

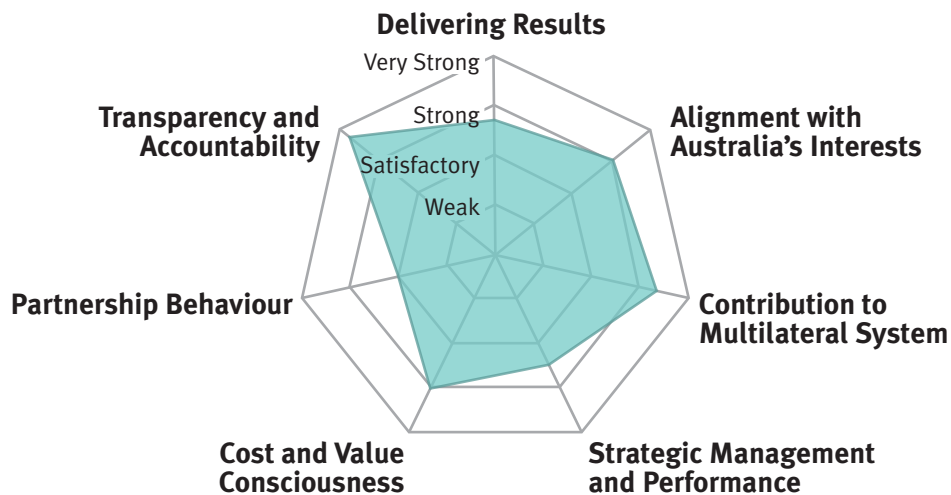


Australian Multilateral Assessment March 2012

Asian Development Bank (ADB)



OVERVIEW OF ORGANISATION RATINGS



ORGANISATION OVERVIEW

The Asian Development Bank (ADB) has been a major source of development finance for the Asia-Pacific region throughout the 45 years since it was established in 1966. This Australian Multilateral Assessment considers two arms of ADB: the Asian Development Fund (ADF), which provides concessional lending and grants to low income countries; and the Ordinary Capital Resources, which lends to middle-income countries.

ADB's members are the countries of the Asia-Pacific, plus a set of non-regional countries which contributed most of its original capital and which periodically contribute funds for ADF. The governing bodies of ADB are the Board of Governors, in which all member countries are represented with voting power broadly proportional to their contributions to ADB's capital, and the Board of Directors with 12 seats, in which each director represents a single member or a constituency of members. The Board of Governors has delegated most of its powers to the Board of Directors, which has full time members.

Australia has one of the largest shareholdings in ADB, and has representatives continuously in leading positions in a constituency on the Board of Directors. Australia has also been one of the main contributors to ADF at every replenishment. Australia has large and growing co-financing arrangements with ADB at country, sector and regional levels. In 2010–11 Australian funding to ADB totalled \$167.1 million, including \$70.3 million in voluntary core contributions to ADF and \$96.8 million in non-core funding.*

RESULTS AND RELEVANCE

1. Delivering results on poverty and sustainable development in line with mandate

STRONG

ADB delivers large-scale aggregate results across developing countries in the Asia-Pacific in its priority sectors. The average success rate of completed ADB projects is approximately 65 per cent, slightly below the other multilateral development banks. The 2010 Development Effectiveness Review showed a declining trend in the delivery of development outcomes from recently completed operations. Management has put in place a broadranging plan of action to address this. Feedback from Australian overseas missions is generally positive regarding results delivered by ADB projects on the ground, including in Indonesia and PNG, although feedback from Australian overseas missions in Asia is generally more positive than from those in the Pacific.

In progressive steps since 2008, ADB has formed an exemplary framework of the results expected from its operations at all levels, and reshaped its system of reporting within this framework. ADB's results-based management has been rated highly in the 2010 MOPAN report, in a Canadian International Development Agency (CIDA) strategy for engagement with ADB, and in the *UK Multilateral Aid Review*.

ADB has taken a range of measures over the past decade to increase its poverty focus and each individual ADB project includes an initial poverty and social analysis. Nevertheless feedback from non-government organisations, civil society representatives and Australian overseas missions suggests the success of applying measures to promote a focus on the poor during implementation of activities is mixed in practice.

a) Demonstrates development or humanitarian results consistent with mandate

SATISFACTORY

The Asian Development Bank delivers development results on a large scale. As an indication of the scale of ADB's contributions in its priority sectors, it has estimated that programs and projects funded through the Asian Development Fund over seven years from 2002 to 2008 built 38 000 schools, built or improved 6700 health facilities, gave 208 500 households clean water connections, irrigated 336 000 hectares of land, built and rehabilitated 42 000 kilometres of roads, built 3600 bridges, provided over 820 000

* Figures presented in this online report differ slightly from those published in the full Australian Multilateral Assessment report and organisational summary contained therein. This is due to revised information becoming available following the publication of the hard copy of the Australian Multilateral Assessment report in March 2012.

households with new energy connections, and installed approximately 110 000 communications lines.

The average success rate of completed ADB projects has hovered around 65 per cent for several years. This success rate is below most other multilateral development banks. While ADB's delivery of outputs from operations remains strong, the 2010 Development Effectiveness Review (see 1(b)) highlights a declining trend in the delivery of development outcomes from recently completed operations. Reasons identified for the decline trend include: complex designs, which often targeted multiple sector outcomes; inadequate supervision; and implementation shortcomings. The Development Effectiveness Review noted ADB management was 'very concerned' about the poor scores on outcome achievement and quality of completed operations and committed to investigating the causes.

ADB management has subsequently adopted an action designed to improve project outcomes, which includes:

- > intensifying the efforts of regional departments to promote outcomes achievement
- > completing operational plans for all key focal areas
- > continuing the implementation of ADB's streamlined business process
- > mainstreaming the use of sector road maps and results frameworks throughout the project cycle
- > improving the peer review process
- > implementing the recommendations of the project implementation working group
- > increasing the focus on the latter stages of project implementation, and
- > increasing staff participation in training programs on project design and management and management for development results.

The declining trends in outcome indicators reflect projects that were designed and implemented some time ago. Average effectiveness rates have also been dragged down recently in part due to restructuring of the Pakistan portfolio, which has closed a number of poorly performing operations since 2007. A range of initiatives implemented in recent years to improve project preparation and implementation may see success rates improve in the future. One positive sign is recent improvements in the rate of projects receiving satisfactory ratings for quality at entry.

Feedback from Australian overseas missions was generally positive regarding the results delivered by ADB projects on the ground, although not universally so. The ADB is positively viewed in Indonesia, where it has focused its activities in areas of its comparative strength such as infrastructure and is delivering good development results. Feedback from Papua New Guinea is also positive regarding the results delivered by the ADB in infrastructure, health services and HIV/AIDS. Clear results are also evident in the bulk of the ADB's activities in the Philippines, and in some Mekong countries. However, feedback from Pacific Island countries including from Vanuatu and Kiribati was generally more negative regarding the results of ADB activities.

b) Plays critical role in improving aid effectiveness through results monitoring	VERY STRONG
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Beginning in 2008, the Asian Development Bank has formed an exemplary framework for the results expected from its operations at all levels, and has reshaped its system of reporting within this framework. The framework provides comprehensive reporting on broad development outcomes and the effectiveness of ADB programs and the efficiency of operations. ADB's results-based management has been rated highly in the 2010 MOPAN report, in a CIDA strategy for engagement with ADB, and in the *UK Multilateral Aid Review*.

An evaluation study of ADB's processes, *Managing for Development Results* issued in October 2011, found that this system is generally being used successfully within ADB. Despite this there remain some difficulties in identifying the linkages between outputs and activities on the one hand and outcomes and impacts on the other. The system will be reviewed in 2012.

For the last four years ADB has reported on its overall development effectiveness in its annual Development Effectiveness Report. The report is commendable both for the extent and detail of results reporting it contains, and for the inclusion of frank analysis, pointing of lessons, and outlining of measures for improvement.

c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging	SATISFACTORY
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The Asian Development Bank applies its concessional lending and grant making arm, the Asian Development Fund (ADF), to developing member countries with low income per capita. Its system for allocation of ADF resources among these countries includes a link to income per capita (as well as to performance).

A range of ADB activities specifically target the poorest. For example, in 2010 US\$400 million was provided through a conditional cash transfer program in the Philippines.

Each individual ADB project includes an initial poverty and social impact analysis to determine the scope of poverty and social issues that will need to be address during project design. However, feedback to the Australian Multilateral Assessment team suggests scope for improvement in the targeting of the poorest in some ADB operations. A submission from Oxfam raised a series of concerns regarding the extent to which ADB policies and guidelines take into account the needs of the poorest as a factor in decision making. Feedback from Australian overseas missions suggests that in some infrastructure projects, there is not sufficient targeting of the poor, or insufficient data is collected on the poverty impact of operations.

2. Alignment with Australia’s aid priorities and national interests	STRONG
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ADB’s activities stretch across all of the Australian aid program’s strategic goals, but the majority align most closely with the goal of sustainable economic development. ADB supports Australia’s broader economic interests through its distinctive contributions to regional integration.

The geographical scope of ADB operations aligns well with where Australia has its largest bilateral programs. ADB is a large and growing partner for Australia, with the level of co-financing reaching \$80.1 million in 2010–11.

ADB management has generally been very responsive to issues and concerns raised by Australia during partnership talks and senior-level visits. The extent of engagement and responsiveness at country-level is more variable.

ADB’s policy for mainstreaming gender issues in operations is comprehensive, although ADB is not on track to reach its overall target for the proportion of projects with positive gender effects. Feedback from Australian overseas missions highlighted examples of where ADB was proactively incorporating gender issues into activities.

Environment policies are well developed, and the proportion of projects supporting environmental sustainability has increased sharply in recent years.

Feedback from Australian overseas missions in fragile states points to mixed levels of success. Perceived lack of flexibility in processes and relatively centralised decision making were cited as constraints to effectiveness. This feedback comes in spite of ADB’s program of progressively decentralising staff over the past decade and related measures designed to improve flexibility of decision making at country-level. Management has recognised the need to take decentralisation further and is implementing human resource and organisational policy reforms to address this.

a) Allocates resources and delivers results in support of, and responsive to, Australia’s development objectives	VERY STRONG
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The Asian Development Bank supports Australia’s interest in increasing prosperity at a regional and country-level in Asia-Pacific.

ADB makes distinctive contributions to regional integration through transport corridors and other cross-border infrastructure and through financial sector development. These contributions are aligned with Australia’s interests in promoting regional cooperation, including through the Greater Mekong region, the Association of South-East Asian Nations and the South Asian Association for Regional Cooperation.

ADB played an important role in helping the Asia-Pacific region through the Global Economic Crisis in 2008–09. For example, ADB was an active contributor (with Japan, the World Bank and Australia) to a stand-by loan arrangement negotiated with Indonesia in 2008.

ADB senior management have generally been responsive to constructive suggestions from Australia at the headquarters level, including on issues such as improved recognition of Australia’s contributions.

ADB senior management have generally responded quickly and appropriately when specific country-level concerns have been raised. At country-level the situation is more mixed. While some Australian overseas missions reported positive engagement with ADB, including Indonesia, others raised concerns about the flexibility and responsiveness of ADB as a partner.

At the heart of most country-level concerns was perceived inflexibility in ADB processes or the lack of decision-making authority on the part of country-based staff. This is in spite of an extensive decentralisation program by ADB over the past decade. Through the decentralisation process, 51 per cent of regional department staff are now based in-country, compared with 23 per cent in 2000. ADB management has plans to further decentralise, and this may help address some country-level concerns. Part of the perceived inflexibility in ADB process may be due to necessary requirements related to its strong standards in procurement and financial management, which may not be sufficiently understood by all Australian overseas missions.

b) Effectively targets development concerns and promotes issues consistent with Australian priorities	VERY STRONG
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The Asian Development Bank programs span across all five strategic goals of the Australian aid program. The most significant areas of overlap are in sustainable economic growth through infrastructure development, education, health, and aspects of good governance.

The geographic scope of ADB operations also aligns tightly with the focus of the Australian aid program on the Asia-Pacific region. ADB is a large and growing partner for Australia, with the level of co-financing reaching \$80 million in 2010–11.

c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities	SATISFACTORY
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The Asian Development Bank has comprehensive policies for mainstreaming gender issues, but incorporation of gender issues into operations is more mixed. The ADB has set targets for the proportion of projects with gender mainstreaming overall (40 per cent) and in the Asian Development Fund (50 per cent). Progress has been made in the last few years, and the targets were met in 2010 (for overall projects) and 2011 (for ADF projects). Based on a three-year average, ADB is not on track to meet the overall target with the ADF target ‘on track but watch’.

Feedback from Australian overseas missions suggests ADB is improving the extent to which gender is incorporated into operations. Australian overseas missions in Papua New Guinea and Tonga highlighted positive examples of ADB proactively incorporating gender issues into activities. ADB has recently recruited additional gender specialists, but the effect of this on ADB-wide operations is likely to take time.

In terms of gender representativeness within the organisation, ADB's 2010 Development Effectiveness Report notes that although representation of female international staff rose by one per cent to 29 per cent in 2010, this did not achieve the target of 35 per cent which had been set in 2008 (by November 2011 representation of female international staff had risen to 30.7 per cent). In response, management says it will intensify efforts to recruit greater numbers of qualified women candidates, to improve retention of women through work-from-home arrangements and training of managers on gender inclusiveness, and to make senior staff accountable for gender results.

Environment policies are well developed, including in relation to:

- > integration of climate change—both mitigation and adaptation—in country development strategies and public investment programs
- > a progressive shift of emphasis to renewable sources of energy, low-emission forms of transport, and other 'green' forms of infrastructure, and
- > requirements for environmental impact assessments, and as necessary action plans and safeguards, in the design and implementation of investment projects.

The 2010 Development Effectiveness Review shows the proportion of projects supporting environmental sustainability has increased sharply in recent years, from 17 per cent in 2007 to 35 per cent in 2010.

Non-government organisations (NGOs) have been critical of ADB's approach to environmental sustainability, as reflected in a submission from Oxfam which criticises ADB's methods of assessing environmental (and social) impacts of projects under preparation, quoting the case of the Song Bung 4 Hydropower Project in Vietnam. ADB management claim social and environmental issues are being very closely monitored in this project, with assistance for resettlement planning, land use planning and livelihood programs for affected people being provided through the Japan Fund for Poverty Reduction. The Australian Multilateral Assessment was unable to directly assess these competing claims regarding the Song Bung Project. But more generally the Australian Government's experience is that the ADB is improving its attention to environmental sustainability issues in its projects, although there remains room for improvement.

ADB does not have a disability policy, and disability-related issues do not feature prominently in the ADB's social safeguard policies. Feedback from Australian overseas missions suggests disabilities issues are not systematically included in the design and implementation of ADB projects. ADB is preparing a social protection index for several developing member countries, due to be published in early 2012, which capture where disability assistance is being provided.

d) Performs effectively in fragile states**SATISFACTORY**

Feedback from Australian overseas missions in fragile states points to mixed levels of success. For example, feedback on the overall impact of ADB's activities is reasonably positive in Nepal and Afghanistan, but less positive in Kiribati.

Feedback from a range of Australian overseas missions points to weaknesses in aspects of the ADB's mode of operations which constrain its effectiveness in countries where government capacity is limited. The main concerns are:

- > ADB's model for decision making remains quite centralised (despite moves towards decentralisation over the past decade) which can result in slow and often inflexible implementation of operations, and
- > the ADB model of project implementation relies heavily on government agencies and their contracting of companies or consultants, but does not always provide needed assistance to strengthen government capacity to manage implementation.

The feedback on centralisation of decision making comes in spite of significant decentralisation by the ADB over the past decade. This has included making the country director the focal point for country-related matters and opening new offices in a range of Pacific Island countries.

ADB management recognises that the issue of decentralisation limits effectiveness. As mentioned in component 1, ADB has a program for progressively decentralising staff and authority to its resident offices which has further to go. This process holds particular promise in terms of improving the ADB's effectiveness in small and fragile states. The decentralisation process includes implementing human resource and organisational policy reforms with the aim of hiring more qualified staff at resident missions so that decision-making can be more decentralised.

The 2010 Development Effectiveness Review acknowledged scope for country partnership strategies to include better links between security diagnostics and strategy and programming in the context of countries in fragile situations.

3. Contribution to the wider multilateral development system**STRONG**

Like the other regional development banks in their respective regions, ADB plays a distinctive role in Asia-Pacific by contributing to common regional development issues and regional cooperation in addressing them. It plays a valued coordination role in a range of sectors at both regional and country-levels.

ADB's role in policy dialogue complements the roles of the International Monetary Fund and World Bank. Generally ADB takes a cautious, tactful line, which is appropriate, but in some cases its contributions to policy dialogue have been seen as unhelpful from the perspective of other development partners. The scale of finance available from ADB is substantial and for countries that are not creditworthy this can make a critical difference to development outcomes.

ADB produces and publishes a large amount of high-quality analytical material related to its operational and advisory work, which is widely used by development stakeholders and seen as generally valuable.

a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts

STRONG

Like other regional development banks, the Asian Development Bank has a distinctive role in the Asia-Pacific region of contributing to common regional perceptions of development issues and regional cooperation in addressing them. Recently it has contributed to understanding and discussion of the ‘Asian growth miracle’, the Asian financial crisis of the late 1990s, regional financial integration, accumulation of foreign exchange reserves, the financial crisis of 2008–09, and regional climatechange challenges. Most recently ADB has contributed a report, *Asia 2050*, describing challenges facing the growing number of middleincome countries in the region.

After the Asian financial crisis, ADB was assigned a coordinating role in aspects of financial market development in the region including securities regulation, benchmarking of official bond issues and information systems. It provides the secretariat for the Chiang Mai Initiative.

ADB contributes to a range of other regional and subregional organisations, including the Association of South-East Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), the Greater Mekong Subregion and the Central Asia Regional Economic Cooperation (CAREC) Program.

Although it is engaged in a wide array from regional initiatives and organisations, given its status in the regions, Australia sees scope for the ADB to play a more active coordination role in promoting regional economic integration and development.

At country-level, ADB tends to take on a coordination role only at a sector-level and where it has major programs. For example, ADB also worked jointly with the World Bank in Pakistan after the 2010 floods, providing damage and needs assessments and coordinating international reconstruction assistance.

ADB rarely takes an overall lead on coordination at a country-level, although it informally assumed such a role in Burma, facilitating the limited kind of subregional cooperation over infrastructure and trade which was then possible, during the 1990s and 2000s when sanctions against its rulers prevented such a role being played by other agencies.

b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise

VERY STRONG

The scale of finance available from the Asian Development Bank is substantial and, for countries in situations when they are not creditworthy, can make a critical difference to development outcomes. Only the World Bank compares with it for the scale of its development finance in the Asia-Pacific region.

In addition, in special circumstances ADB’s regionwide offer of finance can make a critical difference—as when in response to the global financial crisis in 2008–09 it

established the US\$3 billion Countercyclical Support Facility. This not only helped individual countries including Bangladesh, Indonesia and Vietnam, but also helped to bolster regionwide confidence in a collective ability to weather the crisis.

The role of ADB in policy dialogue is potentially complementary to those of the International Monetary Fund and the World Bank. As a result of being majority owned by regional countries and reflecting their views, ADB may sometimes be in tension or disagreement with the Washington institutions, or may choose a low profile role in which it shows less initiative. Feedback from Australian overseas missions on the effectiveness of ADB's policy dialogue with the governments was mixed. Some reported highly effective interventions that led to tangible policy improvements, while others cited cases where ADB contributions to policy dialogue have been unimpressive and not well harmonised with other development partners.

c) Fills a policy or knowledge gap or develops innovative approaches	STRONG
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The 2010 Multilateral Organization Performance Assessment Network (MOPAN) report identified knowledge management as a key strength of the Asian Development Bank. It received scores from adequate to strong from survey respondents, and strong to very strong from the document review.

ADB produces and publishes a large amount of high-quality analytical material related to its operational and advisory work. This includes periodic surveys of economic conditions and outlooks, country and sectoral policy studies, and more specific research work.

ADB also organises a host of conferences and seminars, at varying levels of seniority and for wide ranges of participants, in addition to its core stakeholders of membercountry ministers and officials.

This knowledge work has been given greater attention and resources by the current President Mr Haruhiko Kuroda, as part of ADB's adaptation to many of its developing member countries becoming middleincome countries.

A range of Australian overseas missions, including those in Papua New Guinea and Nepal, cited examples of high quality knowledge products and innovative approaches by ADB at country-level.

ORGANISATIONAL BEHAVIOUR

4. Strategic management and performance

STRONG

ADB's Strategy 2020 is a clear guide to operations and priorities. It has focused ADB's activities on areas of comparative advantage, such as infrastructure and regional economic integration. The ADB provides progress reporting against its Strategy 2020 in its annual reports. The Australian Multilateral Assessment received mixed feedback regarding how well strategic management plays out at country-level. In Indonesia, stakeholders consistently praised ADB for consolidating its program on what it does best. But feedback from some Australian overseas missions and submissions to the review cited examples of weaknesses in program implementation.

ADB's governing bodies are generally effective. Its executive board provides day-to-day oversight of decision making and has a constructive relationship with senior management.

ADB's evaluation framework is sound. There is an adequate system for formulating management responses to evaluations, and the system regularly informs decision making, for example by adapting projects or programs on the basis of mid-term evaluations.

ADB senior management have shown strong leadership in providing clearer strategic direction, driving a range of reforms and achieving a substantial general capital increase.

In the 2010 MOPAN survey stakeholders rated the ADB as inadequate on managing human resources, the only inadequate rating of the 21 key performance indicators. Recent formal improvements in staff management policies have been introduced. These appear to be having some positive impact but it is too early to conclusively judge success.

a) Has clear mandate, strategy and plans effectively implemented

STRONG

ADB's *Strategy 2020* has provided clarity over strategic direction for the ADB's governing bodies and management. This has enabled a focus of operations on areas in which ADB has comparative advantage, and to add emphasis on knowledge management.

Strategy 2020 has been implemented through a system of managing for development results. This provides a thorough and internally consistent system of operational and budget planning, which is integrated with the results reporting system discussed under component 1.

This system operates effectively in enabling the governing bodies and management to monitor performance by country, sector or program against clearly specified expectations of results.

An evaluation study of ADB's processes, *Managing for Development Results* issued in October 2011, found that while the system is generally being used successfully in ADB, there remain uncompleted tasks of implementing it fully, and some aspects to review (it is to be reviewed in 2012).

The Australian Multilateral Assessment received mixed feedback about how well strategic management plays out at a country-level.

During the field visit to Indonesia, stakeholders consistently praised ADB for consolidating its program on what it does best. Feedback from stakeholders in Vietnam and the Philippines regarded the ADB's strategic management and program implementation as generally positive.

But the Australian Multilateral Assessment also received examples of weaknesses in program implementation. Some of this feedback was consistent with weaknesses identified in the 2010 Development Effectiveness Review, including: complex designs, which often targeted multiple sector outcomes; inadequate supervision; and implementation shortcomings. Specifically:

- > some Australian overseas missions observed that ADB tends to rely on counterpart agencies in recipient countries for environmental and social safeguards, and where the agencies lack capacity or commitment this has led to shortcomings (although the ADB notes that building the capacity of developing member countries to implement safeguard policies through technical assistance has been a major focus in recent years)
- > a submission from the Burnett Institute noted that in its experience, there is too much bureaucracy in the financial management aspects of the ADB programs, with requirements for budget reconciliation more demanding than any other donor, in part due to micro-management by project officers in Manila with regards to the details of implementation (although this may result in part from ADB's due diligence and financial management procedures, which are appropriately robust), and
- > a submission from Oxfam claimed that in some cases ADB project and program designs ignore or go against the findings and recommendations of the Independent Evaluation Department (IED), citing one example relating to the findings of an evaluation on micro-credit not being incorporated into a project design (although ADB management note the majority of IED recommendations are accepted and implementation of agreed actions are monitored through the Management Action Record System).

b) Governing body is effective in guiding management

STRONG

ADB's governing bodies are generally effective.

In between annual meetings of Governors, the Board of Directors adequately represents member governments' views. The Board provides strong day-to-day oversight of ADB operations although on occasions it can tend towards micromanagement. The Board has a healthy committee system which allows selected issues to be given closer attention and discussed less formally.

Periodic negotiations between management and the Asian Development Fund (ADF) donors provide an additional opportunity, usually exercised constructively, for donors to influence priorities and policies for the use of ADF funds.

c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results	SATISFACTORY
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ADB's evaluation framework is sound. Its evaluation unit is professional in its approach, and sufficiently independent of management. It reports to a committee of the Board of Directors. External expertise is brought in as appropriate for evaluations. There is an adequate system for formulating management responses to evaluations, and for reporting on followup to the Board of Directors.

ADB seems to have an adequate lessons learned culture, and adaptation of projects or programs on the basis of mid-term evaluations is common.

However, evaluations of technical assistance operations usually take the form of self assessments by staff managing them. The evaluation unit participates to validate these reports on a selective basis, although the unit also evaluates technical assistance as part of broader evaluations at the country, sector and thematic level. The approach to evaluation of technical assistance is relevant to the Australian Government given it co-finances a significant proportion of ADB technical assistance activities.

The Australian Multilateral Assessment received mixed reports of how well ADB monitoring and evaluation practices are applied at country-level. Some Australian overseas missions, including Nepal, commented positively on the robustness of ADB monitoring and evaluation practices. Others, including Cambodia and Laos, highlighted weaknesses in aspects of ADB's approach to monitoring and evaluation, including a lack of clear guidance resulting from monitoring missions and insufficient consultation with stakeholders.

d) Leadership is effective and human resources are well managed	SATISFACTORY
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The Asian Development Bank's senior management has shown strong leadership in providing clearer strategic direction, driving a range of reforms and achieving a substantial general capital increase. Management have shown a preparedness to frankly admit where improvements are required, and to pursue necessary changes.

In relation to human resource management, the 2010 MOPAN report found: 'The qualifications and experience of its staff were noted by many survey respondents (particularly donors incountry) as ADB's greatest strength, while human resources management in general was described by others as its greatest weakness. Survey respondents rated ADB inadequate on most aspects of human resources, while the document review found it adequate or better on its systems of incentives and performance agreements.'

In response to the MOPAN assessment, the Director General of the Strategy and Policy Department wrote that 'ADB recognises the need to be more transparent in its staff recruitment, promotion and reward systems'. Recent formal improvements in staff management policies have been introduced. These appear to be having some positive impact but it is too early to conclusively judge success.

5. Cost and value consciousness	STRONG
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Cost control and value for money figure adequately in ADB's routine processes of preparing and monitoring budgets for operational projects and organisational programs, and in oversight by senior management and the Board of Directors. The ADB's overall administrative costs are low relative to most other multilateral development banks, at 2.3 per cent of lending in 2010–11.

All projects involving ADB finance are subject to economic analysis which includes estimating their rate of return. An adequate rate of return is a threshold requirement.

ADB promotes value for money among partners through its country-level advice and technical assistance on budget preparation, public investment programs, public financial management, project management and procurement.

a) Governing body and management regularly scrutinise costs and assess value for money	STRONG
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Cost control and value for money figure adequately in the routine processes of preparation and monitoring of budgets for operational projects and organisational programs, and also in oversight by senior management and the Board of Directors.

Organisational cost effectiveness is an explicit concern of ADB. It publishes information about costs in the annual Development Effectiveness Review.

In recent years the ADB's administrative costs (as a proportion of lending) has been low by comparison with other multilateral development banks. In 2010, the ADB's administrative budget was US\$439 million, approximately 2.7 per cent of total lending. By way of comparison, the World Bank's administrative budget in 2010–11 was approximately US\$2.3 billion, or approximately 3.9 per cent of total International Development Association and International Bank for Reconstruction and Development lending.

b) Rates of return and cost effectiveness are important factors in decision making	STRONG
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Cost effectiveness is a key factor in decisions regarding the selection of sectors, programs and projects. All projects involving ADB finance are subject to economic analysis which includes estimating their rate of return. An adequate rate of return is a threshold requirement.

Feedback from Australian overseas missions was generally positive regarding attention to cost effectiveness in ADB operations. The Australian overseas mission in India, for example, described the ADB as a cost effective partner while missions in Bangladesh and Nepal noted the efficiency of ADB's operations and the focus on value for money.

c) Challenges and supports partners to think about value for money	STRONG
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ADB contributes to this through:

- > its country-level advice and technical assistance on budget preparation, public investment programs, public financial management, project management and procurement, and
- > its project-level work, seeking cost efficiency in designs and cost savings in implementation, especially through requiring competitive tendering for procurement.

6. Partnership behaviour	SATISFACTORY
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ADB's partnership behaviour is sound in formal terms and the ADB generally has very strong relationships with partner governments. Feedback on partnerships with other donors and civil society is more mixed. Australian overseas missions provided both good and bad examples of partnership behaviour.

The 2010 MOPAN report was generally positive about the ADB's alignment with country systems, including its use of public financial management systems and reducing use of project implementation units. MOPAN did identify some areas for improvement, including use of developing member country procurement systems and participation in program-based approaches.

Adequate policies are in place for environmental and social safeguards in ADB projects. However, feedback from Australian overseas missions and Australian NGOs suggests that in some cases, ADB does not provide sufficient support to implementing agencies to effectively implement safeguards or devote sufficient resources to oversight of compliance.

a) Works effectively in partnership with others	SATISFACTORY
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The Asian Development Bank has a good record on partnership in formal terms. It has many partnerships, some formalised in agreements, many co-financing arrangements, and numerous consultations with member governments and civil society organisations. The Australian Multilateral Assessment received strong positive feedback on the relations ADB has established with most partner governments, particularly in Asia. The ADB received high praise from the Indonesian and Philippines governments during the Australian Multilateral Assessment field visits.

In recent years ADB has invested more heavily in its partnerships with other donors, particularly other multilateral development banks. For example, the ADB has taken an active role in promoting collaboration between the multilateral development banks through the Climate Investment Funds.

Feedback from Australian overseas missions provided a range of both good and bad examples of ADB's engagement with other donors. Feedback regarding partnership behaviour tended to be most positive in countries where ADB has large teams based

in-country, and most negative in countries where ADB has little or no presence, or where activities were managed from headquarters. ADB's ongoing decentralisation may therefore help to promote consistently high quality partnership behaviour over time (in September 2011 ADB noted that resident missions implemented approximately 42 per cent of loan and grant projects and 26 per cent of technical assistance projects in the 2010 portfolio).

Feedback from consultations with civil society representatives during field visits and from Australian NGOs suggests that ADB has more work to do to improve relations with civil society. Some agreed that the quantity of consultation had increased but questions the spirit with which the ADB sometimes approached its partnerships with civil society organisations. Nevertheless, the Australian overseas mission in Cambodia reported that ADB has worked hard in recent times to improve its relationship with civil society, including through more consultative planning processes, and ADB management claim this is indicative of a strengthening relationship with civil society in a range of countries.

b) Places value on alignment with partner countries' priorities and systems	STRONG
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The 2010 MOPAN report was generally positive about the Asian Development Bank's alignment with country systems, although it did identify some areas for improvement. ADB rated strongly in the areas of: recording disbursements in national budgets; use of public financial management systems; and reducing the use of project implementation units which run in parallel with government, where it exceeded the 2010 targets set by the Paris Declaration. MOPAN identified scope to improve in the areas of efficiency of its procedures, use of developing member country procurement systems, and in its participation in program-based approaches.

c) Provides voice for partners and other stakeholders in decision making	WEAK
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The Asian Development Bank has adequate policies for environmental and social safeguards in its projects, such as when people are relocated for hydropower or road projects, or affected by new forest management.

Observance of these safeguards is the responsibility of implementing agencies, and ADB has the roles of monitoring, assessing whether conditions of its loans or grants are being complied with, and if necessary applying sanctions for non-observance of conditions. Feedback from Australian overseas missions and Australian NGOs suggests that in some cases, ADB does not provide sufficient support to implementing agencies to effectively implement safeguards or devote sufficient resources to oversight of compliance. A public submission from Oxfam claimed that some parts of the ADB take a defensive approach when it comes to safeguards implementation and promotion.

ADB safeguard policies and the related operational guidelines were strengthened in 2010, after reports of inadequate attention to implementation of safeguards in a number of projects. Proof of more reliable implementation of project safeguards is still to come.

ADB has an accountability mechanism for hearing and redressing, if necessary, the grievances of people who claim to be adversely affected by its projects. However, public submissions from NGOs Oxfam Australia and Manna Gum question whether this is genuinely accessible to most project-affected peoples given its technical and bureaucratic structure. ADB has reviewed its accountability mechanism in the last 18 months, with extensive stakeholder discussion. Views differ widely on whether proposed amendments will result in improvements.

The Australian Multilateral Assessment received mixed feedback about the extent to which the ADB has a participatory approach to program design and implementation. A public submission from Results Australia claimed ‘ADB consultation with member countries on project and program design focuses on government agencies, with little participation from civil society’. Australian overseas missions, however, reported some good practice by ADB at country-level, including an example in Tonga where the ADB has effectively involved women and marginalised groups during preparation of the Nuku’alofa Urban Development Project.

7. Transparency and accountability

VERY STRONG

ADB is a member of the International Aid Transparency Initiative and has strong policies on disclosure. These policies are put into practice with timely and substantive reports accessible on its website. For all developing member countries, ADB country strategies are formed through extensive consultation, and published after their adoption.

Available shares of ADF resources (concessional lending or grants), for eligible developing member countries, are determined through a published formula which reflects country performance, country size (as measured by population) and economic need (as measured by gross national income per capita).

The 2010 MOPAN report rated the ADB as strong in areas of internal audits, organisation-wide external audits and its anti-corruption policy, although it found external audits at regional, country and project level were an area of concern.

ADB’s operational requirements provide very strong incentives for partners to be accountability and transparency in their operations. The performance of partners in these areas affects future funding. The ADB is a party to the cross-debarment agreement (in which entities found guilty of misdemeanours in one organisation face sanctions from all organisations) with the African Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group and the World Bank.

a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality	VERY STRONG
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The Asian Development Bank has signed up to the International Aid Transparency Initiative. It has strengthened its policies on disclosure through a 2011 review of its public information policy which changed from a system of releasing limited documents to a presumption that all documents will be disclosed apart from those covered by specific exceptions.

These policies are put into practice with timely and substantive reports, accessible on the ADB website. ADB publishes extensive information about each project on its website, and this information is readily accessible and understandable. The information covers projects at different stages of the cycle of design, implementation and completion. In addition, ADB publishes its country partnership strategies, with results frameworks; post-evaluations of these strategies and of sectoral groups of projects; and quarterly financial data on operations.

A submission from Oxfam Australia asserts that while ADB generally does well regarding transparency and information disclosure, it fails to reach project affected communities effectively, since only English-speaking NGOs are able to utilise the ADB's project and policy documents. However, during the field visit to Vietnam, the Australian Multilateral Assessment was informed that the relevant documents are translated into dialects. In November 2011, ADB approved a new public communications policy which has a stronger emphasis on information dissemination to project affected people and the new safeguard policy statement mandates meaningful participation by stakeholders in project operations.

b) Is transparent in resource allocation, budget management and operational planning	VERY STRONG
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For all developing member countries, the Asian Development Bank country strategies are formed through extensive consultation, and published after their adoption. Strategies guide resource allocation decisions.

Available shares of Asian Development Fund resources (concessional lending or grants), for those developing member countries eligible, are determined on the basis of a published formula incorporating:

- > economic need as measured by gross national income (GNI) per capita, and country size as measured by population, and
- > ADB's annual assessments—also published—of each country's performance in terms of economic management, structural policies, policies for social inclusiveness, public sector management and institutions, and performance of the portfolio of ongoing ADF projects and programs.

The 2010 MOPAN assessment was positive regarding ADB's transparency on resource allocation. It found that making transparent and predictable aid allocation decisions was a clear strength for the organisation.

c) Adheres to high standards of financial management, audit, risk management and fraud prevention	STRONG
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The 2010 MOPAN report found that, in regard to financial accountability, ADB was rated by survey respondents as strong on two microindicators and as adequate on five. MOPAN found that the ADB's strengths included internal audits, organisation-wide external audits and its anti-corruption policy. However, external audits at regional, country and project level were an area of concern. MOPAN survey responses showed ADB is strong in guidelines against irregularities and internal audits, and adequate in other areas.

d) Promotes transparency and accountability in partners and recipients	VERY STRONG
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The Asian Development Bank exerts a positive influence on the accountability and transparency of partners through its operational requirements. ADB is a party to the cross-debarment agreement with the African Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group and the World Bank.