Fund. ADB also signed an accreditation master agreement with the Green Climate Fund that will support its climate mitigation and adaptation operations in developing member countries (DMCs). Two ADB projects with fund cofinancing have already been approved. Framework cofinancing arrangements with German development cooperation through KfW and with the Islamic Development Bank were extended during the year. ADB will coordinate development operations and expand cofinancing with these two partners based on their \$4 billion in total commitments.

## 4. Public–Private Partnerships

103. **Progress on public–private partnership transactions.** In 2017, ADB helped formulate 14 **development transactions for public–private partnerships (PPPs)**. The 2 concession contracts and 12 for services or management brought the cumulative PPP transaction total to 72. The indicator target is 100 PPP project development transactions during 2013–2020. These contractual arrangements between governments and private sector parties extend ADB’s development reach and help it deliver infrastructure or services for its DMCs more effectively. PPPs include publicly financed service contracts and management contracts and concessions, along with a mix of public and private financing or private financing on its own.

104. **Strengthening public–private partnership enabling environment in the Kyrgyz Republic.** ADB’s holistic support in this area is helping DMCs accelerate their adoption of sound PPPs. ADB was helping strengthen the PPP-enabling policies and environment in the Kyrgyz Republic in 2017, which allowed it to

advise the government on ongoing Ministry of Health negotiations for a management contract to provide dialysis services in three cities.<sup>75</sup> ADB's quality assurance guidance during the contract development and procurement phases helped ensure that an agreement was reached on time. The ADB program also supported the drafting of amendments to the PPP law; the establishment of a project development facility; and the setting of policies and procedures for PPP project selection, preparation, fiscal risk management, and tendering.

## D. Strategy 2020 Agendas and Operations

### *ADB operations focused on strategic agendas and core operational areas*

#### 1. Inclusive Economic Growth

105. **Continuing support for pillars 1 and 2.** The share of operations contributing to inclusive economic growth and focusing on **growth and creation of jobs and opportunities** (pillar 1) has remained unchanged at 37% during the most recent two 3-year reporting periods (Figure 18). The share in the concessional assistance subset moved lower by 1 percentage point to 35% in the latest period (2015–2017). The share of ADB's overall operations supporting **inclusive access to jobs and opportunities** (pillar 2) was constant over the two periods at 61%. The ratio moved higher to 65% from 63% in the concessional assistance subset.

106. **Offtrack on pillar 3.** Two types of operations supported **social protection**, pillar 3, during 2015–2017: stand-alone social protection projects and projects that promoted inclusive access to jobs and opportunities with social protection elements. The share of these operations in ADB's committed operations overall slipped to 5.1% from the baseline of 6.0% during 2014–2016. The ratio was down to 5.8% from the 7.1% 2014–2016 baseline for the concessional assistance subset. ADB was therefore *off track* on both 2020 targets, which are to keep the shares above the baselines. The number of committed operations with support for social protection dropped to 19 from 22 in the previous period for ADB overall and to 9 from 12 for concessional assistance. A positive sign was an increase in both categories in 2017 on an annual basis. The numbers would have risen more had four approved health and education projects been committed during the year.<sup>76</sup> This would have raised the share of overall committed operations above the baseline to 6.1% in 2015–2017.

107. **Stand-alone social protection project in Mongolia.** The one stand-alone social protection project in 2017 aims to ensure that Mongolia's social welfare programs benefit the poor and vulnerable while remaining financially sustainable.<sup>77</sup> The \$150 million operation will develop and help carry out policy actions to consolidate and improve targeting in these systems. It builds on many years of ADB support for social welfare reform in the country. Previous operations have helped introduce proxy means testing to target the poor; establish a food stamp program; implement institutional reforms; and create the policy framework for better targeting, program consolidation, and sustainability.<sup>78</sup>

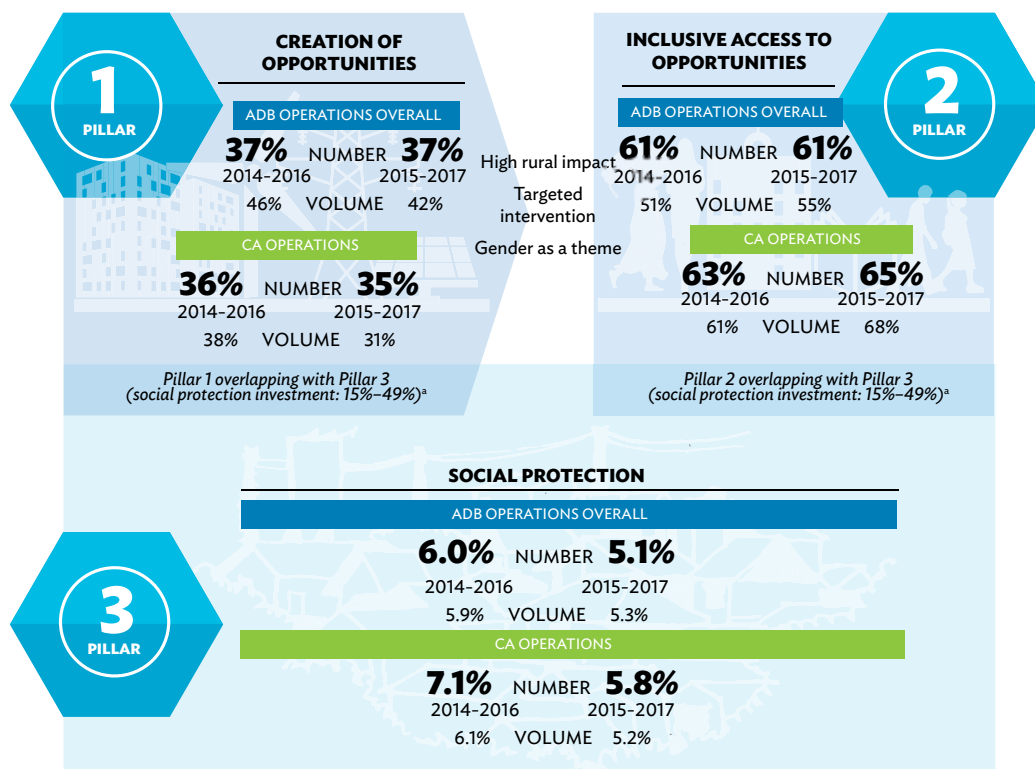
<sup>75</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Grant for Subprogram 3 to the Kyrgyz Republic for Investment Climate Improvement Program*. Manila.

<sup>76</sup> These projects were expected to be committed in 2017 as they were not included in the 2018–2020 Work Program and Budget Framework pipeline of commitments.

<sup>77</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to Mongolia for the Social Welfare Support Program Phase 2*. Manila.

<sup>78</sup> ADB. 2017. *Social Protection Brief: Reforming Social Welfare Programs in Mongolia*. ADB Briefs 86. Manila.

Figure 18: ADB Support for Inclusive Economic Growth



ADB = Asian Development Bank, CA = ADB concessional assistance.

<sup>a</sup> Refers to operations where the share of ADB's investment in social protection initiatives of total ADB financing exceeds 15% but is less than 50%.

Source: ADB (regional departments and resident missions).

108. **Social protection combined with access to jobs and opportunities.** Six other projects representing 2017 commitments of \$878.5 million will combine the benefits of greater access to economic opportunities with social protection.<sup>79</sup> Most are technical and vocational education and training (TVET) projects that aim to provide people with skills needed by the labor market.

109. **Steps to strengthen ADB's social protection portfolio.** ADB's social protection portfolio remains small, but opportunities to expand it should grow as more DMCs seek to establish or enhance social assistance and insurance programs. ADB needs to do more to help develop sustainable social protection systems. It committed almost \$15 million in 2017 to TA projects that will expand its social protection capacity and project pipeline. A TA project to establish the fiscal requirements to fulfill the SDG social protection agenda in selected countries is expected to guide and grow country investments in this area.<sup>80</sup> ADB is also adding

<sup>79</sup> Bangladesh's Skills for Employment Investment Program (Tranche 2, \$100 million), the Hebei Elderly Care Development Project (\$100 million) and Guangxi Modern Technical and Vocational Education and Training Development Program (\$250 million) in the People's Republic of China (PRC), the Kyrgyz Republic's Skills for Inclusive Growth Sector Development Program (\$30 million), Myanmar's Equipping Youth for Empowerment Project (\$98.5 million), and the Philippines' Facilitating Youth School-to-Work Transition Program (\$300 million).

<sup>80</sup> ADB. 2017. *Technical Assistance Report: Strategies for Financing Social Protection to Achieve Sustainable Development Goals in Developing Member Countries*. Manila.

to the skills its staff need to help DMCs build social protection pipelines. In 2017, this training focused on developing social assistance policies and programs and long-term care systems.

110. **Infrastructure provided in lagging areas.** About 48% of ADB's infrastructure project commitments in 2015–2017 will benefit areas in the DMCs where socioeconomic development has lagged. This was marginally lower than in 2014–2016. The share in 2017 was up 3 percentage points over 2016 and included a \$500 million results-based loan to help deal with the widespread issue in Indonesia of irrigation systems that no longer function at full capacity.<sup>81</sup> The operation aims to raise rural incomes, improve livelihoods, bring about more sustainable and productive agriculture, and enhance food security in 74 of the country's less-developed districts.

111. **Inclusive business operations up.** Eight ADB operations committed in 2017 supported inclusive business, up from two in 2016. Most provided microfinancing or credit access. One was a regional project involving the People's Republic of China (PRC), Indonesia, and Viet Nam to scale up and transfer a successful high-value business model in horticulture.<sup>82</sup> The aim is to provide decent employment and income opportunities for low-income women and ethnic minorities.

## 2. Environmental Sustainability, Climate Change, and Disaster Risk Management

112. **Continuing strong performance.** The share of overall committed ADB **operations supporting environmental sustainability** remained above the 2020 target of 55% in 2015–2017, increasing to 58% from 57% in 2014–2016. The share for concessional assistance operations matched the 55% target, although it slipped 1 percentage point from the previous period. The 3-year number for these operations overall rose to 214 from 209. In 2015–2017, 57% (\$28.1 billion) of ADB's committed financing supported environmental sustainability.

113. **Promoting investments in natural capital.** Among these projects is an operation in India supporting the rehabilitation and sustainable management of natural resources and ecosystems.<sup>83</sup> ADB has committed \$65.5 million for the second tranche of the investment program, which is designed to apply environmentally and socially appropriate solutions to check erosion on the coast of Karnataka State. The project will safeguard income opportunities and livelihoods in Karnataka's coastal communities using such green protection options as artificial reefs, beach replenishment, and dune management.

114. **Strong emphasis on climate change.** At 49%, the share of ADB **operations supporting climate change mitigation and/or adaptation** exceeded the 2020 target of 45% in 2015–2017 after matching it in 2014–2016 (Figure 19).<sup>84</sup> The ratio for concessional assistance operations reached 47%, up from 44% in the previous period and surpassing the 35% target for the second time in a row. In 2015–2017, 187 of ADB's 379 approved operations supported climate change mitigation and/or adaptation.

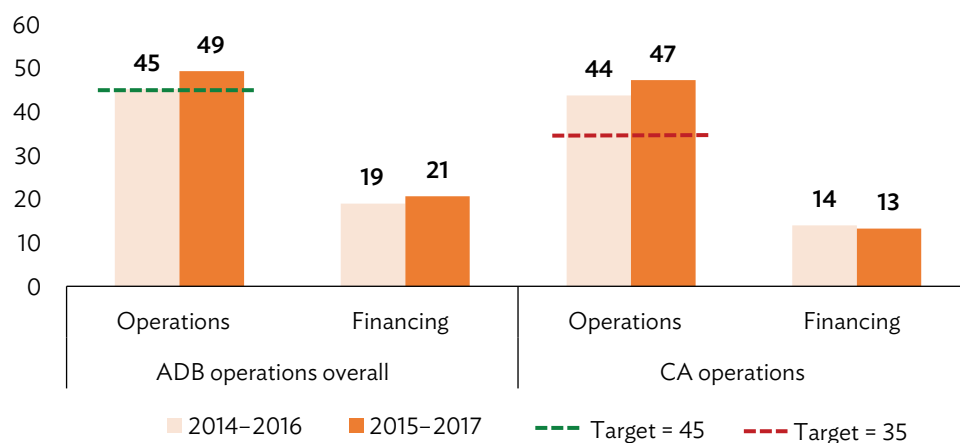
<sup>81</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans to the Republic of Indonesia for the Integrated Participatory Development and Management of Irrigation Program*. Manila.

<sup>82</sup> ADB. 2016. *Faster Approach to Small Nonsovereign Transactions Report: Loans to Agripacific Holdings and Kunming Hasfarm Flowers for the High-Value Horticulture Development Project in Viet Nam, the People's Republic of China, and Indonesia*. Manila.

<sup>83</sup> ADB. 2017. *Periodic Financing Request Report: Sustainable Coastal Protection and Management Investment Program (Tranche 2) in India*. Manila.

<sup>84</sup> The target for this indicator was based on approvals; thus, the climate change operations indicators remain approvals-based.

**Figure 19: ADB Support for Climate Change Mitigation and/or Adaptation (%)**



ADB = Asian Development Bank, CA = ADB concessional assistance.  
Source: ADB (Strategy, Policy and Review Department).

115. **New climate change operational framework.** The strong performance is expected to continue as ADB implements a new climate change operational framework for 2017–2030.<sup>85</sup> The framework is directing ADB interventions and business processes aimed at enhancing resilience and strengthening action on climate. It provides guidance across all ADB sector and thematic groups for the support of climate change mitigation and adaptation as ADB operationalizes to attain its \$6 billion climate financing target by 2020.

116. **Climate finance at an all-time high.** Financing related to climate change reached a record \$5.16 billion at ADB in 2017 and included \$643 million from external resources. Mitigation finance stood at \$4.2 billion and adaptation finance at \$954 million. Lending for private sector climate change projects was also at a record high. The \$1.5 billion total included an investment of \$100 million to build and operate a series of municipal waste-to-energy plants in Viet Nam.<sup>86</sup> The plants will incorporate advanced clean technologies, including flue gas emission control to meet European Union standards.

117. **Support for disaster risk management.** ADB approved an average of \$5.0 billion a year in 2015–2017 for a variety of projects related to disaster risk management. Some reduced disaster risks directly. Others integrated disaster resilience measures, strengthened financial preparedness, or supported disaster response. ADB continued to help build financial disaster preparedness in the DMCs. This included \$15 million in grants and loans for the Pacific Disaster Resilience Program, which will provide quick-disbursing contingent finance to Samoa, Tonga, and Tuvalu in the event of qualifying disasters.<sup>87</sup> A \$2 million regional TA project was attached to the program to strengthen disaster resilience. In 2017, ADB also approved two

<sup>85</sup> ADB. 2017. *Climate Change Operational Framework 2017–2030: Enhanced Actions for Low Greenhouse Gas Emissions and Climate-Resilient Development*. Manila.

<sup>86</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to China Everbright International Limited for the Municipal Waste-to-Energy Project in Viet Nam*. Manila.

<sup>87</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans, Policy-Based Grants, and Technical Assistance Grant for the Pacific Disaster Resilience Program*. Manila.

projects that will be the first to avail of the concessional assistance funding earmarked for disaster risk reduction under the 12th replenishment of the ADF.<sup>88</sup>

118. **Funds for immediate disaster response.** ADB's Asia Pacific Disaster Response Fund remained an important source of urgent assistance to DMCs when disasters occurred. It provided \$2.2 million in 2017 to help cope with widespread flooding in Sri Lanka and increased volcanic activity in Vanuatu.<sup>89</sup> ADB has replenished the fund with \$20 million from its 2016 net income.

119. **Clean energy action on climate change.** ADB's clean energy investments reached \$2.0 billion in 2017, comprising \$1.4 billion (70%) of approved investments in renewable energy and \$0.6 billion (30%) in energy efficiency. Clean energy operations help mitigate climate change and support ADB's goal to invest \$3 billion a year of its own resources in energy sector climate finance by 2020.<sup>90</sup> The investments approved in 2017 will help reduce greenhouse gas emissions by about 11.8 million tons of carbon dioxide (CO<sub>2</sub>)-equivalent a year, provide 1.6 gigawatts of new generation capacity from renewable sources, and save 783 gigawatt-hours of electricity annually.

120. **Investments in urban transport and railways.** Urban transport approvals totaled \$989 million in 2017 for 14 projects, and \$780 million was approved for 4 railway operations. Urban transport accounted for 19% of total transport approvals during the year and railways for 15%. ADB approved a \$400 million loan to support railway sector development reforms in Azerbaijan.<sup>91</sup> The operation will improve governance and financial management and modernize and rehabilitate the 166 km double-line main track and structure of the Sumgayit–Yalama rail line on the North–South Railway Corridor in the Central Asia Regional Economic Cooperation (CAREC) network.

### 3. Regional Cooperation and Integration

121. **Strong, growing commitment to regional cooperation.** The share of total ADB committed **operations supporting regional cooperation and integration** (RCI) increased considerably to 27% in 2015–2017 from the 2014–2016 baseline of 24%, underlying ADB's continuing commitment to the benefits of subregional cooperation and coordination across Asia and the Pacific. RCI commitments rose to 100 from 87 in the previous period. ADB is rated *on track but watch* to meet its target to have at least 30% of its operations support RCI by 2020. RCI was also up sharply as a share of total ADB committed financing, rising from 23% in 2014–2016 to 27% in the current 3-year period. Total RCI commitments amounted to \$5.9 billion in 2017, up from \$3.5 billion in the previous year. Central and West Asia accounted for 37% of total RCI commitments, South Asia for 22%, and Southeast Asia for 15%.

122. **A new strategy for Central and West Asia.** ADB's RCI commitments in Central and West Asia amounted to \$2.2 billion in 2017, mostly for transport and energy projects. This included a commitment of \$122 million for construction of the Batumi bypass road in Georgia that will support the country's bid to become a transport and logistics hub for the Caucasus region.<sup>92</sup> The road will be built with \$114 million in

<sup>88</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Islamic Republic of Afghanistan for the Qaisar–Dari Bum Road Project*. Manila; and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant for Additional Financing to the Kingdom of Cambodia for the Tonle Sap Poverty Reduction and Smallholder Development Project*. Manila.

<sup>89</sup> ADB. 2017. ADB Approves \$2 Million Grant for Flood and Landslide Relief in Sri Lanka. News release. 9 June; and ADB. 2017. ADB Gives \$200,000 Grant to Help in Vanuatu Volcano Disaster Response. News release. 1 December.

<sup>90</sup> ADB. 2017. *Clean Energy Financing Partnership Facility: Annual Report 2016*. Manila.

<sup>91</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loans, Technical Assistance Grant, and Administration of Loan to the Republic of Azerbaijan for the Railway Sector Development Program*. Manila.

<sup>92</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan to Georgia for the Batumi Bypass Road Project*. Manila.

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cofinancing from the Asian Infrastructure Investment Bank and will accommodate growing international trade as part of an east–west highway connecting Georgia with both Azerbaijan and Turkey. ADB is committing \$5 billion over 2018–2022 to support CAREC 2030, the new long-term strategy adopted by the CAREC DMCs in 2017.<sup>93</sup> The strategy aims to expand and deepen CAREC operations through a cluster approach to better connect people, policies, and projects in achieving the SDGs and shared prosperity in the subregion.

123. **Building East Asia–Southeast Asia links.** ADB committed \$130 million to help the Guangxi Zhuang Autonomous Region in the PRC execute RCI strategies and action plans with members of the Association of Southeast Asian Nations (ASEAN).<sup>94</sup> The East and Southeast Asian neighbors will focus on further development of the North–South Economic Corridor under the Greater Mekong Subregion Cooperation Program. RCI commitments in East Asia totaled \$530 million in 2017.

124. **Strengthening South Asia regional cooperation with Southeast Asia.** ADB’s \$1.3 billion in South Asian RCI commitments in 2017 were spread across the South Asia Subregional Economic Cooperation (SASEC) program’s priority areas, with transport accounting for more than half. Other key targets were energy, trade facilitation, and economic corridor development. Analytical and project preparation work is continuing in support of the SASEC Operational Plan for 2016–2025.<sup>95</sup> This will expand an already healthy \$5 billion pipeline for RCI in the subregion, with 26 projects planned for approval over 2018–2020. The SASEC finance ministers endorsed a joint vision of regional cooperation in 2017 aimed at harnessing individual comparative advantages and leveraging opportunities and synergies in natural resources, industrial potential, and connectivity for the mutual benefit of SASEC members.<sup>96</sup> The addition of Myanmar to the SASEC program during the year improved prospects for more cooperation between the South and Southeast Asian subregions.

125. **Strengthening connectivity in Southeast Asia.** RCI commitments in Southeast Asia reached \$902 million in 2017. ADB committed \$286 million to Viet Nam for the construction of an expressway in the southern part of Ho Chi Minh City that is a short but important link in the Greater Mekong Subregion Southern Economic Corridor.<sup>97</sup> The expressway will help transport food produced in the Mekong Delta to the rest of the country and overseas via maritime routes.

126. **Record commitments and expanded analytical support in the Pacific.** RCI commitments in the Pacific reached a record \$288 million in 2017. ADB continues to provide analytical support to the Pacific Islands Forum. This is helping Pacific countries coordinate their approach to seeking global climate resources to address their extreme vulnerability to climate change.

127. **Support for regional goods through the private sector.** ADB’s private sector operations in energy, agribusiness, and finance included more than \$654 million in RCI financing commitments in 2017. Broader international use of renewable energy was boosted by ADB’s support for the Southeast Asia expansion of a major Thai power company with a competitive advantage in the field.<sup>98</sup> ADB provided a credible foundation for the company’s successful initial public offering with a committed equity investment of \$58 million and concessional cofinancing from the Canadian Climate Fund for the Private Sector in Asia. A \$235 million ADB

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<sup>93</sup> ADB. 2017. *CAREC 2030: Connecting the Region for Shared and Sustainable Development*. Manila.

<sup>94</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to the People’s Republic of China for the Guangxi Regional Cooperation and Integration Promotion Investment Program*. Manila.

<sup>95</sup> ADB. 2016. *South Asia Subregional Economic Cooperation Operational Plan 2016–2025*. Manila.

<sup>96</sup> ADB. 2017. *SASEC: Powering Asia in the 21st Century*. Manila.

<sup>97</sup> ADB. 2016. *Periodic Financing Request Report: Greater Mekong Subregion Ben Luc–Long Thanh Expressway Project (Tranche 2) in the Socialist Republic of Viet Nam*. Manila.

<sup>98</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Equity Investment and Administration of Loan to B.Grimm Power Public Company Limited for the ASEAN Distributed Power Project (Regional)*. Manila.



loan followed.<sup>99</sup> The project will transfer know-how in renewable energy, building and operating greenfield power plants, and distributed cogeneration from Thailand to countries with less experience in renewable energy. RCI will also benefit through the project's regional approach to infrastructure finance mobilization and combating climate change.

128. **Groundwork for new connections laid by ADB studies.** An ongoing joint study by ADB's RCI Thematic Group, Southeast Asia Department, and Pacific Department is assessing the status of transport corridors between the eastern region of Indonesia and Timor-Leste.<sup>100</sup> Besides identifying bottlenecks, the study will map trade and industry within and between the two countries to determine potential for growth. It will look at both bilateral trade and trade between the DMCs and other ASEAN markets. The findings will inform recommendations on how best to support opportunities for greater integration and cooperation between the countries, including the possible development of a cross-border economic corridor. Through another study, the RCI Thematic Group and ADB's South Asia and Southeast Asia departments are working on ways to promote greater trade and investment integration between India and Southeast Asia through small and medium-sized enterprises (SMEs).<sup>101</sup> The study will identify market opportunities and constraints. SME surveys are being conducted in Cambodia, India, Thailand, and Viet Nam. All these studies will lead to pilots for possible scaling up into operations.

## 4. Strategy 2020 Operational Areas

129. The 2017 share of ADB **financing for Strategy 2020 core operational areas** stood at 93%, well above the 80% annual target and an increase from the 2014–2016 baseline value of 87%. Committed financing for the core areas of operations grew by nearly \$8 billion from 2016 to 2017, following a \$2.8 billion drop in 2016 from 2015. The 3-year average for 2015–2017 remained unchanged from the baseline period at 87%.

130. **Infrastructure still dominant share of ADB financing.** As in previous years, the bulk of ADB financing went into infrastructure, which grew from \$7.9 billion to \$14.0 billion year on year and accounted for 70% of ADB's total commitments.<sup>102</sup> At 14%, operations supporting finance sector development had the largest share outside of infrastructure. Energy sector commitments grew from \$3.0 billion in 2016 to \$6.3 billion in 2017, and transport sector commitments from \$2.9 billion to \$5.4 billion. These two sectors comprised 83% of infrastructure financing and 58% of total ADB commitments. While investment in water and other urban infrastructure and services declined by \$85 million from \$1.7 billion in 2016, the high growth of ADB financing overall from 2016 to 2017 meant that the sector's share of total ADB commitments decreased by 5 percentage points to 8% in 2017. The share of irrigation financing has been steadily growing since 2015, reaching a high of \$691 million in 2017, or 3% of total ADB commitments.

<sup>99</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to B.Grimm Power Public Company Limited ASEAN Distributed Power Project (Phase 2) (Regional)*. Manila.

<sup>100</sup> ADB. 2017. *Technical Assistance Report: Implementing the Regional Cooperation and Integration Operational Plan (Cofinanced by the Government of the United Kingdom)*. Manila; and ADB. 2017. *Project Data Sheet: Sustainable Infrastructure Assistance Program - Facilitating Regional Cooperation and Integration between Indonesia and Timor-Leste through Enhanced Cross-border Cooperation (Subproject 11)*. Manila.

<sup>101</sup> ADB. 2016. *Technical Assistance Report: Facilitating Small and Medium-Sized Enterprises Foreign Direct Investment Flows: An ASEAN+6 Case Study*. Manila.

<sup>102</sup> Infrastructure includes the following sectors: energy, transport, water and other urban infrastructure and services, information and communication technology, other infrastructure, and irrigation.

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131. **Education's share down in 2017.** The \$710 million in **financing for education** comprised 3.5% of total ADB commitments. This put ADB *off track* to meet the 2020 indicator target of 6.0%–10.0%. The committed education investments in 2017 either targeted the education sector directly or were components of multisector projects. Of the 11 projects approved in 2017, 5 with a value of \$247 million had not been committed by the end of the year, in some cases due to state elections and other factors that delayed DMC government decisions and commitment signings. Total commitments are expected to reach \$1.1 billion in 2018.

132. **Education pipeline strengthening.** Because its education pipeline has grown, ADB expects to reach the minimum target share of 6.0% by 2019. Its Education Sector Group has pinpointed DMCs and regions where education operations can be started or scaled up. Based on this analysis, ADB ventured into new educational areas in 2017 and initiated innovative cross-sectoral approaches and support. It has also stepped up its education investments in economic corridors and zones where teaching, training, and learning can be key to building a skills ecosystem for high-growth industries in partnership with the private sector.

133. **Technical education for more inclusive growth.** A program to develop technical and vocational education and training (TVET) will help generate better jobs, reduce poverty, and bolster economic growth in Guangxi Zhuang Autonomous Region, one of the poorest parts of the PRC.<sup>103</sup> In 2017, ADB initiated support for a comprehensive reform of the province's TVET system. The aim is to give TVET graduates better employment opportunities while filling industry needs for skilled workers from the region's predominantly ethnic minority population. The majority of TVET enrollees come from rural areas and poor and disadvantaged backgrounds. The program incorporates cross-sectoral benefits in terms of RCI and coordination with other development partners and has a built-in impact evaluation study component to better monitor and evaluate its learning and employment outcomes.

134. **Health financing short of 2020 target.** At 1.0% in 2017, committed **financing for health** was *off track* to meet the 2020 target of a 3.0%–5.0% share of the annual ADB total. This continued a downward trend from 2.0% in 2015 and 1.7% in 2016. The volume fell to \$211 million in 2017 from a 2015 high of \$330 million. Based on several projects being developed by the regional departments and the Private Sector Operations Department, ADB's financing for health is expected to increase.

135. **Innovations in health care for the elderly.** One of the largest ADB health investments in 2017 was the \$80 million component of an operation to develop an integrated three-tier elderly care system in the PRC's Hebei Province.<sup>104</sup> The goal is to improve the quality and expand the coverage of home, community, and residential elderly care services and facilities, partly through innovative high-level technologies. The operation will address elderly care systems and services development by both the public and private sectors and is expected to inform the design of other such projects across Asia and the Pacific.

136. **Strengthening regional health security.** An ongoing project is building on previous and other active interventions to strengthen health security across the Greater Mekong Subregion.<sup>105</sup> It will enhance regional cooperation on disease surveillance, outbreak response systems, health service capacity, and other health

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<sup>103</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan and Technical Assistance Grant to the People's Republic of China for the Guangxi Modern Technical and Vocational Education and Training Development Program*. Manila.

<sup>104</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the People's Republic of China for the Hebei Elderly Care Development Project*. Manila.

<sup>105</sup> ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Grant to the Kingdom of Cambodia, Lao People's Democratic Republic, Republic of the Union of Myanmar, and Socialist Republic of Viet Nam for the Greater Mekong Subregion Health Security Project*. Manila.

matters. This project comprises several loans and grants including those to the Lao People's Democratic Republic, Myanmar, and Viet Nam that were committed in 2017.

137. **Food security investments grew.** ADB committed \$2.4 billion in food security investments in 2017, up from \$2.1 billion in 2016 and mostly for sovereign operations. The share of nonsovereign operations dropped to 6% of the total from 19% in 2016. Operations in three sectors—agriculture, finance, and transport—contributed to food security investments in 2017, three sectors fewer than in 2016, when operations in education, energy, and industry and trade also played a part.

## E. Strategy 2020 Drivers of Change

### *ADB operations promote drivers of change*

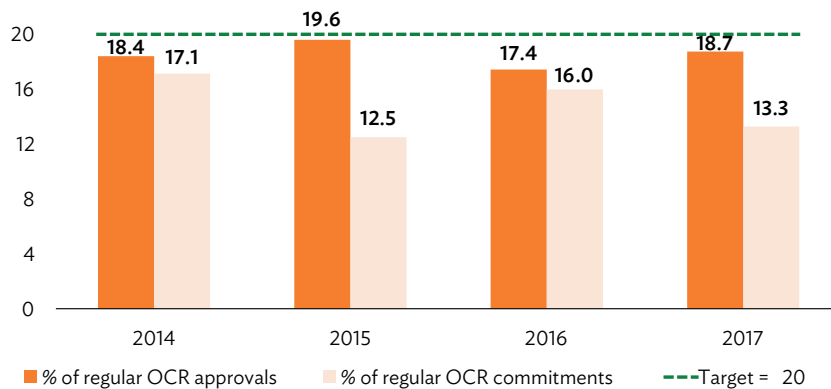
#### 1. Private Sector Development and Operations

138. **Private sector development and operations share up.** The share of overall ADB commitments to **operations supporting private sector development and private sector operations** increased to 56% in 2015–2017 from the 2014–2016 baseline of 51%, exceeding the 2020 target of 50%. The share for concessional assistance rose to 47% from 42% in the same period, and ADB is rated *on track but watch* to meet the 2020 target of 50%.

139. **Private sector operations financing increased but represented a smaller share of overall financing.** Financing committed for private sector operations reached a record high of \$2.3 billion in 2017, increasing by 31% from \$1.8 billion in 2016 and by 21% from \$1.9 billion in 2014. Total signed regular ordinary capital resources (OCR) financing grew at an even faster rate of 57%—from \$11.0 billion in 2016 to \$17.2 billion in 2017. Because of this, committed **financing for private sector operations** accounted for only 13.3% of regular OCR commitments in 2017, down from the 2014–2016 baseline of 15.0%. This puts ADB *off track* to meet the 2020 target of 20.0%.

140. **Indicator affected by shift from approvals to commitments.** The shift in the development effectiveness review (DEfR) methodology from approvals to commitments has affected the 2017 results for this indicator significantly (para. 5). In 2017, nonsovereign OCR approvals totaled \$3.1 billion, an increase of 64% from \$1.9 billion in 2014 and 26% from \$2.5 billion in 2016. Private sector operations accounted for 18.7% of all approved regular OCR financing in 2017, recovering from a drop to 17.4% in 2016 (Figure 20). In terms of approvals, the growth in nonsovereign OCR financing from 2016 to 2017 outpaced that of total regular OCR financing.

Figure 20: ADB Financing for Private Sector Operations, 2014–2017 (%)



ADB = Asian Development Bank, OCR = ordinary capital resources.  
Source: ADB (Strategy, Policy and Review Department).

## 2. Governance and Capacity Development

141. **Baselines exceeded.** The share of ADB **operations supporting governance and/or capacity development** rose to 73% in 2015–2017 from the 72% 2014–2016 baseline. The share for concessional assistance was up to 88% from 86%. Both met the annual target of exceeding the baseline.

142. **Governance and capacity development in the design of operations.** In 2017, ADB’s Governance Thematic Group collaborated extensively with operations departments to incorporate design elements in the early stages of project processing to strengthen policy, regulatory, and governance reforms. This heightened attention on building effective and accountable institutions reflects the fact that capacity constraints, particularly in local governments, remain a major challenge in many DMCs. It is also in line with thematic priorities of the Strategy 2020 midterm review.

143. **Improving governance and institutional performance in developing member countries.** ADB’s public sector management (PSM) operations are effective tools for helping DMCs achieve better governance, stronger institutions, and significant reforms. The \$1.2 billion committed for PSM in 2017 amounted to 7.0% of the ADB sovereign operations total. ADB continued its policy dialogue with the DMCs on governance and PSM, state-owned enterprise reforms, and future business development and domestic resource mobilization.

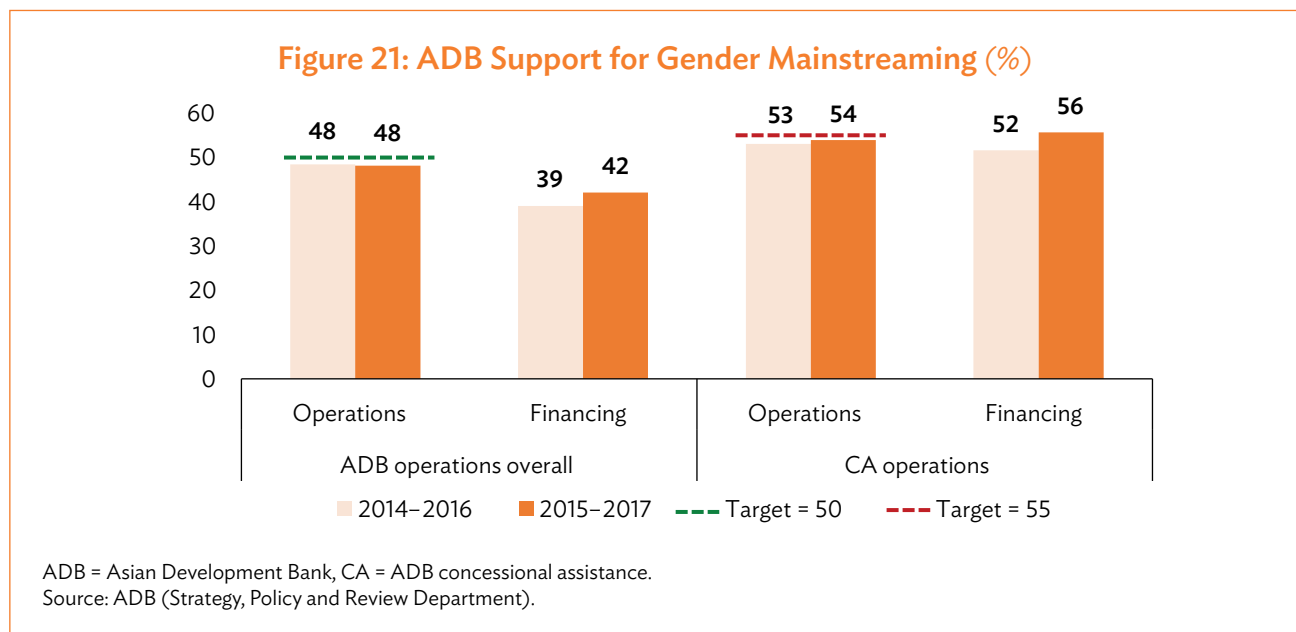
144. **Fiscal reforms through innovative lending.** ADB committed to a policy-based program in 2017 that will continue comprehensive fiscal reforms to make public services in India’s West Bengal State more accessible, affordable, and reliable.<sup>106</sup> Other program activities will strengthen information technology and systems for tax monitoring and land administration. The program introduced the option of local currency financing for the first time in ADB sovereign operations in South Asia.

<sup>106</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan and Technical Assistance Grant to India for the Second West Bengal Development Finance Program*. Manila.

145. **Knowledge sharing.** ADB used its growing knowledge dissemination program to continue sharing good governance and PSM practices and solutions with its DMCs in 2017.<sup>107</sup> These activities reinforce the knowledge collaboration among developing members that ADB and the DMCs have been working to expand.

### 3. Gender Mainstreaming

146. **Gender mainstreaming steady.** The share of ADB committed sovereign **operations supporting gender mainstreaming** was steady at 48% for the latest 3-year period (Figure 21). The share in the concessional assistance category increased from the 2014–2016 baseline of 53% to 54% in 2015–2017. Both are rated *on track but watch* to meet the 2020 targets of 50% for ADB overall and 55% for concessional assistance. Of 306 ADB sovereign commitments in 2015–2017, 147 supported gender mainstreaming.



147. **Notable year-to-year shifts.** ADB’s year-to-year gender mainstreaming performance increased to 51% of all sovereign operations in 2017 from a low of 36% in 2016 after a previous high of 57% in 2015. Concessional assistance followed a similar path, dropping 21 percentage points from 60% in 2015 to 39% in 2016 before improving to 66% in 2017.

148. **Project design to keep women safe.** Measures to reduce sexual harassment risks for women passengers will be embedded in a project ADB committed to in 2017 to support the first bus rapid transit (BRT) corridor in the northern Pakistan city of Peshawar.<sup>108</sup> The BRT facilities will include proper lighting and closed-circuit television cameras. Women will have segregated seating areas. Staff will be trained to deal with harassment incidents. The design responds to gender analysis findings during project preparation that 90% of women felt unsafe using Peshawar’s existing bus services and preferred instead to walk an average of

<sup>107</sup> Examples of these are the ADB–Asian Development Bank Institute Forum on Governance and Institutions–Governance and Service Delivery: Practical Lessons for Subnational Governments, held in the Republic of Korea; the Asia Pacific Leaders’ Forum on Open Government for Inclusive Development, held in Indonesia; and the Policy Dialogue Workshop—Tax and Corruption, held in Australia.

<sup>108</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan to the Islamic Republic of Pakistan for the Peshawar Sustainable Bus Rapid Transit Corridor Project*. Manila.

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2 km per day or, for those who could afford it, pay more for safer transport. The project will ensure that 10% of the employees of the BRT's operations and two other entities involved are women. Women will also be guaranteed earmarked commercial space at BRT stations and stops for trading and businesses. The gender action plan includes a series of multimedia campaigns against sexual harassment aimed at reaching a mass audience of at least 480,000 BRT riders a day.

149. **Pursuit of gender equity on several fronts.** To mobilize additional financing for gender-mainstreamed projects, ADB issued its first gender bond in 2017. It continued to seek out cofinancing to support female entrepreneurship. ADB closely monitored the implementation of project gender action plans and ensured that the reporting on results in its project completion reports (PCRs) was sound. It improved gender equality designs in project preparation and the quality assurance process. It also implemented, initiated, and designed new pilot projects in entrepreneurship, finance, and green jobs for women.

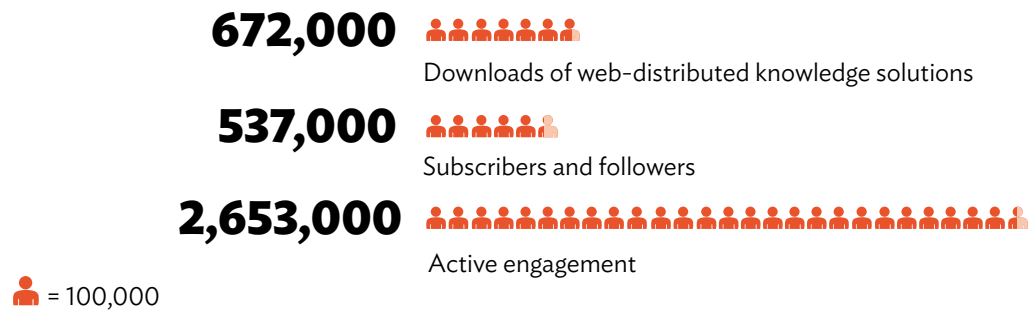
150. **Gender knowledge.** ADB published thematic gender analysis reports in areas such as regional trade, gender data (asset ownership), climate change, and the labor market, as well as a gender audit of the bank clients of its Trade Finance Program. It helped upgrade the knowledge and practice of gender mainstreaming in DMC sector ministries. These efforts included practical, day-to-day support in project gender action plan implementation and sector- and theme-specific gender lateral learning in the areas of energy, climate change, and women's leadership.

## 4. Knowledge Solutions

151. **Downloads lifted by e-publishing innovations and marketing.** Downloads of ADB's **web-distributed knowledge solutions** rose 20% from 2016 to 671,651 in 2017, beating the annual target (Figure 22). The digital object identifiers now assigned to ADB publications make ADB content easier to discover and provide a persistent link to the pages at ADB.org where content can be downloaded. More descriptive metadata has made ADB content easier to find. So has the introduction of publishing-industry standard ONIX 3.0 metadata architecture. Good market targeting has brought ADB's publications closer to their intended audiences and raised the visibility of ADB knowledge products. This has included creative social media posts and videos, e-flyers sent to about 20,000 individuals who have signed up to receive ADB publication information, promotion of ADB content at events, and the introduction of content to new audiences through the author-driven marketing tool Kudos.

152. **Growing social media presence.** Careful tailoring and marketing of social media content continued to attract new followers in 2017. Twitter engagement (retweets and likes) reached a new high of more than 100,000 for the year. The likes, shares, and comments of Facebook engagement were up to 2.5 million from 1.7 million in 2016.

Figure 22: Use of ADB Knowledge Solutions, 2017



ADB = Asian Development Bank.  
Source: ADB (Department of Communications).

## 5. Partnerships

153. ADB aims for a rate of **civil society organization (CSO) participation in sovereign operations** of 90%. CSOs participated in 96% of the 102 ADB sovereign operations in 2017, up from 93% in 2016 (Table 5). CSOs often take part in an operation’s design through information exchange, public consultations, and focus group discussions. They are also frequently contracted to help mobilize communities and prepare participatory socioeconomic assessments in project areas. CSOs sometimes help carry out resettlement plans during project implementation and play a role in the grievance redress mechanism. They can also monitor whether an operation is delivering the intended results and alert ADB when problems need correcting. In 2017, CSOs participated in 100% of the projects in all sectors except energy and PSM. Energy projects without CSO participation involved setting up green financing mechanisms and infrastructure that focuses on engagement with private and banking entities. CSOs provided design support in 84% of sovereign operations in 2017, a sharp increase from 64% in 2016, and played a part in implementing 83% of the operations, down 1 percentage point from the preceding year. Participation by CSOs during both stages rose year on year from 56% to 71%.

Table 5: Civil Society Participation in ADB Sovereign Operations, 2017

Sovereign Operations <sup>a</sup>	Number of Projects	With Civil Society Organization Participation							
		Total		Design		Implementation		Design and Implementation	
		No.	(%)	No.	(%)	No.	(%)	No.	(%)
<b>ADB Total<sup>b</sup></b>	<b>102</b>	<b>98</b>	<b>96</b>	<b>86</b>	<b>84</b>	<b>85</b>	<b>83</b>	<b>72</b>	<b>71</b>
OCR loans	70	68	97	60	86	59	84	50	71
<b>CA Total</b>	<b>44</b>	<b>42</b>	<b>95</b>	<b>37</b>	<b>84</b>	<b>38</b>	<b>86</b>	<b>33</b>	<b>75</b>
CA loans	30	30	100	26	87	29	97	25	83
ADF grants	14	12	86	11	79	9	64	8	57

ADB = Asian Development Bank, ADF = Asian Development Fund, CA = ADB concessional assistance, No. = number, OCR = ordinary capital resources.

<sup>a</sup> Includes all sovereign OCR, CA, and ADF-funded loans and grants.

<sup>b</sup> Includes all sovereign OCR, CA, and ADF-funded loans and grants counted based on project identification numbers, except for those processed using the project design facility.

Source: ADB (Sustainable Development and Climate Change Department).

154. Although the share of **sovereign operations using country systems** increased to 56% from 46% for the concessional assistance subset, it decreased slightly to 60% in 2017 from the 2016 baseline of 61% for ADB overall (Table 6). This was largely due to less use of DMC procurement systems.<sup>109</sup> A fall in the share of disbursements for policy-based lending (PBL) meant that only 40% of total disbursements for sovereign operations were subject to DMC procurement processing in 2017, down 8 percentage points from 2016 (para. 96)

**Table 6: ADB Sovereign Operations Using Country Systems, 2017 (%)**

Indicator	Overall		Concessional Assistance	
	Baseline (2016)	2017	Baseline (2016)	2017
Use of country financial management systems	73	80	67	77
Use of country procurement systems	48	40	25	35
<b>Total use of country systems</b>	<b>61</b>	<b>60</b>	<b>46</b>	<b>56</b>

ADB = Asian Development Bank.

Source: ADB (Strategy, Policy and Review Department).

<sup>109</sup> The use of procurement systems measures the percentage of overall disbursement volume that is made through national competitive bidding processes, results- and policy-based lending, and onlending by financial intermediaries.





The Nurek hydropower plant supplies most of Tajikistan's electrical power

Together, the nine indicators at Level 4 show whether ADB is managing its internal resources and processes effectively to support operational management—Level 3—and deliver results in the developing member countries—Level 2. Clustered into three groups, these indicators measure sufficiency of staff resources, motivation, and diversity; budget efficiency and adequacy; and process efficiency and client orientation.



# LEVEL 4 ADB'S ORGANIZATIONAL MANAGEMENT

Agriculture, Food Sector  
and Health in A  
Shenggen Fan and Rajul  
discuss the emerging role of ag  
in Asia, and how to lever  
improving nutrition and he

Agriculture, Rural Development  
Community of Pr  
Public Lectu  
Tuesday, 28 June 20  
10:30 am - 12 pm,

A knowledge-sharing and learning hub in the library at ADB headquarters in the Philippines

# LEVEL 4: ADB'S ORGANIZATIONAL MANAGEMENT

## A. Human Resources

### *Sufficient staff resources maintained, and staff motivation and diversity increased*

155. **Operations departments staffing target met.** The proportion of **budgeted international and national staff in operations departments** met the target of 56% during 2016–2017 (Table 7). The share of ADB's international staff and national staff working in the resident missions increased from 54% to 56% as ADB allocated new positions to the missions and deployed more staff from headquarters.

**Table 7: ADB Staff in Operations Departments, 2017**

Year	Number of IS and NS		Share of Operations to ADB Overall(%)
	ADB Overall <sup>a</sup>	Operations Departments <sup>b</sup>	
Baseline (2016)	1,834	1,032	56
2017	1,906	1,076	56

ADB = Asian Development Bank, IS = international staff, NS = national staff.

Note: Figures are authorized budgeted positions as of December each year.

<sup>a</sup> The ADB total excludes young professionals, Management, the Independent Evaluation Department, the Office of the Compliance Review Panel, and directors' advisors.

<sup>b</sup> Positions in regional departments, the Office of Public-Private Partnership, and the Private Sector Operations Department.

Source: ADB (Budget, Personnel and Management Systems Department).

156. **Women in international staff increasing.** The **representation of women in the international staff category** increased from 34.0% in 2016 to 35.2% in 2017 (Table 8). ADB's performance on this indicator is rated *on track but watch*. In 2017, women held 21.3% of senior management positions (levels 9–10); 29.2% of leadership roles (levels 7–8); 34.6% of pipeline-level positions (4–6); and 49.3% of entry-level positions (1–3).

157. **Action under way on gender equity.** ADB began implementing a new 17-point action program in 2017 to strengthen gender equality internally. The program is based on an independent assessment of gender equity at ADB by EDGE (Economic Dividends for Gender Equality), an international foundation specializing in best practices in workplace gender equality, as well as on internal focus group discussions. Approved by ADB Management in November 2016 to create greater equity between women and men in ADB's workforce and capitalize fully on the diversity of its staff, the plan targets specific gender improvements in recruitment and staff representation, career management and retention, and training and development.

**Table 8: Representation of Women in the ADB International Staff, 2017 (%)**

Level	Baseline (2016)	2017	2020 Target	2022 Target
1-3	48.7	49.3		
4-6	34.2	34.6		40.0
7-8	26.4	29.2		35.0
9-10	20.0	21.3		35.0
<b>Total</b>	<b>34.0</b>	<b>35.2</b>	<b>38.0</b>	<b>40.0</b>

ADB = Asian Development Bank.

Notes: For levels 1-10, there are no 2020 targets. For 2022, there is no target for levels 1-3. In 2016, ADB introduced new gender targets to be achieved by the end of 2022. The 2020 target in the 2017-2020 transitional results framework for the representation of women in the international staff category is 38%; the target for 2022 is 40%.

Source: ADB (Budget, Personnel and Management Systems Department).

158. **Initial steps.** The advances in 2017 came as ADB stepped up its outreach to women applicants, improved uptake of flexible work by all staff, and began an employment program for spouses and domestic partners of ADB's expatriate staff. It has also emphasized greater participation by female staff in its leadership development programs and started training staff across the organization on the issue of unconscious bias at work.

159. **Staff engagement survey set for 2018.** ADB's next **staff engagement** survey to be conducted in 2018 will help determine how its staff views the institution and guide internal reforms to improve productivity and engagement. The previous surveys in 2008, 2010, 2012, and 2015 had strong 90% response rates. The results in 2015 informed human resources initiatives in 2017, including the leadership development program and reforms in the areas of performance management, diversity and inclusion, and ADB's mobility framework.

## B. Budget Resources

### *Budget management improved*

160. **Budget efficiency strengthened.** ADB's 3-year average ratio of **internal administrative expenses per \$1 million disbursement** remained within the target range in 2017 and moved slightly lower to \$47,300 from \$47,600 in 2016 (Table 9). This result reflects ADB's continuous efforts to strengthen its operational efficiency through institutional initiatives such as reforms in information technology, procurement, human resources including staff optimization, and other administrative services efficiency and conservation measures. ADB performs consistently well alongside comparable institutions in terms of administrative expenses per average adjusted common equity.<sup>110</sup>

161. **Portfolio management share on target.** The **share of operational expenses for portfolio management** was 52.0% in 2017, compared with 54.6% in 2016. This was within the new target range, which has been set to reflect the scaling up of ADB operations and the need for better project preparation and readiness to reduce the development effectiveness costs of implementation delays. The year-on-year change was due in part to higher 2017 spending on project preparation needed to build a stronger pipeline. The higher upfront costs for processing lowered the share going to portfolio management expenses. In a

<sup>110</sup> Standard & Poor's Financial Services. 2017. *Supranationals Special Edition 2017*. New York.

step spearheaded by ADB's Strategy, Policy and Review Department to further improve quality at entry, the staff of the ADB departments that directly support operations devoted more time in 2017 than before to project processing at the preparation stage. This affected the ratio as well.

**Table 9: ADB Budget Management Indicators, 2017**

Indicator	Baseline (2016)	2017	2020 Target
Internal administrative expenses per \$1 million disbursement <sup>a</sup> (\$'000, 3-year average)	47.6	47.3	43–50
Share of operational expenses for portfolio management (% of total operational expenses attributable to portfolio management and processing of operations; reporting year)	54.6	52.0	50–60

ADB = Asian Development Bank.

<sup>a</sup> The figures represent the 2014–2016 average for the baseline (2016) and a 2015–2017 average for 2017.

Source: ADB (Budget, Personnel and Management Systems Department).

## C. Process Efficiency and Client Orientation

### *Business process efficiency and client orientation improved*

162. **Resident missions further empowered.** To deliver innovative service to the developing member countries (DMCs) on time and respond more quickly to their needs, ADB continued to delegate more responsibilities to its resident missions. The proportion of **sovereign operations administered with substantial resident mission involvement** rose to 90% in 2017 from 89% the previous year, well above the 2020 target of 80%.

163. **Project processing time longer.** Average **sovereign operations processing time (from start of loan fact-finding to Board approval)** lengthened to 8.0 months from 7.2 months year on year and remained off the 6.0 months targeted (Table 10). Of the 92 operations in 2017, five took 20 months or more to process and played a large part in the overall slowdown. If the five were excluded, average processing times for the year would drop to 7.0 months for ADB overall and 6.6 months for concessional assistance operations. Average approval-to-effectiveness time was longer for ADB overall (5.7 months) and flat for the concessional assistance operations subset (4.7 months). Lengthy government approval procedures and changes in DMC governments were the most common issues. ADB's 2017 performance on this indicator has also been influenced by its greater focus on quality at entry and project readiness.

**Table 10: ADB Business Process Efficiency Indicators, 2017**

Indicator	Baseline (2016)	2017	Target
Sovereign operations processing time (from start of loan fact-finding to Board approval, months)	7.2	8.0	6.0
Nonsovereign operations processing time (from start of due diligence to Board approval, months)	9.0	7.4	Maintain
Processing time for procurement contracts for sovereign operations (more than \$10 million, days)	45	52	40

ADB = Asian Development Bank.

Source: ADB (Procurement, Portfolio and Financial Management Department and Private Sector Operations Department).

164. **Faster processing of nonsovereign operations.** **Nonsovereign operations processing time (from start of due diligence to Board approval)** shortened from 9.0 months in 2016 to 7.4 months in 2017. Performance on this indicator is *on track*. Several quickly processed equity operations contributed to this result.

165. **Longer procurement processing time.** During the previous (2013–2016) results framework period, ADB had success in steadily shortening the **processing time for procurement contracts for sovereign operations (more than \$10 million)**. In 2017, however, long delays for three exceptionally slow contracts pushed the average processing time to 52 days, up from 45 in 2016 and further from the 2020 target of 40. Two of the outliers took almost a year to process, and the third took almost 2 years. Without these contracts, the 2017 average would be 46 days, comparable to the 2016 result of 45. The procurement contracts processed in 2017 were generally bigger and more complex than the previous year's. This meant that 40% required review by ADB's Procurement Committee, up from 32% in 2016. Median processing time in 2017 was 28 days. Procurement contract processing averaged 63 days for concessional assistance operations in 2017, 5 days longer than the year before and above the target of 40 days.

166. **Procurement reforms continuing.** ADB continued to pursue smoother and speedier procurement processing. Work has begun on the second phase of major procurement reforms (Box). Among other steps, ADB is expanding the use of information technology through its online procurement systems. It is also posting more procurement specialists to ADB's resident missions and building the procurement capacity of executing and implementing agencies in the DMCs.

### Implementation of Second-Phase Procurement Reforms

A new policy approved by the Asian Development Bank (ADB) Board of Directors in 2017 marks a transition from a one-size-fits-all to a fit-for-purpose approach for procurement in operations financed by ADB loans, grants, and technical assistance. To achieve better value for money, the procurement policy focuses on improving procurement quality, reducing overall procurement time, and using better procurement delivery systems under a principles- and risk-based methodology.

The key changes include

- (i) the addition of quality and value for money to the existing principles of economy, efficiency, fairness, and transparency in procurement;
- (ii) the use of less-prescriptive and more principles-based approaches to meeting the emerging needs of ADB clients and changing market conditions;
- (iii) the adoption of the fitness-for-purpose model in designing procurement arrangements;
- (iv) the use of risk-based procurement review to improve operational efficiencies;
- (v) support for the procurement of high-level technologies, particularly to help developing member countries address climate change and meet other development and growth aspirations; and
- (vi) the use of alternative procurement arrangements to reduce transaction costs for developing member countries and ADB's cofinanciers.

In addition to its extensive procurement capacity-building activities for its clients, ADB is developing new guidance notes and instructions on procurement for its staff.

Source: ADB (Procurement, Portfolio and Financial Management Department).

167. **Contracting needs met faster.** Average sovereign operations procurement time (from receipt of draft bidding documents to contract signing) was down to 370 days in 2017 from 386 in 2016. The time it

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takes to complete the portion of the contract review process in which ADB is directly involved was stable at 135 days in 2017, compared with 136 the previous year.

168. **Consultant recruitment time dropping.** Improvements were also made in 2017 on the time taken to recruit consulting services for ADB-administered contracts in sovereign operations. Measured from the consulting services recruitment notice to consultant mobilization, the average shortened from 154 days in 2016 to 143 in 2017.

169. **Decentralization ongoing.** ADB's ongoing decentralization reforms continued to expand the role of its resident missions in project and technical assistance (TA) implementation. ADB now does a greater share of its overall project processing in these field offices, and they accounted for 56% of its total international and national staff in 2017, up from 54% the year before. To cover rising expenditures for new staff positions and staff members posted from ADB headquarters, ADB raised the resident missions' 20.0% share of total allocated net internal administrative expenses in 2017 to about 21.2% for 2018.





ADB Headquarters, Manila, Philippines



**The 2017 Development Effectiveness Review identifies ADB's performance successes but underlines persistent problems and emerging challenges as well. Through this rigorous annual reporting, the review supports ADB's commitment to the continual improvement of its development effectiveness. This section lists the actions under way to strengthen performance.**



# Actions to Address Challenges

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Children walk to school on a remote mountain road in the Highlands Region of Papua New Guinea

# ACTIONS TO ADDRESS CHALLENGES

170. Table 11 shows the status of ongoing and recently completed actions ADB is undertaking to address the challenges it has identified to its development effectiveness.

**Table 11: Ongoing and Recently Completed Actions to Improve ADB Performance**

Actions	DEfR Level	Status
<b>a. Improve project readiness and reduce start-up delays</b>		
<ul style="list-style-type: none"> <li>Adopt realistic project implementation schedules using project readiness filters; classify projects into two readiness categories—high and low</li> </ul>	Levels 2–4	<p>Monitoring has been separated into two categories: design readiness and procurement readiness. Monitoring has started, and results have been reported in the development effectiveness review (DEfR) during 2014–2017.</p> <p>ADB’s 2014–2016 corporate results framework and the 2017–2020 transitional results framework include an indicator to show the portion of infrastructure projects that were procurement-ready (%) and a standard explanatory data indicator on infrastructure projects that are design-ready (%). These indicators will be used to measure high readiness.</p>
<ul style="list-style-type: none"> <li>Refine the current eOperations to meet the operational needs</li> </ul>	Level 3	<p>eOperations simplification phase 2, release 4 went live on 23 May 2016. This included features such as integration with eServe for editing and circulation requests, integration with the Disclosure Management System for submitting documents for disclosure, and simplified process for uploading final linked documents. Overall productivity has improved by 70% based on the reduction of clicks, screens, and data fields. The eOperations simplification project was closed and moved to regular maintenance mode. Briefings were conducted, and training sessions followed.</p>
<ul style="list-style-type: none"> <li>Provide an end-to-end e-system for procurement review that can track procurement actions from preparation of bid documents to contract completion</li> </ul>	Level 3	<p>The procurement review system was launched in January 2015 for transactions amounting to \$10 million and above. In 2017, 851 transaction stages used this information-technology-based review system.</p> <p>Regional departments are making procurement submissions using an electronic template for simpler and streamlined data entry directly into the system.</p> <p>The loan consulting module is being developed by the Office of Information Systems and Technology and will be ready for deployment by May 2018.</p>
<ul style="list-style-type: none"> <li>Ensure availability of resources for preparation of detailed project designs and feasibility studies</li> </ul>	Level 3	<p>A policy on enhancing ADB’s operational efficiency was approved by the Board in 2015.<sup>a</sup> One of the objectives of the policy was to increase the development impact of ADB’s technical assistance (TA) operations by enhancing the relevance and quality of TA programs, and by accelerating the delivery of TA for project preparation. Through 2017 TA reform, the types of TA were streamlined from four to two: transaction TA and knowledge and support TA. Transaction TA provides project preparation and implementation and other support that directly benefits a project, while knowledge and support TA encompasses all other TA types.</p>

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Actions	DEfR Level	Status
<b>b. Procurement reforms to reduce sovereign operation implementation delays</b>		
<ul style="list-style-type: none"> <li>Undertake a review of procurement and consultant policy and guidelines, including single-source selection and use of country systems and processes</li> </ul>	Levels 2–3	<p>ADB approved a new ADB procurement policy in March 2017. This marked the transition from a one-size-fits-all approach to a fit-for-purpose approach. The new framework is intended to provide enhanced flexibility and dynamism in procurement services delivery. It will facilitate better project design and improved and quicker project implementation.</p>
<ul style="list-style-type: none"> <li>Delegate more authority in procurement matters to regional departments and resident missions to reduce ADB’s response time</li> </ul>	Levels 2–4	<p>Nine senior staff have been posted to ADB resident missions in Afghanistan, Bangladesh, the People’s Republic of China, India, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam, as well as to the Pacific Subregional Office, with delegated authority to sign off on transactions of up to \$40 million on behalf of Procurement, Portfolio and Financial Management Department (PPFD) directors. In addition, three PPFD staff provide exclusive support to the front offices of the Pacific Department, South Asia Department, and Southeast Asia Department. One staff member is supporting the South Asia Department’s Urban Development and Water Division.</p> <p>Under the new procurement framework, ADB will increase decentralization to its operations departments and post procurement specialists to all resident missions and sector divisions with a portfolio of more than \$1 billion.</p>
<ul style="list-style-type: none"> <li>Assess procurement risks and introduce new prior-review limits for contracts</li> </ul>	Levels 2–3	<p>As of the end of 2017, 28 country, sector, or agency risk assessments had been completed.</p> <p>The new prior-review limits are effective for all new projects and may be applied to ongoing projects.</p>
<ul style="list-style-type: none"> <li>Regional departments to classify projects by procurement risk and complexity at concept clearance</li> </ul> <p>For high-risk and complex projects, PPFD to join project team and provide support during processing, and regional departments to include capacity building as part of project design</p>	Levels 2–3	<p>Sixty-six projects were classified as category A projects (complex) during 2014–2017, requiring specialized procurement support from PPFD during project processing.</p> <p>PPFD provides support for high-risk and/or complex projects under category A, including participation in missions supporting project preparation.</p>
<ul style="list-style-type: none"> <li>Streamline the timelines and procurement review processes for different procurement methods</li> </ul>	Levels 2–4	<p>ADB has simplified internal procedures to provide faster procurement approvals and responses to executing and implementing agencies, and has established higher standards for monitoring the time taken to make procurement decisions.</p>
<ul style="list-style-type: none"> <li>Regional departments to have flexibility to use new procurement modes and templates</li> </ul>	Levels 2–3	<p>The use of new procurement modes and templates has started. Design-and-build documents have been developed and are being used by the Central and West Asia Department, South Asia Department, and Southeast Asia Department in several projects. The use of fixed-price contracts is also permitted and is currently in use by the South Asia Department. An e-procurement strategy has been prepared, and e-procurement is allowed. It was used in a project in India.</p>

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Actions	DEfR Level	Status
<ul style="list-style-type: none"> <li>Streamline recruitment of consulting services and improve their quality</li> </ul>	Levels 2–4	<p>The Consulting Service Unit was established in April 2015 to streamline recruitment and improve the quality of consulting services. Quality enhancements include increased use of 90:10 quality- and cost-based evaluation, and enhanced delegation of authority to regional departments for loan consulting services up to \$5 million.</p> <p>Business processes continue to be simplified, including through revision of forms and templates, introduction of new contract forms, and development of a framework contract agreement.</p>
<ul style="list-style-type: none"> <li>Enhance quality of contractors</li> </ul>	Levels 2–3	<p>New staff instructions and revised project administration instructions 3.01–3.12, approved in July 2014, include the strengthening of technical and financial qualification and evaluation criteria in standard bidding documents and contractor prequalification criteria to take project complexity and competition into account.<sup>b</sup></p>
<b>c. Improve sustainability of infrastructure operations</b>		
<ul style="list-style-type: none"> <li>Undertake an in-depth analysis of factors undermining sustainability and recommend measures for improvement</li> </ul>	Level 2	<p>Based on lessons learned from past ADB operations and international best practices in project sustainability, ADB will continue to address both the financial and environment sustainability of its operations during the project design phase. Both aspects will be monitored during implementation and after project completion. ADB will provide necessary capacity development assistance and knowledge solutions for asset sustainability to project executing and implementing agencies. Early involvement of ADB’s Economic Research and Regional Cooperation Department and PPF in project economic and financial analysis, and of ADB’s sector and thematic groups in project design will also contribute to project sustainability.</p>
<b>d. Improve disbursement performance</b>		
<ul style="list-style-type: none"> <li>Provide a client portal for faster disbursements to allow executing agencies or borrowers to file withdrawal applications</li> </ul>	Level 3	<p>The Client Portal for Disbursement (CPD) was launched in July 2015. The CPD allows agencies to prepare, submit, and track loan and grant withdrawal applications online. It also allows real-time communication between agencies and ADB.</p> <p>By the end of 2017, the CPD had been rolled out to 26 of 38 targeted developing member countries. In 2017, the Loan Administration Division of the Controller’s Department processed 3,982 withdrawal applications amounting to \$2.44 billion. This amount was close to a 300% increase over 2016, when the division processed 1,297 withdrawal applications totaling \$0.83 billion.</p>
<ul style="list-style-type: none"> <li>Remove ceiling on imprest accounts and statements of expenditures for executing agencies with adequate capacity, and finance imprest accounts on the basis of 6 months’ estimated expenditure</li> </ul>	Level 3	<p>The Controller’s Department revised the <i>Loan Disbursement Handbook</i> in February 2015 to incorporate action 2.27 of the action plan of the Midterm Review of Strategy 2020. This removed the ceiling on imprest accounts and statements of expenditures for executing agencies with adequate capacity and enabled financing of imprest accounts based on 6 months’ estimated expenditure.</p> <p>As of 31 January 2018, 43% (117) of projects for which the use of statement of expenditure procedures was approved were using such procedures without a ceiling. In the case of those projects for which the use of advance (formerly “imprest”) fund procedures was approved, 83% (203) were using advance fund procedures without a ceiling and financing the advance the account based on 6 months’ estimated expenditure.</p>

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Actions	DeFR Level	Status
<ul style="list-style-type: none"> <li>Reduce the time for payment of withdrawal applications</li> </ul>	Level 3	<p>ADB has taken the following measures to reduce the time for payment of withdrawal applications:</p> <ul style="list-style-type: none"> <li>(i) The revised service-level standards guidelines were rolled out to ADB's Loan Administration Division in 2016.</li> <li>(ii) eSTAR guidelines were revised to streamline and speed up the submission of withdrawal applications through the resident missions.</li> </ul> <p>The average time between receipt of the withdrawal application and payment for prior-review contracts has been less than 5 days since 2015 and was 4.4 days as of the end of 2017.</p>
<ul style="list-style-type: none"> <li>Ensure that the information technology systems in the large and medium-sized resident missions identified for fully delegated contract approvals and disbursement functions are capable of full and unfettered access to headquarters information</li> </ul>	Level 3	<p>An internet service provider upgrade in resident missions was completed in the second quarter of 2015.</p>
<ul style="list-style-type: none"> <li>Link allocation of ordinary capital resources (OCR) to project performance, including disbursement performance</li> </ul>	Level 3	<p>The overall framework used to determine the country allocation of OCR considers a number of factors, including absorptive capacity. Therefore, future allocations are to a certain extent already linked to disbursements. Moreover, since the discussion under a scale-up phase is moving away from disbursement ratios and more toward an absolute target, there is a link between approvals and disbursements. In many ways, events have superseded this action item, but the emphasis on strong project performance and absorptive capacity remains. Given the evolution of events, the Asian Development Fund-ordinary capital resources merger, the higher emphasis on project readiness, and absorptive capacity as measured by reduction in undisbursed balances, this action is considered completed.</p>
<p><b>e. Increase cofinancing</b></p>		
<ul style="list-style-type: none"> <li>Enter into risk-sharing arrangements with selected development partners to expand headroom</li> </ul>	Level 3	<p>ADB signed a risk-transfer agreement for \$155 million with the Swedish International Development Cooperation Agency on 21 September 2016.</p>
<ul style="list-style-type: none"> <li>Streamline processes relating to Japan Fund for Poverty Reduction (JFPR)</li> </ul>	Level 3	<p>The 2014 JFPR guidelines were updated in 2015. ADB's Office of Cofinancing Operations (OCO) circulated a memo on the 2015 JFPR guidelines to directors-general. OCO conducted briefing sessions for user departments on JFPR policies and procedures in May 2015.</p> <p>Annual policy reviews continue. In 2016, to further streamline processes, a new JFPR project grant template was introduced. In 2017, the JFPR guidelines on TA were updated to reflect the ADB TA reform guidelines.</p>
<ul style="list-style-type: none"> <li>Put credible cofinancing targets in country partnership strategies and country operations business plans</li> </ul>	Level 3	<p>Country partnership strategies and country operations business plans now include cofinancing estimates. The Strategy, Policy and Review Department (SPD) monitors whether this is done on a regular basis. OCO is working with the regional departments to identify funding sources.</p>

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Actions	DEfR Level	Status
<ul style="list-style-type: none"> <li>Streamline cofinancing procedures to minimize transaction costs</li> </ul>	Level 3	<p>The definition of official and other concessional cofinancing terms and matters was clarified through the revision of the operations manual, effective 3 October 2014. The Template of Cofinancing Agreement for project grants administered by ADB was finalized in 2017. The Supplemental Integrity Due Diligence guidelines for Mobilizing Contributions through Private Sector Partnerships was approved in December 2017.</p> <p>ADB is developing the Cofinance Management System. The Trust Fund and Project Specific Cofinancing modules were rolled out and integration with the cofinance database was completed during 2016–2017. Web enhancement, Trust Fund and Project Specific Cofinancing Reporting Requirements, and JFPR TA and the Grant Pipeline and Monitoring system will be rolled out in 2018.</p> <p>Cofinancing fact sheets for the Department for International Development of the United Kingdom (DFID), Agence Française de Développement, the European Investment Bank, KfW, the Nordic Development Fund, and the Swedish International Development Cooperation Agency were produced and have been shared with internal and external clients.</p> <p>A cofinancing guide for the Islamic Development Bank was released in September 2016 during the ADB–Islamic Development Bank joint retreat in Saudi Arabia. A cofinancing guide for the Export-Import Bank of Korea was published in December 2016. In 2017, JFPR guidelines and an ADB–DFID cofinancing guide were released.</p>
<ul style="list-style-type: none"> <li>Link corporate cofinancing target with differentiated department-level targets, and monitor</li> </ul>	Level 3	<p>Beginning in 2014, official direct value-added cofinancing targets were developed at the regional department level in consultation with regional departments, OCO, and SPD. SPD’s quarterly operations review meetings have been reporting against departmental targets. The exercise is being repeated annually.</p>
<ul style="list-style-type: none"> <li>Allocate a portion of earned administrative fees to project teams for administration of cofinanced projects</li> </ul>	Level 3	<p>The Budget and Management Services Division developed a new methodology to transparently allocate earned fees (linked to disbursement) for cofinancing activities and trust funds to operations departments. The methodology has been in use since the 2015 budget allocation.</p>
<b>f. Increase public–private partnership (PPP) transactions and leverage greater private financing</b>		
<ul style="list-style-type: none"> <li>Centralize PPP transaction advisory teams</li> </ul>	Level 3	<p>The Office of Public–Private Partnership was established on 1 September 2014 and became fully operational on 1 January 2015. Since then, it has secured 13 TAS mandates (as of 31 December 2017).</p>
<ul style="list-style-type: none"> <li>Consider a dedicated TA facility on a cost-recovery basis for transaction advisory service mandates</li> </ul>	Level 3	<p>The TA facility was established and approved (TA 8909: Enhancing PPP Project Development through Support for ADB Transaction Advisory Services in Southeast Asia and the Pacific).</p>
<ul style="list-style-type: none"> <li>Develop a facility to help prepare regional projects to leverage financing from other partners</li> </ul>	Level 3	<p>This action item is combined with the Asia–Pacific Project Preparation Facility (AP3F) in light of the AP3F’s intent to favor the preparation of PPP projects that promote greater regional economic integration and connectivity. AP3F operations have started.</p>
<ul style="list-style-type: none"> <li>Conceptualize AP3F and other facilities to develop infrastructure projects</li> </ul>	Level 3	<p>The Board approved the AP3F paper, and donors confirmed it. The AP3F trust fund was created in 2015. Since its launch, the AP3F has supported 19 applications with a robust project pipeline and strong interest by developing member countries.</p>

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Actions	DEfR Level	Status
<b>g. Increase education financing</b>		
<ul style="list-style-type: none"> <li>Increase the share of education to 6%–10% of total financing</li> </ul>	Level 3	The sovereign operation pipelines of the Work Program and Budget Framework, 2018–2020 show the share of education is expected to reach 7% of the operational pipeline, by value, compared with the midterm review target of 6%–10%. Resources are allocated on a country and regional department basis in accordance with midterm review priorities and country consultations.
<b>h. Ensure right talent and skills mix and increase women international staff's representation</b>		
<ul style="list-style-type: none"> <li>Develop a structured workforce planning methodology that comprehensively assesses future resourcing and skills requirements</li> </ul>	Level 4	Following the mainstreaming of annual workforce analysis in 2016, the 3-year departmental strategic staffing plan is now an annual exercise in the Work Program and Budget Framework period. The findings of the workforce analysis serve as a basis for the preparation of the departmental strategic staffing plan, a 3-year rolling plan with the departments' strategic directions, major deliverables, staff optimization plans, out-posting and gender targets, and staffing requirements. After piloting in six departments in 2016–2017, preparation of the departmental strategic staffing plan is being expanded to other departments.
<ul style="list-style-type: none"> <li>Strengthen staffing and skills where gaps are identified as part of the workforce planning methodology</li> </ul>	Level 4	The skills audit was undertaken during May 2014–October 2015 to project gaps in the skills required by operations departments. The projected gaps for 2017–2019 were in three areas: (i) sector skills, (ii) operational skills for the five regional departments, and (iii) private sector skills for the Private Sector Operations Department, and are being addressed through targeted hiring initiatives.  ADB will continue human resources reforms to identify, recruit, motivate, and retain talented staff to deliver a stronger, better, and faster ADB. This objective is being pursued by implementing flexible position management, the workforce analysis, and the strategic staffing plan and mobility framework.

Note: The midterm review action plan prepared in 2014 includes a detailed operational and organizational agenda that aims to translate the Strategy 2020 midterm review outcomes into specific actions. (ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.)

<sup>a</sup> ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila.

<sup>b</sup> ADB. 2014. *Procurement. Project Administration Instructions*. PAIs 3.01 and 3.12. Manila.

Source: ADB midterm review action plan monitoring (accessed 7 March 2018).





# Appendixes

A traditional place of worship in the grasslands of Inner Mongolia Autonomous Region, People's Republic of China

# APPENDIX 1: LIST OF ADB DEVELOPING MEMBER COUNTRIES

Table A1.1: ADB Developing Member Countries

Afghanistan	India	Mongolia	Tajikistan
Armenia	Indonesia	Myanmar	Thailand
Azerbaijan	Kazakhstan	Nauru	Timor-Leste
Bangladesh	Kiribati	Nepal	Tonga
Bhutan	Kyrgyz Republic	Pakistan	Turkmenistan
Cambodia	Lao People's Democratic Republic	Palau	Tuvalu
China, People's Republic of	Malaysia	Papua New Guinea	Uzbekistan
Cook Islands	Maldives	Philippines	Vanuatu
Fiji	Marshall Islands	Samoa	Viet Nam
Georgia	Micronesia, Federated States of	Solomon Islands	
		Sri Lanka	

ADB = Asian Development Bank.

Notes: Five developing members—Brunei Darussalam; Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China—have graduated from regular ADB assistance and are not included in this table. The classification of Brunei Darussalam as a graduated developing member became effective when the government signed a partnership memorandum of understanding with ADB in August 2016.

Source: ADB (Strategy, Policy and Review Department).

Table A1.2: Classification of ADB Developing Member Countries, 2017

Regular OCR-Only	CA Countries		FCAS
	OCR Blend Countries	CA-only Countries	
Armenia	Bangladesh	<b>COL-only countries</b>	Afghanistan
Azerbaijan	India <sup>a</sup>	Cambodia	Kiribati
China, People's Republic of	Mongolia	Myanmar	Marshall Islands
Cook Islands	Pakistan	Nepal	Micronesia, Federated States of
Fiji	Palau		Myanmar
Georgia	Papua New Guinea	<b>ADF Blend countries</b>	Nauru
Indonesia	Sri Lanka	Bhutan	Papua New Guinea
Kazakhstan	Timor-Leste	Kyrgyz Republic	Solomon Islands
Malaysia	Uzbekistan	Samoa	Tuvalu
Philippines	Viet Nam	Solomon Islands	
Thailand		Tajikistan	
Turkmenistan		Tonga	
		Vanuatu	
		<b>Grants-only countries</b>	
		Afghanistan	
		Kiribati	
		Lao People's Democratic Republic	
		Maldives	
		Marshall Islands	
		Micronesia, Federated States of	
		Nauru	
		Tuvalu	

ADB = Asian Development Bank, ADF = Asian Development Fund, CA = ADB concessional assistance, COL = concessional ordinary capital resources loans, FCAS = fragile and conflict-affected situations, OCR = ordinary capital resources.

<sup>a</sup> Has no access to concessional assistance.

Sources: ADB. 2013. *ADB's Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations*. Manila; ADB. 2018. *Classification and Graduation of Developing Member Countries. Operations Manual. OM A1/BP*. Manila; and ADB Strategy, Policy and Review Department.

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# APPENDIX 2: DELIVERING RESULTS IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS

1. **A differentiated approach.** Countries facing fragile and conflict-affected situations (FCAS) present political, social, economic, and environmental challenges that differ from those in other developing countries. Political instability, weak governance, economic and social insecurity, and vulnerability to the effects of climate change make it particularly difficult for countries experiencing FCAS to achieve their development objectives. The Asian Development Bank (ADB) recognizes the need for a differentiated approach to the unique needs of its FCAS developing member countries (DMCs). ADB's Strategy 2020 midterm review and its operational plan for FCAS emphasize the importance of understanding the local context, making a long-term commitment, ensuring country ownership, and being flexible in responding to these challenges.<sup>1</sup>
2. **Nine fragile and conflict-affected countries.** ADB's classification of DMCs as FCAS is based on the harmonized list adopted by ADB, the World Bank, and several other multilateral development banks. ADB listed nine DMCs in its FCAS category in 2017.<sup>2</sup> Kiribati, the Marshall Islands, the Federated States of Micronesia (FSM), Nauru, Papua New Guinea (PNG), Solomon Islands, and Tuvalu were considered to be in fragile situations. Afghanistan and Myanmar were identified as conflict-affected. ADB also gives special attention to other cases of FCAS. These include situations of fragility at the subnational level, DMCs that have exited the FCAS list but are in a transitional or post-conflict situation, and countries whose performance assessment scores are only marginally above the cutoff score for FCAS identification. Timor-Leste and Vanuatu fell into this last category in 2017.

## A. Country Context

3. **Slight drop in poverty levels.** As of 2013, about 13% of the population of FCAS countries, or 7.6 million people, still lived in extreme poverty on less than \$1.90 a day. This was down from 9% (8.9 million people) in the previous year.<sup>3</sup> Economic growth in FCAS countries has remained weak, with per capita growth in gross domestic product (GDP) up only 2 basis points in 2016 from 2.85% in the year before.
4. **Significant remaining challenges in health, education, and infrastructure.** Maternal mortality remained very high at 289 deaths per 100,000 live births, 125% above the rate for ADB's DMCs overall. Enrollment and completion rates in secondary and tertiary education showed no significant change during 2012–2015. Progress in improving access to water, sanitation, and paved roads was incremental. The ratio of roads per 10,000 people rose by 8% to 3.2 kilometers (km) in 2014 from 3.0 km in 2011. This was 1 percentage point short of the average same-period increase across the DMCs. FCAS countries have had

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<sup>1</sup> ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila; and ADB. 2013. *Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations*. Manila.

<sup>2</sup> Changes to baseline data and aggregated results have been made to reflect the new FCAS composition. Papua New Guinea (PNG) has been added to the list, while Timor-Leste has moved out of the fragility classification.

<sup>3</sup> ADB estimates based on World Bank Development Research Group PovcalNet. <http://iresearch.worldbank.org/PovcalNet/index.htm>. Data were not available for Afghanistan, the Marshall Islands, and Nauru.

some success in providing rural communities with access to proper sanitation facilities. Coverage grew from 50.9% to 52.1% during 2010–2015, which was slightly better than the overall DMC average of 49.3%.

5. **Pressure mounting on the environment.** Forest cover in FCAS countries shrank to 36% in 2015 from 38% in 2010. FCAS countries are far from meeting the 10% target under Sustainable Development Goal 14 for protecting marine areas. Only 3% of these areas are currently protected. On the other hand, the intensity of carbon dioxide emissions remained stable. The ratio stood at 0.12 kilograms per \$1.00 of GDP at purchasing power parity during 2011–2014.

## B. Operations

6. **Success in completed sovereign operations.** The sovereign operations completed in the FCAS countries during 2015–2017 had a success rate of 69%, up from 63% in the baseline period of 2014–2016. They accounted for 8% of the total sovereign completions in the latest reporting period.

7. **Strengthening public financial management.** Among the important results of the 9 of 13 operations rated *successful* were greater fiscal stability and economic and financial reforms in Kiribati, Myanmar, Nauru, Solomon Islands, and Tuvalu. Limited capacity and resources to generate revenue are common features of fragility. One remedy is strong public financial management. ADB grants helped improve revenue administration in Kiribati, strengthen procurement systems and the commercial orientation of state-owned enterprises in Nauru, and sustain the economic and fiscal gains of earlier reforms in Tuvalu.<sup>4</sup> While these DMCs remain vulnerable to external shocks, the results achieved so far are likely to be sustained with development partner support through continuing efforts to strengthen institutions and a commitment to reform by governments.

8. **Advances in health.** A completed health project in PNG that was financed by ADB with the government and other development partners introduced comprehensive responses to an HIV epidemic and improved health-care services.<sup>5</sup> Testing for HIV infection increased by 65% from 2005 to 2010, and almost 8,000 people (83.7% of those eligible) received treatment. The project included a successful partnership with the private sector, particularly in providing HIV prevention services in rural communities.

9. **Technical assistance success rate down but on target.** The success rate of ADB's technical assistance (TA) projects in FCAS countries declined to 81% in 2015–2017 from 88% in 2014–2016.<sup>6</sup> This was lower than 86% for ADB overall in the same period but still above the 2020 target. ADB provided TA to seven of the nine FCAS countries: Afghanistan, Kiribati, the Marshall Islands, the FSM, Myanmar, PNG, and Solomon Islands.

10. The TA operations helped FCAS DMCs perform core state functions. They enhanced capacity in public financial management, economic policy and planning, asset management, and customs administration. Capacity development TA and policy and advisory TA improved the gender responsiveness of government

<sup>4</sup> ADB. 2016. *Completion Report: Strengthening Fiscal Stability Program in Kiribati*. Manila; Independent Evaluation Department (IED). 2017. *Validation Report: Strengthening Fiscal Stability Program in Kiribati*. Manila: ADB; ADB. 2016. *Completion Report: Public Financial Management Reform in Nauru*. Manila; IED. 2017. *Validation Report: Public Financial Management Reform in Nauru*. Manila: ADB; ADB. 2017. *Completion Report: Strengthened Fiscal Sustainability Program in Tuvalu*. Manila; and IED. 2017. *Validation Report: Strengthened Fiscal Sustainability Program in Tuvalu*. Manila: ADB.

<sup>5</sup> ADB. 2017. *Completion Report: HIV/AIDS Prevention and Control in Rural Development Enclaves in Papua New Guinea*. Manila; and IED. 2017. *Validation Report: HIV/AIDS Prevention and Control in Rural Development Enclaves in Papua New Guinea*. Manila: ADB.

<sup>6</sup> The 2014, 2015, and 2016 development effectiveness reviews reported a steady increase in success rates for the FCAS subset, which comprised a different set of countries (Afghanistan, Kiribati, the Marshall Islands, the FSM, Myanmar, Nauru, Solomon Islands, Timor-Leste, and Tuvalu). The success rates were 85% in 2014, 90% in 2015, and 92% in 2016.

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programs in Myanmar, strengthened PNG's legislative framework for anti-money laundering and combating the financing of terrorism, and improved land acquisition and development consent procedures in the transport sector of Solomon Islands.<sup>7</sup>

11. **Small decline in implementation quality.** The share of ongoing FCAS sovereign operations with *satisfactory* ratings moved slightly lower, declining by 2 percentage points to 90% in 2017, compared with 92% for ADB overall and 93% in the concessional assistance subset. Seven FCAS projects were rated *actual problem* in 2017: four in Afghanistan, one in the Marshall Islands, and two in PNG. All had disbursement difficulties and six had contract award issues.

12. **Disbursements higher.** Disbursements for sovereign projects and results-based lending in FCAS countries increased from \$273 million in 2016 to \$350 million in 2017 and the disbursement ratio rose from 13.3% to 13.4%. PNG, which joined the FCAS group in 2017, accounted for 29% of the total. Timor-Leste, which left the group in 2017, accounted for 10% of the total in the previous year.

13. **Cofinancing lower.** The \$253 million in FCAS country cofinancing in 2017 was a sharp drop from \$1.6 billion in 2016. This was due to a substantial decline for Myanmar, which had accounted for 81% of the 2016 cofinancing total. The Export-Import Bank of Korea contributed the largest share of the 2017 cofinancing at 40%, followed by the Afghanistan Infrastructure Trust Fund at 24%. Direct value-added cofinancing reached \$2.0 billion for the current 3-year period, up from \$1.8 billion in 2014–2016.

## C. ADB's Approach to Fragile and Conflict-Affected Situations

14. The international development community's focus on addressing issues of fragility and conflict has been growing since 2005. ADB adopted its current, differentiated approach to what it now calls FCAS in 2007. It prepared a staff handbook on working differently in FCAS in 2012 and began to implement its FCAS operational plan at national and subnational levels in 2013.<sup>8</sup> To enhance the development impact of its FCAS support, the 2013 plan built on lessons ADB learned while implementing the 2007 approach and incorporated good practices from its own work and that of its development partners.

15. Recognizing the special challenges to be met in FCAS DMCs and areas, ADB emphasizes the need for fragility assessment and political economy analysis to gain an in-depth understanding of the local context. Long-term commitments are required in sectors where they can deliver the most impact. ADB's projects in FCAS countries seek to ensure local ownership by building capacity and encouraging participation. Simplified business processes and alternative implementation arrangements are used to reduce administrative burdens.

16. **A multidimensional view of fragility in the Pacific.** Mounting economic, environmental, and security risks have led the international development community to recognize the need for a more multidimensional view of fragility. This includes attention to the physical and structural factors that limit a country's resilience to adverse circumstances. This approach is particularly relevant to the seven Pacific

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<sup>7</sup> ADB. 2017. *Technical Assistance Completion Report: Supporting Good Governance through Safeguards in Solomon Islands*. Manila; ADB. 2017. *Technical Assistance Completion Report: Support to the Preparation and Dissemination of the Myanmar Gender Situational Analysis in Myanmar*. Manila; and ADB. 2016. *Technical Assistance Completion Report: Supporting Anti-Money Laundering and Combatting the Financing of Terrorism in Papua New Guinea*. Manila.

<sup>8</sup> ADB. 2012. *Working Differently in Fragile and Conflict-Affected Situations: The ADB Experience*. Manila. [www.adb.org/documents/working-differently-fragile-and-conflict-affected-situations-adb-experience](http://www.adb.org/documents/working-differently-fragile-and-conflict-affected-situations-adb-experience).



DMCs on ADB's FCAS list in 2017. All face common physical and structural constraints that are not captured by traditional score-based FCAS classification. They are mostly small, remote, exceptionally exposed to environmental and economic shocks, and widely dispersed over large areas of the Pacific Ocean. ADB is working to develop new responses to these special FCAS challenges. In 2017, it participated in the Inter-Agency Working Group on Small States: Vulnerability and Development Finance, which has brought together development partners to pursue collaboration on developing multidimensional vulnerability metrics and to share information on ongoing efforts to expand access to development finance for small states.

17. **Conflict- and context-sensitive approaches.** ADB is developing a conflict-sensitivity strategy and a matching toolbox for capacity development and project processing and implementation in Afghanistan. After decades of conflict, the country suffers from low transparency and accountability in governance, high degrees of political and security risk, and tremendous uncertainty about the future. The new tools will apply practical strategies to specific issues in ways adapted to the context and characteristics of FCAS in Afghanistan. These issues often relate to misinformation, local competition for resources, poor social inclusion, project delays and changes, questions of government legitimacy, localized insecurity, and competing interests.

18. ADB has investment projects and grants in parts of Myanmar that are emerging from active conflict and where a history of distrust remains. Such initiatives need careful planning that accounts for the complex dynamics and avoids undermining Myanmar's fragile peace and ethnic harmony. ADB is applying a context-sensitive approach to its development interventions in areas where political conflicts have yet to be fully resolved.

## D. Highlights of Operational Achievements

19. Both ADB's 2014 Midterm Review of Strategy 2020 and its 2013 FCAS operational plan cited a full grasp of local context, long-term commitment, country ownership, and flexibility as essential to an effective ADB response to FCAS. ADB continued to meet these requirements in 2017. It also focused on the special needs of the Pacific countries that were not among the designated FCAS DMCs but shared many aspects of fragility. ADB prioritizes a regional approach in operations in the Pacific, as well as efforts to leverage financing from external sources to add to its own.

20. **Understanding the local context.** FCAS approaches were mainstreamed in most of ADB's recent strategic documents, as well as in the preparation of concept papers and reports and recommendations of the President for project and sector lending under sovereign operations in FCAS countries and areas.

21. **Context-sensitivity at work.** Context-sensitive approaches have included ADB's support to help overcome the development challenges posed by the vast geography, dispersed and often isolated populations, and limited information base in Afghanistan. ADB and the government developed policies and training programs on geospatial data classification and standardization in 2017. The aim is to develop a central information portal to increase access to accurate and comprehensive geospatial data in the country. ADB is also conducting detailed research on the country context in Myanmar and training staff and consultants on how to work effectively in a unique and highly challenging development environment.

22. **Making long-term commitments.** ADB has fulfilled the requirement for long-term commitments through a consistent focus over the years on sectors that deliver a strong impact in meeting FCAS needs. In Afghanistan, it has concentrated on improving the country's infrastructure, especially in energy, transport, and agriculture and natural resources. In Myanmar, ADB is helping the government lay the foundations for sustainable, inclusive economic development and the creation of jobs to reduce poverty. Infrastructure operations have played a dominant role in this FCAS country as well, mostly in energy, transport, and urban

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development. ADB adopted the Pacific Approach, 2016–2020 to address the specific factors of fragility in the 11 smallest Pacific DMCs. The strategy aims at achieving national renewable energy goals, improving connectivity, creating a more enabling business environment, strengthening macroeconomic management, managing climate change and disaster risks, developing the private sector, making urban areas more livable, and investing in people. As part of the approach, ADB prepared its first consolidated country operations business plan for the 11 smallest Pacific DMCs in 2017, along with stand-alone plans for Fiji, PNG, and Timor-Leste.

### Context-Sensitive Approaches for ADB-Supported Projects in Myanmar

The Asian Development Bank (ADB) has several investment projects and grants in parts of Myanmar that are emerging from active conflict. In these areas trust between parties is fragile and government and non-state service delivery systems operate in parallel.

With this in mind, ADB's Myanmar Resident Mission has incorporated a context-sensitive approach in ADB programming and operational support in the country. The objective is to gain the appropriate knowledge and use the tools needed to improve project preparation and development outcomes. The approach includes

- (i) forming an internal working group of all project leaders to share information and coordinate approaches and activities,
- (ii) developing guidance for project teams on engaging with non-state armed groups,
- (iii) preparing stakeholder analysis and conducting detailed research on the history and current dynamics of the context and conflict,
- (iv) training resident mission staff and consultants to understand Myanmar's complex history and equip them with the necessary skills to work in conflict-affected areas, and
- (v) organizing expert consultations with local project teams to have clear understanding of potential issues unique to the conflict-affected areas.

Source: ADB (Myanmar Resident Mission).

23. **An appropriate lending instrument.** ADB's multitranches financing facility modality provides both flexibility and medium- or long-term engagement, which makes it an ideal tool in situations affected by fragility and conflict. In 2017, ADB approved more than \$1 billion in multitranches financing for the Sustainable Highlands Highway Investment Program in PNG—ADB's largest lending product to date in the Pacific.<sup>9</sup> The program will upgrade and maintain the 1,200-km highway that serves as the lifeline for the Highlands region where more than 40% of PNG's people live.

24. **Ensuring country ownership.** ADB seeks to develop and nurture ownership of operations in FCAS DMCs by stakeholders from government, civil society, the private sector, development partners, and all parties that can help achieve and benefit from an intervention's success. Working with civil society experts in Myanmar's complex FCAS environment, this has included consultations and one-on-one meetings with political parties and non-state armed organizations.

25. **Adapting to fragility and conflict through flexibility.** ADB adopts simplified business processes, adapts its operational procedures, and applies alternative implementation arrangements to maintain its flexibility in dealing with the distinct development conditions in FCAS countries. For example, the Pacific Renewable Energy Investment Facility, approved in June 2017, involves a streamlining of internal ADB procedures.<sup>10</sup> The facility delegates responsibility to approve individual project financing of up to \$200

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<sup>9</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to Papua New Guinea for the Sustainable Highlands Highway Investment Program*. Manila.

<sup>10</sup> ADB. 2017. *Reports and Recommendation of the President to the Board of Directors: Proposed Facility: Pacific Renewable Energy Investment Facility*. Manila.

million in cumulative ADB financing from ADB's Board to Management. This and other changes aim to speed and lower the transaction costs of processing comparatively small-value renewable energy operations in the 11 smallest Pacific DMCs. Management approved a \$2 million grant under the facility in 2017 for the expansion of the Majuro power distribution network in the Marshall Islands.

26. **Recognizing vulnerability.** Flexibility and an appreciation of special conditions were also reflected in ADB's approval in 2017 of the Pacific Disaster Resilience Program.<sup>11</sup> The program provides a contingent line of credit to Samoa, Tonga, and Tuvalu so that they can access funds immediately in the event of a natural disaster. Policy-based loans and grants will be used to agree on policy actions to increase disaster resilience in each participating country. Among its unique features, the program would allow the DMCs to draw and use funds rapidly and flexibly if disaster strikes and meet only their national public financial management requirements in tracking and reporting on the expenditures.

## E. Organizational Support

27. **Improving project implementation in the Pacific.** ADB's principal development partners and cofinanciers have called on ADB to strengthen its project implementation capacity in the Pacific and to tailor its procurement procedures to address the DMCs' unique constraints and needs. ADB responded in 2016 with its Pacific Project Improvement Action Plan, which seeks to improve project preparation, increase implementation support, streamline procurement, and boost development partner coordination. The plan led to considerable progress in 2017. The time from project approval to first contract award shortened to 2.2 months from 3.9 months in 2016. ADB used regional capacity development TA to help implement nine projects, and 133 government staff members in five FCAS countries and four other Pacific DMCs were given procurement training.<sup>12</sup> ADB also approved two project design advances to quicken the pace of operational start-ups.

28. **New offices to strengthen field presence.** ADB strengthened its presence in FCAS DMCs in 2017 by inaugurating an extended mission in Solomon Islands and a development coordination office in Nauru. This was a first step of a deepening engagement in these countries. ADB's FCAS field presence also includes resident missions in Afghanistan, Myanmar, and PNG; development coordination offices in Kiribati, the Marshall Islands, the FSM, Nauru, and Tuvalu; the Pacific Subregional Office in Suva, Fiji; and the Pacific Liaison Coordination Office in Sydney, Australia.

29. **More authority and staff expertise.** ADB has deployed 108 of its staff members to its FCAS DMCs, including five to field offices in the FCAS counties in the Pacific. The sizable staffs at its resident missions in Afghanistan (28), Myanmar (17), and PNG (19) are headed by country directors. ADB has strengthened these fields offices by the out-posting from ADB headquarters of procurement, energy, urban, water, safeguards, and climate change specialists. These experts bring with them the responsibility to administer projects with the support of other resident mission staff. The process is improving portfolio performance and facilitating knowledge transfer.

30. **Capacity building and knowledge sharing.** ADB's internal project design and management course continues to strengthen staff understanding of the nature and challenges of fragility and conflict and ADB's approaches to operating successfully under these conditions to meet the region's special FCAS development needs.

<sup>11</sup> ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans, Policy-Based Grants, and Technical Assistance Grant for the Pacific Disaster Resilience Program*. Manila.

<sup>12</sup> ADB. 2016. *Technical Assistance for Building Project Implementation Capacities in the Pacific*. Manila.

# APPENDIX 3: CHANGES TO DATA

1. This appendix explains the changes made to the baseline data reported in the Transitional Results Framework, 2017–2020 of the Asian Development Bank (ADB).<sup>13</sup> Tables in this appendix include those indicators for which baseline data have been revised, with the revised data presented next to original data.

## A. Level 2: ADB’s Contributions to Development Results

2. **Completed country strategies and assistance programs rated *successful*** for countries eligible for concessional ordinary capital resources (OCR) and Asian Development Fund (ADF) grants were updated to reflect the reclassification of Armenia and Georgia to become Regular OCR-only countries.

3. **Completed sovereign policy-based operations rated *successful*** and **completed sovereign operations rated *likely sustainable*** for ADB overall and concessional OCR and ADF grants were updated to include ratings from six project performance evaluation reports (PPERs) prepared by the Independent Evaluation Department (IED) in 2017.<sup>14</sup> A PPER for a policy-based operation with no previous validated report was rated *less than successful and less than sustainable*. A PPER for a sovereign project with no validated report was rated *successful but less than sustainable*.

4. The success rate of **completed nonsovereign operations rated *successful*** for ADB operations overall was updated to include ratings from one PPER prepared by IED in 2017. Table A3.1 summarizes these changes to data for Level 2.

**Table A3.1: Quality at Completion**  
(Revised data)

Indicator	ADB Operations Overall		Operations Financed by Concessional OCR and ADF grant	
	RY2016 (TRF baseline)	RY2016 (updated baseline)	RY2016 (TRF baseline)	RY2016 (updated baseline)
Completed country strategies and assistance programs rated <i>successful</i> (%)			67	64
Completed sovereign operations rated <i>successful</i> (%)				
• Policy-based operations	76	74	80	77
Completed sovereign operations rated <i>likely sustainable</i> (%)	68	67	62	60
Completed nonsovereign operations rated <i>successful</i> (%)	69	67		

ADB = Asian Development Bank; ADF = Asian Development Fund; OCR = ordinary capital resources; RY = reporting year; TRF = Transitional Results Framework, 2017–2020. Notes: The reporting year for the results for quality at completion indicators is 1 July–30 June and is based on the circulation year of documents reviewed. All figures in this table cover 3-year periods. For example, RY2016 refers to 1 July 2014–30 June 2016. Source: ADB (Strategy, Policy and Review Department).

<sup>13</sup> ADB. 2017. *The Asian Development Bank’s Transitional Results Framework, 2017–2020*. Manila.

<sup>14</sup> PPERs are field-based evaluations undertaken by IED for 10%–20% of projects. IED. 2016. *Guidelines for the Evaluation of Public Sector Operations*. Manila: ADB.

## B. Level 3: ADB's Operational Management

5. The **direct value-added cofinancing** baseline was updated to reflect the revised cofinancing and ADB commitments estimates for period 2014–2016. The baseline of **financing for private sector operations** was updated to reflect the correct signing amounts for guarantee operations committed during 2014–2016. Baseline values for **sovereign operations using country systems** were updated to reflect the ADB commitments estimates for 2016. Table A3.2 summarizes these changes to data for Level 3.

**Table A3.2: ADB's Operational Management**  
(Revised data)

Indicator	ADB Operations Overall		Operations Financed by Concessional OCR and ADF Grant	
	2016 (TRF baseline)	2016 (updated baseline)	2016 (TRF baseline)	2016 (updated baseline)
Direct value-added cofinancing (% of ADB financing committed)	73	71		
Financing for private sector operations (% of regular OCR commitments)	15.1	15.0		
Sovereign operations using country systems (%)	59	61	43	46

ADB = Asian Development Bank; ADF = Asian Development Fund; OCR = ordinary capital resources; TRF = Transitional Results Framework, 2017–2020. Source: ADB (Strategy, Policy and Review Department).

## C. Level 4: ADB's Organizational Management

6. The baseline for **internal administrative expenses per \$1 million disbursement** was updated to include debt and equity in the overall annual disbursements. This aligned the definition of this indicator with those of other results framework indicators related to disbursement. An update of the baseline for **sovereign operations administered with substantial resident mission involvement** reflected (i) correct tagging of projects administered by headquarters with resident mission staff participation in midterm review and project review missions, and (ii) correct counting of operations under the Central and West Asia Department's joint-venture approach.

7. The baseline for **sovereign operations processing time** was updated by using (i) start date of loan fact-finding as the starting reference period, (ii) start date of loan fact-finding as the starting reference period for tranche 1 of multitranche financing facilities, and (iii) date of receipt of a periodic financing request by ADB as the starting reference period for subsequent tranches of multitranche financing facilities. Table A3.3 summarizes these changes to data for Level 4.

**Table A3.3: ADB's Organizational Management**  
(Revised data)

Indicator	ADB Operations Overall		Operations Financed by Concessional OCR and ADF Grant	
	2016 (TRF baseline)	2016 (updated baseline)	2016 (TRF baseline)	2016 (updated baseline)
Internal administrative expenses per \$1 million disbursement (\$'000)	48.4	47.6		
Sovereign operations administered with substantial resident mission involvement (%)	80	89		
Sovereign operations processing time (from start of loan fact-finding to Board approval, months)	7.1	7.2	5.6	5.7

ADB = Asian Development Bank; ADF = Asian Development Fund; OCR = ordinary capital resources; TRF = Transitional Results Framework, 2017–2020.

Source: ADB (Strategy, Policy and Review Department).

# APPENDIX 4: SUPPORT FOR STRATEGY 2020

Table A4: Financing for and Operations Supporting Strategy 2020

Strategy 2020 Areas of Operation	ADB Operations							
	Financing for Strategy 2020				Operations Supporting Strategy 2020			
	2014–2016 Average		2017		2014–2016 Average		2017	
	\$ million	%	\$ million	%	Number	%	Number	%
Infrastructure	9,271	64.2	14,043	69.9	99	62.1	99	58.6
Energy	3,656	25.3	6,256	31.1	25	15.9	35	20.7
Transport	3,570	24.7	5,385	26.8	38	24.1	36	21.3
Water and other urban infrastructure and services	1,654	11.4	1,572	7.8	24	14.9	17	10.1
ICT	81	0.6	70	0.3	1	0.8	2	1.2
Other infrastructure	110	0.8	70	0.3	5	2.9	3	1.8
Irrigation	200	1.4	691	3.4	5	3.4	6	3.6
Finance	1,739	12.0	2,761	13.7	18	11.3	22	13.0
Education	714	4.9	710	3.5	11	6.7	9	5.3
Agriculture, natural resources, and rural development	507	3.5	765	3.8	12	7.3	16	9.5
Health	202	1.4	211	1.0	4	2.3	2	1.2
Industry and trade	345	2.4	357	1.8	4	2.7	8	4.7
Public sector management	1,673	11.6	1,250	6.2	12	7.5	13	7.7
<b>Total</b>	<b>14,451</b>	<b>100.0</b>	<b>20,097</b>	<b>100.0</b>	<b>159</b>	<b>100.0</b>	<b>169</b>	<b>100.0</b>
	CA Operations							
Infrastructure	1,916	69.4	1,663	58.0	45	61.4	33	55.9
Energy	707	25.6	251	8.7	9	12.3	10	16.9
Transport	627	22.7	950	33.1	20	27.3	14	23.7
Water and other urban infrastructure and services	426	15.4	412	14.4	10	14.1	7	11.9
ICT	9	0.3	0	0.0	1	0.9	0	0.0
Other infrastructure	21	0.8	0	0.0	1	1.8	0	0.0
Irrigation	127	4.6	50	1.7	4	5.0	2	3.4
Finance	207	7.5	120	4.2	5	6.8	3	5.1
Education	327	11.8	340	11.9	7	9.5	6	10.2
Agriculture, natural resources, and rural development	91	3.3	114	4.0	5	6.4	4	6.8
Health	24	0.9	101	3.5	2	2.3	0	0.0
Industry and trade	51	1.9	72	2.5	3	4.5	5	8.5
Public sector management	145	5.3	457	15.9	7	9.1	8	13.6
<b>Total</b>	<b>2,762</b>	<b>100.0</b>	<b>2,867</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>

ADB = Asian Development Bank, CA = ADB concessional assistance, ICT= information and communication technology.

Notes:

1. Other infrastructure includes the following subsectors: rural water supply services; rural sanitation; rural solid waste management; rural market infrastructure; and rural water policy, institutional and capacity development.

2. Percentages may not total 100% because of rounding.

3. Project design advances with ensuing loans that have already been committed have been removed and corresponding values reduced accordingly.

Source: ADB (Strategy, Policy and Review Department).

## 2017 Development Effectiveness Review

The 2017 Development Effectiveness Review (DEfR) is the 11th in a series of yearly reports by the Asian Development Bank (ADB) on its performance in achieving the priorities of Strategy 2020, its long-term strategic framework for 2008–2020. The 2017 DEfR tracks recent development progress in Asia and the Pacific, assesses ADB's development effectiveness, and identifies areas where ADB's performance needs to be strengthened.

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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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