

The background of the cover is white and filled with numerous colorful, abstract shapes. These shapes are primarily teardrop or arrow-like forms pointing to the right, in shades of blue, yellow, green, and orange. A large, solid blue rectangular block is positioned in the lower half of the page, containing the title and date.

# BUDGET OF THE ASIAN DEVELOPMENT BANK FOR 2019

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NOVEMBER 2018





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November 2018

## Budget of the Asian Development Bank for 2019

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## ABBREVIATIONS

|        |   |  |
|--------|---|--|
| ADB    | – | Asian Development Bank                       |
| ADF    | – | Asian Development Fund                       |
| CPS    | – | country partnership strategy                 |
| CRP    | – | Compliance Review Panel                      |
| DMC    | – | developing member country                    |
| ELR    | – | equity-to-loan ratio                         |
| FCAS   | – | fragile and conflict-affected situation      |
| IAE    | – | internal administrative expense              |
| IED    | – | Independent Evaluation Department            |
| ISTS   | – | Information Systems and Technology Strategy  |
| IT     | – | information technology                       |
| NSO    | – | nonsovereign operations                      |
| OCR    | – | ordinary capital resources                   |
| OCRP   | – | Office of the Compliance Review Panel        |
| ORM    | – | Office of Risk Management                    |
| OSPF   | – | Office of the Special Project Facilitator    |
| PPP    | – | public–private partnership                   |
| PRGMIP | – | Post-Retirement Group Medical Insurance Plan |
| PSO    | – | private sector operations                    |
| SDG    | – | Sustainable Development Goal                 |
| SIDS   | – | small island developing state                |
| SRP    | – | Staff Retirement Plan                        |
| TA     | – | technical assistance                         |
| US     | – | United States                                |
| WPBF   | – | work program and budget framework            |

## NOTES

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

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

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

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## **2019 BUDGET MEMORANDUM**





## EXECUTIVE SUMMARY

The 2019 budget of the Asian Development Bank (ADB) supports the strategic and institutional priorities of the Work Program and Budget Framework (WPBF), 2019–2021. The 2019 work program commitments comprise \$17.1 billion and 105 projects for sovereign operations (from \$17.0 billion and 105 projects estimated for 2018), \$3.2 billion and 32 projects for nonsovereign operations (NSO) (from \$2.7 billion and 29 projects estimated for 2018), and \$329.0 million and 234 technical assistance projects (from \$327.0 million and 329 projects estimated for 2018).

Developing member country demand remains strong, and operations are expanding with increasing complexity in the work program. ADB will focus on the seven operational priorities of Strategy 2030, which cut across sectors and themes. Cross-sector teams for each of the operational priorities were established to prepare priority operational plans. ADB will promote the use of innovative technology and integrated solutions throughout its operations. ADB will progress toward the Strategy 2030 targets of 75% of the number of ADB's committed operations to support climate change mitigation and adaptation, and 75% of ADB's committed operations by number to promote gender equality.

ADB will expand the number and volume of private sector operations (PSO) during the WPBF period to reach the Strategy 2030 target of one-third of ADB operations by 2024. PSO will be diversified into areas beyond infrastructure, such as agribusiness and social sectors, and focus more than ever on frontier markets.

ADB will mobilize financial resources for development through strengthening collaboration with multilateral, bilateral, and private sector partners; and seeking finance from commercial and concessional sources. By 2030, ADB is targeting a substantial increase in long-term cofinancing, with every \$1.00 in PSO financing matched by \$2.50 of long-term cofinancing.

The One ADB approach will be employed, encouraging collaboration between sovereign operations and NSO, synergy in knowledge activities between operations and non-operations departments, and integrated solutions through collaboration across the sector and thematic groups. The One ADB approach will also strengthen collaboration in support of the expansion and diversification of NSO and public–private partnership operations.

The role of ADB as a knowledge provider to developing member countries will be strengthened through tacit knowledge embedded in projects and programs and its knowledge products and services, or explicit knowledge. Knowledge work is supported through staff resources, technical assistance (including trust funds), and knowledge partnerships with other institutions.

The 2019 budget is the first to support the implementation of ADB's new long-term strategy, Strategy 2030. The main cost drivers are (i) an increase in staff to support ADB's capacity to deliver an expanding and more complex work program; (ii) ongoing Real-Time ADB information technology (IT) reforms and the organizational resilience program; and (iii) support for the decentralization of operations.

In 2019, the estimated need for new positions is 135, however about 50 positions will be met through staff optimization measures; 85 net new positions are proposed. To support ADB's decentralization, 47% of these new positions will be assigned to field offices.

The Real-Time ADB IT reform program continues, with many milestones achieved. All but one of the remaining projects are scheduled for completion in 2019. The organizational resilience program is making ADB a more resilient and secure organization through the establishment of a security operations center and the start of physical works to enhance access control in 2019.

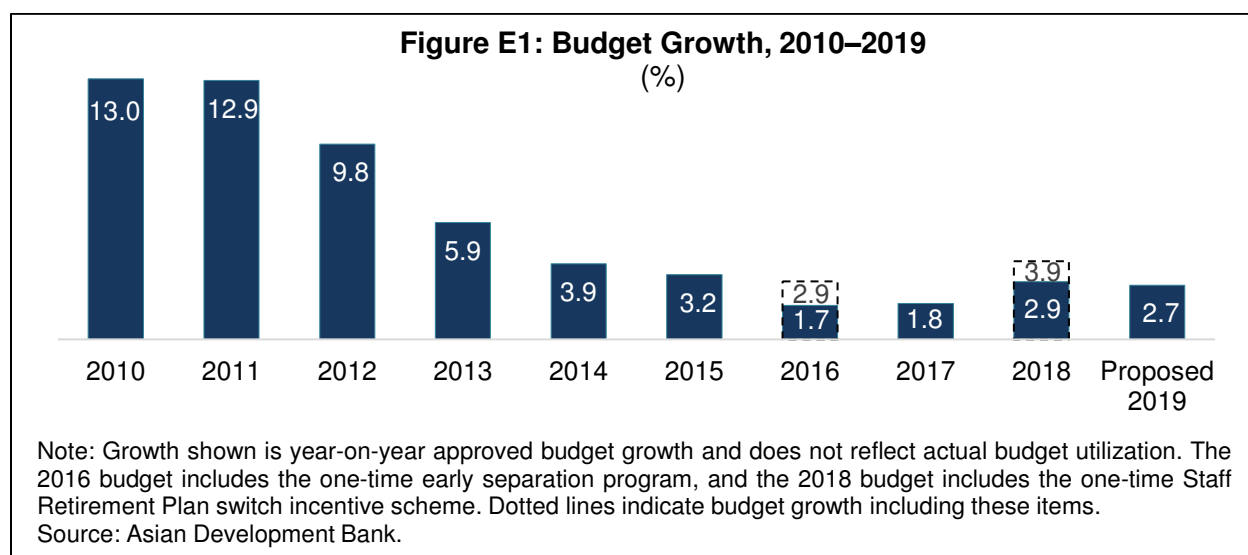
The decentralization of operations is essential to implementing Strategy 2030, and resident missions will represent One ADB in the field, including both sovereign operations and NSO. ADB will establish Pacific country offices in 11 small Pacific island countries and will ensure resident missions have the capacity to meet their expanding roles. Business processes and resident mission functions will be reviewed.

The salary increase proposal was discussed and approved separately by the Board of Directors on 20 November 2018. The budget impact of the salary increase proposal is \$4.7 million. A comprehensive review of compensation and benefits will start in 2019. This review will provide a cohesive framework for managing compensation and benefits.

The proposed 2019 net internal administrative expenses budget is \$690.5 million, an increase of \$18.2 million (2.7%) over the 2018 budget. This includes a price increase of 1.3% and a volume growth of 1.4%; when excluding special initiatives of 1.5%, volume growth is -0.1%. The 2019 volume growth includes meeting the operational priorities of the WPBF, 2019–2021, which is fully offset by staffing optimization and efficiency gains. Growth from special initiatives includes IT reforms, organizational resilience, and decentralization of operations.

The proposed capital expenditure budget includes \$11.5 million for annual capital expenditure to fund the cyclical capital requirements of headquarters and field offices for 2019. Separately a new special capital expenditure budget for the Digital Agenda 2030 was approved by the Board of Directors on 31 October 2018. The Digital Agenda 2030 will replace aging technologies, automate manual processes, support integration of IT systems, and deliver digital products and services.

ADB will align the budget with the strategic and institutional priorities of Strategy 2030. ADB has maintained prudent budget growth through efficiency savings and improved productivity, and this remains a key principle in formulating the 2019 budget. ADB is improving budget utilization through better budget management, and more efficient recruitment.



**Table E1: Key Components of Budget Growth, 2018–2019**  
(%)

| Item   | 2018 Budget | 2019 Budget Preview <sup>a</sup> | Proposed 2019 Budget |
|--|-------------|----------------------------------|----------------------|
| <b>Price</b>                                   |             |                                  |                      |
| Increase of salary and salary-related benefits | 1.0         | 0.9                              | 1.0                  |
| Adjustment to other costs                      | 0.4         | 0.6                              | 0.7                  |
| Adjustment to SRP contribution rate            | 0.8         | (0.4)                            | (0.4)                |
| <b>Total Price</b>                             | <b>2.2</b>  | <b>1.1</b>                       | <b>1.3</b>           |
| <b>Volume</b>                                  |             |                                  |                      |
| Meeting operational priorities                 | 2.7         | 2.9                              | 2.7                  |
| Staffing optimization                          | (0.9)       | (0.8)                            | (0.7)                |
| Efficiency gains                               | (1.9)       | (1.0)                            | (2.1)                |
| Subtotal                                       | (0.1)       | 1.1                              | (0.1)                |
| Special initiatives                            |             |                                  |                      |
| Information technology reforms                 | 1.0         | 1.9                              | 1.9                  |
| Organizational resilience                      | (0.2)       | 0.1                              | 0.1                  |
| Decentralization of operations <sup>b</sup>    | ...         | 0.7                              | 0.5                  |
| SRP switch incentive scheme                    | 1.0         | ...                              | (1.0)                |
| Subtotal                                       | 1.8         | 2.7                              | 1.5                  |
| <b>Total Volume</b>                            | <b>1.7</b>  | <b>3.8</b>                       | <b>1.4</b>           |
| <b>Total Budget Growth</b>                     | <b>3.9</b>  | <b>4.9</b>                       | <b>2.7</b>           |

... = not applicable or not calculated, ( ) = negative, SRP = Staff Retirement Plan.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> 2019 Budget Preview is the budget growth presented in WPBF, 2019–2021.

<sup>b</sup> Decentralization of operations includes the new Pacific country offices and support to resident missions.

Source: Asian Development Bank.

**Table E2: Assumptions for Price Factor**

[This table has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]



To: Board of Directors

## 2019 BUDGET PROPOSAL

1. Pursuant to Section 15 of the By-Laws, this memorandum presents for the Board of Directors' consideration the proposed budget of the Asian Development Bank (ADB) for 2019, as described in this paper and summarized in Appendix 1 and 2.

2. The proposed 2019 budget is strategy driven and built on ADB's Work Program and Budget Framework (WPBF), 2019–2021.<sup>1</sup> It has been formulated through an iterative planning process.

### I. STRATEGIC AND INSTITUTIONAL CONTEXT

3. ADB has adopted a new long-term strategy to 2030—Strategy 2030<sup>2</sup>—that sets the direction for ADB's efforts to respond effectively to the region's changing needs. Demand for ADB assistance remains strong, aligned with Strategy 2030 and the global commitments of ADB's developing member countries (DMCs) such as the Sustainable Development Goals (SDGs), the related Financing for Development agenda, the Paris Agreement on climate change, and the Sendai Framework for Disaster Risk Reduction.

4. To support the differentiated approaches of Strategy 2030 to various groups of countries, the sovereign commitments during 2019–2021 compared to during 2015–2017 are projected to increase by (i) 35% for DMCs classified as fragile and conflict-affected situations (FCASs),<sup>3</sup> (ii) 68% for small island developing states (SIDSs),<sup>4</sup> (iii) 21% for low-income and lower middle-income countries,<sup>5</sup> and (iv) 4% for upper middle-income countries.<sup>6</sup> Allocations for disaster response and emergencies will be considered on a case-by-case basis. Nonsovereign operations (NSO) are expected to expand into new and frontier markets, including challenging markets in FCAS countries and SIDSs.

5. ADB will continue to prioritize infrastructure financing, accounting for 68% of the projected sovereign commitments in volume during 2019–2021. ADB will promote quality infrastructure investments that are green (environmentally friendly), sustainable, resilient, and inclusive. ADB will also expand its operations in social sectors with an increasing share of projected commitments to education and health.

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<sup>1</sup> ADB. 2018. *Work Program and Budget Framework, 2019–2021*. Manila.

<sup>2</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>3</sup> The FCAS countries are Afghanistan, the Federated States of Micronesia, Kiribati, the Marshall Islands, Myanmar, Nauru, Papua New Guinea, Solomon Islands, and Tuvalu.

<sup>4</sup> Based on the definition of the United Nations, the SIDSs are the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Maldives, the Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

<sup>5</sup> The low-income countries are Afghanistan and Nepal. The lower middle-income countries are Armenia, Bangladesh, Bhutan, Cambodia, the Federated States of Micronesia, Georgia, India, Indonesia, Kiribati, the Kyrgyz Republic, the Lao People's Democratic Republic, Mongolia, Myanmar, Pakistan, Papua New Guinea, the Philippines, Solomon Islands, Sri Lanka, Tajikistan, Timor-Leste, Uzbekistan, Vanuatu, and Viet Nam.

<sup>6</sup> The upper middle-income countries are Azerbaijan, the Cook Islands, Fiji, Kazakhstan, Malaysia, Maldives, the Marshall Islands, Nauru, Palau, the People's Republic of China, Samoa, Thailand, Tonga, Turkmenistan, and Tuvalu.

6. ADB will focus on climate finance with an emphasis on development with low greenhouse gas emissions, green cities,<sup>7</sup> vulnerable segments of the economy and population, and regional public goods as a response to DMCs' nationally determined contributions. ADB's target for climate finance under Strategy 2030 is that 75% of the number of ADB's committed operations will be supporting climate mitigation and adaptation by 2030.

7. ADB will also promote mainstreaming of gender equity during country strategy preparation, project pipeline development, and the design and implementation of projects and programs. Under Strategy 2030, at least 75% of the number of ADB's committed operations will promote gender equality by 2030.

8. Private sector operations (PSO) will be expanded during 2019–2021. The number of transactions is expected to rise from 27 commitments in 2017 to 40 commitments by 2021, which is equivalent to 27% of ADB operations (Strategy 2030 target: one-third of ADB operations by 2024). As part of this expansion, NSO will be diversified into areas beyond infrastructure, such as agribusiness and social sectors (including health and education).

9. PSO will also focus on inclusive business and gender mainstreaming, climate change, and corporate governance and integrity, pursuing the dual mandate of achieving development impact while ensuring profitability and commercial sustainability. PSO will focus more on frontier markets, including FCAS countries, SIDS, and other small and lower middle-income countries, as well as more challenging sectors with a higher development impact.

10. ADB will continue to be a trusted knowledge institution. It will strengthen its role as a knowledge provider to its DMCs through tacit knowledge embedded in projects and programs and its knowledge products and services, or explicit knowledge. Knowledge work is supported through a combination of staff resources, technical assistance (TA) (including trust funds), and knowledge partnerships with other institutions.

11. ADB will strengthen the One ADB approach that is critical to (i) expanding NSO and public–private partnership (PPP) operations, (ii) delivering integrated multisector solutions, (iii) producing high-quality knowledge products and services, (iv) responding faster and more effectively to clients' needs, and (v) engaging in more innovative and complex projects. All these actions require the best skills and expertise available across ADB, as well as greater synergy and complementarity between public sector operations and PSO, sector and thematic groups, and knowledge and operational departments and all offices, at headquarters and in the field.

12. In 2019, ADB will focus on operationalizing the new Strategy 2030. ADB will (i) prepare operational plans for the seven priority areas; (ii) use the country partnership strategy (CPS) to further refine priorities at the country level; (iii) align the work plan and resource allocation with Strategy 2030; and (iv) develop a new corporate results framework. ADB will also continue to communicate with internal and external stakeholders on Strategy 2030 implementation.

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<sup>7</sup> Green cities refer to cities that (i) adopt development that is socially responsible, and environmentally and economically sustainable; (ii) minimize environmental impact and maximize opportunities to improve and support the natural environment (including restoring and supporting ecosystems functions in urban and peri-urban areas); (iii) are energy efficient, reduce reliance on nonrenewable energy sources, and actively encourage waste reduction and management; (iv) include green and resilient infrastructure, low-carbon transport, and water cycle management; and (v) deliver improved quality of life outcomes for residents.

13. ADB will strengthen human resource management to provide the skilled, highly capable, and motivated workforce necessary to meet the goals of Strategy 2030. ADB will align the budget framework with the strategic and institutional priorities of Strategy 2030. The increases in resource requirements during the WPBF period will be driven by (i) more staff to support expanding and more complex operations, (ii) information technology (IT) reforms and continuing improvements in organizational resilience, and (iii) the decentralization of operations.

## II. THE 2019 WORK PROGRAM

14. **Operations program.**<sup>8</sup> Consistent with the WPBF, 2019–2021, ADB plans to deliver 137 committed<sup>9</sup> projects—105 sovereign operations and 32 NSO—totaling \$20.2 billion in commitments for 2019 (Appendix 3). Key deliverables in commitments and disbursements are in Table 1.

- (i) **Sovereign operations.** Projected sovereign commitments total \$17.1 billion (105 projects). The new projects will be financed by \$620.0 million in Asian Development Fund (ADF) grants, \$2.5 billion in concessional ordinary capital resources (OCR), and \$11.5 billion in regular OCR.
- (ii) **Nonsovereign operations.** PSO continue to grow, with commitments projected to reach \$3.2 billion (32 projects), estimated at 21% of total regular OCR operations by volume (27% by project count).
- (iii) **Public–private partnerships.** Business development efforts will continue with the target of securing four additional mandates for transaction advisory services. The PPP portfolio is estimated to be 17 transaction advisory services mandates, managed by the Office of Public–Private Partnerships.

**Table 1: Key Operations Outputs and Internal Administrative Expense Budget**

| Item   | 2015          | 2016          | 2017          | 2018          | 2019          |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Key Operations Outputs</b>                                  |               |               |               |               |               |
| <b>A. Projects</b>   |               |               |               |               |               |
| Commitments (\$ million)                                       | 16,190        | 13,299        | 20,097        | 19,715        | 20,208        |
| Commitments (number)   | 130           | 120           | 132           | 134           | 137           |
| <b>B. Technical Assistance</b>                                 |               |               |               |               |               |
| Commitments (\$ million)                                       | 259           | 327           | 310           | 327           | 329           |
| Commitments (number)   | 275           | 314           | 308           | 329           | 234           |
| <b>C. Disbursements (\$ million)</b>                           | <b>12,348</b> | <b>12,489</b> | <b>11,676</b> | <b>13,533</b> | <b>14,893</b> |
| <b>Net Internal Administrative Expense Budget (\$ million)</b> | <b>618</b>    | <b>636</b>    | <b>647</b>    | <b>672</b>    | <b>690</b>    |

Notes:

1. The operations outputs for 2015–2017 are actual figures, while those for 2018–2019 are based on WPBF, 2019–2021.
2. Commitments include sovereign and nonsovereign projects funded by ADF, concessional OCR, and regular OCR.
3. Disbursements targets for 2018 and 2019 cover (i) sovereign (projects and policy-based) and NSOs; and (ii) loans, grants, and equity investments, financed by ADF, concessional OCR, regular OCR, other special funds, cofinanced loans, and cofinanced grants fully administered by ADB.
4. The 2015–2018 internal administrative expenses budget figures are approved budgets; the figure for 2019 is the proposed budget.

Source: Asian Development Bank.

<sup>8</sup> The operations program is anchored on the firm pipelines jointly identified by DMCs and ADB, and is reflected in country operations business plans.

<sup>9</sup> ADB. 2017. *Operational Adjustments and Change in Application of Existing ADB Policies Following the Introduction of Commitments as Performance Measurement*. Manila. A commitment is defined as the financing approved by ADB's Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.

15. **Technical assistance program.** In 2019, 234 new committed TA projects totaling \$329.0 million are planned, comprising 121 transaction TA projects and 113 knowledge and support TA projects. The continued implementation of TA reforms will improve the operational efficiency of TA and its development impact. TA resource requirements are largely driven by DMC demand.

16. **Contract awards and disbursements.** Contract awards for 2019 are forecast at \$10.9 billion for sovereign operations. Disbursements for sovereign operations and NSO are projected at \$14.9 billion. The 2019 contract award ratio target is 26% and the sovereign project disbursement ratio target is 22%—the same levels as the 2018 ratios (Table 2).

**Table 2: Contract Awards and Disbursement Ratios**  
(%)

| Ratio                | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------|------|------|------|------|------|
| Contract award ratio | 26   | 30   | 27   | 26   | 26   |
| Disbursement ratio   | 20   | 20   | 22   | 22   | 22   |

Notes:

1. Contract award ratio and disbursement ratio cover sovereign project loans and grants and are commitment based.

2. Includes cofinanced loans and grants administered by ADB.

3. Figures for 2015–2017 are actual figures, while those for 2018–2019 are based on work program figures.

Source: Asian Development Bank.

17. **Portfolio management.** By the end of 2019
- (i) the sovereign portfolio is expected to increase by 1.3% to 629 projects from 621 in 2018,
  - (ii) the nonsovereign portfolio is expected to increase by 5.8% to 238 projects from 225 in 2018, and
  - (iii) the TA portfolio is estimated to decrease by 8.3% to 780 TA projects from 851 in 2018 (Table 3).

**Table 3: Active Project and Technical Assistance Portfolio**  
(number)

|                                | 2015       | 2016       | 2017       | 2018       | 2019       |
|--------------------------------|------------|------------|------------|------------|------------|
| <b>A. Project</b>              | <b>791</b> | <b>821</b> | <b>853</b> | <b>846</b> | <b>867</b> |
| Sovereign                      | 611        | 622        | 637        | 621        | 629        |
| Nonsovereign                   | 180        | 199        | 216        | 225        | 238        |
| <b>B. Technical Assistance</b> | <b>905</b> | <b>854</b> | <b>829</b> | <b>851</b> | <b>780</b> |

Note: Figures for 2015–2017 are actual figures of committed portfolios, while those for 2018–2019 are based on figures from WPBF, 2019–2021.

Source: Asian Development Bank.

18. **Cofinancing.** In both sovereign operations and NSO, capital mobilization via cofinancing is a key development objective as it multiplies the impact of ADB's own capital. ADB's approach to expanding cofinancing operations includes the use of trust funds and third-party funds, such as the Green Climate Fund and concessional climate funds from government donors, as well as the scaling up of credit-enhancing and risk-sharing products (e.g., guarantees and risk transfers). A new definition of sovereign cofinancing was developed based on a more stringent set of criteria that demonstrates value addition. Using this new definition, project cofinancing is projected to reach \$11.0 billion in 2019. ADB will implement several measures to promote cofinancing, including (i) strengthening and developing strategic partnerships with both existing and emerging financing partners; (ii) identifying meaningful cofinancing opportunities in consultation with DMCs; and (iii) instituting a robust cofinancing performance measure. ADB is targeting a substantial increase in long-term cofinancing by 2030, with every \$1.00 in financing for its PSO matched by \$2.50 of long-term cofinancing.



19. **Knowledge program.** ADB will focus on delivering operationally relevant knowledge to respond to the priority development needs of its DMCs. The focus will be on producing high-quality knowledge products and services that encourage discussion on policies and provide regional insights. Knowledge work will be guided by the seven operational priorities of Strategy 2030 and the needs of the DMCs. Sector and thematic groups are key to harnessing and sharing knowledge, and they will lead in testing innovative ideas, conducting evidence-based research, and identifying good practices to enhance ADB's operations. They will continue to provide technical expertise and work closely with the operations departments from the early stages of project development, especially for complex and flagship projects.

20. In 2019, ADB will actively engage in knowledge partnerships with centers of excellence including development partners, the private sector, academia, and research centers to enhance knowledge that it provides to its DMCs. ADB will assess the reach, quality, and application of its knowledge in the DMCs, and use measures to indicate the results of its knowledge work.

21. New knowledge products will be produced on the region's progress in meeting the SDGs. This will include (i) Infrastructure on Human Terms; and (ii) Empowering People and Ensuring Inclusiveness and Equality. ADB will also participate in various United Nations-led events on the SDGs, such as the High-Level Political Forum on Sustainable Development and the General Assembly.

22. Key knowledge products will continue to be organized and disseminated through flagship publications, including (i) Asian Development Outlook, (ii) Asia Clean Energy Forum, (iii) International Skills Forum, and (iv) Asia-Pacific Social Protection Week.

23. **Strategies and business plans.** During 2019, ADB will prepare nine CPSs and 39 country operations business plans. Sector assessments, road maps, and other studies and assessments will continue to support CPS preparation. ADB will conduct a review of the implementation of the 2016 CPS reforms.<sup>10</sup> The review will assess the quality and efficiency of CPS and country operations business plan documentation and business processes. It will also ensure that these are fully aligned with Strategy 2030. ADB's Strategy, Policy, and Review Department will also directly assist country teams in the preparation of upcoming CPSs.

### III. FINANCIAL RESOURCES

24. The annual budget is prepared as part of the iterative planning process that also underpins the preparation of both the WPBF and the annual paper on the allocation of net income.

25. The merger of ADF lending operations with the OCR balance sheet significantly strengthened ADB's financial resources. ADB has sufficient financial capacity to support the projected 2019–2021 commitments for concessional assistance (including loans and grants) and regular OCR lending. Under ADF 12, ADB is providing grants to eligible countries based on the framework agreed with ADF donors during the replenishment discussions.<sup>11</sup>

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<sup>10</sup> ADB. 2015. *Reforming the Country Partnership Strategy*. Manila.

<sup>11</sup> ADB. 2016. *Eleventh Replenishment of the Asian Development Fund and Sixth Regularized Replenishment of the Technical Assistance Special Fund*. Manila. [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).].

26. **Projected allocable net income.** The impact of the proposed internal administrative expenses (IAEs) budget and accrual adjustments to the allocable net income are reflected in the income figures shown in Table 4. The projected expenses are within prudent limits and do not impact on ADB's financial sustainability.<sup>12</sup>

**Table 4: Income and Expense Outlook, 2018–2019**  
(\$ million)

[This table has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

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<sup>12</sup> ADB. 2018. *Review of the Asian Development Bank's Loan Charges and Allocation of 2018 Net Income*. Manila.

27. **Financial sustainability.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]<sup>13 14</sup>

28. **Borrowing program.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

29. [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

#### IV. INDEPENDENT EVALUATION AND ACCOUNTABILITY MECHANISM

30. **Independent evaluation.** Through its work program (Box 1), the Independent Evaluation Department (IED) aims to have a stronger impact on ADB and its priorities and operations through more rigorous evaluations, better alignment of its work to ADB's strategy and priorities, increased evaluation capacity development within ADB and its member countries, and more effective communication and dissemination. IED aims to achieve this by (i) improving the balance of its product mix between macro and micro evaluations, (ii) strengthening the use of evaluation knowledge within, and outside of, ADB, (iii) effectively targeting risks to development outcomes of ADB's work; and (iv) further strengthening the credibility and value of IED's evaluation work.

31. IED will continue initiatives started in its Board-approved 2018–2020 work program. These are the reintroduction of sector evaluation work, systematic assessments of key ADB corporate operational processes, and development of a validation system for TA self-assessments. IED plans to sustain the expansion of its knowledge sharing and outreach activities, and capacity building within and outside ADB. Further, IED will enhance links between cross-cutting evaluations and Strategy 2030's goals and priorities through (i) more cross-cutting approach in sector-wide evaluations, focusing on Strategy 2030 operational priorities; and (ii) greater attention to knowledge and results. To remain responsive to ad hoc requests by the Board and its Development Effectiveness Committee for evaluations, resources will continue to be set aside for unprogrammed work.

32. IED's proposed 2019 budget is \$13.4 million, an increase of 4.5% over the approved 2018 budget. The director general of IED prepared the IED budget for 2019, and the Development Effectiveness Committee endorsed it. It is presented separately for Board approval (para. 110). The increase in the budget is driven by the (i) full implementation of the validation system for TA self-assessment; (ii) expansion of IED private sector evaluations; and (iii) continued scale-up of evaluation knowledge management activities (i.e., communication and outreach, and knowledge and evaluation capacity development). Appendix 9 provides the details on IED's 2019 budget.

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<sup>13</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

<sup>14</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

**Box 1: Highlights of 2019 Independent Evaluation Department Work Program**

- A. Cross-Cutting Evaluations (5)
  - (i) Corporate Evaluation on ADF Operations (ADF 12)
  - (ii) Corporate Evaluation on ADB's Multitranche Financing Facility
  - (iii) Corporate Evaluation on Safeguard Policy Statement
  - (iv) Thematic Evaluation on Delivery of Knowledge for Development
  - (v) Sector-wide Evaluation on ADB's Transport Operations
- B. Annual Report (1)
  - (i) Annual Evaluation Review
- C. Country, Sector, Project, Program, or Technical Assistance (106)
  - (i) 1 Country Assistance Program Evaluation for Indonesia
  - (ii) 8 validations of country partnership strategy final reviews (Armenia, Bhutan, Cambodia, Fiji, the People's Republic of China, Nepal, Pakistan, Papua New Guinea)<sup>a</sup>
  - (iii) 1 Sector Assistance Program Evaluation on Indonesia Finance Sector
  - (iv) 1 Sector Synthesis Note (Water and Urban Services)
  - (v) 1 Systematic Review (Road Transport)
  - (vi) 9 project performance evaluation reports on sovereign operations
  - (vii) 3 projects and/or programs performance evaluation reports on nonsovereign operations
  - (viii) 2 technical assistance performance evaluation reports
  - (ix) 100% validation of circulated PCRs and XARRs<sup>b</sup>
- D. Evaluation Knowledge Management (3)
  - (i) Training and evaluation capacity development program within and outside ADB
  - (ii) Knowledge and learning events
  - (iii) Evaluation information systems (enhancement of website, lessons and success rates databases, management action record system)
- E. Partnerships and Networking
- F. Validation of Circulated Technical Assistance Self-Assessments (Feasibility Assessment and/or Pilot)<sup>c</sup>

ADB = Asian Development Bank, ADF = Asian Development Fund, PCR = project or program completion report, XARR = extended annual review report.

<sup>a</sup> Subject to availability of the country partnership strategy final reviews.

<sup>b</sup> A notional target of at least 80 completed validations, based on Management's projection of 80 PCRs and XARRs.

<sup>c</sup> Requested by Development Effectiveness Committee.

Source: Independent Evaluation Department.

33. **Accountability Mechanism.** In 2019, the Office of the Special Project Facilitator (OSPF) will continue its restructured fast-track approach, developed and implemented in 2018. The objective of this approach is to provide timely, efficient, and effective fact-finding and dispute resolution facilitation while managing a significant increase in the number and complexity of complaints. In addition, OSPF will scale up support services for capacity development to meet the growing demand of operational departments, including supporting implementing agency capacity on problem-solving and grievance redress mechanisms. The Compliance Review Panel (CRP), with support from the Office of the Compliance Review Panel (OCRCP), will continue to address complaints lodged by project-affected persons. Additionally, the CRP will continue raising awareness on compliance review of the Accountability Mechanism through the development of information materials and outreach sessions, targeting project partners from the government, private sector clients, nongovernment organizations, civil society organizations, and ADB staff.

34. The proposed budget of ADB's Accountability Mechanism for 2019 is \$2.9 million, comprising \$1.1 million for OSPF and \$1.8 million for the CRP and the OCRP (Appendix 1).

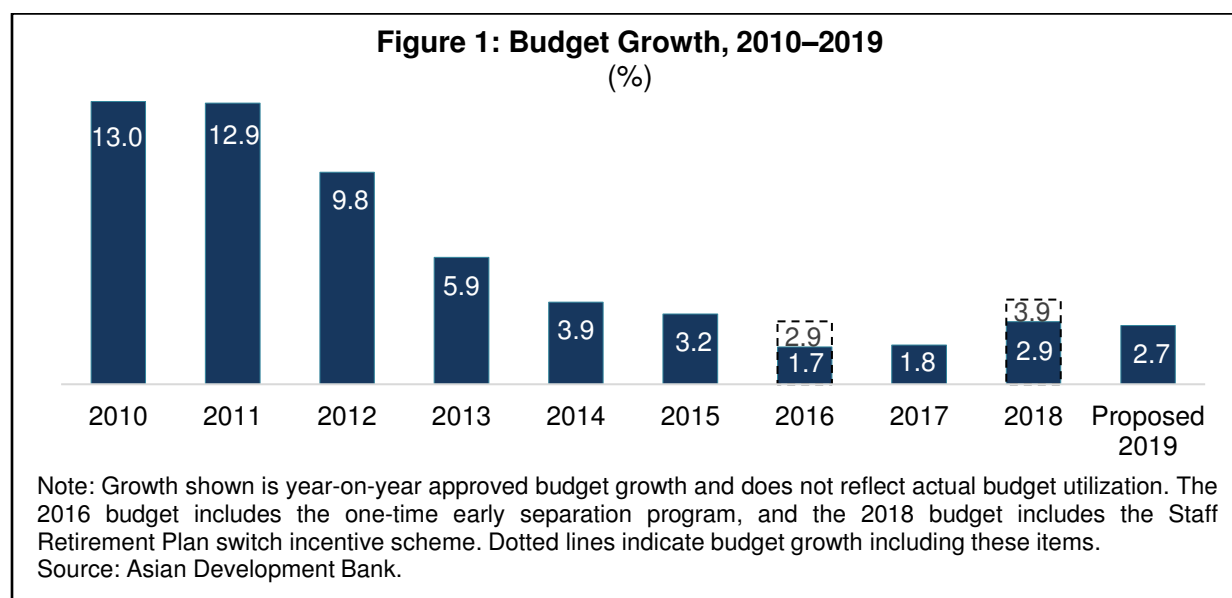
35. The CRP chair prepared the combined annual work plan and budget of the CRP and the OCRP, which was endorsed by the Board Compliance Review Committee in consultation with the President. The proposed budget of \$1.8 million is presented separately for Board approval (para. 111) and the details are in Appendix 10.

## V. 2019 INTERNAL ADMINISTRATIVE EXPENSE BUDGET AND COST DRIVERS

### A. Approach to 2019 Budget

36. ADB will align the budget with the strategic and institutional priorities of Strategy 2030. DMC demand remains strong, and operations are expanding with increasing complexity. ADB has maintained prudent budget growth through efficiency savings and improving productivity, and this remains a key principle in formulating the 2019 budget.

37. ADB will allocate adequate budgetary resources while improving budget management, strengthening organizational efficiency, and improving budget utilization. ADB maintains a rigorous budget-setting process with all resource requirements, including staffing, subject to substantive reviews to ensure business needs are reflected accurately, with due consideration for past utilization trends. Figure 1 shows ADB's budget growth from 2010 to 2019.



38. ADB is working on improving budget utilization through better budget management and improved recruitment. Utilization in 2018 will improve over the 91% in 2017 and is expected to reach the 10-year average of 94% (2008–2017). The budget is implemented with due consideration to exogenous factors including (i) project implementation issues, (ii) inflation, and (iii) foreign exchange fluctuations. These factors remain fluid throughout the year and impact on the year-end budget utilization rate. Recently designated departmental focal persons and flexible budget management will improve budget planning and implementation. When actual utilization falls short of approved budget (i.e., unutilized budget), this results in higher net income than expected, thereby improving ADB's capital position. ADB has never exceeded 100% utilization.

Figure 2 shows utilization rates of the IAEs and annual capital budgets from 2013 to 2017, and forecasted 2018 utilization rates.

**Figure 2: Budget Utilization Rates**

[This figure has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

39. **New budget categories.** In October 2018, the Board of Directors approved the addition of two new budget categories for IED and the Accountability Mechanism. Previously, these items were included under the Board of Directors budget category.<sup>15</sup>

**B. Cost Drivers of the 2019 Budget**

40. Consistent with the WPBF, 2019–2021, ADB identified three main cost drivers in developing the 2019 budget request: (i) additional staff to support increasingly complex and sophisticated operations, addressing the seven operational priorities of Strategy 2030, and expanding NSO and the related transactional support (including portfolio management, due diligence, legal support, and risk management); (ii) the ongoing Real-Time ADB IT reforms and the organizational resilience program; and (iii) decentralization of operations.

41. The net IAEs budget required is \$690.5 million, representing a 2.7% growth over the 2018 budget (Table 5). This includes a price increase of 1.3% and volume growth of 1.4%. The assumptions for the price factor are in Appendix 6.

42. Price growth is driven by three main factors: (i) the increase of salary and salary-related benefits, which is 1.0% of budget growth (the same as 2018) and is based on a market-driven methodology; (ii) price adjustments for other costs of 0.7% (slightly higher than 2018), which reflects the expected price increase for non-salary-related operating costs and administrative expenses; and (iii) a reduction to the Staff Retirement Plan (SRP) contribution rate.

43. Volume growth is 1.4%, however when excluding special initiatives, it is –0.1%. This includes the impact of supporting the operational priorities of the WPBF, 2019–2021, largely from new staff positions (equivalent to 2.7%), which is offset by staffing optimization (–0.7%) and efficiency gains (–2.1%).

<sup>15</sup> ADB. 2018. *Revised Structure for the Internal Administrative Expenses Budget*. Manila.

**Table 5: Key Components of Budget Growth**  
(%)

| Item   | 2018 Budget | 2019 Budget Preview <sup>a</sup> | Proposed 2019 Budget |
|--|-------------|----------------------------------|----------------------|
| <b>Price</b>                                   |             |                                  |                      |
| Increase of salary and salary-related benefits | 1.0         | 0.9                              | 1.0                  |
| Adjustment to other costs                      | 0.4         | 0.6                              | 0.7                  |
| Adjustment to SRP contribution rate            | 0.8         | (0.4)                            | (0.4)                |
| <b>Total Price</b>                             | <b>2.2</b>  | <b>1.1</b>                       | <b>1.3</b>           |
| <b>Volume</b>                                  |             |                                  |                      |
| Meeting operational priorities                 | 2.7         | 2.9                              | 2.7                  |
| Staffing optimization                          | (0.9)       | (0.8)                            | (0.7)                |
| Efficiency gains                               | (1.9)       | (1.0)                            | (2.1)                |
| Subtotal                                       | (0.1)       | 1.1                              | (0.1)                |
| Special Initiatives                            |             |                                  |                      |
| Information technology reforms                 | 1.0         | 1.9                              | 1.9                  |
| Organizational resilience                      | (0.2)       | 0.1                              | 0.1                  |
| Decentralization of operations <sup>b</sup>    | ...         | 0.7                              | 0.5                  |
| SRP switch incentive scheme                    | 1.0         | ...                              | (1.0)                |
| Subtotal                                       | 1.8         | 2.7                              | 1.5                  |
| <b>Total Volume</b>                            | <b>1.7</b>  | <b>3.8</b>                       | <b>1.4</b>           |
| <b>Total Budget Growth</b>                     | <b>3.9</b>  | <b>4.9</b>                       | <b>2.7</b>           |

... = not applicable or not calculated, ( ) = negative, SRP = Staff Retirement Plan.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> 2019 Budget Preview is the budget growth presented in WPBF, 2019–2021.

<sup>b</sup> Decentralization of operations includes the new Pacific country offices and support to resident missions.

Source: Asian Development Bank.

44. Established special initiatives drive 2.5% of budget growth. These include the budget impacts of (i) the Real-Time ADB IT reforms, supported by the Information Systems and Technology Strategy (ISTS) III special capital expenditure budget approved in 2013; (ii) the organizational resilience program, supported by the special capital expenditure budget approved in 2017; and (iii) the decentralization of ADB's operations, which includes additional support to field offices, and the special capital expenditure budget for the establishment of the Pacific country offices approved in September 2018. The 2018 one-time SRP switch incentive gives a –1.0% budget growth in 2019, so the net budget growth from special initiatives is 1.5%.

45. **Salary increase.** Salaries in the operational expense category will increase by \$13.5 million in 2019. This is made up of (i) the staff salary increase of \$4.6 million;<sup>16</sup> (ii) \$7.1 million for new staff positions; and (iii) \$1.8 million for other salary-related increases, such as confirmations and promotions.

<sup>16</sup> This excludes the Board of Directors, IED and the Accountability Mechanism. When including all categories, the salary increase is \$4.7 million.

46. The currency mix of ADB's budget is about 73% US dollar expenditures, 19% in Philippine peso, and the remaining 8% in other currencies. [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]<sup>17 18 19</sup>

47. Overall, IAE budget growth is 2.7%. This is made possible by the –0.1% volume growth, excluding special initiatives, which is net of staff optimization and efficiency gains. The remaining growth reflects the established special initiatives, and the price growth. The key cost drivers and efficiency gains are further elaborated on in the following sections.

### 1. Priority Needs of the Work Program and Budget Framework, 2019–2021

48. Additional staff resources are required to support the initial phase of the operationalization of Strategy 2030 as set out in the WPBF, 2019–2021. The number of projects for commitment and implementation are the parameters driving staff requirements as well as resource intensity per project, which is affected by variables such as country context (e.g., country classification, and implementation capacity), scope of projects, and lending modalities. In addition, the resource intensity per project may increase when project design becomes more sophisticated and complex (e.g., by incorporating innovative and multidisciplinary solutions) because of multisector and interdepartmental collaborations, use of highly specialized experts, and extensive interaction and consultation with the clients.

49. **Greater complexity and sophistication in operations.** Under Strategy 2030, ADB operations will focus on seven operational priorities that cut across sectors and themes. One-third of the 2019–2021 project pipeline will focus on five or more of the seven operational priorities at once. Such projects may have ambitious multidisciplinary designs and will require more technical and integrated project designs, holistic and lateral thinking, additional cross-sector and interdepartmental collaborations, and extensive interaction and consultation with the clients. In addition, these projects will also require ADB-wide expertise coordination and inputs from the pool of highly specialized experts. The commitment amount will increase during 2019–2021, while the number of projects is projected to remain stable during 2019–2020 and increase slightly in 2021. Although the incremental work associated with the increase in the number of projects is limited, the workload will continue to increase, as the highly sophisticated projects will result in more work than other projects and require additional staff time.

50. **Increasing support for private sector operations.** Consistent with the Strategy 2030 target of PSO delivering one-third of ADB total operations in number by 2024, ADB will continue scaling up PSO. The Private Sector Operations Department's specific targets for 2019 include \$3.2 billion in OCR commitments for 32 projects (compared to \$2.7 billion for 29 projects in 2018). With the performance measure for NSO shifting in 2019 to total investment,<sup>20</sup> the amount of direct value-added cofinancing is equally important. The amount of NSO cofinancing targeted for 2019 is \$6.6 billion in 2019. ADB's NSO will continue to achieve development effectiveness while pursuing overall profitability and commercial sustainability.

51. NSO will continue to focus on the sectors of infrastructure (particularly renewable energy),

<sup>17</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

<sup>18</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

<sup>19</sup> ADB. 2018. *Asian Development Outlook 2018 Update: Maintaining Stability Amid Heightened Uncertainty*. Manila.

<sup>20</sup> Total investment is the sum of total nonsovereign commitments and cofinancing.



finance, agribusiness, health, and education with private companies as well as state-owned and sub-sovereign entities, with growing emphasis in frontier markets. More resources need to be mobilized and new tools and instruments need to be used (such as financing from trust and third-party funds; and credit enhancement products like B loans, guarantees, and risk transfers) to ensure that NSO are within ADB's nonsovereign exposure limits at all times. Resources will be provided for environment and social safeguards assessment, integrity due diligence (including tax integrity), and valuation of projects in the pipeline and in the growing portfolio, to ensure compliance with ADB's internal standards and accounting policies.

52. Components of the new end-to-end nonsovereign IT system will become available for use in 2019. This will streamline and modernize processes, ensuring that robust controls are in place to assure data integrity and availability of online near real-time data on NSO.

53. **Support for innovation.** Innovation is taking many forms in ADB's operations. New ideas and advanced technologies are being incorporated into infrastructure, education, health, finance, agriculture, and all other sectors. ADB is developing innovative approaches to promote gender equality in projects as well as entry into frontier markets through private sector financing. Innovation will be recognized in the corporate results framework and staff performance reviews. ADB will also focus on innovation for institutional needs. In 2019, as part of the Digital Agenda 2030,<sup>21</sup> emerging technologies will be tested to support innovative solutions to meet ADB's business needs.

54. **Furthering the One ADB approach.** To deliver Strategy 2030, ADB will continue reducing silos and barriers to cooperation. Greater synergies and complementarity will be promoted between public sector operations and PSO, sector and thematic groups, knowledge and operations departments, and between field offices and headquarters. Private sector financing and partnerships will be integrated into CPSs; regional departments; the Private Sector Operations Department; the Office of Public-Private Partnerships; and the Office of Risk Management (ORM), which will substantially strengthen collaboration to support the expansion and diversification of NSO and PPP operations.

## 2. Staff Requirements to Meet the Priority Needs of the Work Program and Budget Framework, 2019–2021

55. Staff are ADB's most valuable resource. The workforce analysis assessed the staffing requirements to meet the priority needs of the WPBF, 2019–2021 as well as the priority business needs arising from new initiatives.

56. **Workforce analysis and key findings.** There are three key findings of the workforce analysis for 2019–2021: (i) one-third of 2019–2021 project pipelines will focus on five or more of the seven operational priorities of Strategy 2030 at once—this will require additional staff resources; (ii) regional departments have adopted different approaches and will require bespoke strategies for workload rebalancing and staffing, including redeployment and outposting (i.e., no one-size-fits-all strategy; and (iii) NSO will be expanded significantly to meet the target of one-third of ADB's operations by 2024, this will require substantial resources, and include extending to new sectors and frontier markets (e.g., FCAS countries) and also support to the portfolio management.

57. A time management system was rolled out ADB-wide in 2017. The system's data supports

<sup>21</sup> ADB. 2018. *Digital Agenda 2030: Special Capital Expenditure Requirements for 2019–2023*. Manila.

the workforce analysis and strategic staffing plans. During 2019, the system will continue to be strengthened to improve usability and functionality, as well as the quality of data used as the basis for departmental resource allocation.

58. **Gross staffing requirements for 2019–2021.** The gross staffing requirements for 2019–2021 are estimated at 325 staff positions (250 international and national; 75 administrative) (Table 6). These requirements derive from (i) the increasing focus on innovative and multidisciplinary project design in sovereign operations and the targeted expansion of NSO; (ii) the impact of expanded NSO on operational support departments such as ORM, the Office of the General Counsel, and the Office of Anticorruption and Integrity; and (iii) other priority needs, including (a) increasing ADB’s presence in 11 small Pacific island countries, (b) setting the foundation for ADB’s digital transformation, (c) supporting coordination and planning of Strategy 2030 implementation, (d) enhancing access to information and related document classification systems, (e) increasing financial management capacity, (f) expanding the experts pool and young professionals program, (g) supporting growing treasury operations, (h) carrying out procurement reforms, and (i) strengthening capacities to implement human resources and benefits reforms.<sup>22</sup>

**Table 6: Indicative Staffing Requirements, 2019–2021**  
(number of positions)

| Staff Requirements          | 2019      |           |           | 2020–2021 |           |            | 2019–2021  |           |            |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|------------|
|                             | IS and NS | AS        | Total     | IS and NS | AS        | Total      | IS and NS  | AS        | Total      |
| Gross requirements          | 105       | 30        | 135       | 145       | 45        | 190        | 250        | 75        | 325        |
| Offset through optimization | (30)      | (20)      | (50)      | (50)      | (25)      | (75)       | (80)       | (45)      | (125)      |
| <b>Net requirements</b>     | <b>75</b> | <b>10</b> | <b>85</b> | <b>95</b> | <b>20</b> | <b>115</b> | <b>170</b> | <b>30</b> | <b>200</b> |

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

Source: Asian Development Bank.

59. **Staff optimization.** ADB minimizes the need for new positions through the continued optimization use of existing resources. Table 7 outlines the anticipated scope of staff optimization for 2019–2021. In 2019, the optimization efforts are expected to offset the gross staff requirements by 50 (30 international and national staff; 20 administrative staff). Identified refinements from human resources reforms, flexible position management, and operations efficiency improvements will optimize staffing requirements and save about \$4.4 million in 2019.

60. The nature and composition of ADB’s workforce, as well as its contractors and consultants, will change as ADB modernizes its business practices and transforms its IT systems to support a digital, resilient, and connected workplace. These changes are essential to enable ADB to keep pace with the growing demands of DMCs for quicker and higher-quality responses, together with the rapid pace of change in the external environment. ADB’s efficiency and effectiveness will increase, providing opportunities for staff to undertake higher-value work and for savings to be applied to emerging areas of need. The new skills needed by the organization will be met through recruitment and by training and capacity building. The modernization of work processes provides opportunities for reducing the extent of contracting in some areas, while in other areas contracting opportunities will be expanded, including through the use of managed services arrangements. The necessary changes in budget and staffing resources will be addressed on a rolling basis through ADB’s corporate planning processes, including the WPBF and annual budget process, as well as workforce analyses and human resource programs and initiatives.

<sup>22</sup> Of the 325 staff positions required, an estimated 245 staff positions are for (i) and (ii) in para 58. The remaining 80 staff requirements pertain to (iii) in para. 58 (other priority needs).

**Table 7: Indicative Scope for Further Optimization**  
(number of staff)

| Optimization Measures   | 2019      |           | 2020–2021 |           |
|---|-----------|-----------|-----------|-----------|
|   | IS and NS | AS        | IS and NS | AS        |
| Flexible position management<br>(conversion of positions into different staff category) | 10        | 10        | 10        | 10        |
| Operational efficiency improvements <sup>a</sup>  | 13        | 7         | 29        | 12        |
| Conversion of AS to technical stream  |           | 1         |           | 1         |
| Automation and outsourcing initiatives <sup>b</sup>                                     | 7         | 2         | 11        | 2         |
| <b>Overall</b>  | <b>30</b> | <b>20</b> | <b>50</b> | <b>25</b> |

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

<sup>a</sup> Operational efficiency improvements are estimated based on (i) the envisaged increase in the ratio of the number of transactions for processing per staff under NSOs; and (ii) work saved by using (a) lending modality-specific templates for reports and recommendations of the President and simplified documentation on specific implementation arrangements, and (b) TA facilities.

<sup>b</sup> Estimate does not include the impact of the Digital Agenda 2030. It is based on the ongoing departmental automation and outsourcing initiatives, such as (i) use of e-training; (ii) improvements in management information systems; (iii) standardization of various submissions from clients for automated analyses; and (iv) other potential outsourcing initiatives, including outsourcing the review of procurement documents.

Source: Asian Development Bank.

61. **Net staff requirements and 2019 indicative allocation.** Taking into consideration the staff optimization measures, the net new staff requirements for 2019–2021 are estimated at 200 (i.e., gross staff requirements of 325 staff positions less staff optimization of 125 staff positions) (Table 6). In 2019, a total of 85 new staff positions will be provided (50 international staff positions, 25 national staff positions, and 10 administrative staff positions). Of these, 35 staff positions (41%) will be allocated to sovereign operations and related support, and 34 staff positions (40%) to NSO and related support (a larger number of these positions will be allocated to strengthen Pacific and Central and West Asia regions operations for sovereign operations, and PSO and risk management for NSO). The remaining 16 positions (19%) will be allocated for other priority needs highlighted in the WPBF, 2019–2021, such as human resources and IT reforms, and Strategy 2030 implementation. Table 8 shows the indicative allocation for the 2019 new positions by area of operations and expertise. Appendix 7 provides the indicative staff positions by department and office, reflecting the allocation of the 85 new positions. To meet operational needs, advance recruitment for the new staff positions for 2020 may start in 2019, if any available savings are identified during the implementation of the budget.

62. In 2019, of the 85 new staff positions, 53% will be placed in ADB headquarters and the remaining 47% in resident missions (Table 9). The share of headquarters-based staff is higher because a significant number of the new positions will be provided to departments in ADB headquarters that support NSO (e.g., risk management).

**Table 8: 2019 Indicative Allocation of New Positions by Expertise**  
(number of staff positions)

| Area of Operations and Expertise                                  | IS        | NS        | AS        | Total     |             |
|---|-----------|-----------|-----------|-----------|-------------|
|   |           |           |           | No.       | %           |
| Sovereign Operations and Related Support                          | 22        | 9         | 4         | 35        | 41%         |
| (i) Infrastructure  | 5         | 2         |           | 7         |             |
| (ii) Project administration and portfolio management <sup>a</sup> | 3         | 4         | 4         | 11        |             |
| (iii) Climate change, gender, and safeguards                      | 2         | 1         |           | 3         |             |
| (iv) Procurement and financial management                         | 6         | 1         |           | 7         |             |
| (v) Information and communication technology                      | 1         | 1         |           | 2         |             |
| (vi) Experts pool (e.g., energy, urban etc.)                      | 4         |           |           | 4         |             |
| (vii) Integrity (procurement reviews)                             | 1         |           |           | 1         |             |
| Nonsovereign Operations and Related Support                       | 19        | 11        | 4         | 34        | 40%         |
| (i) Investments   | 4         | 1         | 1         | 6         |             |
| (ii) Portfolio management   | 2         | 4         |           | 6         |             |
| (iii) Transaction support <sup>b</sup>                            | 5         |           | 1         | 6         |             |
| (iv) Risk management, legal, IDD and evaluation                   | 8         | 6         | 2         | 16        |             |
| Other Priority Needs  | 9         | 5         | 2         | 16        | 19%         |
| (i) Human resources reforms <sup>c</sup>                          | 2         | 1         |           | 3         |             |
| (ii) Information technology reforms <sup>d</sup>                  | 2         | 1         |           | 3         |             |
| (iii) Strategy 2030 implementation and coordination               | 2         |           |           | 2         |             |
| (iv) Others <sup>e</sup>  | 3         | 3         | 2         | 8         |             |
| <b>Total</b>  | <b>50</b> | <b>25</b> | <b>10</b> | <b>85</b> | <b>100%</b> |

AS = administrative staff, IDD = integrity due diligence, IS = international staff, No. = number, NS = national staff.

<sup>a</sup> Figure also includes staff positions for increasing ADB's presence in 11 small Pacific island countries.

<sup>b</sup> Item mainly comprises safeguards, gender, and cofinancing.

<sup>c</sup> Item mainly comprises strengthening human resource management, and review of compensation and benefits.

<sup>d</sup> Item mainly comprises support required for systems delivered by the Real-Time ADB IT reforms and the increase in the volume of IT operations.

<sup>e</sup> Item mainly comprises organizational resilience, integrity (outreach), and treasury.

Source: Asian Development Bank.

**Table 9: 2019 Indicative Allocation of New Positions by Location**  
(number of staff positions)

| Location                       | IS        |            | NS        |            | AS        |            | Total     |            |
|--------------------------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
|                                | No.       | %          | No.       | %          | No.       | %          | No.       | %          |
| Headquarters                   | 27        | 54         | 13        | 52         | 5         | 50         | 45        | 53         |
| Resident missions <sup>a</sup> | 23        | 46         | 12        | 48         | 5         | 50         | 40        | 47         |
| <b>Total</b>                   | <b>50</b> | <b>100</b> | <b>25</b> | <b>100</b> | <b>10</b> | <b>100</b> | <b>85</b> | <b>100</b> |

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

<sup>a</sup> Includes outposting to resident missions.

Source: Asian Development Bank.

63. **Outposting to resident missions.** Outposting refers to international and national staff positions that belong to headquarters but are deployed to resident missions. There will be 31 positions (20 international staff and 11 national staff) deployed by the end of 2018 and it is expected that 37 positions (25 international staff and 12 national staff) will be deployed in 2019 (Table 10).<sup>23</sup>

<sup>23</sup> From 1 January to 30 September 2018, 27 staff positions (17 international staff and 10 national staff) were deployed to resident missions.

**Table 10: Indicative New Outposting to Resident Missions<sup>a</sup>**  
(number of staff positions)

| Expertise                              | New deployments in 2018 |           |           | New deployments in 2019 |           |           | Cumulative total 2009–2019 <sup>b</sup> |           |            |
|--|-------------------------|-----------|-----------|-------------------------|-----------|-----------|---|-----------|------------|
|  | IS                      | NS        | Total     | IS                      | NS        | Total     | IS                                      | NS        | Total      |
| Sovereign operations <sup>c</sup>      | 11                      |           | 11        | 15                      | 3         | 18        | 71                                      | 7         | 78         |
| Nonsovereign operations <sup>d</sup>   | 6                       | 6         | 12        | 8                       | 8         | 16        | 30                                      | 26        | 56         |
| Legal counsel                          |                         |           |           |                         |           |           | 2                                       |           | 2          |
| Procurement                            | 1                       |           | 1         | 2                       |           | 2         | 12                                      |           | 12         |
| Organizational resilience <sup>e</sup> | 2                       | 5         | 7         |                         | 1         | 1         | 4                                       | 8         | 12         |
| <b>Total</b>                           | <b>20</b>               | <b>11</b> | <b>31</b> | <b>25</b>               | <b>12</b> | <b>37</b> | <b>119</b>                              | <b>41</b> | <b>160</b> |

IS = international staff, NS = national staff.

<sup>a</sup> Excludes strategic placement (i.e., placement of staff from a non-operations department to an operations department in headquarters), under which the Procurement, Portfolio and Financial Management Department had placed four procurement specialists (all international staff) in regional departments as of 30 September 2018.

<sup>b</sup> Represents sum of existing, new and expected deployments to resident missions up to 2019.

<sup>c</sup> Staff with expertise in country coordination are counted as part of sovereign operations.

<sup>d</sup> The number may increase to include outposted staff to support further expansion of NSOs.

<sup>e</sup> Comprises treasury and financial control expertise.

Source: Asian Development Bank.

64. As of September 2018, 913 staff (28% of staff positions) are expected to be based in resident missions, up from the 905 staff forecast in the 2018 budget.<sup>24</sup> Of these, 792 (24%) will be in the resident missions and 121 (4%) outposted from headquarters.<sup>25</sup> As a result of the new positions and continued outposting in 2019, there will be an expected 967 staff positions (29%) in resident missions by the end of 2019. Direct resident mission costs are estimated to be 21.7% of the 2019 net IAEs budget.<sup>26</sup> The annual increase in resident mission staff is expected to be 6.9% by the end of 2019, and the budget resources for the resident missions are also estimated to increase by 6.5% over the 2018 level (Table 11).

**Table 11: Resident Mission Staffing and Expenses, 2018–2019**

| Item   | Budget |       |
|--|--------|-------|
|  | 2018   | 2019  |
| Number of resident missions and extended missions <sup>a</sup> | 32     | 39    |
| Indicative staff in resident missions and extended missions    | 905    | 967   |
| Operational and administrative expenses (\$ million)           | 141.0  | 150.1 |
| Share of net internal administrative expenses (%)              | 21.2   | 21.7  |

<sup>a</sup> Excludes the representative offices, and in 2019 includes the seven Pacific country offices (to be established).

Source: Asian Development Bank.

### 3. Maintaining the Momentum of the Information Technology Reforms

65. The Real-Time ADB IT reforms program, started in July 2016, has achieved notable accomplishments in organizational resiliency, IT mobility, and cloud services. Progress has also been made in delivering new systems for institutional procurement, talent management, an automated human resource service desk, post-trade processing for the Treasury Department, and an external portal for TA claims. Collaborative solutions through Microsoft Office 365 have increased resiliency, collaboration, and knowledge sharing capabilities across ADB. New

<sup>24</sup> Total staff positions refer to total international, national, and administrative staff as provided under “current 2018” in Appendix 7, excluding the Board of Directors, the Independent Evaluation Department, and the Office of the Compliance Review Panel.

<sup>25</sup> Four additional staff positions will be outposted by the end of 2018.

<sup>26</sup> Direct resident mission costs consist of (i) operational expenses (staff costs, staff consultants, business travel, and representation), (ii) administrative expenses, and (iii) estimated staff costs of outposted positions.

communication tools enable ADB personnel to work from anywhere with seamless transition across multiple devices. Security awareness programs and implementation of automated IT security tools have improved IT security and management of cybersecurity risks. Progress is ongoing in implementing the remaining Real-Time ADB projects (Box 2).

#### **Box 2: Information Technology Progress**

- Key operations and financial systems: Investments are being made to build (i) an information technology (IT) platform to manage nonsovereign operations and automate current manual processes; (ii) a modern platform to replace the nearly 40 year-old platform for loan, grant, and technical assistance disbursement; (iii) a system to automate partner fund reports and cash balances; and (iv) systems for pricing of treasury structured products to support a broader range of financial products for the Asian Development Bank (ADB).
- Administrative and department-specific services: A new online system has been established for institutional procurement of goods and services. This has streamlined the approval process; enhanced governance, compliance, and transparency; and improved procurement turnaround times.
- Collaborative solutions: This initiative builds upon the foundation laid by Microsoft Office 365 and is promoting team collaboration through Microsoft SharePoint adoption, and piloting ways to improve integrated knowledge-sharing processes.
- Organizational resilience, information security, and IT service delivery: An offshore disaster recovery site has been established, reducing the potential data loss from 4–5 days to 3 hours. IT security has been strengthened and work has begun to modernize the IT service desk.

Source: Asian Development Bank.

66. Real-Time ADB is supported by the special capital expenditure budget of the ISTS III. The overall impact of IT reforms in the 2019 administrative expense budget is \$12.5 million, or 1.9% of budget growth. This includes (i) the incremental depreciation from capitalized projects, estimated at \$1.9 million; and (ii) the net incremental impact of supporting and maintaining the new solutions of \$10.6 million,<sup>27</sup> after IT savings.

67. Expanding cloud-based platforms will result in higher administrative expenses. While some initial cloud implementation costs can be capitalized, subscription costs incurred after implementation must be expensed annually in accordance with the latest accounting standards. As ADB implements more cloud-based platforms, IT-related administrative expenses will grow because of ongoing costs of cloud subscriptions. Cloud-based platforms include (i) Microsoft Office 365, (ii) Skype for Business, (iii) NSO business and customer relationship management, (iv) institutional e-procurement, (v) human resource talent management, (vi) human resource services, and (vii) partner fund management system, among others. These platforms will achieve greater resiliency, improve quality, increase agility of IT delivery, support adoption of best practices, address obsolescence, and enable a more mobile workforce. Cloud security risks will be addressed through controls such as the cloud risk assessment framework.

68. **Digital Agenda 2030.** The Digital Agenda 2030 provides the vision and road map for ADB to harness IT to enable the delivery of Strategy 2030. The Digital Agenda 2030 builds on the progress made under the ISTS III, including the Real-Time ADB IT reforms that began in 2016, and responds to the huge demand throughout the organization and among clients and stakeholders for more modern and connected IT systems.

<sup>27</sup> Of this amount, \$6.4 million is subscriptions to cloud-based platforms, \$2.9 million is for contractual support services maintaining the new solutions, \$0.6 million in software licenses and hardware warranty extension, and \$0.7 million for additional internet bandwidth and data roaming services.

69. The Digital Agenda 2030 comprises six programs covering (i) operations, (ii) financial services, (iii) administrative and corporate services, (iv) digital workplace and connected data, (v) enabling the digital backbone, and (vi) digital innovation sandbox. The Digital Agenda 2030 will be implemented in stages, and stage 1 was approved by the Board of Directors on 31 October 2018. Covering a 5-year period (2019–2023) with a proposed special capital expenditure budget of \$118.3 million, stage 1 will build and optimize ADB's core IT systems, and position ADB to benefit from rapid digital changes in Asia and the Pacific. More details are in Appendix 4.

#### **4. Implementing the Organizational Resilience Program**

70. [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

71. Building on this first stage of reforms, ADB has begun the process of assessing the future priorities for outposting in support of organizational resilience in the operations and other departments. This is expected to result in further outposting of staff in later years.

72. The business continuity facility in Clark, Philippines, established in 2008, continues to support ADB's organizational resilience by providing office space outside of Manila in the event of a major business disruption in Manila. In 2019, the Clark facility will also be used by the Philippines Country Office to support its engagement with Philippines agencies operating in Clark. The office fit-out, including IT hardware and connections, is being modernized.

73. [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]<sup>28</sup>

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<sup>28</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

74. The incremental budget impact of organizational resilience reforms is estimated to be \$0.5 million in 2019, or 0.1% of the overall budget growth.

## 5. Decentralization of Operations

75. **Empowering the resident missions.** Strong resident missions are essential to the implementation of Strategy 2030. Resident missions represent One ADB in the field, including sovereign operations and NSO. In addition to project-related issues, resident missions play an important role in engaging DMCs on economic and policy issues. They will also play an increasingly important role in leveraging ADB's knowledge work. Tables 10 and 11 provide information on staffing and new outposted positions in resident missions. To ensure resident missions have the capacity necessary to meet these expectations and are appropriately supported in their roles, and to further interdepartmental collaboration, ADB will review the business processes and resident mission functions. The increase in resource allocation is consistent with efforts to strengthen resident mission capacity, especially to support expanding NSO and ADB's operations in the Pacific (Box 3).

### **Box 3: Strengthening the Asian Development Bank's Presence in Small Pacific Island Countries**

On 14 September 2018, the Board of Directors approved the establishment of Pacific country offices in 11 small Pacific island countries with Asian Development Bank (ADB) portfolio operations that do not currently have resident missions. The Pacific country offices will operate as extensions of regional offices in the Pacific (the Pacific Subregional Office and the Pacific Liaison and Coordination Office) and of ADB headquarters.

ADB's portfolio in the Pacific has doubled every 5 years since 2005 and is now \$2.9 billion. A regular ADB presence in each country will enable ADB to improve project monitoring and supervision, have more regular and substantive communication with government and development partners, and provide better access to ADB's information systems and knowledge products. The new offices are consistent with Strategy 2030's enhanced support for fragile and vulnerable economies, especially those most affected by climate change.

Four extended missions in Samoa, Solomon Islands, Tonga, and Vanuatu will be converted into Pacific country offices. In addition, Pacific country offices will be established in the Cook Islands, Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, and Tuvalu. A capital expenditure budget of \$4.0 million was approved by the Board of Directors to cover the one-time establishment cost of the seven new offices. Total net incremental internal administrative expenses (i.e., operational and administrative expenses covering both staff-related and non-staff-related costs) associated with the 11 Pacific country offices, estimated at \$1.6 million in 2019, have been included in the proposed 2019 internal administrative expenses budget.

Source: Asian Development Bank.

76. The resident mission support team, established in April 2017, is helping to strengthen ADB's corporate support for resident missions by fostering efficient acquisition and management of corporate leasing options, advising on office expansions and improvements, and automating institutional procurement. In 2019, field office support will be further strengthened.



77. **Field office security and safety.** To ensure the safety and security of ADB personnel and assets in line with United Nations security standards, ADB continues to strengthen its support for resident mission security including through improved communications, upgraded access control, closed-circuit television, vehicle tracking systems in higher-risk locations, and training for staff. Building on security upgrades at the Afghanistan Resident Mission in 2018, ADB will continue to monitor the security situation there and carry out further strengthening as necessary in light of the evolving security circumstances. Security assessment missions by headquarters staff are conducted on a rolling basis to assess the adequacy of security measures in resident missions and offices, and to provide training. Budgetary requirements for security-related costs are inherently unpredictable and can remain fluid throughout any year depending on events. Security will continue to be a priority area of focus when formulating the annual budget.

78. **Upgrading resident mission facilities.** In 2017, the Board of Directors approved a special capital expenditure budget of \$10.0 million for improving and expanding office facilities in the resident missions, for implementation over a 5-year period (2018–2022). [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).] This will provide appropriate work spaces to accommodate growing staff numbers, driven by greater project delegation and an expanding portfolio. The remaining funds will be used to support improvement, expansion, and relocation of other resident mission office facilities as required.

79. **Improved administrative and corporate support for resident missions.** ADB will streamline and strengthen administrative and corporate support for resident missions, in relation to IT, property, procurement, security, budget, and human resources.

## 6. Improving Corporate Management and Administration

80. ADB's staff are its most valuable asset. During 2019, ADB will further strengthen human resource management to provide the skilled, highly capable, and motivated workforce necessary to achieve the goals of Strategy 2030.

81. **Recruitment.** Recruitment performance has improved significantly following the rollout of comprehensive recruitment reforms.<sup>29</sup> A total of 259 external recruitments were completed by the end of September 2018 and a number of recruitments, including 22 for young professionals, are at an advanced stage. The number of external recruitments during 2018 is expected to be higher than the 313 recruitments recorded in 2017. Women accounted for 45% of international staff recruitment at the end of September 2018. Further efficiencies are expected in recruitment processes during 2019–2021.

82. New initiatives such as strengthening of human resource analytics and business process streamlining are expected to further improve recruitment. Ongoing improvements in workforce planning and management, and a shift from reactive to proactive recruitments will help reduce delays in the start of the recruitment process. Prompt recruitment improves budget utilization and enhances flexibility in the budget by clearly indicating any potential savings earlier in the year. Slower recruitment leads to gaps in staffing and budget underutilization.

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<sup>29</sup> Key initiatives include (i) streamlined processes, (ii) more efficient recruitment approaches such as batch hiring and direct recruitment of proven candidates, and (iii) the shift to proactive recruitment through the experienced professional and expanded young professional programs.

83. **Staff mobility, and career and performance management.** ADB promotes staff mobility to strengthen opportunities for career development for staff and to enhance collaboration and knowledge sharing between departments. ADB will continue efforts to strengthen and expand mobility across departments and resident missions. The new performance review framework more strongly links ADB objectives and individual work plans, as well as more frequent feedback. In 2019, ADB will implement expanded coaching services to support and strengthen leadership and provide training to supervisors and staff on how to have constructive performance discussions.

84. **Staff development.** ADB will invest in staff training and development to respond to Strategy 2030 demands. New initiatives include (i) ADB-wide IT training for the adoption of IT reforms; (ii) special topics under sector and thematic learning programs; and (iii) expanded learning offerings on leadership, communication, collaboration, innovation, change management, PSO, economic and financial analysis, and security programs for resident missions. E-learning programs will be updated and ADB will make greater use of technology to expand learning opportunities to staff in all locations. Training programs will play a key role in supporting improvements in ADB processes and ensuring efficiency gains.

85. **Diversity and inclusion.** ADB continues its commitment to build a diverse and inclusive workforce and support gender equality. Actions on improving gender equality will continue, including building a diverse and inclusive workplace. ADB will conduct EDGE<sup>30</sup> recertification to support progress to improve gender equality and define opportunities for improvement. Appendix 12 contains further details on gender equality.

### C. Further Institutional Efficiency Savings

86. ADB continues to look for opportunities for cost savings and efficiency gains. The 2019 budget accounts for significant, quantifiable, and incremental gains from a range of efficiency measures (Table 12). Details are in Appendix 5.

**Table 12: Estimated Savings from Efficiency Measures, 2019**  
(\$ million)

| Item                                 | Estimated Incremental Savings |
|--------------------------------------|-------------------------------|
| <b>Efficiency Measures</b>           | <b>7.5</b>                    |
| Information technology               | 2.5                           |
| Operations                           | 0.6                           |
| Administrative services              | 3.0                           |
| Recruitment process                  | 1.4                           |
| <b>Better Budgeting</b>              | <b>6.5</b>                    |
| Alignment of budget assumptions      | 4.1                           |
| Recalibration of budget requirements | 2.4                           |
| <b>Total Efficiency Measures</b>     | <b>14.0</b>                   |

Source: Asian Development Bank.

87. **Information technology.** IT reforms are enhancing ADB's efficiency. In 2019, IT reforms are expected to generate around \$2.5 million in efficiency savings. Of the expected IT savings, \$2.2 million is in the form of direct cost savings and projected productivity gains from the Real-Time ADB projects, through (i) improved IT mobility, (ii) improved collaboration, (iii) reduction in paper and printing costs, (iv) better procurement processes, and (v) decommissioning of old

<sup>30</sup> Economic Dividends for Gender Equality (EDGE) is the leading global assessment methodology and business certification standard for gender equality in the workplace.

systems. In addition, ADB will avoid a \$0.3 million cost increase through the renegotiation of the contract with ADB's external IT consulting firm.

88. **Operations efficiency.** Better mission planning and budgeting, increased use of video conference facilities, and increased use of national consultants are contributing to improving efficiency in the operations departments. Departments are also making good use of the budget flexibility measures at their disposal in managing their discretionary expenses. These departmental initiatives are expected to save about \$0.6 million in budget requirements for 2019.

89. **Administrative services efficiency.** Expected efficiency savings of \$3.0 million in administrative services were a result of

- (i) reduced office occupancy costs of \$1.4 million, through better negotiation for rental renewals, resident mission relocations, and alterations and improvements;
- (ii) rationalization of subscriptions of \$0.1 million;
- (iii) other administrative services, including better inventory management of office supplies, automation, and energy efficiency, resulting in savings of \$0.6 million; and
- (iv) the latest estimate of the annual insurance premiums by ADB's medical insurance provider, which has resulted in expected savings in 2019 of \$0.6 million from the Post-Retirement Group Medical Insurance Plan (PRGMIP), and \$0.3 million from the Group Medical Insurance Plan.

90. **Improved recruitment processes.** Recruitment times have improved since the introduction of reforms in 2017. Key reforms of process streamlining, batch hiring and direct recruitment, and proactive recruitment through the experienced professional and young professional programs resulted in expected 2019 budget savings for recruitment activities of \$1.4 million. This does not account for the knock-on effect on budget utilization of faster recruitment.

91. **Alignment of budget assumptions.** ADB regularly refines the assumptions underlying the estimation of the centrally managed budget accounts. For 2019, refined budgeting assumptions resulted in a budget reduction of \$4.1 million. The savings are made up as follows: (i) \$0.6 million through further refinement of the timing assumption for new hires and the promotion rate for all staff categories; (ii) \$0.4 million from realigning the assumptions underlying the calculation of depreciation; (iii) \$1.3 million from revised assumptions for rental allowances; (iv) \$1.4 million from updated assumptions on relocation benefits; and (v) \$0.5 million from revising the assumptions for estimating education assistance. All assumption refinements take past utilization rates into account.

92. **Recalibration of budget requirements.** ADB reviews departmental budget requests and ensures the request is aligned with the departmental work priorities. During the formulation of the 2019 budget, the review considered past patterns of budget utilization by departments. For departments with historic underutilization, this was considered when setting their 2019 budgets. This approach reduced the budget requirements for 2019 by \$2.4 million. ADB was careful in using this approach and no departments received budget cuts as a result, some departments did not receive the entire requested budget. These departments have been assured that should their utilization improve, or should new circumstances arise requiring additional resources, assistance will be provided to the extent possible.

#### D. Internal Administrative Expenses for 2019

93. The 2019 proposed net IAEs budget is \$690.5 million.<sup>31</sup> This is an increase of \$18.2 million (2.7%) over the 2018 budget. The 2019 budget details are in Appendix 1. The 2018 budget utilization up to October 2018 is 73.2%, an increase of 3.9% compared to October 2017, and the full-year 2018 utilization rate is expected to be 94.4%.

94. **Board of Governors and Board of Directors.** The 52nd Annual Meeting of the Board of Governors will take place in Fiji in May 2019. A \$2.8 million budget is allocated for the meeting, 15.8% higher than the 2018 budget allocation. The budget allocation for the Board of Directors is \$17.8 million. Appendix 8 provides details of the Board of Directors 2019 budget.

95. **Independent Evaluation Department and Accountability Mechanism.** The 2019 budget for IED is \$13.4 million, 4.5% higher than the 2018 budget (Appendix 9). The 2019 budget of \$2.9 million for the Accountability Mechanism includes \$1.1 million for OSPF and \$1.8 million for the CRP and OCRP. Appendix 10 presents the details of the CRP and OCRP budget.

96. **Operational expenses and administrative expenses.** ADB's operational expenses for 2019 are estimated at \$516.6 million, or 74.6% of the regular programs budget, compared with 75.3% in the 2018 budget. Salaries within the operational expense category will increase by \$13.5 million (5.2%) over the 2018 budget to \$274.6 million. Business travel budget will increase by 3.2% to \$36.4 million, while the budget for staff consultants will rise by 4.2% over the 2018 budget to \$32.5 million. The budget for other administrative expenses is \$139.3 million, or 20.1% of the regular programs budget. This is \$9.9 million higher than the 2018 budget, a 7.7% increase.

97. **General contingency.** A general contingency provision of 1.0%, or \$6.9 million, is included in the 2019 budget. The purpose of this general contingency is to meet any shortfall under any budget category during the implementation of the 2019 budget.

98. **Fee reimbursements.** Expected reimbursements of costs related to administering external funds are estimated at \$9.3 million for 2019, based on the expected fees.

99. **Overall administrative expenses.** The projections for the overall administrative expenses for accounting purposes include the net periodic benefit cost for the SRP and the PRGMIP, and adjustments for loan origination costs. The estimates of the 2019 accruals for the SRP and PRGMIP are based on preliminary estimates by the actuary, less ADB's budgeted contributions to the SRP and PRGMIP. For 2019, the projected net periodic benefit cost is lower than the budgeted 2019 contributions, resulting in a negative adjustment for the SRP and PRGMIP accruals. The 2019 final figures for the net periodic benefit cost of the SRP and PRGMIP may be different from the current projection. Appendix 11 contains an update on the funding status of the SRP.

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<sup>31</sup> Consisting of \$675.3 million for ADB, \$13.4 million for IED, and \$1.8 million for the CRP and OCRP.

## VI. CAPITAL EXPENDITURE BUDGET

100. ADB has two major capital expenditure budget categories: (i) the annual capital expenditure budget<sup>32</sup> and (ii) the special capital expenditure budget.<sup>33</sup> A new special capital expenditure budget to support the Digital Agenda 2030 was approved by the Board of Directors on 31 October 2018. The Digital Agenda 2030 will replace aging technologies, automate manual processes, drive greater integration of IT systems, and deliver digital products and services.

101. Capital expenditure budgets differ from administrative expense budgets in that the spending is capitalized onto the balance sheet through fixed assets. These assets are then depreciated over their useful life. This depreciation is included in the budget and expensed through the statement of income and expenses. This recognizes the cost of the asset over the period it is in use. Useful lives vary, depending on the type of asset.

102. In 2019, ADB will review the capital budget practices of other multilateral development banks to identify if there are practices ADB could adopt, including the possible introduction of a single 3-year rolling capital expenditure budget for both annual and special capital expenditure.

103. **2019 Annual Capital Expenditure Budget.** The proposed annual capital expenditure budget for 2019 is \$11.5 million (Table 13 and Appendix 2).

**Table 13: Annual Capital Expenditure Budget**  
(\$'000)

| Item  | 2019 Budget   |
|---|---------------|
| <b>A. Headquarters Facilities</b>           | <b>2,950</b>  |
| Building infrastructure                     | 1,801         |
| Nonbuilding infrastructure                  | 1,149         |
| Transportation                              | 72            |
| Equipment                                   | 1,077         |
| <b>B. Technology and Automation Systems</b> | <b>6,469</b>  |
| Computers and peripherals                   | 3,014         |
| Information technology infrastructure       | 2,683         |
| Telecommunications                          | 772           |
| <b>Field Offices</b>                        | <b>1,490</b>  |
| <b>Contingency</b>                          | <b>550</b>    |
| <b>Total</b>                                | <b>11,459</b> |

Notes:

- Numbers may not sum precisely because of rounding.
- Beginning 2019, annual capital budget requirements for computer equipment of field offices are centralized with headquarters.

Source: Asian Development Bank.

104. **Headquarters facilities.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

<sup>32</sup> The annual capital expenditure budget is for items that have an economic life greater than 1 year and are cyclical or regular in nature. The current implementation period is 18 months.

<sup>33</sup> The special capital expenditure budget is for items of high value and with a special purpose. They are funded separately from annual budgets, and the implementation period is generally 5 years. Special capital expenditure budgets can be approved by the Board at any time during the year, as the need arises.

105. **Equipment and vehicles.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

106. **Technology and automation systems.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

107. **Field offices.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

108. A contingency provision of 5%, or \$0.6 million, is included in the 2019 annual capital expenditure budget. This contingency is required to meet any cost overruns and to meet any urgent and unplanned requirements during 2019, particularly the security-related requirements in the field offices.

## VII. RECOMMENDATIONS

109. I hereby recommend that the Board approve the budget consisting of

- (i) 2019 net internal administrative expenses amounting to \$675,252,000 for the Asian Development Bank, excluding the Compliance Review Panel and the Office of the Compliance Review Panel, and the Independent Evaluation Department; and
- (ii) 2019 annual capital expenditure budget amounting to \$11,459,000.

110. I hereby recommend that the Board approve the 2019 budget for the Independent Evaluation Department, consisting of internal administrative expenses of \$13,437,000.

111. I hereby recommend that the Board approve the 2019 budget for the Compliance Review Panel and the Office of the Compliance Review Panel, consisting of internal administrative expenses of \$1,799,000.

Takehiko Nakao  
President

## **APPENDIXES**





**2019 BUDGET: INTERNAL ADMINISTRATIVE EXPENSES**  
(\$'000)

| Item   | 2018<br>Budget  | 2019<br>Budget             | %<br>Change<br>over 2018 |
|--|-----------------|----------------------------|--------------------------|
| <b>A. Board of Governors</b>   | <b>2,417</b>    | <b>2,798</b>               | <b>15.8</b>              |
| <b>B. Board of Directors</b>   | <b>17,791</b>   | <b>17,800</b>              | <b>0.1</b>               |
| <b>C. Independent Evaluation</b>                                     | <b>12,858</b>   | <b>13,437</b>              | <b>4.5</b>               |
| <b>D. Accountability Mechanism</b>                                   | <b>2,851</b>    | <b>2,917</b>               | <b>2.3</b>               |
| Compliance Review Panel and Office of the<br>Compliance Review Panel | 1,843           | 1,799                      | (2.4)                    |
| Office of Special Project Facilitator                                | 1,008           | 1,118                      | 10.9                     |
| <b>E. Operational Expenses</b> (excluding A, B, C & D)               | <b>502,639</b>  | <b>516,608</b>             | <b>2.8</b>               |
| Salaries   | 261,088         | 274,625                    | 5.2                      |
| Benefits   | 158,423         | 156,600                    | (1.2)                    |
| <i>Contribution to Staff Retirement Plan<sup>a</sup></i>             | <i>64,207</i>   | <i>65,092</i>              | <i>1.4</i>               |
| Staff development  | 8,898           | 10,011                     | 12.5                     |
| Relocation   | 7,170           | 5,794                      | (19.2)                   |
| Consultants  | 31,229          | 32,541                     | 4.2                      |
| Business travel  | 35,294          | 36,432                     | 3.2                      |
| Representation   | 537             | 605                        | 12.7                     |
| <b>F. Administrative Expenses</b> (excluding A, B, C & D)            | <b>129,373</b>  | <b>139,298</b>             | <b>7.7</b>               |
| Communications   | 9,541           | 9,558                      | 0.2                      |
| Office occupancy   | 33,273          | 33,206                     | (0.2)                    |
| Library and subscription   | 6,104           | 6,428                      | 5.3                      |
| Office supplies  | 1,348           | 1,323                      | (1.9)                    |
| Equipment, maintenance, and support                                  | 13,370          | 17,616                     | 31.8                     |
| Contractual services   | 34,300          | 38,527                     | 12.3                     |
| Insurance  | 7,505           | 6,892                      | (8.2)                    |
| Depreciation   | 23,106          | 24,850                     | 7.5                      |
| Miscellaneous  | 826             | 898                        | 8.7                      |
| <b>Total Regular Programs</b>  | <b>667,929</b>  | <b>692,858</b>             | <b>3.7</b>               |
| <b>G. General Contingency</b>  | <b>6,679</b>    | <b>6,929</b>               | <b>...</b>               |
| <b>H. Internal Administrative Expenses</b>                           | <b>674,608</b>  | <b>699,787</b>             | <b>3.7</b>               |
| <b>I. Fee Reimbursements<sup>b</sup></b>                             | <b>(9,000)</b>  | <b>(9,299)</b>             | <b>...</b>               |
| <b>J. Net Internal Administrative Expenses</b>                       | <b>665,608</b>  | <b>690,488</b>             | <b>3.7</b>               |
| SRP switch incentive scheme  | 6,656           |                            |                          |
| <b>K. Net IAE after SRP switch incentive scheme</b>                  | <b>672,264</b>  | <b>690,488<sup>c</sup></b> | <b>2.7</b>               |
|  | 2018            | 2019                       |                          |
| <b>Memo item</b>   | <b>Estimate</b> | <b>Estimate</b>            | <b>% Change</b>          |
| <b>Gross IAE</b>   | <b>681,264</b>  | <b>699,787</b>             | <b>2.7</b>               |
| <b>Accounting Adjustments</b>  | <b>25,062</b>   | <b>(44,956)</b>            | <b>...</b>               |
| Accrual for SRP  | 50,939          | (4,847)                    | ...                      |
| Accrual for PRGMIP   | 11,494          | (2,178)                    | ...                      |
| Loan origination costs <sup>d</sup>                                  | (37,371)        | (37,931)                   | ...                      |
| <b>Overall Administrative Expenses<sup>e</sup></b>                   | <b>706,326</b>  | <b>654,831</b>             | <b>(7.3)</b>             |

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

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> This excludes SRP contribution for the Board of Directors, Independent Evaluation, and Accountability Mechanism. The SRP budget for these offices are included in the their respective budget categories. When including all categories, the SRP contribution is \$69.3 million (\$68.5 million in 2018).

<sup>b</sup> Estimated costs associated with administering external funds, excluding Japan funds for which the costs are charged to the funds.

<sup>c</sup> Net IAE for 2019 consists of \$675.3 million for ADB, \$13.4 million for Independent Evaluation Department, and \$1.8 million for the Compliance Review Panel and Office of the Compliance Review Panel.

<sup>d</sup> Accounting standards require that a portion of the loan origination costs be deferred and amortized over the life of the loan.

<sup>e</sup> The overall administrative expenses for accounting purposes include (i) gross IAE (this excludes fee reimbursements and adds the SRP switch incentive scheme for 2018), (ii) accrual estimates for the net periodic benefit cost for the SRP and PRGMIP, and (iii) adjustments for loan origination costs. The estimates for the accruals for the SRP and PRGMIP for 2019 are based on preliminary projection provided by the plan's actuary less ADB's expected contributions included in the 2019 budget.

Source: Asian Development Bank.

**2019 BUDGET: ANNUAL CAPITAL EXPENDITURE**  
(\$'000)

| Item  | 2018          | 2019          | 2020          | 2021          |
|---|---------------|---------------|---------------|---------------|
|   | Budget        | Budget        | Indicative    |               |
| <b>A. Headquarters Facilities</b>           | <b>2,700</b>  | <b>2,950</b>  | <b>3,742</b>  | <b>3,084</b>  |
| Building infrastructure                     | 1,817         | 1,801         | 1,456         | 1,303         |
| Nonbuilding infrastructure                  | 883           | 1,149         | 2,286         | 1,781         |
| Transportation                              | 468           | 72            | 187           | 202           |
| Furniture                                   | 150           | 0             | 1,500         | 1,000         |
| Equipment                                   | 265           | 1,077         | 599           | 579           |
| <b>B. Technology and Automation Systems</b> | <b>4,691</b>  | <b>6,469</b>  | <b>7,797</b>  | <b>5,377</b>  |
| Computers and peripherals                   | 3,085         | 3,014         | 3,820         | 3,619         |
| Information technology infrastructure       | 1,106         | 2,683         | 3,205         | 990           |
| Telecommunications                          | 500           | 772           | 772           | 769           |
| <b>Field Offices</b>                        | <b>3,436</b>  | <b>1,490</b>  | <b>1,640</b>  | <b>1,804</b>  |
| <b>Contingency</b>                          | <b>...</b>    | <b>550</b>    | <b>659</b>    | <b>513</b>    |
| <b>Total</b>                                | <b>10,827</b> | <b>11,459</b> | <b>13,837</b> | <b>10,778</b> |

... = not applicable or not calculated

Notes:

1. Numbers may not sum precisely because of rounding.
2. Beginning 2019, annual capital budget requirement for computer equipment of field offices are centralized with headquarters.

Source: Asian Development Bank

## INDICATIVE WORK PROGRAM: SUMMARY OF SELECTED DELIVERABLES

| Key Outputs  | 2018                | 2019               | Average<br>2020–2021 |
|--|---------------------|--------------------|----------------------|
| <b>A. Projected Commitments in Asian Development Fund and Ordinary Capital Resources</b> |                     |                    |                      |
| Amount (\$ million)  | 19,715              | 20,208             | 20,797               |
| Committed projects (no.)   | 134                 | 137                | 146                  |
| Private sector operations  |                     |                    |                      |
| Amount (\$ million)  | 2,700               | 3,150              | 3,480                |
| Committed projects (no.)   | 29                  | 32                 | 38                   |
| Sovereign operations <sup>a</sup>  |                     |                    |                      |
| Amount (\$ million)  | 17,015              | 17,058             | 17,317               |
| Committed projects (no.)   | 105                 | 105                | 108                  |
| 1. Investment projects   |                     |                    |                      |
| Amount (\$ million)  | 13,151              | 12,228             | 12,855               |
| Committed projects (no.)   | 84                  | 77                 | 81                   |
| 2. Policy-based lending <sup>b</sup>   |                     |                    |                      |
| Amount (\$ million)  | 2,477               | 2,641              | 2,556                |
| Committed projects (no.)   | 10                  | 18                 | 16                   |
| 3. Results-based lending   |                     |                    |                      |
| Amount (\$ million)  | 619                 | 1,482              | 1,068                |
| Committed projects (no.)   | 2                   | 2                  | 4                    |
| 4. Sector development programs   |                     |                    |                      |
| Amount (\$ million)  | 736                 | 584                | 806                  |
| Committed projects (no.)   | 5                   | 4                  | 5                    |
| 5. Project readiness facility  |                     |                    |                      |
| Amount (\$ million)  | 32                  | 123                | 31                   |
| Committed projects (no.)   | 4                   | 4                  | 2                    |
| <b>B. Multitranche Financing Facilities</b>  |                     |                    |                      |
| 1. Facilities  |                     |                    |                      |
| Amount (\$ million)  | 500                 | 4,357              | 6,760                |
| Committed facilities (no.)   | 1                   | 6                  | 9                    |
| 2. Periodic financing requests   |                     |                    |                      |
| Amount (\$ million)  | 2,430               | 3,430              | 3,440                |
| Committed projects (no.)   | 12                  | 13                 | 15                   |
| <b>C. Portfolio Management</b>   |                     |                    |                      |
| 1. Ongoing projects at year-end (no.)  | 846                 | 867                | 916                  |
| Regional departments   | 621                 | 629                | 654                  |
| Private Sector Operations Department   | 225                 | 238                | 262                  |
| 2. Contract awards (\$ million)  | 9,376               | 10,870             | 11,710               |
| 3. Disbursements (\$ million)  | 13,533              | 14,893             | 16,386               |
| 4. Project completion reports (no.)  | 75                  | 80                 | 86                   |
| <b>D. Cofinancing</b>  |                     |                    |                      |
| 1. Sovereign cofinancing (\$ million)  | 10,200 <sup>c</sup> | 4,440 <sup>d</sup> | 4,303 <sup>d</sup>   |
| 2. Nonsovereign cofinancing (\$ million)   | 6,400               | 6,600              | 7,425                |

| Key Outputs   | 2018 | 2019 | Average<br>2020–2021 |
|---|------|------|----------------------|
| <b>E. Technical Assistance Operations<sup>o</sup></b>                       |      |      |                      |
| New commitments (\$ million)  | 327  | 329  | 338                  |
| No. of new committed TA projects  | 329  | 234  | 168                  |
| 1. Transaction TA <sup>f</sup>  | 149  | 121  | 90                   |
| 2. Knowledge and support TA <sup>g</sup>                                    | 180  | 113  | 78                   |
| Portfolio (no.)   | 851  | 780  | 711                  |
| TA completion reports (no.)   | 159  | 209  | 171                  |
| <b>F. Transaction Advisory Services</b>                                     |      |      |                      |
| 1. New mandates (no.)   | 12   | 4    | 3                    |
| 2. Mandates under implementation (no.)                                      | 19   | 17   | 14                   |
| <b>G. Knowledge Products<sup>h</sup></b>                                    |      |      |                      |
| 1. Regional departments (no.)   | 203  | 150  | 89                   |
| 2. Specialized knowledge departments (no.)                                  | 148  | 132  | 98                   |
| 3. Other departments (no.)  | 42   | 32   | 24                   |
| <b>H. Country and Regional Strategies and Operations<br/>Business Plans</b> |      |      |                      |
| 1. Country partnership and regional cooperation<br>strategies (no.)         | 2    | 9    | 6                    |
| 2. Country and regional operations business plans (no.)                     | 40   | 39   | 39                   |

ADB = Asian Development Bank, no. = number, TA = technical assistance.

Note: The indicative work program is as of 30 June 2018. It will be revisited during preparation of the staff's annual results-based work plans.

<sup>a</sup> Includes periodic financing requests but not multitranches financing facilities.

<sup>b</sup> Excludes possible conversion from projects to policy-based lending during 2019–2021.

<sup>c</sup> Represents the target for 2018.

<sup>d</sup> Sovereign cofinancing is estimated based on a new definition that will capture the cofinancing necessary to deliver the outcome of a project, including (i) full or partial administration by ADB, (ii) harmonized financial reporting for all sources of financing, (iii) joint procurement, (iv) joint safeguards that adopt ADB's procurement or safeguards policy, and/or (v) significant participation of ADB in the design of the cofinanced component.

<sup>e</sup> Includes cofinanced TA projects.

<sup>f</sup> Transaction TA (i) prepares, enhances readiness, develops capacity, and/or provides policy advice for a specific ensuing project; (ii) helps deliver outputs or mitigate the project risks under an ongoing project through capacity development and/or policy advice; or (iii) develops a public–private partnership project under transaction advisory services.

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

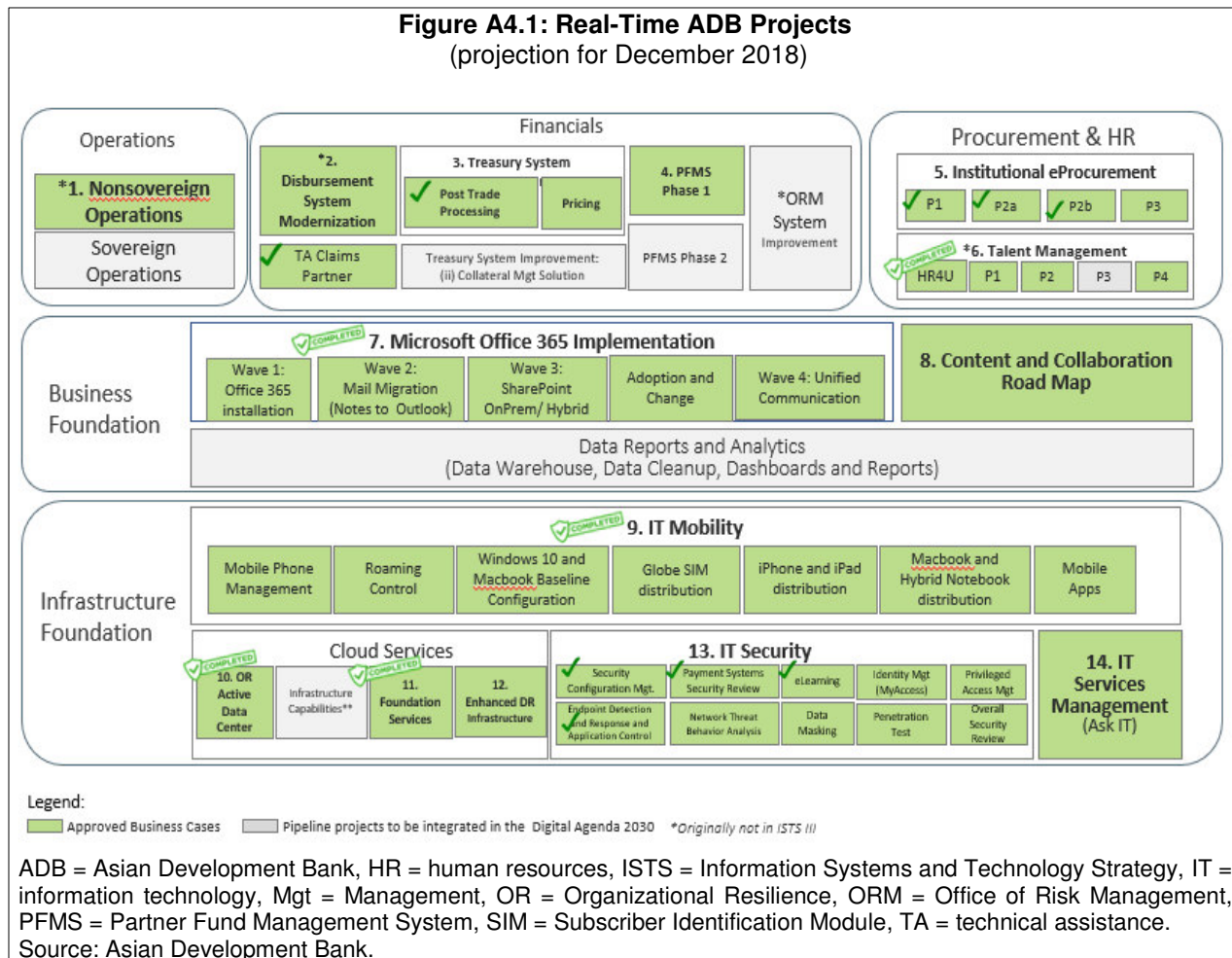
<sup>h</sup> Using the new typology introduced in April 2016, this appendix reports the five types of knowledge products: flagship, technical studies, working papers, policy briefs, and op-ed articles. Figures include knowledge products and services funded by TA and the administrative budget.

Source: ADB. 2018. *Work Program and Budget Framework, 2019–2021*. Manila.

## INFORMATION TECHNOLOGY REFORMS

### A. Highlights of Information Technology Reforms

1. **Real-Time ADB.** In 2016, the Real-Time Asian Development Bank (ADB) information technology (IT) reforms, funded from the Information Systems and Technology Strategy (ISTS) III special capital expenditure budget, were adopted to expedite the pace of IT modernization and to incorporate new systems for nonsovereign operations (NSO) and partner funds management. Real-Time ADB aims to (i) further automate, simplify, and integrate key systems; (ii) improve collaboration; (iii) strengthen data quality; (iv) replace manual processes; (v) increase resiliency; and (vi) enable greater agility and mobility (Figure A4.1).



2. [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

3. Cloud-based platforms such as Microsoft Office 365 productivity tools, email, and Skype integration to the telephony system have been adopted, enabling greater collaboration and resiliency, including the ability to work anywhere and anytime. ADB has deployed new mobile phone, tablet, laptop, and hybrid device standards. In addition, the introduction of single sign-on solutions, enterprise mobile management tools, and better data roaming services has helped improve productivity.

4. Other IT reforms in progress include business process modernization and automation of NSO; replacement of the mainframe disbursement system for loans, grants, and TA; partner fund management automation; and treasury systems for pricing.

5. Out of the 14 Real-Time ADB projects, five have been completed with many milestones achieved. All but one of the remaining projects are scheduled for completion in 2019. A summary of the status of each project is in paras. 6 and 7.

6. **Projects completed.** Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).

7. **Projects in progress.** Continuing Real-Time ADB projects are as follows:
- (i) **Institutional e-procurement.** The introduction in 2017 of a new online system for institutional procurement of goods and services has significantly improved procurement turnaround times; streamlined approval processes; and enhanced governance, compliance, and transparency. In 2018, additional modules were rolled out, including requisition, purchase approval, invoicing, and supplier information management. Budget integration is planned for the fourth quarter of 2018 and purchase order commitments are planned for the first quarter of 2019. The project is scheduled for completion after the rollout to resident missions in 2019, at a total estimated capital cost of \$1.8 million.
  - (ii) **Partner fund management (phase 1).** This project will implement an IT solution to manage ADB's partner funds. Phase 1 includes all the back-end processes that are currently performed manually. Implementation is planned in the first part of 2019. The project is expected to utilize a total estimated capital cost of \$6.0 million. Phase 2 is included in stage 1 of the Digital Agenda 2030.
  - (iii) **Disbursement system modernization (phase 1) and Technical Assistance Claims Partner Portal.** This initiative will replace the legacy core disbursement system with a modern, flexible, and user-friendly platform. The requirements and functional design were completed in July 2018, and development of the integrated disbursement system is underway. The rollout of a portal to streamline the processing of TA claims started in May 2018. The project is scheduled for completion in 2019 at a total estimated cost of \$7.5 million.
  - (iv) **Treasury operations improvement: structured products.** This project will implement a new processing and pricing solution for treasury structured products to (i) increase the range of ADB treasury product offerings, (ii) lower the cost of funding for ADB, and (iii) improve the efficiency of treasury operations through process automation. In February 2018, the project completed the implementation of the first component, a post-trade processing solution. The last component, a structured pricing solution, is scheduled for completion in 2019. The project's estimated capital cost is \$1.5 million.
  - (v) **Information technology security.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]
  - (vi) **Nonsovereign operations.** This project will provide an integrated solution to support the full range of NSO, including front-end processes (covering deal origination and customer relationships) and back-office processes (for loans, guarantees, and equities). Implementation commenced in July 2018 and is scheduled for completion in 2020, at a total estimated cost of \$12.5 million.
  - (vii) **Content and collaboration.** Building on the foundation of Microsoft Office 365, this project promotes team collaboration by adopting SharePoint (making content more discoverable) and by piloting ways to improve integrated knowledge-sharing processes. The project is scheduled for completion in 2019, at a total estimated cost of \$3.1 million.
  - (viii) **Ask IT (IT service management).** IT services for users will be improved through the following initiatives. This project is scheduled for completion in 2019 at an estimated cost of \$1.6 million.
    - (a) **Unified contact point.** Various channels or points of contact will be unified to create a single point of contact for users.
    - (b) **Adoption of standards and best practices.** The IT Infrastructure Library, the industry standard and best practice framework for IT service management, will be

- the basis for the Office of Information Systems and Technology's process reengineering and streamlining approach to improve its service processes.
- (c) **Modern service desk tool.** A new tool will be adopted to provide better functionalities and multiple benefits, including a single platform for processing all IT requests, a tracking facility enabling transparency on the status of issues and requests, and a platform that reduces complexity in filing IT requests.
  - (d) **Innovation pilots.** These pilots include establishing a proximity center, which will transform one or two copy centers into an IT service hub; and exploring the feasibility of using artificial intelligence to handle support services.
- (ix) **Enhanced disaster recovery infrastructure.** [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.5.x).]

## B. Digital Agenda 2030 (stage 1), 2019–2023

8. The Digital Agenda 2030 provides the vision and road map for ADB to harness IT to deliver Strategy 2030. The Digital Agenda 2030 builds on the progress made under the ISTS III, including the Real-Time ADB IT reforms commenced in 2016, and responds to the huge demand throughout ADB for more modern and connected IT systems.

9. The Digital Agenda 2030 will be implemented in stages. Stage 1 will build and optimize ADB's core IT systems and position the organization to benefit from rapid digital changes in Asia and the Pacific. It will set the foundation for ADB's digital transformation. Subsequent stages will further advance digital transformation, driving greater integration and connectedness of IT systems and improvements in digital products and services.

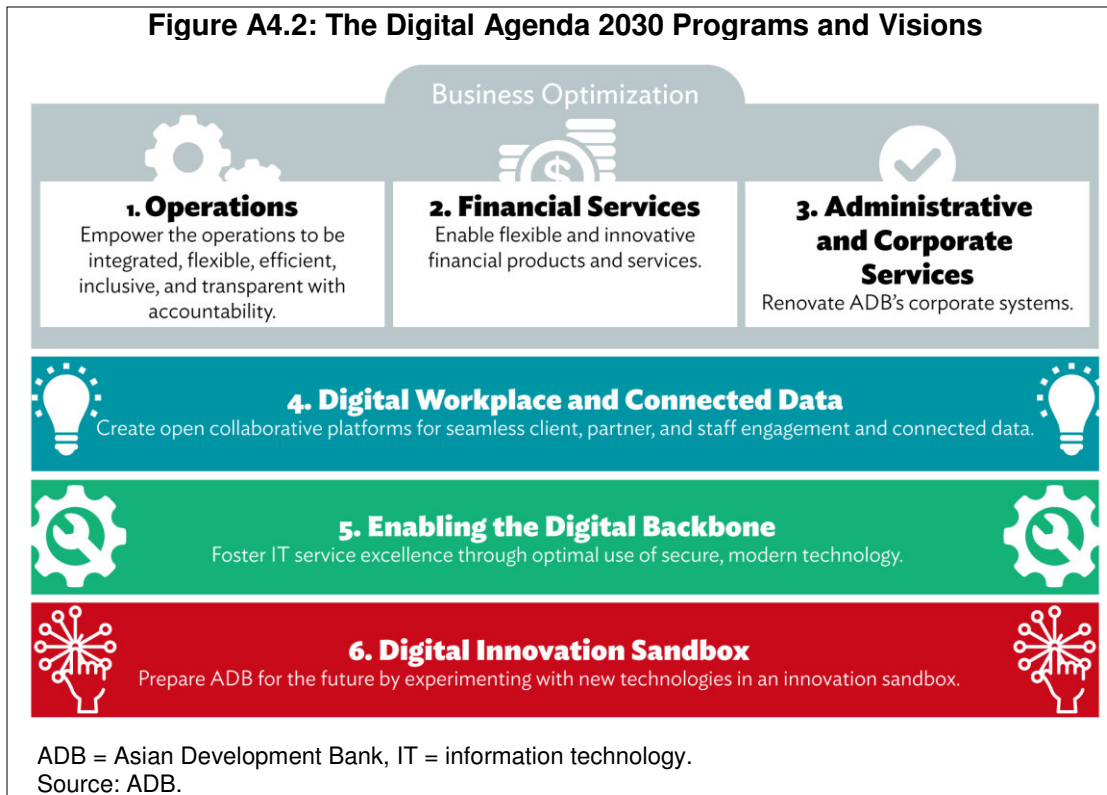
10. The Digital Agenda 2030 comprises the following six programs and their accompanying visions (Figure A4.2):

- (i) **Operations.** Empower operations to be integrated, flexible, efficient, inclusive, and transparent with accountability.
- (ii) **Financial services.** Enable flexible and innovative financial products and services.
- (iii) **Administrative and corporate services.** Renovate corporate systems.
- (iv) **Digital workplace and connected data.** Create open, collaborative platforms for seamless client, partner, and staff engagement and connected data.
- (v) **Enabling the digital backbone.** Foster IT service excellence through optimal use of secure, and modern technology.
- (vi) **Digital innovation sandbox.** Prepare ADB for the future by experimenting with new technologies in an innovation sandbox.<sup>1</sup>

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<sup>1</sup> A sandbox is a safe platform, separate from ADB's IT systems, in which the viability of new technologies is tested and reviewed before deciding to pilot them.





11. Under stage 1 of the Digital Agenda 2030, ADB will implement 16 projects under the six programs during 2019–2023. These projects were identified through an extensive consultation process. The projects selected will not meet all needs for IT and digital support in ADB, but they were determined to be the highest priorities, taking into consideration ADB's capacity to deliver and adopt new systems. Upon approval of the special capital expenditure budget, detailed business cases will be developed for each project for the approval of the IT and Data Committee.

12. The Digital Agenda 2030 will deliver a range of benefits, including operational efficiency and effectiveness, quality, resiliency, risk reduction, and compliance. It will also build a collaborative environment for exploring new and emerging technologies to help solve business challenges and strengthen ADB's agility and responsiveness.

13. The special capital expenditure for stage 1 is \$118.3 million and the budget to fund this was approved by the Board of Directors on 31 October 2018. As stage 1 projects are rolled out, they will require ongoing maintenance and support, including for the continuing costs of cloud-related services. Budget for these incremental administrative costs, as well as depreciation costs from the special capital expenditure, will be subject to annual approval in the ADB budget. ADB's 2019 internal administrative expense budget will not be impacted by stage 1 of the Digital Agenda 2030, but operational budget increases will be required starting in 2020.

### C. Digital Capacity Building and Innovation

14. To support ADB’s digital transformation, additional work is being undertaken in the following areas:

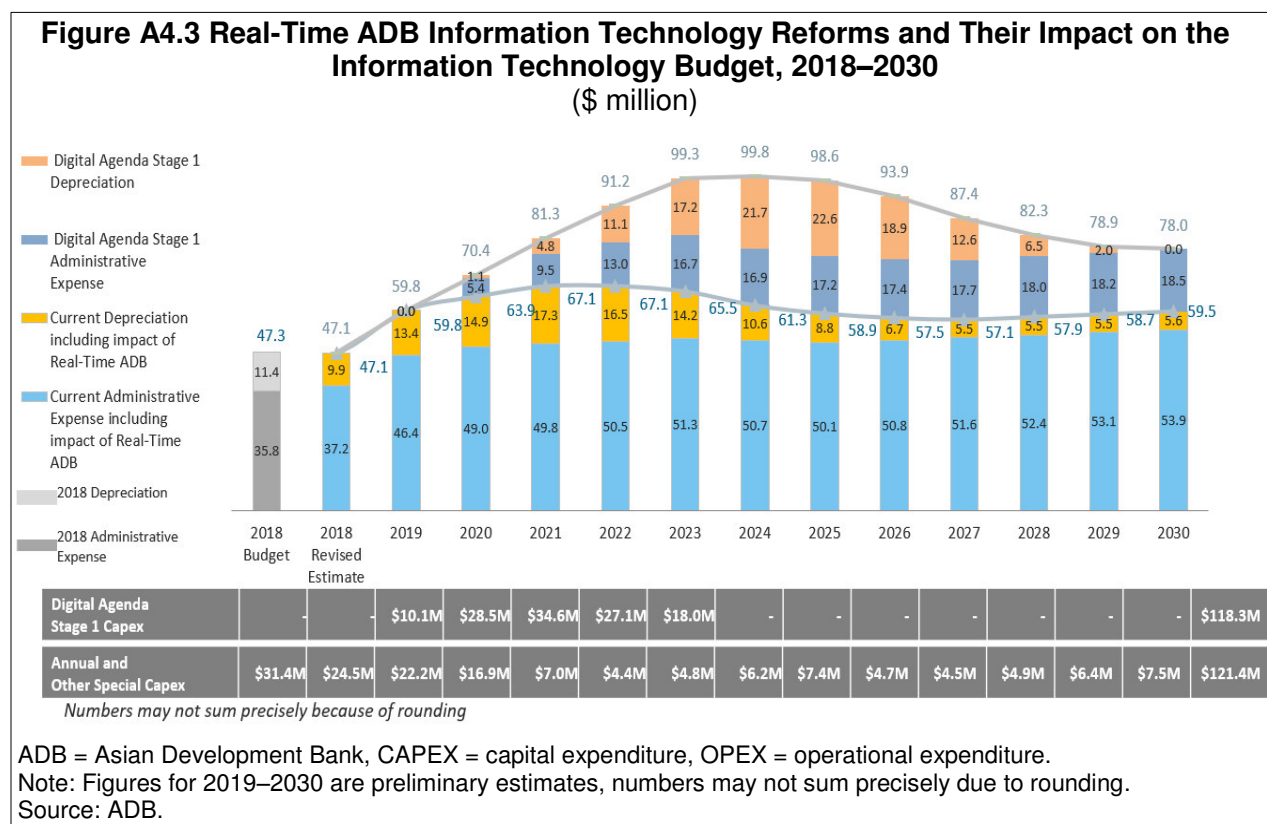
- (i) **Adoption and change management.** To reap maximum benefits across ADB, IT initiatives will be supported by ongoing adoption and change management activities to prepare staff to adopt new ways of working.
- (ii) **Digital capacity building and training.** Training and awareness programs for Management and staff on emerging technologies and innovation will include IT executive briefings, roadshows, hackathons, experience galleries, and virtual opportunities for learning.
- (iii) **Innovation.** The cognitive search pilot program will be continued with the Independent Evaluation Department, employing artificial intelligence technologies to analyze lessons learned from project completion reports.

### D. Impact on ADB Budget Requirements

15. The Real-Time ADB IT reforms are driving operational budget increases to meet the depreciation costs from the capital expenditure and the ongoing costs of cloud-related services.

16. ADB’s 2019 internal administrative expense budget will not be impacted by stage 1 of the Digital Agenda 2030, however, Departments will start detailed design and business case development for several Digital Agenda 2030 projects in 2019. Stage 1 will require operational budget increases starting in 2020 to meet depreciation costs from the capital expenditure and the ongoing costs of cloud-related services.

17. The estimated cost impact of the reforms is shown in Figure A4.3.



## EFFICIENCY AT ADB

### A. Further Highlights of Expected Efficiency in 2019

1. The Asian Development Bank (ADB) is regularly reviewing areas of reforms and process improvements that could lead to efficiency gains. In 2019, excluding staff optimization measures, incremental efficiency savings of \$14.0 million have been estimated, or 2.1% savings in the budget growth. This is made up by identified efficiency measures of \$7.5 million, and better budget estimations of \$6.5 million.

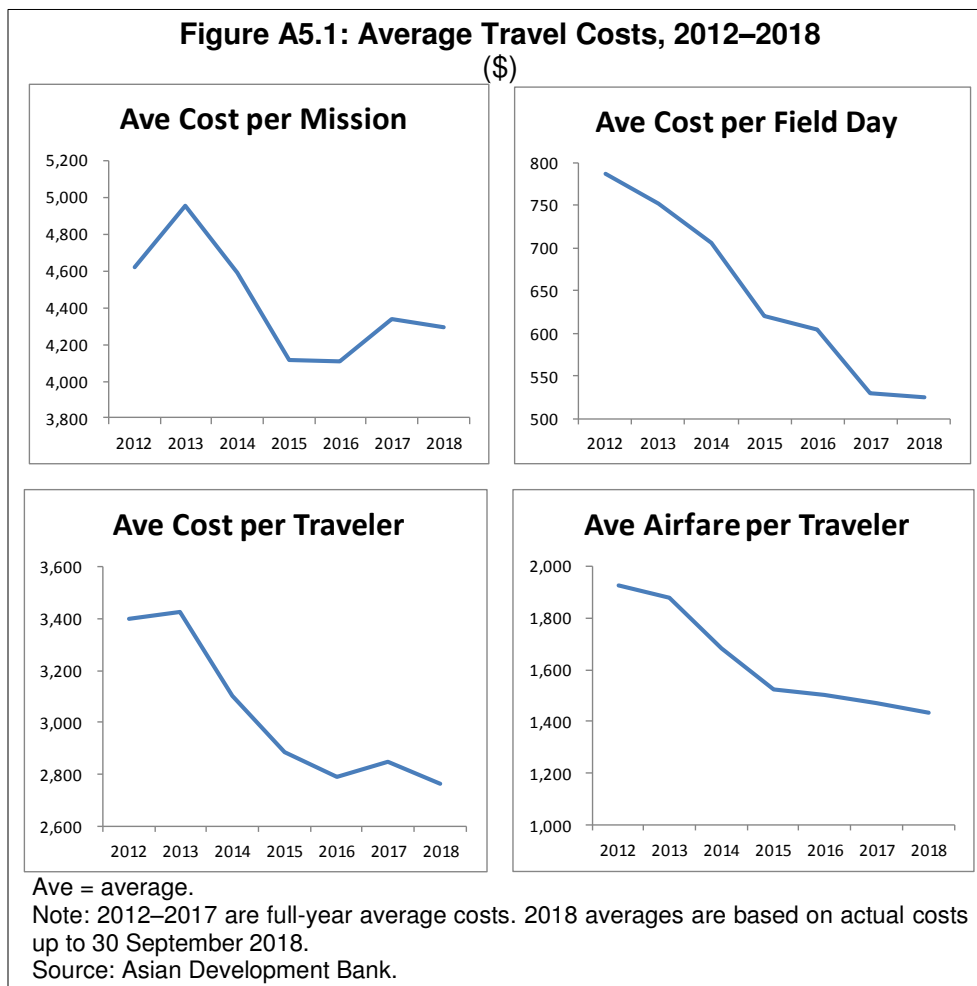
2. **Information technology.** Several milestones have already been achieved in the Real-Time ADB information technology (IT) reforms, and these initiatives are already delivering a range of benefits across departments, including improving operational efficiency and resilience, reducing cost, improving control, and mitigating risks. While many of these benefits are qualitative in nature, some are resulting in cost and staff time savings. IT reforms are conservatively estimated to generate \$2.5 million in efficiency savings in 2019. These reforms include the following:

- (i) **IT mobility.** Shifting from desktop to notebook computers and other mobile devices is supporting organizational resiliency and greater efficiency.
- (ii) **Cloud foundation services.** ADB has put in place integrated and secure arrangements for cloud-based services. This has generated better connectivity and resilience for headquarters and resident missions.
- (iii) **Microsoft Office 365 and SharePoint implementation.** Cloud technologies are enabling organizational resiliency and efficiency. Staff now have efficient tools to create, share, and collaborate on documents. They also have the full ability to work remotely through the internet. This saves staff time and reduces costs related to phone calls.
- (iv) **Human resource systems.** The HR4U 2.0 portal, launched in April 2018, empowers staff with a search tool for human resource-related topics and serves as a single system to address human resource-related inquiries and concerns.
- (v) **Institutional e-procurement.** Rolled out in July 2017, the e-procurement system has reduced processing time for low-value and repeatable purchases by 91%. About \$1.3 million in staff time savings were realized in the first 12 months of implementation through (a) the use of e-catalogs for repeatable purchases that generated automated purchase orders, (b) automated assignment of requisitions to buyers by commodity type, and (c) further procurement process improvements. The system has enabled improved compliance and governance.
- (vi) **IT security.** ADB has increased staff awareness, including through online training, and has promoted proactive reporting of cybersecurity incidents. A much higher participation rate (93%) has been achieved versus the previous classroom-type training sessions, which had an average attendance rate of 41%. With the adoption of an automated detection tool, IT security incident detection rates have improved. These initiatives have continued to strengthen ADB's IT security.
- (vii) **Savings in ongoing costs.** Cost savings of \$0.7 million are expected to be achieved in 2019 as a result of the partial discontinuation of IBM Lotus Notes and improved contract terms with the firm currently providing advisory services on IT trends and best practices.

**3. Client Portal for Disbursements and Technical Assistance Claims Partner Portal.**

The web-based Client Portal for Disbursement has been rolled out to 31 developing member countries, enabling web-based submission of withdrawal applications. The Technical Assistance Claims Partner Portal is expected to shorten the turnaround time of claim processing and users can also access the system and monitor their claim status on an anywhere, anytime basis.

**4. Business travel.** Efficiency in business travel was normalized following two rounds of reforms in 2014 and 2016, and ADB is no longer including travel reforms in the quantification of annual incremental efficiency gains. Nonetheless, business travel costs continue to decline and budget growth related to this item continues to be moderate. Mission numbers have increased slightly in 2018, as have the number of field days. A slight increase in the average cost per mission in the last 2 years reflects ADB's modified approach to managing business travel, which entails fielding longer missions and making a single trip to accommodate multiple missions. The average cost per field day continues to decline which also reflects the improving efficiency (Figure A5.1).



## B. ADB Efficiency Compared with Other Institutions

5. Standard & Poor's publication *Supranationals Special Edition 2018* contains comparison data of the largest multilateral development banks, including a comparison of administrative expenses.<sup>1</sup> ADB compares favorably with comparator institutions (Figure A5.2). The main multilateral development banks are within a range of 2.5%–2.8% for administrative expenses<sup>2</sup> as a percentage of average adjusted common equity.<sup>3</sup> [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

**Figure A5.2: 2017 Administrative Expense to Average Adjusted Common Equity of Multilateral Development Banks**

(%)

[This figure has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.2.viii).]

6. [Information in this paragraph has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.2.iv).]

<sup>1</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

<sup>2</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

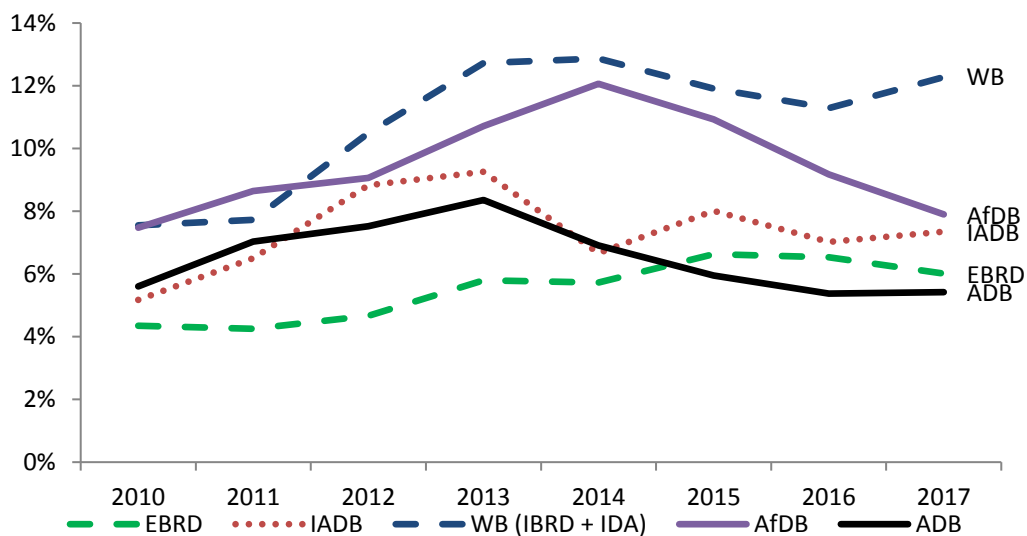
<sup>3</sup> [Information in this footnote has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

**Figure A5.3: Comparative 2018 Data for Selected Multilateral Development Banks**  
(\$'000)

[This figure has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.2.iv).]

7. Further comparison of administrative expenses to the 2-year average disbursements has been made using publicly available financial information (Figure A5.4). The Inter-American Development Bank has displayed a volatile ratio over the last 4 years, while the African Development Bank has exhibited a steep decline since 2014. The European Bank for Reconstruction and Development showed a slight decline in 2017, while the World Bank is now increasing after a period of decline. ADB has been flat in the last 12 months, after steady declines beginning in 2013.

**Figure A5.4: Ratio of Administrative Costs to 2-Year Average Disbursements**



ADB = Asian Development Bank, AfDB = African Development Bank, EBRD = European Bank for Reconstruction and Development, IADB = Inter-American Development Bank, IBRD = International Bank for Reconstruction and Development, IDA = International Development Association.

Source: Asian Development Bank.

## PRICE FACTOR ASSUMPTIONS

1. The nominal budget growth comprises two factors: price increase and volume growth. Price increase is derived from external factors such as the movements in market prices and currency exchange rates. Applicable rates, based on relevant data sources, are used to compute price adjustments for all expense items to derive the overall price increase.
2. The volume growth is the nominal budget growth less the effects of price increases. Volume growth includes changes in the quantity of goods and services, established special initiatives, and institutional reforms such as information technology reforms and the organizational resilience program.
3. The price increase for the 2019 budget was computed using a price factor methodology discussed with the Asian Development Bank's Budget Review Committee in 2014. Table A6 summarizes these price factor items and assumptions for 2019.
4. The Asian Development Bank's expenditures are incurred in about 40 currencies. For the 2019 budget, the exchange rate movement impact is estimated at -1.3% of the budget growth.

### **Table A6: Assumptions for Price Factor**

[This table has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]

**AUTHORIZED STAFF POSITIONS BY DEPARTMENT AND OFFICE, 2018–2019**

| Department/Office  | Start 2018          |            |            |            |            |            | Current 2018        |            |            |            |            |            | Indicative 2019     |            |            |            |            |            |
|--|---------------------|------------|------------|------------|------------|------------|---------------------|------------|------------|------------|------------|------------|---------------------|------------|------------|------------|------------|------------|
|  | International Staff |            |            | NS         | AS         | Total      | International Staff |            |            | NS         | AS         | Total      | International Staff |            |            | NS         | AS         | Total      |
|  | Senior <sup>a</sup> | Other      | Total      |            |            |            | Senior <sup>a</sup> | Other      | Total      |            |            |            | Senior <sup>a</sup> | Other      | Total      |            |            |            |
| <b>A. President</b>  | <b>25</b>           | <b>67</b>  | <b>92</b>  | <b>45</b>  | <b>65</b>  | <b>202</b> | <b>25</b>           | <b>67</b>  | <b>92</b>  | <b>49</b>  | <b>61</b>  | <b>202</b> | <b>25</b>           | <b>71</b>  | <b>96</b>  | <b>51</b>  | <b>61</b>  | <b>208</b> |
| Offices of Management                                      | 8                   | 8          | 16         | 1          | 17         | 34         | 8                   | 8          | 16         | 1          | 18         | 35         | 8                   | 8          | 16         | 1          | 18         | 35         |
| Office of the Special Project Facilitator                  | 1                   | 1          | 2          | 1          | 1          | 4          | 1                   | 1          | 2          | 1          | 1          | 4          | 1                   | 1          | 2          | 1          | 1          | 4          |
| Office of the Auditor General                              | 2                   | 8          | 10         | 11         | 10         | 31         | 2                   | 8          | 10         | 15         | 6          | 31         | 2                   | 8          | 10         | 15         | 6          | 31         |
| Office of Anticorruption and Integrity                     | 3                   | 9          | 12         | 12         | 6          | 30         | 3                   | 9          | 12         | 12         | 6          | 30         | 3                   | 11         | 14         | 14         | 6          | 34         |
| Strategy, Policy and Review Department                     | 5                   | 18         | 23         | 15         | 17         | 55         | 5                   | 18         | 23         | 15         | 16         | 54         | 5                   | 20         | 25         | 15         | 16         | 56         |
| European Representative Office                             | 1                   | 1          | 2          | 1          | 2          | 5          | 1                   | 1          | 2          | 1          | 2          | 5          | 1                   | 1          | 2          | 1          | 2          | 5          |
| Japanese Representative Office                             | 1                   | 1          | 2          | 1          | 2          | 5          | 1                   | 1          | 2          | 1          | 2          | 5          | 1                   | 1          | 2          | 1          | 2          | 5          |
| North American Representative Office                       | 1                   | 1          | 2          | 1          | 2          | 5          | 1                   | 1          | 2          | 1          | 2          | 5          | 1                   | 1          | 2          | 1          | 2          | 5          |
| Office of Public-Private Partnership                       | 3                   | 20         | 23         | 2          | 8          | 33         | 3                   | 20         | 23         | 2          | 8          | 33         | 3                   | 20         | 23         | 2          | 8          | 33         |
| <b>B. Knowledge Management and Sustainable Development</b> | <b>29</b>           | <b>109</b> | <b>138</b> | <b>73</b>  | <b>83</b>  | <b>294</b> | <b>30</b>           | <b>108</b> | <b>138</b> | <b>73</b>  | <b>83</b>  | <b>294</b> | <b>30</b>           | <b>111</b> | <b>141</b> | <b>74</b>  | <b>83</b>  | <b>298</b> |
| Department of Communications                               | 2                   | 19         | 21         | 17         | 15         | 53         | 2                   | 20         | 22         | 17         | 15         | 54         | 2                   | 20         | 22         | 17         | 15         | 54         |
| Economic Research and Regional Cooperation Department      | 11                  | 40         | 51         | 29         | 27         | 107        | 11                  | 40         | 51         | 29         | 27         | 107        | 11                  | 40         | 51         | 29         | 27         | 107        |
| Sustainable Development and Climate Change Department      | 16                  | 50         | 66         | 27         | 41         | 134        | 17                  | 48         | 65         | 27         | 41         | 133        | 17                  | 51         | 68         | 28         | 41         | 137        |
| <b>C. Operations 1</b>                                     | <b>41</b>           | <b>231</b> | <b>272</b> | <b>217</b> | <b>293</b> | <b>782</b> | <b>41</b>           | <b>223</b> | <b>264</b> | <b>236</b> | <b>322</b> | <b>822</b> | <b>41</b>           | <b>228</b> | <b>269</b> | <b>239</b> | <b>323</b> | <b>831</b> |
| <b>South Asia Department</b>                               | <b>18</b>           | <b>119</b> | <b>137</b> | <b>117</b> | <b>160</b> | <b>414</b> | <b>18</b>           | <b>114</b> | <b>132</b> | <b>134</b> | <b>171</b> | <b>437</b> | <b>18</b>           | <b>116</b> | <b>134</b> | <b>135</b> | <b>171</b> | <b>440</b> |
| South Asia Department (HQ)                                 | 11                  | 103        | 114        | 30         | 62         | 206        | 11                  | 100        | 111        | 30         | 63         | 204        | 18                  | 116        | 134        | 135        | 171        | 440        |
| Bangladesh Resident Mission                                | 2                   | 4          | 6          | 21         | 27         | 54         | 2                   | 4          | 6          | 23         | 30         | 59         |                     |            |            |            |            |            |
| Bhutan Resident Mission                                    | 1                   | 1          | 2          | 2          | 4          | 8          | 1                   | 1          | 2          | 3          | 4          | 9          |                     |            |            |            |            |            |
| India Resident Mission                                     | 2                   | 5          | 7          | 33         | 33         | 73         | 2                   | 4          | 6          | 43         | 38         | 87         |                     |            |            |            |            |            |
| Nepal Resident Mission                                     | 1                   | 3          | 4          | 17         | 18         | 39         | 1                   | 3          | 4          | 19         | 20         | 43         |                     |            |            |            |            |            |
| Sri Lanka Resident Mission                                 | 1                   | 3          | 4          | 14         | 16         | 34         | 1                   | 2          | 3          | 16         | 16         | 35         |                     |            |            |            |            |            |
| <b>Central and West Asia Department</b>                    | <b>23</b>           | <b>112</b> | <b>135</b> | <b>100</b> | <b>133</b> | <b>368</b> | <b>23</b>           | <b>109</b> | <b>132</b> | <b>102</b> | <b>151</b> | <b>385</b> | <b>23</b>           | <b>112</b> | <b>135</b> | <b>104</b> | <b>152</b> | <b>391</b> |
| Central and West Asia Department (HQ)                      | 12                  | 100        | 112        | 21         | 58         | 191        | 11                  | 98         | 109        | 20         | 60         | 189        | 23                  | 112        | 135        | 104        | 152        | 391        |
| Afghanistan Resident Mission                               | 1                   | 3          | 4          | 12         | 12         | 28         | 2                   | 2          | 4          | 12         | 15         | 31         |                     |            |            |            |            |            |
| Armenia Resident Mission                                   | 1                   | 1          | 2          | 5          | 3          | 10         | 1                   | 1          | 2          | 5          | 4          | 11         |                     |            |            |            |            |            |
| Azerbaijan Resident Mission                                | 1                   | 1          | 2          | 5          | 3          | 10         | 1                   | 1          | 2          | 5          | 5          | 12         |                     |            |            |            |            |            |
| Georgia Resident Mission                                   | 1                   | 1          | 2          | 6          | 4          | 12         | 1                   | 1          | 2          | 6          | 6          | 14         |                     |            |            |            |            |            |
| Kazakhstan Resident Mission                                | 1                   | 1          | 2          | 6          | 5          | 13         | 1                   | 1          | 2          | 6          | 5          | 13         |                     |            |            |            |            |            |
| Kyrgyz Republic Resident Mission                           | 1                   | 1          | 2          | 6          | 7          | 15         | 1                   | 1          | 2          | 7          | 10         | 19         |                     |            |            |            |            |            |
| Pakistan Resident Mission                                  | 2                   | 2          | 4          | 20         | 19         | 43         | 2                   | 2          | 4          | 22         | 23         | 49         |                     |            |            |            |            |            |
| Tajikistan Resident Mission                                | 1                   | 1          | 2          | 5          | 11         | 18         | 1                   | 1          | 2          | 6          | 11         | 19         |                     |            |            |            |            |            |
| Turkey Regional Office                                     |                     |            | -          | 1          |            | 1          |                     |            |            | 1          |            | 1          |                     |            |            |            |            |            |
| Turkmenistan Resident Mission                              | 1                   |            | 1          | 3          | 1          | 5          | 1                   |            | 1          | 3          | 1          | 5          |                     |            |            |            |            |            |
| Uzbekistan Resident Mission                                | 1                   | 1          | 2          | 10         | 10         | 22         | 1                   | 1          | 2          | 9          | 11         | 22         |                     |            |            |            |            |            |
| <b>D. Operations 2</b>                                     | <b>37</b>           | <b>225</b> | <b>262</b> | <b>193</b> | <b>260</b> | <b>715</b> | <b>37</b>           | <b>223</b> | <b>260</b> | <b>195</b> | <b>264</b> | <b>719</b> | <b>37</b>           | <b>226</b> | <b>263</b> | <b>199</b> | <b>267</b> | <b>729</b> |
| <b>East Asia Department</b>                                | <b>10</b>           | <b>67</b>  | <b>77</b>  | <b>52</b>  | <b>72</b>  | <b>201</b> | <b>9</b>            | <b>66</b>  | <b>75</b>  | <b>54</b>  | <b>76</b>  | <b>205</b> | <b>9</b>            | <b>66</b>  | <b>75</b>  | <b>55</b>  | <b>76</b>  | <b>206</b> |
| East Asia Department (HQ)                                  | 7                   | 60         | 67         | 13         | 37         | 117        | 6                   | 60         | 66         | 13         | 35         | 114        | 9                   | 66         | 75         | 55         | 76         | 206        |
| PRC Resident Mission                                       | 2                   | 5          | 7          | 28         | 27         | 62         | 2                   | 4          | 6          | 30         | 29         | 65         |                     |            |            |            |            |            |
| Mongolia Resident Mission                                  | 1                   | 2          | 3          | 11         | 8          | 22         | 1                   | 2          | 3          | 11         | 12         | 26         |                     |            |            |            |            |            |
| <b>Pacific Department</b>                                  | <b>8</b>            | <b>43</b>  | <b>51</b>  | <b>38</b>  | <b>51</b>  | <b>140</b> | <b>9</b>            | <b>42</b>  | <b>51</b>  | <b>38</b>  | <b>51</b>  | <b>140</b> | <b>9</b>            | <b>45</b>  | <b>54</b>  | <b>40</b>  | <b>54</b>  | <b>148</b> |
| Pacific Department (HQ)                                    | 4                   | 33         | 37         | 10         | 21         | 68         | 5                   | 32         | 37         | 10         | 21         | 68         | 9                   | 45         | 54         | 40         | 54         | 148        |
| Pacific Liaison and Coordination Office                    | 1                   | 3          | 4          | 8          | 7          | 19         | 1                   | 3          | 4          | 8          | 7          | 19         |                     |            |            |            |            |            |
| Pacific Subregional Office                                 | 1                   | 3          | 4          | 10         | 11         | 25         | 1                   | 2          | 3          | 10         | 11         | 24         |                     |            |            |            |            |            |
| PNG Resident Mission                                       | 1                   | 3          | 4          | 6          | 9          | 19         | 1                   | 4          | 5          | 6          | 9          | 20         |                     |            |            |            |            |            |
| Timor-Leste Resident Mission                               | 1                   | 1          | 2          | 4          | 3          | 9          | 1                   | 1          | 2          | 4          | 3          | 9          |                     |            |            |            |            |            |



| Department/Office  | Start 2018          |              |              |            |              |              | Current 2018        |            |              |            |              |              | Indicative 2019     |              |              |            |              |              |
|--|---------------------|--------------|--------------|------------|--------------|--------------|---------------------|------------|--------------|------------|--------------|--------------|---------------------|--------------|--------------|------------|--------------|--------------|
|  | International Staff |              |              | NS         | AS           | Total        | International Staff |            |              | NS         | AS           | Total        | International Staff |              |              | NS         | AS           | Total        |
|  | Senior <sup>a</sup> | Other        | Total        |            |              |              | Senior <sup>a</sup> | Other      | Total        |            |              |              | Senior <sup>a</sup> | Other        | Total        |            |              |              |
| <b>Southeast Asia Department</b>   | <b>19</b>           | <b>115</b>   | <b>134</b>   | <b>103</b> | <b>137</b>   | <b>374</b>   | <b>19</b>           | <b>115</b> | <b>134</b>   | <b>103</b> | <b>137</b>   | <b>374</b>   | <b>19</b>           | <b>115</b>   | <b>134</b>   | <b>104</b> | <b>137</b>   | <b>375</b>   |
| Southeast Asia Department (HQ)   | 10                  | 80           | 90           | 21         | 60           | 171          | 10                  | 82         | 92           | 22         | 60           | 174          | 19                  | 115          | 134          | 104        | 137          | 375          |
| Cambodia Resident Mission  | 1                   | 4            | 5            | 14         | 14           | 33           | 1                   | 4          | 5            | 14         | 14           | 33           |                     |              |              |            |              |              |
| Indonesia Resident Mission   | 2                   | 7            | 9            | 15         | 15           | 39           | 2                   | 7          | 9            | 15         | 15           | 39           |                     |              |              |            |              |              |
| Lao PDR Resident Mission   | 1                   | 4            | 5            | 12         | 12           | 29           | 1                   | 4          | 5            | 12         | 12           | 29           |                     |              |              |            |              |              |
| Myanmar Resident Mission   | 1                   | 6            | 7            | 5          | 5            | 17           | 1                   | 6          | 7            | 5          | 5            | 17           |                     |              |              |            |              |              |
| Philippines Country Office   | 1                   | 5            | 6            | 7          | 3            | 16           | 1                   | 4          | 5            | 7          | 3            | 15           |                     |              |              |            |              |              |
| Thailand Resident Mission  | 1                   | 2            | 3            | 5          | 5            | 13           | 1                   | 2          | 3            | 5          | 5            | 13           |                     |              |              |            |              |              |
| Viet Nam Resident Mission  | 2                   | 7            | 9            | 24         | 23           | 56           | 2                   | 6          | 8            | 23         | 23           | 54           |                     |              |              |            |              |              |
| <b>E. Private Sector and Cofinancing Operations</b>  | <b>12</b>           | <b>93</b>    | <b>105</b>   | <b>59</b>  | <b>63</b>    | <b>227</b>   | <b>12</b>           | <b>92</b>  | <b>104</b>   | <b>63</b>  | <b>60</b>    | <b>227</b>   | <b>12</b>           | <b>103</b>   | <b>115</b>   | <b>68</b>  | <b>62</b>    | <b>245</b>   |
| Private Sector Operations Department   | 10                  | 86           | 96           | 51         | 50           | 197          | 10                  | 86         | 96           | 53         | 47           | 196          | 10                  | 97           | 107          | 58         | 49           | 214          |
| Office of Cofinancing Operations   | 2                   | 7            | 9            | 8          | 13           | 30           | 2                   | 6          | 8            | 10         | 13           | 31           | 2                   | 6            | 8            | 10         | 13           | 31           |
| <b>F. Finance and Risk Management</b>  | <b>15</b>           | <b>69</b>    | <b>84</b>    | <b>100</b> | <b>173</b>   | <b>357</b>   | <b>15</b>           | <b>69</b>  | <b>84</b>    | <b>100</b> | <b>173</b>   | <b>357</b>   | <b>15</b>           | <b>75</b>    | <b>90</b>    | <b>103</b> | <b>175</b>   | <b>368</b>   |
| Office of Risk Management  | 4                   | 26           | 30           | 33         | 20           | 83           | 4                   | 26         | 30           | 31         | 24           | 85           | 4                   | 31           | 35           | 34         | 26           | 95           |
| Controller's Department  | 4                   | 18           | 22           | 38         | 106          | 166          | 4                   | 18         | 22           | 39         | 104          | 165          | 4                   | 18           | 22           | 39         | 104          | 165          |
| Treasury Department  | 7                   | 25           | 32           | 29         | 47           | 108          | 7                   | 25         | 32           | 30         | 45           | 107          | 7                   | 26           | 33           | 30         | 45           | 108          |
| <b>G. Administration and Corporate Management</b>  | <b>31</b>           | <b>153</b>   | <b>184</b>   | <b>160</b> | <b>292</b>   | <b>636</b>   | <b>31</b>           | <b>152</b> | <b>183</b>   | <b>166</b> | <b>293</b>   | <b>642</b>   | <b>31</b>           | <b>166</b>   | <b>197</b>   | <b>172</b> | <b>295</b>   | <b>664</b>   |
| Procurement, Portfolio and Financial Management Department   | 4                   | 44           | 48           | 17         | 51           | 116          | 4                   | 44         | 48           | 17         | 51           | 116          | 4                   | 50           | 54           | 18         | 51           | 123          |
| Budget, Personnel, and Management Systems Department   |                     |              |              |            |              |              |                     |            |              |            |              |              |                     |              |              |            |              |              |
| Office of Administrative Services  | 4                   | 16           | 20           | 47         | 91           | 158          | 4                   | 16         | 20           | 49         | 91           | 160          | 4                   | 17           | 21           | 49         | 93           | 163          |
| Office of Information Systems and Technology   | 5                   | 18           | 23           | 50         | 38           | 111          | 5                   | 18         | 23           | 50         | 38           | 111          | 5                   | 20           | 25           | 51         | 38           | 114          |
| Office of the Secretary  | 2                   | 9            | 11           | 6          | 18           | 35           | 2                   | 9          | 11           | 6          | 18           | 35           | 2                   | 10           | 12           | 8          | 18           | 38           |
| Office of the General Counsel  | 8                   | 41           | 49           | 11         | 23           | 83           | 8                   | 40         | 48           | 15         | 23           | 86           | 8                   | 42           | 50           | 16         | 23           | 89           |
| <b>H. Unassigned Positions</b>   |                     | <b>4</b>     | <b>4</b>     |            | <b>5</b>     | <b>9</b>     |                     | <b>4</b>   | <b>4</b>     |            | <b>5</b>     | <b>9</b>     |                     | <b>4</b>     | <b>4</b>     |            | <b>5</b>     | <b>9</b>     |
| <b>Subtotal</b>  | <b>190</b>          | <b>951</b>   | <b>1,141</b> | <b>847</b> | <b>1,234</b> | <b>3,222</b> | <b>191</b>          | <b>938</b> | <b>1,129</b> | <b>882</b> | <b>1,261</b> | <b>3,272</b> | <b>191</b>          | <b>984</b>   | <b>1,175</b> | <b>906</b> | <b>1,271</b> | <b>3,352</b> |
| <b>I. Young Professional Program, Experts Pool, and Experienced Professional Program<sup>b</sup></b> |                     | <b>12</b>    | <b>12</b>    |            |              | <b>12</b>    |                     | <b>12</b>  | <b>12</b>    |            |              | <b>12</b>    |                     | <b>16</b>    | <b>16</b>    |            |              | <b>16</b>    |
| <b>Subtotal</b>  | <b>190</b>          | <b>963</b>   | <b>1,153</b> | <b>847</b> | <b>1,234</b> | <b>3,234</b> | <b>191</b>          | <b>950</b> | <b>1,141</b> | <b>882</b> | <b>1,261</b> | <b>3,284</b> | <b>191</b>          | <b>1,000</b> | <b>1,191</b> | <b>906</b> | <b>1,271</b> | <b>3,368</b> |
| <b>J. Board of Directors</b>   |                     | <b>24</b>    | <b>24</b>    |            | <b>35</b>    | <b>59</b>    |                     | <b>24</b>  | <b>24</b>    |            | <b>35</b>    | <b>59</b>    |                     | <b>24</b>    | <b>24</b>    |            | <b>35</b>    | <b>59</b>    |
| Director's Advisors  |                     | 24           | 24           |            |              | 24           |                     | 24         | 24           |            |              | 24           |                     | 24           | 24           |            |              | 24           |
| Staff Services   |                     |              |              |            | 35           | 35           |                     |            |              |            | 35           | 35           |                     |              |              |            | 35           | 35           |
| <b>K. Independent Evaluation Department</b>  | <b>5</b>            | <b>25</b>    | <b>30</b>    | <b>12</b>  | <b>14</b>    | <b>56</b>    | <b>5</b>            | <b>25</b>  | <b>30</b>    | <b>12</b>  | <b>14</b>    | <b>56</b>    | <b>5</b>            | <b>25</b>    | <b>30</b>    | <b>13</b>  | <b>14</b>    | <b>57</b>    |
| <b>L. Office of the Compliance Review Panel</b>  | <b>1</b>            |              | <b>1</b>     | <b>1</b>   | <b>1</b>     | <b>3</b>     | <b>1</b>            |            | <b>1</b>     | <b>1</b>   | <b>1</b>     | <b>3</b>     | <b>1</b>            |              | <b>1</b>     | <b>1</b>   | <b>1</b>     | <b>3</b>     |
| <b>Total</b>   | <b>196</b>          | <b>1,012</b> | <b>1,208</b> | <b>860</b> | <b>1,284</b> | <b>3,352</b> | <b>197</b>          | <b>999</b> | <b>1,196</b> | <b>895</b> | <b>1,311</b> | <b>3,402</b> | <b>197</b>          | <b>1,049</b> | <b>1,246</b> | <b>920</b> | <b>1,321</b> | <b>3,487</b> |

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

Note: Current 2018 is as at 30 September 2018. Staff positions in extended missions and Pacific country offices are counted as part of the regional offices or HQ following their reporting structure.

<sup>a</sup> Staff at managerial level and above, including country directors and deputy country directors, heads of regional and representative offices, and chief of sector and thematic groups.

<sup>b</sup> In 2018, the Experienced Professional Program has been rolled out to attend to future staffing needs, e.g., transport, energy, education, and urban specialists. In addition, the intake of the Young Professionals Program and Experts Pool has been increased and will further increase in the middle of the year considering the ongoing efforts of optimization.

Source: Asian Development Bank.

**BOARD OF DIRECTORS**  
(\$'000)

| <b>Item</b>         | <b>2018<br/>Budget</b> | <b>2019<br/>Budget</b> | <b>% Change<br/>over 2018<br/>Budget</b> |
|---------------------|------------------------|------------------------|--|
| Salaries            | 9,253                  | 9,170                  | (0.9)                                    |
| Benefits            | 5,430                  | 5,298                  | (2.4)                                    |
| Relocation          | 748                    | 936                    | 25.1                                     |
| Business travel     | 848                    | 844                    | (0.4)                                    |
| Staff services      | 1,433                  | 1,473                  | 2.8                                      |
| Others <sup>a</sup> | 79                     | 79                     | 0  |
| <b>Total</b>        | <b>17,791</b>          | <b>17,800</b>          | <b>0.1</b>                               |

( ) = negative.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Includes budget for dignitary hosting at headquarters and induction program of Board members.

Source: Asian Development Bank.

## INDEPENDENT EVALUATION DEPARTMENT

(\$'000)

| Item                     | 2018<br>Budget | 2019<br>Budget   | % Change<br>over 2018<br>Budget |
|--------------------------|----------------|------------------|---------------------------------|
| Salaries                 | 6,120          | 6,561            | 7.2                             |
| Benefits                 | 3,449          | 3,526            | 2.2                             |
| Consultants <sup>a</sup> | 2,330          | 2,310            | (0.9)                           |
| Business travel          | 793            | 815              | 2.8                             |
| Representation           | 5              | 10               | 100.0                           |
| Administrative expenses  | 161            | 215 <sup>b</sup> | 33.5                            |
| <b>Total</b>             | <b>12,858</b>  | <b>13,437</b>    | <b>4.5</b>                      |

( ) = negative.

Notes:

1. Numbers may not sum precisely because of rounding.

2. This allocation does not include administrative overhead.

<sup>a</sup> Include resources for unprogrammed evaluation work and validation of technical assistance self-assessments.

<sup>b</sup> Includes annual membership fee under Asian Development Bank's partnership agreement with the International Initiative for Impact Evaluation and allocation of \$130,000 for contingency in 2019.

Source: Asian Development Bank.

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

| Item   | 2018<br>Budget | 2019<br>Budget | % Change<br>over 2018<br>Budget |
|--|----------------|----------------|---------------------------------|
| <b>Compliance Review Panel</b>               | <b>865</b>     | <b>860</b>     | <b>(0.6)</b>                    |
| Salaries                                     | 289            | 323            | 11.9                            |
| Benefits                                     | 137            | 137            | 0.3                             |
| Business travel                              | 40             | 60             | 50.0                            |
| Administrative expenses                      | 400            | 340            | (15.0)                          |
| <b>Office of the Compliance Review Panel</b> | <b>977</b>     | <b>939</b>     | <b>(3.9)</b>                    |
| Salaries                                     | 324            | 292            | (9.9)                           |
| Benefits                                     | 360            | 247            | (31.3)                          |
| Relocation                                   | 50             | 92             | 84.0                            |
| Consultants                                  | 140            | 210            | 50.0                            |
| Business travel                              | 80             | 78             | (3.1)                           |
| Representation                               | 1              | 1              | 0                               |
| Administrative expenses                      | 23             | 20             | (13.0)                          |
| <b>Total</b>                                 | <b>1,843</b>   | <b>1,799</b>   | <b>(2.4)</b>                    |

( ) = negative.

Notes:

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

**STATUS OF THE STAFF RETIREMENT PLAN  
KEY HIGHLIGHTS: PLAN YEAR 1 OCTOBER 2016 TO 30 SEPTEMBER 2017**

[This appendix has been removed in accordance with the exceptions to disclosure in the Access to Information Policy (para. 17.4.viii).]





## UPDATE ON ADB ACTIONS TO IMPROVE GENDER EQUALITY

1. **Gender data summary.** Women made up 58.6% of the total workforce of the Asian Development Bank (ADB) at the end of the third quarter (Q3) of 2018. Among international staff, 35.9% (428 out of 1,193) were women, the highest share to date.
2. The share of women international staff increased from 33.8% in 2015 to 35.9% at the end of Q3 2018, while the target is 40% by the end of 2022. The share of women international staff by staff level at the end of Q3 2018 was as follows:<sup>1</sup>
  - (i) international staff 9–10: women comprised 27.4% (14 out of 51),
  - (ii) international staff 7–8: women comprised 27.2% (44 out of 162),
  - (iii) international staff 4–6: women comprised 35% (284 out of 812), and
  - (iv) international staff 1–3: women comprised 54.9% (79 out of 144).
3. As of Q3 2018, the promotion share of women international staff reached 34.1%, a decrease from 43.0% in 2017. The termination rate for women international staff was 33.3%, an increase from 23.9% in 2017 and a return to the 2016 rate of 33.0%. Appointments of women international staff were 41.1% of all international staff appointments, an increase from 35.3% in 2017.
4. When considering the recruitment rate of incoming women international staff (i.e., those who have accepted an employment offer but are not yet on staff), the appointment rate increases to 44.9%, and representation to 36.4%.
5. **Sourcing and recruitment of women talent.** Efforts to source women candidates continued. There was an increased use of LinkedIn campaigns to target a large number of women professionals in ADB's focus areas. ADB began using online career fairs targeted only at women and increased its use of search firms. Women panelists are now represented at every step of the selection and recruitment process. Training on interviewing skills, including gender bias in selection, was conducted for 182 independent panelists.
6. **Gender pay gap analysis.** A gender pay gap study was conducted by an external firm (Willis Towers Watson) to assess if any unexplained gender-based pay gap exists in ADB. A supplementary study was conducted by the Economic Research and Regional Cooperation Department for international staff. Both studies found that there were no significant unexplained gaps for gender-based pay at ADB (defined as less than 5.0%, an industry benchmark). To prevent potential future gaps, actions to further strengthen talent and rewards policies were identified.
7. **Increased uptake of flexible work.** Work from home (WFH) arrangement guidelines were revised in Q3 2017, with a clarified scope, and were broadly communicated to all staff. A WFH tracking system was launched on 31 August 2017 to measure actual use across ADB. In the year to 31 August 2018, about one-third of staff (international, national, and administrative staff in headquarters and resident missions) used WFH arrangements, consisting of 3,300 approved requests mostly at the staff duty station for an average duration of 1 day

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<sup>1</sup> The overall representation of women international staff is computed as a percentage of women international staff to the total international staff population. The international staff count excludes Management and the Board (the President and vice-presidents, and the executive directors and the alternate executive directors) and the directors' advisors at level 0. Data includes staff on loan to the ADB Institute and special leaves without pay.



each. There were 234 WFH requests outside of the staff duty station for an average duration of 4.8 days each.

8. **Spouse employment support.** To support the attraction and retention of international staff, a spouse career program was implemented in 2017–2018 to provide career support to spouses and domestic partners of ADB expatriate staff and help them transition their careers in the Philippines and the region. The program comprises (i) career workshops, (ii) individual coaching sessions, (iii) career cafés, (iv) a LinkedIn group with information on networking events and job ads, and (v) a dedicated website. So far, 20 spouses and domestic partners participating in this program have found jobs.

9. **Leadership programs and diversity and inclusion workshops.** Leadership development programs continued as a priority. In 2018, 58% of the participants in the breakthrough leadership program (for international staff 4–6) were women, and 36% of the participants in the leadership direct program (for international staff 7–8) were women. ADB-wide workshops continued on the topic of “mitigating unconscious bias at work.” These were attended by over 600 staff, including nearly 120 managers.

## **About the Asian Development Bank**

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 67 members—48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

