

Chair's Summary of the Development Effectiveness Committee

14 November 2013

Corporate Evaluation Study: Asian Development Bank Decentralization Progress and Operational Performance (IN. 375-13)

1. DEC discussed the evaluation report on ADB's decentralization which pointed out that the bulk of ADB's activities and decision making authority are centralized in headquarters (HQ) in comparison with similar regional development banks. The evaluation found no direct linkage between the team leader location and project success rating. However, the report found clear links between project performance and the quality of ADB project supervision, borrower ownership and performance, experience of resident missions (RMs), project size and country's political stability. Also, RM staff and stakeholders revealed several areas where RM involvement contributed to improved project processing and implementation. Management generally agreed with the recommendations, with some reservations on (i) the extent of outposting operational support staff to RMs; (ii) the presence of sector specialists in the field; (iii) follow-up supervision and aspects of disbursement; and (iv) costs associated to decentralization.

2. **Goal of decentralization.** DEC welcomed the evaluation report stressing the usefulness of a historical perspective of ADB's organizational development. While members noted ADB's progress in situating more RMs and increasing field office staff, they also inquired about the goal of ADB's decentralization process, and whether there was a policy or target from which to measure progress. Management responded that the goal was to improve ADB's country focus, although it was recognized that the current regional department structure contributed to the perception of ADB being composed by a group of silos or five small regional banks. DEC, IED and Management agreed that the midterm review of Strategy 2020 would be a good opportunity to address these concerns and to clarify how decentralization could further contribute to stronger portfolio outcomes. DEC members were of the view that if decentralization helps ADB achieve better development results, then a continued effort should be made to strengthen it.

3. **Delegating authority and decision making.** DEC members stressed that decentralization is not just about moving people to the field but also about increasing the scope of responsibility and accountability for RMs. Members agreed that RMs should have a greater role in project and program implementation and monitoring. DEC flagged the observation that while staffing and the number of RMs have increased, ADB has not gone far enough in delegating its portfolio with the bulk of project processing and administration and knowledge work remaining HQ centered. Management agreed that more authority is needed on the ground and that certain tasks are already delegated and that the element of trust must be addressed further. In addition, it was noted that the diversity of tasks assigned to RMs (relationship management, team management, programming, outreach, project management, disbursements, processing, and research, among others) is a complex challenge given the constrained staff resources. A DEC member observed that 50% of RM tasks involved assisting

HQ staff on mission and noted that this may not be the best use of limited staff resources. DEC members were of the view that there is scope to improve RM capacity for procurement, disbursement, safeguards, and knowledge, while noting existing Management efforts such as the procurement accreditation skills scheme and CWRD's joint venture model.

4. **Outposting of staff and greater use of technology.** Recognizing the cost implications of operations and knowledge activities, DEC members inquired about the status of outposting HQ staff. Management clarified that the decision to outpost instead of allocate staff to an RM came from the regional hub concept, following the three year transformation exercise. The regional hub concept provided flexibility to adjust staffing based on the portfolio of the country concerned while allowing sector specialists to work in more than one country. Management mentioned that a number of staff from non-regional departments such as OSFMD, PSOD, OGC and RSDD were outposted to RMs, although there is now greater pressure to have a lean structure in RMs and reduce costs related to staff redeployment. DEC members encouraged Management to maximize the use of video conferencing facilities and information technology systems to reduce costs, as well as engaging in partnerships with local think tanks.

5. **Field office experience.** Some DEC members stressed that field experience should be part of ADB's career development, especially if staff would like to progress to more senior positions. Management mentioned that it is moving toward the direction of requiring field office experience for operational staff before they are promoted to senior positions. This requirement has not been formalized and there are plans to consider more staff incentives to entice them to work in RMs. Staff are generally concerned that moving to RMs makes it more difficult for them to return to HQ. DEC agreed to refer this issue to the Human Resources Committee for possible discussion. A DEC member also encouraged BPMSD to make timely appointments and avoid gaps, especially for senior positions in RMs.

6. **Downward trend on portfolio delegation.** DEC members cited the decline on portfolio administered by RMs in 2011 and 2012, and expressed concerns about waning interest on decentralization and the fact that projects are only delegated two years after processing. A DEC member shared his experience from a bilateral organization where project implementation is immediately delegated to the RM after approval except in exceptional circumstances (i.e. complex or politically sensitive projects). Management assured DEC that decentralization is still in full course but there are extenuating circumstances which often make it tougher to delegate projects immediately to the RM. However, Management recognized that there is scope for improvement in deregulating business processes by cutting down on bureaucracy without sacrificing checks and balances.

7. **Concluding remarks.** DEC members supported IED's recommendation to revisit the RM policy and urged Management and IED to explore a more efficient way to evaluate decentralization performance. DEC members likewise recognized that there is no "one size fits all" model for decentralization and urged Management to pursue different approaches to meet different development contexts or to explore pilot countries in determining the most effective way to decentralize business processes. DEC also noted that development effectiveness should not be framed solely within the lens of HQ-RM relations.