

Research Article

Organizing the Asian Development Bank: Radical Transformation or Degenerative Irrelevance?

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In its 2018 report, the G20 Eminent Persons Group (EPG) on Global Financial Governance stressed that the international order is at a critical juncture and the challenges ahead are both larger and more pressing than we've seen in decades. The report emphasizes that "our central challenge is to create a cooperative international order for a world that has changed irreversibly: one that is more multipolar and decentralized in decisions, yet more interconnected..." (p. 4). The EPG proposed several reforms to the governance structures of the International Financial Institutions (IFIs) to "ensure coherence and synergies in a more diverse and decentralized world, and to achieve a critically needed shift in business models to catalyze private investments and enable greater development impact" (p. 66). More than ten years earlier, another eminent persons group was convened by the Asian Development Bank (ADB) and tasked with looking into the future of the region and outlining the institution's role. Envisioning a "dramatically transformed Asia", this EPG concluded that ADB "must change radically and adopt a new paradigm for development banking" (p. 1). While there has been frankly little progress on the specific recommendations of either EPG, the basic premise of both sets of recommendations – that reform is both necessary and urgent – continues to resonate. Nowhere is this more true than at the ADB, an institution serving a region that has experienced the world's most radical economic transformation over the last half-century. ADB's historical approach of incremental and episodic reform worked for its first fifty years but is insufficient to meet the larger challenges of the coming decades.

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Introduction

The Asian Development Bank (ADB) undertook a major reorganization on 1 January 2002. Six years later, ADB's Board approved *Strategy 2020: Working for an Asia and Pacific Free of Poverty* – a long-term strategic framework that reaffirmed ADB's vision of an Asia and Pacific free of poverty and expressed its mission to help its developing member countries improve their living conditions and quality of life. An important element of Strategy 2020 was consensus on a corporate results framework and the annual publication of a corporate performance report. Together, these initiatives gave the ADB and its shareholders a set of measures and benchmarks from which institutional performance could be objectively assessed. While confirming the continued relevance of Strategy 2020, the 2014 “Midterm Review of Strategy 2020” (MTR) identified a number of emerging development challenges and acknowledged that the rapid rate of transformation in the region required a rebalancing and sharpening of ADB's operations (for a list of acronyms used, see table one). Consequently, the MTR set new strategic priorities aimed at supporting implementation, strengthening country focus, building closer operational and sector links, and continuing the monitoring and measurement of results. Despite the significance of these observations and recommendations, only modest organizational change followed from the MTR.

Acronyms	
Abbreviation	Explanation
ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
AER	Annual Evaluation Reviews conducted by the IED
APPR	Annual Portfolio Performance Reports
CoPs	Communities of Practice
DEfR	Development Effectiveness Reviews
DG	Director General
DMCs	Developing Member Countries
EPG	Eminent Persons Group on Global Financial Governance
ERCD	Economic Research and Regional Cooperation Department
GFC	2008 Global Financial Crisis
IAP Report	<i>Independent Assessment Panel on the Effectiveness of the Bank's Reorganization</i>
IED	Independent Evaluation Department
IS	International Staff
MTR	Midterm Review of Strategy 2020
OSFMD	Operations Services and Financial Management Department
PSOD	Private Sector Operations Department
RDs	Regional Departments
RETA	Regional Technical Assistance
RSDD	Regional and Sustainable Development Department, now SDCC.
SDCC	Sustainable Development and Climate Change Department
STGs	Sector and Thematic Groups

Table 1. Acronyms and abbreviations used in ADB reports and documents

Jumping forward to 2018, ADB revised its long-term strategic framework with the approval of “*Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific.*” This strategy confirmed many of the evolving challenges facing the region and identified seven operational priorities for the institution. Although these operational priorities effectively identify objective outcomes, more attention is needed to consider changes in organizational structure that would enhance organizational performance. Aside from the somewhat vague notion of a “One ADB” approach aimed at “bringing together knowledge and expertise across the organization to effectively implement Strategy 2030,” the Strategy 2030 framework did not forecast any significant organizational change within the institution as a function of the new strategy (p. 14). While acknowledging that incremental reforms over ADB’s fifty-year history have contributed to its recognition as a top performing international organization, the purpose of this paper is to initiate a discussion around the question of whether the institution’s current organizational structure is optimized to deliver on commitments made in the Strategy 2030 framework. The World Bank’s thirty-year effort to transform from a lending institution to a “knowledge bank” convincingly demonstrates that the addition of technical specialties and/or added sectoral staff alone are not sufficient to resolve challenges and meet member country’s distinct needs (Einhorn, 2006; Ravallion, 2016). Instead, a review of the ADB’s organizational arrangements is tasked with going beyond the possibilities of organizational restructuring to consider how changes might influence the policies, practices, and culture of ADB more broadly.^[i]

Background

ADB’s current organizational structure was adopted in 2002 and largely continues to this day. Technical staff are distributed into areas that focus on five country-specific regional departments (RDs), the Private Sector Operations Department (PSOD), or the Sustainable Development and Climate Change Department (SDCC). The segmentation across these departments was meant to ensure that enhanced geographic focus would enhance the ability to respond to country specific needs, while providing deeper sector knowledge in a central department. Initial experience suggested that the underlying philosophy was sound. The 2004 *Independent Assessment Panel on the Effectiveness of the*

Bank's Reorganization (the IAP Report) observed an “improvement in country focus [and] the streamlining in decision making process resulting from the integration of programs and projects functions for a given subregion...” (p. 30). The same report also identified several problems which offset the country focus gains, including: “signs that the workload in some, if not all, operational areas is becoming too high” (p. 6); “the weakening of the limited sectoral strength through thinner dispersion of staff across the Bank” (p. 8); “the problem of silos and rigidities within Sectoral Divisions and RDs resulting in sub-optimal utilization of available technical strength” (p. 8); “the replacement of sectoral specialists with younger generalists is often cited by staff as a major concern for project quality” (p. 13); and “availability of staff relative to workload is highly uneven between Departments” (p. 25). While adjustments have been made in intervening years to address these issues, recent reports suggest that many of these challenges persist more than fifteen years later.

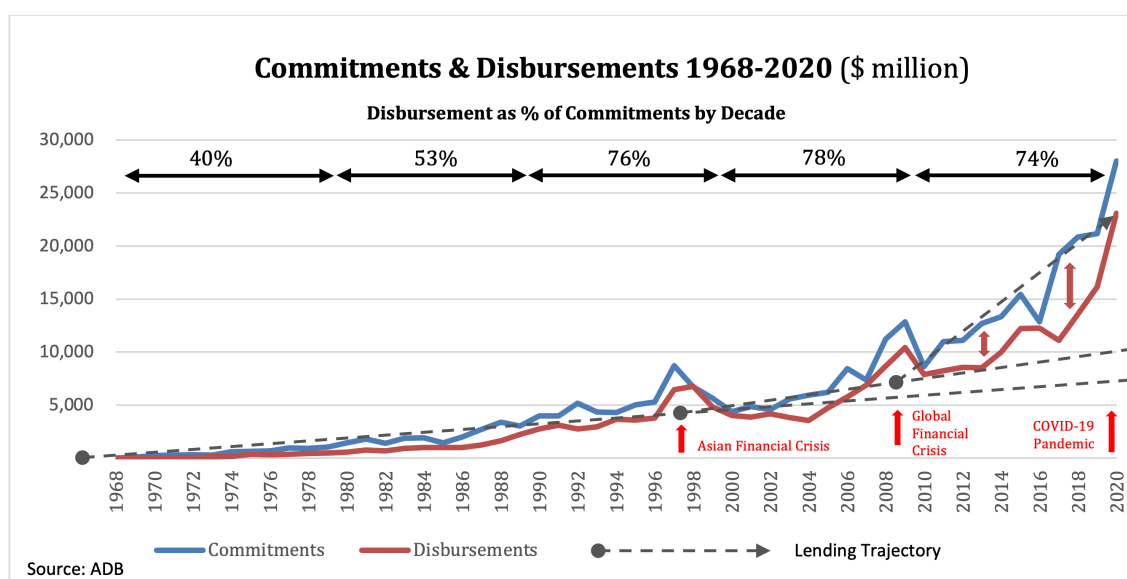


Figure 1. Commitments & Disbursements

Commitments and disbursements are key indicators of the vitality of any financial institution. An examination of ADB commitments and disbursements from 1968-2020 highlights three important characteristics of ADBs lending trajectory and identifies growing gaps between commitments and disbursements following the 2008 Global Financial Crisis (GFC). First, it is clear that overall lending by ADB has increased dramatically in its half-century of existence. Second, the institution has successfully leveraged regional and global financial crises to significantly alter the trajectory of

lending. Absent these crises, ADB's lending level would likely be significantly lower than what is witnessed today. Third, even with the tremendous increases in lending, ADB was able to decrease the gap between commitments and disbursements, at least until after the GFC. Increased lending and upward shifts in demand are certainly positive signs that ADB engagement is desired by its Developing Member Countries (DMCs). This said, the decade after the GFC also witnessed the first slowing of disbursements relative to commitments in the institution's history. While some of this may be attributable to the strong growth in commitments and the inevitable "catch-up" or lag in disbursements, this slowing is observable over a ten-year period and is the first time in ADB's history that this ratio has declined over such an interval, suggesting that there are other factors at work. An examination of ADB reports, assessments, and review documents suggests that the persistence of these challenges may be attributed to an organizational structure that inadvertently contributes to the overgeneralization of expertise and places insufficient emphasis on the value ADB DMCs place on technical solutions.

Challenges

ADB should be lauded for the transparency that reporting brings to its operations. The annual reports, assessments, and review publications provide significant insight into ADB performance, much of which is commendable. While these reports focus on ADB's positive impact, they also show that there are indications of project/program implementation challenges. Evidence that ADB faces challenges with respect to technical and operational excellence can be found in (i) ADB's annual commitments and disbursement data; (ii) the annual *Development Effectiveness Reviews* (the DEF_R); (iii) the *Annual Portfolio Performance Reports* (the APP_R); (iv) the Independent Evaluation Department's (IED) Annual Evaluation Reviews (the AER); and (v) IED's 2020 publication: *An Evaluation of ADB's Readiness for Strategy 2030*. Specifically, these data and reports reveal: (i) as noted previously, a decade-long trend in increasing gaps between commitments and disbursements; (ii) recurrent weaknesses in the quality of completed operations and their outcome achievement^[1]; (iii) declines in the proportion of country programs assessed as successful^[2]; (iv) a stubborn gap between planned and actual implementation periods (4.7 and 7.1 years, respectively)^[3]; and (v) institutional silos that hinder collaboration, learning and knowledge sharing^[4]. Another important factor relates to developments across the region over the last decade resulting in an increasingly demanding and sophisticated clientele. A close examination of these organizational reviews, assessments, and reports

identifies five challenges that have reduced ADBs ability to effectively deliver technical excellence and produce results in the fast-changing Asia-Pacific region.

1) Rigidity and flexibility

ADB management has plausible explanations for these issues but in each instance, responses tend to focus on short-term challenges and time frames. These often do not consider the long-term structural challenges introduced by a rapid increase in overall lending levels and a rigid organizational structure. While the organizational model adopted in 2002 may have been responsive to the challenges faced at the turn of the century, the perpetuation of previously identified challenges implies that it is reasonable to ask whether the current organizational strategy is fitted to serve current and future needs – particularly when that future is one where DMCs increasingly expect to leverage the ADBs high-quality specialized technical and knowledge-based services. More to the point, clients expect ADB to deliver on its broader 2030 agenda. The ability to respond to familiar challenges under changing circumstances will be a critical factor in preserving the institution's relevance in coming decades. Among the necessary considerations, ADB might consider how technical specialization and organizational flexibility might enable programs and projects to be more responsive to changing regional needs.

As it is, sub-regional projects involving more than one RD take a long time to get off the ground because the involved RDs might not have common incentives or objectives. Such projects might not even be identified and conceived in the first place since there is no formal mechanism for programming projects covering more than one sub-region. Opportunities to fully benefit from economies of scale are also often missed, since some projects/technical assistance (TAs) could cover a larger number of countries by adopting a regional approach. For example, most current regional technical assistance (RETAs) for capacity development have a sub-regional focus. The option of enlarging their geographical coverage to include other similar countries outside a specific sub-region is usually not considered. The result is that the institution no longer dependably produces broad sector strategies across the region as a whole. While sub-regional sectoral strategies are important, broader regional sectoral studies/strategies on critical emergent issues should be recognized as a comparative advantage for a regional institution.

As a result of a country-specific program focus, ADB often misses opportunities to mobilize resources from bilateral donors and engage with broader sectoral or regional activities. The 2021 AER

notes that “weaknesses in the design and implementation of sector operational plans limit the success of sector programs.” (p. 14). Many resource mobilization efforts benefit from being undertaken at the ADB-wide level but such efforts must be closely linked to operational activities to be effective. While some Sector and Thematic Groups (STGs) and SDCC divisions take this approach, such efforts vary across sectors due to systemic weaknesses inherent to STGs (discussed below). Even when finances have been secured, the weak linkages between mobilized regional funds and operational activities reduce staff effectiveness. The AER suggests that “ADB’s internal incentives favor a high volume of lending and quick processing and disbursements, limiting the opportunity for high-level engagement and project design that is specific to country context” (p. 37). Additionally, Sector staff in RDs are often not fully aware of resources available from the trust funds managed by SDCC. A larger common pool of diverse technical staff would permit the flexibility to respond to demand for specialized services. In its current form, the organizational rigidity of ADB’s country specific program focus limits the flexibility that is necessary to respond to the needs of DMCs with specialized skills.

2) Collaboration and collegiality

ADB was certainly conscious of the need for collaboration across sector staff when it reorganized in 2002. The Regional and Sustainable Development Department (now SDCC) was created to serve as a mitigating mechanism and Communities of Practice (now STGs) were expected to provide intellectual leadership and facilitate cross departmental learning. However, nearly two decades after the 2002 reorganization, it remains unclear if the objectives are being met. Are SDCC and the STGs providing the glue to link all the RDs on technical issues? Is there a sufficient degree of linkage between SDCC and the RDs? Are STGs providing effective leadership in their sectors? Do staff have sufficient incentives to participate in STG activities? Recent reports indicate that weaknesses in the current organizational structure inhibit the completion of objectives in a satisfactory manner.

Although STCC has played an important role in compliance and safeguards, their record on leadership in technical and thematic areas has largely been mixed. Overlooking DMC demand, knowledge work in SDCC is typically “supply-driven” and regularly undertaken in isolation without the sufficient involvement of RDs. Staff incentives in SDCC largely support preparation and timely completion of reports and conferences, but not collaboration with RDs or ensuring their buy-in with the predictable result of insufficient input from RDs workplans and products. While it is widely acknowledged that much of the ADB’s knowledge generation is the result of operational work, SDCC

often falls short in tapping or disseminating this knowledge. SDCC also often competes with RDs over limited TA resources for sectoral knowledge products. Compounding this, there is no evidence that SDCC has been able to address the problem of lack of critical mass of technical expertise in RDs or provide leadership for regional initiatives that cut across RDs^[5]. The collective result is that SDCC knowledge products are often not anchored in operational priorities nor do these contribute substantially to articulating a broad corporate vision or future areas of institutional focus.

The experience of STGs and Communities of Practice (CoPs) has likewise been mixed. The 2012 IED *Special Evaluation Study on Knowledge Products and Services* observed that the role of the [then] CoPs is “undoubtedly important, but their individual performances have been highly varied” (p. xi). The *Knowledge Management Directions and Action Plan (2013–2015)* notes that CoPs “do not all operate in a systematic and well-planned manner or produce similar and comparable types, quantity or quality of outputs” (p. 10). Although there has not been a more recent review of the CoPs/STGs, the 2021 AER acknowledges that STGs “are insufficiently staffed or resourced to provide systematic high-level support to operations departments...” and finds that “a focus on speedy execution of projects limits efforts to tailor knowledge solutions to country needs” (p. xix). These findings suggest that the organizational structure has maintained the institutional silos recognized in the 2004 IAP Report, silos that constrain the collaborative potential necessary to generate the critical mass that would enable SDCC and RDs to provide DMC with top-flight technical and sectoral advice.

3) *Mentorship and professional development*

The current organizational structure does not provide a clear career progression for people in technical and thematic streams^[6]. There are inherent incentives in the system for technical staff to move from specialized skills to broader skills as well as from technical skills to managerial skills. In addition to RD preferences to promote internally, the sectoral divisions spread across seven departments restrict upward mobility and a result in career advancements that reduce the likelihood of sector specialization. Under this framework the average competent staff member can expect to move within their technical stream only up to International Staff (IS) level 5 or 6, with subsequent promotion largely dependent on their ability to move outside their technical specialty (either into other sectors or into management). Therefore, ADB systematically loses senior technical staff – especially those that are high performing, motivated and ambitious – in a system that often encourages specialists to become generalists. While this is not universally negative, and the

institution certainly should be nurturing management talent, it presents a challenge when virtually all staff perceive this path as the only option for career development within the institution^[7]. Building a cadre of specialized senior technical staff is further hampered by the fact newer staff rarely train and mentor under more senior technical staff^[8]. Instead, most new technical staff immediately become mission leaders and rely on consultants, providing little opportunity to hone their own technical skills^[9].

The current situation is exacerbated by both real and perceived unevenness in workload distribution across RDs and SDCC. The IAP Report noted in 2004 that goal congestion, workload, mixed messages about quality, and the distribution of sectoral staff across five RDs, PSOD and SDCC had resulted in a “low level of staff morale apparent in the results of staff surveys and various focus group discussions” (p. 6). Many of these challenges have persisted over time and is reinforced by a common perception in most RDs that a non-trivial proportion of SDCC staff are underworked – a perception that does not encourage either strategic or staff level cooperation and coordination between the RDs and SDCC. Importantly, this mismatch is not limited to just the distribution of staff between the RDs and SDCC, it is also an issue between RDs and other knowledge/service departments and across the RDs themselves.

4) Deskilling and long-term losses

Opportunities for innovation are limited by an inability to informally bounce ideas between technical specialists, to hold regular technical discussions, and to keep knowledge up-to-date. The advent of STGs sought to address this, but these are lightly resourced and most technical staff participate on a voluntary basis. Staff who start out in ADB with strong technical skills thus risk becoming deskilled. A corollary of this is that technical leadership and vision in the sector at RD level is at times provided by staff with little knowledge of the sector. Given their unfamiliarity with the sector, recently promoted managers who have transitioned from an area of specialty to a generalist position may have limited networks or contacts inside and outside ADB from which to attract good technical personnel – something that multiplies concerns associated with the deskilling of certain divisions. Unsurprisingly, it is difficult for these managers to provide effective leadership in the sector(s) for which they are responsible. In an environment of limited career prospects for technical/thematic specialists, mission leadership is seen as critical as it is virtually the only path to promotion. This may have the perverse effect of reinforcing preferences for processing over portfolio

management and also forces thematic specialists (such as environment, resettlement, social and gender) to move away from their expertise in order to become mission leaders, thus further eroding the institution's knowledge base and reducing ADB's ability to properly administer the portfolio (and possibly exacerbating the gaps between commitments and disbursements).

Back in 2004, the authors of the IAP Report wrote that the "horizontal linkages and professional contributions intended to be achieved through the networks and committees have not eventuated. RSDD [now SDCC] did not possess or retain superior technical skills nor have the RDs accepted that RSDD necessarily had staff with the leadership skills to operate in a matrix environment" (p. 22). These observations seem to hold true today and it is clear that structural weaknesses imposed by the organizational arrangement have deeply undercut the possibility of SDCC operating effectively. This is not to suggest that either SDCC or the STGs alone are responsible for the current situation but taken together these issues raise fundamental questions about the sustainability of the RD/PSOD/SDCC organizational structure.

5) Dependence and implementation

The reliance on consultants to design projects and programs is problematic as staff are then tasked with administering these projects/programs, usually without the continuing support of consultants and the highly specialized experience necessary to provide proper oversight during implementation. With technical expertise distributed across seven independent departments (five RDs, PSOD and SDCC), no single department has a critical mass of expertise in any sector. In general, the pool of expertise in any given department is neither sufficiently diverse nor deep enough to provide specialized and high-quality services or to support policy dialogue. Of necessity, RDs tend to recruit staff with broad, although strong, skills. With RDs committed to a country-focused approach, ADB is increasingly reliant on generalists who are good at recruiting/managing consultants but may not have highly developed specialized skills themselves^[10]. Further complicating the picture is the fact that while ADB produces detailed operational plans for the full range of sectors, none of these specify resource requirements or the implications of plan implementation. This approach, together with current hiring practices, results in ADB lacking sufficient technical expertise in many important areas, including, among others: finance, renewable energy, climate financing, social protection, and disaster risk management. For example, in the several sectors ADB lacks the in-house capacity to comprehensively advise and regularly update its DMCs on the potential impact of emergent issues.

The current structure severely reduces the potential for cross-country learning and impedes the capture of ADB's tacit knowledge. Many DMCs are interested in benefiting from lessons and approaches employed in similar countries and "South-South Cooperation" is increasingly influencing ADB's development assistance. However, with sector expertise divided across seven independent departments with different mandates, the potential for such learning is not fully optimized. While there continues to be a need to maintaining strong research capacities across Asian Development Bank Institute (ADBI) and Economic Research and Regional Cooperation Department (ERCD) research departments, there is an equal need to ensure research is operationally relevant and contributes to the institution's reputation as a repository of action-oriented advisory knowledge. Toward this end, stronger linkages between research and operations are necessary, with the bulk of ADB research staff shifting to operational departments to conduct research on operational priorities with smaller central research functions tailored toward country specific needs.

Addressing challenges in changing circumstances

There have been a number of dramatic changes in the demand for ADB's services since the last major reorganization in 2002. ADB's financing constitutes an ever-decreasing fraction of overall financing needs across the region. At the same time, as considered above, client countries are expecting access to knowledge-based services with cutting-edge technical expertise informed by developments across the region. Finance alone is therefore increasingly less important to DMCs, particularly as they grow their capacity to raise funds on the capital markets^[11]. What they need from ADB is top-flight expertise and the ability to deliver this quickly and flexibly.

Over the last decade, ADB's counterparts have become more sophisticated and, in many cases, more knowledgeable than ADB staff – particularly when it comes to understanding what their countries need. While DMCs still look to ADB for policy advice and technical support, the capacity to effectively respond has not grown with this demand. Therefore, unless significant improvements in the capacity to provide specialized technical and knowledge-based services are made, the institution's relevance in the region will likely diminish. In response to these challenges there are three broad organizational alternatives the ADB could contemplate: (i) strengthen the current structure; (ii) reorganize by reverting to a pre-2002 projects/programs structure; or (iii) adopt a hybrid approach. As these options are weighed against one another, there may be value in revisiting some of the principles

and recommendations articulated in previous reports to govern the consideration of future changes to the organizational structure:

1) Improving communications and coordination

With respect to the first alternative (strengthening the current structure), emphasis should be on improving communications, coordination and staffing flexibility between and across departments. While this is certainly the easiest of the three alternatives, it is also the least likely to yield significant results. As far as the second alternative (reverting to a projects/programs structure) is concerned, there are multiple permutations to be considered. One option is the pre-2002 “East-West” model with two country departments (one covering countries in eastern Asia and the other countries in western Asia) and four sectoral departments (two each for East and West) with two operational vice presidents overseeing three departments each. A second option would be a single programs vice presidency with two country departments (one for East and the other for West) and a single sectoral vice presidency with between two and four technical departments, each led by a director general (DG)^[12]. In both cases, country departments would be responsible for relationship management and country economic work, and sectoral departments would provide technical support. Both options also assume a significant narrowing of SDCC’s mandate and a corresponding shift of staffing complement to the operational departments^[13].

The third alternative (a hybrid approach) would entail strengthening the current system and making minor changes to the organization. In practice, this would mean introducing improved communications, coordination and staffing flexibility as well as organizing a few sectors into centralized divisions or departments to support activities across the whole of ADB^[14]. Potential candidates for such horizontal integration could include finance, energy or the social sectors. While any of the three alternatives would generate improvements over the status quo, reverting to a programs/projects model (the second alternative) offers the greatest flexibility and most directly addresses many of the challenges outlined in the preceding paragraphs. On the staffing side, it would address issues around critical mass and allow for economies of scale that support excellence, responsiveness, and innovation. It would also better align staff incentives as well as encourage broader regional perspectives and approaches. Lastly, it would encourage greater alignment between sector/knowledge work and operational priorities.

Of the two options, the consolidation associated with the second approach would enable maximum synergy, flexibility and responsiveness. Notably, all of the above alternatives would necessitate an examination of the need for rationalization across knowledge departments (including ADBI and ERCD) – and consider new strategies to manage the increasing amount of knowledge work being produced by other areas of the ADB. In the process of reorganization, knowledge departments will need to play a more active role. As research and knowledge departments are refocused and reoriented around the knowledge needs and technological expertise demands of client-countries, they will be better prepared to contribute to the ADB's overall mission to help its developing member countries improve their living conditions and quality of life.

2) Enhancing incentives

An important consideration here is the fact that many of ADB's comparator institutions have organizational structures similar to that which existed in ADB before 2002, i.e. structures consisting of country departments responsible for relationship management and country economic work, and sectoral departments responsible for providing technical support. While all the other organizations follow a matrix approach, the divide between country and technical departments is more clear-cut in the regional banks (IDB, AfDB and CAF) due to their smaller sizes. While anecdotal evidence may evince a "grass-is-always-greener" bias, some are left with the impression that these other institutions are more effective in delivering specialized technical services and promoting knowledge management. The difference here lies not in the number or quality of technical staff but in the different incentive systems and organizational structures of these institutions. Their structures create an environment that more easily facilitates the exchange of technical views and expertise, provides flexibility in matching staff skills to DMC needs, and promotes technical excellence. A critical mass of collaborative sectoral staff needs to be restored with an emphasis on technical excellence that responds to DMC needs. Strategic goals should drive staffing decisions. Lending volumes, instruments, products and country strategies should determine the numbers and kinds of skills needed in what places. Strategic goals and good organizational practice on managerial span of control and minimizing management layers should drive decisions on structural options. Preserving a specified number of management positions should not be a determinant of the preferred change option. Levels, numbers, and responsibilities of staff should be driven by the principles of the reorganization. Going forward, the continued consideration of these principles should guide decisions regarding any adjustments to organizational structure.

3) Independence and oversight

A critical element of the reorganization would be a true root-and-branch review of all ADB processes, products, and services. Steady improvements have been made in a number of areas, but these often start from a position that elements of some processes are sacrosanct – a reluctance to change because “we’ve always done it this way”. No interest or faction can be beyond the reach of a true strategic process review. There are also a number of areas independent of structure that could be also considered when thinking about improving organizational efficiency/effectiveness, including, *inter alia*: (i) adopting more flexible approaches to budgeting for operations; (ii) undertaking a substantive workload analysis across all departments to get a better understanding of workload distribution^[15]; (iii) advancing initiatives to better quantify, measure, monitor and evaluate operations, taking advantage of existing (and vast) databases for more “big data” type approaches; (iv) promoting ongoing efforts to increase transparent and merit-based approaches to staff movements together with improving accountability; (v) contemplating a staff rotation policy to encourage better knowledge sharing; and (vi) encouraging better career development practices and training opportunities for staff, including for those in resident missions.

4) Program permutations and possibilities

A flatter and a much more adaptable organizational structure would remove silos between regional departments, including those minimizing collaboration between PSOD and SDCC. While “One ADB” is a good start, changes that enable the institution to deploy resources and knowledge more flexibly and allow for internal economies of scale would be significant changes to organizational structure. As described above, the silos of the present structure atomize technical expertise across multiple departments. Under a less rigid organizational structure, country-focus would be maintained by keeping strong resident missions, a robust regional cooperation function, and encouraging non-operational departments to plan with country-specific needs in mind. Under such an arrangement, the structure of projects, programs and deals would be determined not by the department in which they reside but by reality and demand on the ground. This would also allow for ADB to continue the transition to a true project/program developer with less focus on just the deployment of its own funds and with more attention to how funds can be used to leverage even more resources in the service of DMCs’ broader development objectives. The flatter and more adaptable structure of a reorganized ADB would also need to extend into areas of human-resource policies and corporate culture. As a sort

of “spill over” effect of reorganizational efforts, the combined effect of these changes should enable knowledge departments to play a more active role in accomplishing the ADB’s mission.

Conclusion

ADB’s continuing approach and existing structure have largely been based on what it has done in the past, rather than on designing an organization that can deliver what will be needed ten, twenty, and thirty years from now. This approach worked for Strategy 2020, when there was a much smaller program and a less demanding clientele. But in the coming years, ADB will need to be far more agile. Accordingly, ADB must think about what bank the region *needs* and ready its organizational structure to deliver for DMCs. This paper does not advocate for immediate change or dramatic action. While the institution’s ability to address a number of challenges may be constrained by the current organizational structure, we must also be equally wary of the unintended effects of hasty reform. For this reason, drastic action or decision by fiat is not recommended. Any decision should be preceded by deeper review and analysis as well as a process of developing consensus around a diagnosis of the problem and its remedies with the recognition that reorganization alone is not a panacea. This said, it is clear that pro-active disruptive change is necessary. ADB’s ability to leverage knowledge, experience, expertise and resources across the *entire* institution will define its relevance in a region where transformation is the norm. It is imperative that the institution brings hybrid public, private and knowledge solutions to every intervention.

ADB has proven itself to be a highly effective institution over the last half-century. Part of this success has been an ability to adapt in a rapidly changing region. Aside from the developments articulated in the preceding paragraphs, the increasing strength of regional economies and a proliferation of financing options and modalities (including the Asian Infrastructure Investment Bank, the New Development Bank, sovereign wealth funds, etc.) mean that going forward ADB will be under increasing pressure to demonstrate its comparative and competitive advantages. Adopting structural and administrative models that increase flexibility, encourage innovation, facilitate collaboration, promote excellence, and improve responsiveness are critical to ensure that ADB remains relevant in the next half-century. Asia increasingly comprises middle- and upper-middle-income countries and nations that demand knowledge-based technical services. Absent serious reform, one need not look further than annual lending reports that show the lull in sovereign programming in countries like Malaysia or Thailand when projecting future trends. A pro-active,

ADB-led change in organizational structure may be necessary to avoid the far less optimal alternatives of degenerative irrelevance or change being forced on the institution by fiat. Such reform could represent a positive step in realizing the 2007 EPG recommendation that ADB adopt a new paradigm for development banking.

Notes

[i] It should be noted that at the time of writing this article, ADB was implementing an institution-wide “organizational review” with the objective of designing a new operating model as well as undertaking some organizational design adjustments. As the results of this review were not publicly available at the time of researching this article, it was not possible to assess whether the issues highlighted herein have been addressed through this process.

Footnotes

[1] See the *2020 Development Effectiveness Review*, p. 62

[2] See the *2021 Annual Evaluation Review*, p. 15

[3] See the 2020 Annual Portfolio Performance Report, p. 51

[4] See the *An Evaluation of ADB’s Readiness for Strategy 2030*, p. 91

[5] A number of these challenges are identified in the *Knowledge Management Directions and Action Plan (2013–2015)* and in the 2004 IAP Report.

[6] Results from ADB Staff Engagement Surveys reveal “Career Development” and “Rewards & Recognition” to be rated near the bottom of indicators measured.

[7] It is important to note here that the “Lead Specialist” stream was developed to provide an alternate career path for qualified technical specialists, but this program is often perceived as more of a reward program for long-serving staff who haven’t become directors. It is further weakened by little differentiation in responsibilities for staff in “Lead” positions and by the capping of promotions at IS7.

[8] Consolidating technical expertise in larger technical departments/divisions would allow for more senior staff to act as project/program “originators” across multiple countries with more junior staff

working with them and taking responsibility for the project/program over the rest of the cycle.

[9] A result of this issue and the “deskilling” risk is that staff find professional satisfaction only in their ability to “climb the ladder” through promotion and less in their identity as a recognized “expert” or in their intellectual contributions to project/program design.

[10] This is also a critical finding in the World Bank Alumni Association 1818 Society’s 2012 report *The Key Challenges Facing the World Bank President – An Independent Diagnostic*. The report notes that there is “evidence of ‘de-professionalization’ of Bank staff as a growing number of ‘generalist packagers’ who can deliver on Bank’s internally-driven requirements effectively have replaced the specialists.” The report attributes this deterioration in staff quality to “ad hoc recruitment processes, insufficient scrutiny and oversight of recruitment by well qualified technical managers, opportunistic recruitment for immediate rather than institutional needs, and ad hoc confirmation after the probationary period and term extensions”.

[11] This trend is the was recognized in the 2013 “Finance ++” agenda.

[12] Under either of these approaches, leaving PARD intact as a separate department with a mixture of projects and programs staff would be recommended given the unique characteristics of Pacific countries and ADB’s charter mandate to address the problems of its small DMCs.

[13] Perhaps limited to safeguard compliance and support in cross-cutting thematic areas (such as Gender and Climate Change).

[14] While somewhat different in its objectives, the 2012 consolidation of financial analysts across the ADB into the new OSFMD demonstrates both that the institution recognizes the importance of critical mass and that such consolidation is possible.

[15] This is an exercise that should ultimately lead to quantification of staffing intensity across operational and knowledge-related outputs.

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