

Management Response to IED's Corporate Evaluation: Renewing, Revitalizing, and Reforming the Asian Development Bank: An Evaluation of the New Operating Model

On 23 June 2025, the Director General, Independent Evaluation Department received the following response from the Director General, Strategy, Policy, and Partnerships Department on behalf of Management:

I. General Comments

1. Management welcomes the Independent Evaluation Department's (IED) corporate evaluation of ADB's new operating model, conducted two years after its launch. This evaluation is timely, offering valuable insights as Management shifts from implementation to refinement. Management agrees with the overall direction of the recommendations.

2. Furthermore, Management welcomes IED's recognition that the new structure has reduced regional silos and enhanced sectoral knowledge flows—barriers that had limited ADB's ability to deliver high value-added services to clients. The reforms have also contributed to stronger climate action and provide a foundation for advancing the Private Sector Development (PSD) Shift. While cross-sector collaboration is critical, Management acknowledges that more evidence is needed to assess whether the model is successfully supporting it.

3. The evaluation rightly notes the increase in administrative complexity. This reflects both the learning curve from early reforms, and the coordination demands of more collaborative cross-functional work on complex projects. In early 2025, Management introduced process refinements to harmonize practices across departments, clarify quality assurance responsibilities, and reduce shadow processes and unnecessary centralization. Although those changes are not captured in this evaluation, Management will monitor their impact and continue refining business processes.

II. Management Response to the Recommendations

4. Management is committed to learning from early implementation, strengthening its operating model, and responding constructively to the evaluation. The actions outlined below aim to ensure ADB's operating model fully delivers on its promise to make it easier for ADB to solve complex challenges, together with its clients and the region's stakeholders.

5. **Recommendation 1: ADB should prepare a forward-looking, detailed update of NOM's scope, timeline, and activities.**

Management agrees. Management will prepare and share with the Board and staff a forward-looking update detailing the remaining scope and implementation plan for the new operating model by the end of 2025. This update will clarify which activities will continue as bank-wide initiatives, which will be mainstreamed into departmental work plans, and which will be dropped with clear justification. It will also provide specifics on the whole-of-bank approach for PSD, plans to strengthen synergies between sovereign and nonsovereign operations, updated directions on decentralization, and a timeline indicating progressive improvement of the management information system for operations staff.

6. Recommendation 2: ADB should establish time-bound targets to enable it to measure the success of NOM.

Management agrees. ADB has already established a set of outcome Key Performance Indicators (KPIs) for the four shifts of the new operating model as shared at the Board Week session in March 2025, which are aligned with the Corporate Results Framework (CRF) 2025-2030, the Staff Engagement Survey, and the Annual Portfolio Performance Report. Management will report on them in 2026 and 2027 when the fuller impact of reforms is expected. KPIs aligned with the CRF will be refined and adjusted at the midterm review of the CRF as necessary. Furthermore, the establishment of the Business Intelligence and Operations Center (BIOC) in February 2025 as a central hub for operational data and analytics will further support effective bank-wide monitoring and assessment for operational improvements.

7. Recommendation 3: ADB should standardize decision-making and approval processes, clarify accountability, and remove redundant and shadow processes.

Management agrees. Management has or will implement the following to address the issues identified:

- (i) A standardized project processing guide for sovereign operations was introduced early 2025, featuring clearer role definitions across departments for quality assurance. The effectiveness of these updates will be reviewed before further changes are considered.
- (ii) Arrangements for sovereign portfolio management will be reviewed, to further clarify roles and responsibilities, particularly with respect to accountability for project administration.
- (iii) The role of Regional Departments (RDs) in Technical Assistance Special Funds (TASF) allocation will be enhanced as part of the ongoing Technical Assistance (TA) Policy Review.
- (iv) Decentralization of key Country Management Team (CMT) members will be pursued to further strengthen RM capacity.
- (v) Matrix reporting arrangements will be reviewed by end 2025 to enhance clarity and accountability.
- (vi) BIOC's role in operations delivery will continue to evolve as it progressively builds the management information system with support from the Information and Technology Department while ensuring that data is quality assured by operations departments to help Management and all departments make business decisions.

8. Recommendation 4: ADB should align internal incentives with its corporate objectives, making them key performance goals for units, managers, and staff.

Management agrees. The KPIs established under the new operating model and aligned with the CRF (2025-2030) link departmental and individual work plans and performance assessment to corporate priorities. Further, performance management now includes an assessment of core competencies and opportunities for providing anytime feedback. Now in its second year, this system is being continuously improved to strengthen behavioral incentives. Future enhancements will focus on annual refinement of KPIs and targets, strengthening performance linkages, expanding coverage of support departments, and establishing a framework to recognize and incentivize collaboration in multisector projects, including mechanisms for shared attribution across multiple sectors. The introduction of

Regional Work Plans and empowerment of RDs to bring together the Solutions Complex for multi-sectoral and/or sovereign-nonsovereign programs was a key feature and objective of the new operating model, and Management will continue to monitor progress and introduce refinements to assist RDs in meeting this overall objective.

9. **Recommendation 5: Moving forward, ADB senior management should provide transparent communication on strategic direction and operational adjustments.**

Management agrees. Management recognizes that major institutional changes require effective internal communication. Building on lessons from the implementation of the new operating model, Management will further enhance its corporate communications by streamlining and centralizing internal communications and staff engagement, enabling staff more regular updates to staff on the progress of key initiatives, strategic priorities, and adjustments.