



November 2017

Work Program and Budget Framework, 2018–2020

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ASEAN	–	Association of Southeast Asian Nations
CPS	–	country partnership strategy
DMC	–	developing member country
DMF	–	design and monitoring framework
DRM	–	disaster risk management
FCAS	–	fragile and conflict-affected situations
GMIP	–	Group Medical Insurance Plan
ICT	–	information and communication technology
IT	–	information technology
LEAP	–	Leading Asia’s Private Sector Infrastructure Fund
NSO	–	nonsovereign operations
OCR	–	ordinary capital resources
ORM	–	Office of Risk Management
OPPP	–	Office of Public–Private Partnership
PBL	–	policy-based lending
PDM	–	private direct mobilization
PPP	–	public–private partnership
PSOD	–	Private Sector Operations Department
RBL	–	results-based lending
RCI	–	regional cooperation and integration
SDG	–	Sustainable Development Goal
SME	–	small and medium-sized enterprise
SRP	–	Staff Retirement Plan
SOE	–	state-owned enterprise
STG	–	sector and thematic group
TA	–	technical assistance
TAS	–	transaction advisory services
TVET	–	technical and vocational education and training
WPBF	–	work program and budget framework

NOTE

In this report, “\$” refers to US dollars.

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EXECUTIVE SUMMARY

Demand for Asian Development Bank (ADB) assistance during 2018–2020 will remain strong. ADB assistance is being sought by developing member countries (DMCs) to achieve the Sustainable Development Goals, support climate change actions, reduce poverty and inequality, and help bridge infrastructure deficits. This includes assistance for education, health, urban development, and private sector development.

During the Work Program and Budget Framework, 2018–2020 (WPBF), ADB will respond to the development challenges of its DMCs by designing projects and programs to foster greater inclusiveness, reduce the climate footprint, increase disaster resilience, enhance sustainability, improve governance and capacity development, support the expansion of social protection programs, and incorporate high-level technologies. ADB will further improve the quality of its operations, and continue to mainstream gender in project designs.

ADB's lending program will be complemented by knowledge solutions, including sharing of tacit and explicit knowledge. It will assist DMCs in meeting challenges of regional public goods, especially in public health, environment and climate change, disasters triggered by natural hazards, and support for regional cooperation and integration.

Total commitments are projected to be \$60.4 billion during the WPBF, 2018–2020. Of this, projected sovereign commitments total \$51.2 billion, while projected nonsovereign commitments are \$9.2 billion. The cumulative value of projected commitments for 2018–2020 represent a 39% increase over the actual commitments during 2014–2016.

For sovereign operations, Asian Development Fund grant commitments are projected to increase by 32%, concessional ordinary capital resources (OCR) commitments by 26%, and regular OCR commitments by 36%. Support to countries identified as fragile and conflict-affected situations will increase by 120%. Commitments for group A countries will rise by 48%, for group B countries by 43%, and for group C countries by 26%. The increase in group B countries includes additional regular OCR allocation for Sri Lanka and Viet Nam, which after reclassification, will become ineligible for concessional resources from 1 January 2019. As a share of projected commitments, group A and group B countries (combined) will account for 43%, while group C will account for 42%. During the WPBF period, sovereign operations will equal 85% of projected commitments, while nonsovereign operations (NSO) will account for the remaining 15%.

In response to DMC demand, infrastructure financing will remain a central feature of ADB assistance—accounting for some 71% of sovereign operations. Programs supporting greater access to economic opportunities will constitute 55%, while 43% will support expansion of economic growth. Nearly 40% of infrastructure assistance will be in lagging areas.

ADB is projected to achieve its 2020 target of \$6 billion in climate financing. The current projected estimate of \$7 billion will be updated as more projects enter the design phase. Pipelines for health and education sectors will be further strengthened.

The core of NSO will support private sector-led infrastructure and finance sector development. NSO will continue to support state-owned enterprises and clients in agribusiness, health, and education. The reach of NSO will expand, including small, but high development impact operations in frontier economies. Key themes will include inclusive business, gender, climate change, and corporate governance and integrity.

ADB will continue efforts to be stronger, better, and faster. It will improve further project preparation and design, implement procurement reforms, supplement its lending operations with knowledge solutions, and continue with reforms in information technology (IT) and organizational resilience. ADB will complement these through the two key enablers, the “One ADB” approach and human resources.

First, the “One ADB” approach will underpin ADB’s daily operations. ADB must transcend silos by encouraging multisector solutions and greater knowledge sharing and collaboration between departments. The “One ADB” approach is critical to the success of private sector operations. ADB’s regional departments, Private Sector Operations Department, Sustainable Development and Climate Change Department, and Office of Public–Private Partnership will work more closely together in planning operations, jointly identifying and working on bottlenecks to private sector development, and joint project processing.

Second, ADB staff are its most important asset. The ongoing human resources reforms will support mobility and flexibility to enable better cross-departmental and functional coordination and strengthen the “One ADB” approach. Increased mobility, including outposting more staff to resident missions, will also enhance career development and progression of staff and better meet clients’ needs. ADB’s performance management system will be strengthened and recruitment will be faster. ADB will continue to attach utmost importance to ensuring a respectful workplace, and improving its institutional gender balance.

ADB will align budgetary resources with its strategic and institutional priorities. The resource requirements for the WPBF period are estimated to increase due to three main factors: (i) increasing staff needed for expanding sovereign and nonsovereign operations, (ii) ongoing support for IT reforms and the organizational resilience program, and (iii) support for strengthening the financial sustainability of the Staff Retirement Plan (SRP). The overall cost of ADB operations is also affected by the resource intensity per operation, including country status (e.g., fragile and conflict-affected situations), project complexity (e.g., safeguards and high-level technology), and small but high development impact projects and programs.

A net staff increase of 180 during 2018–2020 is estimated. These staff requirements are needed to deliver the enhanced level of sovereign and nonsovereign operations, address the increased implementation workload, enhance safety and security at resident missions, strengthen field office presence, and expand experts pool and young professional program, among others. This net staff increase already takes into account gains from staff optimization measures, such as flexible position management and operational enhancements through business streamlining and automation.

The IT reforms and organizational resilience program of ADB are one year into implementation, spanning beyond the WPBF period. The IT reforms aim to support greater efficiency in key operations, streamlined institutional services, greater collaboration and knowledge sharing, and enhanced reporting capability—all of which are to be supported by robust IT infrastructure and strengthened cybersecurity. The organizational resilience program supports the continuity of ADB’s operations under unexpected disruptions.

The 2017 SRP reforms will strengthen the sustainability of ADB’s SRP and contribute to a competitive total remuneration package. ADB will effectively administer the new plans, and consider incentives for staff who are members of the pre-October 2017 SRP to join the new plans.

ADB remains committed to enhancing productivity and efficiency with more flexible use of staffing and budgetary resources.

Highlights of Projected Sovereign Commitments, 2018–2020

\$60.4 billion
Projected Commitments

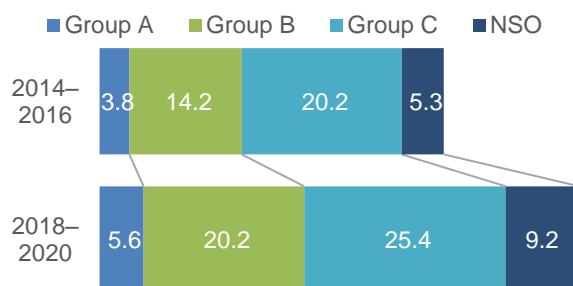
Comprising sovereign operations of \$51.2 billion and nonsovereign operations amounting to \$9.2 billion. TA commitments total \$1 billion.

39% of infrastructure is in lagging areas. Comprises support to rural areas and specific geographic areas.

28% of projected commitments contribute to climate finance. Includes investments in energy efficiency, renewable energy, and low-carbon mode of transport.

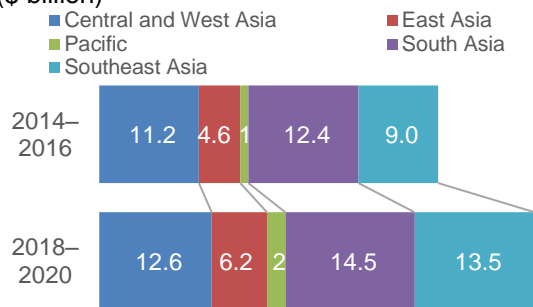
20% Nonsovereign operations as share of regular operations by 2020. Priorities are infrastructure financing, financial institutions, private equity funds, and equity investments.

Projected Commitments by Country Group (\$ billion)



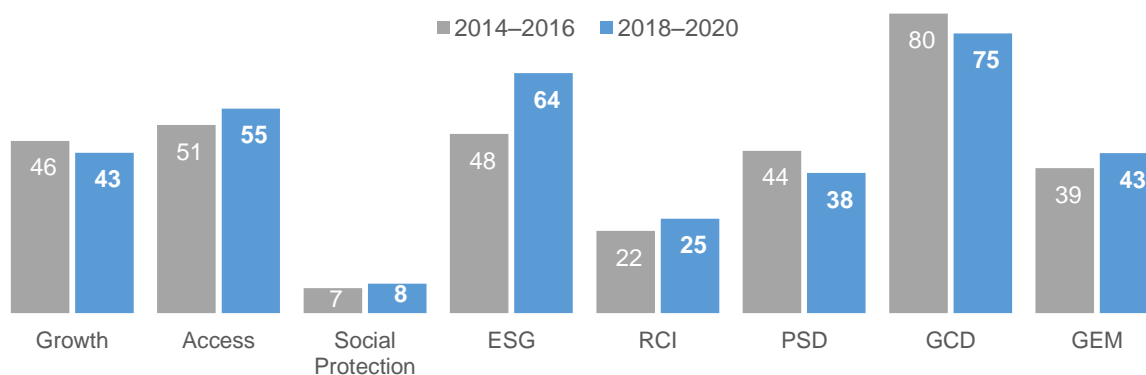
The 2018–2020 figures show 44% increase in groups A and B; 26% increase in group C; and 74% increase in NSO.

Projected Commitments by Region (\$ billion)

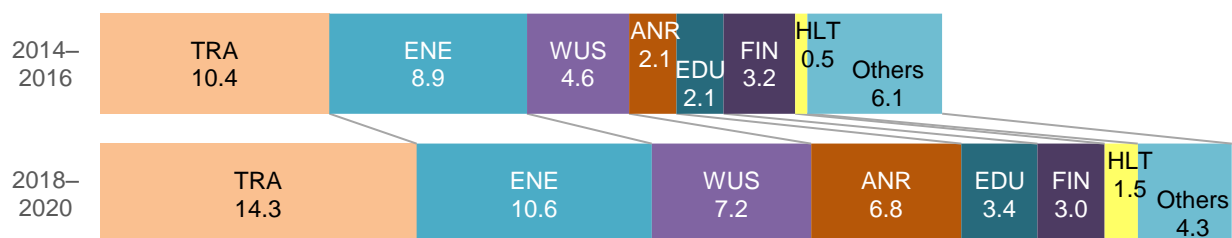


The 2018–2020 figures exclude unallocated resources such as regional allocations and Disaster Response Facility.

Projected Sovereign Commitments by Strategic Agenda and Drivers of Change (% of projected sovereign commitments by volume)



Projected Sovereign Commitments by Sector (\$ billion)



Notes: Others refer to information and communication technology, industry and trade, and public sector management. Numbers may not sum precisely because of rounding.

ANR = agriculture and natural resources, EDU = education, ENE = energy, ESG = environmentally sustainable growth, FIN = finance, GCD = governance and capacity development, GEM = gender equity and mainstreaming, HLT = health, NSO = nonsovereign operations, PSD = private sector development, RCI = regional cooperation and integration, TA = technical assistance, TRA = transport, WUS = water and other urban infrastructure and services.

Source: Asian Development Bank.

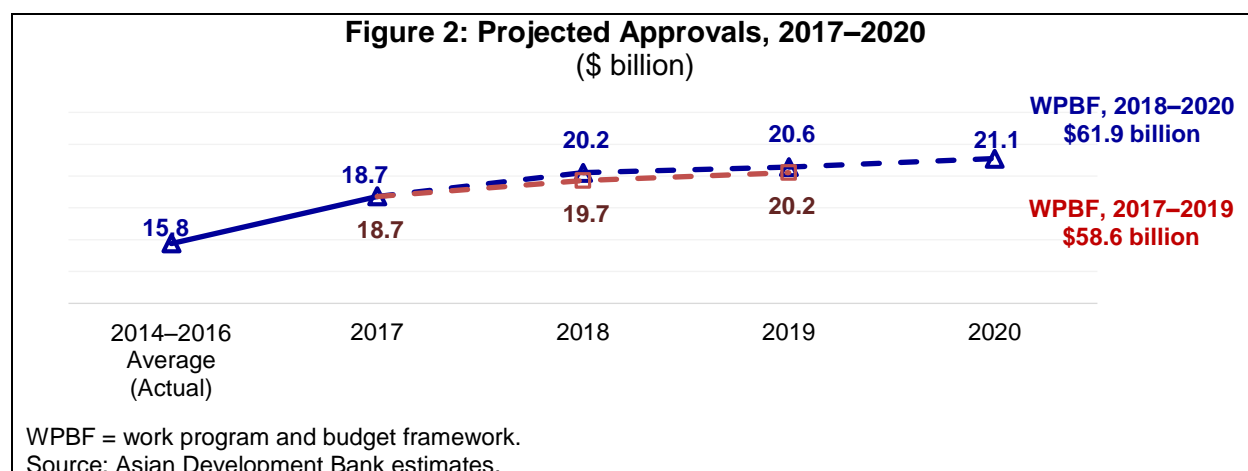
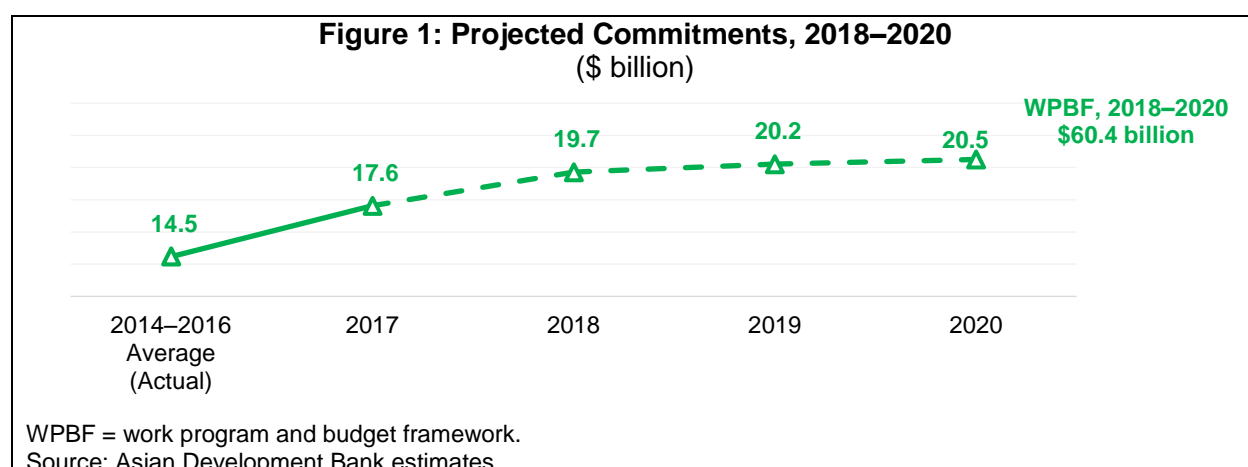
I. INTRODUCTION

1. The developing member countries (DMCs) of the Asian Development Bank (ADB) have made impressive progress in addressing their development challenges in recent years. However, much still needs to be done to meet the requirements of infrastructure deficits, achieve the Sustainable Development Goals (SDGs), address climate change, and reduce poverty and inequalities.
2. During the Work Program and Budget Framework, 2018–2020 (WPBF), ADB will ensure that the benefits of its assistance, including infrastructure development, are widely distributed, provide greater access to jobs for all, and increase the coverage of basic services such as health care, education, and clean water. ADB will contribute to making Asian cities and rural areas more inclusive and livable, and will help expand social protection programs, particularly for the poor and other vulnerable populations. Where feasible, ADB will assist DMCs in making greater use of public–private partnerships (PPPs).
3. In addition to its lending operations, ADB will emphasize providing knowledge solutions to its DMCs, and will incorporate high-level technology in its operations. Operational sustainability will remain a cornerstone of ADB operations—fully embedded in project designs. Resident missions will continue to be strengthened by outposting more seasoned technical staff and ensuring that they are sufficiently empowered to resolve project implementation issues quickly.
4. ADB will consolidate and build on its reform agenda to support a stronger, better, and faster institutional architecture for the benefit of its DMCs. These reforms include (i) improving business processes; (ii) ensuring institutional synergies under the “One ADB” approach; (iii) adopting country systems, where applicable; (iv) modernizing information technology (IT) infrastructure; (v) strengthening organizational resilience; (vi) recruiting the best available talent; (vii) encouraging cross-departmental cooperation; and (viii) contributing to the professional development of its staff. ADB is developing its new corporate strategy, guiding ADB operations to 2030. A draft of the Strategy 2030 will be discussed with the ADB Board of Governors at the Annual Meeting in May 2018. The draft will be revised based on the feedback received. Final consideration by the Board of Directors is expected by the third or fourth quarter of 2018.
5. Some degree of operations delivery risk is associated with every planning document, including the WPBF. Major concerns such as financial capacity to deliver the projected commitments,¹ exogenous events that may require an increase in projected commitments over and above the planned trajectory, maintaining the quality of the committed portfolio of projects and programs, and adequacy of staffing were assessed. In each case, ADB has sufficient capacity to address such operational concerns.
6. The WPBF, 2018–2020 describes ADB’s planned response to meet its DMCs’ needs. It includes (i) projected commitments and operational priorities during this period; (ii) initiatives for delivering a stronger, better, and faster ADB; (iii) cost drivers for the administrative budget; and (iv) operational resource requirements for implementing the WPBF.

¹ Paras. 7–8 and Box 1.

II. PROJECTED COMMITMENTS, 2018–2020

7. Demand for ADB assistance will remain strong during the WPBF period. Total sovereign and nonsovereign commitments are projected to be \$60.4 billion (Figure 1), or \$61.9 billion on approval basis (Figure 2). The projected sovereign commitments total \$51.2 billion, while projected nonsovereign commitments are \$9.2 billion (Table 1). The table also shows the total value of the projected commitments during the WPBF period by fund source.² For sovereign operations, Asian Development Fund (ADF) grant commitments are projected to increase by 32%, concessional ordinary capital resources (OCR) commitments by 26%, and regular OCR commitments by 36% compared to the actual commitments during 2014–2016. For nonsovereign operations (NSO), the projected commitments of regular OCR are expected to increase by 74% from the 2014–2016 levels.³ Allocation of regular OCR for sovereign operations is primarily based on DMC demand and ADB's overall financial capacity. In assessing country demand, ADB keeps in view the following factors: (i) changes in country classification, (ii) past approvals and commitments, (iii) absorptive capacity, (iv) debt sustainability assessments, (v) changes in DMC borrowing policies, and (vi) disaster and crisis response needs.



² Data for 2014–2016 is used because it is on actual basis; actual data for 2017 will not be known until the end of the year.

³ As a percentage of total OCR operations in 2020, NSO will amount to 20% on commitment basis or 25% on approval basis.

Table 1: Projected Commitments, 2018–2020
(\$ million)

Operations	Actual Commitment				Estimate	Projected Commitment			
	2014	2015	2016	Total	2017	2018	2019	2020	Total
A. Sovereign	12,018	14,558	11,505	38,082	15,428	17,015	17,064	17,100	51,179
ADF Grant	251	558	481	1,290	263	629	540	540	1,709
ADF Loan/COL	2,621	2,570	1,803	6,993	2,749	3,286	2,758	2,758	8,803
Regular OCR	9,147	11,430	9,221	29,798	12,415	13,099	13,766	13,802	40,667
B. Nonsovereign	1,889	1,632	1,794	5,315	2,200	2,700	3,150	3,400	9,250
Regular OCR	1,889	1,632	1,794	5,315	2,200	2,700	3,150	3,400	9,250
as % of Total Regular OCR	17%	12%	16%	15%	15%	17%	19%	20%	19%
C. Subtotal ADB (C = A+B)	13,908	16,190	13,299	43,397	17,628	19,715	20,214	20,500	60,429
Concessional	2,871	3,128	2,284	8,283	3,012	3,916	3,298	3,298	10,512
Regular OCR	11,037	13,061	11,015	35,113	14,615	15,799	16,916	17,202	49,917
D. Project Cofinancing	8,760	10,219	12,956	31,933	14,300	16,600	18,500	20,500	55,600
Official	4,454	6,494	7,323	18,270	8,500	10,200	11,500	12,500	34,200
Commercial	4,306	3,724	5,633	13,663	5,800	6,400	7,000	8,000	21,400
E. Technical Assistance	307	259	327	893	331	340	345	349	1,034
TA Special Fund	139	148	173	460	171	176	177	178	530
Other Special Funds	7	3	8	18	9	9	9	9	27
Cofinancing	161	108	146	415	152	155	159	162	477
F. Total (F = C+D+E)	22,975	26,667	26,582	76,223	32,259	36,655	39,059	41,350	117,063

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, OCR = ordinary capital resources, TA = technical assistance.

Notes:

1. Sri Lanka and Viet Nam will become ineligible for concessional resources effective 1 January 2019. Additional regular OCR is allocated to compensate for the cessation of concessional resources (ADB. 2017. *Sri Lanka: Review of Classification under ADB's Graduation Policy*. Manila, and ADB. *Viet Nam: Review of Classification under ADB's Graduation Policy*. 2017. Manila.).
2. The volume target in 2020 for NSO has been adjusted from 25% to 20% of total regular OCR because of ADB's shift from approvals to commitments, given that nonsovereign operations inherently have a higher drop rate relative to sovereign operations.
3. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

8. During the WPBF period, sovereign assistance to group A and group B countries⁴ (combined) will account for 43% of the projected commitments, while group C will account for 42%. The projected NSO commitments will account for the remaining 15% (Table 2). Support to countries identified as fragile and conflict-affected situations (FCAS) will increase by 120%, while commitments for group A countries will rise by 48%, for group B countries by 43%, and for group C countries by 26% compared with 2014–2016 commitments. Resources for emergencies will be considered when they occur. The projected sovereign commitments by country and fund source are in Appendix 1. ADB's transition to commitments as the main performance metric is described in Box 1.

⁴ Group A countries have access to concessional assistance only, while group B countries (excluding India) have access to both concessional and regular OCR assistance. Group C countries have access to regular OCR only.

Table 2: Projected Commitments by Country Group, 2018–2020
(\$ million)

Item	Actual 2014–2016	Estimate 2015–2017	Projected 2018–2020					Increase from 2014–2016		Increase from 2015–2017	
			ADF	COL	OCR	Total	% of Total	Amount	%	Amount	%
A. Sovereign	38,082	41,491	1,709	8,803	40,667	51,179	85	13,098	34	9,688	23
Group A	3,755	3,800	1,690	3,860		5,550	9	1,795	48	1,750	46
Group B ^a	14,168	15,054	19	4,943	15,269	20,231	33	6,064	43	5,177	34
Subtotal A and B	17,923	18,854	1,709	8,803	15,269	25,781	43	7,858	44	6,927	37
Group C ^b	20,159	22,637			25,398	25,398	42	5,239	26	2,761	12
B. Nonsovereign	5,315	5,626			9,250	9,250	15	3,935	74	3,624	64
Total (A+B)	43,397	47,117	1,709	8,803	49,917	60,429	100	17,033	39	13,313	28
Memorandum Item											
FCAS ^c	1,426	1,931	819	1,241	1,070	3,131	5	1,705	120	1,200	62

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, FCAS = fragile and conflict-affected situation, OCR = ordinary capital resources.

Notes:

1. Sri Lanka and Viet Nam will become ineligible for concessional resources effective 1 January 2019. Additional regular OCR is allocated to compensate for the cessation of concessional resources (ADB. 2017. *Sri Lanka: Review of Classification under ADB's Graduation Policy*. Manila, and ADB. *Viet Nam: Review of Classification under ADB's Graduation Policy*. 2017. Manila.).
 2. During ADF 12, grants are available to support regional health security for all concessional assistance countries, including group B countries.
 3. Numbers may not sum precisely because of rounding.
- ^a Excluding India, which does not have access to concessional resources.
^b Including India.
^c ADB developing member countries identified as FCAS include Afghanistan, Kiribati, the Marshall Islands, the Federated States of Micronesia, Myanmar, Nauru, Papua New Guinea, Solomon Islands, and Tuvalu.

Source: Asian Development Bank estimates.

Box 1: Commitments

A new basis for corporate targets that measures operational performance based on commitments rather than Board approvals was introduced on 1 January 2017 for sovereign and nonsovereign operations. A commitment is the financing approved by the Board of Directors or Management of the Asian Development Bank (ADB) for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.

This change is expected to expedite post-approval steps and get ADB closer to project disbursement. It will have a positive impact on project readiness at the approval stage and will mitigate bunching of projects in the fourth quarter as operational departments gradually advance the project cycle timing so that commitments can take place before the end of the calendar year.

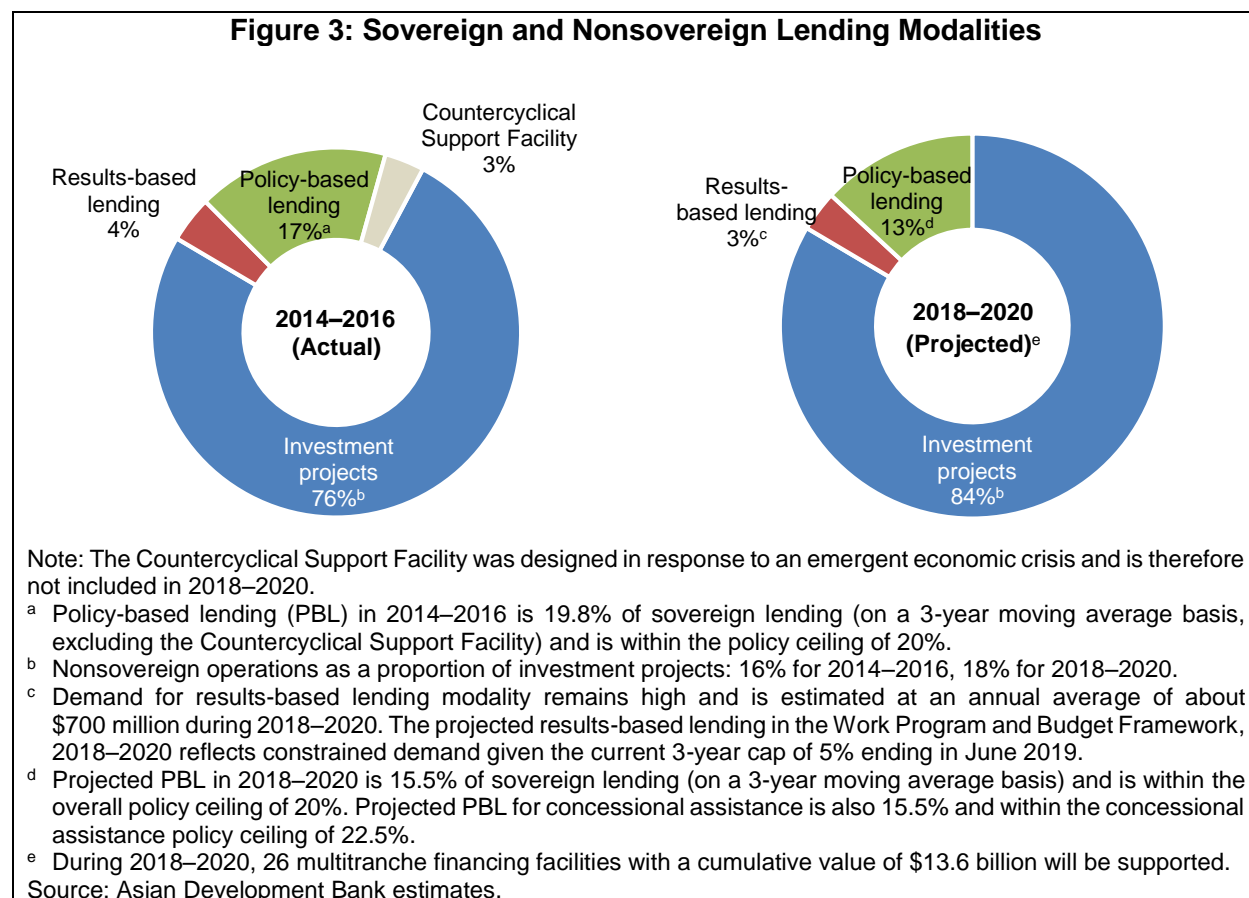
As 2017 is a transitional year, both approvals and commitments are monitored and reported. Beginning in 2018, ADB will shift to commitments, but approval data will continue to be recorded.

The 2017 Planning Directions for the Work Program and Budget Framework, 2018–2020 included commitment-based targets for operations. The 2017 country program missions and the ensuing country operations business plans for 2018 onwards reflect the change to commitments. Each program, project, and assistance is listed under the year it is expected to be signed, rather than approved. The Work Program and Budget Framework, 2018–2020 provides information on resources on a projected commitment basis. The nonsovereign operations target has been adjusted and also expressed in terms of commitments, taking into consideration droppages.

The introduction of commitments will be reflected in the transitional results framework for 2017–2020, which is being prepared to extend the corporate targets that expired in 2016. Commitments will also be reflected in the Strategy 2030-aligned results framework, which will supersede the transitional results framework.

Source: Asian Development Bank.

9. **Financing modalities.** Figure 3 shows the comparative distribution of projected commitments during 2014–2016 and the WPBF period of 2018–2020.



10. During the WPBF period, 84% of ADB operations will use the project lending modality, 13% will use policy-based lending (PBL), and 3% will use results-based lending (RBL).⁵ DMCs have shown keen interest in the use of RBL modality given its strong emphasis on supporting government-owned sector programs and enhanced accountability for development results. During the WPBF period, the demand for RBL modality remains strong and is estimated at an annual average of about \$700 million. The modalities of some projects are still preliminary and may further evolve during the WPBF period.

11. PBLs are expected to support selected operations in energy sector development, railways, finance, education, health sector development, and public sector reform.⁶ While the projected PBL level is within the 20% policy ceiling, demand for PBL modality may potentially increase especially in the event of a DMC experiencing an external economic shock. PBL pipelines will continue to be closely monitored given their fast-disbursing nature and implications for the

⁵ ADB adopted the RBL modality in 2013 on a pilot basis covering 2013–2019. ADB limits the resources and commitments for RBL programs to 5% of the OCR and ADF resource allocation for the first 3 years of the 6-year pilot period. ADB is reviewing the modality's first 3 years of implementation and, based on the findings, appropriate changes may be proposed keeping in view the strong demand for RBLs.

⁶ By number, 26% of PBLs are on a stand-alone basis, 47% form part of a programmatic approach, and 26% represent a policy component of a sector development loan.

sustainable level of lending.⁷ RBLs will support areas for primary and secondary education, technical and vocational education and training (TVET), health, and water sector operations.

12. **Cofinancing.** With the scaling up of ADB operations, stronger efforts are required to mobilize cofinancing.⁸ During the WPBF period, ADB will strengthen cofinancing relationships with existing bilateral and multilateral partners as well as new multilateral institutions. ADB will seek greater collaboration with philanthropic entities, corporate social responsibility arms of private entities, and concessional sources. For greater responsiveness, new credit enhancement products and instruments will be explored to enable ADB to mobilize additional official development assistance and non-official development assistance resources.

13. **Technical assistance.** During the WPBF period, about \$1 billion in commitments for technical assistance (TA) operations are planned, or an annual average of \$345 million. Financing is expected to come from the Technical Assistance Special Fund and other special funds (about \$177 million and \$9 million, respectively), indicative annual allocation from the Japan Fund for Poverty Reduction allocation (about \$45 million), and cofinancing to be mobilized (about \$114 million).

14. In 2018, TA operations are expected to total \$340 million: 51% transaction TA and 49% knowledge and support TA. About \$10.4 million or 3% of the 2018 TA program will go to FCAS countries. Transaction TA will support project preparation and implementation, and capacity building of implementing agencies to ensure timely completion and sustainability of ADB projects. At the same time, knowledge and support TA will fund research activities of regional, country, thematic, and sectoral significance; policy advice to and institutional development of public and private institutions in DMCs; and conferences and other knowledge-sharing fora.

III. STRATEGIC PRIORITIES, 2018–2020

A. Operational Highlights

15. During the WPBF, 2018–2020, ADB will support its strategic agendas of inclusive economic growth, environmentally sustainable growth, and regional integration.⁹ About 55% of sovereign operations will support increasing access to opportunities and 8% will support social protection (pillars 2 and 3 of inclusive growth framework). Support for environmentally sustainable growth will increase to 64% by volume, compared to 48% during 2014–2016. Assistance for regional cooperation and integration (RCI) is projected at 25% by volume, higher than the 22% level during 2014–2016 period, compared to the 30% target by 2020. Appendix 2 presents the projected sovereign commitments during 2018–2020 broken down by strategic agenda, drivers of change, sector, and fund source.

16. **Infrastructure development.** Infrastructure financing will remain a central feature of ADB assistance. At \$36.1 billion, it will account for 71% of the operations pipeline for projected

⁷ The sustainable level of lending is updated annually based on factors such as actual and planned level of commitments, disbursements, repayments, operating income, income transfers, and exchange rates.

⁸ Discussions are ongoing among multilateral development banks on harmonizing the methodology for counting cofinancing.

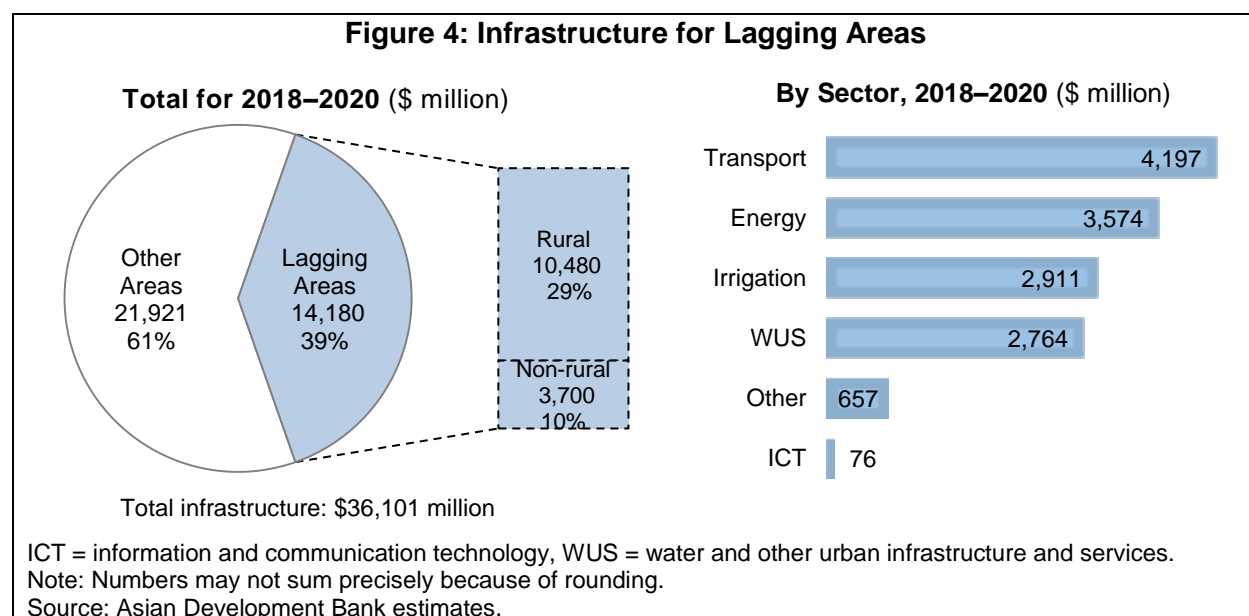
⁹ In 2008, ADB adopted inclusive growth as a strategic agenda under its Strategy 2020 in response to the need for greater inclusion in the region's growth process. ADB's framework for inclusive growth has three main pillars: (i) promoting high-sustained economic growth, (ii) broadening inclusiveness through greater access to opportunities, and (iii) strengthening social protection. ADB is refining its inclusive economic growth framework, and the outcome will be reflected in its new corporate strategy.

sovereign commitments, and is an increase from 65% in 2014–2016. This comprises the sectors of transport (28%), energy (21%), water and other urban infrastructure and services (14%), irrigation (6%), other rural infrastructure (2%), and information and communication technology or ICT (0.2%). These projected commitments are concentrated in five subsectors: road transport, electricity transmission and distribution, urban water supply, irrigation, and rail transport.

17. ADB's infrastructure investments will add value by incorporating innovation, high-level technologies, climate resilience, and disaster risk management (DRM). During the WPBF period, ADB will support infrastructure development in lagging areas—about \$14.2 billion or 39% of the sovereign infrastructure projects (39% by number).

B. Inclusive Economic Growth

18. During the WPBF period, ADB will adopt a holistic approach to support broad-based economic growth, with stronger emphasis on access to economic opportunities and social protection. This will include support for infrastructure development in lagging areas (Figure 4),¹⁰ health, education, water supply and sanitation, small and medium-sized enterprises (SMEs) finance and microfinance, agriculture, irrigation, and gender equity.



19. About 43% of the operations pipeline for projected commitments by value (39% by number) will support expanding economic opportunities through interventions in infrastructure, particularly in energy, transport, and urban services (paras. 41–43).

20. ADB's support for rural economic development (paras. 44–46) will contribute to reducing rural–urban disparities and promote greater inclusiveness and social development. Climate-resilient rural infrastructure, flood control and water management, crop diversification and market value-chain infrastructure, and inclusive business support will bring higher rural jobs and income to rural communities. Targeted investments in urban municipal infrastructure will help address disparities and reduce urban poverty. Access to expanded mass transit systems will (i) decrease

¹⁰ A lagging area is defined as an area that is behind other areas when comparing socioeconomic characteristics. Designation of a lagging area requires a comparison within a DMC to determine which areas are behind others.

congestion, noise, and air pollution; (ii) enhance productivity; and (iii) make cities more inclusive and livable.

21. About 8% of the operations pipeline for projected commitments by value will support social protection, including TVET, social insurance, and conditional cash transfers—representing a 58% increase over the actual commitments during 2014–2016.

22. Features of ADB’s operations that support inclusive economic growth, particularly access to economic opportunities, are described below.

23. **Education.** Compared to the actual commitments of 2014–2016, commitments for the education sector are projected to increase by 61%, by value, during the WPBF, 2018–2020. This will increase the share of sovereign education pipeline to 7% compared to the midterm review target of 6%–10%. ADB support is envisaged mainly for secondary education, TVET, and higher education, especially to meet the emerging needs of the middle- to upper-income economies. ADB will also support primary education in countries where there is strong need and demand. Strengthening skills development along with secondary and higher education systems is essential to facilitating inclusive growth, making the workforce employable, and ensuring the population’s equitable access to economic opportunities.

24. ADB will continue to assist its DMCs in strengthening their TVET institutional frameworks, as well as modernizing and expanding training infrastructure. Support will be provided to align curricula to national or industry standards, and to forge stronger partnerships with the private sector in the design of curricula and delivery of training. Other planned ADB operations will aim to increase access to e-learning in schools and ICT-enabled content development with capacity enhancement for teachers and trainers.

25. **Health.** During the WPBF period, financing for health operations is projected to be 3% by volume and 5% by number (compared with 1% by volume and 2% by number during 2014–2016)—against the midterm review volume target of 3%–5% by 2020. ADB will continue to promote equitable access to health services, with the aim of reducing disparities in health outcomes. The pipeline has primary health and the development of long-term health and social care services and systems, including health systems strengthening. In response to the demographic transition in the region, developing long-term care systems and services for the aged will receive more attention. Planned health operations will also benefit by leveraging the ADF regional grant facility for health security. Policy dialogue will be intensified to strengthen the health sector pipeline. ADB will provide \$16 million, or 5% of the 2018 TA program, to support the sector.

26. **Gender equity and mainstreaming.** Consistent with the Gender Equality and Women’s Empowerment Operational Plan, 2013–2020¹¹ and recognizing SDG 5 (achieve gender equality and empower all women and girls) and other SDG goals, gender equity and mainstreaming continue to be an integral part of ADB operations. ADB will continue to promote gender equity—both upstream in the country partnership strategies (CPS) and downstream in the design and implementation of operations. All CPSs will include gender-related information for the country as part of the inclusive and sustainable growth assessment. In the main text and results framework, each CPS will specify how efforts to achieve gender equity and mainstreaming will be supported.

¹¹ ADB. 2013. *Gender Equality and Women’s Empowerment Operational Plan, 2013–2020: Moving the Agenda Forward in Asia and the Pacific*. Manila.

27. Compared to the actual commitments of 2014–2016, support for gender equity and mainstreaming during the WPBF period is projected to increase by 48% by value and will represent 52% by number of projects. ADB will focus on (i) ensuring gender mainstreaming in projects across sectors, regions, and other thematic areas including governance, climate change, DRM, and social development; and (ii) exploring more gender equity theme operations and direct investments in women and girls, particularly to narrow gender gaps. The latter will include (i) women’s economic empowerment, (ii) gender equality in human development, (iii) reduced time poverty of women, (iv) participation in decision-making and leadership, and (v) women’s resilience against risks and shocks, including climate change and disaster impacts.

28. In addition, ADB plans to support its DMCs in addressing persistent gender discriminatory practices such as violence against women and girls, child marriage, and restricted mobility. ADB assistance will also develop basic infrastructure projects that reduce women’s time poverty. These will be pursued in part through innovative project designs, legal reforms, leadership support, awareness campaigns, and capacity development.

29. **Governance and capacity development.** Capacity constraints are a major challenge in many DMCs, especially in local governments. ADB projects will incorporate design elements in the early stages of processing that will strengthen policy, regulatory, and governance reforms, as well as increase focus on effective and accountable institutions. During the WPBF period, ADB’s support for governance and capacity development will include (i) public expenditure and fiscal management, (ii) domestic resource mobilization, (iii) reforming state-owned enterprises (SOEs), (iv) decentralization and subnational governance, and (v) institutional development. Programmatic approaches will be used to improve the enabling environment over a longer period for greater private sector involvement in delivering public services. Complementary initiatives will aim to increase transparency of public business processes including online tax filing, digitization of land records, e-procurement, asset sustainability and cost recovery, and sharing of international best practices in public governance, including asset maintenance and cost recovery.

30. The operational pipeline for 2018–2020 shows that projected commitments supporting governance and capacity development are expected to increase by 25% over 2014–2016 and reach 75% by volume and 79% by number. Support for capacity development totals \$33.7 billion for 286 projects, while support for good governance totals \$28.8 billion for 254 projects. During the WPBF period, about 12% of the projects (by number) supporting governance and capacity development are planned in FCAS countries. By sector, about 70% of planned projects supporting governance and capacity development during the WPBF period are in transport, water, agriculture, and energy. ADB will provide \$266.5 million, or 90% of the 2018 TA program, to support governance and capacity development.

31. **Information and communication technology for development.** The role of ICT for inclusive development is critical because it can provide easier and cheaper access to public and private services in education, health, and finance. Increasingly, ICT will play an important role in achieving the SDGs. Despite its facilitating and enabling contribution, many DMCs lag in several dimensions of ICT, such as infrastructure, skills, and individual access and usage. Given the strong and growing demand for broadband internet capacity, national ICT infrastructure must be implemented and upgraded regularly to meet future requirements and provide access to the population. Access for rural and disadvantaged communities also needs to be extended. During the WPBF period, ADB will continue to incorporate ICT elements in the operational pipeline either as a project component or as stand-alone ICT infrastructure projects.

C. Fragile and Conflict-Affected Situations

32. During the WPBF period, wherever applicable, ADB will apply fragility and conflict-sensitive approaches in its operations. Group A countries can receive additional support from the ADF Disaster Response Facility¹² in the event of disasters triggered by natural hazards.

33. Greater regional and subregional collaboration holds considerable potential to mitigate the constraints 11 smaller Pacific DMCs face because of their small economies and remoteness. To support the *Framework for Pacific Regionalism*,¹³ ADB will deepen its RCI work in ICT connectivity, climate change, and public health.

34. Box 2 shows the highlights of planned operations in the Pacific DMCs.

Box 2: Assistance for Pacific Developing Member Countries

The Pacific Approach, 2016–2020 will continue to serve as the operational framework of the Asian Development Bank (ADB) for the Pacific.^a During the Work Program and Budget Framework, 2018–2020, the following key principles will guide ADB operations in the Pacific: (i) reducing the high costs of doing business, (ii) strengthening country capacities, (iii) managing risks from economic shocks, (iv) increasing climate change and disaster resilience, and (v) deepening the enabling business environment.

Operational priorities include promoting advanced technologies for infrastructure development in transport; information and communication technology; renewable energy; water and urban development; and support for the education, health, and finance sectors. ADB will also explore the development needs away from the capital cities to the more remote and outer islands.

Given the relative small size and reach of the Pacific developing member countries (DMCs), pooling of resources, sharing knowledge, and collaboration in tasks will help them achieve common goals. ADB will deepen its regional cooperation work in the Pacific by supporting multi-country initiatives in information and communication technology connectivity, small and medium-sized enterprise development, regional tourism, climate change, and public health.

ADB approved in June 2017 its first multi-project investment facility for Pacific DMCs. Under the Pacific Renewable Energy Investment Facility, ADB Management is authorized to approve small loans to a series of small eligible projects up to an aggregate amount of \$200 million in 11 smaller Pacific DMCs.^b

^a ADB. 2016. *Pacific Approach, 2016–2020*. Manila.

^b ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Pacific Renewable Energy Investment Facility*. Manila.

Source: Asian Development Bank.

D. Environmentally Sustainable Growth and Climate Change

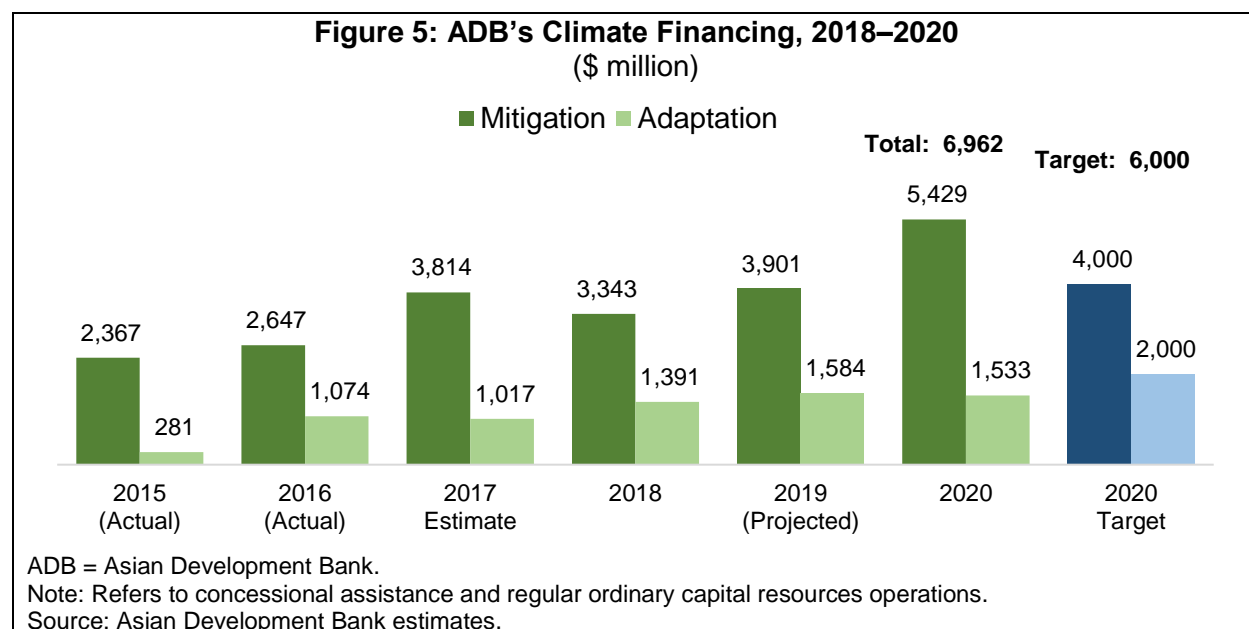
35. **Environmentally sustainable growth.** Compared to the actual commitments of 2014–2016, ADB's support for environmentally sustainable growth during the WPBF period is projected to increase by 80% to \$33 billion, or about 64% of sovereign operations, by value. New TA operations promoting environmentally sustainable growth are expected to reach 44% by number in 2017.

¹² ADB. 2012. *Piloting A Disaster Response Facility*. Manila.

¹³ Pacific Islands Forum Secretariat. 2014. *The Framework for Pacific Regionalism*.

http://www.forumsec.org/resources/uploads/embeds/file/Framework%20for%20Pacific%20Regionalism_booklet.pdf

36. **Climate finance.** During the WPBF period, climate financing from ADB's projected commitments of \$60.4 billion is estimated at 28%. This will help ADB to exceed its climate finance target of \$6 billion by 2020. Based on preliminary estimates of the 2018–2020 operations pipeline, climate finance is expected to reach \$6.9 billion by 2020: \$5.4 billion for mitigation and \$1.5 billion for adaptation (Figure 5). As more projects move towards the design stage, greater emphasis will be placed on meeting the adaptation target and these preliminary estimates will be revisited and updated.



37. The commitment to scale up climate finance is also embedded in ADB's Climate Change Operational Framework 2017–2030, which outlines the following future directions for ADB's support to its DMCs: (i) increasing climate resilience and shifting to low-carbon development pathways by supporting the climate objectives of its DMCs as articulated in their nationally determined contributions to the Paris Agreement; (ii) accelerating investments in climate mitigation and adaptation through customized approaches; and (iii) aligning DRM and adaptation efforts, and linking climate action to the wider sustainable development agenda.

38. In addition to its own funding, ADB will mobilize resources, including replenishment of existing funds, to improve climate-responsive project designs by accessing both internal trust funds (e.g., Project Readiness Improvement Fund, Climate Change Fund, Clean Energy Financing Partnership Facility, Asia-Pacific Climate Finance Fund) and external funds (e.g., Green Climate Fund and Global Environment Facility).

39. **Disaster risk management.** Guided by the Operational Plan for Integrated Disaster Risk Management 2014–2020,¹⁴ ADB will continue to strengthen DRM through projects that embed disaster risk reduction or through stand-alone projects, or through disaster risk financing and post-disaster assistance. ADB will pursue integrating disaster risk reduction to ensure that projects are disaster resilient. ADB has expanded its climate risk screening tool for projects to include information on geophysical hazards and has developed practical guides to systematically incorporate disaster risk considerations in operations. ADB will continue to help DMCs strengthen

¹⁴ ADB. 2014. *Operational Plan for Integrated Disaster Risk Management 2014–2020*. Manila.

disaster resilience, including through the set-aside for concessional assistance countries introduced under ADF 12, which was established to help redress several factors contributing to underinvestment in disaster resilience.

40. Of the proposed sovereign operations, 76 projects, or 19% by number, include DRM components and hazard-resilient features in the project design. Given the vulnerability of FCAS countries to natural hazards, about a quarter of planned operations in FCAS countries (by number) incorporate DRM components. The ADF Disaster Response Facility (footnote 12) introduced under ADF XI (2013–2016) and regularized under ADF 12, will continue to provide a flexible, predictable, and systematic disaster response. The Disaster Risk Reduction grants were introduced under ADF 12 to help spur investment in disaster risk reduction in resource-constrained concessional assistance-only countries, strengthening disaster resilience, encouraging further investment in this area, and contributing to sustainable and inclusive development. In May 2017, ADB replenished the Asia Pacific Disaster Response Fund to continue supporting DMCs in meeting immediate post-disaster expenses to restore life-saving services for affected populations.

41. **Energy.** In the energy sector, ADB will continue to support (i) enhancing clean and renewable energy development; (ii) increasing solar, wind, and hydropower generation; (iii) promoting energy conservation and efficiency; (iv) reducing greenhouse gas emission; and (v) building capacity for sustainable clean energy development. ADB will also contribute to climate change mitigation by reducing losses and improving power usage efficiency through support for establishing and strengthening power transmission and distribution systems, particularly in lagging communities. Renewable energy will also help diversify energy sources in the region. During the WPBF period, the annual sovereign commitments for clean energy are projected at \$2.4 billion, more than the Strategy 2020 midterm review target of \$2 billion a year.

42. **Sustainable transport.** In line with the Sustainable Transport Initiative,¹⁵ ADB plans to support urban mass transit and railway projects, with appropriate disaster-resilient and climate sensitive features and sustainable infrastructure approaches incorporated in project designs during the WPBF period. Holistic approaches, such as sector development programs, are planned to support both the infrastructure needs and the reform program of the railway subsector in many countries, while PPPs will be encouraged and facilitated for urban mass transit systems. In the operational pipeline for the WPBF period, railways account for 18% of transport operations—equal to the new target of 18% by 2020. This includes rail sector development, rail project preparation, and rail investments and efficiency improvements. Meanwhile, the share of urban transport is expected at 17% compared with the new target of 20%.

43. **Urban development.** During the WPBF period, ADB will continue to focus on (i) improving urban environment and infrastructure services based on effective regional and urban planning; and (ii) promoting climate resilient infrastructure for flood management, road connectivity, sewerage network and solid waste management, and improved access of vulnerable populations to social services such as clean water and health facilities. Interventions will include support to develop inclusive cities through actions such as improving citizen engagement, prioritizing underserved areas, municipal reforms, adoption of e-service delivery, and building capacities of urban local bodies to implement projects and deliver utility services. Project designs will incorporate climate risk assessment to consider climate change mitigation, such as adopting and disseminating energy-saving equipment and recovering or avoiding methane emissions from solid waste or sludge from water and wastewater treatment plants. ADB will support DMC initiatives on

¹⁵ ADB. 2017. *Midterm Review of Sustainable Transport Initiative Operational Plan*. Manila.

air and water quality improvement through investments and TA operations. Compared to the actual commitments of 2014–2016, projected commitments for water and other urban infrastructure and services are projected to increase by 56% to \$7.2 billion during WPBF, 2018–2020.

44. **Agriculture, rural development, and food security.** Agriculture, natural resources, and rural development sector projects will promote inclusive economic growth, reduce poverty, and provide rural jobs and improved services. ADB’s proposed assistance in this sector will include, (i) developing and establishing climate-friendly and efficient agribusiness value chains to improve agricultural competitiveness; (ii) improving water productivity, water management services, and climate-resilient irrigation systems; (iii) upgrading road network connectivity and agriculture, and rural value chain infrastructure to increase service delivery and the movement of goods and passengers; and (iv) upgrading of rural infrastructure schemes and improving land use and watershed management to enhance sustainable, market-oriented agricultural production and natural resources management.

45. All agriculture, natural resources, and rural development sector projects for infrastructure development will incorporate measures for environment sustainability, climate resilience, and disaster risk reduction. ADB’s overall assistance for agriculture, natural resources, and rural development will also facilitate achieving food security in the region. During the WPBF period, support for agriculture, including irrigation and other rural infrastructure support, is projected to be \$6.8 billion or 13% of sovereign operations. Of this amount, 44% will support irrigation projects and 17% will finance natural resource management programs.

46. During the WPBF period, sovereign operations promoting food security are estimated at \$6.0 billion (12% of sovereign operations), or an average annual of \$2.0 billion. This is equal to the Strategy 2020 midterm review target of \$2.0 billion per year, and includes investments in irrigation (50%), agriculture (41%), and water (3%) operations.

E. Regional Cooperation and Integration

47. Guided by its operational plan,¹⁶ ADB will continue to lead in the promotion of RCI during the WPBF period by focusing on several priority areas (paras. 48–54).

48. **Strengthening connectivity.** Stronger connectivity between economies is envisaged through improvements in cross-border physical infrastructure. This will be complemented by policy, regulatory, and institutional reforms to facilitate more seamless use of regional infrastructure networks. ADB will also support intermediation of the region’s capital and savings to provide a larger and more diversified base for infrastructure financing. Planned investments supporting greater connectivity include development of regional road and railway corridors, ports, ICT infrastructure, and energy grid interconnection.

49. **Increasing competitiveness.** Better access to larger markets can lead to improved growth and business competitiveness, particularly for SMEs. Opening new opportunities in cross-border trade, investment, technology, finance, and labor mobility will encourage business innovation and improve participation in cross-border production and service networks. This will be supported through ADB’s planned investments in industrial corridor development, agribusiness value chains, SME value chain participation, tourism infrastructure, technology transfer and

¹⁶ ADB. 2016. *Operational Plan for Regional Cooperation and Integration, 2016–2020: Promoting Connectivity, Competitiveness, Regional Public Goods, and Collective Action for Asia and the Pacific*. Manila.

investment promotion, and TVET. ADB will continue to provide support for customs modernization and harmonization, as well as improved logistics.

50. **Investing in regional public goods and collective action.** Investments that promote regional health security and mitigate climate change and disaster risk will strengthen DMCs' resilience to external shocks. Strengthening cooperation mechanisms that require collective action among DMCs will help advance cooperation needed to underpin RCI operations and build coherence on regional issues and programs and their implementation by countries. ADB will make grants available to support regional health security for all concessional assistance countries on a pilot basis during the ADF 12 period. These grants will be used to help countries meet international standards for health security, secure broader RCI, and strengthen health systems for better preparedness for pandemics and outbreaks with the assistance of an emergency facility.

51. **Financial development and resilience.** ADB will support subregional groups of DMCs such as the Asia-Pacific Economic Cooperation, the Association of Southeast Asian Nations (ASEAN), and ASEAN+3 in financial cooperation and integration initiatives. In addition, ADB will monitor financial developments and risks.

52. **Supporting policy and capacity development.** ADB will continue to monitor and disseminate regional economic integration trends and policy issues relevant to RCI by providing policy and analytical reports on regional economic cooperation and integration for regional and international policy forums, and examining emerging issues of policy interest to DMCs from an RCI perspective. ADB will also build the capacity of DMCs' financial regulatory agencies, and promote RCI through knowledge sharing and networking among DMCs.

53. ADB will remain the secretariat for regional and subregional cooperation programs, including the Greater Mekong Subregion program, the Central Asia Regional Economic Cooperation program, and the South Asia Subregional Economic Cooperation program. ADB's support will (i) forge regional and interregional partnerships, as well as partnerships between subregions; (ii) support knowledge sharing; (iii) provide policy advice; and (v) strengthen regional institutions' capacity development.

54. Compared to the actual commitments of 2014–2016, ADB's assistance for RCI is projected to increase by 54% for 2018–2020. During the WPBF period, support to RCI includes about \$7.7 billion for cross-border infrastructure and related initiatives and \$5.3 billion in trade and investment facilitation. Nearly 60% of RCI projects are in the transport sector. Of the 2018 TA program, about \$74.3 million or 25% will support RCI initiatives.

F. Private Sector Development and Operations

1. Private Sector Development

55. Strategy 2020 called for ADB to increase its support to the finance sector through the development of financial infrastructure, institutions, products, and services. The strategy noted the importance of helping DMCs finance systems to channel savings into productive investments and bridge the infrastructure gap through development of capital markets.¹⁷ To meet these objectives, ADB will continue to tap the private sector for development projects during the WPBF period, including urban development, energy, transport, agribusiness, health, and education. As prerequisites for NSO, ADB will continue to support strengthening of finance sector policies

¹⁷ ADB. 2017. *Review of 2011 Financial Sector Operational Plan*. Manila.

and institutions, and enhancing regulatory transparency. ADB will continue to assist with sequencing reforms appropriately to strengthen and deepen DMCs' finance sectors. As these reforms take hold, ADB will encourage the provision of performance maintenance contracts, especially for urban municipal services. Where feasible, PPPs will be encouraged.

56. Projects supporting private sector development and private sector operations are projected to be 47% by volume and 50% by number, compared with the midterm review target of 50% by 2020.¹⁸ Projects supporting private sector development will be 38% of sovereign operations by volume and number. ADB's finance sector support is estimated to be \$3.0 billion in 2018–2020, of which, inclusive finance is projected at 21% and SME financing at 14%. ADB will provide \$120.5 million, or 41% of the 2018 TA program, to support private sector development and almost \$20 million (7%) for the finance sector.

2. Nonsovereign Operations

57. ADB aims to expand NSO by extending its geographic reach and sector coverage to move closer to its clients and partners. By 2020, ADB will seek to grow its NSO to:

- (i) \$3.4 billion of annual commitments (about 20%¹⁹ of ADB's total committed regular OCR)—or about \$8 billion, including short-term financing of \$1.8 billion and private direct mobilization (PDM) of \$2.7 billion;²⁰
- (ii) 35 transactions per year;
- (iii) 40% of annual NSO by projects by number in group A and group B countries (excluding India) based on the current country composition; and
- (iv) \$1.0 billion of NSO climate change financing per year.

58. The transfer of ADF assets to the OCR balance sheet in early 2017 tripled ADB's risk-bearing capacity and allows a substantial increase in the lending operations. As the transfer removed capital constraints over the medium term, ADB has substantially increased the exposure limits on NSO, and removed the previous medium-term limits. These enhancements in combination with a move to a capital-based resource planning framework, the economic capital planning framework, will enable ADB to meet DMC demand for all products and sectors in a flexible manner.

59. Developmental impact and profitability are strongly linked. They will be pursued using a portfolio approach in tandem with prudent risk-taking, as each project cannot be expected to provide maximum returns in terms of both development impact and profitability.

60. **Sectoral priorities.** During the WPBF period, ADB's NSO priority sector will remain in infrastructure given the enormous needs, ADB's core competencies, and the sector's important contribution to achieving the SDGs and the 2015 climate change commitments. Overall, infrastructure is expected to account for 50%–60% of total NSO commitments (by volume and project number). Renewable energy will remain a key and growing NSO focus. ADB will

¹⁸ This comprises 156 sovereign operations supporting private sector development amounting to nearly \$19.3 billion and 100 NSO amounting to \$9.2 billion.

¹⁹ The volume target in 2020 for NSO has been adjusted from 25% to 20% of total regular OCR because of ADB's shift from approvals to commitments, given that NSO inherently has a higher drop rate relative to sovereign operations.

²⁰ Earlier in 2017, several multilateral development banks agreed on a methodology to recognize, measure, and harmonize PDM. Private cofinancing is the sum of PDM and private indirect mobilization. The definition of PDM is narrower than ADB's value-added cofinancing, for example, because of the exclusion of parallel financing.

broaden sector coverage beyond energy to increase financing in transport, water, waste management, and ICT sectors.

61. The financial sector is expected to account for about 30% of total NSO commitments (by volume and project number) between 2018–2020. ADB will lend to well-established financial institutions with proceeds used specifically for micro enterprises and SMEs, women entrepreneurs, farmers, and climate change. NSO will include debt and equity investments in smaller banks and non-bank financial institutions with narrower mandates. To address the issues that constrain access to finance and foster the overall development of the finance sector, ADB will support private and some public sector financial institutions through equity, hybrid instruments, and debt.

62. Investments in private equity funds allow ADB to deploy and mobilize equity capital efficiently across its DMCs and help expand ADB's reach into underpenetrated markets and sectors. During the WPBF period, private equity funds are expected to account for about 10% of NSO projects by number and about 5% of total NSO volume commitments. ADB will invest predominantly with fund managers in the key areas of infrastructure, financial services and manufacturing, as well as newer focus areas such as health, education, and agribusiness.

63. In agribusiness, ADB will identify projects that directly contribute to the four priorities of ADB's operational plan for agriculture and natural resources. During the WPBF period, agribusiness is expected to account for about 10% of the total number of NSO projects and about 5% of NSO volume commitments. ADB will provide long-term financing to established private food and agribusiness companies expanding into new geographic areas, introducing new technologies, or moving into new segments of the value chain.

64. In line with ADB's Education by 2020: A Sector Operations Plan,²¹ NSO will focus on private education projects that support: (i) higher-quality, more accessible, and equitable basic and secondary education; (ii) TVET for skills development in the formal and informal labor markets; and (iii) innovative approaches including PPPs and ICT for education service delivery.

65. In the health sector, ADB will pursue private projects that are aligned with ADB's Operational Plan for Health, 2015–2020.²² It will focus on (i) primary health care and basic hospital services, (ii) affordable pharmaceuticals and medical equipment, and (iii) the use of PPPs to improve efficiency in the sector.

66. **State-owned enterprises and subsovereign entities.** SOEs are major infrastructure providers in many DMCs, and their delivery of public services, including infrastructure development, is critical in several DMCs. Governments are increasingly looking to corporatize and reform these SOEs so that they can operate independently. Willingness of SOEs to engage in markets on a commercial basis and move away from sovereign guaranteed borrowing over time is an important basis for ADB's NSO financing engagement with SOEs.

67. Having undertaken reforms, some of these SOEs now have good corporate governance and strong financial standing. Due to domestic debt limitations, some DMC governments are, however, no longer willing to provide sovereign guarantee or borrow on behalf of such SOEs. ADB will engage with such SOEs through its NSO during the WPBF period and assist them in

²¹ ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila

²² ADB. 2015. *Health in Asia and the Pacific: A Focused Approach to Address the Health Needs of ADB Developing Member Countries—Operational Plan for Health, 2015–2020*. Manila.

shifting from official development assistance-based financing to more commercial financing. Further, through its sovereign operations, ADB will help SOEs and subsovereign entities through policy reform and advice to improve their financial management capacities and internal governance to improve the efficiency of their service delivery and enable their access to financing on commercial terms and conditions. Cross-departmental working groups are now focusing on how to cater more fully to SOEs under the “One ADB” approach, drawing on the strengths of different parts of ADB at all stages of SOE engagement and transformation.

68. **Thematic priorities.** Gender mainstreaming and inclusive business, climate change, and corporate governance and integrity are the three primary thematic priorities of ADB’s NSO. ADB will increase its focus on gender mainstreaming and inclusive business in the private sector to provide commercially oriented, systemic solutions to the problems faced by the disadvantaged. Private sector projects with inclusive business components have grown from about one per year during 2000–2012 to about five to six per year since then. In 2016, more than half of all private sector project approvals for the first time included products targeted at women or that help improve women’s livelihoods.

69. ADB has played a consistent role in financing climate-related NSO projects. In addition to clean energy projects, ADB finances private water and agriculture initiatives with climate-related impacts. Since 2011, ADB has provided about \$4 billion in private sector climate financing, equivalent to a third of overall NSO financing in that period. The use of concessional funds has been integral to alleviating bankability constraints in many private sector climate transactions.²³

70. ADB will continue to add value by encouraging good corporate governance at the country, sector, and corporate level. By supporting better corporate governance and integrity through TA and/or nominee directorships in investee companies, ADB can help attract investment, especially in frontier markets where weaker enforcement, regulations, and standards continue to impede greater private sector participation.

71. **Cofinancing, credit enhancement, and risk mitigation and/or transfer.** The use of B-loans and other complementary financing facilities will be increased. Furthermore, attracting commercial financiers through guarantees will be an important theme of ADB’s NSO expansion. Guarantees for project bond issuance is a related but distinct priority. ADB is also one of the most active institutions in mobilizing market participants, particularly insurance and reinsurance companies, through risk transfers—an important tool for managing risk exposures and attracting new private market participants.

72. **Use of trust and third party funds.** NSO deploys third party funds alongside ADB’s private sector financing. In most cases, these funds are returnable capital with minimum target return expectations—and thus differ from ADB’s traditional grant-based trust funds. Third party funds are provided at market or below market (concessional) rates to address bankability gaps.

73. ADB first began blending concessional finance for NSO from the Climate Investment Funds in 2012 and secured concessional climate funds from the Government of Canada in 2013 and 2017. These concessional funds have been critical in realizing a range of NSO climate-related transactions with strong development impacts that will not have been viable on a purely commercial basis. The interventions were designed to demonstrate that challenging

²³ Refers to the non-parallel portion of the Leading Asia’s Private Sector Infrastructure (LEAP) Fund, Climate Investment Funds, climate-related funds from the Government of Canada, Asia-Pacific Climate Finance Fund, and other funds administered by ADB.

projects can be done, with subsequent projects financed without blended support. Additional blended finance sources will be sought, including for sectors beyond climate change.

74. In addition to concessional financing, NSO will also look for other commercial cofinancing arrangements along the lines of the \$1.5 billion program with the Leading Asia's Private Sector Infrastructure (LEAP) Fund of the Japan International Cooperation Agency. Launched in August 2016, the fund is ADB's dedicated cofinancing vehicle for private sector infrastructure in Asia and the Pacific. It was established to boost financing for quality and sustainable infrastructure, while complementing ADB's private sector platform. To date, the LEAP Fund has signed over \$210 million in debt financing, and is processing an additional \$440 million of debt and equity transactions throughout the region, including projects in India, Indonesia, Myanmar, Pakistan, and the Philippines.

75. **Short-term financing.** Most of ADB's NSO lending is on a medium- or long-term basis. However, market gaps also exist in certain areas of short-term financing and ADB has three programs designed to address these, often financing in local currencies.

76. ADB's Trade Finance Program fills market gaps for trade finance by providing guarantees and loans to banks to support trade. New countries and sectors will be covered, including the Pacific Islands where the Trade Finance Program has recently started to operate. The Supply Chain Finance Program, which works with corporations and partner financial institutions to increase the access of SMEs to working capital by offering guarantees to partner financial institutions, will grow in terms of business volume, number of clients, and geographic coverage. The Regional Microfinance Risk Participation and Guarantee Program, which is a credit enhancement program designed to address a large market gap by sharing risks to promote local currency lending to microfinance institutions, will expand into new markets.

77. **Local currency products.** Diversifying the financial sector to include an active local currency bond market can play an important role in mitigating the impact of financial crises on the domestic economy, and improving the absorption of capital flows. During the WPBF period, ADB aims to deepen the liquidity of the local currency solutions it provides, lengthen the maturity, and broaden the currency mix. ADB is seeking to expand its list of approved currencies. The ability to provide competitive financing solutions to clients is critical and the mitigation of currency risk for borrowers also improves the credit risk of ADB loan operations. Local currency funding helps projects and companies to be more sustainable, by matching currency and interest rate risk with the profile of their operations, and directly serves as a catalyzer for ADB loan operations.

78. **Technical assistance.** TA adds value to NSO and is especially used as part of ADB's financial institution investments. Many of the social sector projects and agribusiness investments will develop client capacity in corporate governance, environmental and social standards, and risk management. TA will also be deployed to develop new products for underserved segments.

3. Public–Private Partnership Operations

79. During the WPBF period, ADB's PPP operations will be aligned with the strategic priorities to scale up PPP thematic support for private sector development and increase PPP transactions in ADB operations across all DMCs.

80. **Transaction advisory services for the public and private sectors.** ADB's Office of Public–Private Partnership (OPPP) will seek to secure and deliver the mandates on transaction advisory services (TAS). It will also help DMC clients develop, structure, and deliver successful

PPP projects with good demonstration value, innovation, and potential for replication. Sovereign business development efforts during the WPBF, 2018–2020 will continue to target key markets where OPPP has yet to secure a mandate with a focus on priority sectors in the respective CPSs. Through the provision of TAS and the creation of model projects, ADB will help DMCs build capacity and gain knowledge to prepare and structure bankable PPP projects. Overall, ADB will also contribute to capacity building of and knowledge transfer to the governments for preparing and structuring PPP projects. During the WPBF period, nine new mandates are expected to be committed.

81. **Co-advisory arrangement.** ADB will continue efforts to pursue co-advisory arrangements with international project finance banks, local financial institutions, and other transaction advisors for infrastructure development to leverage the strengths of all key players for the benefit of the DMC clients. Such efforts will also generate new business opportunities for the private sector. In addition, co-advisory arrangements with local financial institutions will help those institutions strengthen their capacity to structure PPP projects.

82. **Public–private partnership coordination and support.** Under its coordination and support function, OPPP will (i) lead the review and revision of ADB’s PPP Operational Plan,²⁴ (ii) assist in PPP activities of the regional departments and Private Sector Operations Department (PSOD) across all four pillars of the PPP Operational Plan to achieve the PPP-related corporate targets under ADB’s results framework, and (iii) facilitate information sharing within ADB. OPPP will continue to support the regional departments’ PPP activities in areas such as capacity development, policy reform, and the design of project finance structures to support PPPs through public finance.

G. High-Level Technology

83. High-level technology applications may include, but is not limited to, proven new or advanced technology with one or a combination of the following features within the country and/or regional context: (i) creates or improves ways of serving client needs in terms of efficiency and productivity (e.g., ICT application, smart grids, digital finance, digital health, intelligent transport systems); (ii) addresses climate mitigation, adaptation, and resilience to disaster risks (e.g., smart grids and renewable energy-based micro grids with storage, offshore wind, concentrated solar, early warning systems); (iii) introduces innovation in processes, reduces environmental costs, improves economic efficiency, and creates market opportunities for scaling up; and (iv) maximizes synergies and increases scale and impact through cross-sectoral collaboration (e.g., solar powered desalination plants in islands).

84. During the WPBF period, ADB plans to use a range of high-level technologies in various sectors and projects including irrigation and water resources management (e.g., solar pumping, drip irrigation); agricultural production (e.g., laser land levelling); agribusiness value chains (e.g., climate proofing, climate resilient varieties); safety and quality testing (e.g., biotechnology); and weather and market information systems (e.g., ICT). In the water and urban sector, ADB will use spatial technology in project design and implementation and will identify special conditions calling for use of exceptional technology (e.g., a lack of freshwater requires the use of desalination plants). In the finance sector, ADB will incorporate digital financial technologies to increase access to affordable, appropriate, and accessible financial services. These technologies contribute to better client service, new revenue streams, lower costs, and higher productivity.

²⁴ ADB. 2012. *Public–Private Partnership Operational Plan 2012–2020: Realizing the Vision for Strategy 2020—The Transformational Role of Public–Private Partnerships in Asian Development Bank Operations*. Manila.

85. To help DMCs address development challenges, and to promote the integration of high-level technologies and innovative solutions in ADB-financed operations, ADB established the High-Level Technology Fund in April 2017 (Box 3). Further, ADB will provide \$91.5 million, or 31% of the 2018 TA program, to incorporate high-level technologies in project designs.

Box 3: High-Level Technology Fund

In April 2017, the Asian Development Bank established the High-Level Technology Fund, a multi-donor trust fund, with a \$40 million commitment over 2 years from the Government of Japan as the first fund contribution. The fund provides grant financing for technical assistance and investment projects to promote the integration of high-level technologies into projects. The fund will initially prioritize the energy, transport, urban, and water sectors with a focus on the following sector priority technologies:

(i) **Energy.** Climate change mitigation and/or adaptation technology, air contaminants reduction technology, smart grid technology (including storage technologies), energy-efficient technology, renewable energy technology, advanced energy system planning analytical tools, and waste-to-energy.

(ii) **Transport.** Technologies for efficient construction methods and materials, transport asset management, vehicle fuel for reducing emissions and energy consumption, public transport and freight fleet management, intelligent transport systems, shared mobility and new sustainable modes, mobility as a service platform and business model, traffic survey, analysis and modelling, and big data application.

(iii) **Urban.** Earth observation, remote sensing and geographic information system for planning, asset management and maintenance, water treatment technology (e.g., nanotechnology in water filtration and desalination technology), wastewater treatment technology (e.g., fecal sludge management and waste-to-energy technology), smart city technology (e.g., data analytics and smart systems including internet of things and remote-sensing technology), solid waste management (e.g., innovative resource recovery technology, green technology, and waste-to-energy technology), early warning systems for urban drainage, smart technologies for urban water supply and wastewater management, and trenchless techniques for pipe replacement.

(iv) **Water.** Climate change adaptation technology, high-efficiency irrigation system including fertigation, pressurized irrigation systems, water quality management (including groundwater), and remote sensing for water accounting and productivity.

Source: ADB. 2017. *Establishment of the High-Level Technology Fund*. Manila.

H. Knowledge Solutions

86. Tacit knowledge, which comprises ADB's collective operational experience, will continue to be shared with DMCs through projects and programs. During the WPBF period, ADB will ensure that its knowledge work supplements lending operations and is linked to the DMCs' priority development needs as identified in the CPSs, country operations business plans, and country knowledge plans. ADB will generate country-specific and regional knowledge products and services that respond to development challenges.

87. Sector and thematic groups (STGs) will enhance knowledge sharing and provide technical expertise to operations departments. To deepen and harness tacit knowledge, STGs will be involved in the early stage of project development for complex, flagship, transformational and innovative projects, and they will review all project concept papers for their respective sectors and themes. ADB will continue to improve the way it produces and shares knowledge with DMCs as well as among staff members.

88. ADB will establish knowledge partnerships with think tanks, universities, research institutions, and centers of excellence to leverage expertise and foster application of cutting edge knowledge in project design and business development. New staff instructions on knowledge partnership agreements were put in place in February 2017 to ensure these partnerships will add value. With the support of ADB's resident missions, knowledge partnerships will be deepened by exploring engagements with local centers of excellence.

89. Complementing these initiatives, ADB will continue to provide explicit knowledge in the form of technical studies, working papers, op-ed articles, policy briefs, and flagship studies and events. ADB's research and knowledge departments will produce high-quality knowledge products and services that stimulate new ideas, encourage discussions on policies and provide regional insights. ADB will also generate knowledge through products developed by its nonoperations departments, including the Office of the Auditor General, Office of Anticorruption and Integrity, Office of the General Counsel, Office of Risk Management (ORM), Operations Services and Financial Management Department, and Treasury Department. Similarly, ADB will start placing more emphasis on events targeting areas including treasury, risk management, legal issues, statistical data, auditing, PPP, knowledge management, and others to bring experts together to build capacity, solve problems, and establish standards or approaches.

I. External Relations and Communication

90. During the WPBF, 2018–2020, ADB will continue to (i) disseminate its success stories and notable achievements through various media channels and digital platforms, (ii) produce high-quality external relations content on knowledge products including the flagship publications, (iii) enhance the integration of communications into operations and project communications, (iv) support field offices to help them engage more effectively with key stakeholders, and (v) pursue the opinion article program to support ADB's thought leadership on selected topics and themes. This effort will be supported by a shift from a focus on publication production to higher-value-knowledge-dissemination activities, including an expanded presence on free and commercial digital publishing channels, to make ADB publications easier to find and use.

91. ADB staff will be provided with opportunities to learn new skills using digital and other new communication platforms, and to keep pace with the fast-changing communications landscape. These learning opportunities will include digital communications, speechwriting, op-ed and blog writing, and media training. To improve access to data, a data portal will be added to ADB's corporate website. The data portal will allow data files to be easily downloaded, shared, searched, and re-used.

IV. QUALITY IMPROVEMENTS FOR A STRONGER, BETTER, AND FASTER ADB

92. During the WPBF period, ADB will consolidate and further build on its reforms agenda to ensure a stronger, better, and faster institutional architecture for the benefit of its DMCs. ADB will continue efforts to improve the quality of projects and increase development impact. These include (i) ensuring institutional synergies under the "One ADB" approach, (ii) improving project readiness and reviews of project designs, (iii) implementing the second phase of procurement reforms and strengthening project implementation, (iv) enhancing project sustainability, (v) exploring new products and instruments for greater responsiveness, (vi) undertaking TA reforms, (vii) modernizing IT infrastructure, (viii) strengthening resident missions, (ix) strengthening organizational resilience, and (x) recruiting and developing the best available talent.

A. Collaboration Under “One ADB” Approach

93. Collaboration between regional departments, the Operations Services and Financial Management Department, OPPP, PSOD, and STGs will be deepened and institutionalized in ADB during the WPBF period. Staff will work more closely together in planning operations, developing solutions, and processing and implementing projects. This will include greater participation of PSOD staff in selected country programming missions. Box 4 provides some illustrative examples.

Box 4: Examples of Interdepartmental Sharing at ADB

1. Regional departments and sector and thematic groups will have greater, up-front interaction on matters related to project concept development, incorporation of high-level technologies, knowledge solutions, estimation of climate mitigation and adaptation components, governance risk assessments and joint participation in selected missions, especially for projects categorized as complex.
2. The Sustainable Development and Climate Change Department and operations departments collaborate closely on safeguard planning and implementation, and jointly support complex and sensitive projects. The Office of the General Counsel, operations departments, and Sustainable Development and Climate Change Department are also undertaking assessments to enable strengthening and use of country safeguard systems.
3. The Economic Research and Regional Cooperation Department and regional departments will engage earlier on project economic analysis.
4. The Operations Services and Financial Management Department will provide procurement support throughout the project design stage (including in detailed design and technical specifications), and for procurement transactions and management of contracts. It will also provide demand-driven capacity development programs in its core operational areas for Asian Development Bank staff, government officials, and project stakeholders.
5. The Office of Public–Private Partnership will continue to work with regional departments to support their public–private partnership (PPP) operations by (i) engaging early in the project cycle through participation in the formulation of country partnership strategies and country operations business plans, and screening of projects suitable for PPP delivery; (ii) reviewing PPP and technical projects to ensure quality; (iii) facilitating PPP transaction development by the regional departments; and (iv) delivering hands-on training for staff.
6. The Office of Public–Private Partnership, Private Sector Operations Department, and regional departments will continue to collaborate by exchanging views on private sector opportunities and PPP enabling environments in developing member countries as well as market, project preparation, and bankability requirements. A joint team comprising the regional department and the Private Sector Operations Department will also deepen engagement with state-owned enterprises and subnational entities.
7. Multidisciplinary teams will promote innovation and explore opportunities to expand climate finance, the use of high-level and low-carbon technologies, and knowledge-based solutions.

Source: Asian Development Bank.

B. Project Preparation and Implementation

1. Project Readiness

94. Experience has demonstrated that high project readiness greatly helps to reduce start-up delays and improve project implementation. During the WPBF period, ADB will continue to adopt robust project readiness filters for its new projects including a detailed project readiness checklist that is signed off by the project team leader, head of the project administration unit, and sector director during project processing. ADB will use a wide range of modalities—TA grant, TA loans, project design facilities, and tranches of multitranche financing facilities—to fully prepare projects with completed design and high procurement readiness. Where projects are classified as complex, additional filters will be used to assess project readiness. Projects will incorporate design elements that will strengthen policy, regulatory, and governance reforms, as well as build institutional and capacity.

95. During the WPBF period, ADB will continue to undertake analyses and diagnoses of issues affecting readiness through annual development effectiveness review. For the first 2 years of the WPBF period (2018–2019), ADB will include findings from operations research on the links between the application of readiness filters and reductions in operations processing and administration time.

96. To support project readiness, the 15 STGs will continue to provide sector- and thematic-focused technical inputs to operations departments (Box 5).

Box 5: Sector and Thematic Group Support for Project Preparation

1. Contribute to sector and thematic assessments during formulation of country partnership strategies and country operations business plans, and project preparation.
2. Participate in pre-concept discussions to share new ideas and/or good practices in the design of projects.
3. Engage in upstream sector and thematic dialogue to develop a shared understanding with developing member countries on practical opportunities for diversifying country sector and thematic operations in line with sector and thematic operational plans and scaling up future operations.
4. Participate in due diligence activities, including project preparatory technical assistance, reconnaissance and/or project fact finding missions. Provide peer review, including for projects classified as complex, flagship, and transformational.
5. Implement improvements to the safeguards compliance review, including enhancing the quality of peer review of category A projects. In addition, update the categorization checklists as well as the guidelines for environment, involuntary resettlement, and indigenous peoples.
6. Participate in project review meetings such as staff review meetings, management review meetings, and Investment Committee meetings.
7. Maintain a pool of technical experts, including through knowledge partnerships with centers of excellence, to support project development, preparation, and detailed design, and ensure project readiness.
8. Deliver operationally-relevant knowledge products and events that discuss lessons learned, good practices, and sector policy issues.

Source: Asian Development Bank.

97. **Strengthening project design review.** During the WPBF period, ADB will continue to strengthen the review of proposed project designs. Projects classified as complex, as well as all multitranche financing facilities, PBLs, and RBLs will be subjected to a special quality review. Through this process, ADB's Strategy, Policy and Review Department will work with regional departments to improve the quality of project documentation, including the problems–rationale–results link and design and monitoring frameworks (DMFs). During the WPBF period, ADB will be enhancing DMF training by developing e-learning products and services. ADB will continue to provide DMF training (i) as a stand-alone course; (ii) as part of other courses for ADB staff, such as the project design and management course; and (iii) as a customized DMF sessions on a needs basis. DMF training helps to enhance participant's knowledge and skills in designing projects with a results-focused approach, for smooth project implementation.

2. Strengthening Project Implementation

98. ADB undertakes regular reviews of its portfolio with the objective of ensuring timely completion of implementation milestones and resolution of implementation issues. Staff at resident missions and headquarters jointly conduct project implementation reviews. In addition, implementation progress of the portfolio is monitored and discussed at regular country portfolio review meetings, regular departmental portfolio review meetings, and quarterly portfolio review meetings with senior management. The performance of ADB's projects and project portfolio are reported in the Annual Portfolio Performance Report, which is discussed by the Board's Development Effectiveness Committee.

99. To improve the quality of project implementation, ADB has undertaken procurement reforms (paras. 100–103) and has increasingly delegated project implementation to resident missions along with outposting of specialist staff. The objective is to have staff closer to project implementation with the ability to address and resolve emerging implementation issues in a timely manner, and to improve the timeliness and quality of procurement. During the preparation of the Annual Portfolio Performance Report, discussions are held with each regional department on ways to strengthen project implementation. For 2017, regional departments committed to the following portfolio implementation actions:²⁵

- (i) Monitor contract award and disbursement targets more closely. Strengthen contract management and train more staff through ADB's Procurement Accreditation Skills Scheme.
- (ii) Engage national procurement officers as members of project preparation teams to help improve contract packaging.
- (iii) Improve design and procurement readiness, including addressing project readiness from the concept paper stage.
- (iv) Monitor low bids closely. Review qualification criteria for abnormally low bids, particularly for smaller contractors.
- (v) Accelerate the delegation of projects to resident missions and continue to post staff in resident missions.
- (vi) Conduct training for executing and implementing agencies to strengthen capacities in procurement, financial management and disbursement, safeguards, and project management during project preparation and implementation.

²⁵ ADB. 2016. *Annual Portfolio Performance Report*. Manila.

C. Procurement Reforms

100. **New procurement policy.** In April 2017, ADB approved a new procurement policy²⁶ that marked the transition from a one-size-fits-all approach to a fit-for-purpose approach. It will help achieve value for money by (i) improving quality, (ii) reducing overall time, and (iii) enhancing procurement delivery systems under a principles-based and risk-based approach. Quality and value for money will permit the introduction of customized procurement methods as well as support for high-level technologies.

101. Once the reforms are mainstreamed, ADB-financed projects will be implemented with increased procurement readiness. Procurement time is expected to be reduced. The new policy will facilitate the use of country procurement systems by executing agencies in DMCs that have demonstrated robust procurement procedures. Alternative procurement arrangements allowing the use of the procurement systems of development partners will facilitate cofinancing and result in lower transaction costs for DMCs.

102. ADB will work on the following initiatives:

- (i) Conduct procurement and market-risk assessments for DMCs to improve procurement planning, design, and implementation. This will also help in identifying areas where focused procurement capacity building support is required for executing and implementing agencies.
- (ii) Introduce alternative procurement arrangements. ADB will develop a new methodology conduct assessments to accredit agency procurement systems where procurement capacity is adequate and systems are functional.
- (iii) Conduct risk-based fiduciary oversight, reducing the number of prior and post reviews, and mainstreaming post-review through sampling.
- (iv) Provide procurement support to projects implemented in FCAS countries.
- (v) Support executing and implementing agencies procure high-level technologies.
- (vi) Improve the use of e-procurement for greater efficiency and transparency of procurement.
- (vii) Set up a procurement complaints system that will resolve complaints in respect of procurement of goods, works, and consulting services in an efficient and timely manner.

103. To support the implementation of the procurement reforms, ADB will:

- (i) complete all preparatory steps for the roll-out of the new framework, including staff instructions, standard bidding documents, guidance notes, and training materials;
- (ii) recruit procurement specialists;
- (iii) continue with the outposting of procurement specialists to regional departments and resident missions;
- (iv) provide capacity building support to executing and implementing agencies; and
- (v) monitor the implementation of the reforms.

D. Project Sustainability

104. During the WPBF period, ADB will continue to address both the financial and environment sustainability of its operations during the project design phase. Both aspects will be monitored

²⁶ ADB. 2017. *Improving ADB Project Performance through Procurement Reforms*. Manila.

during implementation and after project completion. In almost all transport projects, for example, asset management and/or maintenance funds are mainstreamed as part of project design. Tariff structure will be reviewed to ensure operations and maintenance budgets for energy projects and urban municipal services are also addressed at the design phase. To ensure environmental sustainability, ADB will continue to climate-proof ADB-assisted operations, enhance adaptation to climate change, and use technologies with lower carbon footprints.

105. Where required, ADB will provide necessary capacity development assistance and knowledge solutions for asset sustainability to project executing and implementing agencies. This will include lessons learned from past ADB operations and sharing of international best practices in project sustainability. Early involvement of ADB's Economic Research and Regional Cooperation Department in project economic analysis, and STGs in project design will also contribute towards project sustainability.

E. Exploring Products and Instruments for Greater Responsiveness

106. **Review of ADB's products.** ADB is reviewing its products as background work for its new corporate strategy, Strategy 2030. ADB recognizes that the needs of public and private sector clients are becoming more mature and diverse. The environment surrounding these clients is also evolving. ADB intends to respond to these changes proactively by refining its products and engagement with its clients.

107. To make ADB more agile and responsive, ADB is considering further streamlining of business processes on small, low-risk operations (e.g., credit line, additional financing, and project design loan). ADB may also explore products and instruments to (i) strengthen support for FCAS countries and small states, (ii) bolster disaster resilience for group B countries, and (iii) provide transition support to countries graduating from concessional assistance. Further, ADB will consider enhancing its role as a catalyzer of development finance such as through the greater use of guarantees and other credit enhancement products, including blended finance and advisory service. To address these issues, ADB has formed a task force and technical working groups to review ADB's products. The review will inform the new corporate strategy on how ADB can better serve its clients based on their needs and capacity.

108. **State-owned enterprise engagement.** ADB has developed a pilot program to foster and cultivate collaboration among its regional departments, ORM, and PSOD on SOE engagement. Under this program, the departments will collaborate on designing a package of interventions to strengthen engagement with key SOE clients. A team of staff from ADB's regional departments and PSOD will be formed to originate and process an appropriate financing package for each SOE selected for ADB engagement.

109. **Partner fund management system.** ADB is developing a partner fund management system, which aims to expedite reporting and tracking of cofinancing resources to better address ADB's fiduciary responsibilities. This system will allow the partners almost real-time access to their cofinancing portfolio. It also aims to reduce manual processes and duplications by integrating cofinancing-related data systems.

110. **Trust fund management.** ADB will also develop staff guidelines for the establishment and management of trust funds. This initiative includes an end-to-end review of trust fund management processes for better alignment of work flow responsibilities and to streamline trust fund operations. The comprehensive trust fund guidelines will also develop a generic

implementation guide for each trust fund. This will address the financing partners' requirements such as visibility arrangements and close portfolio monitoring and performance evaluation.

F. Technical Assistance Reforms

111. In 2015, several reforms to ADB's TA operations were proposed in the policy paper on enhancing operational efficiency.²⁷ These reforms aimed to increase the development impact of ADB's TA operations by enhancing the relevance and quality of TA programs, and by accelerating the delivery of TA for project preparation. To achieve these objectives, the second phase of TA reforms focuses on (i) more strategic alignment of TA with country programming, (ii) more widespread use of programmatic approaches to delivering TA, (iii) streamlining business processes, (iv) enhancing learning from TA, and (v) addressing past limitations approved in March 2017. Box 6 summarizes these reforms.

Box 6: Improving Technical Assistance Operations

In 2017, the Asian Development Bank (ADB) introduced several reforms to increase the development impact of its technical assistance (TA) operations:

New types. The types of TA were streamlined from four to two: transaction TA and knowledge and support TA. Transaction TA provides project preparation and implementation support that directly benefits a project, while knowledge and support TA encompasses all other types.

Programmatic approaches. The reforms promote the use of programmatic TA through facilities and clusters. This allows ADB to strengthen longer-term engagement with its developing member countries (DMCs) and to be faster and more responsive in TA implementation. A programmatic approach also allows consultants to work on multiple projects and to be retained longer reducing recruitment time. A regional TA cluster may also be used to support more than one DMC. Greater use of programmatic modalities is expected to result in fewer but larger TA projects.

Strengthened review process. The TA review process has been further strengthened by (i) categorizing TA as complex or low risk, and (ii) increasing the engagement of regional departments. Categorizing TA based on complexity ensures that staff resources are focused on concepts and reports that require a more intense review process.

Greater delegation of approval authority. Delegation of TA approval authority has been adjusted. For transaction TA, the approval authority will shift mainly from the vice presidents to the heads of departments and country directors or division; for knowledge support TA, the shift will be from the President to the heads of departments, and country and division directors. This delegation of approval authority will result in fewer steps in processing but stronger management accountability for operations within their authority.

Expected outcomes. The objectives of the comprehensive reforms are faster delivery, greater relevance, and higher-quality TA to facilitate lending and grant operations. ADB is expected to be able to respond more quickly and flexibly to support loan and grant operations through more streamlined TA processing. The use of programmatic TA should result in fewer TA projects and minimize unnecessary repetition of consultant selection processes. Through a more focused review process and systematic involvement of regional departments, as well as sector and thematic groups, staff will be able to dedicate more time to (i) ensuring TA relevance to DMC needs, (ii) providing the technical inputs needed to improve TA concept papers and TA reports, and (iii) exploring options for use of high-level technology and innovations. These should lead to better quality TA proposals.

Source: ADB. 2017. *Technical Assistance Reforms—Improving the Speed, Relevance, and Quality of Technical Assistance Operations*. Manila.

²⁷ ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila.

G. Information Technology Reforms

112. Real-Time ADB is an IT reform program initiated in 2016. It includes investments in the following areas: operational and financial systems, administrative and human resources management, IT mobility and collaborative knowledge solutions, and organizational resilience and IT security.

113. **Key operational and financial systems.** These investments will put in place IT systems for NSO, disbursement system modernization, new treasury services, and partner funds management. The NSO project will deliver a scalable front-to-back-end IT platform to manage all nonsovereign products across all involved departments (i.e., Controller's Department, ORM, and PSOD), and automate the current manual processes. The disbursement systems modernization project will replace ADB's legacy core disbursement systems with a modern IT platform that supports integration with other systems, dashboards, and reporting. A new structured products solution will help modernize the back-office and pricing platforms of ADB's Treasury Department to support a broader range of financial products and enable ADB to increase its sources of funding with a lower associated cost. The partner fund management system project will enhance ADB's capacity to plan and manage partner funds. The selection of IT solutions and procurement for these four projects is expected to be completed by late 2017 or early 2018. The new treasury services and partner fund management systems are expected to be delivered by the end of 2018, and the disbursement systems modernization and NSO systems are expected to be completed by the end of 2019

114. **Administrative services and human resource management.** Real-Time ADB will improve institutional procurement and human resource services. Phase 1 of the institutional procurement system went live in July 2017, providing a streamlined, automated requisition-to-contract process. This contributes to operational efficiency through a simple, user-friendly system that can be accessed on any device. Implementation of phase 2, which will include inventory management, budget, and e-payments, is in progress. These are expected to go live in the third quarter (Q3) of 2017 and Q1 2018, respectively, with subsequent roll-out to resident missions. Inventory management and budget processes are expected to go live in Q3 2017; e-payment process is expected to go live in Q1 2018, with subsequent roll-out to resident missions until 2019.

115. The human resource centralized service desk and phase 1 of the talent management system, myCareer, were completed in July 2017. The service desk will provide a consolidated platform for managing human resource-related inquiries and concerns for all staff. myCareer is a single platform containing all career-related information accessible to both staff and managers. It will enhance efficiency and real-time reporting on career-related issues. Phase 2 of the talent management system (goals and performance management) will be rolled-out in 2018.

116. **Information technology mobility and collaborative knowledge solutions.** Staff will be able to connect and collaborate from anywhere, anytime through the provision of modern devices, such as tablets, hybrids, and smartphones, improved data roaming facilities, and an integrated messaging and collaborative platform. In supporting ADB's knowledge management, Office 365 capabilities are being implemented to provide the foundation for content and collaboration solutions.

117. **Organizational resiliency and information security.** In March 2017, the first delivery of the Real-Time ADB was completed—the offshore active disaster recovery site. This initiative enables the resiliency of ADB's critical financial systems. ADB is also improving its internet

connectivity in its headquarters and resident missions. An information security program is being implemented to strengthen and protect ADB's data and assets.

118. ADB plans to fully disburse the Information Systems and Technology Strategy III Special Capital Expenditures by the end of 2019. ADB expects there will be a demand for additional IT investments (beyond the projects funded under the Information Systems and Technology Strategy III) and it will assess these needs during 2018.

H. Strengthening Resident Missions

119. **Role and mandate.** To enhance client responsiveness and deliver faster results over the past few years, ADB has progressively increased the role and mandate of its resident missions. In addition to being responsible for country programming, resident missions are assuming an increasing role in project implementation and knowledge dissemination. Many of ADB's large resident missions are also involved in project processing, identification of country knowledge requirements, policy dialogue, and strengthening the capacities of implementing agencies. Of the 145 projects approved in 2016, resident missions processed 16 (11%). Of the 599 ongoing sovereign projects at the end of 2016, 323 (54%) were administered by resident missions. Of the 524 international staff belonging to the five regional departments, 194 (37%) were outposted to the resident missions as of 30 June 2017. By July 2017, PSOD had outposted 24 staff. During the WPBF period, the role and mandate of the resident missions will increase further as ADB expands its sovereign and nonsovereign operations, decentralizes more procurement specialists, processes more complex projects, addresses development needs of lagging areas, and increases subnational interfaces, where capacities are often weak. ADB sovereign portfolio is expected to reach 850 projects by 2020, nearly half of which will be administered by resident missions.

120. **Resident mission resources.** As more operations are delegated to resident missions, ADB will enhance their staffing complement through the greater utilization of national staff complemented by the outposting of specialized staff from ADB headquarters. For some regional departments, almost half of their staff is now based at resident missions and providing required support in key areas such as safeguards, procurement, contract management, and disbursements. With the full roll-out of the new procurement framework, more procurement specialists are expected to move to resident missions. The introduction of the flexible position management system provides the basis for flexible conversions between staff categories. This flexibility will enable better delivery and quality of ADB programs, especially in the field.

I. Organizational Resilience

121. The roll-out of the short-term (2016–2018) and medium-term (2018–2021) action plans under the organizational resilience framework continues to develop ADB's capability to deal with unexpected disruptions and strengthens its business continuity. The five short-term projects are (i) Organizational Resilience Policy and Plan Development, (ii) Workplace Resilience, (iii) Process Resilience, (iv) IT Resilience, and (v) Supply Chain Resilience. The medium-term projects will build on the results of the short-term projects to: (i) further the resilience of critical processes through digitization and cloud storage technologies; (ii) decentralize processes, functions, and skills; and (iii) extend resilience across the organization through awareness campaigns, training, and the establishment of business continuity plans for all departments and offices.

J. Improved Administrative Services

122. **Enhanced safety and security.** ADB will enhance security in its headquarters to address vulnerabilities in access control and upgrade its ability to collect, analyze, and act on information to mitigate threats.

123. **Completion of major building infrastructure projects, including rehabilitation of major facilities.** ADB will complete the ongoing infrastructure projects to strengthen its headquarters and improvements of selected field offices.

124. **Strengthened field office support.** ADB will increase the level of its administrative support to resident missions through property management such as assistance with expansion, renovation, and relocation of projects. Support will also include strategic planning of real estate needs, lease preparation and approvals, and space planning allocation based on approved staffing positions. ADB will also improve its support to field offices in the areas of (i) security and emergency services, (ii) asset management (through implementation of the Oracle Fixed Asset Registry), (iii) logistics management, (iv) knowledge solutions and records management, (v) institutional procurement, and (vi) business travel.

125. **Quality improvements in the provision of institutional and commercial services essential to ADB operations.** ADB will continue to streamline and automate business processes, strengthen internal control measures through centralized management information and reporting systems, enhance institutional procurement and contract management, and implement other efficiency measures in the delivery of administrative services essential to ADB operations.

126. **Corporate environmental sustainability.** To maintain its ISO certifications, ADB will continue to employ best practices to reduce its carbon footprint through resource conservation, staff engagement, and sustainability programs. These will be expanded to field offices. Carbon offsetting is being pursued to counterbalance ADB's carbon emissions.

K. Human Resources Reforms

127. During the WPBF period, ADB will continue human resources reforms to identify, recruit, motivate, and retain talented staff to deliver a stronger, better, and faster ADB. The human resources reforms will reinforce the "One ADB" approach and enable better cross-departmental and functional coordination.

128. **Strategic staffing.** ADB will enhance mobility and flexibility. To meet clients' needs better, it will promote sharing of staff expertise and resources, as well as outposting to field offices. The strategic staffing will support the expanding operations, encourage multisector solutions, and promote greater knowledge sharing and collaboration between departments.

- (i) **Flexible position management.** To support ADB's evolving staffing and skills mix needs, ADB has increased flexibilities in the position management system.²⁸ These allow conversions between staff categories (international staff, national staff, and/or administrative staff) and overlaps between outgoing and incoming staff. There are also higher allocations for senior international staff in non-

²⁸ ADB. (Budget, Personnel, and Management Systems Department). 2017. Proposed Revisions in Position Management System. Memorandum. 27 March (internal).

managerial positions and senior national staff positions to enable better delivery and quality of ADB's programs. These flexibilities in position management will support the steps being taken to achieve faster recruitment of high-quality candidates such as through advance recruitment to fill the anticipated needs in the following year, and batch recruitment to recruit multiple candidates through one process, including a focus on recruiting capable female candidates.

- (ii) **Workforce analysis and strategic staffing plan.** Following the mainstreaming of the workforce analysis in 2016, the 3-year departmental strategic staffing plan will be an annual exercise in the WPBF period. Departments are using the findings of the workforce analysis to prepare a 3-year rolling plan including strategic direction, major deliverables, staff optimization plans, and outposting and gender targets.²⁹
- (iii) **Mobility framework.** ADB will introduce a new mobility framework to address the mobility of staff across departments, while enhancing the careers and experiences of individual staff. The mobility framework comprises a longer-term rotation exercise and shorter-term assignments.

129. **Recruitment.** While ADB scales up its business and strengthens staffing, faster recruitment of high-quality staff will be crucial. In recognizing this, ADB has initiated a set of reforms to (i) expand the talent pool, (ii) introduce efficient and proactive recruitment approaches, and (iii) streamline recruitment processes. To expand the talent pool, ADB will conduct proactive outreach using social media and recruitment events at universities and career fairs. It will complement its outreach with the production of videos targeted at specific audiences. ADB will also strengthen job descriptions and will revamp postings to better convey the purpose and requirements for each of the advertised positions.

130. ADB has begun to roll out initiatives, including (i) an enhanced young professional program, and (ii) an expanded experts pool for specialized and top-notch skills.

131. **Performance management.** ADB's performance management system will be strengthened. Better communication between managers and staff, including more frequent feedback to staff, will be promoted. Performance management is being reviewed to (i) enhance staff productivity and motivation through timely and frequent performance feedback, (ii) ensure better alignment of individual work plans with ADB's goals, and (iii) more effectively recognize good performers and address poor performers. Changes will be introduced during the 2018 performance management cycle. The new performance review system will be reviewed annually, and the results will provide a basis for the Board of Directors' discussion on ADB's retirement age during the Comprehensive Compensation Review in 2020.

132. **Career and leadership development.** The career and talent management reforms will support strategic staffing and mobility to meet ADB's business needs and enhance opportunities for career development. Leadership training will continue to play an important role in promoting effective communication and performance feedback.

133. **Diversity and inclusion.** ADB will continue to attach utmost importance to ensuring a respectful workplace, and improving its institutional gender balance. In 2016, ADB introduced the following new targets for representation of women international staff by the end of 2022: 40% women international staff overall; 35% for levels 9–10; 35% for levels 7–8; and 40% for

²⁹ In 2016, six departments piloted the 3-year strategic staffing plan.

levels 4–6. ADB is implementing a set of actions to accelerate progress toward gender equality, covering (i) recruitment and staff representation, (ii) career management and retention, and (iii) training. ADB managers are encouraged to promote a culture of work flexibility provided that performance standards are met and requests are compatible with business needs. In 2017, ADB launched an online tracking system for work from home arrangements.

L. Benefits Reforms

134. **Staff Retirement Plan.** On 5 June 2017, ADB approved comprehensive reforms to the Staff Retirement Plan (SRP), balancing the need to contribute to a competitive total remuneration package with a more sustainable SRP.³⁰ The changes are based on the best global practices in pension design, including a later retirement age, and more balanced risk-sharing strategies between employer and employees, including the introduction of the defined contribution plan. ADB will strengthen risk management measures along with more frequent reporting to the Pension Committee by the Investment Committee.

135. **Group Medical Insurance Plan.** The Group Medical Insurance Plan (GMIP) is an important part of a competitive benefit package. ADB will continue to focus on ensuring quality and responsiveness in the performance of Cigna. Performance targets have become part of the ADB–Cigna agreement. A detailed Summary Plan Description has been issued that provides information on coverage under the Plan. New practices for GMIP services provided in the United States have been put in place. In 2017, two GMIP governance groups were formed: (i) the GMIP member consultative forum, a forum for consultations between Management and staff/retirees; and (ii) the Health Management Committee, a committee that provides oversight of ADB’s health and wellness policies and programs for staff.

136. **Overseas duty station allowances.** ADB is reviewing overseas duty station allowances. The purpose of the review is to replace the current complex system with a more transparent quality-of-life index based on objective and externally verifiable data. The review also intends to provide better incentives for staff to serve in field offices in DMC. The new overseas duty station allowances system will become effective in 2018.

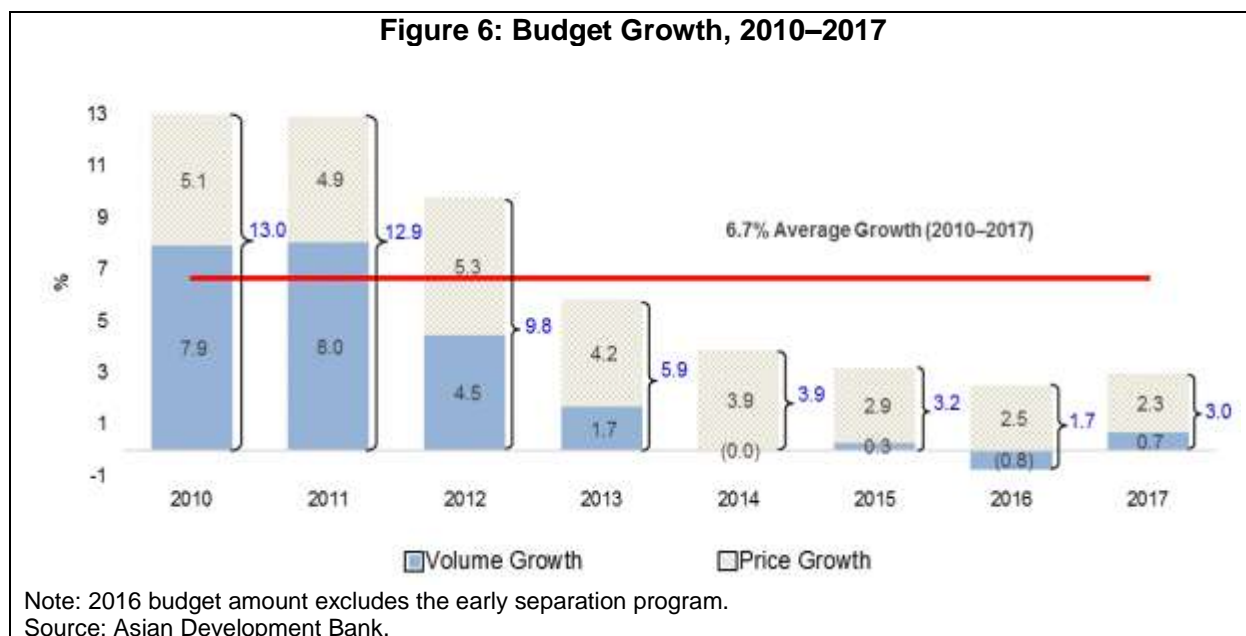
137. **Benefits, human resources services, and pension administration.** ADB will continue to streamline key business processes to improve the quality and efficiency of human resources operations.³¹ These improvements will allow efficient monitoring of service indicators and offer a better platform for staff to know their individual benefits.

V. STAFF RESOURCES AND BUDGET REQUIREMENT

138. **Budget trajectory.** ADB operations have grown more rapidly than the administrative budgets since 2015. This is mainly because of ADB’s intensified drive for cost and efficiency savings through an array of reforms covering institutional, operations, and human resources, while also scaling up operations (Figure 6).

³⁰ ADB. 2017. *Reform of Staff Retirement Plan and Introduction of Defined Contribution Plan*. Manila.

³¹ Human resources operations comprise benefits administration, pension administration, human resources systems and analytics, and human resources services (including onboarding, performance review during the probationary period, fixed term monitoring and review, field office assignments, special leave without pay, offboarding, personal and professional information updates, and staff files maintenance).



A. Cost Drivers

139. ADB's budget framework supports the strategic and institutional priorities described in Sections III–IV and the projected commitments in Figure 1.

140. The cost drivers for the WPBF period are:

- (i) increased staffing to expand operations with an emphasis on quality and field presence, and better security and safety of field offices;
- (ii) ongoing support for IT reforms and the organizational resilience program; and,
- (iii) support to strengthening financial sustainability of the SRP.

141. **Staff requirements.** While the number of processing and administration operations are the key parameters driving resource requirements, resource intensity per operation is affected by variables including (i) country status (e.g., FCAS, weak policy frameworks, and inadequate institutional capacity); (ii) complexity (e.g., design, scope, safeguards, innovation, and high-level technology); and (iii) small but high development impact projects and programs. These have implications on the overall cost of ADB operations and will be considered through the annual budget cycle during the WPBF period. Additional details on staffing requirements are discussed in paras. 151–154.

142. **Expanding field office presence.** The requirements for increased staff-related costs, office facilities, and security for placing and/or relocating an increasing number of staff to field offices create additional costs.

143. **Safety and security.** ADB will implement appropriate measures to enhance safety and security support in countries with significant threats in line with the findings of the 2016 audit of staff safety and security in field.

144. **Information technology reforms.** As ADB rolls out its IT reforms, IT costs in ADB's internal administrative expenses budget will increase during the WPBF period. This is mainly

because of the higher (i) operations and maintenance costs of cloud systems, and (ii) depreciation related to capital investments in IT. As the IT reforms are delivered, benefits and efficiency gains are expected across ADB in the form of operational efficiency, cost avoidance, and risk reduction.

145. **Organizational resilience program.** The short- and medium-term actions of the organizational resilience framework³² will be implemented through 2021. Additional capital expenditures are expected in headquarters' infrastructure to support safety and security during the WPBF period.

146. **Staff Retirement Plan financial sustainability.** ADB will provide resources to strengthen the SRP's financial sustainability and ensure effective administration of the new plans. ADB will consider incentives³³ for the pre-October 2017 SRP holders to join the new plans. The resource implications for these will be presented as part of the 2018 budget.

B. Workforce Analysis

147. **Workforce analysis for 2016.** The findings of the 2016 workforce analysis indicated that additional staff resources for 2017–2019 were required due to: (i) the higher trajectory of scaled-up operations than was anticipated in the 2016–2018 base case scenario (17% higher for 2018–2019), (ii) the heavy processing and implementation workload for most sector divisions in the absence of additional staff resources, and (iii) the limited scope for further redeployments across departments. The net new staffing requirements for 2017–2019 were estimated at 200 after the optimization measures. The WPBF, 2017–2019 identified a gross staff requirement of 360 over the 3-year period and 180 for 2017. After staff optimization of 100 staff, 80 net new positions were provided in 2017.

148. **Staff optimization results.** The 2017 optimization focused on operations efficiency improvements, flexible position management, increased ratio of international staff and national staff to administrative assistant, and deployment of positions freed up through the early separation program. Flexible position management facilitated the reclassification of positions across categories to meet the business needs.³⁴ Progress against individual targets for 2017 is on track, with full year achievements expected to meet or exceed the targets for most of the optimization measures (Table 3).

149. The early separation program freed up 61 positions for redeployment to priority needs, thereby helping reduce the need for additional new positions.³⁵

³² ADB. 2016. *Budget of the Asian Development Bank for 2017*. Manila.

³³ Such incentives may include partial cash buyouts, supported by ADB's administrative budget.

³⁴ Flexible position management allows reclassification of staff positions across categories. For example, the conversion of one international staff position into multiple national staff and/or administrative staff positions.

³⁵ This does not include positions that are deemed necessary and cannot be deployed, such as senior management positions, or heads of project administration units.

Table 3: Progress on Staff Optimization Measures
(number of staff)

Optimization Measures	WPBF, 2017–2019 Targets for end 2017		Achievements as of end July 2017	
	IS and NS	AS	IS and NS	AS
Operations efficiency improvements	20	20	10	8
Efficiencies generated through flexibilities in position management ^a			5	6
Converting administrative assistants to technical/analyst positions ^b		10		17
Deployments of positions freed up through early separation ^c	22–25	25	40	21
Various automation and outsourcing initiatives ^d				
Overall	42–45	55	55	52

AS = administrative staff, IS = international staff, NS = national staff, WPBF = work program and budget framework.

^a Reclassifying positions across categories leading to the creation of multiple new positions in another staff category without additional budgetary allocation for staffing (e.g., reclassify 1 IS into multiple NS and/or AS)

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

^c Does not include 29 positions that are deemed necessary and cannot be redeployed.

^d Various automation and outsourcing initiatives are currently being undertaken. The impact on staff resources will be assessed for possible optimization of positions with a target of 25 AS positions in 2018–2019.

Source: Asian Development Bank.

150. **Workforce analysis for 2017.** The exercise followed the methodology adopted for the 2016 analysis, where the staffing requirements were derived using ideal staff coefficients³⁶ to support the anticipated number of key outputs for the 2018–2020 operations pipelines. In addition, the analysis considered the needs of various important ongoing and planned initiatives, directly or indirectly linked with the growth of the 2018–2020 operations pipelines. Key findings of the analysis include the following: (i) operations are projected to continue growing, following the scaling-up for 2018–2019 projected in WPBF, 2017–2019 with relatively slower growth in 2020; (ii) the average processing workload for WPBF, 2018–2020 will increase and need further balancing of the workload with staffing; and (iii) the significant increase in implementation workload for both headquarters and resident missions will need additional staff resources or optimization measures, such as redeployment and outposting to support growth. Appendix 3 provides further details on the key findings.

151. **Gross staff requirements.** The operations pipeline for the WPBF, 2018–2020, together with the increasing implementation workload, will require additional staff to sustain the anticipated operation volumes. ADB will continue to emphasize the quality and responsiveness of its programs. Other priority staffing needs identified from new initiatives during 2018–2020 include: (i) strengthening administrative support for resident missions, including their building security and safety requirements; (ii) strengthening ICT for development; (iii) providing transactional support and integrity due diligence; (iv) scaling up of the experts pool; (v) mobilizing cofinancing and strengthening partnerships; (vi) expanding the young professional program; (vii) fully resourcing

³⁶ Staff coefficient is the number of weeks of staff time required to deliver any given output. Processing related staff coefficients for the 2015 exercise were based on the ideal staff coefficients for processing, which covered the time that an experienced staff will require for the activity. Use of ideal staff coefficients was to encourage the departments to invest in their staff and encourage greater efficiencies. Implementation related staff coefficients, on the other hand, were based on the actual average of the staff time being devoted to these activities. The 2016 workforce analysis exercise improves on the methodology by using ideal coefficients for implementation as well, with the aim of ensuring that additional resources are made available for portfolio implementation.

ADB's Pacific Department to deliver to the Pacific Strategy; and (viii) strengthening ADB's field presence.

152. The staffing needs identified in the WPBF, 2017–2019 remain relevant and will continue to require additional staff positions through 2018–2020 for a variety of activities, such as the second generation of procurement reforms, further scale-up of PPP operations (particularly TAS), strengthening capacities in ADB's Budget, Personnel, and Management Systems Department to implement human resources and benefits reforms, and delivering treasury operations including local currency operations. Considering both these and priority needs outlined in the above paragraph, gross staff requirements for 2018–2020 are estimated at 300.

153. **Staff optimization.** Part of the requirements for additional staffing could be met through the continued staff optimization measures. In 2018, in line with the approved flexible position management, ADB's Budget, Personnel, and Management Systems Department will facilitate reclassification of positions across categories to meet changes in department's business requirements. Further, staffing requirements are expected to be augmented through operations efficiency improvements and various automation and outsourcing initiatives. Table 4 outlines the anticipated scope of optimization for 2018–2020.

Table 4: Indicative Scope for Further Optimization
(number of staff)

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

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

^a The technical assistance (TA) reforms introduced in 2017 are expected to further increase the average size of TA operations because the processing of TA facility and cluster TA. However, the gains are expected to diminish as total TA numbers are reduced.

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

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

Source: Asian Development Bank estimates.

154. **Net staff requirements.** Considering the scope for optimizing the use of existing resources, net new staff requirements for 2018–2020 are estimated at 180 (Table 5). This includes 90 international staff, 65 national staff, and 25 administrative staff positions. The requirements of 180 net new positions is modest following the same growth trajectory of a total of 120 for 2018–2019. Further details on the workforce analysis are in Appendix 3.

Table 5: Indicative Staff Requirements, 2018–2020
(number of staff)

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

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

^a Refers to analyst or analyst-type position.

Source: Asian Development Bank.

C. Indicative Budget Growth for 2018 and Medium-Term Outlook for 2019–2020

155. Based on the work program³⁷ and key cost drivers, the preliminary and indicative 2018 budget is about \$674 million, an increase of \$27 million (4.1%) over the 2017 budget. This comprises a price increase of 1.8% and a volume increase of 2.3% (Table 6).

Table 6: Budget Growth, 2018–2020
(%)

Item	2018	2019	2020
Price	1.8	1.8	1.8
Volume	2.3	2.6	1.5
Budget Growth	4.1	4.4	3.3

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

156. ADB remains committed to enhancing productivity and efficiency with more flexible use of staffing and budgetary resources.

³⁷ Key deliverables during the WPBF period are in Appendix 4.

PROJECTED COMMITMENTS

Table A1.1: Regular and Concessional Ordinary Capital Resources Lending and Asian Development Fund Grant by Region and Country, 2018–2020
(\$ million)

Region/Country	Average	Total	Target	Projected			Total
	Actual 2014–2016	2014–2016	2017 ^a	2018	2019	2020	2018–2020
A. Sovereign Operations	12,693.87	38,081.60	15,427.82	17,014.93	17,064.24	17,100.24	51,179.42
Operations Group 1	7,859.91	23,579.73	8,635.22	8,849.13	8,929.52	9,381.52	27,160.18
Central and West Asia	3,734.49	11,203.46	3,907.27	4,060.81	4,109.13	4,469.13	12,639.06
Afghanistan	201.39	604.18	99.72	221.59	226.72	226.72	675.03
Armenia	174.99	524.96	112.50	210.00	210.00	210.00	630.00
Azerbaijan	398.33	1,195.00	764.00	260.00	260.00	260.00	780.00
Georgia	183.87	551.60	90.00	200.00	200.00	200.00	600.00
Kazakhstan	530.10	1,590.30	357.50	365.00	365.00	365.00	1,095.00
Kyrgyz Republic	172.65	517.96	44.67	99.26	108.18	108.18	315.63
Pakistan	1,600.07	4,800.21	1,464.48	1,813.83	1,814.10	1,814.10	5,442.04
Tajikistan	77.48	232.44	92.24	93.87	102.21	102.21	298.29
Turkmenistan			18.00	50.00	50.00	150.00	250.00
Uzbekistan	395.60	1,186.80	864.16	747.25	772.91	1,032.91	2,553.07
South Asia	4,125.43	12,376.28	4,727.95	4,788.32	4,820.40	4,912.40	14,521.12
Bangladesh	1,098.12	3,294.37	1,081.65	1,299.84	1,300.19	1,302.19	3,902.22
Bhutan	77.64	232.91	22.92	50.92	61.01	61.01	172.94
India	2,084.07	6,252.21	3,038.00	2,480.00	2,480.00	2,530.00	7,490.00
Maldives	15.90	47.69	5.59	12.42	13.10	13.10	38.62
Nepal	252.76	758.27	334.01	327.96	348.10	348.10	1,024.15
Sri Lanka	596.94	1,790.82	245.78	617.18	618.00	658.00	1,893.18
Operations Group 2	4,833.96	14,501.87	6,792.59	7,196.46	7,254.84	7,338.84	21,790.14
East Asia	1,549.83	4,649.48	2,258.96	2,062.28	2,069.46	2,069.46	6,201.20
China, People's Republic of	1,326.33	3,979.00	2,144.08	1,750.00	1,750.00	1,750.00	5,250.00
Mongolia	223.49	670.48	114.88	312.28	319.46	319.46	951.20
Pacific	300.37	901.11	582.04	676.45	681.04	725.04	2,082.52
Cook Islands	6.70	20.09	2.70	9.00	9.00	10.00	28.00
Fiji	51.21	153.64	73.61	70.00	70.00	75.00	215.00
Kiribati	5.73	17.20	4.02	7.28	7.45	7.45	22.17
Marshall Islands	1.67	5.00	2.84	6.32	6.40	6.40	19.11
Micronesia, Federated States of			2.90	6.45	6.54	6.54	19.53
Nauru	2.33	7.00	2.40	5.34	5.32	5.32	15.97
Palau	17.88	53.64	9.91	27.02	27.13	37.13	91.28
Papua New Guinea	116.04	348.13	402.03	392.73	392.73	412.73	1,198.18
Samoa	16.07	48.21	7.94	14.30	14.96	14.96	44.23
Solomon Islands	22.06	66.19	9.64	16.45	17.30	17.30	51.05
Timor-Leste	45.08	135.23	33.58	94.63	96.61	104.61	295.86
Tonga	3.98	11.95	11.49	11.24	11.61	11.61	34.46
Tuvalu	1.33	4.00	14.43	5.62	5.63	5.63	16.87
Vanuatu	10.28	30.84	4.54	10.09	10.36	10.36	30.81

Region/Country	Average	Total	Target	Projected			Total
	Actual			2014–2016	2017 ^a	2018	
Southeast Asia	2,983.76	8,951.27	3,951.59	4,457.74	4,504.34	4,544.34	13,506.42
Cambodia	180.07	540.22	122.46	213.90	226.56	226.56	667.02
Indonesia	1,062.10	3,186.30	1,080.00	2,000.00	2,000.00	2,000.00	6,000.00
Lao People's Democratic Republic	85.78	257.35	45.05	73.80	99.95	99.95	273.70
Myanmar	124.65	373.94	334.47	344.71	346.84	346.84	1,038.38
Philippines	901.80	2,705.40	805.75	845.00	850.00	860.00	2,555.00
Viet Nam	629.35	1,888.06	1,563.86	980.33	981.00	1,011.00	2,972.33
Regular OCR Regional Set-Aside				510.00	500.00		1,010.00
Concessional Assistance Regional Pool				373.61	314.10	314.10	1,001.81
Regional Health Security				26.42	2.19	2.19	30.79
Disaster Response Facility				59.32	63.60	63.60	186.51
B. Nonsovereign Operations	1,771.67	5,315.02	2,200.00	2,700.00	3,150.00	3,400.00	9,250.00
C. Total (A + B)	14,465.54	43,396.62	17,627.82	19,714.93	20,214.24	20,500.24	60,429.42
Memorandum Items:							
Regular OCR	11,704.39	35,113.16	14,615.40	15,799.00	16,916.00	17,202.00	49,917.00
Sovereign	9,932.71	29,798.14	12,415.40	13,099.00	13,766.00	13,802.00	40,667.00
Nonsovereign	1,771.67	5,315.02	2,200.00	2,700.00	3,150.00	3,400.00	9,250.00
ADF/Concessional Assistance	2,761.15	8,283.46	3,012.42	3,915.93	3,298.24	3,298.24	10,512.42
ADF Grant	430.09	1,290.27	263.44	629.44	539.93	539.93	1,709.29
ADF Loan/COL	2,331.07	6,993.20	2,749.14	3,286.50	2,758.32	2,758.32	8,803.13

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, OCR = ordinary capital resources.

Notes:

- Beginning 2018, the Asian Development Bank (ADB) shifts to commitments as its main performance metric. 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. A commitment may be in US dollars, special drawing rights, or other currencies. It is recorded in ADB's accounts as of the date of signature of the relevant legal agreement.
- Allocations include disaster risk reduction allocations for concessional assistance-only countries (Table A1.6).
- Allocations for ADF grants are based on projected ADF 12 financial resources as of 30 June 2017. Concessional resource allocations reflect half of the projected resources available for a biennial period. The use of concessional resource biennial allocations is guided by the parameters set out in the Concessional Assistance Policy (ADB. 2016. *Concessional Assistance Policy*. Manila.).
- The reclassification of Sri Lanka and Viet Nam as group C countries is effective 1 January 2019. These countries will become ineligible for concessional resources beginning on that date (ADB. 2017. *Sri Lanka: Review of Classification under ADB's Graduation Policy*. Manila, and ADB. *Viet Nam: Review of Classification under ADB's Graduation Policy*. 2017. Manila.). Additional regular OCR is allocated to compensate for the cessation of concessional resources.
- Under a transition arrangement, Bhutan and the Lao People's Democratic Republic will become ineligible for ADF grants in 2019 instead of 2017.
- Numbers may not sum precisely because of rounding.

^a The 2017 commitment target is based on volume of approvals not yet signed as of the end of 2016 + 75% of 2017 policy-based lending + 45% of 2017 resources allocated for approval of investment projects.

Source: Asian Development Bank estimates.

Table A1.2: Regular Ordinary Capital Resources by Region and Country, 2018–2020
(\$ million)

Region/Country	Average	Total	Target	Projected			Total
	Actual 2014–2016	2014–2016	2017 ^a	2018	2019	2020	2018–2020
A. Sovereign Operations	9,932.71	29,798.14	12,415.40	13,099.00	13,766.00	13,802.00	40,667.00
Operations Group 1	5,909.33	17,728.98	6,878.81	6,703.00	6,896.00	7,348.00	20,947.00
Central and West Asia	2,712.59	8,137.77	3,003.31	2,974.00	2,995.00	3,555.00	9,324.00
Armenia	117.35	352.04	112.50	210.00	210.00	210.00	630.00
Azerbaijan	398.33	1,195.00	764.00	260.00	260.00	260.00	780.00
Georgia	119.42	358.27	90.00	200.00	200.00	200.00	600.00
Kazakhstan	530.10	1,590.30	357.50	365.00	365.00	365.00	1,095.00
Pakistan	1,191.05	3,573.16	1,183.31	1,389.00	1,410.00	1,410.00	4,209.00
Turkmenistan			18.00	50.00	50.00	150.00	250.00
Uzbekistan	356.33	1,069.00	478.00	500.00	500.00	760.00	1,760.00
South Asia^b	3,196.74	9,590.21	3,875.50	3,729.00	3,901.00	3,993.00	11,623.00
Bangladesh	641.67	1,925.00	662.00	788.00	803.00	805.00	2,396.00
India	2,084.07	6,252.21	3,038.00	2,480.00	2,480.00	2,530.00	7,490.00
Sri Lanka	447.67	1,343.00	175.50	461.00	618.00	658.00	1,737.00
Operations Group 2	4,023.39	12,070.16	5,536.59	5,886.00	6,370.00	6,454.00	18,710.00
East Asia	1,490.22	4,470.65	2,238.58	2,017.00	2,020.00	2,020.00	6,057.00
China, People's Republic of	1,326.33	3,979.00	2,144.08	1,750.00	1,750.00	1,750.00	5,250.00
Mongolia	163.88	491.65	94.50	267.00	270.00	270.00	807.00
Pacific	178.43	535.30	453.56	519.00	519.00	563.00	1,601.00
Cook Islands	6.70	20.09	2.70	9.00	9.00	10.00	28.00
Fiji	50.88	152.65	73.61	70.00	70.00	75.00	215.00
Palau	14.46	43.37	6.75	20.00	20.00	30.00	70.00
Papua New Guinea	84.80	254.41	348.00	350.00	350.00	370.00	1,070.00
Timor-Leste	21.59	64.78	22.50	70.00	70.00	78.00	218.00
Southeast Asia	2,354.74	7,064.21	2,844.45	3,350.00	3,831.00	3,871.00	11,052.00
Indonesia	1,062.10	3,186.30	1,080.00	2,000.00	2,000.00	2,000.00	6,000.00
Philippines	901.80	2,705.40	805.75	845.00	850.00	860.00	2,555.00
Viet Nam	390.84	1,172.51	958.70	505.00	981.00	1,011.00	2,497.00
Regular OCR Regional Set-Aside				510.00	500.00		1,010.00
B. Nonsovereign Operations	1,771.67	5,315.02	2,200.00	2,700.00	3,150.00	3,400.00	9,250.00
C. Total (A + B)	11,704.39	35,113.16	14,615.40	15,799.00	16,916.00	17,202.00	49,917.00

OCR = ordinary capital resources.

Notes:

- Beginning 2018, the Asian Development Bank (ADB) shifts to commitments as its main performance metric. 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. A commitment may be in US dollars, special drawing rights, or other currencies. It is recorded in ADB's accounts as of the date of signature of the relevant legal agreement.
- The reclassification of Sri Lanka and Viet Nam as group C countries is effective 1 January 2019. These countries will become ineligible for concessional resources beginning on that date (ADB. 2017. *Sri Lanka: Review of Classification under ADB's Graduation Policy*. Manila, and ADB. *Viet Nam: Review of Classification under ADB's Graduation Policy*. 2017. Manila.). Additional regular OCR are allocated to compensate for the cessation of concessional resources.
- Numbers may not sum precisely because of rounding.

^a The 2017 commitment target is based on volume of approvals not yet signed as of the end of 2016 + 75% of 2017 policy-based lending + 45% of 2017 resources allocated for approval of investment projects.

^b South Asia data for 2014–2016 includes Bhutan, for which the average was \$23.33 million and the total was \$70 million.

Source: Asian Development Bank estimates.

Table A1.3: Concessional Assistance by Region and Country, 2018–2020
(\$ million)

Region/Country	Average	Total	Target	Projected			Total
	Actual 2014–2016	2014–2016	2017 ^a	2018	2019	2020	2018–2020
A. Operations Group 1	1,950.59	5,851.76	1,756.41	2,146.13	2,033.52	2,033.52	6,213.18
Central and West Asia^b	1,021.90	3,065.69	903.96	1,086.81	1,114.13	1,114.13	3,315.06
Afghanistan	201.39	604.18	99.72	221.59	226.72	226.72	675.03
Kyrgyz Republic	172.65	517.96	44.67	99.26	108.18	108.18	315.63
Pakistan	409.02	1,227.05	281.17	424.83	404.10	404.10	1,233.04
Tajikistan	77.48	232.44	92.24	93.87	102.21	102.21	298.29
Uzbekistan	39.27	117.80	386.16	247.25	272.91	272.91	793.07
South Asia	928.69	2,786.07	852.45	1,059.32	919.40	919.40	2,898.12
Bangladesh	456.46	1,369.37	419.65	511.84	497.19	497.19	1,506.22
Bhutan	54.30	162.91	22.92	50.92	61.01	61.01	172.94
Maldives	15.90	47.69	5.59	12.42	13.10	13.10	38.62
Nepal	252.76	758.27	334.01	327.96	348.10	348.10	1,024.15
Sri Lanka	149.27	447.82	70.28	156.18			156.18
B. Operations Group 2	810.57	2,431.71	1,256.00	1,310.46	884.84	884.84	3,080.14
East Asia	59.61	178.83	20.38	45.28	49.46	49.46	144.20
Mongolia	59.61	178.83	20.38	45.28	49.46	49.46	144.20
Pacific^b	121.94	365.82	128.48	157.45	162.04	162.04	481.52
Kiribati	5.73	17.20	4.02	7.28	7.45	7.45	22.17
Marshall Islands	1.67	5.00	2.84	6.32	6.40	6.40	19.11
Micronesia, Federated States of			2.90	6.45	6.54	6.54	19.53
Nauru	2.33	7.00	2.40	5.34	5.32	5.32	15.97
Palau	3.42	10.27	3.16	7.02	7.13	7.13	21.28
Papua New Guinea	31.24	93.72	54.03	42.73	42.73	42.73	128.18
Samoa	16.07	48.21	7.94	14.30	14.96	14.96	44.23
Solomon Islands	22.06	66.19	9.64	16.45	17.30	17.30	51.05
Timor-Leste	23.48	70.45	11.08	24.63	26.61	26.61	77.86
Tonga	3.98	11.95	11.49	11.24	11.61	11.61	34.46
Tuvalu	1.33	4.00	14.43	5.62	5.63	5.63	16.87
Vanuatu	10.28	30.84	4.54	10.09	10.36	10.36	30.81
Southeast Asia	629.02	1,887.06	1,107.14	1,107.74	673.34	673.34	2,454.42
Cambodia	180.07	540.22	122.46	213.90	226.56	226.56	667.02
Lao People's Democratic Republic	85.78	257.35	45.05	73.80	99.95	99.95	273.70
Myanmar	124.65	373.94	334.47	344.71	346.84	346.84	1,038.38
Viet Nam	238.52	715.55	605.16	475.33			475.33
C. Concessional Assistance Regional Pool				373.61	314.10	314.10	1,001.81
D. Regional Health Security				26.42	2.19	2.19	30.79
E. Disaster Response Facility				59.32	63.60	63.60	186.51
F. Total (A + B + C + D + E)	2,761.15	8,283.46	3,012.42	3,915.93	3,298.24	3,298.24	10,512.42

Notes:

1. Beginning 2018, the Asian Development Bank (ADB) shifts to commitments as its main performance metric. 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. A commitment may be in US dollars, special drawing rights, or other currencies. It is recorded in ADB's accounts as of the date of signature of the relevant legal agreement.
2. Allocations include disaster risk reduction allocations for concessional assistance-only countries (Table A1.6).
3. Allocations for Asian Development Fund (ADF) grants are based on projected ADF 12 financial resources as of 30 June 2017. Concessional resource allocations reflect half of the projected resources available for a biennial period. The use of concessional resource biennial allocations is guided by the parameters set out in the Concessional Assistance Policy (ADB, 2016, *Concessional Assistance Policy*, Manila.).
4. The reclassification of Sri Lanka and Viet Nam as group C countries is effective 1 January 2019. These countries will become ineligible for concessional resources beginning on that date (ADB, 2017, *Sri Lanka: Review of Classification under ADB's Graduation Policy*, Manila, and ADB, *Viet Nam: Review of Classification under ADB's Graduation Policy*, 2017, Manila.). Additional regular ordinary capital resources are allocated to compensate for the cessation of concessional resources.
5. Under a transition arrangement, Bhutan and the Lao People's Democratic Republic will become ineligible for ADF grants in 2019 instead of 2017.
6. Numbers may not sum precisely because of rounding.
 - ^a The 2017 commitment target is based on volume of approvals not yet signed as of the end of 2016 + 75% of 2017 policy-based lending + 45% of 2017 resources allocated for approval of investment projects.
 - ^b Central and West Asia data for 2014–2016 includes Armenia and Georgia. Armenia's average was \$57.64 million and its total was \$172.92 million. Georgia's average was \$64.44 million and its total was \$193.33 million. Pacific data for 2014–2016 includes Fiji, for which the average was \$0.33 million and the total was \$0.99 million.

Source: Asian Development Bank estimates.

Table A1.4: Concessional Ordinary Capital Resources Lending by Region and Country, 2018–2020
(\$ million)

Region/Country	Average	Total	Target	Projected			Total
	Actual	2014–2016	2017 ^{a,b}	2018	2019	2020	2018–2020
A. Operations Group 1	1,575.92	4,727.75	1,580.15	1,774.16	1,667.57	1,667.57	5,109.29
Central and West Asia^c	689.15	2,067.44	745.88	768.27	782.79	782.79	2,333.84
Kyrgyz Republic	89.31	267.94	24.57	49.59	54.55	54.55	158.69
Pakistan	409.02	1,227.05	281.17	424.83	404.10	404.10	1,233.04
Tajikistan	29.46	88.39	53.98	46.59	51.23	51.23	149.05
Uzbekistan	39.27	117.80	386.16	247.25	272.91	272.91	793.07
South Asia	886.77	2,660.31	834.27	1,005.89	884.78	884.78	2,775.46
Bangladesh	456.46	1,369.37	419.65	511.84	497.19	497.19	1,506.22
Bhutan	29.78	89.34	12.58	24.92	54.49	54.49	133.90
Nepal	251.26	753.77	331.76	312.96	333.10	333.10	979.15
Sri Lanka	149.27	447.82	70.28	156.18			156.18
B. Operations Group 2	755.15	2,265.45	1,168.98	1,157.56	799.92	799.92	2,757.39
East Asia	59.61	178.83	20.38	45.28	49.46	49.46	144.20
Mongolia	59.61	178.83	20.38	45.28	49.46	49.46	144.20
Pacific	82.68	248.03	85.90	99.86	103.38	103.38	306.62
Palau	3.42	10.27	3.16	7.02	7.13	7.13	21.28
Papua New Guinea	31.24	93.72	54.03	42.73	42.73	42.73	128.18
Samoa			5.03	7.00	7.42	7.42	21.85
Solomon Islands	16.19	48.58	4.06	8.05	8.59	8.59	25.22
Timor-Leste	23.48	70.45	11.08	24.63	26.61	26.61	77.86
Tonga	1.00	2.99	6.04	5.50	5.76	5.76	17.02
Vanuatu	7.01	21.04	2.49	4.94	5.14	5.14	15.22
Southeast Asia	612.86	1,838.59	1,062.71	1,012.42	647.07	647.07	2,306.57
Cambodia	180.07	540.22	120.54	201.09	213.88	213.88	628.85
Lao People's Democratic Republic	69.63	208.88	3.84		94.95	94.95	189.90
Myanmar	124.65	373.94	333.16	336.01	338.25	338.25	1,012.50
Viet Nam	238.52	715.55	605.16	475.33			475.33
C. Concessional OCR Regional Pool				314.29	250.50	250.50	815.29
D. Disaster Risk Reduction				40.49	40.33	40.33	121.15
E. Total (A + B + C + D)	2,331.07	6,993.20	2,749.14	3,286.50	2,758.32	2,758.32	8,803.13

OCR = ordinary capital resources.

Notes:

- Beginning 2018, the Asian Development Bank (ADB) shifts to commitments as its main performance metric. 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. A commitment may be in US dollars, special drawing rights, or other currencies. It is recorded in ADB's accounts as of the date of signature of the relevant legal agreement.
- Concessional resource allocations reflect half of projected resources available for a biennial period. The use of concessional resource biennial allocations is guided by the parameters set out in the Concessional Assistance Policy (ADB, 2016, *Concessional Assistance Policy*, Manila.).
- The reclassification of Sri Lanka and Viet Nam as group C countries is effective 1 January 2019. These countries will become ineligible for concessional resources beginning on that date (ADB, 2017, *Sri Lanka: Review of Classification under ADB's Graduation Policy*, Manila, and ADB, *Viet Nam: Review of Classification under ADB's Graduation Policy*, 2017, Manila.). Additional regular OCR is allocated to compensate for the cessation of concessional resources.

4. Under a transition arrangement, Bhutan and the Lao People's Democratic Republic will become ineligible for Asian Development Fund grants in 2019 instead of 2017.
5. Numbers may not sum precisely because of rounding.
 - ^a The 2017 commitment target is based on volume of approvals not yet signed as of the end of 2016 + 75% of 2017 policy-based lending + 45% of 2017 resources allocated for approval of investment projects.
 - ^b For 2017, in addition to concessional OCR lending, group A developing member countries in low risk of debt distress have grant commitment targets from their disaster risk reduction allocations: Cambodia, \$1.92 million; Myanmar, \$1.31 million; and Nepal, \$2.25 million.
 - ^c Central and West Asia data for 2014–2016 includes Armenia and Georgia. Armenia's average was \$57.64 million and its total was \$172.92 million. Georgia's average was \$64.44 million and its total was \$193.33 million. Pacific data for 2014–2016 includes Fiji, for which the average was \$0.33 million and the total was \$0.99 million.

Source: Asian Development Bank estimates.

Table A1.5: Asian Development Fund Grant by Region and Country, 2018–2020
(\$ million)

Region/Country	Average	Total	Target	Projected			Total
	Actual 2014–2016	2014–2016	2017 ^a	2018	2019	2020	2018–2020
A. Operations Group 1	374.67	1,124.01	176.26	325.11	318.70	318.70	962.51
Central and West Asia	332.75	998.25	158.08	293.54	306.34	306.34	906.22
Afghanistan	201.39	604.18	99.72	216.59	221.72	221.72	660.03
Kyrgyz Republic	83.34	250.02	20.10	39.67	43.64	43.64	126.95
Tajikistan	48.02	144.05	38.26	37.27	40.98	40.98	119.24
South Asia^b	41.92	125.76	18.18	31.57	12.36	12.36	56.29
Bhutan	24.52	73.57	10.34	19.93			19.93
Maldives	15.90	47.69	5.59	11.63	12.36	12.36	36.36
B. Operations Group 2	55.42	166.26	87.02	118.53	51.09	51.09	220.72
East Asia							
Pacific	39.26	117.79	42.58	49.41	51.09	51.09	151.60
Kiribati	5.73	17.20	4.02	6.81	7.03	7.03	20.87
Marshall Islands	1.67	5.00	2.84	5.92	6.04	6.04	17.99
Micronesia, Federated States of			2.90	6.04	6.17	6.17	18.38
Nauru	2.33	7.00	2.40	5.00	5.02	5.02	15.03
Samoa	16.07	48.21	2.90	5.60	5.94	5.94	17.48
Solomon Islands	5.87	17.61	5.58	6.44	6.87	6.87	20.18
Tonga	2.99	8.96	5.46	4.40	4.61	4.61	13.62
Tuvalu	1.33	4.00	14.43	5.26	5.31	5.31	15.88
Vanuatu	3.27	9.81	2.05	3.95	4.11	4.11	12.18
Southeast Asia^c	16.16	48.47	44.44	69.12			69.12
Lao People's Democratic Republic	16.16	48.47	41.21	69.12			69.12
C. ADF Regional Pool				59.32	63.60	63.60	186.51
D. Disaster Response Facility				59.32	63.60	63.60	186.51
E. Disaster Risk Reduction				40.75	40.75	40.75	122.25
F. Regional Health Security				26.42	2.19	2.19	30.79
G. Total (A + B + C + D + E + F)	430.09	1,290.27	263.28	629.44	539.93	539.93	1,709.29

ADF = Asian Development Fund.

Notes:

- Beginning 2018, the Asian Development Bank (ADB) shifts to commitments as its main performance metric. 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. A commitment may be in US dollars, special drawing rights, or other currencies. It is recorded in ADB's accounts as of the date of signature of the relevant legal agreement.
- Allocations for ADF grants are based on projected ADF 12 financial resources as of 30 June 2017. Concessional resource allocations reflect half of the projected resources available for a biennial period. The use of concessional resource biennial allocations is guided by the parameters set out in the Concessional Assistance Policy (ADB, 2016, *Concessional Assistance Policy*, Manila.).
- Under a transition arrangement, Bhutan and the Lao People's Democratic Republic will become ineligible for ADF grants in 2019 instead of 2017.

4. Numbers may not sum precisely because of rounding.

- ^a The 2017 commitment target is based on volume of approvals not yet signed as of the end of 2016 + 75% of 2017 policy-based lending + 45% of 2017 resources allocated for approval of investment projects.
- ^b South Asia data includes Nepal. For 2014–2016, its average was \$1.50 million and its total was \$4.50 million. For 2017, Nepal's target is \$2.25 million.
- ^c For 2017, Southeast Asia data includes Cambodia and Myanmar. Cambodia's target is \$1.92 million while Myanmar's target is \$1.31 million.

Source: Asian Development Bank estimates.

Table A1.6: Disaster Risk Reduction by Region and Country, 2018–2020
(\$ million)

Region/Country	2018			2019			2020			Total 2018–2020
	COL	ADF	Total	COL	ADF	Total	COL	ADF	Total	
A. Operations Group 1	23.04	23.82	46.86	23.26	24.00	47.26	23.26	24.00	47.26	141.37
Central and West Asia	10.00	15.00	25.00	10.00	15.00	25.00	10.00	15.00	25.00	75.00
Afghanistan		5.00	5.00		5.00	5.00		5.00	5.00	15.00
Kyrgyz Republic	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00	10.00	30.00
Tajikistan	5.00	5.00	10.00	5.00	5.00	10.00	5.00	5.00	10.00	30.00
South Asia	13.04	8.82	21.86	13.26	9.00	22.26	13.26	9.00	22.26	66.37
Bhutan	3.04	3.04	6.07	3.26	3.26	6.52	3.26	3.26	6.52	19.11
Maldives		0.79	0.79		0.74	0.74		0.74	0.74	2.27
Nepal	10.00	5.00	15.00	10.00	5.00	15.00	10.00	5.00	15.00	45.00
B. Operations Group 2	17.45	16.93	34.38	17.07	16.75	33.83	17.07	16.75	33.83	102.03
East Asia										
Pacific	3.11	5.07	8.18	2.90	4.66	7.56	2.90	4.66	7.56	23.30
Kiribati		0.46	0.46		0.42	0.42		0.42	0.42	1.30
Marshall Islands		0.40	0.40		0.36	0.36		0.36	0.36	1.12
Micronesia, Federated States of		0.41	0.41		0.37	0.37		0.37	0.37	1.15
Nauru		0.34	0.34		0.30	0.30		0.30	0.30	0.94
Samoa	0.85	0.85	1.71	0.80	0.80	1.60	0.80	0.80	1.60	4.90
Solomon Islands	0.98	0.98	1.96	0.92	0.92	1.85	0.92	0.92	1.85	5.66
Tonga	0.67	0.67	1.34	0.62	0.62	1.24	0.62	0.62	1.24	3.82
Tuvalu		0.36	0.36		0.32	0.32		0.32	0.32	0.99
Vanuatu	0.60	0.60	1.20	0.55	0.55	1.11	0.55	0.55	1.11	3.42
Southeast Asia	14.35	11.85	26.20	14.18	12.09	26.27	14.18	12.09	26.27	78.73
Cambodia	8.55	4.27	12.82	8.45	4.23	12.68	8.45	4.23	12.68	38.17
Lao People's Democratic Republic		4.68	4.68		5.00	5.00		5.00	5.00	14.68
Myanmar	5.80	2.90	8.70	5.73	2.86	8.59	5.73	2.86	8.59	25.89
C. Total (A + B)	40.49	40.75	81.24	40.33	40.75	81.08	40.33	40.75	81.08	243.40

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending.

Notes:

1. Disaster risk reduction allocations reflect half of the projected resources available for a biennial period. The use of concessional resource biennial allocations is guided by the parameters set out in the Concessional Assistance Policy (ADB, 2016. *Concessional Assistance Policy*. Manila.).

2. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**SOVEREIGN OPERATIONS PIPELINE PROJECTED COMMITMENTS
BY SECTOR, STRATEGIC AGENDA, AND DRIVERS OF CHANGE**

**Table A2.1: Sovereign Operations Pipeline
Projected Commitments by Sector, 2014–2020**

Sector	2014–2016 (Total) ^a				2017 (Estimate)				2018–2020 (Estimated Total) ^b			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Agriculture, Natural Resources, and Rural Development	37	9	2,140	6	21	11	1,288	8	70	15	6,792	13
Education	31	8	2,139	6	13	7	622	4	32	7	3,441	7
Energy	54	14	8,931	23	32	17	4,239	27	64	14	10,629	21
Finance	29	7	3,232	8	9	5	1,293	8	27	6	3,034	6
Health	9	2	546	1	4	2	161	1	22	5	1,503	3
Industry and Trade	14	4	1,035	3	15	8	818	5	12	3	432	1
ICT	2	1	43	0.1	3	2	50	0.3	4	1	106	0.2
PSM	37	9	5,018	13	15	8	683	4	45	10	3,714	7
Transport	112	29	10,383	27	52	28	4,843	31	107	23	14,324	28
Water and Other Urban Infrastructure and Services	65	17	4,615	12	25	13	1,431	9	89	19	7,205	14
Total	390	100	38,082	100	189	100	15,428	100	472	100	51,179^c	100
Memorandum Item	260	64	24,771	65	124	62	11,194	73	311	62	36,101	71
Infrastructure	54	13	8,931	23	32	16	4,239	27	64	13	10,629	21
Energy	54	13	8,931	23	32	16	4,239	27	64	13	10,629	21
Transport	112	27	10,383	27	52	26	4,843	31	107	21	14,324	28
Water and Other Urban Infrastructure and Services	65	16	4,615	12	25	13	1,431	9	89	18	7,205	14
ICT	2	0.5	43	0.1	3	2	50	0.3	4	1	106	0.2
Irrigation	16	4	601	2	7	4	490	3	22	4	3,013	6
General Infrastructure ^d	11	3	198	1	5	3	141	1	25	5	824	2

ICT = information and communication technology, No. = number of operations, PSM = public sector management.

Notes: The number of operations refers to sector components within projects and does not represent the number of projects. Numbers may not sum precisely because of rounding.

^a Reflects actual commitments by sector breakdown during 2014–2016.

^b Estimates based on the pipelines of country operations business plans jointly developed by developing member countries and the Asian Development Bank.

^c In addition, the projected nonsovereign commitments during the Work Program and Budget Framework, 2018–2020 amounts to \$9,250 million. This yields an overall projected commitment level of \$60.4 billion (para. 7 and Figure 1 of the main text).

^d Includes rural market infrastructure; rural water policy, institutional and capacity development; rural water supply services; rural sanitation; and rural solid waste management.

Source: Asian Development Bank estimates.

**Table A2.2: Regular Ordinary Capital Resources Operations Pipeline
Projected Commitments by Sector, 2014–2020**

Sector	2014–2016 (Total) ^a				2017 (Estimate)				2018–2020 (Estimated Total) ^b			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Agriculture, Natural Resources, and Rural Development	21	10	1,424	5	14	11	1,045	8	45	15	4,881	12
Education	11	5	1,159	4	6	5	155	1	12	4	1,427	4
Energy	36	16	6,811	23	23	18	4,030	32	51	17	9,593	24
Finance	20	9	2,622	9	8	6	1,291	10	19	6	2,634	6
Health	4	2	476	2	2	2	66	1	14	5	1,030	3
Industry and Trade	3	1	881	3	8	6	677	5	8	3	339	1
ICT	1	0.5	16	0.1	2	2	38	0.3	3	1	98	0.2
PSM	22	10	4,569	15	6	5	285	2	21	7	3,097	8
Transport	64	29	8,501	29	41	32	3,965	32	75	24	12,104	30
Water and Other Urban Infrastructure and Services	39	18	3,339	11	17	13	864	7	59	19	5,465	13
Total	221	100	29,798	100	127	100	12,415	100	307	100	40,667^c	100
Memorandum Item												
Infrastructure	153	66	19,023	64	91	68	9,449	76	218	67	30,162	74
Energy	36	16	6,811	23	23	17	4,030	32	51	16	9,593	24
Transport	64	28	8,501	29	41	31	3,965	32	75	23	12,104	30
Water and Other Urban Infrastructure and Services	39	17	3,339	11	17	13	864	7	59	18	5,465	13
ICT	1	0.4	16	0.1	2	2	38	0.3	3	1	98	0.2
Irrigation	6	3	220	1	4	3	440	4	17	5	2,499	6
General Infrastructure ^d	7	3	136	0.5	4	3	111	1	13	4	403	1

ICT = information and communication technology, No. = number of operations, PSM = public sector management.

Notes: The number of operations refers to sector components within projects and does not represent the number of projects. Numbers may not sum precisely because of rounding.

^a Reflects actual commitments by sector breakdown during 2014–2016.

^b Estimates based on the pipelines of country operations business plans jointly developed by developing member countries and the Asian Development Bank.

^c In addition, the projected nonsovereign commitments during the Work Program and Budget Framework, 2018–2020 amounts to \$9,250 million. This yields total projected regular ordinary capital resources commitments of \$49,917 million (Table 1 of the main text).

^d Includes rural market infrastructure; rural water policy, institutional and capacity development; rural water supply services; rural sanitation; and rural solid waste management.

Source: Asian Development Bank estimates.

**Table A2.3: Concessional Ordinary Capital Resources Operations Pipeline
Projected Commitments by Sector, 2014–2020**

Sector	2014–2016 (Total) ^a				2017 (Estimate)				2018–2020 (Estimated Total) ^b			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Agriculture, Natural Resources, and Rural Development	15	9	647	9	7	12	219	8	28	17	1,547	18
Education	16	10	887	13	5	9	461	17	19	12	1,919	22
Energy	17	10	1,489	21	8	14	179	7	11	7	778	9
Finance	13	8	581	8					8	5	373	4
Health	4	2	64	1	2	4	92	3	8	5	365	4
Industry and Trade	7	4	87	1	4	7	124	5	7	4	85	1
ICT	1	1	8	0.1					1	1	3	0.03
PSM	14	9	405	6	6	11	384	14	12	7	478	5
Transport	48	29	1,556	22	15	26	725	26	37	23	1,817	21
Water and Other Urban Infrastructure and Services	29	18	1,269	18	10	18	566	21	30	19	1,439	16
Total	164	100	6,993	100	57	100	2,749	100	159	100	8,803	100
Memorandum Item												
Infrastructure	108	62	4,709	67	36	60	1,540	56	99	56	4,791	54
Energy	17	10	1,489	21	8	13	179	7	11	6	778	9
Transport	48	28	1,556	22	15	25	725	26	37	21	1,817	21
Water and Other Urban Infrastructure and Services	29	17	1,269	18	10	17	566	21	30	17	1,439	16
ICT	1	1	8	0.1					1	1	3	0.03
Irrigation	9	5	324	5	2	3	40	1	6	3	365	4
General Infrastructure ^c	4	2	62	1	1	2	31	1	14	8	390	4

ICT = information and communication technology, No. = number of operations, PSM = public sector management.

Notes: The number of operations refers to sector components within projects and does not represent the number of projects. Numbers may not sum precisely because of rounding.

^a Reflects actual commitments by sector breakdown during 2014–2016.

^b Estimates based on the pipelines of country operations business plans jointly developed by developing member countries and the Asian Development Bank.

^c Includes rural market infrastructure; rural water policy, institutional and capacity development; rural water supply services; rural sanitation; and rural solid waste management.

Source: Asian Development Bank estimates.

**Table A2.4: Asian Development Fund Grant Operations Pipeline
Projected Commitments by Sector, 2014–2020**

Sector	2014–2016 (Total) ^a				2017 (Estimate)				2018–2020 (Estimated Total) ^b			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Agriculture, Natural Resources, and Rural Development	5	7	69	5	3	9	25	10	16	17	364	21
Education	8	11	93	7	2	6	6	2	5	5	95	6
Energy	14	20	631	49	8	23	29	11	9	9	259	15
Finance	4	6	29	2	1	3	2	1	3	3	28	2
Health	1	1	7	1	1	3	3	1	6	6	107	6
Industry and Trade	6	9	68	5	4	11	17	6	2	2	8	0.5
ICT	1	1	19	1	1	3	12	5	1	1	5	0.3
PSM	10	14	43	3	7	20	14	5	19	20	139	8
Transport	19	27	326	25	7	20	154	58	17	18	403	24
Water and Other Urban Infrastructure and Services	2	3	7	1	1	3	1	0.3	18	19	301	18
Total	70	100	1,290	100	35	100	263	100	96	100	1,709	100
Memorandum Item												
Infrastructure	39	55	1,039	81	19	51	205	78	56	55	1,148	67
Energy	14	20	631	49	8	22	29	11	9	9	259	15
Transport	19	27	326	25	7	19	154	58	17	17	403	24
Water and Other Urban Infrastructure and Services	2	3	7	1	1	3	1	0.3	18	18	301	18
ICT	1	1	19	1	1	3	12	5	1	1	5	0.3
Irrigation	3	4	56	4	2	5	9	4	3	3	148	9
General Infrastructure ^c									8	8	32	2

ICT = information and communication technology, No. = number of operations, PSM = public sector management.

Notes: The number of operations refers to sector components within projects and does not represent the number of projects. Numbers may not sum precisely because of rounding.

^a Reflects actual commitments by sector breakdown during 2014–2016.

^b Estimates based on the pipelines of country operations business plans jointly developed by developing member countries and the Asian Development Bank.

^c Includes rural market infrastructure; rural water policy, institutional and capacity development; rural water supply services; rural sanitation; and rural solid waste management.

Source: Asian Development Bank estimates.

**Table A2.5: Sovereign Operations Pipeline
Projected Commitments by Strategic Agenda, 2014–2020**

Strategic Agenda	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Inclusive Economic Growth												
Pillar 1	112	36	17,433	46	40	28	5,157	33	159	39	22,046	43
Pillar 2	195	62	19,429	51	102	71	10,150	66	242	59	28,118	55
Pillar 3	22	7	2,566	7	10	7	832	5	30	7	4,048	8
Environmentally Sustainable Growth	181	58	18,328	48	90	63	10,595	69	262	64	32,992	64
Regional Integration	76	24	8,404	22	44	31	3,954	26	97	24	12,976	25

No. = number of projects; Pillar 1 = economic opportunities, including jobs, created and expanded; Pillar 2 = access to economic opportunities, including jobs, made more inclusive; Pillar 3 = extreme deprivation prevented and effects of shocks reduced (social protection).

Notes:

1. A project may contribute to any or all of the strategic agendas subject to meeting the eligibility criteria. Thus, the percentages may sum to more than 100%. While no overlap exists between Pillars 1 and 2 of inclusive economic growth framework, a project may support Pillar 3 and Pillar 2. Thus, Pillars 1 and 2 are equal to or less than 100% of ADB's operations; whereas adding Pillar 3 operations may bring this total to above 100% of projected commitments.
2. Data for 2017–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.6: Regular Ordinary Capital Resources Operations Pipeline
Projected Commitments by Strategic Agenda, 2014–2020**

Strategic Agenda	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Inclusive Economic Growth												
Pillar 1	68	37	14,307	48	30	31	4,819	39	103	40	18,923	47
Pillar 2	109	60	14,342	48	65	68	7,497	60	151	59	20,963	52
Pillar 3	14	8	2,060	7	7	7	637	5	18	7	2,693	7
Environmentally Sustainable Growth	110	60	14,279	48	64	67	8,888	72	174	67	26,030	64
Regional Integration	35	19	5,773	19	24	25	2,820	23	60	23	9,577	24

No. = number of projects; Pillar 1 = economic opportunities, including jobs, created and expanded; Pillar 2 = access to economic opportunities, including jobs, made more inclusive; Pillar 3 = extreme deprivation prevented and effects of shocks reduced (social protection).

Notes:

1. A project may contribute to any or all of the strategic agendas subject to meeting the eligibility criteria. Thus, the percentages may sum to more than 100%. While no overlap exists between Pillars 1 and 2 of inclusive economic growth framework, a project may support Pillar 3 and Pillar 2. Thus, Pillars 1 and 2 are equal to or less than 100% of ADB's operations; whereas adding Pillar 3 operations may bring this total to above 100% of projected commitments.
2. Data for 2017–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.7: Concessional Ordinary Capital Resources Operations Pipeline
Projected Commitments by Strategic Agenda, 2014–2020**

Strategic Agenda	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Inclusive Economic Growth												
Pillar 1	45	32	2,496	36	5	11	290	11	46	32	2,368	27
Pillar 2	92	66	4,427	63	41	87	2,437	89	96	67	6,201	70
Pillar 3	11	8	466	7	3	6	195	7	12	8	1,286	15
Environmentally Sustainable Growth	80	58	3,663	52	30	64	1,631	59	92	64	5,602	64
Regional Integration	38	27	1,703	24	16	34	941	34	39	27	2,577	29

No. = number of projects; Pillar 1 = economic opportunities, including jobs, created and expanded; Pillar 2 = access to economic opportunities, including jobs, made more inclusive; Pillar 3 = extreme deprivation prevented and effects of shocks reduced (social protection).

Notes:

1. A project may contribute to any or all of the strategic agendas subject to meeting the eligibility criteria. Thus, the percentages may sum to more than 100%. While no overlap exists between Pillars 1 and 2 of inclusive economic growth framework, a project may support Pillar 3 and Pillar 2. Thus, Pillars 1 and 2 are equal to or less than 100% of ADB's operations; whereas adding Pillar 3 operations may bring this total to above 100% of projected commitments.
2. Data for 2017–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.8: Asian Development Fund Grant Operations Pipeline
Projected Commitments by Strategic Agenda, 2014–2020**

Strategic Agenda	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Inclusive Economic Growth												
Pillar 1	27	51	630	49	8	29	48	18	38	45	755	44
Pillar 2	26	49	660	51	20	71	215	82	47	55	954	56
Pillar 3	2	4	40	3					3	4	69	4
Environmentally Sustainable Growth	29	55	386	30	14	50	77	29	56	66	1,360	80
Regional Integration	22	42	927	72	13	46	193	73	24	28	822	48

No. = number of projects; Pillar 1 = economic opportunities, including jobs, created and expanded; Pillar 2 = access to economic opportunities, including jobs, made more inclusive; Pillar 3 = extreme deprivation prevented and effects of shocks reduced (social protection).

Notes:

1. A project may contribute to any or all of the strategic agendas subject to meeting the eligibility criteria. Thus, the percentages may sum to more than 100%. While no overlap exists between Pillars 1 and 2 of inclusive economic growth framework, a project may support Pillar 3 and Pillar 2. Thus, Pillars 1 and 2 are equal to or less than 100% of ADB's operations; whereas adding Pillar 3 operations may bring this total to above 100% of projected commitments.
2. Data for 2017–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.9: Sovereign Operations Pipeline
Projected Commitments by Drivers of Change, 2014–2020**

Drivers of Change	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Private Sector Development	130	42	16,600	44	74	51	8,138	53	156	38	19,257	38
Governance and Capacity Development	261	83	30,640	80	119	83	12,621	82	321	79	38,441	75
Gender Equity and Mainstreaming	150	48	14,837	39	74	51	6,809	44	211	52	22,015	43
Knowledge Solutions	125	40	14,952	39	79	55	7,676	50	185	45	23,216	45
Partnerships	172	55	21,090	55	78	54	7,963	52	252	62	30,132	59

No. = number of projects.

Notes:

1. A project may contribute to any or all of the drivers of change subject to the eligibility criteria. Thus, the percentages may sum to more than 100%.
2. Data for 2018–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Gender equity and mainstreaming includes projects tagged as category 1 (gender equity) and category 2 (effective gender mainstreaming).
4. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.10: Regular Ordinary Capital Resources Operations Pipeline
Projected Commitments by Drivers of Change, 2014–2020**

Drivers of Change	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Private Sector Development	74	41	13,473	45	48	50	6,584	53	95	37	15,854	39
Governance and Capacity Development	148	81	23,634	79	78	81	10,057	81	206	80	30,669	75
Gender Equity and Mainstreaming	79	43	10,571	35	43	45	4,752	38	120	47	15,239	37
Knowledge Solutions	69	38	11,271	38	50	52	6,137	49	123	48	18,812	46
Partnerships	92	51	15,151	51	50	52	6,570	53	148	57	22,519	55

No. = number of projects.

Notes:

1. A project may contribute to any or all of the drivers of change subject to the eligibility criteria. Thus, the percentages may sum to more than 100%.
2. Data for 2018–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Gender equity and mainstreaming includes projects tagged as category 1 (gender equity) and category 2 (effective gender mainstreaming).
4. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.11: Concessional Ordinary Capital Resources Operations Pipeline
Projected Commitments by Drivers of Change, 2014–2020**

Drivers of Change	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Private Sector Development	56	40	2,738	39	23	49	1,470	53	57	40	2,926	33
Governance and Capacity Development	124	89	6,271	90	41	87	2,449	89	110	76	6,622	75
Gender Equity and Mainstreaming	80	58	3,888	56	34	72	1,995	73	93	65	5,944	68
Knowledge Solutions	58	42	3,250	46	24	51	1,301	47	58	40	3,884	44
Partnerships	84	60	4,934	71	27	57	1,330	48	92	64	6,344	72

No. = number of projects.

Notes:

1. A project may contribute to any or all of the drivers of change subject to the eligibility criteria. Thus, the percentages may sum to more than 100%.
2. Data for 2018–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Gender equity and mainstreaming includes projects tagged as category 1 (gender equity) and category 2 (effective gender mainstreaming).
4. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

**Table A2.12: Asian Development Fund Grant Operations Pipeline
Projected Commitments by Drivers of Change, 2014–2020**

Drivers of Change	2014–2016 (Total)				2017 (Estimate)				2018–2020 (Estimated Total)			
	No.	%	\$ million	%	No.	%	\$ million	%	No.	%	\$ million	%
Private Sector Development	27	51	389	30	14	50	85	32	39	46	477	28
Governance and Capacity Development	42	79	735	57	22	79	114	43	68	80	1,151	67
Gender Equity and Mainstreaming	18	34	378	29	14	50	61	23	48	56	831	49
Knowledge Solutions	23	43	432	33	17	61	238	91	33	39	520	30
Partnerships	36	68	1,004	78	16	57	62	24	71	84	1,269	74

No. = number of projects.

Notes:

1. A project may contribute to any or all of the drivers of change subject to the eligibility criteria. Thus, the percentages may sum to more than 100%.
2. Data for 2018–2020 are projections based on the pipelines of country operations programs jointly developed by developing member countries and the Asian Development Bank.
3. Gender equity and mainstreaming includes projects tagged as category 1 (gender equity) and category 2 (effective gender mainstreaming).
4. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

WORKFORCE ANALYSIS

A. 2016 Workforce Analysis: Methodology and Update on Implementation

1. **Workforce analysis methodology.** The Asian Development Bank (ADB) developed a comprehensive workforce analysis methodology in 2015.¹ A database on staff time was established through recall surveys, focus group discussions, and meetings with experienced mission leaders. The staff-time was used to develop coefficients.² For the operations departments and direct operations support departments, staff time coefficients were used to estimate the staffing requirements for key operational deliverables, including projects, programs, technical assistance (TA), and country programming. Staff-time coefficients for processing roles for projects, programs, and TA were based on the ideal requirements and adjusted for the country category (groups A, B, and C, as well as fragile and conflict-affected situations).³ For nonoperations departments, a staff-time database was generated through recall surveys to develop coefficients for major or core operational deliverables. Staffing requirements for operations and direct operations support departments⁴ were derived by multiplying the staff time coefficients with the available databases on operational pipelines (processing and implementation). In addition, the analysis considered the needs for important ongoing and planned initiatives that may not be directly linked with the scaling up.⁵ A similar methodology was used for the 2016 and 2017 workforce analysis exercise.

2. **Staffing requirements for WPBF, 2017–2019.** Gross staffing requirements included for the scaled-up WPBF, 2017–2019 operational pipelines compared to the base case of WPBF, 2016–2018, along with increased efficiencies and timeliness of project, program, and TA implementation and new initiatives and other priority needs was estimated at 360. With the reduction of gross staffing requirements from optimization measures, net new staffing requirements for 2017–2019 was estimated at 200 phased in over 3-years (2017–2019) to help smoothen the budgetary implications. For 2017, gross requirements were identified at 180, of which 100 will be generated from staff optimization and the remaining 80 were new positions. Like in 2016, the 2017 staffing strategy was two-pronged: (i) departments “optimize first” through flexibilities in position management and deployment of positions freed up through early separation, and (ii) “new positions” for departments and resident missions with limited scope to optimize existing resources.

¹ In 2015, the workforce analysis for the first-time covered operations and nonoperations departments.

² Staff time required to undertake project processing and implementation or to deliver a major departmental output.

³ Each financing modality represents a different level of effort for processing and implementation. As such, coefficients were developed for each major financing modality, including investment projects, sector projects, multitranche financing facilities, sector development programs, policy-based loans, and results-based loans.

⁴ Direct operations support departments have direct work outputs for operations' processing and implementation (Controller's Department; Economic Research and Regional Cooperation Department; Independent Evaluation Department; Office of the Auditor General; Office of Anticorruption and Integrity; Office of Cofinancing Operations; Office of the Compliance Review Panel; Office of the General Counsel; Office of Risk Management; Operations Services and Financial Management Department; Office of the Special Project Facilitator; Sustainable Development and Climate Change Department; and Strategy, Policy and Review Department).

⁵ Other priority staffing needs would include staff requirements to (i) resource offices and resident missions and strengthen capacities to support scaling up (e.g., resourcing the Myanmar Resident Mission, treasury operations including local currency), (ii) implement reforms (e.g. Second Generation of Procurement Reforms and Financial Management Due Diligence, human resources reforms), and (iii) deliver commitments (e.g. organizational resilience, respectful workplace, climate change).

B. Meeting 2017 Staffing Requirements

3. **New positions for 2017.** New positions were provided mainly to support operations departments⁶ and strengthen resident missions. New positions were also allocated to operations support departments to meet requirements for legal operations, sector and thematic groups, operational risk management, and implementation of the procurement reforms. Of the 80 new positions, 40 were international staff, 30 were national staff, and 10 were administrative staff (analysts).

4. **Staff optimization and augmented resources.** Besides the 80 new positions provided in 2017, staff optimization measures freed up 107 positions to augment staff capacity against the target of 100 positions (Table 4 of the main text). New positions and optimized staff resources total 187 positions exceeding the 180 gross requirements for 2017 identified in the WPBF, 2017–2019. Staff optimization will continue in 2018–2020 to augment positions needed for additional staff requirements over the 3-year period.

5. **Strengthened resident mission capacity.** The midterm review of Strategy 2020 action plan⁷ calls for further strengthening of the resident missions. As of 31 August 2017, of the 80 new positions, 28 (19 international and national staff, 9 administrative staff [analysts])⁸ were allocated to the resident missions. These were supplemented by 9 positions (4 national staff and 5 administrative staff [analysts]) generated through staff optimization.⁹ This brings the total positions allocated to the resident missions to 37. In 2017 an additional 31 staff (28 international staff and 3 national staff) were outposted bringing total actual outposted staff to 97 (82 international staff and 15 national staff). Strengthening resident mission capacity will continue in 2018–2020 through the allocation of new positions, staff optimization and more outposting (Table A3).

Table A3: Outposted Staff in the Field Offices

Outposting skills	As of End 2016		New Outposting in 2017		Total Outposting ^a	
	IS	NS	IS	NS	IS	NS
Sector	41		12		53	
Country Coordination ^b		4				4
Legal Counsel	2				2	
Procurement	7		2		9	
Security	1		1	1	2	1
Private Sector Operations	4	8	13	2	16 ^c	10
Overall	55	12	28	3	82	15

IS = international staff; NS = national staff.

^a Total approved outposting as of 31 August 2017

^b For extended missions in Samoa, Solomon Islands, Tonga, and Vanuatu, positions are currently housed in the Pacific Subregional Office in Suva, Fiji, and the Pacific Liaison and Coordination Office in Sydney, Australia.

^c One international staff from ADB's Private Sector Operations Department was outposted to People's Republic of China Resident Mission and returned to headquarters in 2017.

Source: Asian Development Bank estimates.

⁶ Regional departments, Office of Public–Private Partnership, and Private Sector Operations Department.

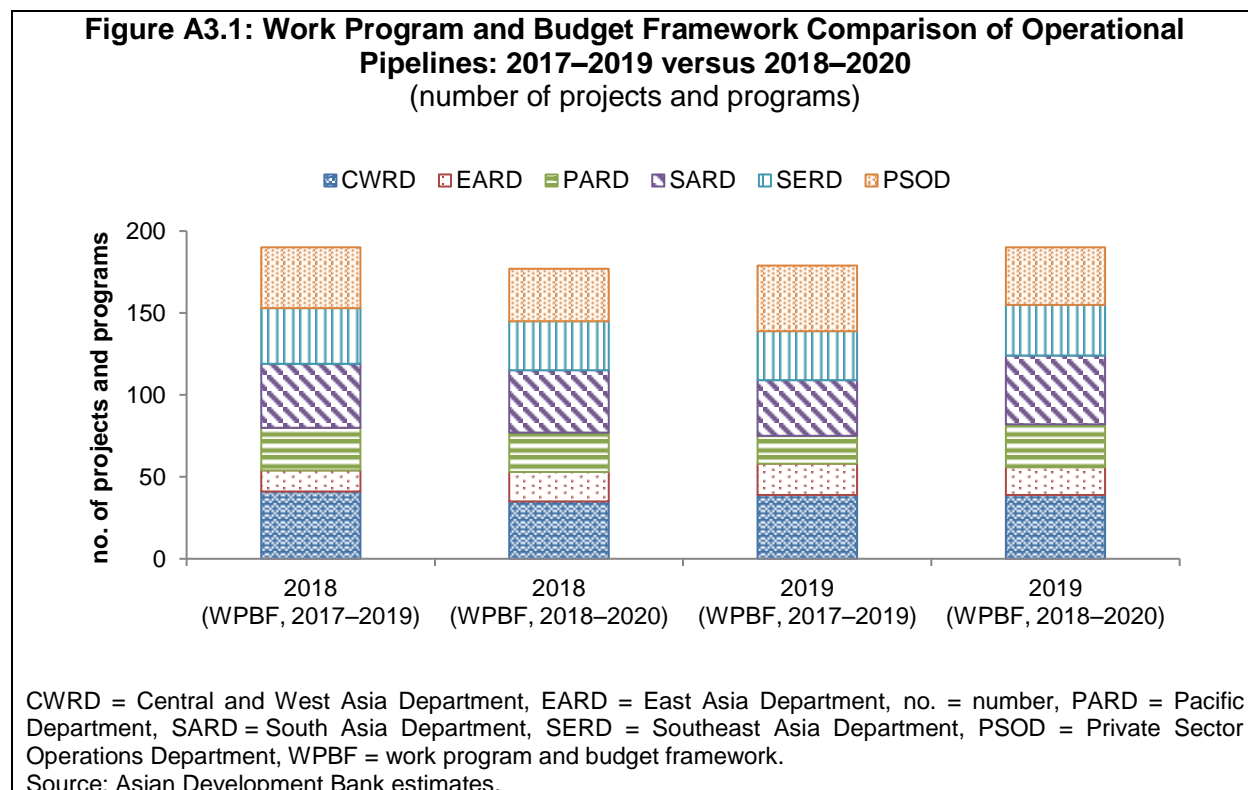
⁷ ADB. 2014. *Midterm Review of Strategy 2020 Action Plan*. Manila.

⁸ Excludes outposted positions.

⁹ Optimization includes positions through flexible position management and early separation.

C. 2017 Workforce Analysis Key Findings

6. **Operations are projected to continue growing.** According to the WPBF, 2018–2020, operations are envisaged to continue growing as indicated in the scaling up trajectory in the WPBF, 2017–2019.¹⁰ The annual firm approvals of projects and programs for WPBF, 2018–2019 will be similar to the projections for the WPBF, 2017–2019 (Figure A3.1). However, all the regional departments have strong stand-by pipelines throughout the 2018–2019 (about 23% over-programming during the WPBF, 2018–2020 compared with 19% in the WPBF, 2017–2019). Taking into account the standby, the number of investment projects increases across regional departments for the projected 2018–2020 pipelines.



7. The steady growth trajectory has direct implications on the workload of operations support departments, such as the Controller’s Department, Office of the General Counsel, Office of Risk Management, and Operations Services and Financial Management Department.

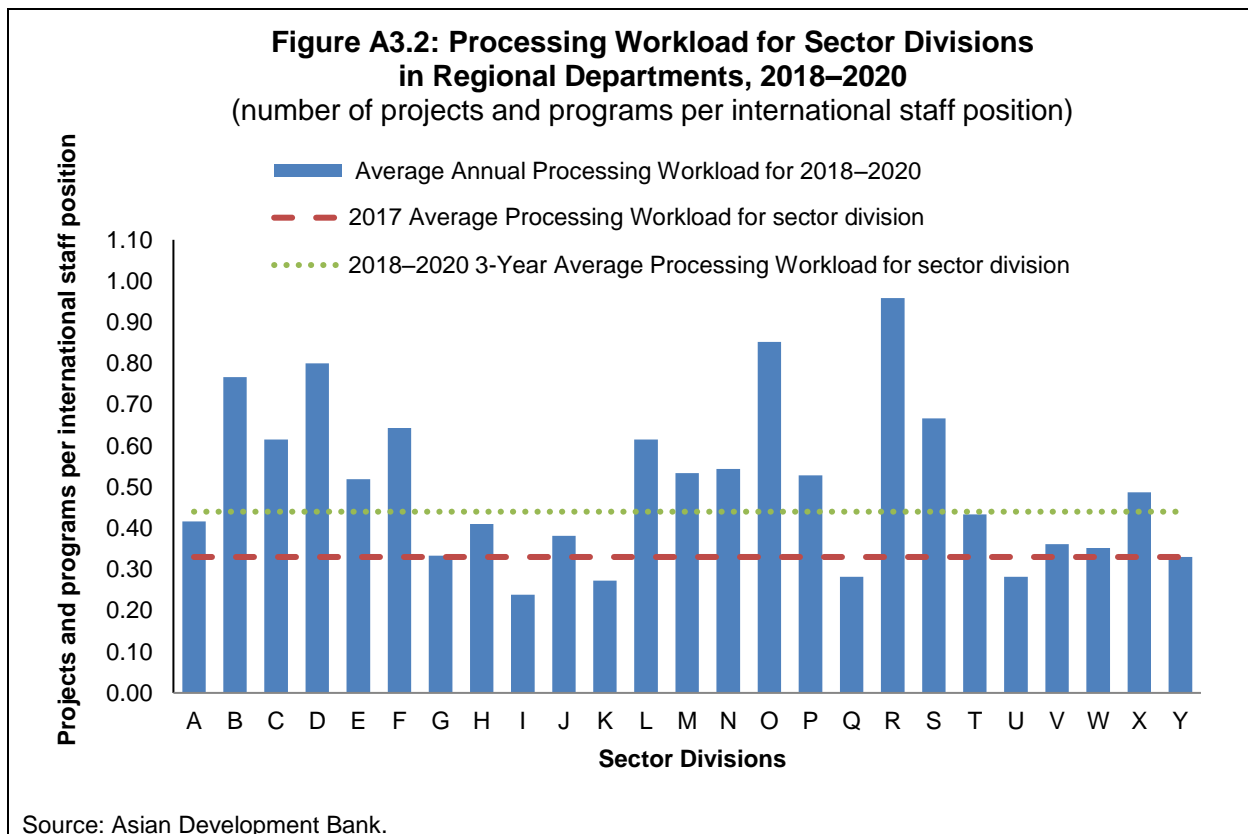
8. **Average processing workloads for WPBF, 2018–2020 will increase and there is room to further balance workload-staffing.** With the new positions and optimization efforts in 2017, resource imbalances were improved. The average processing workload per international staff dropped to 0.33 projects and program in 2017 compared with 0.36 projects and programs in 2016.¹¹ However, because of scaled-up operations and more stand-by projects, the annual

¹⁰ ADB. 2016. *Work Program and Budget Framework, 2017–2019*. Manila (paras. 4–6).

¹¹ The 2015 workforce analysis found workload-staffing imbalance and recommended a desired level of 0.33 project and programs per international staff per year for the rebalancing efforts (0.33 means that on average an international staff would process a project and program every 3 years). The 2016 workforce analysis showed a significant improvement compared the desired workload level. In 2017, the average workload level reached the desired level of 0.33. Therefore, the 2017 workforce analysis evaluates the results against the average workload level instead of using the desired level.

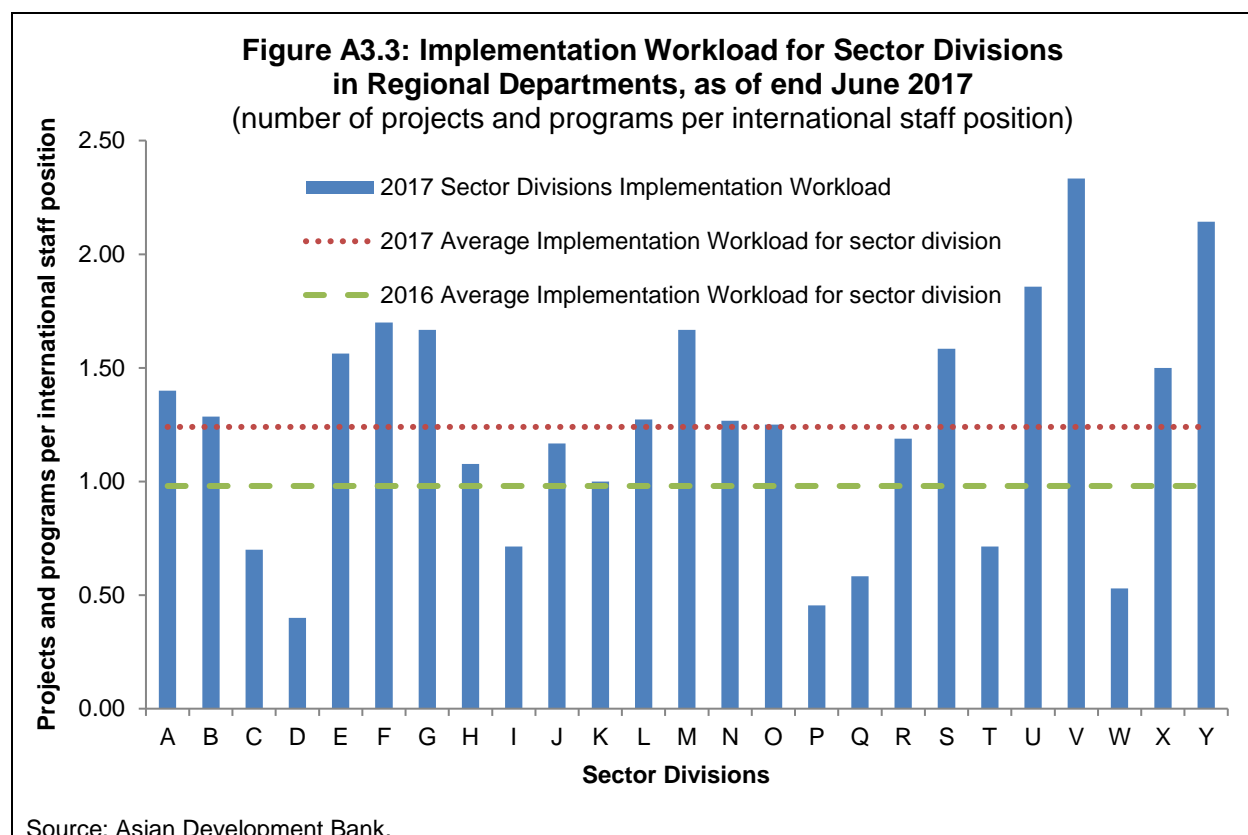
average processing workload for WPBF, 2018–2020 will increase to 0.44 projects and programs per international staff, from 0.33 projects and programs per international staff in 2017.

9. In addition, comparing with the 2016 analysis, the number of sector divisions below the 2017 average dropped to four for the WPBF, 2018–2020 (from five sector divisions below the average processing workload in 2016 for the WPBF, 2017–2019). The gaps from the average workload is also narrower compared with the 2016 workforce analysis. Regional departments, with varying sector division processing workloads compared with the average level (i.e., above and below the average level), can optimize the use of staff resources by redeploying excess capacity of sector divisions (i.e., with lighter workloads) to the sector divisions with heavier workloads within the same departments (Figure A3.2).



10. **Implementation workload has significantly increased for both headquarters and resident missions.** As investment project approvals will increase following a high trajectory for 2018–2020, an increase in the implementation workload is envisaged. The 2017 workforce analysis found that the average implementation workload at headquarters increased from 0.98 projects and programs per international staff in 2016 to 1.24 projects and programs per international staff in 2017 (Figure A3.3). The number of sector divisions below the average implementation level was 11 in 2017, an increase from 10 in the 2016 analysis. As the sector divisions at headquarters have processing and implementation workloads, lower implementation workloads for some sector divisions may not directly represent an opportunity to redeploy positions. Lower implementation work is because of increased project delegation to resident missions to attend to their needs for more processing. Of the 11 sector divisions with low average implementation levels in 2017, four have processing workloads above the 2018–2020 average.

11. Of the remaining 14 divisions with implementation workloads exceeding the 2017 implementation average, 9 have the processing workloads above the 2018–2020 average. The overall implementation workload (for sector divisions and resident missions) for 2018–2020 is expected to increase to 1.69 projects and programs per international staff and national staff, from 1.43 for 2017 if no additional positions are provided.¹² Therefore, additional staff resources through new positions supplemented by positions generated from further optimization will be essential to address the larger portfolio while insuring implementation quality.



12. Following the midterm review of Strategy 2020 action plan¹³ to encourage resident mission delegation, more staff have been outposted (para. 5 and Table A3). As a result, the 2017 average workload for projects and programs implementation at resident missions has increased from 1.36 projects and projects per international and national staff¹⁴ in 2016 to 1.63 projects and programs in 2017 (Figure A3.4).

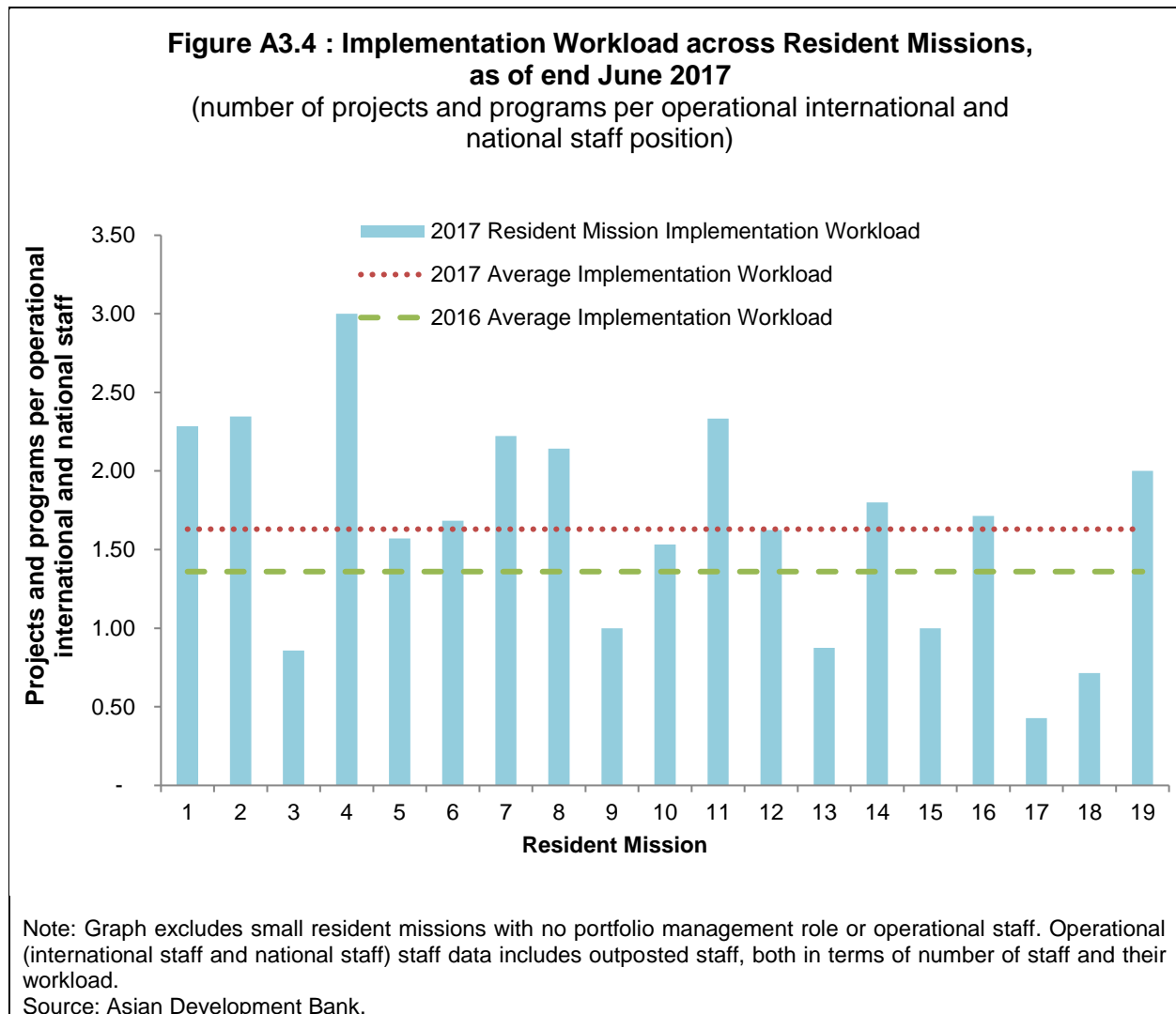
13. Additional outposting from sector divisions to increase the capacity of resident missions, will result in more resident missions below the average implementation workload level. Eight resident missions were below the average implementation workload level in the 2017 workforce analysis. For those resident missions, more projects and programs could be delegated from sector divisions. However, for the small resident missions, adequate outposted staff and project administration supports need to be in place to handle increased delegation before

¹² The bases for overall average implementation workload are: (i) international staff in sector divisions, and (ii) international and national staff in the resident missions.

¹³ Footnote 7. Action 3.14.1 on project implementation and 3.14.2 on resident mission delegation.

¹⁴ Includes positions directly involved in implementation

rebalancing the workload-staffing between sector divisions at headquarters and resident missions.



14. Implementation workloads of nonsovereign operations continue to be an area of concern as the portfolio is envisaged to grow by 31% from 2017 to 2020 (in number). Although the current ratio of 14 projects per international staff position in 2017 has improved from 2016 (16 projects per international staff), additional positions are needed to augment project administration capacity, including portfolio supervision, safeguards, and tax and integrity due diligence requirements for the expanding portfolio of ADB's Private Sector Operations Department.

INDICATIVE WORK PROGRAM: SUMMARY OF SELECTED DELIVERABLES

Key Outputs	2017	2018	Average 2019–2020
A. Projected Commitments in Asian Development Fund and Ordinary Capital Resources			
Amount (\$ million)	17,628	19,715	20,357
No. of Committed Projects	166	177	178
Sovereign Operations ^a			
Amount (\$ million)	15,428	17,015	17,082
No. of Committed Projects	144	145	144
Private Sector Operations			
Amount (\$ million)	2,200	2,700	3,275
No. of Committed Projects	22	32	34
1. Investment Projects			
Amount (\$ million)	11,839	13,226	13,175
No. of Committed Projects	113	105	114
2. Policy-Based Lending			
Amount (\$ million)	2,073	2,222	2,232
No. of Committed Projects	19	20	17
3. Results-Based Lending			
Amount (\$ million)	1,363	492	777
No. of Committed Projects	5	4	4
4. Sector Development Programs			
Amount (\$ million)	67	971	798
No. of Committed Projects	1	9	6
5. Project Design Advance			
Amount (\$ million)	13		5
No. of Committed Projects	4		1
6. Technical Assistance Loans			
Amount (\$ million)	74	105	96
No. of Committed Projects	2	7	4
B. Multitranche Financing Facilities			
1. Facilities			
Amount (\$ million)	5,396	4,230	4,695
No. of Committed Facilities	8	8	9
2. Periodic Financing Requests			
Amount (\$ million)	2,990	3,419	3,303
No. of Committed Projects	26	26	20
C. Portfolio Management			
1. Ongoing Projects at Year-End (no.)			
Regional Departments	912	980	1,104
Private Sector Operations Department	688	734	823
	224	246	281
2. Contract Awards (\$ million)			
	10,390	9,911	11,023
3. Disbursements (\$ million)			
	12,800	12,909	15,650
4. Project Completion Reports (no.)			
	71	83	100
D. Cofinancing			
Project Cofinancing (\$ million)	14,300	16,600	19,500

Key Outputs	2017	2018	Average 2019–2020
E. Technical Assistance Operations^b			
Portfolio (no.)	831	843	733
New Commitments (\$ million)	331	340	347
No. of New Committed TA projects	289	270	158
1. Transaction TA ^c	154	133	108
2. Knowledge and Support TA ^d	135	137	50
F. Transaction Advisory Services (no.)			
1. New Mandates	7	3	3
2. Mandates under Implementation	13	16	15
G. Knowledge Products (no.)^e			
1. Regional Departments	406	220	104
2. Specialized Knowledge Departments	161	100	66
3. Other Departments	98	58	41
H. Country and Regional Strategies and Operations Business Plans (no.)			
1. Country Partnership and Regional Cooperation Strategies	8	5	8
2. Country and Regional Operation Business Plans	39	40	40

no. = number, TA = technical assistance.

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

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

^b Includes cofinanced TA projects.

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

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

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

Source: Asian Development Bank estimates.

