

## ADB Decentralization: Progress and Operational Performance

*The study recommends, among other things, that ADB strengthen the technical capacity of resident missions and delegate more operational responsibility to them, in particular project and technical assistance processing and administration; and that more direct operational support functions are delegated to regional departments or resident missions by increasing their capacity to undertake these functions.*

As of end-2012, ADB had 24 resident missions (RMs), two regional offices in the Pacific, an extended mission in Myanmar, and three representative offices in Europe, Japan, and North America. About 23% (682) of ADB staff and 35% (\$21 billion) of ADB active portfolio were under RM management.

### The Evaluation

The evaluation reviewed ADB's decentralization progress to date in allocating staff, budgets, activities, responsibilities, and decision-making authority between headquarters (HQ) and RMs. It also discussed operational issues under the current decentralization model and provided recommendations for improving the effectiveness and efficiency of ADB's operations.

The evaluation covers activities of 24 RMs and 2 regional offices during 2000–2012. It used a mixed evaluation approach of qualitative and quantitative analysis based on reviews of relevant corporate policies, reports, and evaluation studies; perception surveys and interviews of ADB staff, management and Board members, government officials, clients, and development partners; operational data and self-assessments provided by RMs; and data from various ADB databases. The evaluation also used eight case study field offices in Australia, Azerbaijan, Fiji, India, Kyrgyz Republic, Mongolia, Nepal, and Viet Nam.

### Key Findings

The expansion of the RM network has helped raise ADB's profile and visibility in its developing member countries (DMCs). From 2000 to 2012, the number of RMs more than doubled from 13 to 27; RM staff increased more than fourfold from 162 to 682 (from 8% to 23% of ADB's total); RM total expenses increased more than fivefold from \$16.8 million to \$85.8 million (from 9% to 17%). However, the bulk of ADB's activities and decision making authority remain centralized in HQ. As of 2012, about 90% of project processing and 60% of project administration were led by sector specialists in HQ. Compared with similar multilateral development banks, ADB is lagging behind in decentralization.

Perception surveys show that RMs have been effectively performing the functions and activities delegated to them. In particular, they lead in preparing country partnership strategies, country programming, country operations business plans, and country portfolio quality management. However, RMs generally have a support role in project and program processing and implementation, with RM staff members participating in HQ missions, providing backup and follow-up support on behalf of HQ staff. Also, RMs' role in knowledge activities is limited, and the knowledge channels between HQ and RMs are weak.

ADB operations are not meeting several key corporate development effectiveness targets, particularly with respect to success rates of completed country partnership strategies, completed operations, processing time, procurement, and disbursement. In addition, ADB is perceived by stakeholders as bureaucratic, inflexible, and slow. ADB's

### QUICK LINKS

**Corporate Evaluation Study on ADB's Decentralization: Progress and Operational Performance (Main Report)**

[www.adb.org/documents/corporate-evaluation-study-adbs-decentralization-progress-and-operational-performance](http://www.adb.org/documents/corporate-evaluation-study-adbs-decentralization-progress-and-operational-performance)

**ADB Management Response**

[www.adb.org/documents/management-response-corporate-evaluation-study-adbs-decentralization-progress-and-operatio](http://www.adb.org/documents/management-response-corporate-evaluation-study-adbs-decentralization-progress-and-operatio)

**Chair's Summary of the Development Effectiveness Committee (DEC)**

[www.adb.org/documents/chair-summary-committee-discussion-14-november-2013](http://www.adb.org/documents/chair-summary-committee-discussion-14-november-2013)



**Download the Full Report**

project success rate ranged between 51% and 76% during 2008–2012, compared with the target of 80%. The evaluation found that project performance was positively correlated with the quality of ADB’s project supervision, borrower’s ownership and performance, RM’s experience, project size, and country’s political stability. Also RM staff and stakeholders revealed several areas where RM’s involvement contributed to improved project processing time, procurement, and disbursement, given their close proximity to clients and knowledge of local conditions and systems.

## Operational Issues and Lessons

- Clients consider ADB’s operational processes to be complicated and cumbersome.
- Project delegation from HQ to RMs during implementation affects policy dialogue and implementation activities.
- Operational approaches vary little across regions and individual DMCs.
- Staff in RMs are concerned about career progression and the assignment of responsibility.
- Staff in RMs have concerns about information technology.

## Key Recommendations

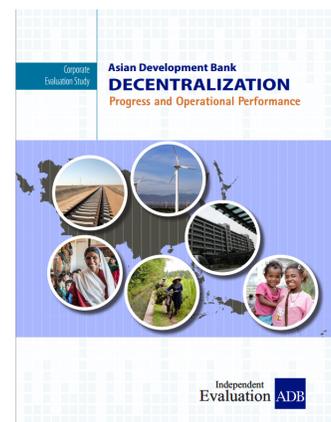
The evaluation recommends that regional departments take a differentiated approach to decentralizing operations to meet the diverse regional development demands and priorities. Direct operations support departments will need to adopt different approaches and schemes to increasingly delegate their activities to regional departments in HQ and to RMs while retaining their corporate quality-standard oversight and fiduciary risk-control functions. Knowledge departments with inherent economies of scale will have to strengthen knowledge channels across the institution with more HQ-RM interactions and RM engagement in knowledge activities for better identifying, generating, and sharing knowledge. Specific recommendations are:

- Strengthen the technical capacity of RMs and delegate more operational responsibility to them, in particular project and program processing and administration.
- Use different types of RMs to enable ADB operations and business processes to be more relevant and responsive to different types of countries, development contexts, and operational priorities.
- Delegate direct operational support functions to regional departments or RMs by increasing their capacity to undertake these functions.
- Increase HQ-RM connectivity and coordination and RM participation in knowledge activities.

## Feedback

Management welcomed the study. The timing of the study is appropriate as ADB is conducting a midterm review of Strategy 2020 to explore ways to further enhance its relevance and responsiveness to its clients. Management generally agreed with the recommendations with some reservations, including on the costs associated with decentralization.

The Development Effectiveness Committee (DEC) supported the study’s recommendation to revisit the RM policy and urged Management and IED to explore a more efficient way to evaluate decentralization performance. DEC members recognized that there is no “one size fits all” model for decentralization and urged Management to pursue different approaches to meet different development contexts or to explore pilot countries in determining the most effective way to decentralize business processes. DEC also noted that development effectiveness should not be framed solely within the lens of HQ-RM relations.



Read the full report at  
<http://bit.ly/1jjKHvA>

Team Leader: Binh Nguyen  
Email: [evaluation@adb.org](mailto:evaluation@adb.org)

### Contact Us

Independent Evaluation Department  
Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 632 4100  
Fax +63 2 636 2161  
Email: [evaluation@adb.org](mailto:evaluation@adb.org)  
[www.adb.org/evaluation](http://www.adb.org/evaluation)

*Learning Curves* is a two-page quick reference to provide findings and recommendations from evaluations to a broader range of clients.