

Multilateral Aid Review: Assessment of Asian Development Fund

Summary	
Organisation: Asian Development Fund	Date: February 2011
Description of Organisation	
<p>The Asian Development Fund (AsDF) is a major provider of concessional loans and grants in Asia and the Pacific. It focuses on basic infrastructure and committed \$3.3bn in 2009. As part of the Asian Development Bank (AsDB), AsDF also leverages finance for private sector projects in LICs, as well as transferring knowledge and experience from middle income countries and supporting regional integration. AsDB commits around \$12bn pa (\$16bn in 2009 in response to the financial crisis).</p> <p>AsDF and AsDB's mission is tackling poverty and delivery of the MDGs through sustainable economic growth. The bank took a leading role in addressing the financial crisis, works in fragile states including Afghanistan, and is proactive on climate change. In the last three years, 66% of new AsDF projects were for infrastructure, with 24% in transport, 11% in energy, 11% in the water sector, and 20% for general infrastructure.</p> <p>The UK has 2% of AsDB shares and contributes 4.8% of AsDF. The UK currently holds the Executive Director post in a shareholder constituency with Germany, Austria, Luxembourg and Turkey. Regional countries comprise 67% of voting power, with borrowing members holding about 45%. The bank has a strong Asian character and developing members have major influence on AsDB's direction. At the last replenishment of AsDF in 2008, Japan pledged 35% of all donor contributions followed by the US 10%, Australia 6.5%, Germany and the UK 4.8% each, and Canada 4.5%.</p> <p>This assessment is primarily an assessment of the AsDF, though in places the bank's ordinary capital is relevant (such as its private sector investments and loans in LICs), and in others it is impossible to distinguish between the AsDF and AsDB (such as on bank-wide reforms or policies).</p>	

Contribution to UK Development Objectives	Score (1-4)
<p>1a. Critical Role in Meeting International Objectives</p> <ul style="list-style-type: none"> + Provides substantial funding for basic infrastructure, a prerequisite for economic growth. + Conflict sensitive and willing to work in difficult places. Uses its specialist expertise to support low-income countries. + Has developed innovative products to governments (e.g. countercyclical support facility) and private sector (e.g. mobile phone network in Afghanistan). + Strong leadership during the financial crisis. - Focus on basic infrastructure leaves other donors to fill gaps in social sectors such as health. = Critical role in sustainable economic development across Asia 	<p>Strong (4)</p>

<p>and the Pacific</p>	
<p>1b. Critical Role in Meeting UK Aid Objectives</p> <ul style="list-style-type: none"> + Strong focus on economic growth and wealth creation by building the required infrastructure. + Large scale of investments allows significant impact. + Willingness and capacity to work in difficult places, including joint work with DFID in Helmand Province, Afghanistan. + Supporting low income countries to adapt to climate change. – Limited role in health and activities directly addressing MDGs. = Strong focus on development and UK priority areas. 	<p>Strong (4)</p>
<p>2. Attention to Cross-cutting Issues:</p> <p>2a. Fragile Contexts</p> <ul style="list-style-type: none"> + Strong operational performance in Afghanistan. + Maintains staff in country, even at difficult times (Pakistan). + Conflict sensitive (Nepal) – Sometimes systems are slow and bureaucratic. – Decisions made in Manila can also slow down responsiveness. – Concerns about fast post-conflict assistance phase out. = Largely good practice in countries. <p>2b. Gender Equality</p> <ul style="list-style-type: none"> + Good policy and evaluations. – Insufficient gender experts, limited impact on field operations. – Examples of “missed opportunities”. = Good policy but need to implement effectively. <p>2c. Climate Change and Environmental Sustainability</p> <ul style="list-style-type: none"> + Good integration of climate into existing development work, with good policy and strategy documents and robust safeguards. – Insufficient climate change experts. = Will need sustained efforts on implementation in order for performance to be considered strong. 	<p>Satisfactory (3)</p> <p>Weak (2)</p> <p>Satisfactory (3)</p>
<p>3. Focus on Poor Countries</p> <ul style="list-style-type: none"> + Assessed centrally by comparing the multilateral’s country by country spend with an index that scores developing countries based on their poverty need and effectiveness (the strength of the country’s institutions). AsDF only provides support to low income countries and has a focus on the poorest countries such as Afghanistan, Nepal and Tajikistan – this accounts for its good score. – It doesn’t get the top score because other countries which are middle income countries, such as Vietnam and Sri Lanka, also receive substantial amounts of concessional loans. 	<p>Satisfactory (3)</p>

<p>4. Contribution to Results</p> <ul style="list-style-type: none"> + Demonstrates good delivery against challenging poverty focused objectives. + Strong results systems introduced in 2008 at headquarters and at country strategy level with evidence that this is now driving management incentives to focus on results in programme design and implementation. – But still needs to lead to change in focus of all staff from inputs (loans and project approval) to results. + Senior management hold project managers accountable for poor performance, including implementing remedial action. + Adopted an innovative approach during the financial crisis. = Strong central focus on results and delivery. 	<p>Satisfactory (3)</p>
<p>Organisational Strengths</p>	<p>Score (1-4)</p>
<p>5. Strategic and Performance Management</p> <ul style="list-style-type: none"> + Clear mandate set out in Strategy 2020, with good line of sight to projects and programmes. + Independent evaluation and lesson learning culture. + Strong corporate results system in headquarters and country strategies which allows management and board to track performance against outcome targets. + Substantially decentralised, although policy dialogue with borrowers could be advanced by further decentralisation. – Concerns over transparency and openness of senior management recruitment: President appointed by Japan. = Clear mandate and evaluation, but transparency needed in senior management appointments. 	<p>Strong (4)</p>
<p>6. Financial Resources Management</p> <ul style="list-style-type: none"> + Rules based process to allocate AsDF resources. + Multi-year commitments within the four year replenishment cycle possible. + Poorly performing programmes are subject to remedial action and may be cancelled. – Limited delegated flexibility to reallocate resources at the country level. = Good financial management policies which enable a range of flexible responses but could be better aligned with drive for results. 	<p>Satisfactory (3)</p>
<p>7. Cost and Value Consciousness</p> <ul style="list-style-type: none"> + Administrative costs are low compared to peers. + Administrative budgets have been controlled as volume of loans and grants has increased significantly. – Management argue that the bank is under-resourced and press for increased administrative budget. 	<p>Satisfactory (3)</p>

PROTECT - AsDF

<ul style="list-style-type: none"> - Limited evidence of emphasis on securing efficiency gains or driving down cost in the design of development projects. = Relatively low cost development bank, with good internal controls, but needs to concentrate more on project level VFM 	
<p>8. Partnership Behaviour</p> <ul style="list-style-type: none"> + Very strong partnerships with governments. + Commitment to Paris targets, including incorporating these into internal effectiveness monitoring. - Sometimes limited collaboration with other donors. - Decisions too often made in Manila. = Very strong partnerships with governments but mixed partnerships with other donors, although good progress on fulfilling Paris commitments. 	<p>Satisfactory (3)</p>
<p>9. Transparency and Accountability</p> <ul style="list-style-type: none"> + Strong communications. + Signed up to IATI. + Extensive publishing of relevant documentation. + Strong mechanism for redress of grievances from people directly affected by AsDF projects. + Majority of shareholding by Asian members. - Disclosure still under review and will need to be tested. = Satisfactory score in both areas, but not a leader. 	<p>Satisfactory (3)</p>
Likelihood of Positive Change	Score (1-4)
<p>10. Likelihood of Positive Change</p> <ul style="list-style-type: none"> + Various major reform initiatives have already been undertaken with good results. + Management is responsive, and there is continued evidence of management's willingness to reform especially on operational issues. - It may be difficult to maintain the pace of reform as key managers are due to retire during 2011, and past reforms need time to be assimilated. - Nationality-based restrictions on some senior management posts are unlikely to be addressed. = Overall, strong past performance, but some uncertainty about future reforms. 	<p>Likely (3)</p>