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Improving Project Outcomes

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
COBP	–	country operations business plan
CoP	–	Community of Practice
CPS	–	country partnership strategy
CWRD	–	Central and West Asia Department
DEfR	–	development effectiveness review
DMC	–	developing member country
EA	–	executing agency
EARD	–	East Asia Department
IA	–	implementing agency
OCR	–	ordinary capital resources
PARD	–	Pacific Department
SARD	–	South Asia Department
SERD	–	Southeast Asia Department

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Development Effectiveness Review (DEfR) 2010 Report¹ highlighted the Asian Development Bank's (ADB) poor performance in delivering core sector development outcomes, as more than one third of the recently completed core sector operations fell short of delivering the intended outcomes. It also showed stagnation in the success rates of completed operations.

2. The President's 2011 planning directions call for efforts to improve project outcomes and for operations departments and communities of practice (CoP) to investigate the causes for ADB's weak delivery of development outcomes focusing on potential weaknesses in project selection and design. Further, the Operations Review Meeting on portfolio management held on 28 April 2011 agreed that the investigation should follow a bottom-up approach and regional departments would make submissions on how they will improve project outcomes. Regional department submissions and action plans were received in June 2011 and were followed by the preparation and circulation of a draft consolidated report to all departments and CoPs to provide further inputs to the review. A meeting chaired by the managing director general was held on 11 August 2011 to finalize the report.

3. A number of initiatives have been launched under Strategy 2020² in ADB in recent years with the purpose to improve project outcomes. These include steps taken to increase project quality under the Streamlined Business Processes³ (SBP) and recommendations contained in the 2010 Good Project Implementation Practice Report of the project implementation working group⁴. In addition regional departments have been undertaking initiatives to address particular issues faced in their client countries.⁵ As a result of these various initiatives the DEfR 2010 Report showed an upward trend in the quality at entry of new operations and speed of project start-up.

4. This report presents an analysis of the problems and considers factors that influence project success, looks at how ADB is pursuing improvements in project outcomes in a holistic manner encompassing all stages of the project cycle and concludes with recommendations on areas ADB could put further emphasis to ensure project outcomes are achieved.

II. PROJECT OUTCOMES PROBLEM ANALYSIS

5. To provide the basis for identifying approaches to improve project outcomes two reviews were used. The DEfR 2010 Report identified the problem and the need for ADB to review the low achievement of project outcomes and success rates and the causal factors. The second study was the Independent Evaluation Department (IED) review of project success and the project cycle of 2008⁶ which identified the causal factors that lead to less than successful projects.

¹ ADB. 2011. *Development Effectiveness Review 2010 Report*. Manila.

² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

³ ADB. 2009. *Better and Faster Loan Delivery: Report of the Loan Delivery Working Group*. Manila.

⁴ ADB. 2010. *Good Project Implementation Practice: Report of the Project Implementation Working Group*. Manila.

⁵ Individual assessments prepared by CWRD, EARD, PARD, SARD and SERD are in the Appendixes.

⁶ ADB. 2008. *Project Performance and the Project Cycle*. Manila.

A. The Problem: Under Achievement of Project Outcomes

6. ADB's corporate results framework sets a target for the 3-year average project success rate at 80% by 2012, from a baseline of 72% for the period 2004–2006. The actual level has for the last 4 years been below the baseline and was 66% for 2008–2010 (see Table 1). The DEfR Report also found that while ADB met its targets for project outputs in 2010 the achievement of project outcomes was only 61%, below the 2008–2010 level of 72% and the target level of 80%.⁷ Finally, of concern was the new project performance rating indicator that showed that at 30 December 2010, 25% of the active portfolio was at risk.

7. Projects that do not meet their outcomes can be further classified into (i) projects that meet outputs and (ii) those that do not. Further analysis on ADB's core sectors data has shown a statistically significant correlation for projects meeting outcomes when outputs are met. The assessment also shows that 14% of projects that did not achieve outcomes had in fact achieved outputs. This was generally due to poor formulation of output and outcome statements, selected indicators or inappropriate monitoring/recording of results.

8. The success rate of projects widely varies across regions as can be seen in Table 1. Different characteristics and challenges in each region contribute to these differences as discussed in Section III. For example there are special implementation challenges in Central and West Asia Department (CWRD) and Pacific Department (PARD) countries where there are operational factors beyond the control of governments and ADB. The table also shows that there is little difference in the success rates between ADB projects overall and Asian Development Fund (ADF) only projects.

Table 1: Project Success Rates

Percent of Successful Projects based on Combined PCR, PVR, PPER Ratings By Department												
	ADB						ADF					
	CWRD	EARD	PARD	SARD	SERD	Total	CWRD	EARD	PARD	SARD	SERD	Total
2004-2006	83%	92%	38%	74%	67%	72%	80%	100%	44%	73%	82%	75%
2005-2007	73%	100%	22%	74%	67%	70%	85%	100%	29%	74%	85%	77%
2006-2008	58%	100%	10%	68%	73%	68%	61%	100%	0%	68%	82%	68%
2007-2009	43%	89%	36%	70%	74%	63%	49%	67%	22%	73%	83%	64%
2008-2010	48%	83%	47%	72%	79%	66%	48%	56%	45%	76%	86%	66%
2004	64%	86%	43%	71%	63%	67%	56%	100%	40%	73%	71%	65%
2005	100%	100%	50%	82%	56%	73%	100%	100%	67%	80%	91%	88%
2006	100%	100%	0%	69%	81%	78%	100%		0%	67%	85%	76%
2007	46%	100%	0%	73%	61%	58%	67%	100%	0%	78%	78%	68%
2008	57%	100%	20%	65%	72%	67%	45%	100%	0%	62%	82%	62%
2009	32%	75%	67%	78%	89%	63%	41%	50%	67%	88%	90%	64%
2010	55%	78%	50%	79%	78%	68%	55%	50%	60%	83%	87%	69%

CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, PCR = project completion report, PPER = project performance evaluation report, PVR = project completion report validation report, SARD = South Asia Department, SERD = Southeast Asia Department.

Source: Asian Development Bank.

⁷ It is however important to note that samples utilized to evaluate ADB's performance in delivering outcomes differed from those used to assess output delivery. Although partly overlapping (around 15% of the output sample), the samples are overall not comparable.

B. Identifying the Causal Factors

1. IED 2008 Review of Project Success and the Project Cycle

9. The IED special evaluation study on Project Performance and the Project Cycle in 2008 (the IED review) identified causal factors that influence project success and ultimately country outcomes. The review was based on an in-depth review of all 75 project completion reports rated less than successful for the period 2002 to 2006 and involved interviews of stakeholders involved in the project cycle.

10. The retrospective analysis determined 17 common causal factors which affected project success. These were (in the order in which they occur in the project cycle): (i) questionable relevance and selection of the original project proposal; (ii) use of the wrong modality; (iii) overambitious scope; (iv) inadequate technical analysis or inappropriate project design; (v) inappropriate or inadequate social design; (vi) deficient capacity-building and ownership measures; (vii) inappropriate or unclear implementation arrangements; (viii) less than rigorous ADB internal review; (ix) initial project start-up issues and delays; (x) insufficient knowledge of ADB procedures by executing agencies and implementing agencies; (xi) insufficient or deficient supervision by ADB during project implementation; (xii) poor consultant performance during implementation; (xiii) poor contractor performance during implementation; (xiv) problems with suppliers of equipment; (xv) problems with client ownership or competence during implementation; (xvi) unforeseeable institutional, socioeconomic, political, or environmental factors; and (xvii) unforeseeable technical factors.

11. The factors that most frequently occurred were less than rigorous ADB internal review, inadequate technical analysis or inappropriate project design, deficient capacity-building and ownership measures during project design, and insufficient or deficient supervision by ADB during project implementation.

12. Additional findings of the 2008 IED review relevant to each stage of the project cycle were as follows:

- (i) **Project Selection:** A greater degree of sector work is needed to ensure the relevance and priority of projects placed in country programs.
- (ii) **Concept Clearance and Processing:** There were problems with the then required project preparatory technical assistance (PPTA) concept review process and it was considered that PPTA fact finding needed more attention because it is when the project scope is initially formulated and the terms of reference and budget for the consultants are prepared. It is also when lessons would be considered and incorporated.

There were also concerns that there was insufficient funding provided for PPTA consultants and that while the New Business Processes of 2002⁸ envisaged greater input on the part of the project team leader and the project team during the project preparation phase, this was found not to be the case.

⁸ ADB. 2002. *New Business Processes*. Manila.

The internal review process was not working as effectively as it should. Flaws in project design are often not detected by the process, which is seen as too procedural and not sufficiently analytical.

Readiness filters are not likely to make a material difference to project quality since they are likely to only shift delays in implementation to an earlier stage (prior to Board approval) rather than resolve the fundamental issues.⁹

- (iii) **Implementation:** Significant delays occurred during the inception phase between loan approval and project implementation start up. The review suggested the routine use of project start-up consultants and allowing a small percentage of the loan amount to be disbursed after loan signing, but prior to loan effectiveness, to provide start-up funding to the executing agency.

Repeated recommendations (starting as early as the Task Force on Improving Project Quality in 1994¹⁰) that project implementation supervision should be given the same importance and status as project preparation remains unfulfilled.

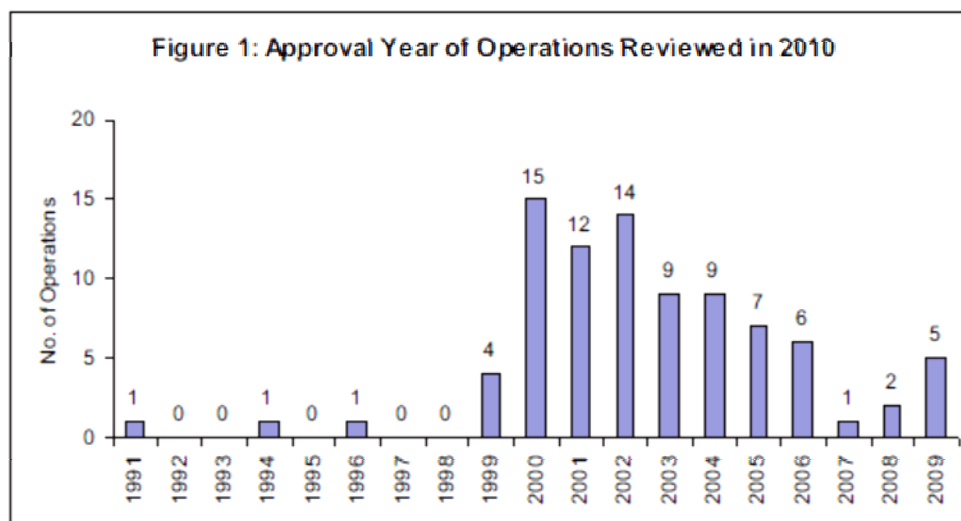
- (iv) **Evaluation:** It was not always evident that the results of evaluations and the reviews of evaluations were acted on adequately by ADB.

2. Findings of 2010 DEfR Review of Core Sector Outcomes in Project and Program Completion Reports

13. The 2010 DEfR had an in-depth analysis of problems affecting sector outcomes. The analysis was based on 78 project completion reports (PCRs) issued in 2010 covering 81 sovereign operations (78 loans and three grants) and six extended annual review reports (XARR) for six nonsovereign operations. The operations were approved from 1991 to 2009 (Figure 1). More than half of the operations were approved from 2000 to 2004, before the approval of Strategy 2020. In the PCRs and XARRs of 2010, 119 sector components were identified: 76 in core sectors (transport, energy, water, education, and finance), and 43 in other sectors (agriculture and natural resources, health, industry and trade, and public sector management). Twenty operations, mainly in the multisector and agriculture and natural resources sectors, had more than one (up to five) sector components.

⁹ Regional departments in their comments on the Project Outcomes report felt strongly that this recommendation was misguided and that project readiness filters are key to effective and timely project startup and contribute to project quality.

¹⁰ ADB. 1994. *Taskforce on Improving Project Quality*. Manila.



Source: Asian Development Bank project and program completion reports and extended annual review reports issued in 2008–2010.

14. To determine whether a component was effective in the achievement of its main sector outcome(s), the effectiveness rating provided by the PCR for the operation as a whole is followed. Thus, if an operation was rated highly effective, effective, less effective, or ineffective, the main sector component was rated similarly.

15. Out of 42 components from core and other sector operations with less effective or ineffective rating, 43% cited slow progress or delayed implementation as a main factor for not achieving the intended outcomes. Other factors, in order of priority, included (i) inadequate technical and management capacity of implementing agencies; (ii) inappropriate project design and high costs of inputs; (iii) problems in institutional arrangements; (iv) inadequate policies, markets, and regulations; (v) poor loan utilization; (vi) lack of stakeholder participation; (vii) lack of government support or ownership; (viii) irregularities in contract processing and supervision; and (ix) and other factors, e.g., poor law and order situation or environmental risks. These factors were very consistent with those identified in the IED review.

16. Effectiveness rates of sector components by region—components in East Asia (82%) performed well, followed by South Asia (78%), Southeast Asia (75%); Central and West Asia (49%); and Pacific (43%). Components in the Pacific constituted 6% of the total number of components reviewed with those in Micronesia and Papua New Guinea achieving relatively less effective ratings. The poor performance in Central and West Asia was attributed mainly to the less effective components in Pakistan. Out of 119 ADB-supported sector components reviewed in 2010, 22 (18%) components covering 10 operations were in Pakistan. Of these, 23% was rated effective in the achievement of target outcomes. Overall, 2010 effectiveness rate was 74%, excluding operations in Pakistan and 65% with Pakistan.

17. Table 2 shows a summary of the causal factors identified in the two reviews by stage of the project cycle. The success factors for project outcomes identified in the regional department submissions are contrasted against the causal factors. In the next sections the regional context is considered and actions taken by Management and regional departments to ensure project success at each stage of the project cycle.

Table 2: Project Problem and Success Factors

ADB Project Cycle Stage	Common Factors Affecting Project Success: IED Review 2008 and 2010 DEfR Reviews	Regional Department Identified Success Factors
Project Selection	<ul style="list-style-type: none"> • Questionable relevance and selection of the original project proposal (IED) • Lack of government support/ownership (DEfR) 	<ul style="list-style-type: none"> • Close alignment with government's national development strategy • Strong Government commitment and ownership • Demand driven operations • Coordinate closely with development partners and co financiers
Concept Clearance and Processing	<ul style="list-style-type: none"> • Less than rigorous ADB internal review (IED) 	<ul style="list-style-type: none"> • High quality due diligence
Project Preparation and Design	<ul style="list-style-type: none"> • Overambitious scope (IED) • Inadequate technical analysis or inappropriate project design (IED) • Inappropriate or inadequate social design (IED) • Use of the wrong modality (IED) • Inappropriate project design (technical design), high costs (DEfR) • Inadequate policies, markets and regulations (DEfR) 	<ul style="list-style-type: none"> • Clear and simple outcome statement with realistic targets • Avoid overly complex and unimplementable designs with multi sector, agency and geographical areas • Careful assessment of risks and their mitigation • Ensure O&M for project sustainability
	<ul style="list-style-type: none"> • Deficient capacity-building and ownership measures (IED) • Insufficient knowledge of ADB procedures by EAs and implementing agencies (IED) • Inadequate technical and management capacity of implementing agencies (DEfR) 	<ul style="list-style-type: none"> • Ensure capacity of EA for implementation
	<ul style="list-style-type: none"> • Inappropriate or unclear implementation arrangements (IED) • Unclear or complex institutional arrangements (DEfR) 	<ul style="list-style-type: none"> • Realistic implementation schedule and well planned implementation arrangements • Well considered bidding and tender processes
Implementation	<ul style="list-style-type: none"> • Initial project start-up issues and delays (IED) • Slow progress/delayed implementation (DEfR) 	<ul style="list-style-type: none"> • High degree of project implementation readiness • Upfront budget allocation and resources adequate for project implementation
	<ul style="list-style-type: none"> • Insufficient or deficient supervision by ADB during implementation (IED) • Poor consultant and contractor performance during implementation (IED) • Problems with suppliers of equipment (IED) • Problems with client ownership or competence during implementation (IED) • Unforeseeable institutional, socioeconomic, political, environmental factors or technical 	<ul style="list-style-type: none"> • Effective project implementation supervision in terms of incentives, resources, skills and utilization of RMs

ADB Project Cycle Stage	Common Factors Affecting Project Success: IED Review 2008 and 2010 DEfR Reviews	Regional Department Identified Success Factors
	factors (IED) <ul style="list-style-type: none"> • Lack of stakeholder participation (DEfR) • Poor loan utilization (DEfR) • Irregularities in contract processing and supervision (DEfR) 	
Evaluation	<ul style="list-style-type: none"> • Not always evident that the results of evaluations and the reviews of evaluations were acted on adequately by ADB (IED) 	<ul style="list-style-type: none"> • IED findings and self assessments used to inform programming and project preparation

ADB = Asian Development Bank, DEfR = Development Effectiveness Report, EA = executing agency, IED = Independent Evaluation Department, O&M = operations and maintenance, RM = resident mission.

Source: Asian Development Bank.

III. REGIONAL OPERATIONAL CONTEXT

18. The regional and country contexts define and constrain ADB's operations and influence their performance (refer Table 1). The varying operating conditions in the various regions require different approaches to achieve successful project outcomes and outputs.

19. The South Asia Department's (SARD) developing member countries (DMCs) are diverse in size and characteristics, and this is reflected in their mixed borrowing status (mixed ordinary capital resources [OCR] and ADF resources, and loan and grant instruments). India is a large DMC with diverse implementation capacity at central and state level executing agencies (EAs) and strong oversight and coordination by the Ministry of Finance (MOF). Both Bangladesh and Sri Lanka are sizeable borrowers with mixed implementation capacity and relatively less oversight and coordination by MOF. Nepal is a fragile state with below average implementation capacity. Of the smallest DMCs, Bhutan has strong commitment and good implementation capacity, having the highest project success rates of all SARD's DMCs. Maldives has relative weaker implementation capacity and below-average portfolio performance but nevertheless good project success rates. SARD's project success rate has averaged 72% over the last three years down marginally from 74% in 2004–2006.

20. CWRD covers 10 DMCs. A number of them display common denominators but some also striking differences including poverty levels, land-locked versus access to ports, transitioning from a command to market economy versus open economies. Resource allocations (ADF, OCR) reflect these differences. The CWRD strategy covers primarily transport, energy, urban services and financial sector operations (banking and non banking). Education and health are undertaken through budget support, except in the case of higher education which is pursued through private-public partnerships. Each country faces differing implementation issues. One of the concerns includes poor security which limits the interest of contractors and consultants to work in the countries. For CWRD the 3-year average project success rate is presently 48% down considerably from the 2004–2006 level of 83%. The portfolio in Pakistan has undergone spring cleaning in the last few years which has brought the PCR success rates of both CWRD and ADB down.

21. The East Asia Department (EARD) portfolio has become greener and more innovation-driven with increasing support for projects that promote clean energy, energy efficiency, rural development, natural resource management, and urban environment improvement. Challenges in the People's Republic of China (PRC) include progressively increasing project complexity, resulting from innovation support, work in dispersed and remote project areas, projects with increasing environmental and safeguards challenges, and a greater number of implementing agencies. In Mongolia, challenges include working with weak institutions, within governance structures that require long times for approval, extreme weather conditions (which limit construction periods), and frequent changes in project management staff. EARD's project success rates have reduced in recent years from 92% in 2004–2006 to 83% in 2008–2010 although they still remain above ADB's corporate target.

22. In the Pacific, development effectiveness is limited by resources and capacity, poorly-performing state functions, and vulnerability. The Pacific's economic potential is limited by geographic isolation, few natural resources and shallow markets leading to limited economies of scale. State functions are not well developed lacking capacity leading to weak governance and poor delivery of essential services. These factors are adversely compounded by vulnerability to external shocks including natural disasters, climate change, volatile external assistance, and global economics. Pacific DMCs may be divided roughly between the smaller resource-poor countries and a few larger countries with significant resource developments and/or potential. In all Pacific DMCs, the programs of other development partners are a major consideration, and are often an important determinant of the potential for ADB's own programming. There is also growing influence from new Asian donors. The availability of significant grant flows limits the scope of ADB's lending programs and reduces domestic incentives for policy and institutional reforms. PARD's project success rates have been improving from 38% in 2004–2006 to 47% in 2008–2010.

23. The South East Asia Department's (SERD's) five DMCs with an active portfolio are at different stages of economic development. Despite the diversity, key issues related to project/program development are similar among the countries. There are two important trends affecting the effectiveness of SERD's program. Indonesia and Philippines have been biased towards program lending in past several years, which will be adjusted through increasing project loans. The second common feature is decentralized project design implementation arrangements across SERD countries, in response to governments' decentralized service delivery policies. Local government implementing agencies have, however, weak implementation and financial capacities. SERD has also seen improvement in its 3-year average project success rates and they stand at 79% currently compared to 67% in 2004–2006.

24. Each regional department provided reports on their analysis of factors that lead to project success and failure and their approaches and actions they will take to ensure achievement of project outcomes taking into account the unique features of their respective regions. The actions plans for each regional department are summarized in the Appendixes.

IV. ADB'S ACTIONS TO IMPROVE PROJECT SUCCESS AND OUTCOMES

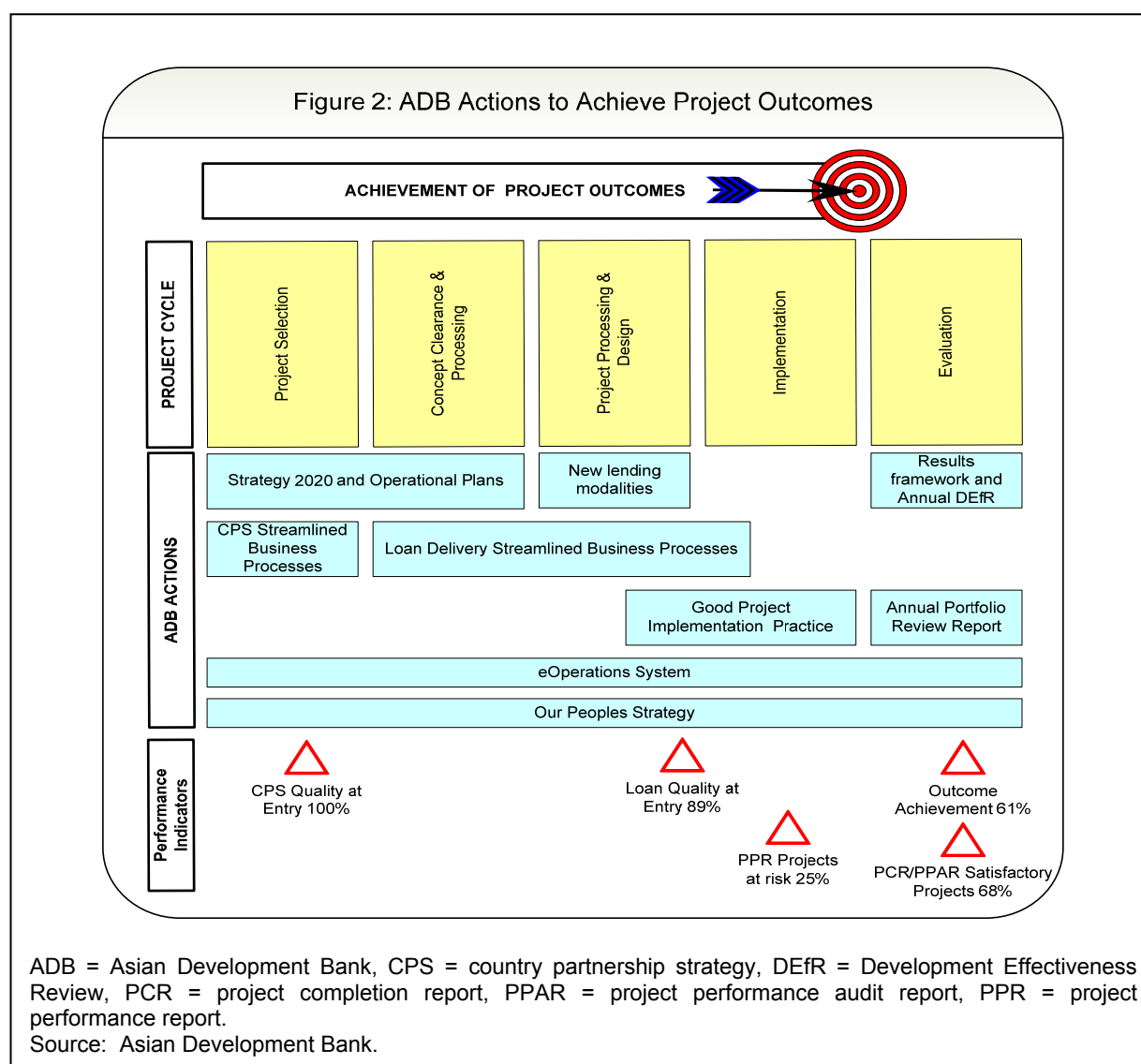
25. ADB has been actively pursuing various initiatives to improve client responsiveness and the effectiveness of its operations. These initiatives have already had a positive impact on ADB's operations and it is expected that in time project success rates should be positively influenced. Figure 2 shows the ADB project cycle and the various actions taken since 2008 to improve project outcomes. It also shows how quality at entry of country partnership strategy (CPS) and lending operations have improved since these initiatives were launched. The

initiatives undertaken and their impact on project outcomes and outputs are described below, first the corporate level actions and then actions taken and should be taken over the stages of the project cycle.

A. Corporate Level Actions

26. **Strategy 2020**, approved in 2008, provides clear strategic and operational direction and focus for ADB's operations. Among other things this was to meet DMC's demands and to pursue ADB's proven comparative advantages in order to achieve better project outcomes and outputs. In addition, ADB has developed a corporate results framework with operational targets to assess overall progress in implementing Strategy 2020 including delivery of sector outputs and outcomes and operational effectiveness. Since 2007, ADB has monitored implementation through the annual DEfR reports which have provided operational analysis and feedback for Management action.

27. To facilitate the implementation of Strategy 2020, ADB is gradually introducing operational plans to guide ADB operations in specific sectors and thematic areas again helping ADB better target the desired outcomes.



28. Strategy 2020 commits ADB to finding ways to be more responsive to its clients' interests and being better and faster with a view to lowering transaction costs for project preparation and implementation, reducing documentation requirements, and decentralizing decision making to resident missions. The overarching objective is for ADB to successfully deliver outputs and outcomes through its operations and these initiatives include:

- (i) **Streamlined Business Processes.** In 2009, ADB completed an assessment of its business processes. The work aimed to improve efficiencies and streamline business processes, while ensuring high quality, in two areas: CPS and loan delivery. Working groups were established to consider options for streamlining documentation, reducing complex processing steps and enhancing quality and due diligence review processes. The recommendations of the working groups were approved by Management in November 2009 with implementation starting in January 2010.
- (ii) **eOperations.** During 2010 eOperations was rolled out providing an integrated information technology solution with the ability to (i) provide project information from CPS to post evaluation (including project monitoring of outputs and outcomes), (ii) automate and seamlessly integrate project processing and administration, (iii) provide uniform project related documentation, and (iv) prepare standardized customizable reports. eOperations will ensure consistent implementation of ADB's business processes and provide timely management information.
- (iii) **Consultant Management System and Loan Consulting Unit.** Efforts have also been made to streamline recruitment processes for loan and technical assistance projects. The main feature is an enhanced, computerized Consultant Management System. It is expected that these initiatives will greatly facilitate ADB's timely consultant recruitment particularly the time on the critical path for PPTA consultant selection thereby improving ADB's responsiveness to clients. Time to recruit a consulting firm for a PPTA has reduced from 160 days to 99 days with the system.
- (iv) **Flexible and Innovative Use of Instruments.** ADB expanded the range of financial instruments and modalities offered to its DMCs. The multitranche financing facility (MFF) (mainstreamed in 2008) is a financing modality made available to an ADB client to support its medium- to long-term investment plans. ADB recently approved a new project design facility (PDF) that will provide loan advances to fund design and project preparation activities and a new additional financing policy to enhance the role of supplementary financing and expand successful operations at an incrementally small transaction cost due to streamlined business processes. Consistent with the growing emphasis on development results, ADB is also exploring the possibility of introducing a new results-based lending instrument. This would shift attention from inputs and processes to outputs and outcomes.
- (v) **Good Project Implementation Practice.** In order to improve project success rates and effectively manage the growing loan portfolio Management, in the June 2010 Operations Review Meeting, established a senior level project implementation working group with a mandate to identify key issues and regional department good practices that could be replicated or applied more widely in ADB to improve project implementation. In December 2010 the President approved the working group's recommendations covering three areas, achieving

total project readiness, enhancing organization, staff skills and incentives and ensuring effective project implementation.

- (vi) **Our People Strategy** was approved in 2009 to provide the strategic framework and direction for ADB to ensure it has skilled, well managed and motivated people, essential for delivering development outcomes. A “One ADB” approach promotes opportunities and activities that reinforce integration and communication among ADB staff at all levels and locations across the organization and there has been emphasis on having more skills in the field closer to the client.

B. Project Cycle Actions

29. The initiatives undertaken by ADB to address the problems and success factors identified over the project cycle in Table 2 are described below along with further recommendations to improve project outputs and outcomes.

1. Project Selection

30. The IED Study concluded that a greater degree of sector work is needed to ensure the relevance and priority of projects placed in the country program. The DEfR identified lack of government support and ownership as one of the causal problems in achieving sector outcomes acknowledging shared responsibilities.

31. Based on regional department submissions the key success factors for project selection include close alignment with government's national development strategy, strong government commitment and ownership, demand driven operations and close coordination with development partners and co financiers. The objective for ADB must be to only include “highly relevant” operations in the country program.

32. Strategy 2020 and operational plans have provided important direction for project selection and the SBP introduced a sharp focus on the intersections between ADB's Strategy 2020 and DMC's strategy to ensure consistency with government development plans. Within ADB there was greater scrutiny on draft CPSs introduced with Management committee meeting and peer reviews. Finally streamlined, separate, country operations business plans (COBP) that are undertaken in conjunction with the review of the results framework and sector roadmaps were institutionalized to ensure project selection derives in a consistent matter from the government and ADB country strategy.

33. In most regional departments, a longstanding relationship and engagement with clients helps to identify, conceptualize, assess and prioritize projects early. Following the SBP projects are generally derived from the CPS and result from country programming missions associated with the preparation of the CPS or the COBP. In most instances, sector interventions are jointly identified by ADB and the DMC. Where DMC governments initiate a request for a project to be included in the country program, alignment with national priorities, country CPS and Strategy 2020 is confirmed by the relevant regional department. Table 3 provides a description of different regional department approaches to project selection and highlights the importance of sector roadmaps.

Table 3: Regional Department Project Selection Approaches

CWRD	In line with the SBP, CWRD has unbundled strategic and sector work ultimately supporting the CPS and project selection. CWRD undertakes (i) detailed analytical work based on a country diagnostics model, which provides a better understanding of the key binding constraints to growth; (ii) sector research to identify key bottlenecks to efficiency and investment in key priority sectors, (iii) sector roadmaps, (iv) agency capacity assessments and (v) client surveys. To inform the department's strategic directions and operations, CWRD also pays particular attention to lessons drawn in relevant country and sector assistance program evaluations, and technical assistance and project completion reports.
EARD	In EARD, projects are jointly identified by the government and ADB, taking into consideration government priorities and ADB's Strategy 2020. In most instances, projects considered during CPM have been usually discussed between ADB and EAs 1–2 years, which ensures the EAs' ownership and preparedness for the projects, and the success of the subsequent project implementation.
PARD	PARD prepares sector assessments and road maps, either as part of country programming or as an output from advisory or project preparatory technical assistance. These are sometimes done jointly with other partners. In the Pacific, public consultation is becoming a more regular feature of project selection and design. Moreover, given the limited capital resources available to Pacific DMCs, ADB relies extensively on cofinancing from other development partners that require extensive dialogue prior to finalizing project selection. When national plans shift with changes in government, national strategies may need to be supplemented by sector assessments and potentially lengthy consultation and prioritization.
SARD	In SARD, the following aspects are positively considered as part of project selection: (i) Government and EAs demonstrated strong commitment even in the project selection process indicated by their eagerness to address project implementation arrangements and take project preparatory actions on their part; (ii) ADB teams consider and factor in ground realities or "doability" of potential projects, including assessments on institutional capacity, as to meet expectations for project processing and readiness; (iii) joint agreement with the Government to adopt realistic project processing schedules enabling project readiness; and (iv) ability to drop, modify or defer a project, or change a project concept that was found unrealistic, non- or less feasible or could face other significant issues that needed to be resolved before commencing with the project.
SERD	In SERD, preparation of sector assessment, strategy and roadmaps (ASRs) were initiated in 2008, and the use of ASRs in project selection has been systematically implemented in 2010, substantially strengthening the project selection process. Sector ASRs are included in the CPS and are prepared through consultation with sector country team, government agencies, and development partners. The prioritization of project pipelines is based on the ASRs, historical involvement in the country and the sectors, line ministries' requests, ADB staff capacity, and the financial resources that are available or need to be used.

ADB = Asian Development Bank, ASR = assessment strategy and roadmap, CPM = country programming mission, CPS = country partnership strategy, CWRD = Central and West Asia Department, DMC = developing member country, EA = executing agency, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SBP = streamlined business processes, SERD = Southeast Asia Department.

Source: Asian Development Bank.

34. **Recommendation.** To augment the already rigorous processes followed in ADB for project selection it is recommended that a greater emphasis is placed on sector roadmap/results framework improvement and regular updating. Sector roadmaps should take into account the findings, lessons and recommendations from self assessment and evaluation and should be informed by rigorous economic and sector work and ADB's knowledge resources. The role of CoPs in the review of sector roadmaps/frameworks should be considered. Finally and most importantly, project selection must derive from the CPS and sector roadmaps and should be initially assessed for "doability".

Box 1: Project Selection Checks

- ✓ Is there a sound, up-to-date sector roadmap with a credible sector results framework that is based on strategic and sector research and ADB knowledge resources?
- ✓ Has the CPS and sector roadmap guided project selection?
- ✓ Has the project been assessed for “doability” including for relevance, institutional capacity challenges, risks/assumptions, likely design complexity and implementation challenges?
- ✓ Have CAPE, SAPE, PCR and TCR findings been systematically considered?

ADB = Asian Development Bank, CAPE = country assistance program evaluation, CPS = country partnership strategy, PCR = project completion report, SAPE = sector assistance program evaluation, TCR = technical assistance completion report.

2. Project Concept Review and Processing

35. The IED Review found that less than rigorous ADB internal review was a factor affecting project success and that more attention is needed at the conceptual stage when the scope and budget of PPTA is being formulated.

36. Subsequent to the IED review the SBP introduced a rationalized concept clearance process (combining PPTA and loan concept) which involves problem and solution analysis, considering likely modality and financing, due diligence requirements and staff and project preparatory budget resources required. There is further merger of PPTA implementation and loan processing, enhanced risk-based project categorization to differentiate processing requirements for quality assurance and enhanced quality control by peer review (adding to interdepartmental review).

37. Project processing in all regional departments has been aligned to the SBP. At the concept review stage, a problem tree analysis defining problems and objectives is typically prepared along with the initial design and monitoring framework (DMF). At this stage the skills and resources required to prepare the project are specified and endorsed. Then after peer review and a department concept review meeting a reconnaissance mission is fielded, when the project team discusses the project scope and geographic location with the government, and due diligence requirements. In line with the recommendations of the implementation working group the concept meeting has expanded attendance which usually includes country directors, headquarters (HQ) and resident missions (RM) project administration unit heads concerned. This concept review process is considered sound and tested since its introduction and enables a careful review of the project concept and the due diligence requirements and the resources required in terms of staff and budget.

38. One enhancement to concept review would be the consideration of the “evaluability” of a project at concept clearance and during processing. This could be achieved by assessing project concept and design against the criteria used for evaluation—relevance (is the project consistent with beneficiaries’ requirements, country needs and ADB and partners’ priorities), effectiveness (extent to which the desired outcomes are to be achieved), efficiency (is there optimal use of funds, expertise, time, etc.), and sustainability (probability of continued long-term benefits after completion).

39. To address project design quality, in 2010 the Central Operations Services Office (COSO) introduced a quality assurance process to assess the technical quality of the DMF in all approved projects providing feedback to regional departments. Project design training in

response to regional department demand has been refined to focus on clinics at divisional level working on DMFs under preparation.

40. Although departments have noted that peer review is a significant positive change, the review highlighted some weaknesses in some sectors (possibly due to insufficient time available to review the proposed project and its implementability, CoPs' differing assessment approaches and variability in quality of commenting among reviewers). From the CoP's point of view concerns were expressed regarding the extent to which the recommendations made during peer review are incorporated by regional departments and the level of resources provided to properly fulfill their mandate for peer review.

41. **Recommendation.** The SBP provide a sound basis for concept clearance and project processing and are being implemented in all regional departments. During concept review it is recommended that every project proposal is closely scrutinized for its explicit link with the CPS and the sector framework/roadmap. Peer review arrangements both within and outside of regional departments need to be further refined to ensure uniform quality of reviews and incentives for those tasked as peer reviewers. To further strengthen ADB's sector knowledge pool, there needs to be a cooperative approach by regional departments to share experts. CoP members should be made available for consultation with senior staff in regional departments.

Box 2: Concept Clearance and Processing Checks

- ✓ Is there sound problem tree analysis that is clearly linked to the DMF?
- ✓ Is there a clear, simple and realistic outcome statement in the DMF based on rigorous problem analysis?
- ✓ Has the link of the project concept to the CPS and sector roadmap been explicitly confirmed during concept review?
- ✓ Is the project evaluable and pass the evaluation criteria test?
- ✓ Has CoP peer review been of high standard and have the comments been taken into account?

CoP = community of practice, CPS = country partnership strategy, DMF = design and monitoring framework.

3. Project Preparation and Design

42. The area of project preparation and design is a crucial factor in the success of a project. The IED review highlighted the importance of technical analysis and appropriate design. Also that capacity building needs must be met including knowledge of ADB's procedures. Finally that design must not cover only the "what" but also the "how" and "when" and well considered implementation arrangements need to be developed. The DEfR 2010 noted inappropriate project technical design, unclear or complex institutional arrangements and inadequate technical and management capacity of implementing agencies as causal factors of poorly performing projects. Clearly, the reviews point to good project design as being a key factor in the success of a project.

43. A review of success factors by various regional departments indicates that for project design the need for a clear and simple outcome statement with realistic targets, simple and implementable designs, careful assessment and handling of risks and operation and maintenance for project sustainability. In addition, that capacity of the EA for implementation must be ensured and that there should be realistic and well planned implementation arrangements with well considered bidding and tender processes.

44. Several departments have also highlighted that (i) early preparation of the project administration manual (at fact-finding or earlier) as provided for in the SBP, is a good measure that has led to strengthening design of implementation arrangements and providing complementary assistance, where required, and (ii) teams consisting of sector and implementation specialists throughout processing stages is essential (for both preparation and peer reviewing). Some departments highlighted the importance of the 'One ADB Approach' to processing, defining stages and responsibilities for HQ and RM interaction. Regional departments also emphasized the need to establish adequate monitoring and evaluation systems at the project level.

45. Preparation stages should also consider early start-up and implementation with similar approaches as found in the SBP and implementation working group reviews. To achieve this (i) readiness checklists are reportedly being used in several departments (stipulating full technical designs upfront, advanced procurement, necessary counterpart budget allocations, all safeguards work, including upfront land acquisition and resettlement, and all other required internal and client approvals), (ii) training is being imparted to government agencies, (iii) use of technical assistance loans for technical design preparation, the first tranche of an MFF and soon, through the recently approved project design facility (PDF)¹¹ may also prove instrumental, (iv) use of government-led detailed designs and bidding documents, where capacity allows it (selected sector agencies in India and PRC), (v) assistance to government agencies for early implementation action, by using few selected consultant resources, (vi) systematic pursuit of advance procurement actions, (vii) advance securing of government budget allocations, internal approvals and/or land acquisition and/or resettlement.

46. A review of governance risk assessments prepared for projects and programs (in line with ADB's Second Governance and Anticorruption Action Plan) identified the need for a greater emphasis for strengthening risk assessments so that mitigation measures are incorporated into project/program designs. In particular there is much room for improvement in terms of identifying (i) specific risks; (ii) the likelihood and seriousness of the risks; (iii) how risks may impact the project; and (iv) specific mitigation measures that feed into project design.

47. **Recommendation.** Beyond the considerable attention paid to project preparation and design in the SBP and by the implementation working group recommendations, careful attention must be paid to the level of complexity of projects and the capacity of the EA for implementation. Also risk assessments and mitigation arrangements should be strengthened. Other key issues in this regard are the number of contracts, bidding, tender and contract design (COSO procurement experts could join processing missions as required). Project design must also consider monitoring and evaluation frameworks and provisions for sustainability. It is recommended that long-term capacity development requirements and sustainability are incorporated as integral parts of the sector framework/roadmap and pursued over a number of operations.

¹¹ ADB. 2011. *Establishing the Project Design Facility*. Manila.

Box 3: Project Preparation and Design Checks

- ✓ Is there a clear, simple and realistic outcome statement with targets that are achievable with the outputs to be delivered?
- ✓ Is there a monitoring and evaluation framework in place to monitor targets?
- ✓ Does the design of the project derive and respond to country-specific sector needs (as reflected in the sector road map)?
- ✓ Has project design considered the level of complexity, the minimum number of contracts, recurrent expenditure, bidding, tender and contract design?
- ✓ If fragility is applicable has special consideration of political economy, security, capacity, financial management and communications strategy been undertaken?
- ✓ Has implementation capacity been assessed and properly addressed?
- ✓ Has there been a thorough risk assessment and are mitigation measures incorporated?
- ✓ Are project implementation arrangements adequately described in a high quality PAM?
- ✓ Is the procurement plan going to deliver the best value in terms of time and money?
- ✓ Does the project meet the total project readiness criteria with final design, advance procurement, budget allocations, LARPS and government approvals upfront?
- ✓ Is there HQ RM teamwork during project preparation and design to provide country perspective/experience and to build teamwork and project readiness?
- ✓ Is the project evaluable and pass the evaluation criteria test?
- ✓ Have CAPE, SAPE, PCR and TCR findings been systematically considered?

CAPE = country assistance program evaluation, HQ = headquarters, PAM = project administration manual, PCR = project completion report, RM = resident mission, SAPE = sector assistance program evaluation, TCR = technical assistance completion report.

4. Implementation

48. The IED review opined that project implementation still received insufficient attention by ADB relative to project preparation (this had been found in the past to be a problem). Also the review highlighted the problems faced at project startup, with consultants and suppliers, with client ownership and competence and the unforeseen factors that arise and impact project implementation. The DEfR 2010 highlighted that slow progress/delayed implementation contributed to less than effective ratings for sector outcomes in 43% of the projects.

49. Regional department submissions highlighted the importance of on time, on budget and quality delivery performance and factors such as project readiness, upfront budget allocations and effective utilization of resources, skills and RMs for project implementation.

50. Over the last few years concerted effort on the part of regional departments to place due attention on portfolio and project management is evident. This area of the project cycle has received particular attention by the implementation working group in 2010 and efforts on the part of regional departments. The full details of the findings on better project implementation are elaborated in the working group's report and are not repeated here. The implementation working group's recommendations focused on: (i) achieving total project readiness—including approaches to advance detailed design (new PDF or through initial MFF tranches), assess and ensure capacity for implementation, agree project readiness filters with clients and reduce time to sign loans, make them effective and achieve first contract award; (ii) enhancing organization, staff skills and incentives—including better headquarters and resident mission teamwork approaches, augmenting procurement, safeguards and disbursement expertise in resident missions, project implementation training and recognition programs; and (iii) ensuring effective project implementation—including more regular and high level interaction with the client

(including review missions and resident mission interaction, tripartite portfolio reviews, results based country portfolio reviews and midterm reviews), implementation of a new project performance monitoring system (which also allows tracking of sector outputs and outcomes), encouraging fewer and larger procurement contracts together with better procurement practice (bidding process and bidding criteria [quality driven] and contract modalities [fixed price, fixed periods and premium and penalties]) and closer scrutiny of project extensions. These measures are expected to improve achievement of project outputs and outcomes.

51. In the last 10 years there have been a number of portfolio restructurings in the Philippines and Indonesia in 2003–2004, India in 2005, Nepal in 2006 and Bangladesh and Pakistan most recently. This is sound management practice to boost portfolio performance by restructuring or canceling non-performing projects. The ADB 2010 project success and outcome delivery performance has been impacted by the Pakistan portfolio restructuring.

52. The new project administration instructions (PAI) issued in June 2010 (PAI 6.02 paragraph 12) make two significant proposals to enable country portfolio reviews (CPRs) to be more results focused. First, the new instructions require that CPR missions (i) collect the latest available information on national sector outcomes and outputs together with the government agencies, and (ii) obtain from project officers the latest assessment of project outputs achieved under the active portfolio. Second, the new instructions require the country team leader and/or economist to be associated with CPRs (which previously was not required); this will facilitate better understanding of the results chain in the country, and will help link sector-level outputs and outcomes with outputs and outcomes in the country-level results framework.

53. Several regional departments have also intensified project supervision efforts through strengthening their field presence, improving coordination and dialogue with executing and implementing agencies and collaboration with development partners. Monitoring systems are being strengthened with the progressive introduction of reporting of progress towards meeting project outputs and outcomes. Reporting is captured in eOperations as part of project administration and often presented during CPR missions.

54. Finally, the special evaluation study of midterm reviews carried out in 2008¹² found that midterm reviews improve the probability of a project's success in achieving outputs and outcomes by solving a wide gamut of project design and implementation problems. But midterm reviews were found not to be used effectively as self-evaluation instruments. Midterm reviews should assess the likelihood of a project achieving its expected outcomes, as intended in staff instructions. Only two of the 20 projects sampled in the evaluation study analyzed progress in achieving outputs and outcomes based on the design and monitoring framework. The introduction of results-based CPRs, and the general increase in capabilities for results-based management of projects in ADB and in executing agencies, should make midterm reviews a more effective instruments to improve project performance.

55. **Recommendation.** To achieve project outcomes it is recommended that the implementation working group recommendations and other actions that are relevant to the particular context of the particular DMC are implemented. Actions need to be conducted at various levels, depending on the maturity of the project. For projects under preparation or recently approved, particular focus on total project readiness is encouraged with final design, advance procurement, budget allocations, land acquisition plans and government approvals all in place prior to approval or effectiveness. The new project performance report (PPR) needs to

¹² ADB. 2008. *Special Evaluation Study Update: Midterm Review Process*. Manila.

be used as the tool to monitor and act on project and portfolio problems as they arise (data input integrity is important in this regard).

56. For projects in their final stage of implementation, special attention should be paid to midterm reviews and regular forecasting on the likelihood that project outputs and outcomes will be achieved. At this time outcome statements in the DMF should be revised, if justified. Where a negative outcome result is expected, remedial action plans should be immediately put in place.¹³

57. Finally, the sector roadmaps/frameworks should be reviewed and if any major changes occurred, revised, and sector results frameworks updated during the annual country portfolio review mission to allow ongoing monitoring of the progress in the achievement of sector outcomes.

Box 4: Implementation Checks

- ✓ Is the effective portfolio oversight in terms of reviews and monitoring arrangements?
- ✓ Are HQ RM teamwork arrangements working well for each DMC?
- ✓ Has the annual CPR reviewed and updated the sector results frameworks and assessed the progress towards the achievement of outcomes?
- ✓ Has the PPR identified problem projects and have timely actions been taken to address them?
- ✓ Has the midterm review mission terms of reference included an assessment of the likelihood of achieving the project outcome and instructions to develop clear remedial measures if the project is off-track?

CPR = country portfolio review, DMC = developing member country, HQ = headquarters, PPR = project performance report, RM = resident mission.

5. Evaluation

58. The IED review noted that it was not always evident that the results of evaluations and reviews were acted upon adequately by ADB. Since the IED review the management action recording system (MARS) has been introduced to enable the monitoring and tracking of the implementation of IED review recommendations accepted by Management. Some regional departments are making the feedback loop from self and IED evaluations more explicit by requiring the lessons learned to be considered when developing new operations. Also there are pilot impact evaluation studies being undertaken for a sample of ADB projects.

59. Monitoring and evaluation systems for each project should be established. This links back to the setting of outcome and output indicators and baselines during project design and the close monitoring of these indicators during project implementation and following project completion.

60. **Recommendation.** Lessons learned through briefings by IED on their findings and active use of PCRs for self assessment should be institutionalized. Lessons learned must also feed into sector roadmaps.

¹³ Actions to be considered may involve stepping up administration supervision, design modifications, implementation changes or where appropriate, changes in scope.

Box 5: Evaluation Checks

- ✓ Have CAPE, SAPE, PCR and TCR findings been systematically considered in sector roadmaps, COBPs and operations?

CAPE = country assistance program evaluation, COBP = country operations business plan, PCR = project completion report, SAPE = sector assistance program evaluation, TCR = technical assistance completion report.

V. RECOMMENDED ACTIONS TO IMPROVE PROJECT OUTCOMES

61. The review found that there has been a number of initiatives taken by ADB to improve development effectiveness and better achieve project outcomes and that these efforts are having an impact as shown by improved quality at entry and startup indicators in the 2010 DEfR. It is clear that delivering results has the full attention of management and regional departments and it is evident that there has been a culture shift in the organization. ADB's departments and offices must now intensify their efforts and continue to mainstream these initiatives to ensure that projects are successful and their outcomes achieved in the coming years. This requires the following actions:

- (i) **Regional departments need to even more strongly promote the achievement of project outcomes** through the implementation of their respective project outcome action plans (see Appendixes) and specific actions in their annual department results based work plans. COSO's mandate is to support regional departments and an action plan to provide this support is also included in Appendix 1. The review identified a number of checks that could be applied by regional departments in Table 3. Although not exhaustive they can augment existing regional department project reviews and design checks.
- (ii) **Complete operational plans for all key ADB focal areas** and implement them to ensure that projects are linked to Strategy 2020, have the appropriate sector focus and are highly relevant (Regional and Sustainable Development Department [RSDD], CoPs, Office of Regional Economic Integration [OREI], and regional departments responsible by 2012).
- (iii) **Continue implementation of the streamlined business processes** with a strong focus on quality and consideration of whether evaluability checks can be incorporated into concept clearance and project design and strengthening of risk assessment (regional departments, Strategy and Policy Department [SPD] by 2011).
- (iv) **Better mainstream the use of sector roadmaps/results frameworks throughout the project cycle** Sector roadmaps/results frameworks should be based on in-depth and high quality sector research and ADB knowledge and experience, have clearly defined sector outcomes together with SMART indicators, incorporate necessary EA capacity building and sector sustainability measures. They should have strong government ownership, project selection should be derived from them (i.e. project must contribute to the sector outputs or outcomes of the sector results frameworks and DMF must have an explicit link); annual CPRM should review, update and report progress of these and evaluations should provide feedback. Sector roadmap/results framework

templates and quality assurance mechanisms should be developed in consultation with CoPs to facilitate the mainstreaming process and ensure consistency with operational plans (SPD, RSDD and CoPs by 2011).

- (v) **Further Enhance Peer review** with attention to the resource requirements of CoPs, participating staff incentives, the need for a common assessment framework and criteria, the systematic utilization of ADB's knowledge and experience, the take-up and enforceability of comments and recommendations made by peer reviewers and the role of CoPs in the review of sector roadmaps/results frameworks during CPS preparation (SPD, RSDD and CoPs by 2011).
- (vi) **Continue implementation of the implementation working group recommendations** on good project implementation practice with particular emphasis on total project readiness and close implementation supervision. The new PPR needs to be used as the tool to monitor and act on portfolio problems as they arise. (Regional departments on an ongoing basis with monitoring by COSO and reporting through the annual portfolio review.)
- (vii) **Pay special attention to projects in the latter stages of implementation.** Regional departments should establish systems that carefully monitor and report on projects having achieved 'mid-life'. As a one-time exercise, regional departments should conduct a comprehensive review of all projects expected to achieve completion in 3 years or less. As a regular measure thereafter midterm and subsequent reviews should report regularly on the likelihood to achieve project outputs and outcomes. Where problems are expected, remedial action plans should be immediately put into place (regional departments).
- (viii) **Operational staff training** in project design and management, managing for development results and design and monitoring framework should be encouraged (Budget, Personnel and Management Systems Department [BPMSD] in conjunction with COSO, Controller's Department [CTL], and SPD).

Box 6: Project Outcome Checklist

Project Selection

- ✓ Is there a sound, up-to-date sector roadmap with a credible sector results framework that is based on strategic and sector research and ADB knowledge resources?
- ✓ Has the CPS and sector roadmap guided project selection?
- ✓ Has the project been assessed for “doability” including for relevance, institutional capacity challenges, risks/assumptions, likely design complexity and implementation challenges?
- ✓ Have CAPE, SAPE, PCR and TCR findings been systematically considered?

Concept Clearance and Processing

- ✓ Is there sound problem tree analysis that is clearly linked to the DMF?
- ✓ Is there a clear, simple and realistic outcome statement in the DMF based on rigorous problem analysis?
- ✓ Has the link of the project concept to the CPS and sector roadmap been explicitly confirmed during concept review?
- ✓ Is the project evaluable and pass the evaluation criteria test?
- ✓ Has CoP peer review been of high standard and have the comments been taken into account?

Project Preparation and Design

- ✓ Is there a clear, simple and realistic outcome statement with targets that are achievable with the outputs to be delivered?
- ✓ Is there a monitoring and evaluation framework in place to monitor targets?
- ✓ Does the design of the project derive and respond to country-specific sector needs (as reflected in the sector road map)?
- ✓ Has project design considered the level of complexity, the minimum number of contracts, recurrent expenditure, bidding, tender and contract design?
- ✓ If fragility is applicable has special consideration of political economy, security, capacity, financial management and communications strategy been undertaken?
- ✓ Has implementation capacity been assessed and properly addressed?
- ✓ Has there been a thorough risk assessment and are mitigation measures incorporated?
- ✓ Are project implementation arrangements adequately described in a high quality PAM?
- ✓ Is the procurement plan going to deliver the best value in terms of time and money?
- ✓ Does the project meet the total project readiness criteria with final design, advance procurement, budget allocations, LARPS and government approvals upfront?
- ✓ Is there HQ RM teamwork during project preparation and design to provide country perspective/experience and to build teamwork and project readiness?
- ✓ Is the project evaluable and pass the evaluation criteria test?
- ✓ Have CAPE, SAPE, PCR and TCR findings been systematically considered?

Implementation

- ✓ Is the effective portfolio oversight in terms of reviews and monitoring arrangements?
- ✓ Are HQ RM teamwork arrangements working well for each DMC?
- ✓ Has the annual CPR reviewed and updated the sector results frameworks and assessed the progress towards the achievement of outcomes?
- ✓ Has the PPR identified problem projects and have timely actions been taken to address them?
- ✓ Has the midterm review mission terms of reference included an assessment of the likelihood of achieving the project outcome and instructions to develop clear remedial measures if the project is off-track?

Evaluation

- ✓ Have CAPE, SAPE, PCR and TCR findings been systematically considered in sector roadmaps, COBPs and operations?

CAPE = country assistance program evaluation, COBP = country operations business plan, CoP = community of practice, CPR = country portfolio review, CPS = country partnership strategy, DMC = developing member country, DMF = design and monitoring framework, HQ = headquarters, PCR = project completion report, PPR = project performance report, RM = resident mission, SAPE = sector assistance program evaluation, TCR = technical assistance completion report.

COSO ACTION PLAN TO SUPPORT REGIONAL DEPARTMENTS

Action	Responsible	Timeline
1. Project Selection		
(i) Support the preparation of GACAP II procurement assessments, in particular in sector roadmap preparation as part of the country partnership strategy process	COS 1, COS 2	2012
2. Improve Quality at Entry		
(i) Develop a checklist to assess the quality of executing agency procurement capacity assessments and their action plans, to be applied during project processing	COS 1, COS 2	2012
(ii) Participate in project processing teams to assist in the conduct of procurement capacity assessments and action plans, and the preparation of the procurement plan	COS 1, COS 2	2012
(iii) Carry out quarterly real-time quality assessments of design and monitoring frameworks of approved projects to provide timely feedback to regional departments to support their quality assurance responsibilities;	PMU	2012
(iv) Provide clinics for regional department staff on a demand basis to address practical DMFs issues in projects under preparation	PMU	2012
(v) Support regional department DMF focal points with advice and training as requested	PMU	2012
(vi) Provide one-to-one advice to mission leaders on the preparation of DMFs as requested	PMU	2012
(vii) Conduct training on project design and management for executing and implementing agency staff as requested	PMU	2012
3. Implementation		
(i) Provide advice on procurement transactions for contracts less than \$10 million, which are the responsibility of regional departments, as requested	COS 1, COS 2	
(ii) Revise ADB's procurement and consultant selection guidelines	COOD	2012
(iii) Work closely with Regional departments and Resident Missions to further simplify and streamline ADB's loan consulting procedures for due diligence review while ensuring the quality of compliance review	COOD	2012
(iv) Expand the CMS-Sourcing module into a new phase—CMS III—which can be used by the borrowers for recruiting consultants for ADB financed loan/grant projects. This will significantly improve the efficiency and transparency of consultant recruitment by borrowers. The Loan Consulting Services Unit functionality will be adjusted and further enhanced once CMS III becomes operational. Target date of launching CMS III will be mid 2013	COS 1, COS 2	2012-2013
(v) Continuously review and seek to improve all business processes under its control to reduce delays, rework, and non-value adding activities	COOD	2012
(vi) Working with Communities of Practice to understand where underlying cost indices and cost outcomes from procurements can be shared to assist public and private sector specialists with more strategic information to inform project estimates, bid reviews, contract variations and identify requirements for domestic industry capacity building	COOD	2012
(vii) Agree with CWRD to outpost procurement staff to a Central Asian mission. Extended missions to selected resident missions including South East Asia (Indonesia), and the Pacific (Papua New Guinea) will continue and expand to meet demand	COOD	2012
(viii) To maximize the benefit of outposted staff, COSO will implement a network of procurement specialists that will include national officers in resident missions as well as professional staff, introducing the World Bank concept of "procurement hubs" as a venue for procurement specialists to meet and discuss common issues	COOD	2012
(ix) Establish the procurement accreditation program to develop a cadre of around 200 qualified national officers, project officers and professional staff procurement specialists with two different accreditation options: (a) consultant recruitment, and (b) executing agency procurement oversight	COOD	2012
(x) Support the wider application by regional departments of the procurement review for effective implementation tool during project mid-term reviews	COS 1, COS 2	2012
(xi) COSO will extend its supplier related activities to research the state of current supply chains and build sector strategies for the priority industry sectors identified in Strategy 2020. These activities may include the	COOD	2012

Action	Responsible	Timeline
provision of national and regional supplier and/or supply market development initiatives and new processes to work with NGOs as suppliers, where appropriate		
4. Portfolio Management		
(i) Provide Management with independent advice on ADB's portfolio through preparation of the 2011 annual portfolio performance report, quarter portfolio updates, and presentations to the Operations Review Meetings	PMU	2012
(ii) Provide timely information for the preparation of background papers for country portfolio review missions, and other regional department data requirements	PMU	2012
(iii) Maintain and upgrade the contracts database and provide reports to Management and operational departments	PMU	2012
(iv) Conduct in-depth analysis and special studies on key portfolio performance issues	PMU	2012
(v) Coordinate and lead revisions of Project Administration Instructions (PAI)	PMU	2012
(vi) Support regional departments undertake quality assurance of the eOperations project records to ensure their integrity	PMU	2012
(vii) Establish a Portfolio Management Community of Practice supporting improved management of project design and implementation, and of operational department and ADB-wide portfolios	PMU	2012

ADB = Asian Development Bank, CMS = consultant management system; COOD = Office of the Principal Director, COSO; COS 1 = Central Operations Services Division 1; COS 2 = Central Operations Services Division 2; COSO = Central Operations Services Office; CWRD = Central and West Asia Department; DMF = design and monitoring framework; GACAP II = Second Governance and Anticorruption Action Plan; NGO = non government organization; PMU = Project Management Unit.

Source: Asian Development Bank.

CWRD ACTION PLAN TO IMPROVE PROJECT OUTCOMES

Action
1. Improve Quality Before Entry
(i) Ensure high quality analytical work (strategic research, sector research, roadmaps and other sector and thematic assessments) leading to a full understanding of the main issues limiting development and/or sector performance. Well structured results-based CPSs with high focus content. Choose interventions based on: what the country needs; what we can do better than others; what other donors can do better than us; and where we have skills and money. Our motto remains selectivity and focus. Work on staff skills mix and skills improvements and apply lessons learned from assessments on project and TA performance. Investments in knowledge help create good projects, including a sound context and storyline for the investments. Continue the portfolio restructuring process in countries with non performing projects.
2. Improve Quality at Entry
(i) Ensure high quality concept papers (based on sound problem tree analysis – then linked to DMFs). Structure properly the due diligence underpinning project preparation to ensure all key areas are covered, and simplify the design features to ensure the efficient delivery first of outputs and then outcomes and impact. Develop sound PAMs and think ahead in terms of the quality of the bidding process, the bidding conditions, the contract modalities, the consultant and contractor profiles, the contract packages and the supervision plans. Focus on project management and on the conflict resolution for all contracts. Ensure no fragmenting or slicing of projects into too many small packages. Our motto is to deliver value for money, which means delivering projects on time, within budget and to the highest quality standards.
(ii) Ensure a high state of project readiness, which includes full technical designs upfront, advanced procurement (to know the real costs in advance), the right budget allocations from our clients to match our money, the management of all safeguards, including upfront land acquisition and resettlement, and all other required internal approvals.
(iii) Create appropriate baselines and realistic targets for projects – this provides the benchmarks against which to measure performance on outcomes and impact later. The quality of the DMF is critical. Apply the principles of the CWRD joint venture approach (research, processing and implementation), deploy experienced staff to the field, visit clients regularly and engage with consultants and contractors to understand their problems and define solutions.
3. Quality after Entry
(i) Focus on project management including handling all the key stages of the bidding process (based on a clear definition upfront of the needs and thus the bidder profile), the use best practice terms and conditions in contracts (including premiums and penalties), the recruitment of only top quality supervision consultants (including the provision of a dual reporting role to the client and ADB - to ensure timely and independent reporting on key issues, as well as the management of the contractor). Deploy more experienced staff to the field to offer solutions but also to be closer to the client. Establish arbitration mechanisms to resolve contract problems fairly and fast. Adhere to the projected project S curve to deliver outcomes. Ensure proper safeguards management and reporting. Teams to measure, track and report on performance on a regular basis. The early warning system in CWRD, the joint venture model, the new project performance report and the portfolio review process and portfolio tracking arrangements will continue to be implemented.
4. Lessons Learned from TCRs and PCRs, CAPEs, SAPEs and Impact Evaluations
(i) Undertake impact assessments to measure success and learn from failures. Continue compilation of lessons from TCRs and PCRs, CAPEs, SAPEs. Apply these lessons during the project cycle.
5. Internal Management Changes—At HQ and RMs
(i) Continue implementation of the HQ and RM joint venture. Sharpen accountability and responsibility lines, empower project implementation unit heads, as well as directors and staff.
6. Results Framework
(i) Implement annual results frameworks for the department as a whole and for each of the divisions with cascading to staff and their individual work plans. The framework guides the RMT meetings on project processing and portfolio performance.
7. Teamwork and Skills
(i) Establish HR function in the front office to help the department with people management including career planning, training and development, communications, outreach and better PDP management and feedback. Also work/home balance issues and to specific management or personal concerns at all levels. Conduct every year our own internal staff and internal client survey to find areas where we need improvements.
8. Cofinancing and Leveraging on Others
(i) Work more with others—within and outside ADB - to leverage on their knowledge, experience and finance. Establish a strategic alliance with EBRD in London to work on PPPs and PSD. Establish partnership arrangements with other departments in ADB, including COSO, RSDD, CTL and OGC, OREI, ERD and the Economics Department.

CAPE = country assistance program evaluation, COBP = country operations business plan, CoP = community of practice, COSO = Central Operations Services Office, CPR = country portfolio review, CPS = country partnership

strategy, CTL = Controller's Department, CWRD = Central and West Asia Department, DMC = developing member country, DMF = design and monitoring framework, EBRD = European Bank for Reconstruction and Development, ERD = Economics and Research Department, HQ = headquarters, HR = human resources, OGC = Office of the General Counsel, OREI = Office of Regional Economic Integration, PAM = project administration manual, PCR = project completion report, PDP = performance development plan, PPP = public-private partnership, PPR = project performance report, PSD = private sector development, RM = resident mission, RMT = regional management team, RSDD = Regional and Sustainable Development Department, SAPE = sector assistance program evaluation, TA = technical assistance, TCR = technical assistance completion report.

Source: Asian Development Bank.

EARD ACTION PLAN TO IMPROVE PROJECT OUTCOMES

Action	Responsible	Timeframe	Remarks/Status
<p>1. Enhance partnership with central government in the PRC. Even though most lending operations take place at the sub-national level of provincial and county/municipal governments, involve central government agencies, in particular the Ministry of Finance, in project identification, selection, preparation and design.</p>	<p>RMT, Country Team Leaders, Project Team Leaders</p>	<p>Ongoing</p>	<p>Regular consultation, in addition to annual country programming and midterm country program review, are held with NDRC and MOF. Recently, separate briefings were held on ADB's streamlined business processes.</p>
<p>2. Enhance capacity of executing and implementing agencies include a capacity development component as requested by clients. EARD is pilot-testing a new approach to —supporting public management and change in two projects under preparation for 2010 approval with the objective to increase capacity for development. Conduct pre-implementation training on project implementation and ADB procedures for executing and implementing agencies in Chinese language.</p>	<p>Project Team Leaders</p>	<p>Ongoing</p>	<p>Capacity building and institutional strengthening component is included in almost all approved projects and those in the pipeline. Two TAs were approved in 2010 focusing on enhancing the capacity of EAs/IAs. TA 7703-PRC: Capacity Building for Enhanced Partnership and Development Impact in the PRC, and TA 7711-MON: Capacity Building for Enhanced Partnership and Development Impact in MON were approved. DMF workshops and pre-implementation training are held during project preparation.</p>
<p>3. Improve coordination. Ensure adequate coordination for projects in isolated areas and with many implementing agencies. Use EARD's web-based coordination mechanism. Establish project steering committees comprising representatives from key government agencies to ensure a consistent application of rules and uniform decision-making on project implementation issues.</p>	<p>Project Team Leaders</p>	<p>Ongoing</p>	<p>Project implementation arrangements discussed and agreed upon during project preparation. Where applicable, Steering Committees are established.</p>
<p>4. Address portfolio management issues systematically. Implement the recommendations of the 2009 Study on Effective Implementation of ADB Projects in the PRC.</p>	<p>PAU Heads, Project Team Leaders</p>	<p>Ongoing</p>	<p>Recommendations of the Study were condensed into a 7-point action plan during the CPRM, implementation of which is being spearheaded by PRCM PAU.</p>
<p>5. Strengthen knowledge management as an integral part of ADB's operations in the PRC and Mongolia. Peer reviews ensure quality while joint programming in the PRC helps ensure the relevance and timeliness of KPS.</p>	<p>RMT, Country Team, Project Team Leaders, Knowledge Management Unit</p>	<p>Ongoing</p>	<p>Joint programming of knowledge products and services with the MOFs of PRC and MON is a key component of country assistance program discussions and country programming missions.</p>
<p>6. Develop a holistic partnership with DMCs apart from project lending, EARD's commitment and focus on knowledge sharing, capacity development, and increased efforts in regional cooperation is fully aligned with government's priorities. Such activities and interventions are creating a high degree of trust and commitment between ADB and its DMCs. Portfolio management is one of the areas, which benefit from EARD's holistic</p>	<p>RMT, Country Team, Project Team Leaders, Knowledge Management Unit</p>	<p>Ongoing</p>	<p>Recent initiative is the creation of a regional Knowledge Hub for Sustainable Urban Development in the PRC. In addition to knowledge outputs of technical assistance and projects, the "knowledge platform" concept in the PRC continue to promote exchange of knowledge and development experience. EARD also facilitates knowledge sharing between the PRC and neighboring DMCs.</p>

Action	Responsible	Timeframe	Remarks/Status
partnership approach.			
7. Enhance capacity of EARD. Improved safeguard supervision, and pursue policy dialogue and capacity development for project clients. Workshops, retreats, and training courses for divisions and resident missions supporting better quality of document write-ups, design and monitoring frameworks, safeguard compliance work, streamlined business process implementation, and sector work.	RMT	Ongoing	EARD National staff in HQ and in RMs underwent “Skills for Success” training.
8. Enhanced role of Resident Missions. Aside from increased project administration and country programming role, RM staff provide the first line of response to clients. RMs were strengthened with outposted specialists and national experts to support safeguards implementation and monitoring, procurement, and project administration.	RMT, Country Directors	Ongoing	Procurement specialist outposted in PRCM help address procurement issues expeditiously. The outposting of health specialist in MNRM helped improve the implementation of health projects in MON and expedited processing of the 4 th Health Project. Further outposting is being planned in 2011. National procurement officer, resettlement officer, and sector experts have been recruited.
9. Improving portfolio monitoring and coordination. The safeguards unit established at the front office provides oversight function on resettlement, environment and indigenous peoples (IP) issues. Mandatory midterm review for projects assess progress towards achievement of outcomes and identifies ways to improve implementation. The annual CPRM led by the RMs ensures the involvement of high level central government officials in country portfolio reviews.	RMT, Country Directors	Ongoing	High level participation in CPRMs emphasize the importance of project management and the role of government counterparts in the achievement of outcomes.

ADB = Asian Development Bank; CPRM = country portfolio review mission; DMC = developing member country; DMF = design and monitoring framework; EA = executing agency; EARD = East Asia Department; IA = implementing agency; KPS = knowledge, products, and services; MNRM = Mongolia Resident Mission; MOF = Ministry of Finance; MON = Mongolia; NDRC = National Development and Reform Commission; PAU = project administration unit; PRC = People's Republic of China; PRCM = PRC Resident Mission; RM = resident mission; RMT = regional management team; TA = technical assistance.

Source: Asian Development Bank.

PARD ACTION PLAN TO IMPROVE PROJECT OUTCOMES

Action	Responsible	Time Frame
1. Project feasibility		
(i) Improve alignment with national strategies, including through PIAC assessments	Country teams	Ongoing
(ii) Improve upstream assessments through consultation and participation, political economy analyses, and rigorous constraint analyses.	Country teams Mission leaders	Ongoing
(iii) Continue engagement with CoP peer reviews	Mission leaders	Ongoing
(iv) Improve partner coordination and harmonization	PARD representative to PRIF	Ongoing
2. Project design		
(i) Improve preparation of implementation arrangements through RM participation in PAM	Mission leaders Resident mission PAUs	Ongoing
(ii) Prepare final designs using the new project design facility	Mission leaders	One project in 2012, subject to PDF resources
(iii) Prepare designs of subsequent MFF tranches through earlier tranche resources	Mission leaders Resident mission PAUs	Two projects in 2012
(iv) Strengthen HQ / RM cooperation in design and implementation	Mission leaders Resident mission PAUs	Beginning 2011, ongoing
(v) Increase participation in project management training	Mission Leaders and BPDB, one third of sector division staff / year	Beginning 2011, ongoing
3. Executing agency engagement		
(i) Conduct thorough capacity and procurement assessments	Mission leaders	Ongoing
(ii) Regular country portfolio reviews	Resident mission PAUs	Ongoing
(iii) Provision of CDTA for capacity development in implementation where possible	Mission leaders	Ongoing
4. Safeguards action plans		
(i) Monitor existing safeguard implementation	HQ and RM safeguards specialists	Ongoing
(ii) Improve preparation of safeguards plans during design	Mission Leaders HQ safeguards specialists	
5. Procurement		
(i) Conduct procurement workshops	Mission leaders COSO	At least one per year in Pacific DMCs
(ii) Increase use of advance action to prepare for contract awards prior to approval	Mission leaders	To be assessed, subject to PPTA resources

BPDB = Staff Development and Benefits Division, CDTA = capacity development technical assistance, CoP = community of practice, COSO = Central Operations Services Office, DMC = developing member country, HQ = headquarters, MFF = multitranchise financing facility, PAM = project administration manual, PARD = Pacific Department, PAU = project administration unit, PDF = project design facility, PIAC = Pacific Infrastructure Advisory Centre, PPTA = project preparatory technical assistance, PRIF = Pacific Region Infrastructure Facility, RM = resident mission.

Source: Asian Development Bank.

SARD ACTION PLAN TO IMPROVE PROJECT OUTCOMES

Issue	Action	Timeline	Status/Remarks
A. Project Selection			
Strengthen Project Selection Process:			
	Introduce refined project selection process	2011--	
(i) Confirm strategic fit and alignment with Road Map			
(ii) Pre-screen and assess project "do-ability"			
(iii) Convey pre-screening views to client (EA) and agree key parameters and next steps			
B. Project Design and Preparation			
Enhance Project Design and Preparation:			
(i) Enhance the utility of the Project Concept Clearance and Categorization Meeting (PCCCM)	Mandatory attendance at PCCCM by concerned CD, and HQ and RM PAU Heads and programming team	2011--	Already introduced effective April 2011
	Ensure that relevant CoP is invited to PCCCM	2011--	Already followed
(ii) Ensure strict application of Project Readiness Checklist	All sector divisions	Ongoing	SAOD and RM PAU Heads to monitor application
(iii) Increase the use of TA loan/grant and new Project Design Facility (PDF)	All sector divisions	2011--	Two TA loans for project design approved in 2010 (BAN & NEP) Use PDF for key sectors and clients
C. Project Administration and Implementation			
C1. Strengthen Project Reviews and Reporting:			
(i) Conduct result-based (RB) project reviews, ensuring that progress against DMF is assessed and reported	All SARD units	ongoing	
(ii) Following conduct of RB project review, each unit should report project progress (compared with DMF) and update eOperations accordingly (PI-SO module)	All SARD units	2011--	
(iii) Ensure that project mid-term reviews are conducted	All SARD units	ongoing	
C2. Strengthen Portfolio Reviews and Reporting:			
(i) Refine process and format for conduct of RB-TPRMs in BAN and IND, focusing on non-performing projects and sectors/subsectors	INRM/BRM	2011--	
(ii) Refine RB portfolio reviews in BHU/MDL/NEP/SRI focusing of non-performing projects and sectors/subsectors	SLRM/NRM SARC/SAOD	2011--	
(iii) Continue conduct RB CPRMs for all DMCs	BRM/INRM/NRM/SLRM SARC/SAOD	Ongoing	
D. Project and Portfolio Monitoring			
(i) Strengthen project and portfolio monitoring, focusing on non-performing projects and sectors/subsectors	All PAU Heads SAOD	Ongoing	
(ii) Enhance outcome and outputs monitoring	All SDs/RMs SAOD	Ongoing	

Issue	Action	Timeline	Status/Remarks
E. Evaluation			
(i) Analyze all past PCRs and share lessons learned within SARD	SAOD	Ongoing	
(ii) Enhance outcome and outputs monitoring	All SARD units	Ongoing	

BAN = Bangladesh; BRM = Bangladesh Resident Mission; CD = country director; CoP = community of practice; DMF = design and monitoring framework; EA = executing agency; HQ = headquarters; IND = India; INRM = India Resident Mission; NEP = Nepal; PAU = project administration unit; PCCCM = project concept clearance and categorization meeting; PCR = project completion report; PDF = project design facility; RM = resident mission; RB = results-based; SAOD = Office of the Director General, SARD; SARC = Regional Cooperation and Operations Coordination Division; SARD = South Asia Department; SRI = Sri Lanka; TA = technical assistance; TPRM = tripartite portfolio review meeting. Source: Asian Development Bank.

SERD ACTION PLAN TO IMPROVE PROJECT OUTCOMES

Action	Responsible	Timeline
Project Selection		
(i) Utilize the CPS process and related sector ASRs to ensure priority projects with a known potential for impact are selected.	Country Teams	Ongoing
(ii) Identify sector implementation issues. ASRs could be updated annually through sector portfolio review during the country portfolio performance review, and identify the measures for priority issues. The annual update of sector ASR and related sector results frameworks and operations performance could help to monitor the sector performance and implementation issues, which requires a mid-term approach during the CPS process.	Resident Mission PAUs Country Teams	2011 –
Project Design and Preparation		
(i) Prepare detailed monitoring and evaluation frameworks including conduct of a baseline survey, with a well established counterfactual (what would happen without the project) to help measure and better ensure outputs and outcomes of the project are contributing to the overall sector outputs and outcomes. Incorporate lessons learned from previous projects in the project design.	Sector Divisions Resident Missions	Ongoing
(ii) Ensure the quality of concept papers, TA papers, and RRP.	SEOD	Ongoing
(iii) Do not rush project processing. Closely coordinate with the government and ensure that the government takes the driving seat and proceed at pace they can absorb and manage.	Country Teams Sector Divisions Resident Missions	Ongoing
(iv) For complex projects, need to assign a sector specialist (a railway specialist for the case of a railway project) at the PMU from the early stage of project preparation.	Sector Divisions Resident Missions	2011 –
Project Readiness		
(i) Support the preparation of project implementation start-up using PPTA resources, including project management consultant recruitment, bridging between feasibility studies and detailed designs, establishment and training of EAs, IAs and project management units, and safeguard compliance.	Sector Divisions Resident Missions	Ongoing
(ii) Bring the detailed design forward. For this the newly established Project Design Fund (PDF) can be used.	Sector Divisions Resident Missions	2011 –
(iii) Establish the PMU from the project preparation stage, have at least a project manager, a procurement specialist, and a safeguards specialist, to help them take lead in managing and implementing the projects.	Sector Divisions Resident Missions	Ongoing
Project Implementation and Administration		
(i) Provide training on procurement, disbursement, and safeguard.	Resident Mission PAUs	Ongoing
(ii) Ensure good team work of the ADB's project processing team. The RM sector focal point will support the project team leader (HQ staff). Close coordination between HQ and RM is extremely important in not only for problem solving, but also for day to day implementation monitoring.	Sector Divisions Resident Missions	2011 –

ASR = assessment, strategy and roadmap; CPS = country partnership strategy; EA = executing agency; HQ = headquarters; IA = implementing agency; PAU = project administration unit; PDF = project design fund; PMU = project management unit; PPTA = project preparatory technical assistance; RM = resident mission; RRP = report and recommendation of the President; SEOD = Office of the Director General, SERD; SERD = Southeast Asia Department; TA = technical assistance.

Source: Asian Development Bank.