

ANNUAL PORTFOLIO PERFORMANCE REPORT

2020



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ADB

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OVERVIEW OF ADB'S SUITE OF ANNUAL CORPORATE PERFORMANCE REPORTS

The Asian Development Bank (ADB) prepares a suite of three complementary yet distinct corporate performance reports annually. **All three reports share the common goals of learning, and accountability to ADB shareholders and other stakeholders.** This overview summarizes the unique focus, purpose, and value addition of each report. It maps their common areas of focus to cross-refer the reader between the reports for information about common topics.

	FOCUS	PURPOSE AND VALUE ADDITION
Annual Evaluation Review	The Board-required report of the Independent Evaluation Department (IED) is produced to promote accountability and learning. It focuses on the operational performance and results of ADB and provides a synthesis of the evaluations prepared by IED in the preceding year and an in-depth analysis of performance trends of completed operations. It includes a special topic to strengthen results, and reports on Management's acceptance and implementation of IED recommendations.	An evidence-based evaluation of performance that is independent and provides recommendations for improvement.
<div>COMMON FOCUS</div> <div>  performance of completed operations </div>		
Development Effectiveness Review	The review is Management's flagship report on ADB's performance in achieving the priorities of its corporate strategy, using indicators in the corporate results framework as the yardstick. Focusing on operations financed by ADB, it assesses ADB's development effectiveness, highlights actions ADB has taken to improve, and identifies areas where ADB's performance needs to be strengthened.	The findings provide the Board of Directors and ADB Management with performance information to guide ADB's strategic and operational directions and resource planning.
<div>COMMON FOCUS</div> <div>  performance of active portfolio </div>		
Annual Portfolio Performance Report	The report provides a strategic overview and analysis of the performance trends, size, composition, and quality of ADB's active portfolio based on key indicators. It includes all operations and projects, including those funded by special funds and cofinancing fully administered by ADB. It identifies key issues, actions taken by departments to support improvement, and lessons for future ADB interventions, and makes recommendations for improvement to ADB Management.	The report provides ADB Management with evidence-based recommendations grounded in an in-depth analysis, including by region, of ADB's full portfolio of active committed sovereign and nonsovereign operations and projects.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AEFS	–	audited entity financial statement
APA	–	alternative procurement arrangement
APDRF	–	Asia Pacific Disaster Response Fund
APFS	–	audited project financial statement
APPR	–	annual portfolio performance report
APVAX	–	Asia Pacific Vaccine Access Facility
CAR	–	contract award ratio
CECL	–	current expected credit losses
COL	–	concessional OCR lending
COVID-19	–	coronavirus disease
CPRO	–	COVID-19 Pandemic Response Option
CWRD	–	Central and West Asia Department
DMC	–	developing member country
EARD	–	East Asia Department
EBRD	–	European Bank for Reconstruction and Development
eGP	–	e-government procurement
FAST	–	faster approach to small nonsovereign transactions
FCAS	–	fragile and conflict-affected situations
FIL	–	financial intermediary loan
IRR	–	internal rate of return
IT	–	information technology
MFI	–	microfinance institution
MFP	–	Microfinance Risk Participation and Guarantee Program
NSO	–	nonsovereign operations
OCR	–	ordinary capital resources
ODS	–	other debt securities
OPM	–	operational performance metrics
PARD	–	Pacific Department
PBL	–	policy-based loan
PCR	–	project completion report
PCTS	–	procurement complaint tracking system
PPE	–	personal protective equipment
PPFD	–	Procurement, Portfolio, and Financial Management Department
PPR	–	project performance rating
PRC	–	People's Republic of China
PRF	–	project readiness financing
PSOD	–	Private Sector Operations Department
Q	–	quarter
SARD	–	South Asia Department
SCFP	–	Supply Chain Finance Program
SEFF	–	small expenditure financing facility
SERD	–	Southeast Asia Department
SIDS	–	small island developing states
SPP	–	strategic procurement planning
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
TCR	–	technical assistance completion report
TFP	–	Trade Finance Program
UN	–	United Nations
VFM	–	value for money
WARR	–	weighted average risk rating
XARR	–	extended annual review report

NOTES

- (i) In this report, "\$" refers to United States dollars.
- (ii) Totals may not sum precisely because of rounding.

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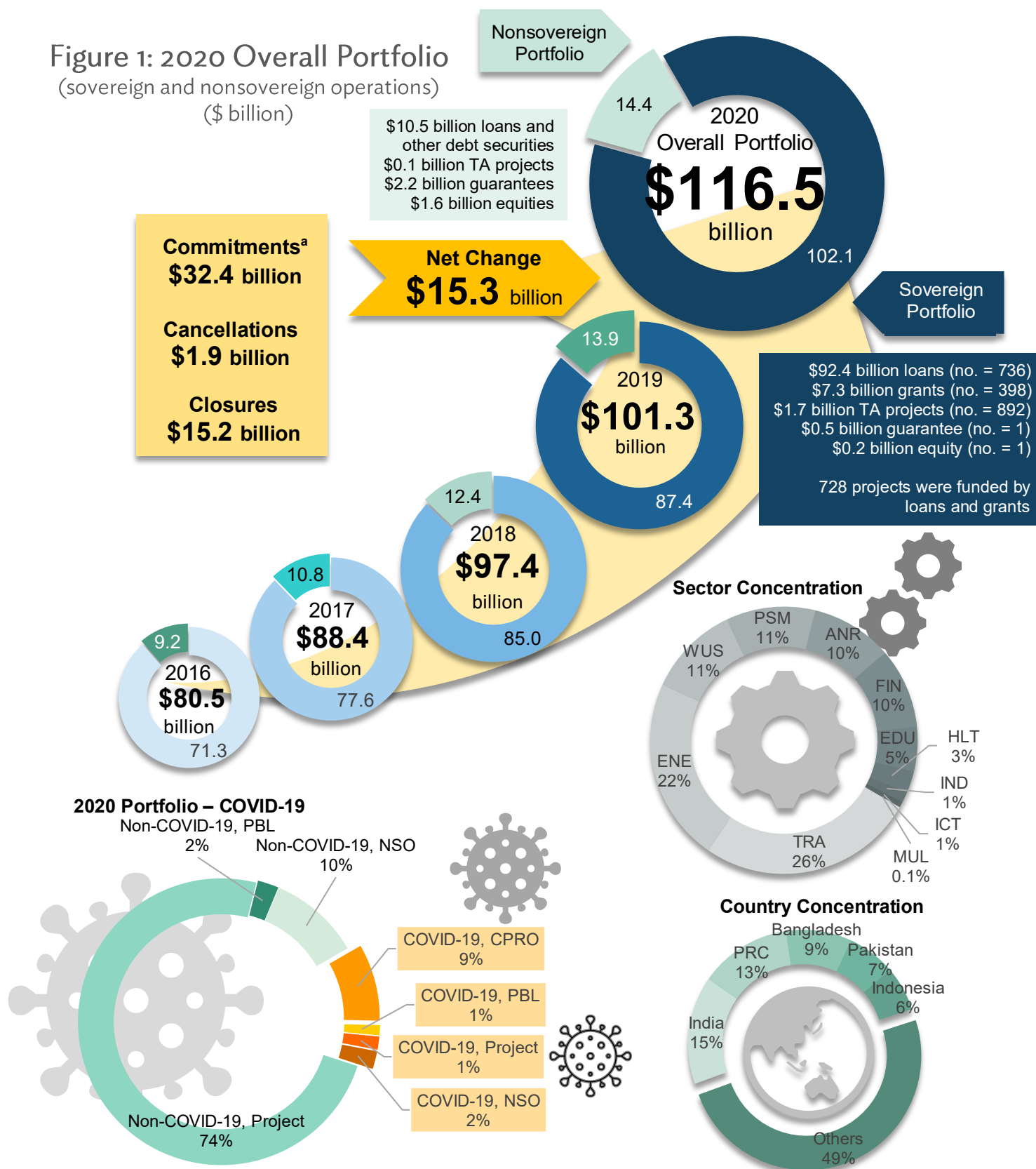
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EXECUTIVE SUMMARY

Figure 1: 2020 Overall Portfolio
(sovereign and nonsovereign operations)
(\$ billion)



ANR = agriculture, natural resources, and rural development; COVID-19 = coronavirus disease; CPRO = COVID-19 Pandemic Response Option; EDU = education; ENE = energy; FIN = finance; IND = industry and trade; MUL = multisector; NSO = nonsovereign operation; PBL = policy-based loan; PRC = People's Republic of China; PSM = public sector management; TA = technical assistance; TRA = transport; WUS = water and other urban infrastructure and services.

^a Based on the 31 December 2020 revalued amount covering commitments of \$31.6 billion, revaluation of \$0.3 billion and fully administered cofinancing of \$0.5 billion for loans, grants, and TAs.

Note: Figures may not sum precisely because of rounding.

Source: Asian Development Bank data.



Executive Summary

Introduction

The annual portfolio performance report (APPR) provides the Asian Development Bank (ADB) Board and Management with a strategic overview of ADB's active portfolio regarding portfolio trends, size, composition, and quality. The report identifies key issues, provides recommendations and includes lessons for future ADB interventions. It builds on ADB project implementation reports and project information databases.

The 2020 APPR covers both the sovereign and nonsovereign portfolios. In 2018, ADB switched sovereign and nonsovereign portfolio reporting from approval to commitment based. The active sovereign committed portfolio comprises loans, grants, technical assistance (TA), guarantees, and equities. The portfolio covers operations funded by regular ordinary capital resources (OCR), concessional OCR lending (COL), Asian Development Fund (ADF), other special funds, and cofinancing fully administered by ADB. The Development Effectiveness Review report covers only operations funded by ADF, COL and OCR. The nonsovereign portfolio has historically included commitments in its analysis of loans and other debt securities, guarantees, and equities, and hence the approach to nonsovereign portfolio reporting remains unchanged.

Background

ADB responded immediately to address the impact of the coronavirus disease. The coronavirus disease (COVID-19) pandemic is having a devastating impact across the globe. Many countries, particularly in developing parts of Asia, have mounted strong responses to mitigate the pandemic's impacts, but significant challenges remain. From the onset, ADB was well placed to respond to the pandemic given its regional expertise, partnership with member economies, and strong experience in responding to disasters and crises. On 18 March 2020, ADB announced a \$6.5 billion initial package to address the immediate needs of its developing member countries (DMCs) as they responded to the COVID-19 pandemic. On 13 April 2020, ADB's Board of Directors approved an enhanced package of \$20 billion to help its DMCs address the impacts of COVID-19 along with special policy variations to streamline its operations to enable a quicker and more flexible assistance. As part of the package, ADB expanded the resources available for nonsovereign operations and established the COVID-19 Pandemic Response Option (CPRO) under the Countercyclical Support Facility. Through CPRO, ADB made an additional \$13.0 billion available in regular ordinary capital resources (OCR) to help DMCs implement countercyclical expenditure programs to mitigate the impacts of the pandemic, with a focus on the poor and vulnerable. Regional departments and resident missions restructured, repurposed, and/or reallocated resources from ongoing projects to address the impacts of COVID-19.

Project implementation faced a new challenge. Project implementation teams found themselves facing an uphill battle because of lockdowns, travel restrictions, physical distancing, quarantine, and isolation. The pandemic challenged even the strongest project teams to balance

implementation quality and project performance with protecting the health of project stakeholders. Supervision quality, a key factor in project implementation, remained robust as ADB committed more and more resources to address the impacts of COVID-19. Project materials, labor, and equipment were suddenly unavailable in many DMCs. Sector and country teams focused on enhancing the quality of the active portfolio by maintaining strong project implementation performance with the support of resident missions through virtual and other innovative means. With governments requiring citizens to stay home and stay safe, frequent virtual meetings between ADB project teams, executing agencies and implementing agencies against a backdrop of virtual review missions helped maintain project continuity.

2020 Overall Portfolio

Sovereign Operations

Sovereign portfolio increased by \$14.7 billion compared with 2019. The active portfolio was \$102.1 billion at the end of 2020, consisting of 2,028 loans, grants, TA projects, one guarantee, and one equity investment. The portfolio consists of 728 active loan and grant projects with an average project size of \$137.0 million, compared with \$127.2 million in 2019. Total new commitments in 2020 were \$27.9 billion, loan closures \$11.4 billion, and cancellations \$1.8 billion. The investment lending modality accounted for more than 80% of the overall portfolio. Of the projects approved in 2020, 81% were design-ready compared with 83% in 2019 and 51% were procurement-ready at approval— 1% improvement from 2019. The average corporate end-to-end procurement time understandably lengthened from 265 days achieved in 2019 to 285 days in 2020. This increase of just 20 days in the face of a global pandemic is an accomplishment.

Portfolio quality remained robust despite the pandemic. Portfolio quality considers key performance indicators related to project readiness, project performance during implementation, supervision quality, output quality, and overall implementation efficiency. Strengthening project design and implementation with a focus on quality outputs and agility remains a priority in the President's Planning Directions. The 2020 portfolio trends are summarized in the Performance of Key Sovereign Portfolio Indicators. Indicators that did not improve with respect to 2019 were generally dragged down by the pandemic, rather than by deterioration of ADB's efforts and performance.

Key portfolio indicators were generally on track. Contract awards reached \$10.2 billion and project disbursements reached \$9.2 billion in 2020. The average time interval from signing to first contract improved by 0.7 months year-on-year, to 10.1 months. The contract award ratio performance reached 28.2% despite 13.3% in fragile and conflict-affected situations (FCAS) developing member countries (DMCs) and 19.3% across small island developing states (SIDS). The 2020 bank-wide disbursement ratio of 18.5%, while lower than the 19.6% achieved in 2019, was a remarkable achievement in challenging circumstances.

Effective 2021, disbursement will not have a target but will be monitored and reported at operational review meetings. The quality of project performance is now monitored using the revised project performance rating (PPR) system, which came into effect in the first quarter of 2020, and a quality indicator linked to it has been introduced.

Performance of Key Sovereign Portfolio Indicators

Indicator	2019	2020	Change
Design-ready (%) ^a	83	81	● 2%
Procurement-ready (%) ^b	50	51	● 1%
Procurement processing time (%) ^c	67	59	● 8 %
End-to-end procurement time (days)	265	285	● 20 days
Signing to first contract (months)	10.8	10.1	● 0.7 months
Contract awards (\$ billion)	9.0	10.2	● 1.2 billion
Contract award ratio (%)	25.0	28.2	● 3.1%
Uncontracted (%)	39.3	36.7	● 2.6%
Disbursements (\$ billion)	9.5	9.2	● 0.2 billion
Disbursement ratio (%)	19.6	18.5	● 1.1%
Undisbursed (%)	60.8	60.8	—
Project performance rating (on track) (%)	74	64 ^d	11%
Actual implementation period (years)	7.1	7.1	—

● = improvement from 2019, ● = decline from 2019, — = no change.

Note: Figures may not sum precisely because of rounding.

^a Number of infrastructure projects approved in the last calendar year that were design-ready before project approval as a percentage of total infrastructure projects approved in the same year.

^b Number of infrastructure projects approved in the last calendar year for which bidding documents for procurement of major works or goods contracts were launched before project approval as a percentage of total number of approved infrastructure projects in the same year.

^c Number of procurement contract transactions of \$10 million and above for sovereign operations received and approved in the procurement review system (PRS) in the calendar year that were approved in 40 days or less as a percentage of total procurement contract transactions of \$10 million and above

^d The methodology was revised in 2020 to strengthen safeguards and financial management and capture the progress of projects.

Sources: Asian Development Bank data.

The new project performance rating (PPR) methodology became effective. The 2017 APPR recommended a review of the PPR methodology to strengthen three of its five indicators— the technical, financial management, and safeguards. Overall, the new PPR system (i) remains an effective performance measure; (ii) reflects actual project implementation status; and (iii) serves as an early warning tool so that proactive steps can be taken to resolve potential project implementation issues.

Project implementation guidance embraced technology and innovation. With artificial intelligence behind the scenes, ADB's first public-facing chatbot (digital assistant) named the PPFD Intelligent Assistant, was rolled out on www.adb.org on 20 October 2020. The PPFD Intelligent Assistant is designed to provide guidance to external clients including executing and implementing agencies and ADB personnel throughout the project life cycle. This technology provides real-time two-way engagement, enables access to project administration instructions (PAIs), attempts to understand customers, and provides answers on administering ADB-financed projects. ADB's PAIs are a comprehensive compendium of guidance on addressing matters related to project implementation.

Nonsovereign Operations

ADB reoriented its focus in nonsovereign operations to respond to the pandemic.

To meet market financing gaps, ADB offered shorter-term, smaller-scale liquidity and working capital support for direct and indirect COVID-19 response initiatives. Direct COVID-19 response refers to financial support for health care related infrastructure, supply chains, or technology that directly facilitate the testing, detection, diagnosis, treatment, prevention, control and tracking and/or reporting of COVID-19, with the primary objective of managing and containing the spread of the disease and minimizing loss of life. Indirect COVID-19 response refers to financial support for companies or financial intermediaries that facilitate local, regional, and global trade and related supply chains, to maintain livelihoods and employment. Indirect COVID-19 response targets income-generating activities to improve living conditions and sustain businesses during the economic downturn.

The nonsovereign committed portfolio increased by 4% in 2020. The total portfolio increased 4.0% to \$14.4 billion at the end of 2020 from \$13.9 billion at the end of 2019. In 2020, total commitments including the revolving programs—the Trade Finance Program (TFP), Supply Chain Finance Program (SCFP) and the Microfinance Risk Participation and Guarantee Program (MFP)—were \$4.5 billion; closures (prepayment, repayments, disposals etc.) were \$3.9 billion; and cancellations were \$0.05 billion. The number of project commitments in 2020 reached 38, exceeding the planning target of 37 commitments. However, total project commitments by amount decreased to \$1.4 billion in 2020, from \$3.0 billion in 2019. Disbursements reached \$2.3 billion—the same levels as 2019—and the outstanding portfolio increased by 11.3% to reach \$11.3 billion.

Majority of 2020 commitments were for pandemic response. 63.9% of commitments from ADB resources or \$2.9 billion supported COVID-19 pandemic response in 2020. The revolving programs accounted for 84.4% (\$2.4 billion) of the response. ADB mobilized \$5.3 billion in cofinancing in addition to its own resources during 2020; 50.2% or \$2.6 billion of that cofinancing was related to COVID-19.

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Portfolio performance impacted by the pandemic. COVID-19 impacted the nonsovereign (NSO) portfolio in 2020. While the NSO portfolio continued to increase in 2020, the pace of growth slowed as delayed construction activities, deferral of expansion plans, a slowdown in lending for financial institutions, and a slowdown in investment activities for private equity funds slowed the pace of commitments and disbursements. Total new project commitments by amount were lower by 53.1% in 2020 compared with 2019. Preparing transactions and ensuring the integrity and quality of safeguards due diligence were impeded by travel restrictions and lockdowns.

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The pandemic will have spill-over effects on the NSO portfolio in 2021. Existing clients will continue to face pandemic-related liquidity issues, resulting in additional restructuring requests that will need to be addressed in 2021. Uncertainty over how the pandemic will unfold and how it could further impact the portfolio will require a proactive remedial management strategy and close cooperation with clients and other counterparties. Proactive portfolio management should remain a key operational focus, as it was in 2020.

Implementation Progress of the 2019 APPR Recommendations

Sovereign Operations

Recommendation	Progress
1 Sector and country teams to focus on enhancing the quality of the active portfolio through quality project design, strong project implementation performance, and high quality ADB supervision.	On track with the enhanced application of the One ADB approach and close coordination with relevant departments ensuring a holistic approach to portfolio performance.
2 Leverage the use of PRF and SEFF modalities across all sectors to reduce project implementation time and age profile of the portfolio.	By end 2020 there have been 20 PRFs committed since their inception but the use of SEFF lags with only one commitment.
3 Prior to approval, each investment project, except for emergency assistance loans, should complete a robust strategic procurement planning with well-defined performance indicators to capture value for money.	Strategic procurement planning was completed for all projects that held fact-finding mission during the year.
4 Use the revised PPR system effectively as a project management tool (not as a project team performance assessment tool) to track implementation risks and identify appropriate mitigation measures early.	The new PPR which strengthened the output, financial management, and safeguards indicator became effective in the first quarter of 2020.
5 Adopt tailored programs addressing country and regional specific interventions, training requirements and priorities that can be integrated into the local institutional development strategies.	Responding to emerging needs of COVID-19 impact on projects, capacity building programs were conducted on managing projects under the new normal with emphases on safety and health, country procurement system, safeguards, and financial management.

Nonsovereign Operations

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ADB = Asian Development Bank, COVID-19 = coronavirus disease, PPR = project performance rating, PRF = project readiness financing, SEFF = small expenditure financing facility.

Lessons

Sovereign Operations

1. During a crisis as disruptive as the COVID-19 pandemic, project reviews should become more frequent and the use of virtual platforms increased to strengthen seamless collaboration between headquarters and resident mission staff.
2. Surplus loan funds that remain unutilized across projects can be cancelled or repurposed to address loan shortfalls in other projects and respond to crises such as the COVID-19 pandemic.
3. Enhance the capacity of local contractors and consultants to increase resilience in project implementation in emergency situations.
4. Continue to leverage digital technology to safeguard project continuity, enable project teams to work remotely, facilitate real-time site monitoring, and assess implementation performance.

Nonsovereign Operations

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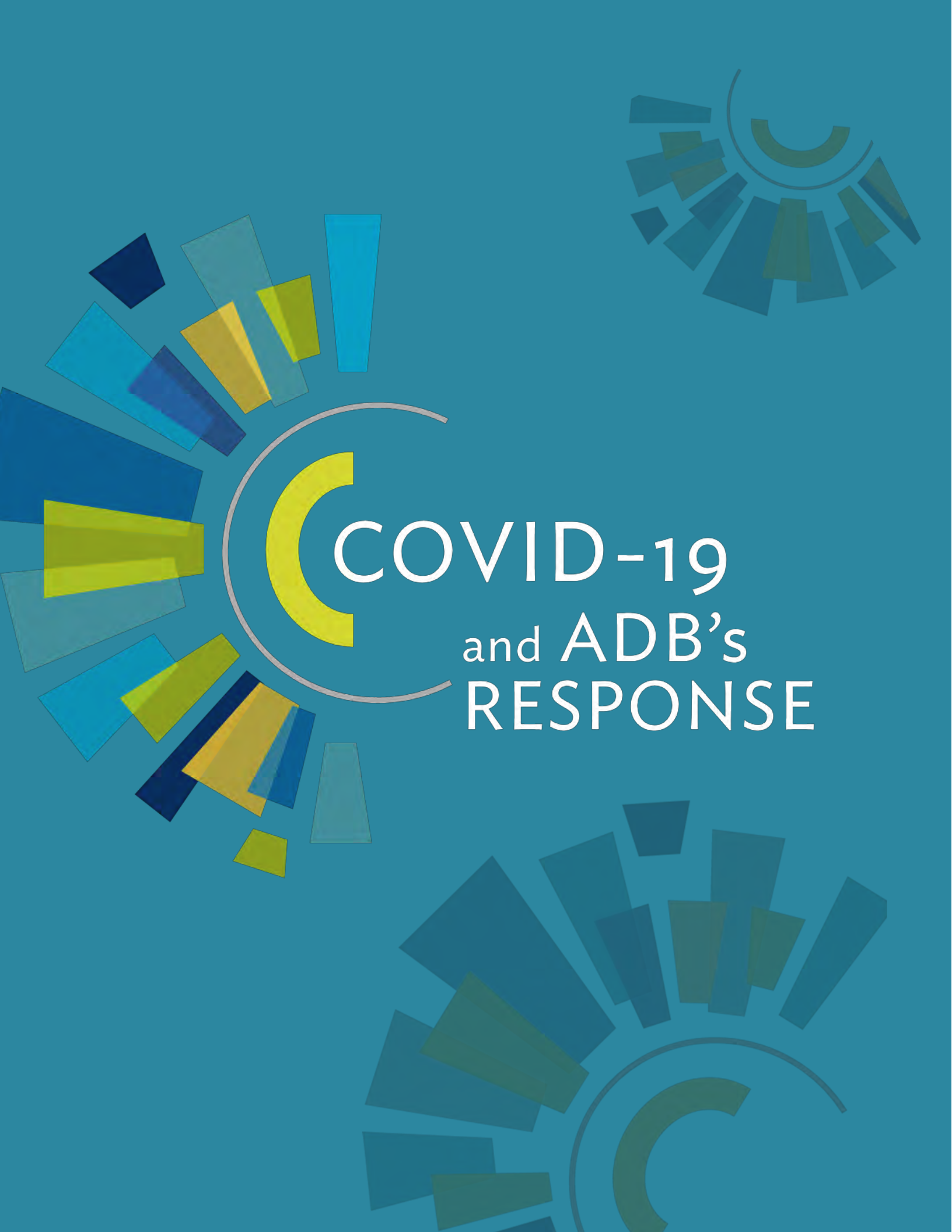
Key Recommendations from the 2020 Portfolio Highlights

Sovereign Portfolio

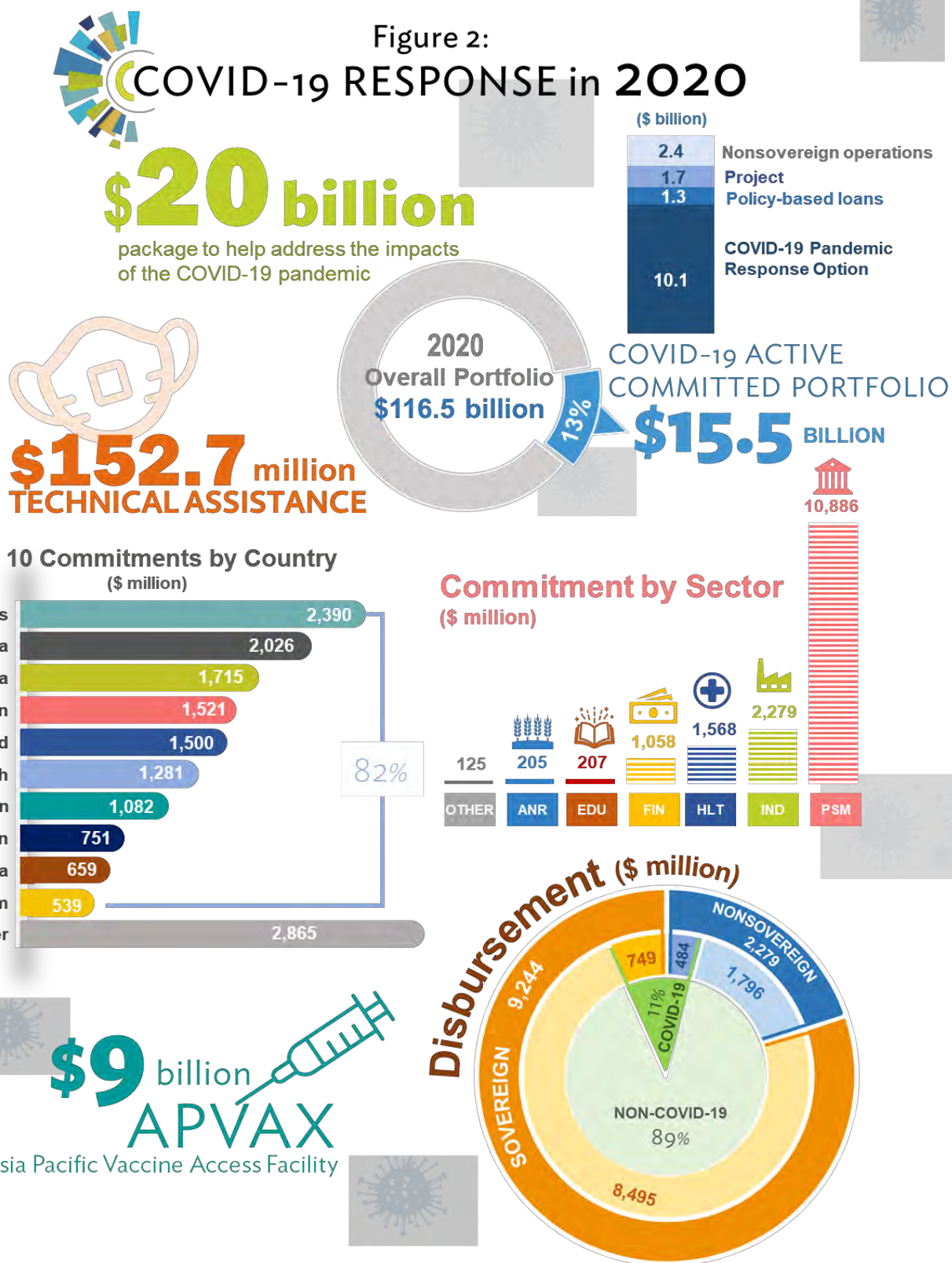
Issues		Recommendation
The progress of many projects is affected by COVID-19 and the likelihood of field review missions by HQ-based project teams remains low		Leverage the use of resident missions and national consultants in project monitoring to minimize project-related risks
Average project implementation period is on average 3 years longer than original implementation period at approval		Factor country-wide and sectoral issues in formulating project implementation period at approval to strike a balance between ambition and realism
Disbursement is a good proxy indicator of project implementation but does not have a strong link to portfolio quality		Implement a quality indicator to minimize outlier projects which are consistently "at risk," to boost portfolio quality
The use of the small expenditure financing facility (SEFF) remains exceptionally low with only one approved by end 2020		Scale-up the use of the small expenditure financing facility modality to quickly and effectively respond to emerging project implementation issues and challenges
Limited advance preparation in assessing a DMC's emergency response institutions, systems, and capacity hinders the robustness of financial due diligence.		Evaluate the feasibility of conducting advance financial due diligence and capacity building on institutions and systems relevant to a DMC's response to emergency events

Nonsovereign Portfolio

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COVID-19 and ADB's RESPONSE



ANR = agriculture, natural resources, and rural development; COVID-19 = coronavirus disease; FIN = finance; HLT = health; IND = industry and trade; PSM = public sector management.

Note: Totals may not sum precisely because of rounding.

Source: Asian Development Bank data.



COVID-19 RESPONSE in 2020 TIMELINE

JANUARY

Repurposed resources under **GMS Health Security Project in Lao PDR** as the first COVID-19 response assistance

ADB's crisis management team activated

MARCH

\$6.5B response for health and economic consequences of the pandemic in sovereign operations, and nonsovereign operations for micro, small, and medium-sized enterprises, domestic and regional trade, and firms

Established **ADB Coordination Committee** to drive ADB's response to impact of COVID-19 on economies of developing member countries; operational program; portfolio; and ADB staff, consultants, contractors and their families

MAY

Launched **ADB COVID-19 Policy Database** to provide information on the key economic measures that governments are taking to combat the COVID-19 pandemic

JULY

Released the **Guidance to Staff in Providing Advice to Borrowers on Adopting COVID-19 Related Health and Safety Measures in Implementation of Contracts** for ADB-financed sovereign operations projects to support mobilization of contractors and consultants and address health and safety risks in new procurement and contract implementation

DECEMBER

Launched a **\$9B** vaccine initiative—the **Asia Pacific Vaccine Access Facility (APVAX)**—offering rapid and equitable support in procuring and delivering effective and safe COVID-19 vaccines

FEBRUARY

\$2M initial grant approved to enhance infectious disease prevention, detection and response in the People's Republic of China and the Greater Mekong Subregion

\$48M regional technical assistance approved to mitigate long-term damage to economies and adverse effects on population health

APRIL

Tripled the size of response to \$20B and approved measures to streamline its operations for quicker and more flexible delivery of assistance, including establishment of a **COVID-19 Pandemic Response Option** under ADB's Countercyclical Support Facility

Issued **One-ADB Response Memorandum** to enhance cross-departmental and cross-sectoral collaboration, efficient resources reallocation, and streamline business processes

SEPTEMBER

Operationalized **COVID-19 Dashboard** to report fund usage and track key indicators such as approvals, commitments, contract awards, disbursement, fund type, and source of financing

A. COVID-19 RESPONSE (OVERALL)

1. The ongoing coronavirus disease (COVID-19) pandemic is having a severe impact on developing economies in Asia and the Pacific. These impacts are being felt through numerous channels, including sharp declines in consumption and investment, lower tourism and exports, disruptions in trade and production, and adverse effects on health. Leaders in the region are leveraging available policy tools and using additional measures by undertaking the necessary measures and using all available policy tools to minimize the economic and social damage from the pandemic, restore global growth, maintain market stability, and strengthen resilience.

2. **The Asian Development Bank (ADB) has been at the forefront of a regional response to the pandemic** (ADB's response is in Box 1). ADB's crisis management team was activated in January for an institutional response to COVID-19.



Box 1: The \$20 billion Support

On 18 March 2020, ADB announced a \$6.5 billion initial package to address the immediate needs of its DMCs in responding to the COVID-19 pandemic. On 13 April 2020, ADB's Board of Directors approved an enhanced \$20 billion package along with special policy variations to streamline its operations for quicker and more flexible assistance to help its DMCs address the impacts of the pandemic. As part of the package, ADB expanded the resources available for nonsovereign operations and established the CPRO under the Countercyclical Support Facility. Through CPRO, ADB made up to an additional \$13 billion available in regular ordinary capital resources to help DMCs implement effective countercyclical expenditure programs to mitigate the impacts of the pandemic, with a focus on the poor and vulnerable. All special policy variations introduced under ADB's comprehensive response to the COVID-19 pandemic are available until July 2021.

Strong relations with governments as regional development partners helped attract resources from development partners who sought to leverage ADB's due diligence. ADB was able to prepare a large number of sovereign operations quickly and in many cases, it was the leading source of development finance assistance for DMCs to address COVID-19. Financial resources were primarily committed to support the health sector, social protection systems, and macroeconomic stability.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, CPRO = COVID-19 Pandemic Response Option, DMC = developing member country.

Source: Asian Development Bank (Procurement Portfolio and Financial Management Department).

3. ADB provided resources to 41 member countries in the form of loans, grants, and technical assistance (TA). Commitments for addressing the COVID-19 pandemic reached more than \$1.0 billion each in India, Indonesia, Kazakhstan, Philippines, and Thailand. TA support for DMCs included \$49.3 million to purchase personal protective equipment (PPE), and medical and food supplies.

4. The One ADB approach proved critical as One ADB teams were mobilized to advise DMCs on response measures and assist in preparing projects and programs to address the impacts of

the pandemic.¹ In addition, ADB teams collaborated closely with other international financial institutions international organizations, and bilateral agencies to mobilize cofinancing and ensure coordinated efforts with a view to maximize joint efforts.

5. Public sector commitments in response to pandemic. Public sector management commitments largely increased amid the COVID-19 pandemic. In 2020, CPRO commitments totaled about \$10.2 billion in to finance countercyclical economic stimulus packages. As a result, the public sector management share of the portfolio jumped to 12%, from 4% in 2019. ADB also provided \$55.5 million of rapid grants under the Asia Pacific Disaster Response Fund (APDRF) for immediate financing of health-related emergency expenses in 29 member countries. About \$152.7 million in TA funds supported member countries with (i) implementing CPRO; (ii) strengthening hospitals and laboratories; (iii) training frontline health workers; (iv) initiating risk communications; and (v) addressing urgent needs, including procurement of PPE, diagnostic and medical equipment, and food. In addition, ADB mobilized \$7.8 billion in sovereign cofinancing for CPRO operations. In December, a \$9.0 billion vaccine assistance facility was announced by ADB (Box 2).



Box 2: The \$9 billion Vaccine Facility

To meet the unique challenges that developing member countries (DMCs) face on vaccine access, ADB approved the Asia Pacific Vaccine Access Facility (APVAX) in December. It provides a comprehensive framework and resource envelope of \$9 billion to support fast, high quality, safe and equitable vaccine access by DMCs. ADB will prepare and process country-specific financing proposals for individual DMCs. The APVAX will take advantage of common objectives and results frameworks across individual country-specific financing proposals to minimize transaction costs while still reflecting the unique needs of individual DMCs. The approach recognizes different readiness levels among DMCs and provides them with the flexibility to join and utilize the APVAX when they are ready. The APVAX is flexible and will, provide advance resources to finance urgent vaccine procurement and complementary financing for vaccine delivery, distribution, and administration, with streamlined business processes that maintain appropriate due diligence. It offers DMCs the option to choose from different components under a risk-based and demand-driven approach. Through its strong emphasis on partner coordination, the APVAX will ensure an efficient division of labor between development partners and other actors. It will also provide an effective platform for knowledge transfer and learning across DMCs and will encourage rapid adaptation as knowledge about vaccine effectiveness, distribution and delivery continues to evolve.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

6. Flexibility, agility, and universal procurement in pandemic response. ADB's Procurement Policy is designed to be applied flexibly in response to health emergencies (Box 3 details ADB's flexible procurement response to COVID-19). Universal procurement was adopted to support the procurement of goods and services more broadly and to permit procurement to be directed through the United Nations (UN) and other international agencies that are mandated to apply universal procurement eligibility. Central to the flexible response was allowing direct contracting when justified. Where possible, procurement specialists provided constant advice and assistance to borrowers on procurement issues.

¹ One ADB approach brings together expertise and knowledge in a range of areas across the institution through cross-departmental collaboration, staff mobility, and knowledge sharing.

7. While open competitive bidding remains the preferred method of procurement, ADB introduced several initiatives to streamline procurement. These included encouraging procurement through UN agencies by direct contracting; encouraging borrowers to use existing procurement framework contracts; and encouraging procurement through pre-registered suppliers. A COVID-19 specific template for request for quotation (RFQ) was also introduced for the purchase of urgently needed medical supplies. Technical assistance and APDRF operations supported various measures to address the pandemic such as medical equipment and construction of quarantine facilities (Box 3).



Box 3: Procurement Response to COVID-19

PPFD, in collaboration with other departments, introduced special procurement arrangements to ensure the fast and effective procurement of equipment to meet ADB's own immediate needs and subsequently those of the 15 DMCs using TA financing.

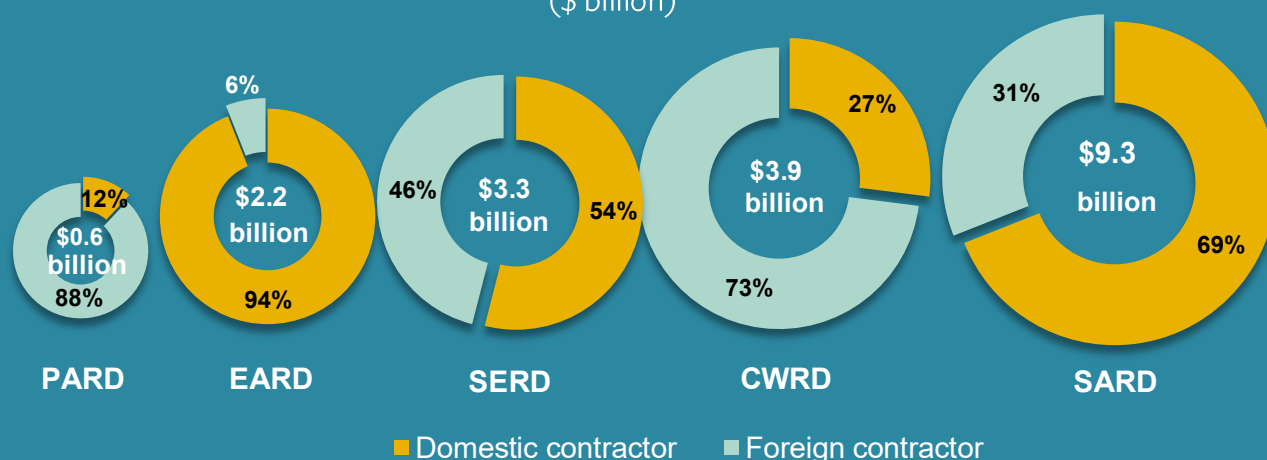
- i. Staff guidance issued on managing COVID-19 risks in ongoing construction contracts;
- ii. Collaborative procurement arrangement established between PPFD and SDCC for ADB implemented procurement under SDCC mega TA;
- iii. Staff guidance issued on managing COVID-19 risks in consulting contracts;
- iv. Emergency procurement guidance issued with delegation increased and processes streamlined;
- v. Testing lab delivered and commissioned in the Philippines;
- vi. About \$4.5 million of essential foodstuffs procured by ADB delivered to more than 140,000 vulnerable households in Metro Manila;
- vii. Market research and engagement with suppliers and manufactories in all key markets for COVID-19-related products and services;
- viii. PPFD pooled PPE procurement for more than \$12 million including logistics;
- ix. In July and then updated in October, PPFD/SDCC issued a joint advisory guidance note on health and safety measures for new procurement and ongoing contracts; and
- x. ADB-wide briefings on streamlined procurement processes, procurement of PPEs, and APVAX (vaccine procurement).

ADB = Asian Development Bank; APVAX = Asia Pacific Vaccine Access Facility; COVID-19 = coronavirus disease; DMC = developing member country; PPE = personal protective equipment; PPFD = Procurement, Portfolio and Financial Management Department; SDCC = Sustainable Development and Climate Change Department; TA = technical assistance.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

8. **Balance of foreign and domestic contractors.** The presence of foreign contractors is highest in the Pacific. The balance between foreign and domestic contractors is shown in Figure 3. Domestic contractors are in position to mobilize immediately when pandemic-related disruptions begin to ease, which can help early recovery of projects that stalled because of the pandemic. No single region is entirely dependent on foreign contractors and each DMC has some capacity in terms of domestic contractors. Maintaining the safety and health of workers, both foreign and domestic, at project sites is a top priority (Box 4).

Figure 3: Regional Breakdown Domestic versus Foreign Contractors during COVID-19 (\$ billion)



CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Note: All active contracts as of end 2020.

Source: Asian Development Bank data.



Box 4: Health and Safety of Workers and Communities

In response to COVID-19, PPFD benchmarked emerging global best practices and worked with SDCC and OGC to prepare a joint advisory note on the health and safety of workers and communities in ADB-financed projects. The advisory addressed the COVID-19 health and safety on works and service contracts. It provides guidance on mobilization and remobilization of contractors and consultants and describes COVID-19 mitigation measures in procurement and contract implementation, reflecting country-specific requirements as well as project-specific conditions and risks. To support the implementation of these measures, revised standard bidding documents with additional COVID-19 health and safety management plans were issued. To promote awareness of good practices, five internal briefings were delivered to operations departments and were attended by 600 staff.

Building upon the above, ADB is benchmarking itself amongst other international financial institutions' position on environment, health, and safety. SDCC and OGC have made significant progress in highlighting the importance of EHS considerations in ADB project implementation by incorporating additional EHS provisions in procurement and contract documents. PPFD standard bidding documents will be further strengthened in 2021.

Recognizing that contract conditions are only the first step in implementation, contract management guidance has also been strengthened. PPFD updated the contract management guidance notes and prepared a new Contract Management Plan template that includes specific requirements on health and safety management plans and related key statistics. It is envisaged that this will strengthen both ADB's and developing member countries' information base on health and safety compliance monitoring and reporting and enable strategic decisions and interventions to be made by project teams through robust data analysis and trend identification.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, OGC = Office of the General Counsel, PPFD = Procurement, Portfolio and Financial Management Department, SDCC = Sustainable Development and Climate Change Department.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

9. **Streamlined contract processing and disbursement for pandemic-related assistance.** In 2020, the average time from signing to first contract was 1.5 months for COVID-19-related projects, compared with 10.7 months for other projects, which is expected because of the urgency of the response. The same can be said for signing to first disbursement, which averaged 1.4 months for COVID-19-related assistance compared with 11.8 months for other projects.

10. **Scale of pandemic response.** ADB's pandemic response has been characterized by quick mobilization of large amounts of financing. Governments, the private sector, and international financial institutions have collaborated on a global scale to address the economic, social, and public health fall-out from the crisis. A snapshot of regional department interventions are captured in Box 5



Box 5: Snapshot of COVID-19 Assistance Across Regional Departments

Central and West Asia Department

About \$3 billion of COVID-19-related projects and programs were signed for 18 initiatives, including seven under CPRO. All CPRO were fully disbursed in 2020. As for TA, 22 TA projects were directed to address COVID-19 impacts; these projects received \$10.5 million of TASF resources from SPD.

East Asia Department

A \$100 million loan in Mongolia was fully disbursed by Q2 2020 and helped the government mitigate negative economic impacts. An emergency loan and grant was also approved for Mongolia to reduce adverse socioeconomic impacts. In the PRC, an ongoing loan was repurposed for emergency support and TA was prepared to support the National Development and Reform Commission to prepare an ensuing project to manage epidemics of infectious diseases and other health hazards.

Pacific Department

In the Pacific, eight CPRO programs for \$378 million and special assistance grants totaling \$18.5 million were provided for COVID-19 emergency response. Apart from CDF and CPRO programs, PARD also processed regular programs and one project that were topped up for COVID-19 response. This was supported by \$16.4 million in TA.

South Asia Department

In South Asia, CPRO financing for Bangladesh, Bhutan, India, Maldives, and Nepal totaled \$2.3 billion and was fully disbursed in 2020. CPRO programs helped SARD DMCs meet targets for healthcare measures in response to the COVID-19 pandemic.

Southeast Asia Department

A total of \$5.0 billion in CPRO financing was approved for Cambodia, Myanmar, Indonesia, the Philippines, and Thailand. An additional \$1.4 billion, comprising \$1.0 billion in contingent disaster facilities, new project loans, additional financing, and project grants (including from the APDRF) were also directed toward COVID-19 support.

APDRF = Asia Pacific Disaster Response Fund, CDF = contingent disaster financing, COVID-19 = coronavirus disease, CPRO = COVID-19 Pandemic Response Option, DMC = developing member country, PARD = Pacific Department, PRC = People's Republic of China, Q = quarter, SARD = South Asia Department, SPD = Strategy, Policy and Partnerships Department, TA = technical assistance, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank (regional departments).

11. Flexible approach to financial management. Recognizing the substantial risk of financial mismanagement in COVID-19 operations, ADB's Procurement, Portfolio, and Financial Management Department (PPFD) issued a guidance note and conducted training for ADB staff on applying ADB financial due diligence requirements to sovereign operations during the pandemic. Guidance and training highlighted areas for staff to focus on when assessing and monitoring financial management arrangements during processing and implementation and outlined steps for conducting financial due diligence remotely. Ensuring that satisfactory financial management and fund-flow arrangements are in place is critical for COVID-19-related assistance. It is also essential that executing agencies and implementing agencies have strong capacity in using, controlling, and reporting ADB funds. Flexibility in the timing for conducting project financial analysis and evaluation, allowing for postponement to the early stages of project implementation (within 6 months), is also important. Acknowledging the disruption brought about by COVID-19, ADB provided 6-month extensions for: (i) the submission of audited project financial statements for all projects with submission due dates from 31 March to 31 December 2020; and (ii) the measurement of compliance with audited entity financial statements (AEFS)-linked covenants for all projects with AEFS submission due dates from 31 March to 31 December 2020.

12. COVID-19 commitments and disbursements were high. Commitments from ADB financing amounted to \$16.3 billion² including 26 CPROs for \$10.2 billion. Overall sovereign and nonsovereign disbursements reached a historical high of \$24.1 billion³ compared to \$17.1 billion in 2019, an increase of 41.4%. COVID-19 related disbursements for both sovereign and nonsovereign reached \$10.2 billion. Project related sovereign disbursement with a planning target of \$10.5 billion in 2020 managed to achieve \$9.2 billion despite the challenges of the pandemic of which \$8.5 billion was non-COVID-19 and \$748.5 million from COVID-19. Total COVID-19 sovereign disbursement reached \$9.7 billion whereas \$12.1 billion was non-COVID-19.

13. "New normal" conditions. Project implementation was challenged as never before because of travel restrictions, requirements for social distancing, concerns about the health and safety of workers, and disruptions to supply chains. The pandemic also had a substantive impact on project preparation and implementation, as lockdowns in many DMCs led to severe constraints in terms of mobilization of labor contractors, consultants, and raw materials. Disruption of supply chains meant that even after gradual reopening and relaxation of lockdowns, project activities could only resume incrementally. Project teams and executing agencies/implementing agencies have used available technology and software to host virtual meetings and conduct review missions.

14. Moving forward, each DMC will face its own specific challenges in navigating the "new normal." ADB and DMCs will need to continuously assess risks to project implementation and adjust operational activities. Issues that will cut across countries and projects include possible contractual obligations having legal ramifications as contractors may resort to force majeure. Delays in seeking approvals from the governments are expected. The skill sets of ADB resident missions are being further strengthened as they take on a larger role in on-the-ground project implementation. National consultant inputs are being increasingly utilized in the absence of international experts, and technology such as drones and satellite images will increasingly be used to monitor progress of civil works. Box 6 outlines pandemic-related impacts on project implementation across ADB regional departments, while Box 7 details health and safety that regional departments have adopted.

² Includes repurposing and support under ongoing projects.

³ Includes disbursements of fully administered cofinancing of \$0.4 billion.

Box 6: Impact of COVID-19 on Project Implementation

Central and West Asia Department

Project implementation in CWRD countries was impacted by COVID-19 lockdowns and travel restrictions as many DMCs rely on international contractors and consultants. COVID-19 impacted project disbursements and delayed the shipment and importation of equipment and goods. However, this was partially offset by disbursement from emergency assistance loans and grants.

East Asia Department

COVID-19 had a significant impact on implementation for during the first 6 months of 2020, although contract awards and disbursements recovered quickly in the final quarters. The pandemic also created emerging concerns surrounding the quality of operations because of increasing reliance on virtual missions and a lack of physical due diligence. Delays in the implementation of ongoing projects may persist because of bidders' inability to commit to supply schedules and uncertainty in mobilizing labor and delivering materials on site.

Pacific Department

Many Pacific DMCs instituted travel restrictions and hard border closures early in the pandemic, preventing the fielding of consultants and contractors. Health and safety risks presented to the infrastructure portfolio by COVID-19 were assessed. While countries have made allowances for work to continue on some projects, force majeure claims were made that were either pending resolution (Solomon Power Development Project) or, in some cases, accepted by the borrower (Fiji Water Multitranchise Financing Facility).

South Asia Department

The pandemic had a substantive impact on project preparation and implementation. Widespread government lockdown led to severe constraints in terms of mobilization of manpower and raw material for on-ground activities. The situation has improved over time and project implementation activities are gradually gathering steam. Virtual review missions were conducted to the extent possible.

Southeast Asia Department

Similar to other regions, governments imposed restrictions on international travel on an ad hoc basis. This affected the mobilization of international consultants and international contractors, which resulted in delays in completing complex engineering designs and civil works and complicated safeguard-related activities. Virtual review missions remain the norm.

COVID-19 = coronavirus disease, CWRD = Central and West Asia Department, DMC = developing member country. Source: Asian Development Bank (regional departments).



Central and West Asia Department

CWRD shared the occupational health and safety guidebook on COVID-19 prevention in construction works in urban and water sector projects that was prepared by SARD for EAs/IAs and contractors. Further to this, a booklet is being prepared with guidance on preventing COVID-19 transmission at construction sites for transport and other infrastructure projects.

East Asia Department

All PRC Resident Mission-administered projects mandated project-level COVID-19 risk assessments and EAs and contractors were instructed to update or prepare health and safety plans addressing COVID-19 as part of EMP preparation. EMPs and IEEs were updated to address COVID-19-related health and safety risks. Progress reports and monitoring reports must reflect the implementation status of COVID-19-related health and safety measures.



Box 7: Health and Safety Measures by Regional Departments

Southeast Asia Department

SERD introduced several measures to assist EAs and IAs in dealing with procurement and/or contract management during the COVID-19 pandemic, which complemented government directives. Measures included guidance notes with actions to be taken prior to remobilization of contractors and resumption of works on site; requiring bidding documents to include a COVID-19 health and safety plan; requiring contractors engaged in ongoing works to prepare and implement COVID-19 health and safety plans; and model COVID-19 provisions for consultants' terms of reference.

Pacific Department

PARD instructed EAs, IAs, and PMUs to undertake risk assessments and required that construction environmental management plans (including health and safety plans and emergency response plans) be updated following internationally accepted good practices in relation to COVID-19. Heightened health and safety measures are being applied at construction sites.

South Asia Department

Project monitoring: In addition to applying regular monitoring mechanisms, SARD devised a weekly monitoring template to capture the impact of COVID-19 on projects and summarize actions being taken to minimize the impact of the pandemic on project preparation and implementation. Resident missions regularly updated their situation assessments and summarized efforts being made by governments and ADB to resume groundwork, mobilize labor and resources, and restore supply chains. Detailed health and safety guidelines were issued in consultation with PPFD, SDCC, and resident missions; these are being used to sensitize project authorities and contractors with a view to making the workplace and construction sites safe and secure.

ADB = Asian Development Bank; COVID-19 coronavirus disease; CWRD = Central and West Asia Department; EA = executing agency; EMP = environmental management plan; IA = implementing agency; IEE = initial environmental examination; PMU = project management unit; PPFD = Procurement, Portfolio and Financial Management Department; PRCM = PRC Resident Mission; SARD = South Asia Department; SDCC = Sustainable Development and Climate Change Department; SERD = Southeast Asia Department.

Source: Asian Development Bank (regional departments).

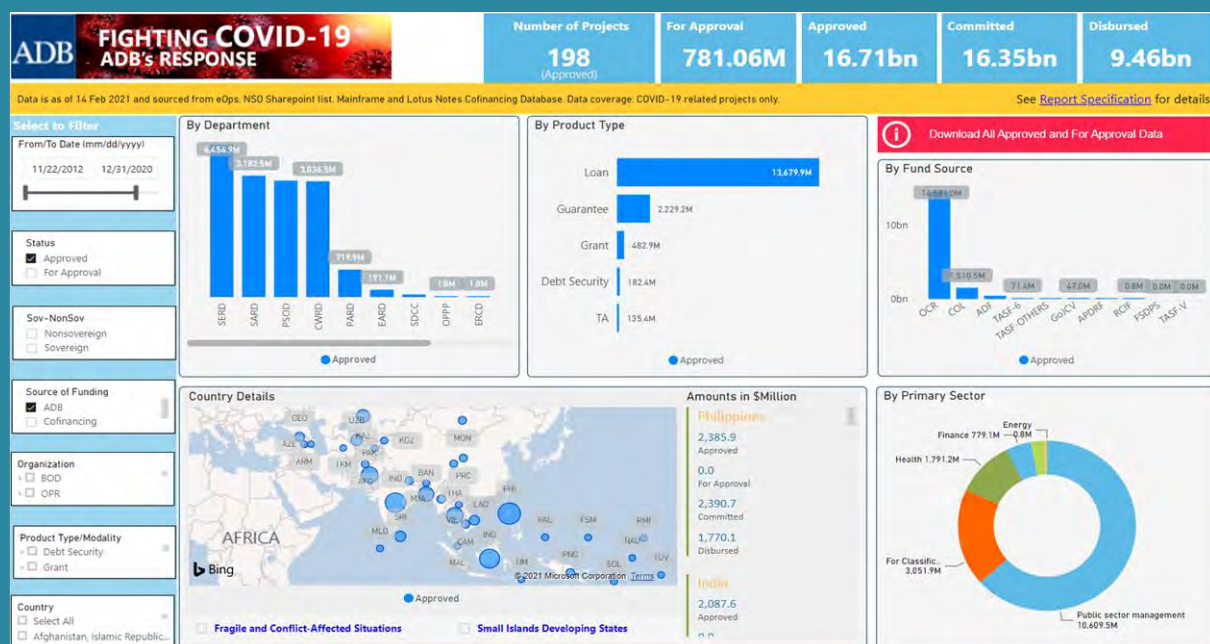
15. **Technology and review missions.** To deliver simple, real-time updates with minimal interruption to projects, ADB partnered with Australia's national science agency to develop a drone-based platform to remotely monitor the development of a new port in Nauru and regularly provide an updated 3D image of the site. A drone is flown over the site bi-weekly to capture images, which are fed into a 3D model and can then help track deliverables and outcomes, identify gaps and potential risks, and assess whether additional equipment, machines, labor, or other resources are needed to keep work schedules on track. The drone's images help keep project monitoring and implementation on track.

16. **COVID-19 Dashboard.** Weekly reporting to the Board on assistance rendered by ADB commenced in March 2020, soon after the outbreak of COVID-19. The COVID-19 Dashboard was introduced in September that contained updated data on key indicators ranging from approvals to disbursements, enabling users able to filter and sort data as needed (Box 8).



Box 8: COVID-19 Response Dashboard

The COVID-19 Response Dashboard, which rolled out bank-wide in September, has become an extremely important source of information and indicators related to ADB's pandemic response. Stretching across multiple departments besides PPFD, the dashboard embodies the spirit of One ADB. The dashboard monitors fund usage and fund flow of the \$20 billion in resources approved by ADB on 13 April 2020 (Box 1). Key indicators being tracked include approval, commitment, contract awards, disbursement, fund type, and source of financing. The visuals in the dashboard give insights on fund flow and fund usage by department, by fund, by sector, by country, and so forth. Data from the dashboard are downloadable and serve as the single data repository for ADB's COVID-19 response.



ADB = Asian Development Bank; COVID-19 = coronavirus disease.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

B. Nonsovereign Response to COVID-19

17. Since the beginning of the pandemic, ADB has reoriented its nonsovereign operations (NSO) to prioritize COVID-19 pandemic response. Alongside its traditional focus on larger-scale medium and long-term financing, the Private Sector Operations Department (PSOD) shifted emphasis to supply shorter-term, smaller-scale liquidity and working capital for direct and indirect COVID-19 pandemic response initiatives.



Box 9: Nonsovereign Response to COVID-19 Pandemic

While ADB remained committed to achieving the objectives set out under Strategy 2030 and the Private Sector Operations Plan as medium-term goals, ADB has made its COVID-19 response a critical corporate priority in 2020. On 13 April 2020, the Board approved ADB's Comprehensive Response to the COVID-19 Pandemic,^a which outlines special policy variations and response measures for sovereign and nonsovereign operations. Items specific to NSO include:

- i. increase of the FAST limit by \$300 million to \$700 million for projects that respond directly to, or address the economic impacts of, the COVID-19 pandemic and extension of the pilot by 15 months to July 2021;
- ii. increase of TFP limit by \$800 million to \$2.15 billion and other enhancements;^b
- iii. various enhancements to expand the SCFP;^c
- iv. increase of the MFP limit by \$260 million to \$600 million and increase of ADB risk coverage to 80% (from 50% previously); and
- v. reduction in the Board consideration period to 1 week (from 3 weeks) for approval of new NSO projects or programs that respond directly to, or address the economic impacts of, COVID-19.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, FAST = faster approach to small nonsovereign transactions, MFP = Microfinance Risk Participation and Guarantee Program, NSO = nonsovereign operations, SCFP = Supply Chain Finance Program, TFP = Trade Finance Program.

^a Asian Development Bank. 2020. *ADB's Comprehensive Response to the COVID-19 Pandemic*. Manila.

^b TFP enhancements include enabling TFP to: (i) support domestic and cross-border trade when an emergency is declared by a national government or an officially recognized international body such as the WHO; (ii) support transactions involving goods in projects that are category B for environment; and (iii) use local currency for loans and guarantees issued under the program.

^c SCFP enhancements include: (i) approval to enter into equitable assignments of trade receivables, trade credits, and trade-related loans; (ii) waiver of Investment Committee approval of, and the eligibility criteria for, partner financial institutions (PFIs) to work with SCFP where such PFI is already an approved PFI under TFP; (iii) approval to risk participate on an unfunded basis to guarantee working capital loans and non-funded credit lines from PFIs to buyers and suppliers in DMCs; and (iv) approval for the increase to \$75 million (from \$30 million) to provide direct debt financing to corporate and SME suppliers and distributors.

Source: Asian Development Bank data.

18. Direct COVID-19 response refers to financial support for: (i) healthcare service providers; (ii) pharmaceutical suppliers; (iii) medical equipment manufacturers; and (iv) related infrastructure/supply chains/technology that directly facilitate the testing, detection, diagnosis, treatment, prevention, control, tracking, and/or reporting of COVID-19 with the primary objective of managing and containing the spread of the disease and minimizing loss of life.

19. Indirect COVID-19 response refers to financial support for: (i) companies that provide essential services, and (ii) financial intermediaries such as banks, nonbank financial institutions, and microfinance institutions that provide direct financing to individual micro-borrowers and micro-, small-, and medium-sized enterprises or facilitate local, regional, and global trade and related supply chains that have been materially affected by the pandemic's economic fallout. The primary objectives of indirect COVID-19 response are to maintain livelihoods and employment, support income-generating activities and sustainable businesses, and improve living conditions during the economic downturn. Most NSO COVID-19 responses fall into this category.

20. In 2020, out of 46 approvals, 20 were COVID-19 response transactions totaling \$617.2 million. In terms of client type, 13 of the 20 were with existing or previous NSO clients, highlighting the strong coordination work between PSOD's origination teams and portfolio management, which engaged in comprehensive outreach to existing clients to assess their financial condition and financing needs during the downturn. In addition, NSO's revolving programs—Trade Finance Program (TFP), Supply Chain Finance Program (SCFP) and Microfinance Risk Participation and Guarantee Program (MFP)—have proven to be highly effective emergency response mechanisms to provide financing support to clients impacted by the pandemic and its resulting economic fallout. TFP and SCFP generated record high volumes in 2020 and ADB rolled out various knowledge products under these schemes during the pandemic.

21. Notwithstanding the pandemic, ADB exceeded its target long-term cofinancing ratio set out in the beginning of 2020 at 1.5:1. The long-term cofinancing ratio in 2020 was 2.1:1. While ordinary capital resources (OCR) commitments decreased, long-term cofinancing volumes decreased to a lesser extent, resulting in an improved ratio. As of year-end 2020, the volume of B loans, at \$467.7 million, is at a historical high. In the first half of 2020, COVID-19 affected the appetite of commercial cofinanciers to participate in NSO projects. Many cofinanciers have become more selective and decisions to participate have taken longer. However, appetite returned toward the end of the year, resulting in better-than-anticipated long-term cofinancing volumes. Five COVID-19 projects benefitted from total long-term cofinancing of \$157.0 million. Cofinancing for three of these five projects came from risk transfers, with a total gross amount of \$97.0 million.



Box 10: COVID-19 policy database

Several ADB departments, comprising PSOD, the Office of Risk Management, and regional departments, jointly launched the COVID-19 policy database.

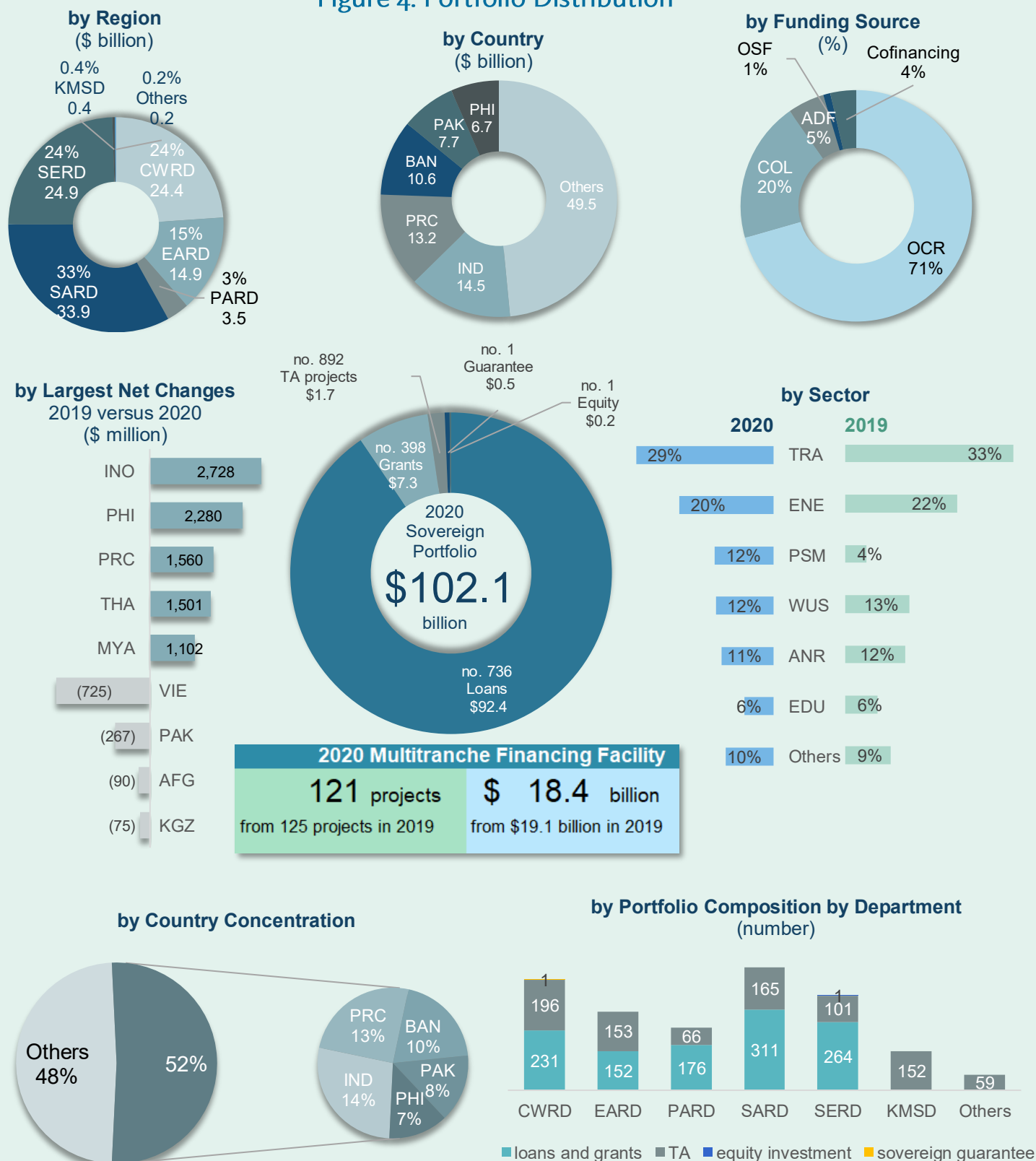
The COVID-19 policy database provides more detailed information on government policy actions impacting nonsovereign operations in each DMC. It includes information on DMC policies relating to debt moratoria, bankruptcies, and restructurings, as well as policy initiatives for specific industries and sectors (e.g., banks and nonbanks; energy and utilities; healthcare; pharma; agri-processing, farming, and supply chain; and micro, small, and medium-sized enterprises).

COVID-19 = coronavirus disease, DMC = developing member country, PSOD = Private Sector Operations Department. Source: Asian Development Bank data.

The image features a solid blue background. In the center, the words "SOVEREIGN" and "PORTFOLIO" are stacked vertically in a white, sans-serif font. Surrounding this text are several abstract geometric elements. A large, thin white circle is partially visible behind the text. To the right of the text, a thick yellow curved line forms a partial arc. Scattered around the central text and the white circle are numerous rectangular and trapezoidal shapes in various shades of blue, teal, and yellow. Some of these shapes are arranged in a fan-like pattern, radiating outwards from the center. The overall composition is modern and minimalist, with a focus on geometric forms and a limited color palette.

SOVEREIGN PORTFOLIO

Figure 4: Portfolio Distribution



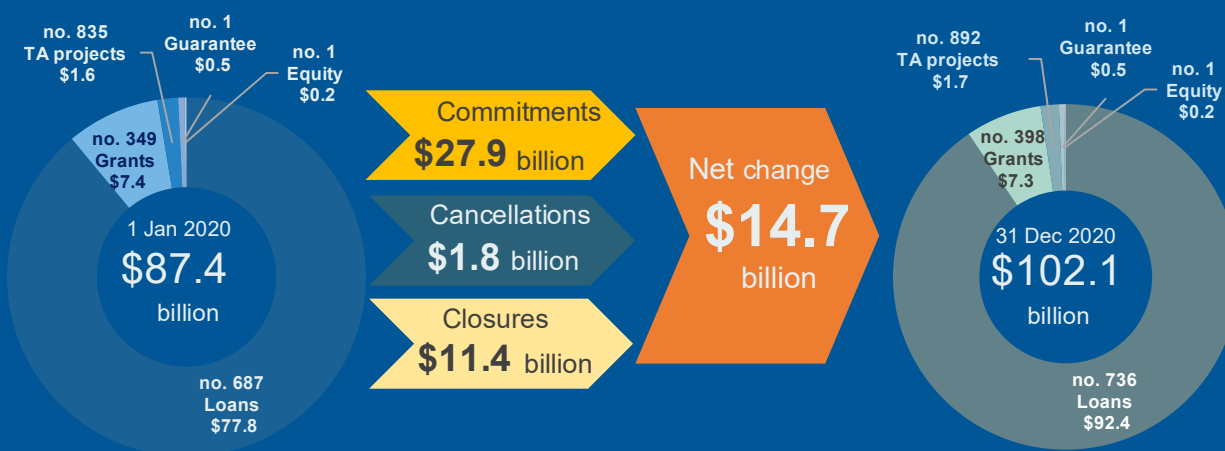
ADF = Asian Development Fund; AFG = Afghanistan; ANR = agriculture, natural resources, and rural development; BAN = Bangladesh; COL = concessional OCR lending; CWRD = Central and West Asia Department; EARD = East Asia Department; EDU = education; ENE = energy; IND = India; INO = Indonesia; KGZ = Kyrgyz Republic; KMSD = knowledge management and sustainable development departments; MYA = Myanmar; OCR = ordinary capital resources; OSF = other special funds; PAK = Pakistan; PARD = Pacific Department; PHI = Philippines; PRC = People's Republic of China; PSM = public sector management; SARD = South Asia Department; SERD = Southeast Asia Department; TA = technical assistance; THA = Thailand; TRA = transport; VIE = Viet Nam; WUS = water and other urban infrastructure and services.

Note: Totals may not sum precisely because of rounding.

Source: Asian Development Bank data.

Sovereign Portfolio

Figure 5: Sovereign Portfolio at a Glance

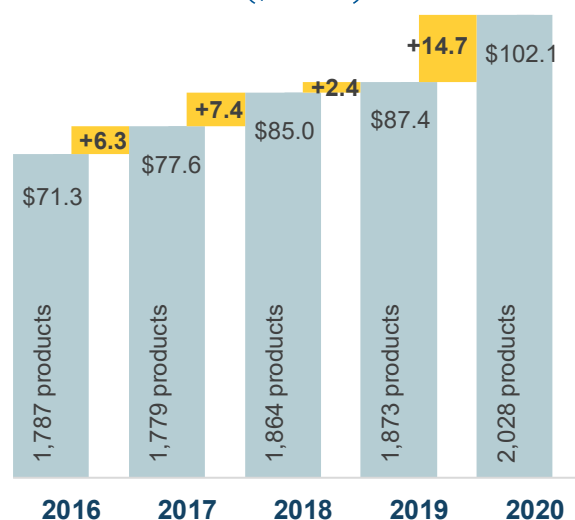


TA = technical assistance.
Source: Asian Development Bank data

A. Portfolio Movement

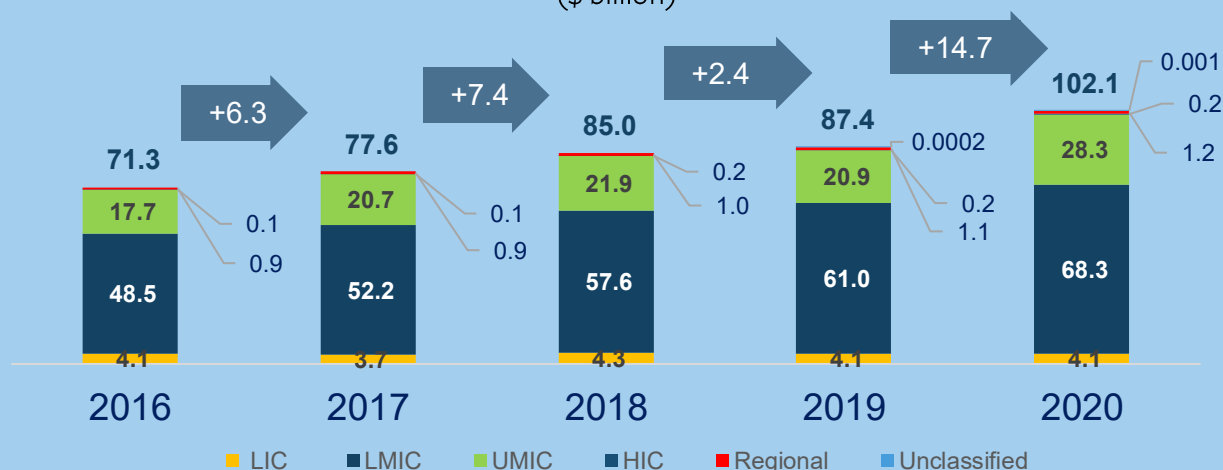
22. **The response to the pandemic boosted the active sovereign portfolio.** It increased by 16.8% from January 2020 to December 2020. The portfolio growth is attributed to the prompt response by the ADB as a regional multilateral institution to help DMCs address the impacts of the COVID-19 pandemic. The initial response package of \$6.5 billion in March, together with the additional \$13.0 billion CPRO package in April, were largely responsible for the record growth (Box 1). The portfolio distribution by income group is in Figure 7.

Figure 6: ADB Overall Portfolio, 2016–2020
(\$ billion)



Note: Products consist of loans, grants, technical assistance, equity investment and sovereign guarantee.
Source: Asian Development Bank data.

Figure 7: ADB Portfolio by Country Income Group, 2016–2020
(\$ billion)



HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, UMIC = upper middle-income country.

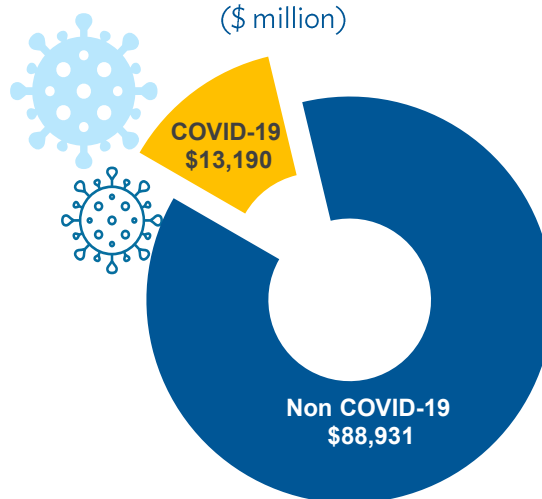
Source: Asian Development Bank data.

23. CPRO modality took center stage.

Within seven months from its inception, \$10.2 billion was committed in 26 DMCs with larger \$1.5 billion responses for India, Indonesia, Philippines, and Thailand. Support primarily targeted three areas: health, social protection, and macroeconomy.

24. **Pandemic response and Strategy 2030,**⁴ The President's Planning Directions for 2020 laid out operational departments' expected performance under the operational performance metrics (OPMs) 2020.⁵ However, as the COVID-19 outbreak developed into a major global crisis, ADB's priorities shifted to pandemic response instead of achieving OPM 2020 targets.

Figure 8: Portfolio Composition, COVID-19
(\$ million)



COVID-19 = coronavirus disease.
Source: Asian Development Bank data.

⁴ ADB. 2018. Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. Manila.

⁵ ADB (Office of the President). 2020. Planning Directions for 2020 and Preparation of Work Program and Budget Framework, 2021–2023. Memorandum. 20 February (internal). To operationalize Strategy 2030 and strengthen accountability, ADB in 2019 introduced the OPMs, which included indicators relating to strategic alignment, development finance, and initiatives. ADB (Strategy, Policy, and Partnerships Department). 2018. Improving Operational Performance Metrics. Memorandum. 14 December (internal).

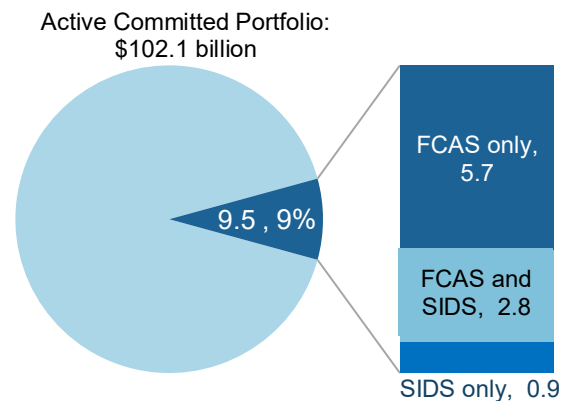
25. To further support Strategy 2030, development partners agreed to a replenishment in excess of \$4 billion for ADB's Asian Development Fund (ADF) 13 and Technical Assistance Special Fund (TASF-7) for 2021–2024. The size of the replenishment represented a 7% increase compared with the previous replenishment covering 2017–2020. The amount is significant considering that development partners' own economies are under pressure because of the pandemic. ADF 13 is the first ADF round to support implementation of Strategy 2030 during its full cycle and will fund key agendas in eligible countries, which include a majority of fragile and conflict-affected situations (FCAS) DMCs, such as Afghanistan, and small island developing states (SIDS).

26. **FCAS DMCs showed high growth.** The FCAS portfolio grew by \$1.5 billion, to \$8.6 billion, in 2020, compared with growth of only \$0.1 billion from 2018 to 2019. The combined value of the FCAS and SIDS portfolio was \$9.5 billion, or 9.3% of the active committed portfolio (Figure 9).

27. The growth for lower middle-income countries and upper middle-income countries averaged \$7.3 billion in 2020 compared with 2019 (Figure 7).

28. Transport and energy sectors dominate the FCAS and SIDS portfolio with health sector picking up because of the pandemic (Figure 10).

Figure 9: Fragile and Conflict-Affected Situations, and Small Island Developing States (\$ billion)

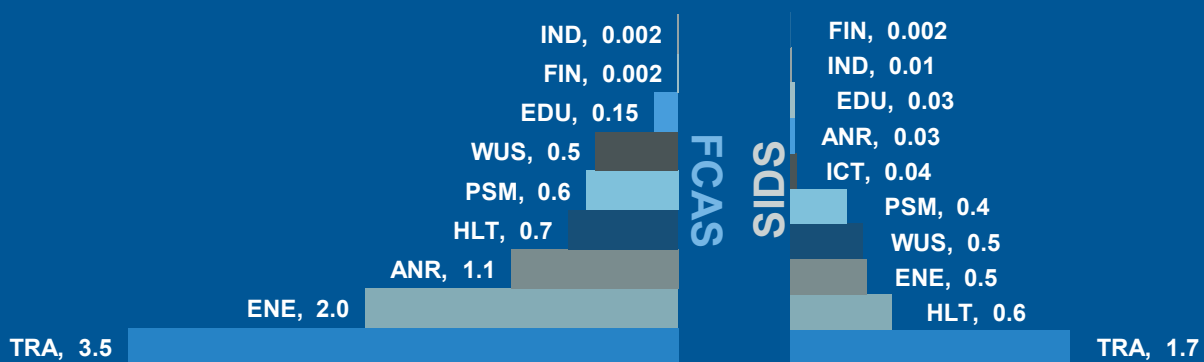


FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Note: Products consist of loans, grants, technical assistance, equity investment, and sovereign guarantee.

Source: Asian Development Bank data.

Figure 10: Portfolio Distribution by Sector, FCAS and SIDS (\$ billion)

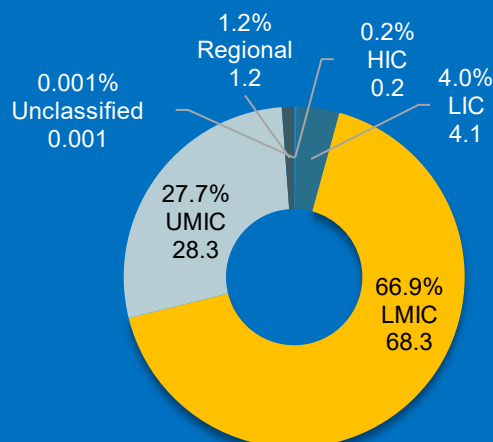


ANR = agriculture, natural resources, and rural development; EDU = education; ENE = energy; FCAS = fragile and conflict-affected situations; FIN = finance; HLT = health; ICT = information and communication technology; IND = industry and trade; PSM = public sector management; SIDS = small island developing states; TRA = transport; WUS = water and other urban infrastructure and services.

Source: Asian Development Bank data.

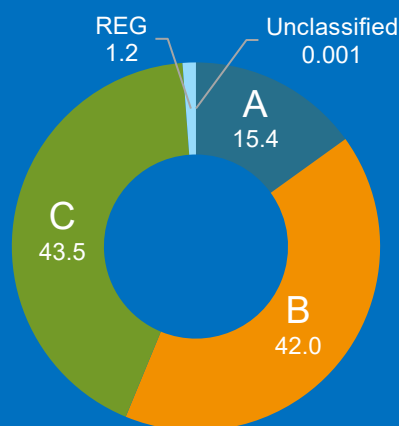
29. **Portfolio spread.** Sixty-seven percent of ADB's portfolio is spread across lower middle-income countries. The distribution in terms of country groupings shows group B and group C countries, which have larger economies and higher absorptive capacities, accounting for the lion's share of the portfolio (Figure 12). The South Asia Department (SARD) and the Central and West Asia Department (CWRD) have the largest portfolios among the five regional departments. In the Southeast Asia Department (SERD), Indonesia, the Philippines, and Thailand each received \$1.5 billion to help fund their COVID-19 response programs and strengthen their healthcare systems in the fight against the pandemic.

Figure 11: Portfolio Composition by Country Income Group (\$ billion)



HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, UMIC = upper middle-income country.
Source: Asian Development Bank data.

Figure 12: Portfolio Composition by Country Group (\$ billion)



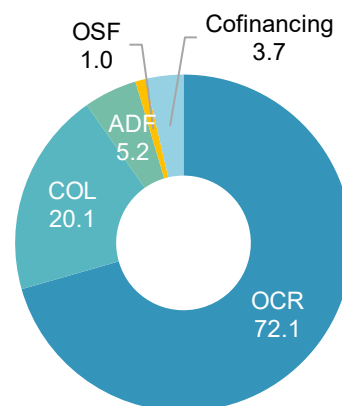
Source: Asian Development Bank data.

30. **The combined share of the transport and energy sectors declined in 2020.** In 2019, 55.6% of the active portfolio was spread across the transport and energy sectors; this dropped to 48.5% in 2020 because of the large number of CPRO programs approved and committed, which pushed the share of public management up to 12% of the portfolio in 2020, compared with 4% in 2019.

31. **Active committed portfolio funding source.** Distribution of ADB's \$102.1 billion committed active portfolio by funding source is in Figure 13.

32. **Greater effort required to scale-up use of readiness modalities.** Since their inception in 2018, there have been 20 project readiness financing (PRF) approved and committed to date compared to only one small

Figure 13: Portfolio Composition by Funding Source (\$ billion)

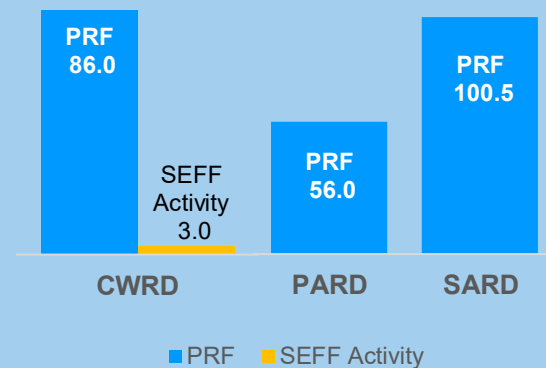


ADF = Asian Development Fund, COL = concessional OCR lending; OCR = ordinary capital resources, OSF = other special funds.
Source: Asian Development Bank data.

expenditure financing facility (SEFF) in the Kyrgyz Republic (Table 1). The 20 PRFs across 14 DMCs have all been committed of which 11 in 2019 (\$110.9 million) and nine in 2020 (\$131.5 million). More efforts are needed to scale-up the SEFF. Possible reasons for the higher penetration of the PRF is that it is a follow-on from the previous generation TA loan modality which was well understood whereas SEFF is different and therefore more awareness needs to be built.

33. There are three significant PRF approvals in Bangladesh with two in the transport sector for \$75.3 million and one in the urban sector for \$11.0 million. These three PRFs comprise more than one-third of all approved project readiness financing to date.

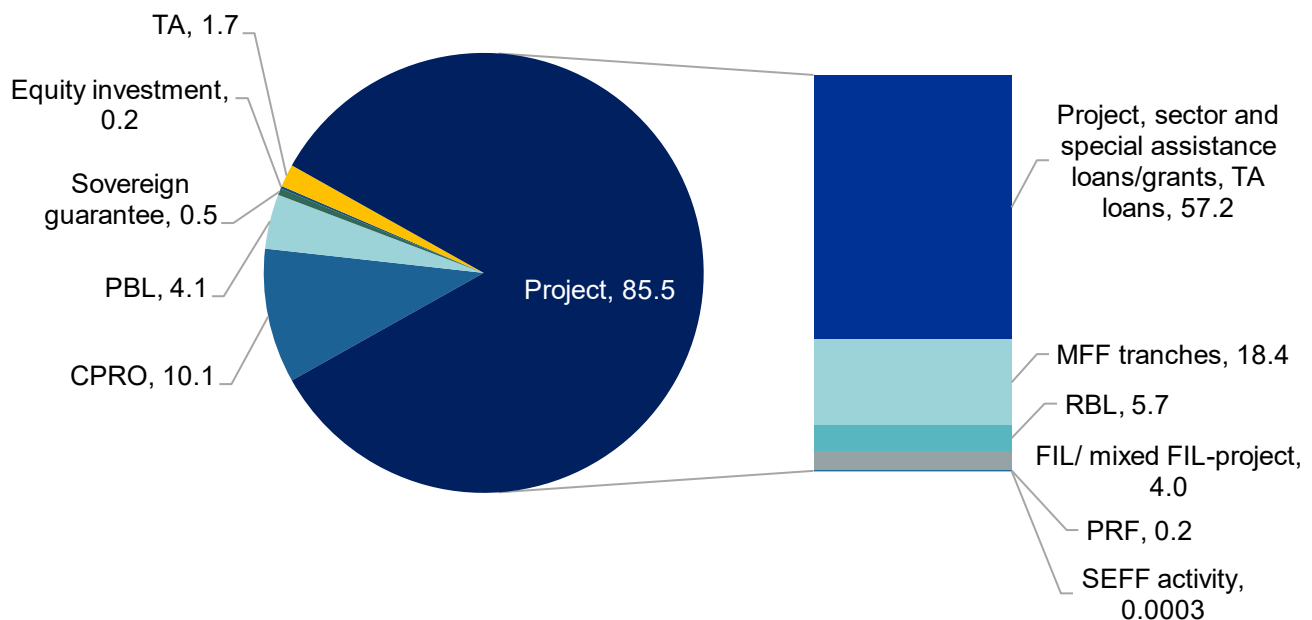
Figure 14: Project Readiness Financing and Small Expenditure Financing (\$ million)



CWRD = Central and West Asia Department, PARD = Pacific Department, PRF = project readiness financing, SARD = South Asia Department, SEFF = small expenditure financing facility.

Source: Asian Development Bank data.

Figure 15: Portfolio Composition by Modality (\$ billion)



COVID-19 = coronavirus disease, CPRO = COVID-19 Pandemic Response Option, FIL = financial intermediary loan, MFF = multitranchise financing facility, PBL = policy-based loan, PRF = project readiness financing, RBL = results-based lending; SEFF = small expenditure financing facility, TA = technical assistance.

Source: Asian Development Bank data.

Table 1: Project Readiness Financing and Small Expenditure Financing Facility Active Portfolio

Project Readiness Financing								Net Amount (\$ million)
	Approval Year	Approval No.	Product	Country	Dept	Title	Sector	
1	2018	6014	Grant	SOL	PARD	Preparing the Urban Water Supply and Sanitation Sector Project	WUS	3.0
2	2019	6015	Loan	PAK	CWRD	Khyber Pakhtunkhwa Cities Improvement Projects	WUS	7.0
3	2019	6016	Grant	PAK	CWRD	Khyber Pakhtunkhwa Cities Improvement Projects	WUS	2.0
4	2019	6018	Grant	TON	PARD	Transport Project Development Facility	TRA	5.0
5	2019	6019	Loan	BAN	SARD	Urban Infrastructure Improvement Preparatory Facility	WUS	11.0
6	2019	6020	Loan	UZB	CWRD	Urban Services Projects	WUS	15.0
7	2019	6021	Grant	AFG	CWRD	Road Rehabilitation and Maintenance Program	TRA	12.0
8	2019	6022	Grant	TAJ	CWRD	Tourism Development Project	WUS	10.0
9	2019	6023	Loan	BAN	SARD	Dhaka Mass Rapid Transit Development Project Readiness Financing (Line 5, Southern Route)	TRA	33.3
10	2019	6024	Loan	GEO	CWRD	Livable Cities Investment Program	WUS	16.7
11	2019	6025	Grant	VAN	PARD	Luganville Urban Water Supply and Sanitation Project	WUS	3.0
12	2019	6026	Grant	FSM	PARD	Preparing the Chuuk Water Supply and Sanitation Project	WUS	5.0
13	2019	6027	Loan	PAK	CWRD	Punjab Water Resources Management Projects	ANR	8.3
14	2019	6028	Grant	RMI	PARD	Preparing Urban Service Improvement Projects	WUS	5.0
15	2020	6029	Loan	PAK	CWRD	Punjab Urban Development Projects	WUS	15.0
16	2020	6030	Loan	BAN	SARD	Transport Connectivity Improvement Preparatory Facility	TRA	42.0
17	2020	6031	Grant	TUV	PARD	Preparing the Funafuti Water and Sanitation Project	WUS	4.0
18	2020	6032	Loan	PNG	PARD	Transport Sector Preparatory Project	TRA	31.0
19	2020	6036	Loan	IND	SARD	Himachal Pradesh Subtropical Horticulture, Irrigation, and Value Addition Readiness Project	ANR	10.0
20	2020	6037	Loan	IND	SARD	Tripura Urban and Tourism Development Project	WUS	4.2
Total								242.4

Small Expenditure Financing Facility								Net Amount (\$ million)
	Approval Year	Approval No.	Product	Country	Dept	Title	Sector	
1	2019	0001	Grant	KGZ	CWRD	Multisector Activities Support Facility	WUS	10.0
Total								10.0
Small Expenditure Financing Facility Activity Subgrant								
	2020	704	Grant	KGZ	CWRD	Osh-Plotina Water Treatment Plant Chlorine Neutralization Unit	WUS	0.5
	2020	783	Grant	KGZ	CWRD	Naryn Program Readiness	ANR	2.5

AFG = Afghanistan; ANR = agriculture, natural resources, and rural development; BAN = Bangladesh; CWRD = Central and West Asia Department; Dept = department; FSM = Federated States of Micronesia; GEO = Georgia; KGZ = Kyrgyz Republic; PAK = Pakistan; PARD = Pacific Department; PNG = Papua New Guinea; RMI = Republic of the Marshall Islands; SARD = South Asia Department; SOL = Solomon Islands; TAJ = Tajikistan; TON = Tonga; TRA = transport; TUV = Tuvalu; UZB = Uzbekistan; VAN = Vanuatu; WUS = water and other urban infrastructure and services.

Note: Figures may not sum precisely because of rounding.

Source: Asian Development Bank data.

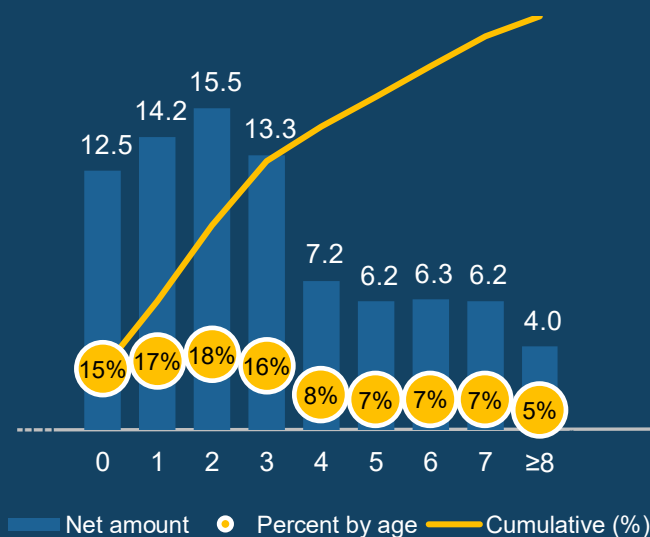
34. **Access to Asia Pacific Disaster Response Fund during pandemic.** A special fund established in 2009, the APDRF provides fast-tracked grants to DMCs in the immediate aftermath of major disasters triggered by a natural hazard. With the outbreak of COVID-19, APDRF grants have helped alleviate governments' immediate financial, logistical, and other constraints to meet urgent needs and deliver medical services. APDRF grants have been used to finance the procurement of essential medicines, medical equipment, and infection control supplies such as PPE. As of year-end 2020, about \$59.6 million of APDRF grants had been committed in 30 DMCs, of which \$55.5 million was for COVID-19 and \$4.1 million was non-COVID related.

B. Key Findings⁶

1. Portfolio Age

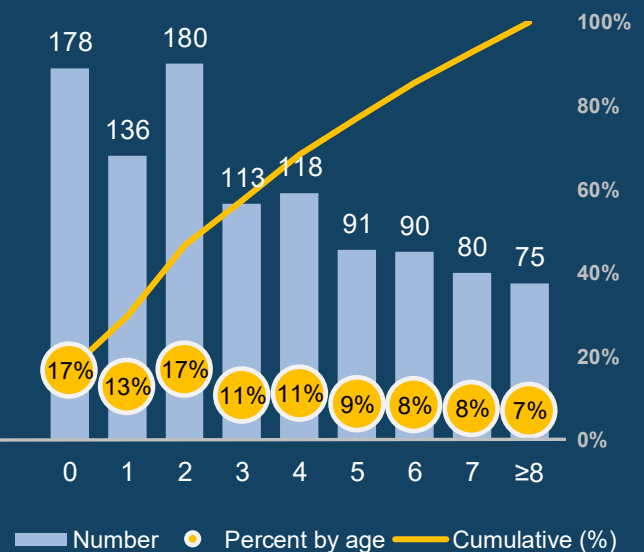
35. **Age profile dropped slightly.** Year-end 2020, 49.4% of the active committed portfolio amount (\$42.2 billion) was 2 years or less in age,⁷ compared with 43.1% year-end 2019 (Figure 16). This declining portfolio age has to do with new commitments related to COVID-19 in 2020. The portfolio age for FCAS and SIDS DMCs also dropped in 2020 compared with 2019 (Figure 19).

Figure 16: Project Portfolio by Amount (\$ billion)



Source: Asian Development Bank data.

Figure 17: Project Portfolio by Number



Source: Asian Development Bank data.

⁶ The section covers the performance of the project portfolio unless specified otherwise.

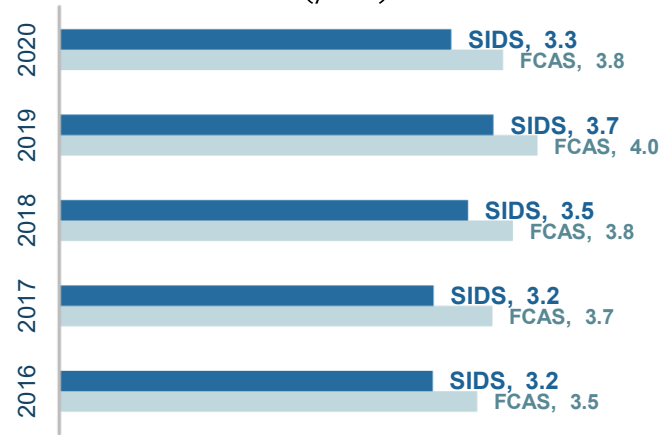
⁷ Refers to the average time from commitment to the end of the reporting period for active products.

Figure 18: Average Age of Project Portfolio, 2016–2020 (years)



Source: Asian Development Bank data.

Figure 19: Portfolio Age, FCAS and SIDS (years)

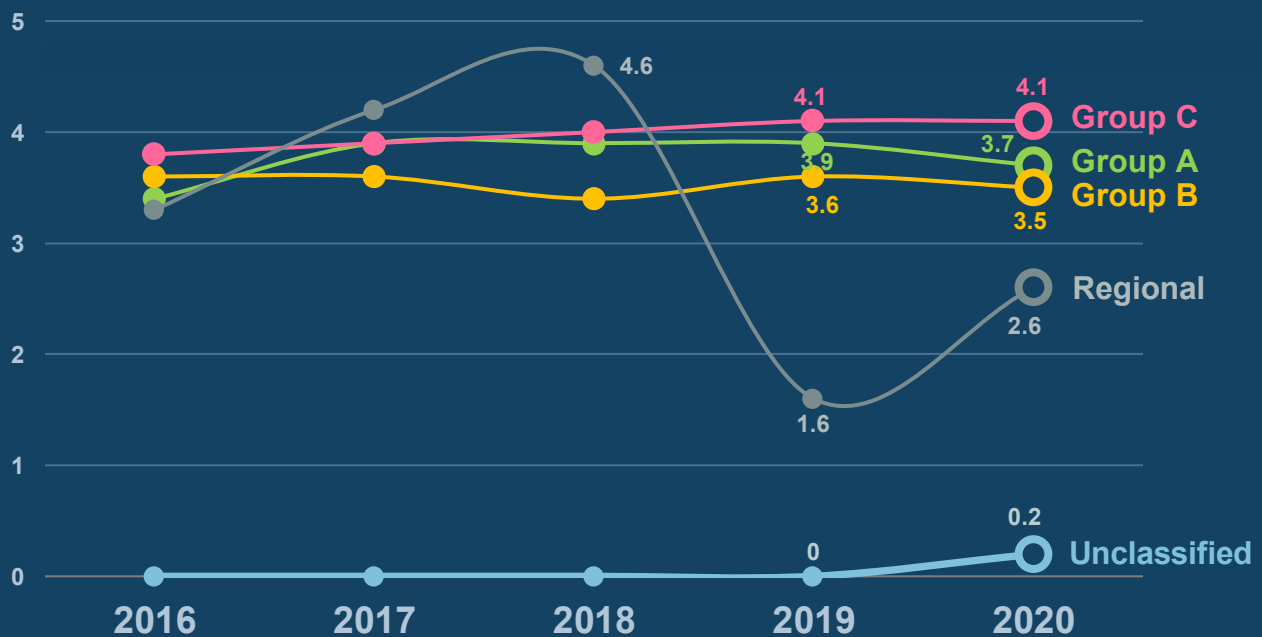


FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Source: Asian Development Bank data.

36. The average portfolio age by country group is in Figure 20. The dip in the regional age is due to new loans and grants signed in 2019, which were relatively new entries to the portfolio replacing those which closed during that year.

Figure 20: Average Portfolio Age by Country Group (years)



Note: The unclassified developing member country is Niue.
Source: Asian Development Bank data.

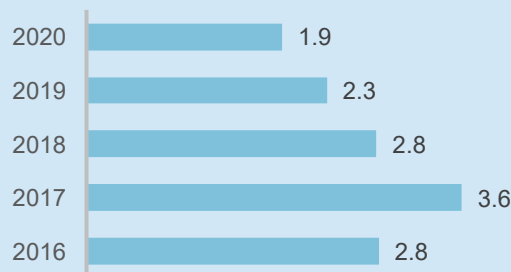
2. Implementation Readiness

37. **Enhancing readiness is central to annual planning directions.** The share of sovereign infrastructure projects that were design-ready prior to Board approval declined from 83% in 2019 to 81% in 2020. Similarly, the percentage of projects that were design-ready for the concessional assistance only DMCs declined from 84% in 2019 to 77%. Of the projects that were design-ready, 65% had detailed engineering designs and 100% had completed preliminary design and specifications before approval.

38. Regional departments are maintaining the necessary momentum on project readiness compliance by ensuring that project preparation activities are commensurate with critical milestones at each stage during the preparatory phase, and by making use of the project readiness checklist at concept stage which is constantly updated until the approval of the project.

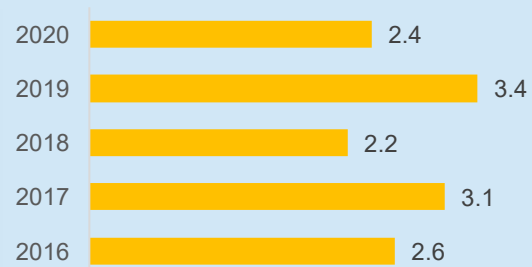
39. **Improved time from signing to effectiveness.** Accelerated response is essential for COVID-19-related assistance. The average time from signing to first contract was 1.5 months for COVID-19-related projects, compared with 10.7 months for other projects, with an even wider gap in the average time from signing to first disbursement (Figures 23 and 24).

Figure 21: Approval to Signing,
2016–2020
(months)



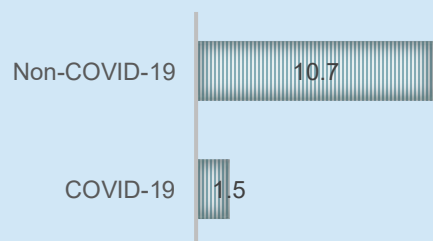
Source: Asian Development Bank data.

Figure 22: Signing to Effectiveness,
2016–2020
(months)



Source: Asian Development Bank data.

Figure 23: Signing to First Contract
(months)

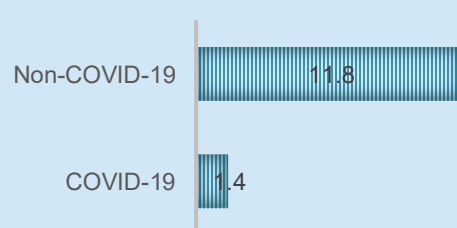


COVID-19 = coronavirus disease.

Note: Includes projects only, excluding policy-based loans, COVID-19 Pandemic Response Option, results-based lending and financial intermediary loans with first contract in 2020.

Source: Asian Development Bank data.

Figure 24: Signing to First Disbursement
(months)



COVID-19 = coronavirus disease.

Note: Includes projects only, excluding policy-based loans, COVID-19 Pandemic Response Option, results-based lending and financial intermediary loans with first contract in 2020.

Source: Asian Development Bank data.

Central and West Asia Department

Out of 10 approved infrastructure projects in 2020, all (100%) were design-ready and seven (70%) were procurement-ready, supported by the extensive use of PRF and SEFF with three PRFs and two SEFF subgrants committed in 2020.

East Asia Department

Improving project readiness is constrained by a complex regulatory system and multilayered approval arrangement. Discussions with the governments are underway to remove regulatory impediments and build an enabling environment for enhancing project readiness.



Box 11: Project Readiness

Pacific Department

In 2020, PARD committed three PRFs resulting in 88% design-ready and 25% procurement ready projects. However, the COVID-19 pandemic has affected implementation due to inability of consultants to travel, resulting in 50% design-ready and 25% procurement-ready infrastructure projects. Three more PRFs are planned for processing in 2021.

Southeast Asia Department

Design- and procurement-readiness remain a target for most investment projects but are constrained by rigid national regulations and approval processes. For example, in Viet Nam, the use of PRF is limited, and national regulations impede the issuance of bidding documents before loan effectiveness.

South Asia Department

SARD has maintained its high performance on design-readiness (89% in 2020) and procurement-readiness (83% in 2020), thereby exceeding ADB's targets of 80% and 60%. SARD further enhanced its efforts to achieve high project-readiness during the preparation phase. Detailed project-readiness mechanisms for new projects have been put in place. These includes stringent procurement and consultant recruitment monitoring and safeguards compliance, starting from the concept paper stage and continuing through quality assurance meetings.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, EARD = East Asia Department, PARD = Pacific Department, PRF = project readiness financing, SARD = South Asia Department, SEFF = small expenditure financing facility.

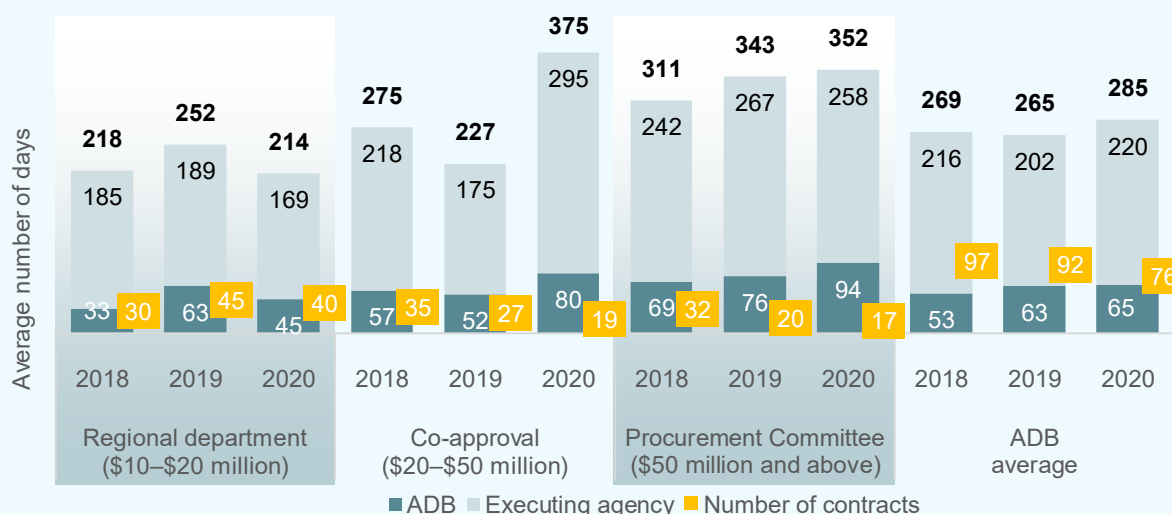
Source: Asian Development Bank (regional departments).

3. Procurement

40. **The percentage of projects that were procurement-ready in 2020 was 51%, compared with 50% in 2019.**⁸ This is encouraging as projects in DMCs should be procurement-ready to the extent possible where legislation permits. The target is to reach 60% by 2024.

41. **End-to-end procurement time increased but remained reasonable.** The average end-to-end procurement time, which is the period from advertisement to contract signing for contracts with a value of \$10 million or more, increased from 265 days in 2019 to 285 days in 2020 (Figure 25). SARD averaged 342 days for 35 transactions, while the East Asia Department (EARD) averaged 167 days for nine transactions (Figure 26). Of the 29 contracts with average end-to-end procurement time exceeding 300 days, COVID-19 contributed to delays in 17 such contracts by, for instance, causing the bid preparation period to be extended or affecting the ability of governments to evaluate bids or approve recommendations. In short, an increase of 20 days (7.5%) compared with 2019 is acceptable considering that the capacities of executing agencies and implementing agencies were constrained as resources were reallocated to addressing the pandemic and maintaining the health and safety of contractors in the field.

Figure 25: End-to-End Procurement Time by Approving Authority, 2018–2020
(\$10 million and above, prior review contracts)

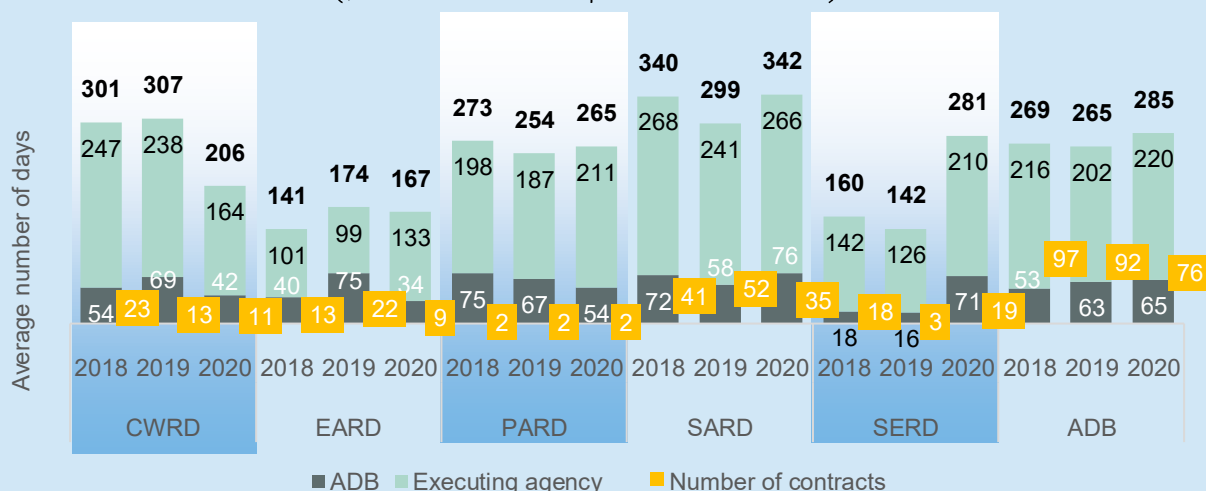


ADB = Asian Development Bank.
Source: Asian Development Bank data.

⁸ Procurement-readiness is considered to have been achieved when bid documents have been launched before project approval for major construction or goods contracts.

Figure 26: End-to-End Procurement Time by Department, 2018–2020

(\$10 million and above prior review contracts)

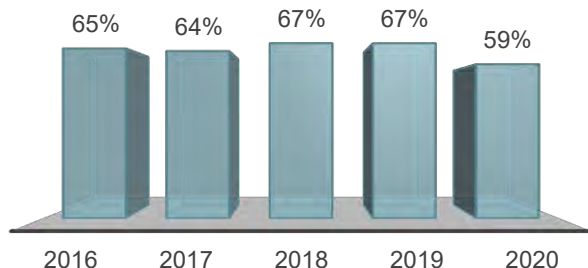


ADB = Asian Development Bank, CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.
Source: Asian Development Bank data.

42. The different trends in end-to-end procurement times between approval levels was likely due to the use of single-stage one-envelope (1S1E) bidding to procure most high value contracts approved at the regional department level (25 out of 40 contracts), whereas the majority of high value contracts approved at the co-approval level (17 out of 19 contracts) and Procurement Committee level (14 out of 17 contracts) used single-stage two-envelope (1S2E) bidding. 1S2E bidding requires additional evaluation, administration, and approval procedures—procedures that were further delayed by COVID-19 issues.

Figure 27: Procurement Contract Transactions with Processing Time of 40 Days or Less, 2016–2020

(\$10 million and above prior review contracts processed in PRS)



PRS = procurement review system.
Source: Asian Development Bank data.

43. The procurement processing time is the period from receipt of the bid evaluation report to ADB's approval of the executing or implementing agency's recommendation. ADB's corporate scorecard has a results framework indicator with a target of reaching 80% by 2024 for the percentage of bid evaluation reports with a processing time of 40 days or less. The percentage of bid evaluation reports, regardless of fund sources, processed within 40 days was 59% in 2020, down from 67% in 2019 (Figure 27). Also, 49% of transactions financed by concessional OCR lending and ADF grants were processed within 40 days in 2020, down from 71% in 2019. To reach

the 2024 target, ADB needs to continue working closely with borrowers to improve the quality of bid evaluation reports, and thereby minimize the need for extensive requests for clarifications stop.

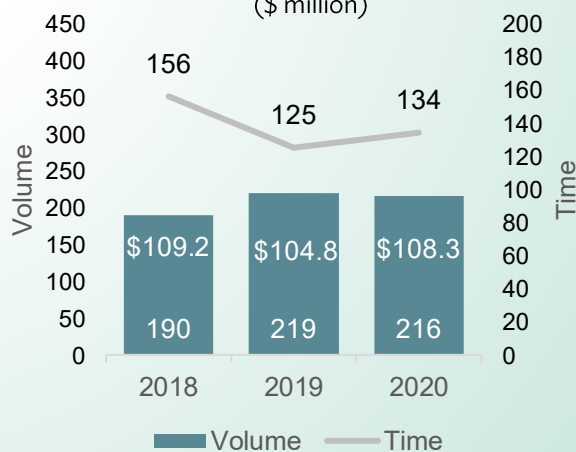
44. **Consulting services.** Under sovereign operations in 2020, ADB-administered \$206.6 million worth of consulting services compared with \$214.0 million in 2019. ADB processed 3,670 contracts (3,454 contracts for individuals and 216 contracts for consulting firms). User units took advantage of the flexibility in recruiting resource persons by engaging them for longer periods. As a result, an 18% increase in the number of resource persons engaged led to a 147% increase in the total contract value. The total number of individual consultant recruitments includes 1,548 resource person assignments and 130 call-offs (contracts) issued to empaneled experts—a new approach introduced in 2020 to improve efficiency.

45. About 8.3% of consulting firms (18 out of 216 firms), 6.5% of individual consultants (237 out of 3,670) and 10.5% of resource persons (163 out of 1,548) were contracted to address challenges related to COVID-19.

46. Despite the challenges posed by the pandemic, no selections were cancelled. The terms of reference for issued requests for proposal required amendments to take account of quarantine regulations and travel restrictions. This resulted in a dramatic increase in consultants' home inputs as opposed to field inputs.

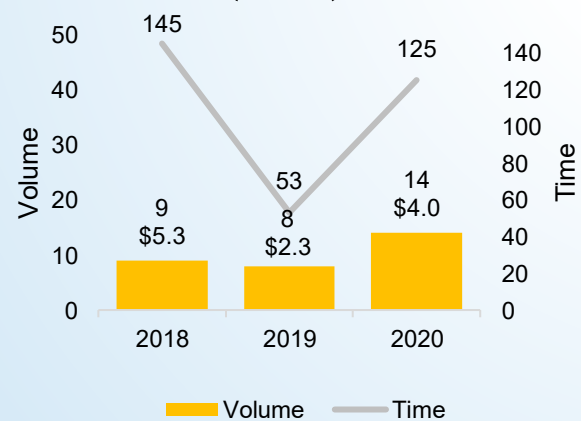
47. **The processing time for consulting firm selections slightly increased.** In 2020, it took an average of 185 days to engage consulting firms through quality- and cost-based selection under ADB-administered TA projects, compared with 163 days in 2019. Delays were mostly attributed to the need to amend the terms of references after issuance of requests for proposal and the longer contract negotiations to agree on specific contractual provisions to address COVID-19-related restrictions.

Figure 28: Recruitment of ADB-Administered Consulting Services (Firms) for Sovereign Operations, by Value, Volume, and Time (Days), 2018–2020 (\$ million)



ADB = Asian Development Bank.
Source: Asian Development Bank data.

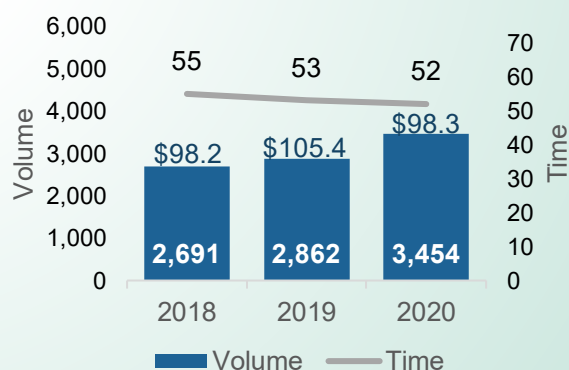
Figure 29: Recruitment of ADB-Administered Consulting Services (Firms) for Nonsovereign Operations, by Value, Volume, and Time (Days), 2018–2020 (\$ million)



ADB = Asian Development Bank.
Source: Asian Development Bank data.

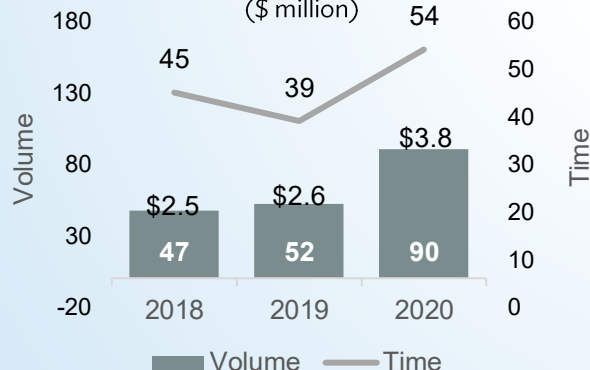
48. The average number of days taken to process selections for individual consultants under sovereign operations improved by 1 day (1.9%), from 53 days in 2019 to 52 days in 2020 (Figure 30). Under nonsovereign operations, the average number of days for the same action increased from 39 days in 2019 to 54 days in 2020 (Figure 31).

Figure 30: Recruitment of ADB-Administered Consulting Services (Individuals) for Sovereign Operations, by Value, Volume, and Time (Days), 2018–2020 (\$ million)



ADB = Asian Development Bank.
Source: Asian Development Bank data.

Figure 31: Recruitment of ADB-Administered Consulting Services (Individuals) for Nonsovereign Operations, by Value, Volume, and Time (Days), 2018–2020 (\$ million)



ADB = Asian Development Bank.
Source: Asian Development Bank data.

49. **Procurement framework.** The 2017 procurement framework entered its fourth year of implementation. The focus in 2020 was to achieve value for money by mainstreaming procurement reform in ADB operations, mainly during project processing, through strategic procurement planning (SPP). Actions were also taken to address COVID-19 in procurement due diligence, increase the involvement of procurement specialists in ADB operations, and continue to build capacity and raise awareness. By year-end 2020, 86 of the total number of projects approved in the year had adopted the 2017 procurement framework, an increase of 121% from the 39 projects adopting it in 2018 (Table 2). A detailed summary of the 2017 procurement framework and its progress in 2020 is in Appendix 5.

50. The 2020 Planning Directions⁹ required for the full implementation of the 2017 procurement framework by completing SPPs for all sovereign investment projects at the processing stage. At project completion phase, project teams assess the effectiveness of the SPP. Key measures undertaken in 2020 included SPP completed for 100% of all sovereign investment projects under the 2017 procurement framework (excluding emergency loans) and the quality of SPP assessed by PPFDF focal. The total number of completed SPP documents as of 31 December 2020 was 66, comprising 16 completed in 2019 and 50 completed in 2020. Thirty-nine SPP documents were completed (seven completed in 2019 and 32 completed in 2020) for projects approved in 2020. Additionally, there are 18 SPP documents for projects to be approved in 2021.

⁹ ADB (Office of the President). 2020. Planning Directions for 2020 and Preparation of Work Program and Budget Framework, 2021–2023. Memorandum. 20 February (internal).

Table 2: Project Approvals (2018–2020)

Item	2018		2019		2020	
	No. of Projects	%	No. of Projects	%	No. of Projects	%
Using 2017 PF	39	34	69	61	86	50
Using 2015 guidelines	61	53	25	22	8	5
Not Applicable	16	14	20	18	77	45
Total	116	100	114	100	171	100

PF = Procurement Framework.

Not applicable = neither using the 2017 PF nor the old guidelines.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

Box 12: Strategic Procurement Planning for the Nuku'alofa Port Upgrade Project, Tonga

On 3 December 2020, the ADB Board of Directors approved an ADF grant of \$45 million for Tonga to upgrade the Nuku'alofa Port by rehabilitating and expanding its existing infrastructure and improving its management and operations practices. The Ministry of Finance and National Planning and the Ministry of Infrastructure are the executing and implementing agencies. SPP for the project was initiated with project conceptualization in March 2020 and continued through project preparation with a focus on fit-for-purpose procurement to achieve ADB's core procurement principles of VFM and quality. PRF consultant Royal Haskoning DHV conducted the SPP exercise. Following ADB's country and sector/agency procurement risk assessment of 2017 and data available from other development partner-funded projects in Tonga, comprehensive procurement risk and capacity assessments were undertaken along with supply market analysis. Accordingly, key procurement conclusions were drawn for each of these critical aspects. In the next stage, all options were carefully analyzed for key procurement aspects such as contract packaging, procurement method, bidding procedures, contracting modality, prequalification, and consultant selection method. Next, optimal procurement arrangements were chosen with a view toward adopting a fit-for-purpose procurement strategy to align with project needs and achieve VFM. Frequent meetings were conducted between the PMU, ADB project teams, and the consultant, and the final SPP workshop was conducted in May 2020 to validate the procurement strategy.

SPP ensured that the procurement plan was well aligned with the project objectives. The procurement arrangements adopted under this project to achieve VFM were: (i) using e-procurement to lower transaction costs, enhance transparency, and address COVID-19 travel restrictions; (ii) adopting prequalification process followed by open competitive bidding with application of merit-point based evaluation criteria to select qualified international contractors to deliver quality works; and (iii) direct contracting of the construction supervision consultant given its satisfactory performance in detailed design services as part of "One Project–One Consultant" strategy to ensure consistency in its technical approach. The project successfully concluded the prequalification exercise in December 2020 and is initiating the bidding process among prequalified bidders.

Lessons drawn from the SPP process include: (i) every project is unique in terms of the complexity, risk, and value of its contracts, and these factors will drive the level of research and analysis undertaken to ensure that procurement approaches are proportional and relevant; (ii) close coordination between the ADB project team, PMU, and consultant is essential to prepare a fit-for-purpose procurement strategy; (iii) SPP requires adequate time and effort to collect and analyze the data; and (iv) SPP may take a practical approach in terms of project-specific risks and focus areas without being too strictly confined by the framework.

ADB = Asian Development Bank, ADF = Asian Development Fund, COVID-19 = coronavirus disease, PMU = project management unit, PRF = project readiness financing, SPP = strategic procurement planning, VFM = value for money. Source: Asian Development Bank, Procurement, Portfolio and Financial Management Department.

51. COVID-19 highlighted the value of e-procurement systems. Lockdowns, quarantine regulations, travel restrictions, and disruption of the logistics chain made it impossible to conduct bidding in person. About \$4.6 billion of contracts tendered used e-government procurement (eGP) systems. To increase the use of eGP over the course of 2020, ADB approved seven platforms in Georgia, India, and Viet Nam. Additionally, in July 2020, ADB purchased a Software-as-a-Service eGP portal for free-of-charge use by ADB borrowers without eGP systems. Since April 2020, 32 executing agencies in seven DMCs have used this system to procure goods and works valued at \$1.96 billion. The total value procured using the platform is 25% of the total amount of ADB projects using e-GP in 2020.

52. In November 2020, ADB conducted the 6th Annual Asia Pacific Public Electronic Procurement Network Conference, the first such conference conducted online. Participants from more than 60 countries joined the forum. They exchanged views on the rapid roll-out of e-procurement, where digital technology is no longer a nice option but an absolute necessity.

53. Alternative procurement arrangements (APAs) allow cofinanced projects to be implemented more efficiently by applying a single framework to the entire project, thereby reducing transactional costs and time for ADB's clients. As of 31 December 2020, ADB had signed two APAs, the first with the World Bank in December 2018 and the second with the European Bank for Reconstruction and Development (EBRD) in November 2019. A third APA with the European Investment Bank was signed in January 2021. ADB is negotiating with other multilateral agencies for similar arrangements. As of 31 December 2020, five projects for \$940 million (ADB: \$617 million; World Bank: \$58 million; and EBRD: \$265 million) had been approved under the APA (Table 3).

Table 3: List of Projects Approved under Alternative Procurement Arrangements

Project Name	ADB (\$ million)	World Bank (\$ million)	EBRD (\$ million)	Total (\$ million)	Status
Power Generation Efficiency Improvement Project (Uzbekistan) (Loan 3621-UZB)	450.00		240.00	690.00	<ul style="list-style-type: none"> • ADB lead • Project Implementation Agreement signed with EBRD on 3 July 2019.
South Tarawa Water Supply Project (Kiribati) (Grants 0652-KIR and 0653-KIR)	13.00	12.96		25.96	<ul style="list-style-type: none"> • ADB lead • Project APA was signed by Office of Cofinancing Operations in February 2019.
Urban Water Supply and Sanitation Sector Project (Solomon Islands) (Loan 3826-SOL and Grants 0662-SOL and 0663-SOL)	37.00	15.00		52.00	<ul style="list-style-type: none"> • ADB lead • Project Implementation Agreement signed with World Bank on 30 January 2020.
Outer Islands Transport Infrastructure Investment Project (Kiribati) (Grant 0713-KIR)	12.00	30.00		42.00	<ul style="list-style-type: none"> • World Bank lead • Project Implementation Agreement signed with World Bank on 15 September 2020.
Power Sector Development Program (Tajikistan) (Grants 0777-TAJ and 0778-TAJ)	105.20		25.00	130.20	<ul style="list-style-type: none"> • Project implementation agreement signed on 11 December 2020.
Total	617.20	57.69	265.0	940.16	

ADB = Asian Development Bank, APA = advance procurement action, EBRD = European Bank for Reconstruction and Development.

Source: Asian Development Bank data.

54. The enhanced procurement complaint tracking system (PCTS) continues to facilitate the submission of complaints, ensuring that they are managed, responded to and reported on.

55. Developed in the last quarter of 2018 and launched in May 2019, the cloud based, real-time PCTS includes separate functions for procurement and consulting services (Box 13). The enhanced system includes a reporting tool for handling and tracking complaints. A total of 138 complaints (83 for procurement and 55 for consulting services) were received in 2020, of which 119 were closed.

Box 13: Procurement Complaint Tracking System

The ADB Procurement Policy (2017, as amended from time to time) holds that complaints related to operations procurement should be addressed objectively and timely, with transparency and fairness.

From 2019 to 2020, the PPF D PCTS development team worked with the ITD development team and change management team and the DOC website team to develop an electronic operations procurement complaint tracking system for ADB. This SharePoint-based system is a central database for all complaints on operations procurement and consulting services received by ADB. It automates the workflow from complaint submission, assignment, processing (including seeking clarification from the complainant and the executing agency or implementing agency), tracking (including sending reminders), responding, and closing. It also uses Microsoft Power BI for generating user analytics and reporting.

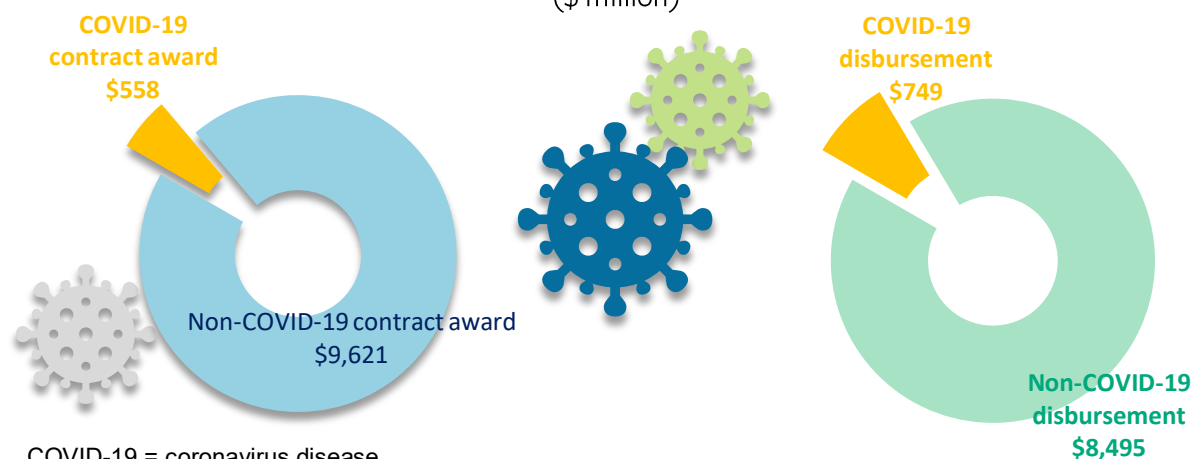
From humble beginnings, the in-house-developed system has evolved from a simple procurement complaint submission form on adb.org in Q4 2018, to a fully integrated and centralized intelligent system. The integrated system linking the submission page on adb.org to the tracking and responding tools on SharePoint was launched in May 2019. Briefings and reviews with user units were undertaken, following enhancements that were made to improve its robustness, integrity, user-friendliness, and data analytics. Awareness raising activities and system enhancement were concluded in 2020. Compared with ADB's previous, decentralized system of handling procurement complaints, the new PCTS offers significant improvements in the robustness, responsiveness, standardization, trackability, reporting, and data-analytical aspects of procurement handling at ADB.

ADB = Asian Development Bank, DOC = Department of Communications, EA = executing agency, IA = implementing agency, ITD = Information Technology Department, PCTS = procurement complaint tracking system, PPF D = Procurement, Portfolio, and Financial Management Department, Q = quarter.

Source: Asian Development Bank (Procurement, Portfolio, and Financial Management Department).

4. Contract Award and Disbursement Performance

Figure 32: COVID-19 and Non-COVID-19 Contract Award and Disbursement (\$ million)

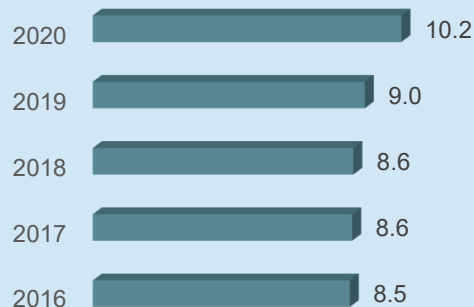


COVID-19 = coronavirus disease.

Source: Asian Development Bank data.

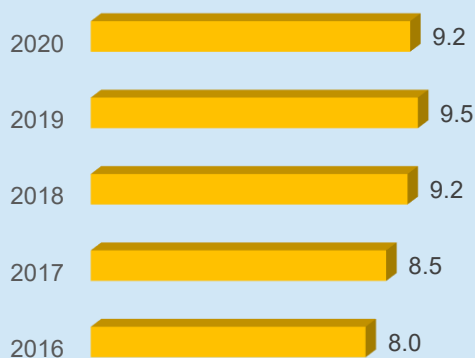
56. The COVID-19 pandemic diverted ADB's focus from meeting disbursement targets to maximizing pandemic response. The President's Planning Directions for 2020 laid out operations departments' expected performance under the OPMs 2020, but priorities quickly shifted toward COVID-19 response and away from achieving the OPM 2020 disbursement targets. Department performance was still tracked but not compared against the expected project disbursement target of \$10.5 billion performance under OPM 2020.¹⁰ Despite the shift in focus, project teams remained committed to project disbursement, which remains a robust proxy indicator of project performance and implementation progress.

Figure 33: Contract Award, 2016–2020 (\$ billion)



Source: Asian Development Bank data.

Figure 34: Disbursement, 2016–2020 (\$ billion)



Source: Asian Development Bank data.

57. Contract award and disbursement performance remained strong despite disruptions related to COVID-19.

In 2020, contract awards reached a high of \$10.2 billion—a 13.5% increase from 2019.¹¹ A significant highlight was the award of five contracts for the construction of the Philippine Malolos-Clark Railway Project worth more than \$1.3 billion. Project disbursements, excluding policy-based loans (PBLs), reached \$9.2 billion, a 2.4% decrease compared with 2019. However, midway into 2020, project disbursement projections were revised considering the impact of the pandemic. The 2020 achievement reached 116.9% of the revised 2020 target of \$7.9 billion.

58. The respective shares of contract award and disbursement differentiated by COVID-19 and non-COVID-19 assistance is in Figure 32.

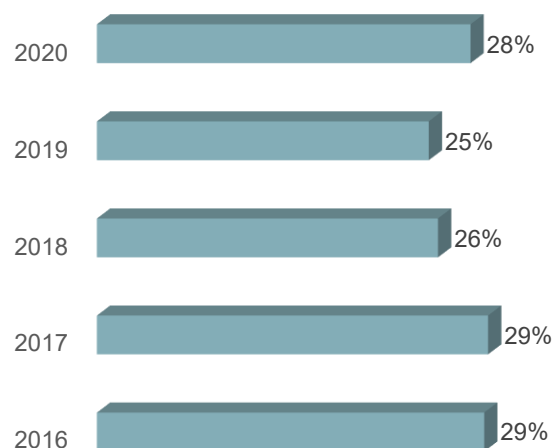
59. Contract award and disbursement ratios trended in opposing directions in 2020.

The contract award ratio increased to 28.2%, higher by 3.1 percentage points than in 2019 because of the Philippine Malolos-Clark project. The decline in the project disbursement ratio from 19.6% to 18.5% is attributed to an exponential increase in commitment volumes (Figure 35 and Figure 36).

¹⁰ ADB. (Office of the President). 2020. COVID-19 response and resource management under One ADB. 1 April (internal), and ADB (Strategy, Policy, and Partnerships Department). 2020. Changes in Implementation of Operational Performance Metrics for 2020. 22 July (internal).

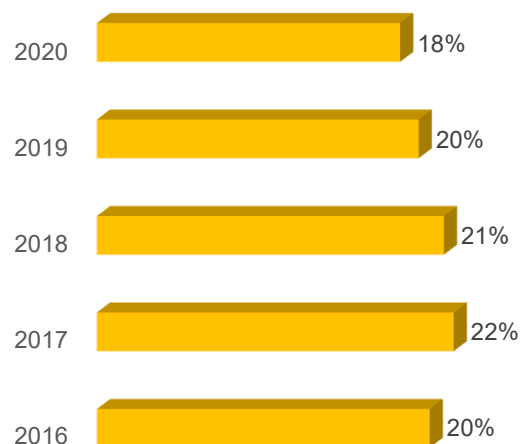
¹¹ The contract award figures in 2020 onwards exclude contracts attributed to policy-based lending, results-based lending and financial intermediary loan modalities and count only those contracts managed by ADB. The previous year figures in the charts have been adjusted accordingly to the new methodology.

Figure 35: Contract Award Ratio, 2016–2020



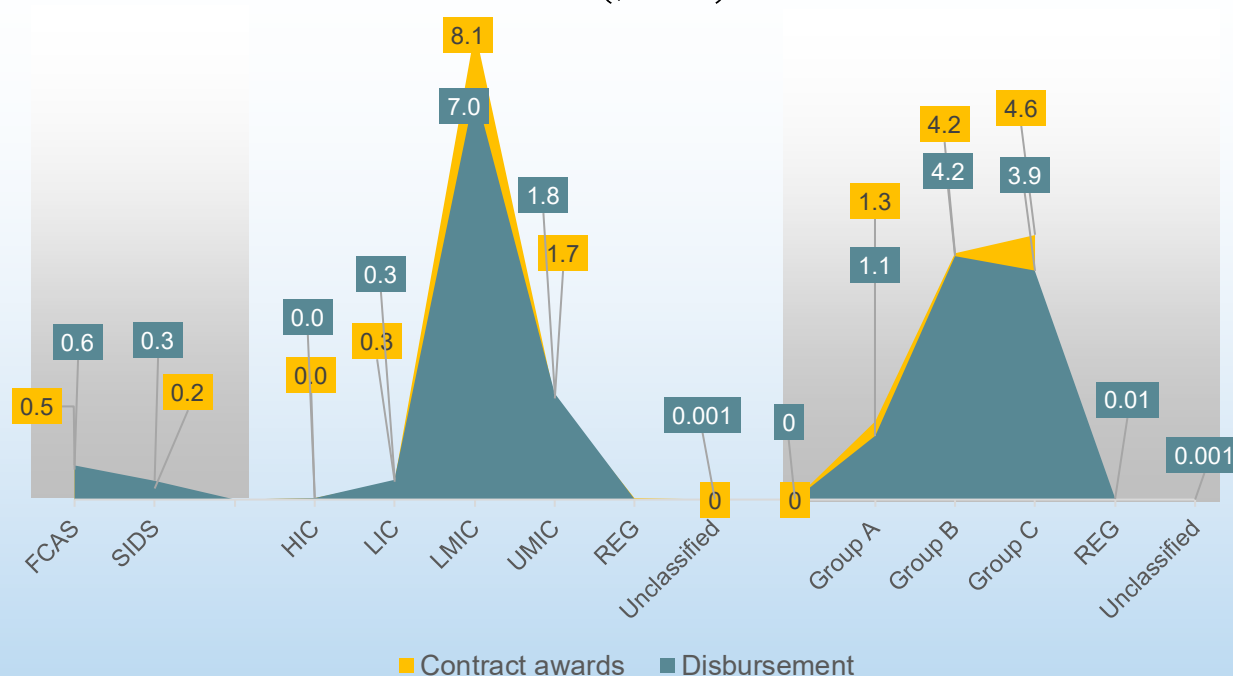
Source: Asian Development Bank data.

Figure 36: Disbursement Ratio, 2016–2020



Source: Asian Development Bank data.

Figure 37: Gap Between Contract Award and Disbursement by Country and Income Group (\$ billion)



FCAS = fragile and conflict-affected situations, HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, REG = regional, SIDS = small island developing states, UMIC = upper middle-income country.

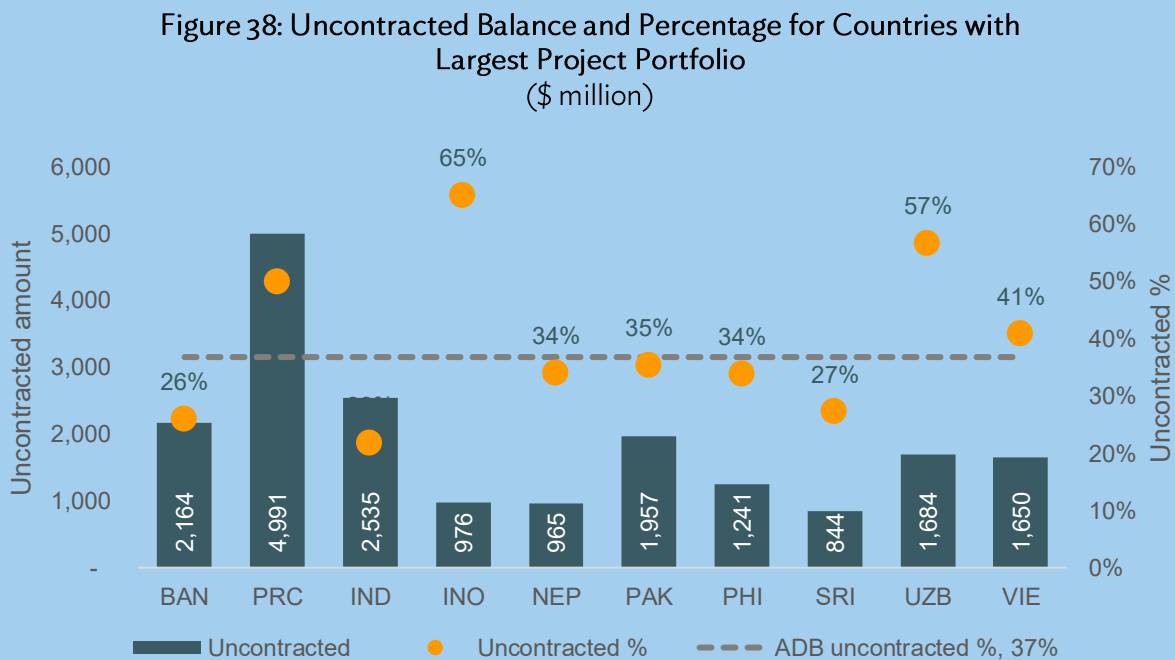
Note: Contract award does not include results-based lending and financial intermediary loan.

Source: Asian Development Bank data.

60. **5-year contract award ratio maintained.** The average contract award ratio (CAR) for 2016–2020 averaged 27.5%, and the 2020 outcome (28.2%) was on par with the historical average. A significant improvement is seen in the Southeast Asia Department (SERD), where the CAR increased from 14.3% in 2019 to 32.6% in 2020 because of record contract approvals from a single project (Philippine Malolos–Clark). Contract award and CAR have not been set as operational targets starting in 2018 but are still reported at Board, Management, and operational meetings.

61. Notable award levels were seen in Philippines (\$1.3 billion), India (\$387 million), and Turkmenistan (\$367 million). Unlike previous years that generally saw several large contracts awarded, the only very large contract in 2020 was for the Malolos–Clark Railway Project in the transport sector of the Philippines.

62. The People's Republic of China (PRC) had the largest uncontracted balance (\$5.0 billion) in line with prior years followed by India (\$2.5 billion) and Bangladesh (\$2.2 billion). These three DMCs alone accounted for 37.2% of the total uncontracted balance (Figure 38).



ADB = Asian Development Bank, BAN = Bangladesh, IND = India, INO = Indonesia, NEP = Nepal, PAK = Pakistan, PHI = Philippines, PRC = People's Republic of China, SRI = Sri Lanka, UZB = Uzbekistan, VIE = Viet Nam.
Source: Asian Development Bank data.

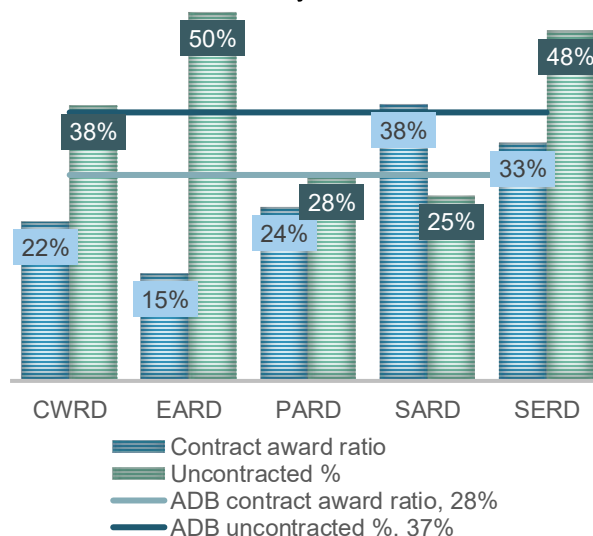
63. The uncontracted balance at the end of 2020 was \$26.1 billion, 3.5% lower than the 2019 year-end balance of \$27.0 billion. The distribution of CAR by year is in Figure 39 and by regional department is in Figure 40. The CAR in FCAS DMCs remained well below the 2020 bank-wide average of 28.2%.

Figure 39: Contract Award Ratio and Uncontracted Percentage, Projects, 2016–2020



Source: Asian Development Bank data.

Figure 40: Contract Award Ratio and Uncontracted Percentage by Department, Projects



ADB = Asian Development Bank, CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.
Source: Asian Development Bank data.

64. **Performance by fund type and country groups.** Table 4 compares the trend of the CAR and disbursement ratio over 5 years by fund type and country grouping. Besides project type and complexity, capacity of executing and implementing agencies is a major factor in implementation performance, and ADB can play a role in elevating capacity standards. OCR-related disbursement performance is traditionally better because it is usually front-loaded for faster disbursement considering the shorter tenors and higher rates when compared to concessional assistance and blended assistance.

Table 4: Contract Award Ratio and Disbursement Ratio by Country Group

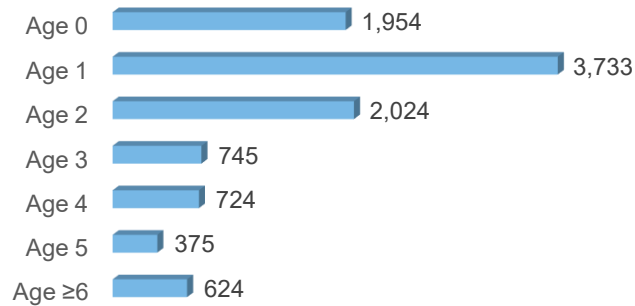
Item	Contract Award Ratio					Disbursement Ratio				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Group A (Concessional assistance only)	30%	29%	20%	13%	18%	15%	15%	17%	13%	13%
Group B (OCR blend)	37%	34%	33%	35%	31%	22%	24%	23%	22%	19%
Group C (Regular OCR only)	22%	25%	20%	20%	30%	21%	22%	20%	20%	20%
FCAS	29%	24%	19%	9%	13%	16%	13%	15%	11%	14%
SIDS	32%	30%	41%	27%	19%	24%	27%	17%	21%	20%
LICs	30%	29%	14%	9%	16%	14%	11%	17%	12%	15%
LMICs	31%	31%	28%	26%	32%	20%	21%	21%	18%	20%
UMICs	23%	26%	21%	25%	20%	23%	26%	23%	25%	16%
HICs	68%	79%	50%	28%	53%	26%	41%	49%	24%	26%
Asian Development Bank	29%	29%	26%	25%	28%	20%	22%	21%	20%	18%

FCAS = fragile and conflict-affected situations, HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, OCR = ordinary capital resources, SIDS = small island developing states, UMIC = upper middle-income country.

Source: Asian Development Bank data.

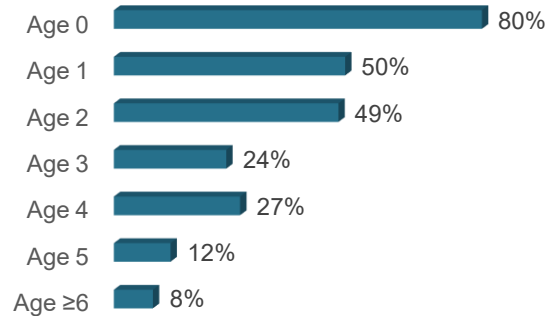
65. Of the \$10.2 billion of contracts awarded in 2020, 56.1% of it was awarded within ages 0 and 1 from commitment (Figure 41), implying strong project-readiness. India maintains high readiness with at least 30% or more of a project's contracts awarded prior to their approval.

Figure 41: Annual Contract Awards by Age
(\$ million)



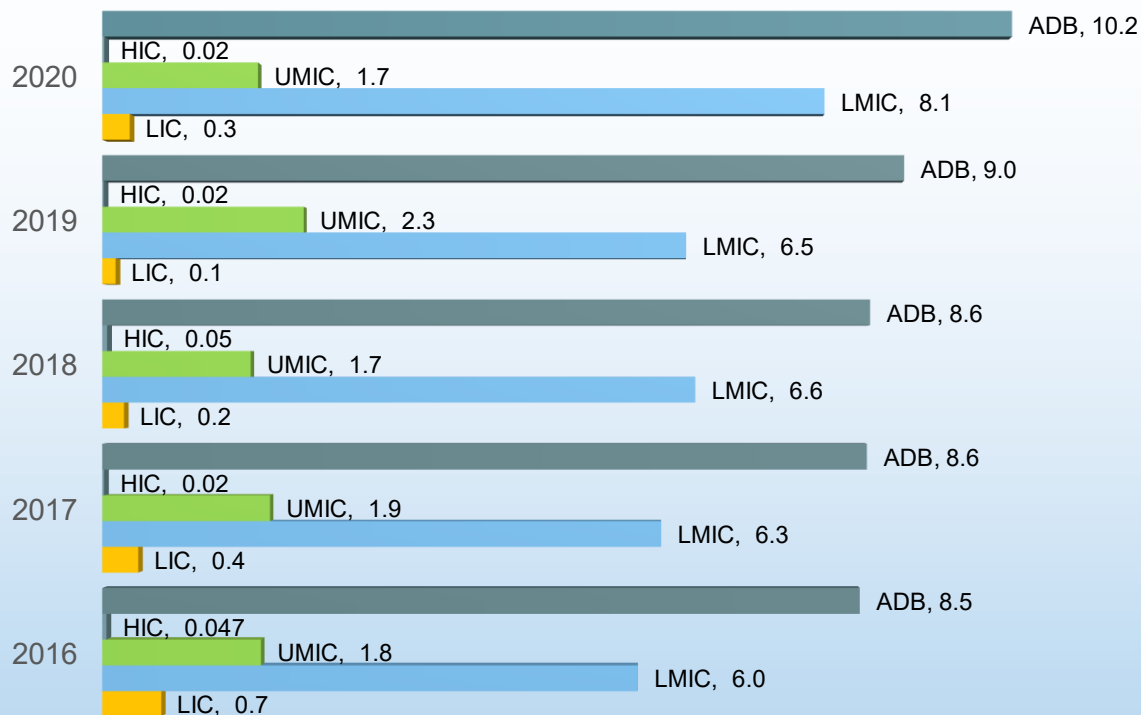
Source: Asian Development Bank data.

Figure 42: Uncontracted Percentage
by Age



Source: Asian Development Bank data.

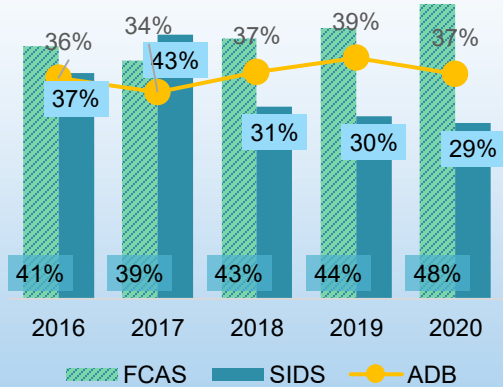
Figure 43: Contract Awards by Country Income Group, 2016–2020
(\$ billion)



ADB = Asian Development Bank, HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, UMIC = upper middle-income country.

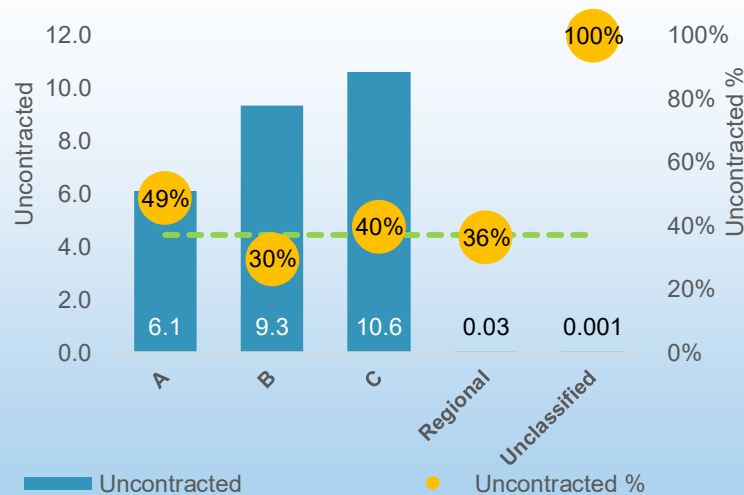
Source: Asian Development Bank data.

Figure 44: Uncontracted Percentage, Fragile and Conflict-Affected Situations, and Small Island Developing States, 2016–2020



ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.
Source: Asian Development Bank data.

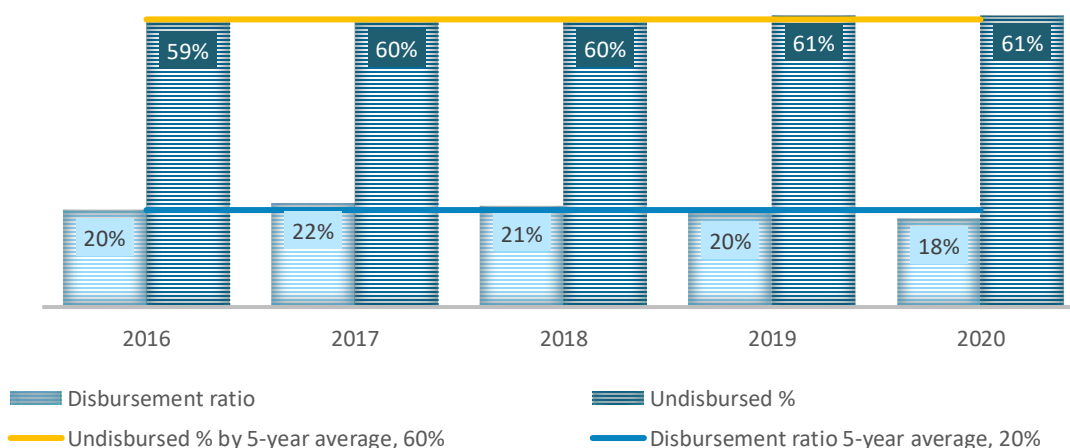
Figure 45: Uncontracted Balance and Uncontracted Percentage by Country Group (\$ billion)



Source: Asian Development Bank data.

66. **COVID-19 pushed the disbursement ratio down slightly.** The overall 2020 project disbursement ratio of 18.5% was marginally lower than the 19.6% achieved in 2019 because of challenges posed by the pandemic (Figure 46), but it indicates that project implementation did not come to a standstill. Only the disbursement ratios of SARD and the Pacific Regional Department (PARD) crossed the 20% threshold.

Figure 46: Disbursement Ratio and Undisbursed Percentage, Projects, 2016–2020



DR = disbursement ratio.
Source: Asian Development Bank data.

67. The overall disbursement ratio of FCAS DMCs was expectedly low because of recurrent challenges surrounding the security situation in Afghanistan and low capacity in Myanmar, in addition to challenges posed by the pandemic.

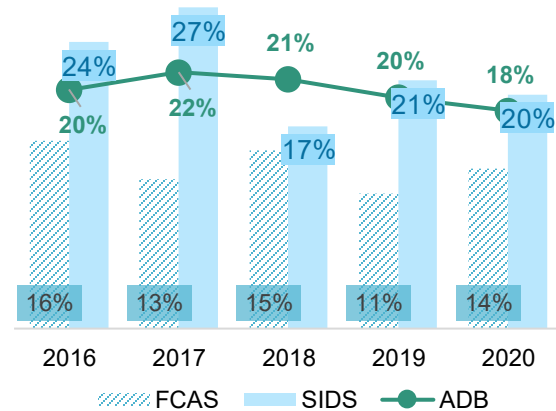
Figure 47: Disbursements, Fragile and Conflict-Affected Situations, and Small Island Developing States, 2016–2020 (\$ billion)



ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Source: Asian Development Bank data.

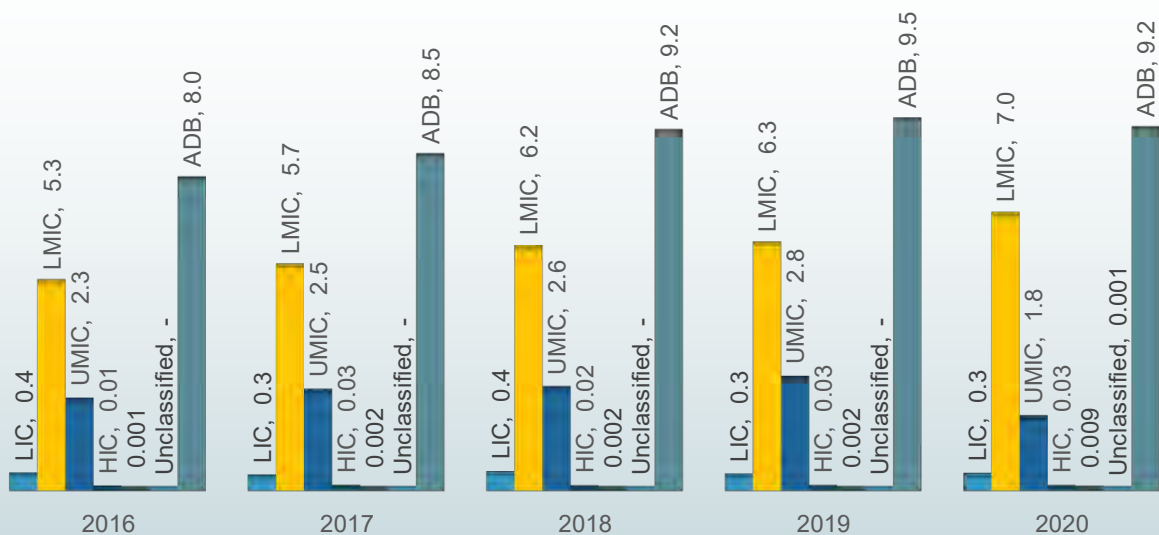
Figure 48: Disbursement Ratio, Fragile and Conflict-Affected Situations, and Small Island Developing States 2016–2020



ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Source: Asian Development Bank data.

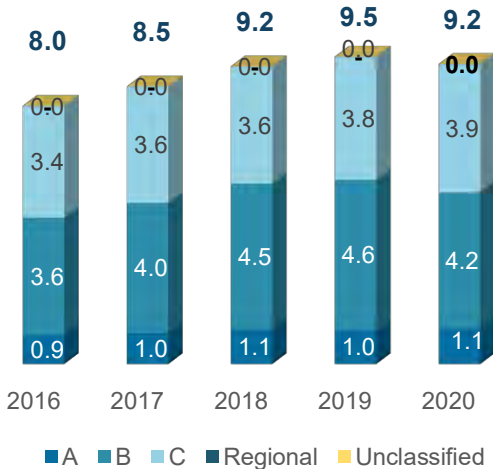
Figure 49: Disbursements by Country Income Group, 2016–2020 (\$ billion)



ADB = Asian Development Bank, HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, UMIC = upper middle-income country.

Source: Asian Development Bank data.

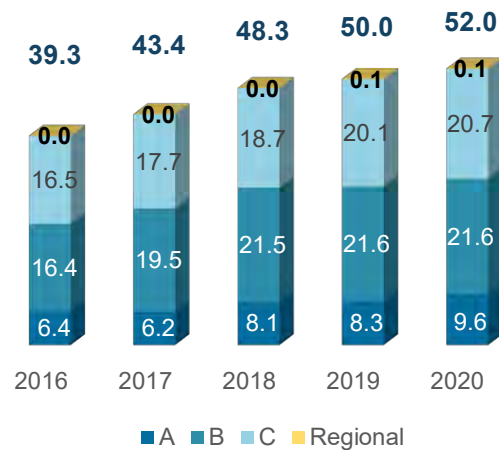
Figure 50: Disbursements by Country Group, 2016–2020
(\$ billion)



0.0 = less than \$0.5 million.

Source: Asian Development Bank data.

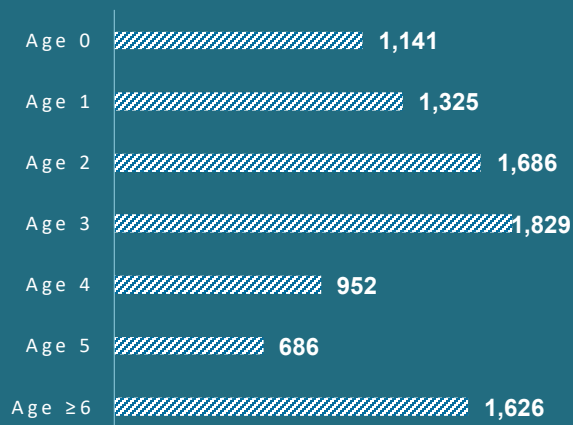
Figure 51: Undisbursed Balance by Country Group, 2016–2020
(\$ billion)



0.0 = less than \$0.5 million.

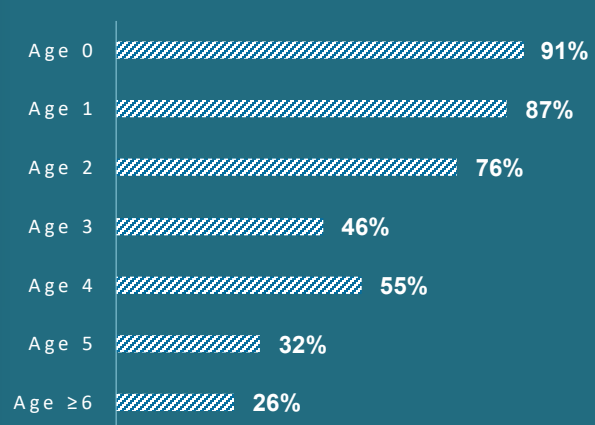
Source: Asian Development Bank data.

Figure 52: Annual Disbursement by Age
(\$ million)



Source: Asian Development Bank data.

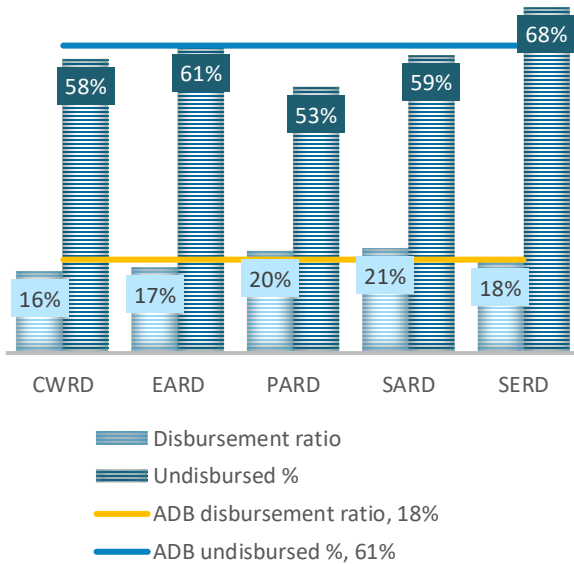
Figure 53: Undisbursed Percentage by Age



Source: Asian Development Bank data.

68. The undisbursed balance across all projects was \$51.9 billion by end-2020; undisbursed PBLs and CPPO increases the balance to \$56.0 billion. The three largest DMCs in terms of undisbursed balance were the same as in 2019—India, the PRC, and Bangladesh, which have a combined share of 41.3% of the total amount available for disbursement.

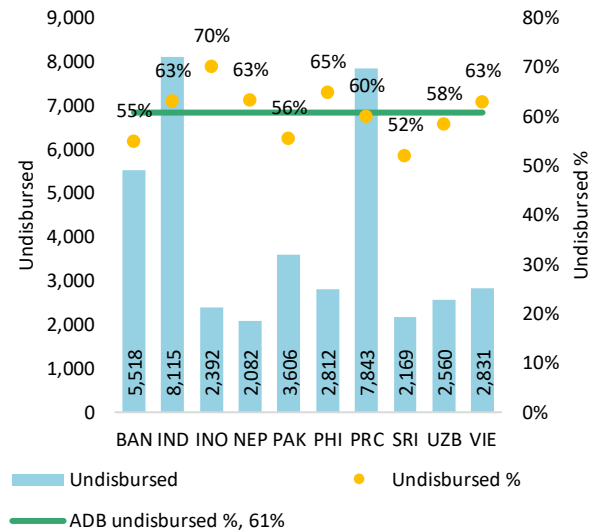
Figure 54: Project Disbursement Ratio and Undisbursed Percentage by Department, Projects



ADB = Asian Development Bank, CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Source: Asian Development Bank data.

Figure 55: Undisbursed Balance and Percentage for Countries with Largest Project Portfolio (\$ million)

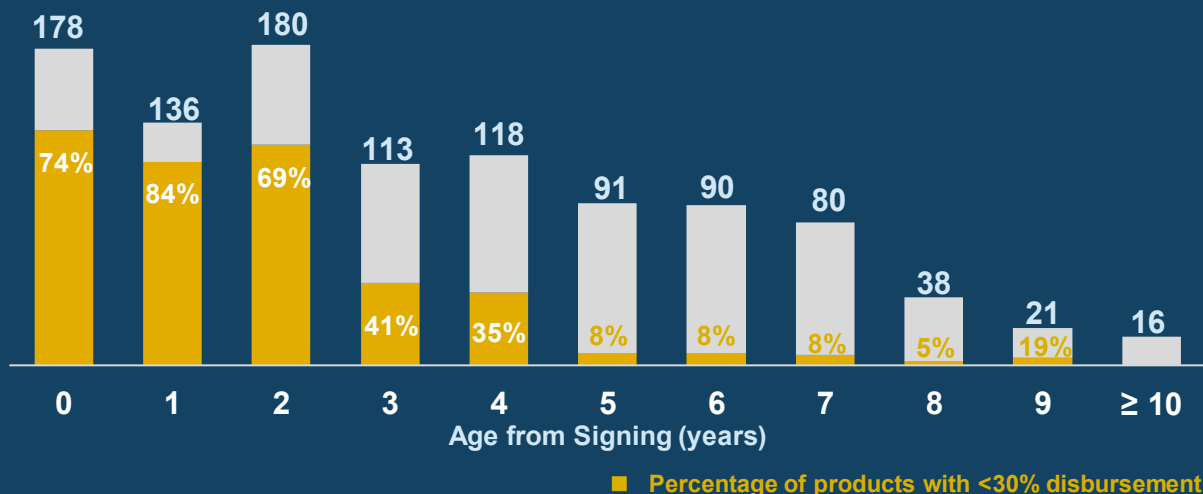


ADB = Asian Development Bank, BAN = Bangladesh, IND = India, INO = Indonesia, NEP = Nepal, PAK = Pakistan, PHI = Philippines, PRC = People's Republic of China, SRI = Sri Lanka, UZB = Uzbekistan, VIE = Viet Nam.

Source: Asian Development Bank data.

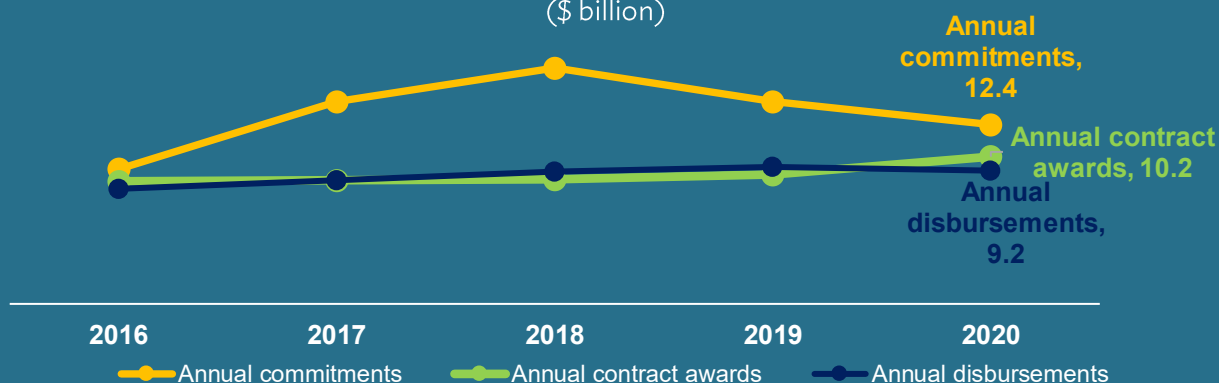
69. Of 1,061 active project loans and grants, 416 (39%) have yet to reach the 30% disbursement threshold 4 years into implementation (Figure 56). These delays need to be escalated to country portfolio review meetings with the borrower and executing agencies/implementing agencies on possible project restructuring and cancellation of surplus loan funds, since projects in this category should be nearing completion.

Figure 56: Loans and Grants with less than 30% Disbursement by Age Group



Source: Asian Development Bank data.

Figure 57: Annual Project Commitment, Contract Award, and Disbursement, 2016–2020 (\$ billion)



Source: Asian Development Bank data.

70. **Narrowing gap between commitments and disbursements.** The gap with respect to project contract awards and disbursements has improved over 2018–2020 despite the pandemic (Figure 57). The narrower gap is also due to higher commitments for COVID-19 assistance.

5. Policy-Based and CPRO Disbursements

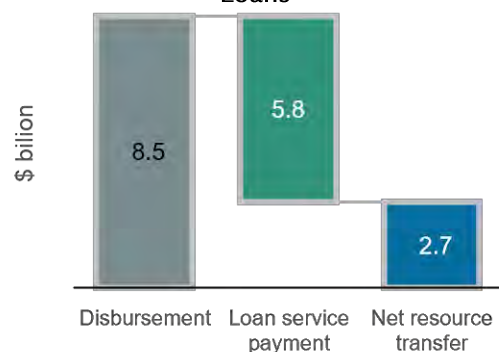
71. **Combined disbursements across PBLs and CPROs reached \$12.3 billion in 2020 compared to \$9.2 billion from projects.** Of the \$10.2 billion committed under CPRO in 2020, disbursements reached \$8.6 billion.

72. Factoring in PBLs and CPRO raises the disbursement ratio to 41.9% in 2020. Disbursements for all projects and PBLs, including the \$8.6 billion in CPRO disbursements, totaled \$21.6 billion for the year, a record performance for ADB.

6. Net Resource Transfer

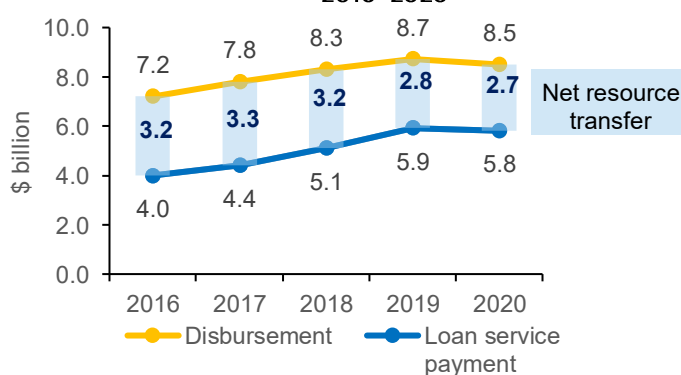
73. **Net resource transfer was \$2.7 billion in 2020.** The 2020 net resource transfer for projects loans remained within the average level seen in the preceding years. Five DMCs accounted for almost 93.8% of the total net resource transfer in 2020, with \$257.8 million for the Malolos-Clark Railway Project and the \$207.2 million Marawi project in the Philippines.

Figure 58: Net Resource Transfer, Project Loans



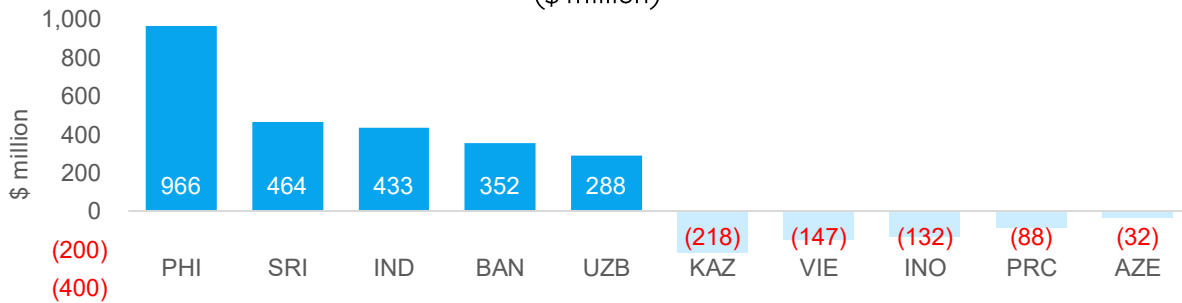
Source: Asian Development Bank data.

Figure 59: Net Resource Transfer, Project Loans 2016–2020



Source: Asian Development Bank data.

Figure 60: Countries with Highest and Lowest Net Resource Transfer, Project Loans
(\$ million)



() = negative, AZE = Azerbaijan, BAN = Bangladesh, IND = India, INO = Indonesia, KAZ = Kazakhstan, PHI = Philippines, PRC = People's Republic of China, SRI = Sri Lanka, UZB = Uzbekistan, VIE = Viet Nam.
Source: Asian Development Bank data.

7. Partially Administered Projects

74. **ADB partially administers a \$1.3 billion portfolio of loans and grants.** Under partial administration, funds provided by the financing partner are not transferred to ADB. However, ADB may oversee the: (i) procurement of goods, works, and non-consulting and consulting services required for the project; (ii) disbursement review; and (iii) reporting through the provision of progress reports submitted by borrower or recipient during project implementation. Partial administration applies to cofinanced loans and grants for project-specific cofinancing only.¹² Disbursements on partially administered projects are not counted as achievements of disbursement projections as they are credited to the cofinancier but ADB staff efforts should be recognized.

Figure 61: Portfolio of Partially Administered Loans and Grants, 2016–2020 (\$ billion)

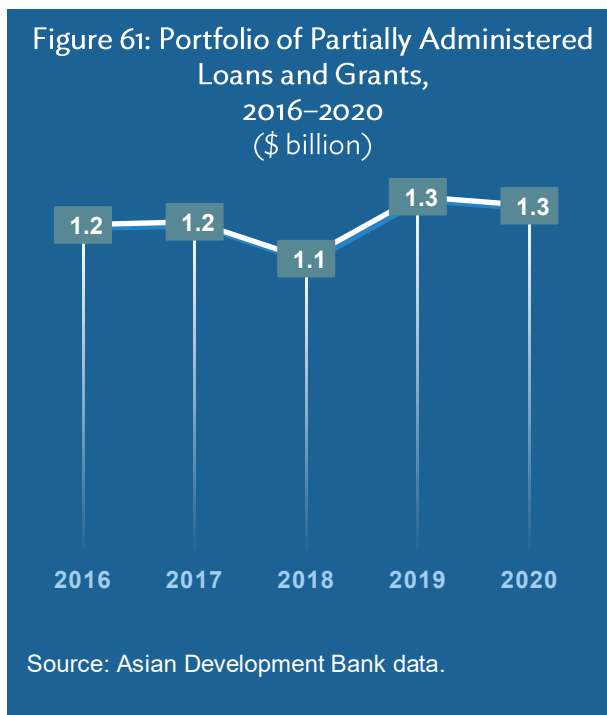
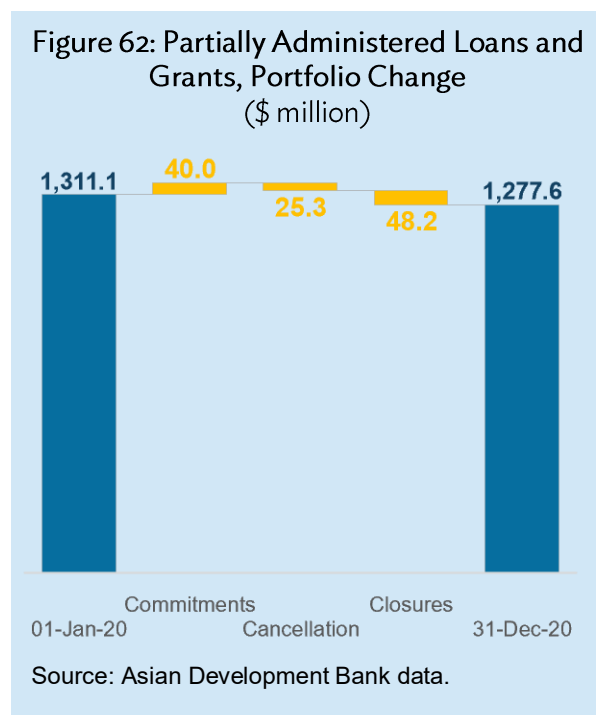


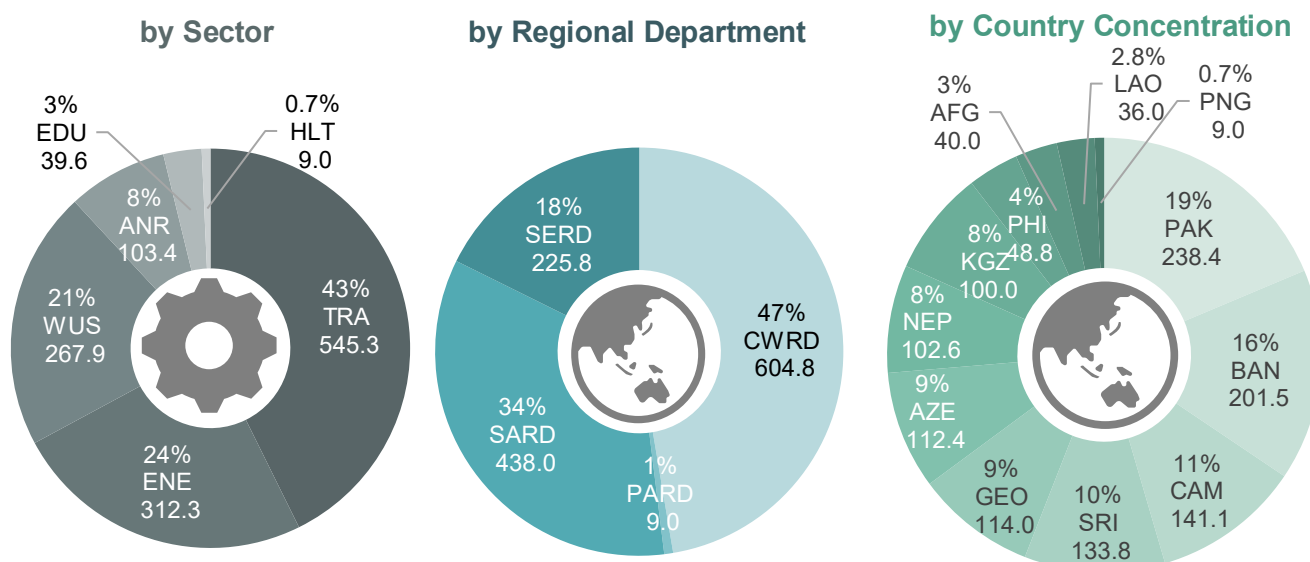
Figure 62: Partially Administered Loans and Grants, Portfolio Change (\$ million)



¹² Partial administration does not apply to TA projects.

75. The majority of ADB partially administered loans and grants finance infrastructure sectors, such as transport, energy, and water and other urban infrastructure and services. The CWRD and SARD portfolios are largest in terms of partially administered loans and grants.

Figure 63: Portfolio of Partially Administered Loans and Grants by Sector, Regional Department, and Country Concentration (\$ million)



AFG = Afghanistan; ANR = agriculture, natural resources, and rural development; AZE = Azerbaijan; BAN = Bangladesh; CAM = Cambodia; CWRD = Central and West Asia Department; EDU = education; ENE = energy; GEO = Georgia; HLT = health; KGZ = Kyrgyz Republic; LAO = Lao People's Democratic Republic; NEP = Nepal; PAK = Pakistan; PARD = Pacific Department; PHI = Philippines; PNG = Papua New Guinea; SARD = South Asia Department; SERD = Southeast Asia Department; SRI = Sri Lanka; TRA = transport; WUS = water and other urban infrastructure and services.

Source: Asian Development Bank data.

8. Financial Management

76. **Financial management priorities during 2020 were to meet the urgent demands of COVID-19 operations and maintain momentum in strengthening its financial management function.** In addition, ADB continued to focus on enhancing the financial management quality of sovereign projects, improving business efficiency, and strengthening organizational resilience. The Financial Management Strengthening Action Plan, approved by the President in December 2018, put ADB in a good position to respond to COVID-19 challenges quickly, effectively, and seamlessly.

77. **Multipronged approach to pandemic-related support.** ADB employed a multipronged approach to ensure that COVID-19 operations and regular operations alike had robust financial management arrangements. Flexible policy actions were introduced to allow ADB to rapidly mobilize efforts to fulfil its fiduciary duties during the pandemic. For example, guidance on conducting remote financial due diligence for COVID-19 projects was issued and 6-month extensions for submitting audited project financial statements (APFS) and for complying with financial covenants linked to audited entity financial statements (AEFS) were provided. These early steps considerably alleviated pressure on both DMCs and operational staff at a time of crisis,

while adhering to ADB's reporting and monitoring obligations. Financial management staff actively supported nearly all COVID-19-related operations as core team or One ADB team members, thus contributing to ADB effectively executing its fiduciary responsibilities. In addition, financial management-related requirements were appropriately considered in ADB's Asia-Pacific Vaccine Access Facility (APVAX) policy paper.

78. A functional financial management “job family” was established between PPF and SERD with the successful conclusion of the consolidated financial management model pilot. This functional “job family” structure, a first for ADB, seamlessly established dual reporting lines and sharing of financial management staff resources between the two departments. Critically, the model demonstrated: (i) increased resiliency and flexibility in resource management; (ii) improved quality of project financial due diligence; (iii) streamlined and strengthened project/portfolio monitoring processes; and (iv) enhanced knowledge sharing and capacity building of ADB and executing agency/implementing agency staff. The model arrangements received overwhelmingly positive feedback from PPF and SERD staff and management, and in late-2020 was mainstreamed with SERD.¹³ The “job family” structure added value to operations, and in 2021 other regional departments will be encouraged to adopt it on a voluntary basis.

79. **Business process automation.** PPF continues to automate business processes related to financial management to improve efficiency, accountability, and oversight. The Financial Management Information Dashboard (FMI) was launched to support regional departments, country offices and project mission leaders in obtaining timely, reliable and relevant information for effective decisions.¹⁴ Through automated reporting, data controls, and validation, the FMI promotes more efficient use of resources and reduces the time spent on manual interventions. In addition, the APFS/AEFS checklist review process and the Financial Management Action Plan monitoring process were automated, resulting in a more effective means for staff to monitor project compliance with ADB financial management requirements. The new project performance rating (PPR) methodology reporting in eOperations (eOps) was also launched—the revised financial management indicator better reflects actual project implementation status and serves as a more effective tool to address potential financial management issues.

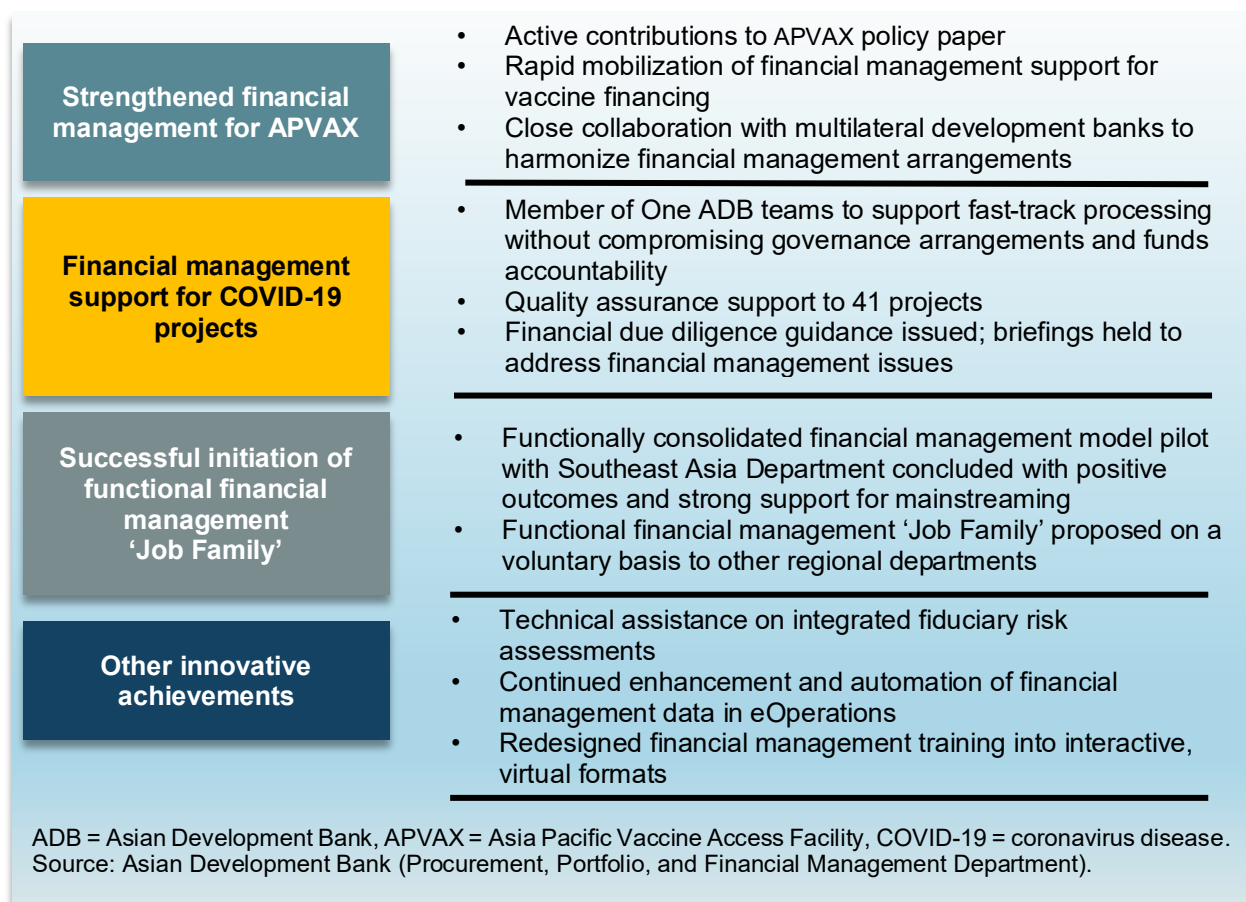
80. **Increased sharing of information, knowledge products, and events.** Financial management training materials were modernized and the delivery format for financial management training and knowledge sharing events was significantly revamped and converted to a virtual platform. A virtual course on Project Financial Due Diligence, Financial Reporting, and Auditing—a series of highly interactive sessions involving lectures and group exercises—was delivered to 30 ADB staff from various regional departments participating in the 1-week course, which was offered twice during the year. ADB also continued efforts to disseminate information on financial management policies and guidelines to DMCs through outreach sessions for executing agencies and implementing agencies, supreme audit institutions, and other government counterparts; and through financial management consultation missions to better address portfolio/project issues. In addition, PPF issued the inaugural Report on Financial Management in ADB Sovereign Operations, 2018–2019,¹⁵ which provided an overview of ADB's financial management activities and achievements and enhanced understanding of the bank's financial management function.

¹³ ADB. 2020. *Mainstreaming the Functionally Consolidated Financial Management Model with SERD*. Manila.

¹⁴ As of end-2020, FMI had 178 registered users.

¹⁵ ADB. 2020. *Report on Financial Management in ADB Sovereign Operations, 2018–2019*. Manila.

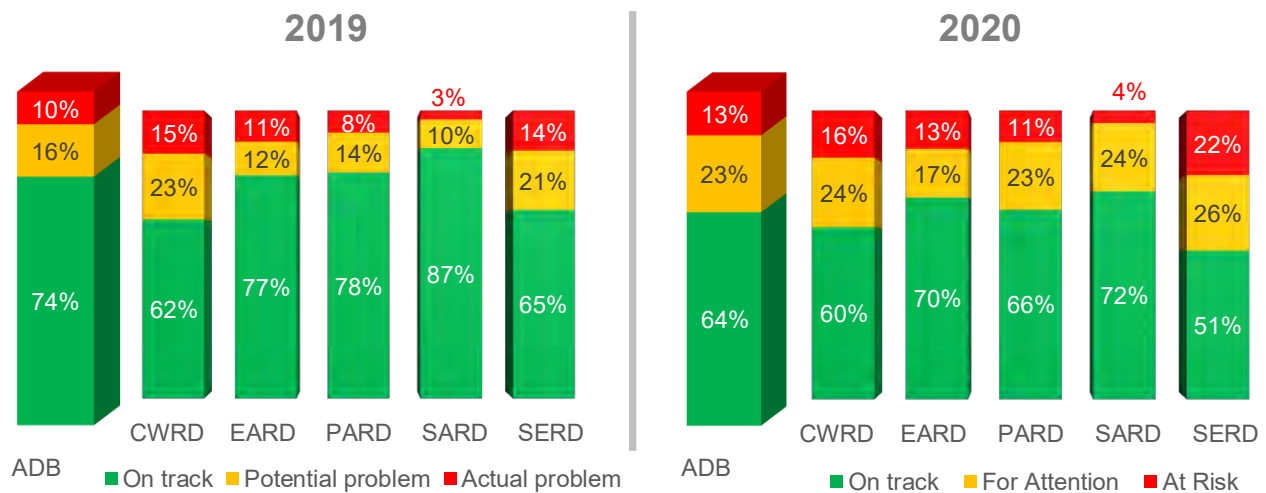
Figure 64: Financial Management Achievements in 2020



9. Project Performance Ratings

81. **The revised PPR system became effective in 2020.** The PPR is a project management tool used to identify risks and issues early in project implementation and take corrective actions to address them. Figures 65–67 show portfolio ratings as of the fourth quarter (Q) of 2020.¹⁶ Each project rating is assessed as being *on track*, *for attention*, or *at risk*. As of year-end 2020, 83 projects (13.1%) were rated *at risk*, compared with 63 projects (9.8%) at year-end 2019 that were rated as actual problem as defined under the old rating system. Meanwhile, the percentage of *on track* ratings declined. This was due to more stringent financial management, output, and safeguard indicators, and the impact of COVID-19.

Figure 65: Portfolio Ratings by Department, 2019–2020



ADB = Asian Development Bank, CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Note: Methodology was revised in 2020 to strengthen safeguards and financial management and capture the progress of projects.

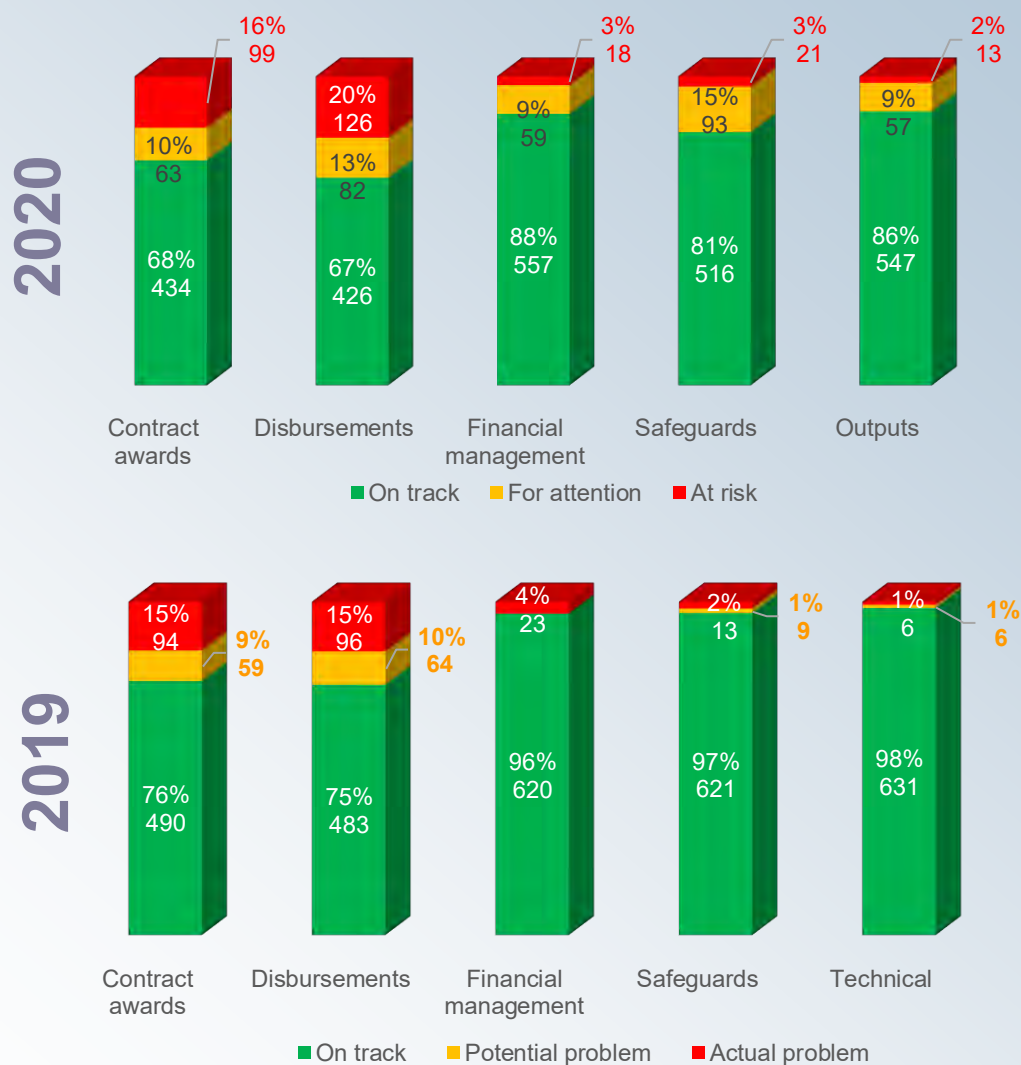
Source: Asian Development Bank data.

82. **Disbursement indicator ratings declined after the outbreak of COVID-19.** The percentage of *at risk* ratings for contract awards and disbursement indicators (the methodologies of these two indicators were not revised) increased from 14.6% and 14.9%, respectively, at the end of 2019 to 15.6% and 19.9% at the end of 2020, respectively. Although the increase was marginal for contract awards, the increase for disbursements was significant. This is because majority of project disbursements are linked to physical progress of projects and the impact of COVID-19 on physical progress was and remains significant. While the CAR has improved, the disbursement ratio declined in 2020.

83. **Three indicators were enhanced in the 2020 PPR.** The technical indicator was highly subjective and was replaced with the output indicator which assesses a project's progress with respect to its design and monitoring framework. Rating criteria for the safeguards and FM indicators were strengthened.

¹⁶ The following are excluded from the project performance rating system: (i) APDRF projects; (ii) guarantees; and (iii) PBLs, including contingent disaster financing (CDF), countercyclical support facility, and CPRO.

Figure 66: Portfolio Ratings by Indicator, 2019–2020
(number)

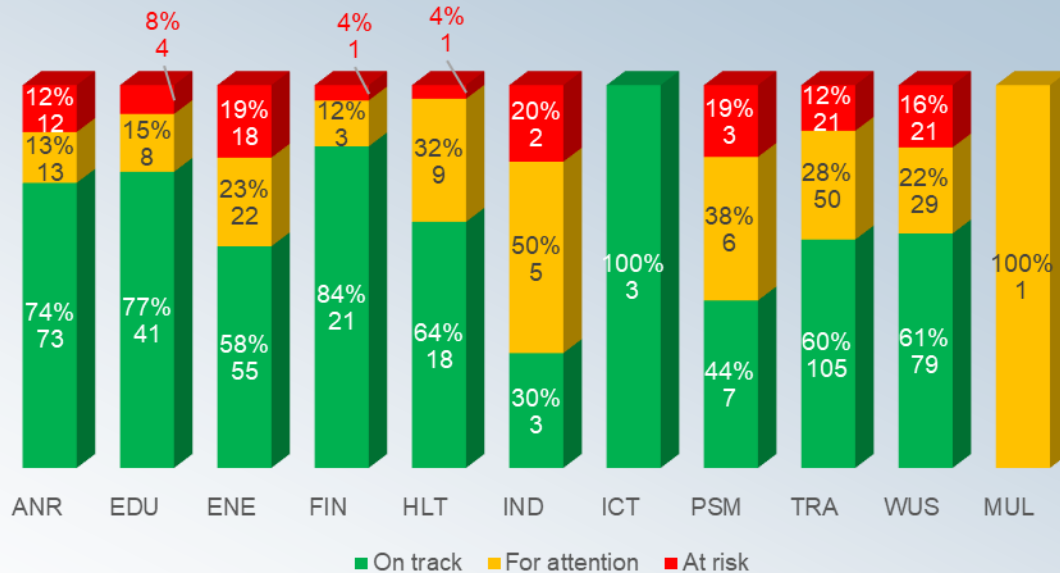


Note: The methodology was revised in 2020 to strengthen safeguards and financial management and capture the progress of projects.

Source: Asian Development Bank data.

84. **Lower ratings for infrastructure projects.** Projects for sectors that need civil works for large infrastructure, including transport, energy, agriculture, and water and other urban infrastructure, tend to be rated lower. These projects are relatively more complex, and their detailed designs and engineering drawings generally need longer preparation time; therefore, estimated completion time may be overly optimistic.

Figure 67: Portfolio Ratings by Sector



ANR = agriculture, natural resources, and rural development; EDU = education; ENE = energy; FIN = finance; HLT = health; ICT = information and communication technology; IND = industry and trade; MUL = multisector; PSM = public sector management; TRA = transport; WUS = water and other urban infrastructure and services.

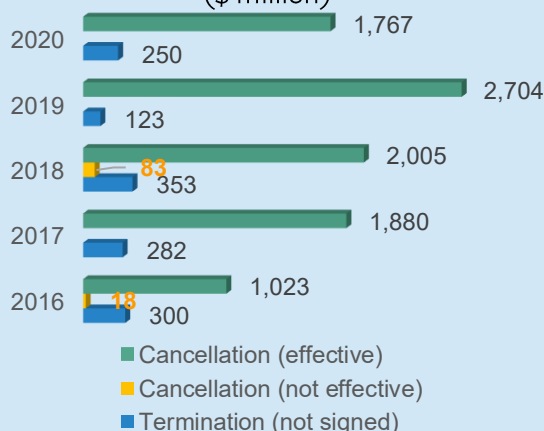
Source: Asian Development Bank data.

85. **Projects “at risk”.** The PPR is a risk warning tool, and if a project is rated *at risk* the project team must take corrective attention to address it in consultation with executing agencies and implementing agencies. A project rated *at risk* consecutively for 4 quarters or more is one such category. In such cases, a special review mission is recommended to resolve issues affecting its implementation performance. The percentage of projects with *at risk* ratings for 4 quarters in a calendar year will be adopted as a quality indicator in 2021 and possibly beyond. By the end of 2020, about 6% of active projects (39 projects) had been *at risk* for 4 quarters or more.

10. Terminations and Cancellations

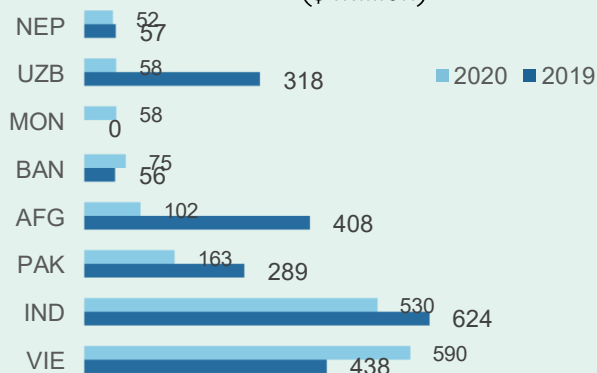
86. Total terminations and cancellations dropped to \$2.0 billion in 2020 (2.0% of active committed portfolio), compared with \$2.9 billion registered in 2019.¹⁷ About \$500 million was cancelled under the Ho Chi Minh City Urban Mass Rapid Transit Project Multitranchise Financing Facility, which incurred delays of almost 7 years because of substantial design changes, delayed procurement, and lapse of the availability period of the facility.

Figure 68: Terminations and Cancellations, 2016–2020 (\$ million)



Source: Asian Development Bank data.

Figure 69: Largest Cancellations (\$ million)

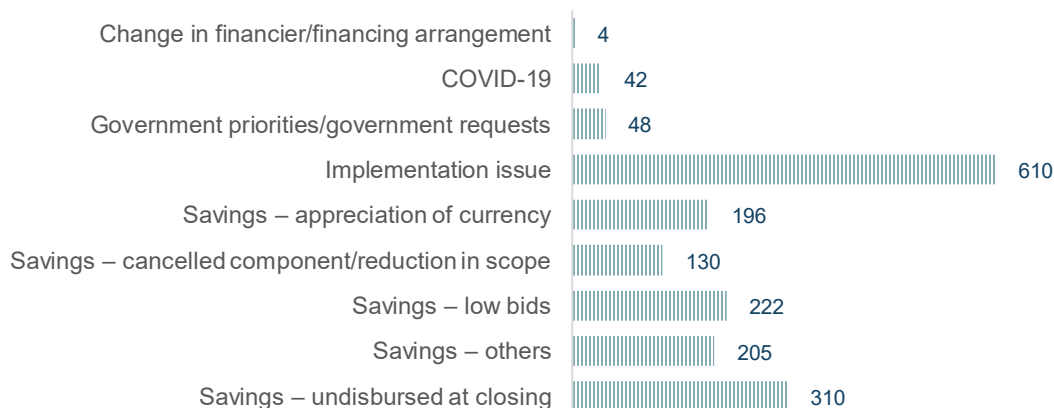


AFG = Afghanistan, BAN = Bangladesh, IND = India, MON = Mongolia, NEP = Nepal, PAK = Pakistan, UZB = Uzbekistan, VIE = Viet Nam.

Source: Asian Development Bank data.

87. A list of perennial issues contributing to cancellations is in Figure 70.

Figure 70: Reasons for Cancellation of Funds during Implementation (\$ million)

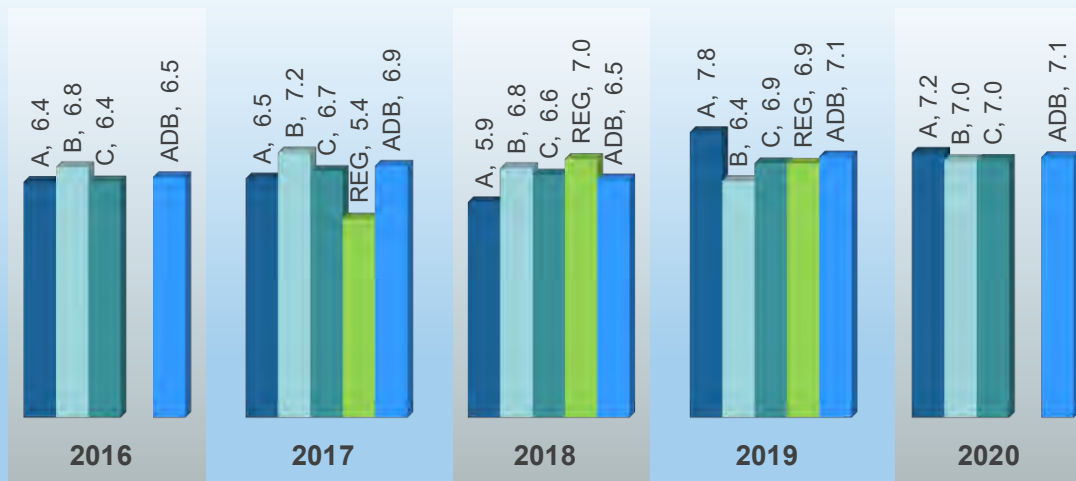


COVID 19 = coronavirus disease.

Source: Asian Development Bank data.

¹⁷ Includes terminations and cancellations from policy-based loans and grants.

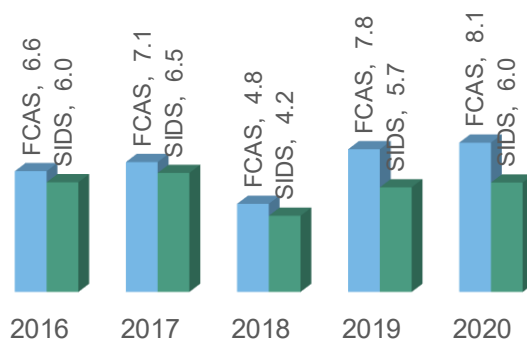
Figure 71: Closed Projects Implementation Period by Country Group
(years)



ADB = Asian Development Bank, REG = regional.
Source: Asian Development Bank data.

11. Implementation Time, Extensions, and Project Completion Extensions

Figure 72: Closed FCAS and SIDS Projects
Implementation Period
(years)

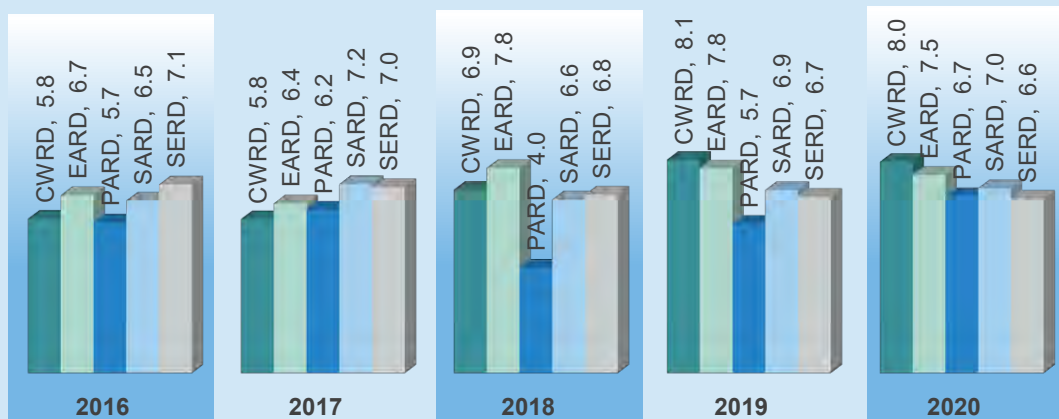


FCAS = fragile and conflict-affected situations, SIDS = small island developing states.
Source: Asian Development Bank data.

88. The average actual implementation period in 2020 for all project loans and grants¹⁸ closed in 2020 remained at 7.1 years, same as in 2019. The average implementation period envisaged at approval was 4.7 years for the same set of projects. Group A DMCs (Figure 71) had the highest average actual implementation period of 7.2 years. This was largely due to capacity-related constraints. The average actual implementation period in FCAS DMCs was 8.1 years and SIDS 6.0 years (Figure 72). Across sectors, industry and trade on average had longer implementation times. Project implementation times should be realistic and not overly optimistic.

¹⁸ This excludes PBLs, additional financing, CPRO, TA loans, financial intermediary loans/grants, cancelled and terminated loans/grants, and project design advance.

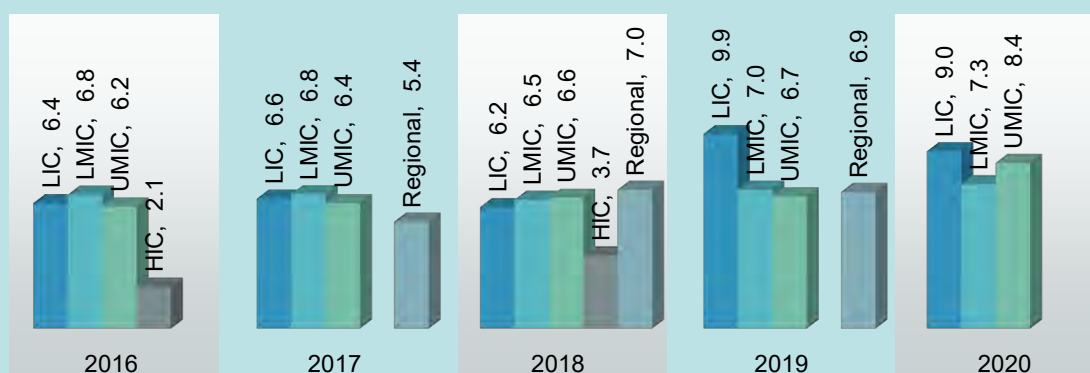
Figure 73: Closed Projects Implementation Period by Department
(years)



CWRD = Central and West Asia Department, EARD = East Asia Department, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Source: Asian Development Bank data.

Figure 74: Closed Projects Implementation Period by Country Income Group
(years)

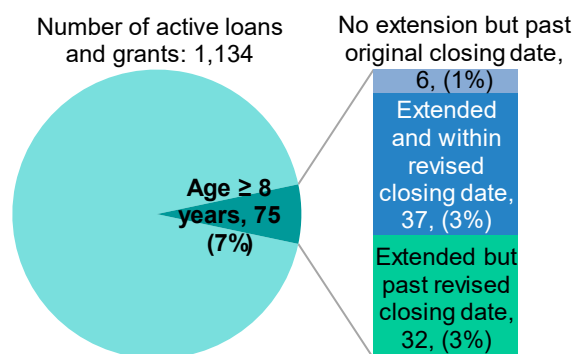


HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, UMIC = upper middle-income country.

Source: Asian Development Bank data.

89. Timely financial closure. Project administration and good portfolio management require that completed projects past their loan or grant closing dates either have their closing extended or their account(s) financially closed. Financial closure of projects may sometimes take more than 1 year after physical completion. The financial closure of projects is equal in importance to other stages of the project cycle, and early and timely preparation to properly close all accounts is critical. If financial closure is delayed, circulation of the completion report may also be delayed, and opportunities to share experiences and lessons

Figure 75: Project Loans and Grants with Age ≥ 8 Years



Source: Asian Development Bank data.

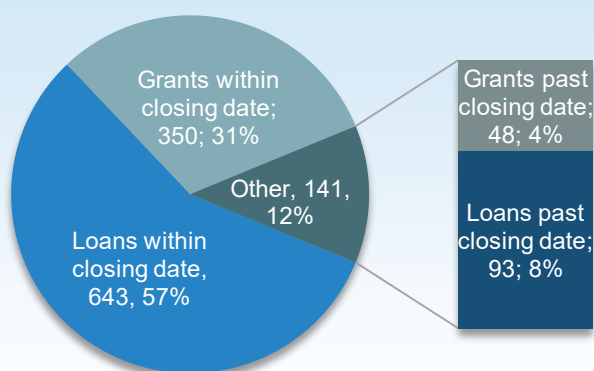
learned may be lost. In 2020, 56 project loans and grants were not financially closed within 6 months of the loan or grant closing date (Table 5). To minimize such delays, discussions with the government regarding remaining unspent funds, handing-over of project assets, settlement of outstanding claims, liquidation of advance accounts, closing of project accounts, preparation of final project accounts, and submission of the financial audit should be initiated when a project is nearing physical completion.

Table 5: Project Loans and Grants Past Closing Date

Duration after project loan closing	6 months \leq 1 year	\geq 1 year
Number of active project loans and grants	31	25

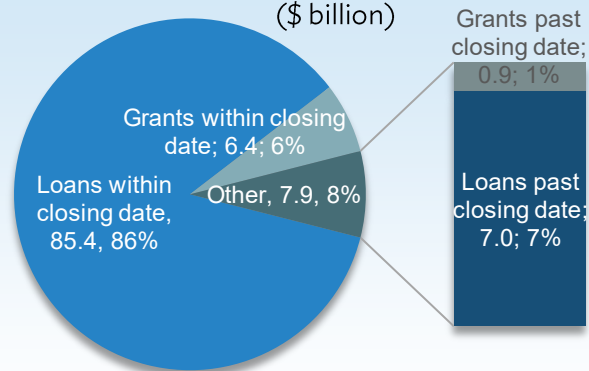
Source: Asian Development Bank data.

Figure 76: Project Loans and Grants Past Closing Date, by Number



Source: Asian Development Bank data.

Figure 77: Project Loans and Grants Past Closing Date, by Amount (\$ billion)

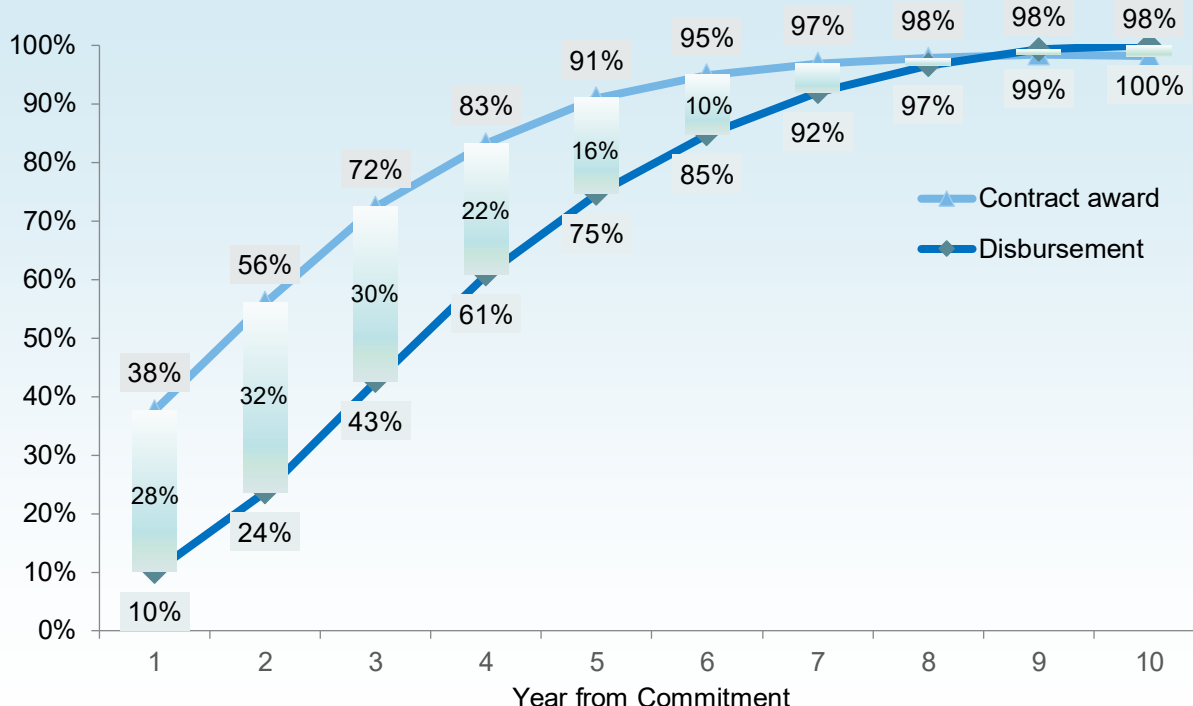


Source: Asian Development Bank data.

90. **S-curves.** An analysis of 441 project loans and grants closed during 2016–2020¹⁹ shows an average actual implementation period of 6.8 years from commitment. Within the sample, health sector projects took the longest time from commitment to financial closing with 7.6 years, followed by agriculture (7.3 years) and water (7.2 years) projects. Among the larger sectors, transport and energy projects both took 6.6 years. S-curves (Figure 78) show projects extending beyond 8 years even when disbursements have reached more than 95%. Attention is needed to monitor the cancellation of unutilized funds and promptly close the account. When processing new projects, it is recommended to refer to the performance, challenges, and implementation periods of similar past projects.

¹⁹ Excludes additional financing, financial intermediary loans, TA loans, project design advance, PBLs, results-based lending, APDRF, and those implemented for more than 10 years.

Figure 78: S-curves
(closed loans and grants, 2016–2020)



Source: Asian Development Bank data.

12. Project Completion Report

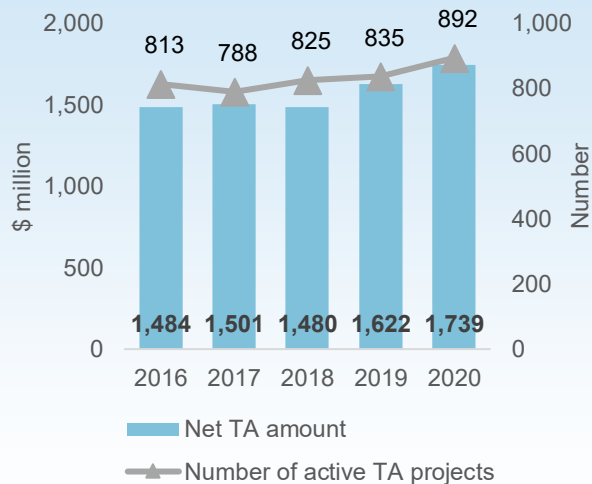
91. Project completion reports (PCRs) help measure outcomes and identify lessons. Delays in preparing PCRs raise the broader issue that lessons may not be available when designing a similar future project. Project Implementation Instruction 6.07A²⁰ was revised in June 2019 to set the timeline for PCR circulation to 12 months after a project's financial closing date. Following the updated guidelines, 107 PCRs were programmed for circulation in 2020, compared with 87 PCRs circulated to the Board in 2019. Of those 107 PCRs, 102 (95% of the target) were circulated in 2020. This is an impressive achievement considering the many constraints that hindered preparation of PCRs in 2020, including (i) restrictions on mission travel; (ii) difficulty in mobilizing consultants; (iii) slow responses from borrowers, clients, and stakeholders; and (iv) prioritization of urgently required COVID-19 response projects. Despite these challenges, regional departments managed their completion programs diligently.

²⁰ ADB. 2019. Project Completion Report for Sovereign Operations. *Project Administration Instructions*. PAI 6.07A. Manila

13. Technical Assistance Portfolio

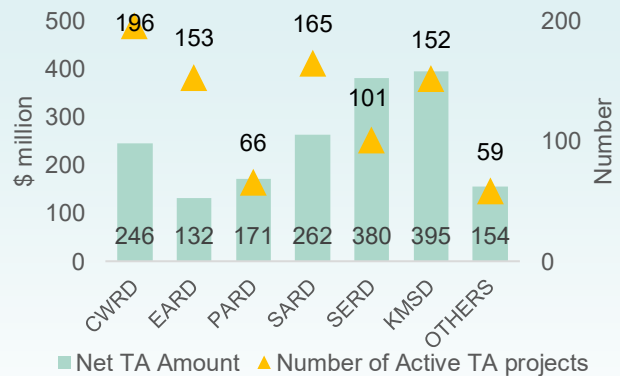
92. **Increased technical assistance portfolio.** The TA portfolio increased in both amount and number to \$1,738.6 million with 892 TA projects in 2020.²¹ The amount of newly committed TA in 2020 was \$461.1 million, 170 TA projects totaling \$291.1 million closed financially, and \$53.6 million was cancelled.

Figure 79: Technical Assistance Sovereign Portfolio Growth, 2016–2020



TA = technical assistance.
Source: Asian Development Bank data.

Figure 80: Technical Assistance Sovereign Portfolio by Department



CWRD = Central and West Asia Department, EARD = East Asia Department, KMSD = knowledge management and sustainable development departments, PARD = Pacific Department, SARD = South Asia Department, SERD = Southeast Asia Department, TA = technical assistance.

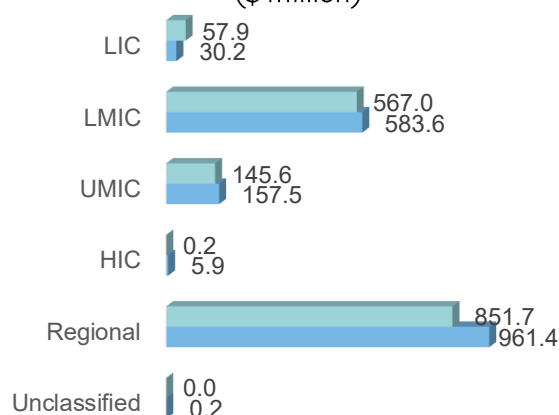
Source: Asian Development Bank data.

93. **Lower technical assistance disbursement.** While the TA portfolio amount increased 7.2%, TA disbursement declined by 5.2% in 2020 to \$263.5 million, from \$278.0 million in 2019. This reduction was primarily due to difficulties in mobilizing consultants because of travel restrictions and lockdowns. Many project teams took quick action to maintain workflow by replacing international consultants with national consultants, which helped disbursements move.

94. **COVID-19 assistance portfolio for pandemic response.** Newly committed TA totaled \$461.1 million, of which \$145.3 million (31.5%) was allocated to COVID-19 response, corresponding to 8.4% of the total TA portfolio in 2020. COVID-19-related TA disbursement was \$42.4 million, which was 16.1% of the total TA disbursement in 2020. This is considered reasonable as consulting services for COVID-19-related TA only began first-half 2020.

²¹ Excludes nonsovereign TA projects.

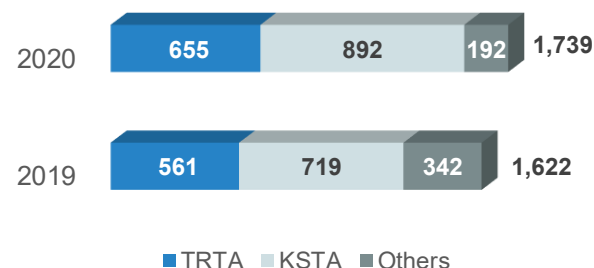
Figure 81: Technical Assistance Sovereign Portfolio by Country Income Group, 2019–2020 (\$ million)



HIC = high-income country, LIC = low-income country, LMIC = lower middle-income country, UMIC = upper middle-income country.

Source: Asian Development Bank data.

Figure 82: Technical Assistance by Type, 2019–2020 (\$ million)



KSTA = knowledge and support technical assistance, TA = technical assistance, TRTA = transaction technical assistance.

Note: Others include capacity development TA, policy and advisory TA, project preparatory TA, research and development TA, and regional TA.

Source: Asian Development Bank data.

Figure 83: Technical Assistance Disbursements 2016–2020, by Country Classification (\$ million)



FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Source: Asian Development Bank data.

95. **Increased efficiency of technical assistance operations.** TA efficiency can be further enhanced by reducing the number of TA projects. The size of TA projects on average was \$2.0 million in 2020, up slightly from \$1.9 million in 2019 and \$1.8 million in 2018. It is also recommended project teams adopt a programmatic approach using TA facilities. The number of TA facilities steadily increased from 2016 to 2020. In addition, TA facilities offer flexibility in that they allow for teams of consultants engaged under a single contract to be hired for multiple projects (Table 6).

Table 6: Technical Assistance Facilities, 2017–2020

Item	2017	2018	2019	2020
Number of newly committed TA facilities	9	16	29	16
Number of active TA facilities	12	28	57	71

TA = technical assistance.

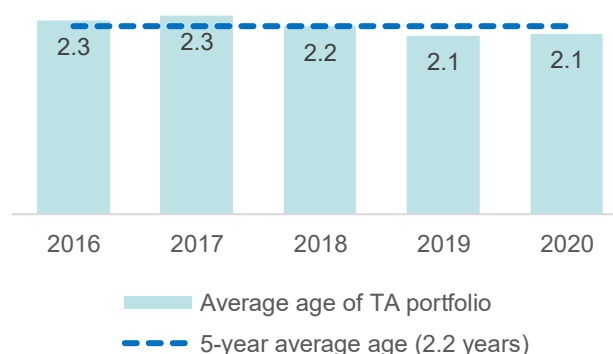
Source: Asian Development Bank data.

96. TA resources were shifted from group C countries to group A and B countries and to FCAS and SIDS DMCs in 2020. The regional technical assistance portfolio increased 12.9% in 2020. While regional TA will enhance the efficiency of TA administration, current ADB information technology (IT) systems do not capture DMC allocation (breakdown by DMC will be introduced in the next generation Sovereign Operations IT system). At the 2020 ADF 13 replenishment sessions, ADB clarified that a substantially higher share of TASF resources will be allocated to FCAS and SIDS DMCs and that TASF resources should prioritize debt sustainability. It was also suggested that ADB provide a higher net income transfer for TASF-7 allocations for groups A and B countries and consider reimbursable TA for group C DMCs.

97. Knowledge generation through TA projects is increasingly critical. TA projects are set to play an increasingly important role in the implementation of Strategy 2030. Scarce TA resources need to be channeled for (i) knowledge generation and sharing, and innovation; (ii) project preparation and implementation; and (iii) institutional strengthening. The portfolio for knowledge and support TA increased from \$719.1 million in 2019 to \$891.6 million in 2020, increasing its share of the TA portfolio from 44.3% in 2019 to 51.3% in 2020. Knowledge and support TA is an important tool to drive innovative policy formulation and implementation, which is becoming increasingly important for additions of DMCs.

98. **Strengthened monitoring of technical assistance progress.** The 5-year average age of the committed TA portfolio since 2016 is 2.2 years (Figure 84). The average implementation period of TA projects closed during 2016–2020 was 3.8 years, against a targeted design average of 2.0 years, which translates into an average delay of 1.8 years. This delay is often caused by extensions and changes in scope needed to meet evolving needs and changed circumstances. TA projects with slow progress need to be tracked and monitored with rigor. As such, implementation of TA projects that are 5 years or older require greater vigilance. There are 62 TA projects aged 5 years or more with an aggregate uncontracted balance of \$32.6 million, which is equal to an average uncontracted amount of more than \$0.5 million per TA project.

Figure 84: Average Age of Technical Assistance Sovereign Portfolio, 2016–2020



TA = technical assistance.

Source: Asian Development Bank data.

14. Technical Assistance Completion Reports

99. **Lessons and experience gained from technical assistance operations.** Technical assistance completion reports (TCRs) are an important tool for improving TA operations. The circulation of timely, well-written TCRs is essential to improving the quality of TA operations. TCRs serve to enhance the transparency and accountability of TA projects, and can improve the planning, design, and implementation of future TA projects. In 2020, the TCR circulation period was shortened to 6 months from the TA financial closing date to ensure more timely submissions. In 2020, 180 TCRs were circulated, which was 19.2% higher than the target of 151 TCRs in the 2020 TCR program. TCR validation was introduced on a selective basis by the Independent Evaluation Department, which validated 42 TCRs in 2020.

15. Capacity Building

100. **Strengthening governance and institutional capacity prioritized in Strategy 2030 through Operational Priority 6 (improving public service delivery).** Strategy 2030 and OP 6 recognize each project as diverse and unique. With the COVID-19 pandemic affecting project cycle and management, governance and institutional strengthening must be carried out at the individual, organizational, and institutional levels. The pandemic highlighted the importance of a holistic or thematic approach in project design and implementation, as opposed to a sectoral, siloed approach. The pandemic also necessitated localized and differentiated solutions and country systems to manage the impact of the crisis outcomes.

101. PPFD has expanded its capacity building activities to meet the needs of DMCs and ADB staff, especially in light of the pandemic. Capacity building in procurement and financial management aims to improve fiduciary responsibility over funds provided to DMCs, while portfolio management enhances project design and implementation to achieve quality project outcomes and developmental impact. PPFD's major strategic areas for capacity building are operationalizing the 2017 Procurement Framework, improving project design and implementation, improving financial management, and addressing the impacts of COVID-19 on project implementation.

102. The steady and dedicated effort by ADB to improve the capacity of executing and implementing agency staff in project implementation continued despite the pandemic. A series of workshops on the 2017 Procurement Framework were held, with a focus on framework implementation, including the preparation of SPP documents and other topics. ADB conducted 68 capacity building programs for executing and implementing agency staff, sector divisions, and operations focal points. More than 2,700 individuals benefited from these programs, which comprised workshops, seminars, and training programs. Use of the e-learning module continued with more than 300 registered users as of year-end 2020. In line with the Financial Management Strengthening Action Plan (para. 76), financial management demonstrated sustained delivery of programs for ADB staff, executing agencies, implementing agencies, and other national institutions. To further support DMCs in strengthening their public financial management systems, a TA project on integrated fiduciary risk was processed.

103. **The COVID-19 pandemic.** ADB's short-term responses have been quick and flexible to support developing member economies coping with the impact of COVID-19. To help rebuild project momentum under uncertain conditions, capacity building activities focused on learning from DMCs and cases from the field, in addition to sharing policy guidelines. These efforts stirred discussions and problem solving of actual issues in project management and operations. The

annual Forum on Successful Project Design and Implementation in November was an opportunity to address difficult questions surrounding project management and implementation.

104. The pandemic resulted in a change in the capacity building program implementation plan and pipeline programs. In 2020, PPF's capacity building portfolio expanded compared with 2019. The number of programs increased from 242 in 2019 to 294 in 2020, a 21.5% increase, while the number of participants increased by 60.5% from 11,018 in 2019 to 17,687 in 2020. About 87% of PPF's programs were delivered online because of the pandemic.

105. **Risk mitigation.** Responding to the crisis required speed and efficiency. DMCs had to continuously update their health and safety management plans, specifically risk mitigation, to include measures for addressing COVID-19-related risks. Preventing infections and managing the pandemic at the workplace as a top priority. ADB issued COVID-19-related guidance notes for project teams on safeguards and procurement, which were timely in guiding next steps and evaluating cost and legal implications. Safety measures were followed rigorously on the ground.

106. ADB provided tools that offered flexible approaches for DMCs to identify and mitigate complex risks. Some DMCs worked with ADB in developing customized standard operating procedures for contractors, which helped manage pandemic-related risks and prevented the discontinuation of projects.

16. The Role of Information Technology in Portfolio Management

107. At ADB, IT plays an important role in storing portfolio data and information, tracking and monitoring portfolio performance, and informing management decision-making and reporting. As ADB's portfolio grows in number and complexity, IT will play an even stronger enabling role in portfolio management.

108. **ADB's digital agenda for 2030.** ADB continues its digital transformation journey through 2030 digital agenda roadmap, which is aligned with Strategy 2030. The use of modern IT systems and digital processes will greatly enhance ADB's portfolio management capability.

109. **Next generation sovereign operations system.** The Sovereign Operations Project (SovOps) system aims to digitally transform ADB's sovereign operation business processes. Aside from streamlining ADB's business processes and providing many other benefits, SovOps will provide a flexible and user-friendly IT system that will derive sovereign portfolio data while minimizing pain points such as paper-based manual reporting, multiple data entry and the overdependence on spreadsheets. The system is expected to be rolled out in the latter part of 2022.

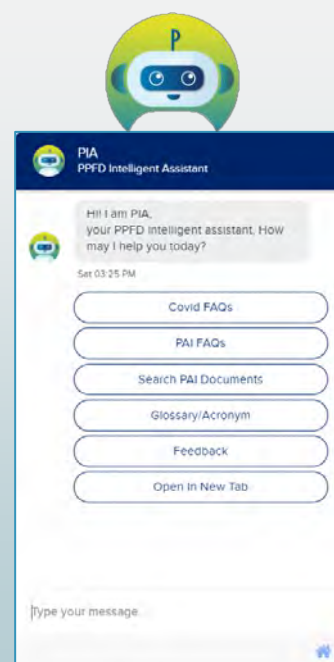
110. **ADB's data assets.** The Improving ADB's Data Assets project (IADA) is a modern new platform that will provide ADB with accurate and timely portfolio data by standardizing data and improving data governance. This will back the ADB dictionary, a central repository of commonly used terms within the institution, which will make reporting more consistent with by standardizing definitions of key ADB indicators including those on portfolio management.

111. Disbursement System Modernization project. This project will deliver an integrated disbursement system that will be linked to ADB's IT ecosystem. Benefits are expected on contract awards and disbursements reporting, among others and remove existing information system silos.

112. Since the outbreak of COVID-19, ADB has used IT effectively to monitor its response. It has done this through system enhancements in existing information systems plus the newly deployed COVID-19 dashboard.

Box 14: PPFD Intelligent Assistant (PIA)

With artificial intelligence as the key driver, ADB's first public-facing chatbot—the PPFD Intelligent Assistant (PIA)—was piloted live on adb.org on 20 October 2020. The PIA provides guidance for external clients and ADB personnel throughout a project's life cycle. This technology is envisioned to provide real-time, two-way engagement; enable access to project administration instructions; understand clients; and provide answers on administering ADB-financed projects. The PIA will grow and adapt to the evolving needs of ADB's internal and external clients.



Source: Asian Development Bank, Procurement, Portfolio and Financial Management Department.

Box 15: Information Technology Initiatives

ADB has increasingly utilized IT to accelerate project implementation. Examples of this include:

- i. Enhancements to the overall PPR methodology;
- ii. Enhancements related to PAI revisions—e.g., project rating calculations for project readiness financing and results-based lending;
- iii. Financial Management Risk Mitigating Action Plan reporting and monitoring in the eOps system;
- iv. Inclusion of sovereign guarantee, CPRO, and APVAX modality in the eOps system;
- v. Project At A Glance template update;
- vi. Approval Number Generation for CDF modality;
- vii. Consultant insurance reporting automation to
 - a. remove long and tedious waiting manual inquiries, and
 - b. expedite consultants' insurance claims;
- viii. Notification alerts on timely closure and project completion report circulation;

ADB-wide IT initiatives that will facilitate project implementation through improved portfolio performance reporting and monitoring include:

- i. Integrated Disbursement System (planned go-live date: April 2021);
- ii. Improving ADB's Data Assets:
 - a. Standardization of ADB's enterprise data model,
 - b. Implementation of master data management, and
 - c. Provisioning of readily available datasets and facilitating data reporting;
- iii. SovOps Project—the next generation of ADB's eOps system.

ADB = Asian Development Bank, APVAX = Asia-Pacific Vaccine Access Facility, CDF = contingent disaster financing, COVID-19 = coronavirus disease, CPRO = COVID-19 Pandemic Response Option, eOps = eOperations, IT = information technology, PAI = project administration instruction, PPR = project performance rating, Sov Ops = sovereign operations.

Source: ADB, Procurement, Portfolio, and Financial Management Department.

C. Lessons and Recommendations

113. Key lessons from 2020:

- (i) During a crisis as disruptive as the COVID-19 pandemic, project reviews should become more frequent and the use of virtual platforms increased to strengthen seamless collaboration between headquarters and resident mission project teams.
- (ii) Surplus loan funds that remain unutilized across projects can be repurposed to address loan shortfalls and respond to crises such as the COVID-19 pandemic.
- (iii) Enhance the capacity of local contractors and consultants to increase resilience in project implementation in emergency situations.
- (iv) Continue to leverage the use of digital technology to safeguard project continuity, enable project teams to work remotely, facilitate real-time site monitoring, and assess project implementation performance.

114. Key issues and recommendations from 2020:

Issues		Recommendation
The progress of many projects is affected by COVID-19 and the likelihood of field review missions by HQ-based project teams remains low		Leverage the use of resident missions and national consultants in project monitoring to minimize project-related risks
Average project implementation period is on average 3 years longer than original implementation period at approval		Factor country-wide and sectoral issues in formulating project implementation period at approval to strike a balance between ambition and realism
Disbursement is a good proxy indicator of project implementation but does not have a strong link to portfolio quality		Implement a quality indicator to minimize outlier projects which are consistently “at risk,” to boost portfolio quality
The use of the small expenditure financing facility (SEFF) remains exceptionally low with only one approved by end 2020		Scale-up the use of the small expenditure financing facility modality to quickly and effectively respond to emerging project implementation issues and challenges
Limited advance preparation in assessing a DMC’s emergency response institutions, systems, and capacity hinders the robustness of financial due diligence.		Evaluate the feasibility of conducting advance financial due diligence and capacity building on institutions and systems relevant to a DMC’s response to emergency events

115. **Challenges will persist in 2021.** Ensuring the quality of project implementation and design will be a challenge in the face of continuing lockdowns, travel restrictions, and quarantines in 2021. Project extensions and cost overruns may become more frequent. Maintaining a safe and healthy population is the priority of each government.

116. One ADB teams will be central to addressing immediate response measures for projects affected by the pandemic. Because they play a natural role in identifying projects and project implementation, resident missions will need to remain highly proactive in supporting projects in the field. They will be critical in maintaining strong client relationships, coordinating One ADB approaches in cooperation with sector divisions, and providing project implementation support to ensure that portfolio indicators remain in check.

117. Operational teams managed risks to the extent possible despite mission travel restrictions, lockdowns, and quarantines. They adapted well to the new norms and capably reviewed the progress of project implementation despite mission travel restrictions, which can impose a risk of low quality or delays. However, project teams staff reinvented themselves and adapted well to the new normal and monitored project performance through a combination of desk research, document reviews, virtual review missions, and country portfolio review missions hosted by borrowers. In some instances, state-of-the-art technology drones were used for project supervision and satellite imagery to identify land use. The use of digital technology needs to be scaled-up where permissible.

118. Regional departments proposed a set of actions to be taken in 2021 to improve portfolio performance.

Central and West Asia Department

- i. Work with SPD, sector divisions, and resident missions on identifying vaccine programs to be financed by additional COL resources and savings and cancellations from APVAX. CWSS is actively coordinating with DMCs on vaccination demand and requests for ADB support;
- ii. Project readiness filters for all CWRD countries to be finalized in 2021, including a Revised Enhanced Project Delivery Approach Paper for Afghanistan;
- iii. Support formulation of new Safeguard Policy Statement;
- iv. Support formulation of new Gender Staff Instructions;
- v. Explore “job family” options with PPF’s Public Financial Management Division on financial management due diligence; and
- vi. Safeguard and portfolio management database to be finalized.

East Asia Department

- i. Active participation in country portfolio review mission organized by resident missions;
- ii. Field midterm review in early 2021 to update implementation schedule and baseline projections;
- iii. More project delegations for stronger coordination with EAs/IAs;
- iv. Further explore the potential of revised PPR system as a project management tool;
- v. Focus on early action to ensure project processing includes procurement and design-readiness;
- vi. Aim to ensure that all PRC projects have co-mission leaders (including one from PRC Resident mission) to ensure ability to effectively delegate upon approval; and
- vii. Conduct practical training for EAs/IAs on project implementation management and contract management, in addition to training on procurement, disbursement, safeguards, and financial management.

Pacific Department

- i. Strengthen monitoring and coordination to facilitate pending financial closure of projects;
- ii. Implementation of two RETA projects to strengthen capacity development in financial management, procurement, safeguards, project management, and others;
- iii. Action plans through project administration unit reviews to address at risk projects on regular basis;
- iv. Continue to improve portfolio parameters such as minimizing zombie TA projects, uncontracted balance, end-to-end procurement time, and bid evaluation report (BER) time; improve usage of procurement review system;
- v. Improve quality of completion reports;
- vi. Monitor and facilitate improved project performances with respect to financial management, safeguards, contract awards and disbursement, and implementation progress;
- vii. Finding and facilitating innovative solutions/processes to manage project implementation considering COVID-19 restrictions;
- viii. Project monitoring to improve contract awards and disbursement, through high readiness;
- ix. Continue to strengthen quality-at-entry through extensive use of PRF, sector RETA projects, and local consultants; more practical and realistic implementation periods; and strengthening of reviews; and
- x. Address increased risks associated with lack of physical review missions by engaging more national safeguard consultants to assist with review missions and project preparation—virtual missions are inadequate to validate safeguards implementation and ensure compliance on the ground.

South Asia Department

- i. Continue to enhance project readiness by ensuring that project preparation activities are commensurate with critical milestones at each stage during the preparatory phase;
- ii. Improve end-to-end procurement time—sector divisions and resident missions should continue to implement the action plan on high value procurement to improve procurement operations;
- iii. Increase use of PRF to help governments (especially ones in relatively lower income/capacity states and provinces) prepare detailed design and other project preparatory activities, and develop context- and demand-driven future projects and interventions; efforts to create greater awareness on the importance of strategic procurement planning should continue;
- iv. Capacity-building approach with respect to project implementation, apart from utilizing existing mechanisms, should focus on creating a pool of procurement professionals at the project level; introducing e-learning modules; and collaborating with governments to create a common capacity development platform that can be used by all government agencies and other multilateral development banks; and
- v. Support for COVID-19 mitigation efforts on project implementation undertaken by DMCs in 2020 should continue in terms of health and safety plans, remote handholding support (in view of continued restrictions on travel and missions) and use of online tools to maintain consistency in the quality of project implementation; project performance across the five indicators identified in the PPR should continue to be the key driver.

Southeast Asia Department

- i. Continue to provide capacity building with tailored programs to effectively address cross-cutting issues, with more emphasis on practical and hands-on training involving actual cases that EA/IA staff deal with on day-to-day basis;
- ii. Continue to engage with national oversight agencies and project EAs for early identification and resolution of systemic issues and jointly monitor implementation of agreed time-bound actions to further strengthen disbursement planning; achieve design readiness for projects approved in 2021; streamline administrative procedures to enable faster project restructuring and extension decisions and faster government no-objection for nonsovereign transactions; based on the successful first SERD–PSOD nonsovereign project in Viet Nam approved in 2020, continue to identify similar new opportunities in 2021;
- iii. Continue to support dialogue with governments and other development partners (e.g., the World Bank, JICA, and AFD) through joint country portfolio reviews;
- iv. Continue to apply One ADB approach in building government capacity in key areas (e.g., safeguards, financial management, and procurement); continue working on portfolio business processes, improving coordination, and integrated management information systems;
- v. Continue rigorous efforts to improve financial management and safeguard compliance and regular monitoring, including increased support for project teams to ensure full compliance; encourage use of country systems e.g. safeguards or introduce safeguards frameworks by sector;
- vi. Enhance project and portfolio monitoring through regular review of procurement plans and procurement package milestones and take advance actions to ensure timely contract awards and disbursement;
- vii. Continue active resident mission participation during virtual missions, with project site visits to be undertaken using livestreaming video, as applicable; and
- viii. Continue to strengthen collaboration within SERD and with other departments such as CTL, OGC, PPF, SPD, and thematic groups.

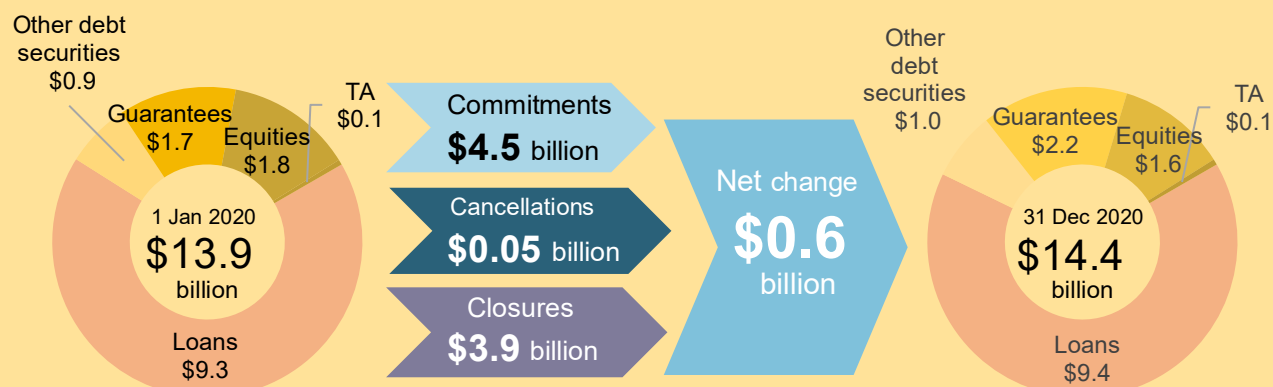
ADB = Asian Development Bank; AFD = Agence Française de Développement; COL = concessional OCR lending; COVID-19 = coronavirus disease; CTL = Controller's Department; CWRD = Central and West Asia Department; CWSS = Social Sector Division, CWRD; DMC = developing member country; EA = executing agency; IA = implementing agency; JICA = Japan International Cooperation Agency; OGC = Office of the General Counsel; PPF = Procurement, Portfolio and Financial Management Department; PPR = project performance rating; PRC = People's Republic of China; PRF = project readiness financing; PSOD = Private Sector Operations Department; RETA = regional technical assistance; SERD = Southeast Asia Department; SPD = Strategy, Policy and Partnerships Department; TA = technical assistance.



NONSOVEREIGN PORTFOLIO

Nonsovereign Portfolio

Figure 85: Nonsovereign Portfolio at a Glance



TA = technical assistance.

Notes: Closures include prepayments, repayment, valuations, etc.

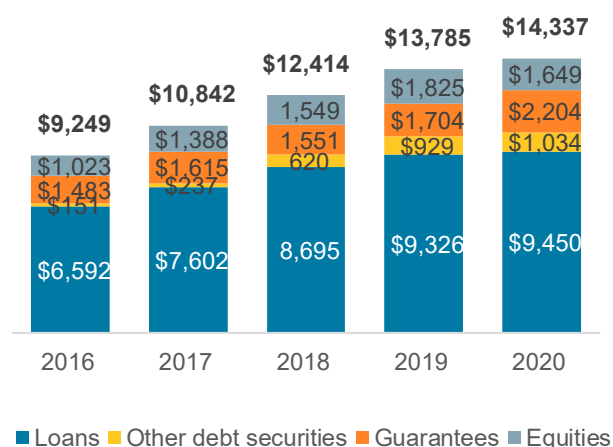
Numbers may not sum precisely because of rounding.

Source: Asian Development Bank data.

A. Portfolio Movement

119. Response to the pandemic and solid disbursements drove 4% growth in committed portfolio. The nonsovereign portfolio increased by 4% from \$13.9 billion in 2019 to \$14.4 billion in 2020, which includes \$2.4 billion for COVID-19 support. The portfolio consisted of \$10.5 billion committed loans and other debt securities²² (\$10.2 billion in 2019), \$2.2 billion committed guarantees (\$1.7 billion in 2019), \$1.6 billion committed equities (\$1.8 billion in 2019),²³ and an active technical assistance (TA) portfolio of \$85.8 million from 58 TA projects. The committed portfolio had 225 projects (207 at the end of 2019). The growth from 2016 to 2020 is 55.0%, an increase of \$5.1 billion from 2016 (Figure 86).

Figure 86: Total Committed Portfolio, 2016–2020 (\$ million)



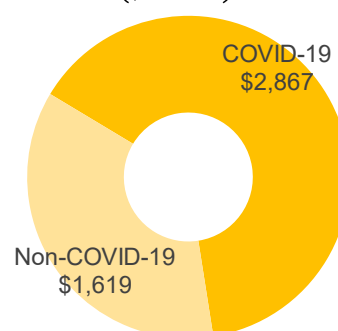
Source: Asian Development Bank data.

²² A debt instrument that can be bought or sold between two parties, and which represents borrowed funds that must be repaid to its holder. It includes government bonds, corporate bonds, municipal bonds, preferred stocks, and collateralized securities.

²³ The committed portfolio is defined as (i) the committed loan, other debt security and equity (carrying or fair value) portfolio, which consists of outstanding balances plus undisbursed balances; and (ii) the committed guarantee portfolio, which consists of outstanding balances on executed guarantees plus non-executed project commitments. The figures are based on the Controller's Department's reports.

120. **The majority of 2020 commitments were COVID-19 responses.** Nonsovereign commitments from ADB resources, including those from TA projects and revolving programs, totaled \$4.5 billion (\$5.2 billion in 2019).²⁴ Of that total, \$2.9 billion (63.9%) supported COVID-19 pandemic response. Revolving programs contributed to the majority (84.4%) of this response, totaling \$2.4 billion. NSO contributed 17.8% of the total \$16.1 billion ADB resources committed from sovereign and nonsovereign operations COVID-19 response. In addition to its own resources, ADB mobilized \$5.3 billion in cofinancing, \$2.7 billion (50.2%) of which was COVID-19-related. Excluding revolving programs, nonsovereign commitments decreased by \$1.6 billion (53%), from \$3.0 billion in 2019 to \$1.4 billion in 2020. A summary of commitments in 2020 is in Table 7.

Figure 87: Commitments in 2020 (\$ million)



COVID-19 = coronavirus disease.
Source: Asian Development Bank data.

Table 7: Nonsovereign Operations Commitments in 2020 (\$ million)

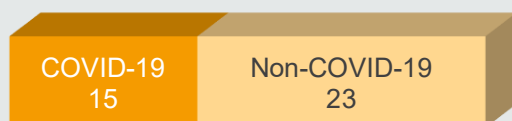
Item	Overall			COVID-19 Response			COVID-19 Response (%)	
	ADB	Cofinancing	Total	ADB	Cofinancing	Total	of ADB	of Total
Projects	1,406	1,931	3,337	442	157	559	31.4%	16.8%
Revolving programs ^a	3,069	3,272	6,341	2,419	2,496	4,915	78.8%	77.5%
Subtotal	4,475	5,203	9,678	2,861	2,653	5,514	63.9%	57.0%
Resources mobilized through transaction advisory support services ^a	-	76	76	-	-	-	-	-
Technical assistance	12	7	19	6	-	6	50.0%	31.6%
TOTAL	4,487	5,285	9,773	2,867	2,653	5,520	63.9%	56.5%

- = nil, ADB = Asian Development Bank, COVID-19 = coronavirus disease.

^a Beginning 2020, ADB reports ADB-financed commitments from nonsovereign revolving programs and resources mobilized from transaction advisory support services.

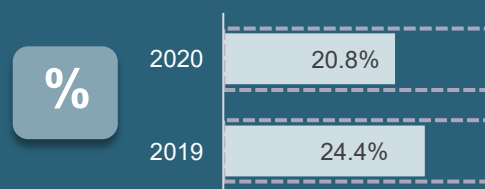
Source: Asian Development Bank data.

Figure 88: 2020 Commitments (Non-COVID-19 and COVID-19) (number)



COVID-19 = coronavirus disease.
Source: Asian Development Bank data.

Figure 89: Percentage of Commitments, by Number



S2030 Target, 33% by 2024

S2030 = Strategy 2030.

Source: Asian Development Bank data.

121. **Number of commitments.** The total number of project commitments (excluding those under revolving programs) reached 38 in 2020 (same as in 2019), exceeding the 2020 planning target of 37. Of that total, 15 were COVID-19 related (Figure 88). However, the share of

²⁴ Beginning 2020, ADB reports ADB-financed commitments from nonsovereign revolving programs and resources mobilized from transaction advisory support services.

nonsovereign project commitments to ADB total commitments dropped from 24.4% in 2019 to 20.8% as of year-end 2020 (Figure 89) because of higher sovereign commitments (145 in 2020 compared with 118 in 2019). The NSO Strategy 2030 target by number is one-third (33%) of ADB's operations by 2024. The 38 commitments were financed from 26 loans (25 in 2019), seven debt securities (seven in 2019), and five equity investments (eight in 2019). There were no project guarantee investments (two in 2019). The average committed investment size was \$36.0 million for loans (\$93.4 million in 2019) and \$51.0 million for equities (\$22.1 million in 2019). The average project size declined by 53.1% to \$37.0 million, compared with \$79.0 million in 2019.

122. The sector and country distribution of ADB's COVID-19 project commitments by number and by amount are in Figures 90 and 91. The highest support by sector was to agriculture and natural resources (33.3%), and, by country, to India and the PRC (both with 26.7%).

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128. **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**

129. **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]²⁵**

²⁵ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**

130. **Cofinancing.** In 2020, commitments from cofinancing, including those from revolving programs, totaled \$5.3 billion, a drop from \$7.0 billion in 2019. Of the total, \$3.3 billion (61.9%) was for revolving programs (down from \$3.7 billion in 2019), \$1.9 billion (36.5%) was for project cofinancing, \$76.0 million (1.4%) was for transaction advisory services, and \$6.5 million (0.1%) was for TA cofinancing. Cofinancing mobilized for COVID-19 interventions was \$2.7 billion. Out of which, \$2.5 billion (94.1%) was for revolving programs while \$157.5 million (5.9%) was for project cofinancing. Long-term cofinancing totaled \$2,184.9 million (\$3,459.3 million in 2019) while short-term cofinancing totaled \$3,100.6 million (\$3,564.9 million in 2019).²⁶ Parallel loans totaled \$652.4 million, down from \$1,671.7 million in 2019. Parallel equity totaled \$101.1 million, down from \$541.6 million in 2019. The amount of B loans totaled \$467.7 million, up from \$181.5 million in 2019. Risk transfer cofinancing totaled \$443.2 million, down from \$627.7 million in 2019. The cofinancing ratio was 2.1, exceeding the planning target of 1.5.²⁷

Figure 92: Breakdown of Cofinancing Commitments in 2020 (\$ million, %)

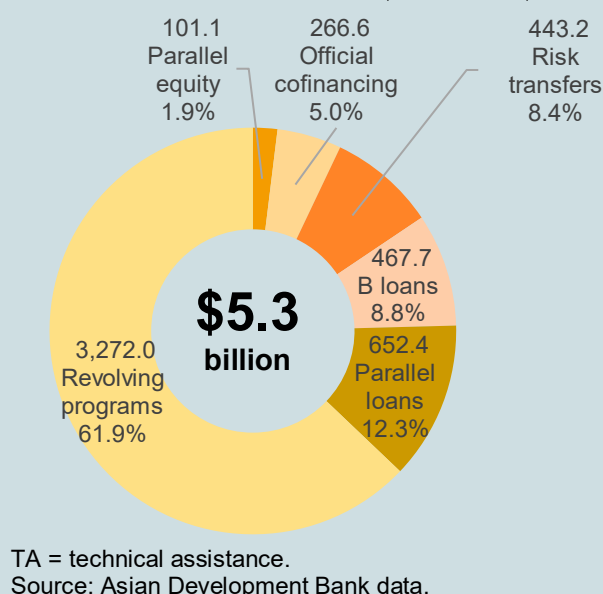
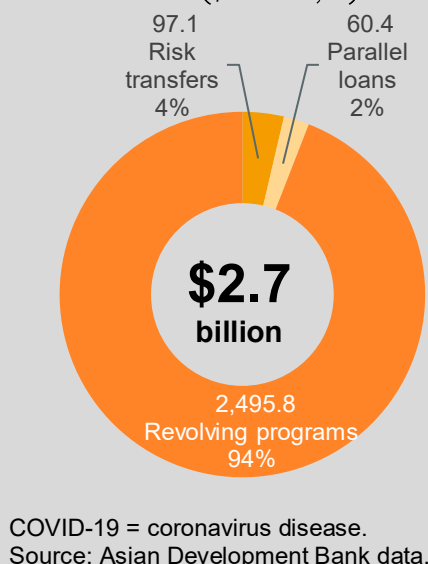


Figure 93: Breakdown of Cofinancing Commitments in 2020, COVID-19 (\$ million, %)



131. [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]²⁸

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²⁶ Short-term cofinancing includes that from TFP, SCFP and MFP.

²⁷ The ratio of long-term nonsovereign cofinancing to regular OCR for nonsovereign operations less risk transfers. This includes transaction advisory services of \$76.0 million from the Office of Public-Private Partnership. It excludes TFP and SCFP.

²⁸ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

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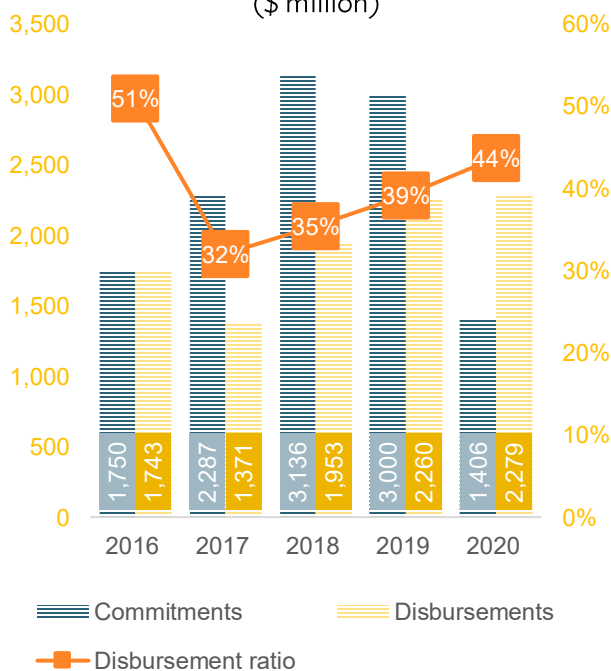
134. [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

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Figure 97: Commitments, Disbursement, and Disbursement Ratio
(\$ million)



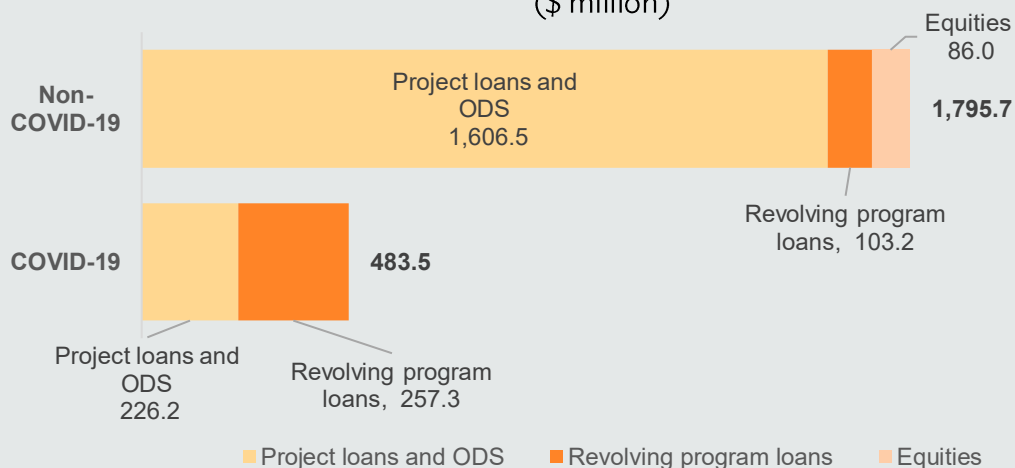
Note: Commitments exclude annual cumulative commitments from revolving programs.
Source: Asian Development Bank data.

136. Disbursements and disbursement ratio.

Figure 97 provides an overview of the growth in project commitments, disbursements, and disbursement ratio since 2016. Despite the challenging operating environment, 2020 disbursements reached \$2,279.1 million, a similar level as in 2019 (\$2,259.8 million). The higher disbursements in 2020 were mainly due to disbursements: (i) on COVID-19 liquidity facilities which were highly time sensitive; (ii) to financial institutions for on-lending or for asset liability management and would be naturally fast-disbursing; (iii) to a strong holding company parent on a corporate finance basis for cascade to its operating subsidiary in Myanmar; and (iv) to project finance loans that are already disbursing and in the middle of their construction period. Of the total disbursements, \$483.5 million or 21.2% was to address urgent funding needs for NSO borrowers suffering from the impact of COVID-19 (Figure 98). The disbursement ratio continued to be strong and reached 43.6% at the end of the year.²⁹ Loan and other debt security disbursements totaled \$2,193.1 million, or 96.2% of total disbursements, and equity disbursements totaled \$86.0 million, or 3.8% of total disbursements.

²⁹ The ratio of total disbursements during the year to the balance available for disbursements at the beginning of the year plus commitments during the year minus cancellations during the year.

Figure 98: Sources for 2020 Nonsovereign Disbursements
(\$ million)



COVID-19 = coronavirus disease, ODS = other debt securities.

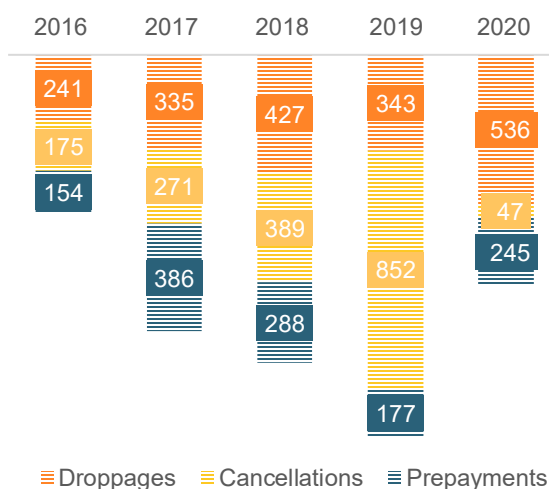
Source: Asian Development Bank data.

137. Droppages and cancellations.

Droppages and cancellations totaled \$582.6 million in 2020, a 51.2% drop from \$1,194.9 million in 2019. While there was a 56.1% increase in droppages in 2020 (\$536.0 million in 2020 compared with \$343.3 million in 2019), cancellations significantly dropped by 94.5% to \$46.7 million from \$851.6 million in 2019 (Figure 99). In 2020, droppages were 32.5% of approvals while cancellations were 3.3% of commitments by value. [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]³⁰ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]³¹

There were no significant cancellations in 2020, and most cancellations were from insignificant excess fund balances. During 2016–2020, loan and other debt security droppages averaged 10.3% of all approvals, equity droppages averaged 10.9%, and guarantee droppages

Figure 99: Droppages, Cancellations, and Prepayment
(\$ million)



Source: Asian Development Bank data.

³⁰ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

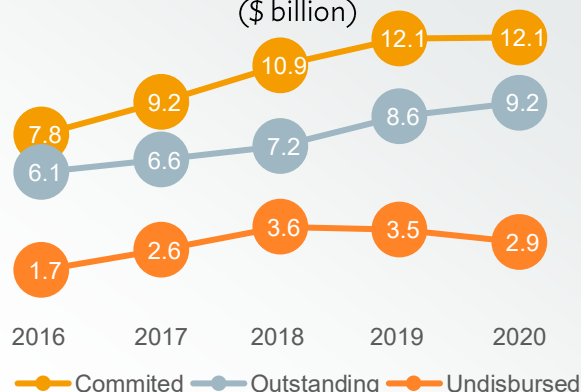
³¹ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

averaged 73.1%.³² Cancellations averaged 14.1% of commitments in loan and other debt securities, 22.1% in equity, and 12.4% in guarantees.³³ Overall, during 2016–2020, droppages averaged 14.5% of approvals and cancellations averaged 14.7% of commitments. For 2016–2020, both droppages and cancellations were within 10%–15% of the guidance limit established in the 2015 Annual Portfolio Performance Report (APPR).³⁴

138. **Debt prepayments.** [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]³⁵ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]³⁶ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]³⁷ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.] Except for one special event-triggered prepayment totaling \$1.2 million, all other loan prepayments were voluntary (initiated by the borrowers) and totaled \$152.4 million (\$165.5 million in 2019). The voluntary prepayments occurred because the borrower could refinance at better terms, had sufficient internal cash generation to prepay, or for other borrower-specific reasons. Twelve loans were full prepayments and totaled \$140.6 million (\$146.8 million in 2019), while the four partial prepayments totaled \$12.9 million (\$30.4 million in 2019). The voluntary prepayments generated prepayment premiums and breakage or unwinding revenue of \$4.4 million in 2020 (\$0.7 million in 2019).

139. **Committed and outstanding portfolio (excluding guarantees) continued to increase.** By the end of 2020, the committed portfolio, excluding guarantees, remained at the year-end 2019 level of \$12.1

Figure 100: Committed, Undisbursed and Outstanding (excluding Guarantees) (\$ billion)



Source: Asian Development Bank data.

³² Droppage is an investment approved by ADB's Board of Directors or management, but which failed to become a signed agreement. Droppage percentages are the sum of droppages during 2016–2020 over the sum of approvals during 2015–2019.

³³ Cancellation is the undisbursed committed balance of an equity investment, loan, guarantee or other debt securities cancelled by the mutual consent of ADB and an investee company/borrower/counter-party. Cancellation percentages are the sum of cancellations during 2016–2020 over the sum of commitments during 2015–2019.

³⁴ Droppages and cancellations in NSO can be higher—unlike for sovereign operations, where the loan documentation has already been negotiated with the DMC, for NSO projects, usually only the term sheet is agreed by the time of Board consideration. Some transactions approved by the Board may not be finalized because of market conditions at the time of loan negotiations or the borrower's non-compliance with conditions precedent to disbursements within the availability period.

³⁵ A loan prepayment occurs when a borrower repays the loan principal balance in full or in part ahead of the agreed principal repayment schedule. Prepayment can be initiated by the borrower or in line with the agreed term in the loan agreement.

³⁶ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

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billion. The increased loan disbursements in 2020 contributed to maintain the committed portfolio offsetting the drop in commitments (Figure 100). The total undisbursed portfolio decreased by 16.5% to \$2.9 billion from \$3.5 billion at the end of 2019. By the end of 2020, the total outstanding portfolio increased by 7.3% to \$9.2 billion, from \$8.6 billion at the end of 2019.³⁸

B. Key Findings

1. Portfolio Concentration – Committed Portfolio

140. Operations by product.

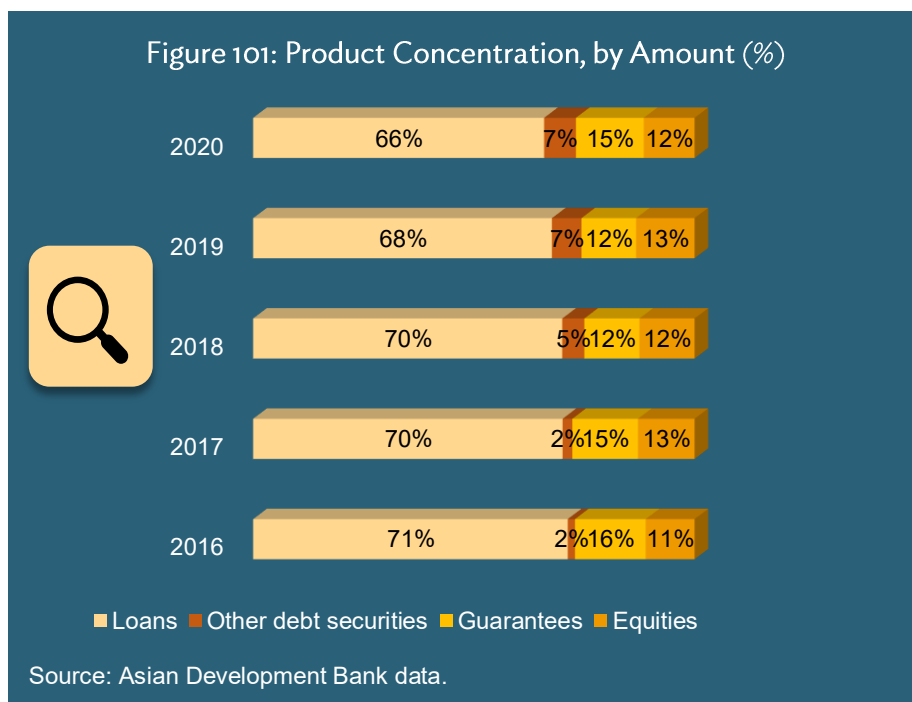
Loans continued to be the primary NSO instrument, representing 65.9% of the committed portfolio by year-end 2020 (67.7% at year-end 2019). Its share has declined gradually from 71.3% at year-end 2016 primarily because of increased lending from other debt securities (ODS). The ODS share has increased from 1.6% (\$150.8 million) in 2016 to 7.2% (\$1,034.2 million) in 2020 (6.7% in 2019). [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

The share of guarantees in the committed portfolio increased from 12.4% (\$1,704.2 million) in 2019 to 15.4% (\$2,204.2 million) in 2020 largely because of COVID-19 support from the trade finance programs. The share³⁹ of equities dropped from 13.2% in 2019 (\$1,824.8 million) to 11.5% in 2020 (\$1,649 million). This was due to fair value decreases and partial divestment of two direct listed equity investments (Figure 101).⁴⁰

141. Among NSO commitments in 2020, loan and other debt security commitments totaled \$1,451.8 million, or 32.4% of total commitments; guarantee commitments totaled \$2,767.8 million (all from revolving programs), or 61.9% of total commitments; and equity commitments totaled \$255.0 million, or 5.7% of total commitments.

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142. **Sector concentration.** Concentration in the energy and finance sectors remains high at 78.6% although there was a gradual decline during 2016–2020 (83.3% in 2016). While



³⁸ The total outstanding portfolio in this aspect excludes executed guarantees.

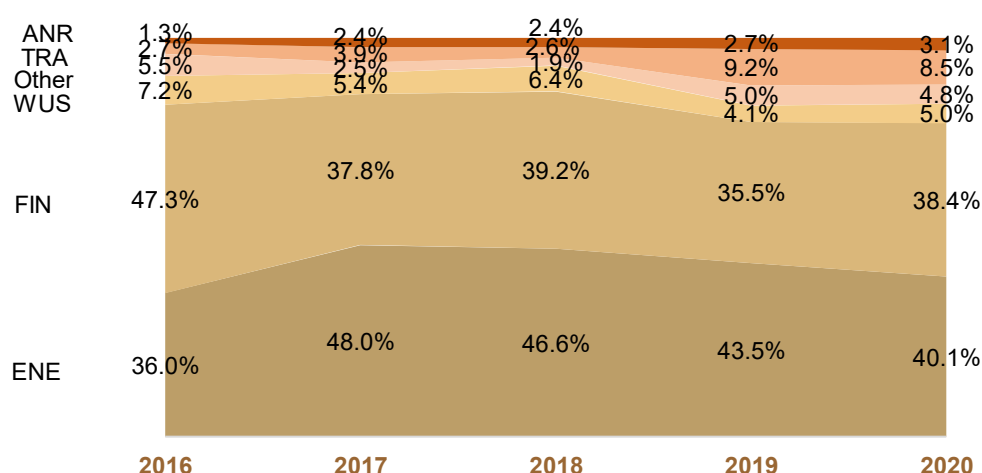
³⁹ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

⁴⁰ Most direct equities (listed and unlisted) are carried on the balance sheet at fair value, and few direct equities are carried or accounted for at the equity method.

concentration in the energy sector increased to 40.1% from 36.0% in 2016, it dropped by 8.8% for the finance sector and represents 38.4% of the committed portfolio. Over the last 5 years, energy sector commitments have averaged about 41.5% and finance sector commitments have averaged about 31.5% of the total (Figure 103). Concentration in these sectors will continue to be high as planned investments for each sector will account for more than 25% of ADB's total NSO by project count annually until 2024.⁴¹ The concentration in the transport sector is 8.5% up from 2.7% in 2016 and information and communication technology (ICT) sector is 3.7% increased from 1.6% in 2016.

143. In 2020, the highest project commitments by amount were in the finance sector, with commitments of \$599.0 million (42.6% of the total) for 12 projects (13 in 2019), followed by the energy sector with commitments of \$411.3 million (29.3%) for 14 projects (13 in 2019). **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**⁴² **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**⁴³ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**⁴⁴ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**⁴⁵ The agriculture and natural resources sector had five new commitments (\$148.8 million) in 2020; all of which were COVID-19 related projects.

Figure 103: Sector Concentration, by Amount (%)



ANR = agriculture, natural resources, and rural development; ENE = energy; FIN = finance; TRA = transport; WUS = water and other urban infrastructure and services.
Source: Asian Development Bank data.

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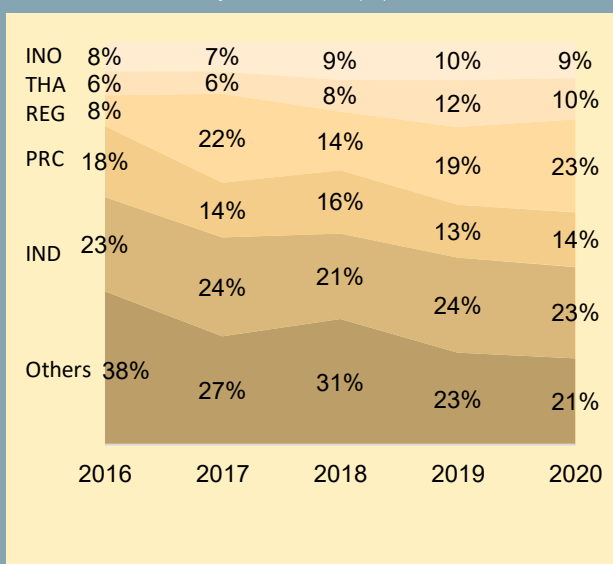
⁴³ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**

⁴⁴ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**

⁴⁵ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**

144. **Country concentration.** Exposure to four countries—India, the PRC, Thailand, and Indonesia—has been high and accounted for 55.7% of the committed portfolio at the end of 2020 (Figure 104). Of the committed portfolio, the largest concentration was in India (22.7%, down from 23.8% in 2019), followed by the PRC (13.6%, up from 13.0% in 2019). Concentration in Thailand was 10% (12% in 2019) in Indonesia was 9% (10% in 2019). 2020 commitments in India (\$356.1 million for eight projects) and the PRC (\$405.7 million for seven projects) accounted for 54.2% (\$761.8 million) by amount and 39.5% by project count. Projects classified as regional accounted for 22.9% of the commitments by amount in 2020.

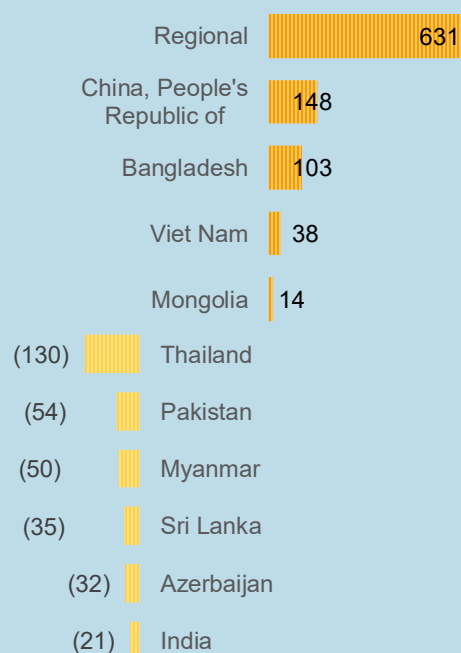
Figure 104: Country Concentration, by Amount (%)



IND = India, INO = Indonesia, PRC = People's Republic of China, REG = Regional, THA = Thailand.

Source: Asian Development Bank data.

Figure 105: Largest Changes (\$ million)

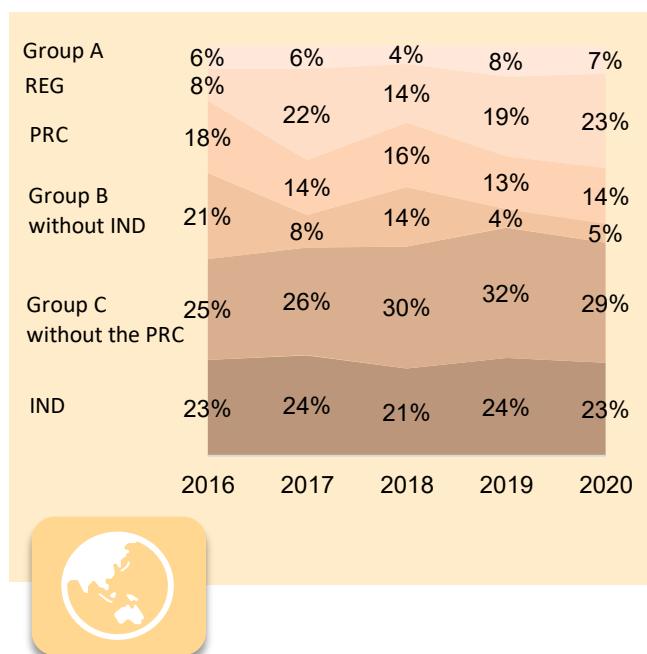


() = negative.

Source: Asian Development Bank data.

145. **Nonsovereign operations by country group.**⁴⁶ Commitments in terms of amount across most categories of country groups decreased substantially in 2020, the exception being group B countries excluding India. Total project commitments decreased to \$1.4 billion in 2020, from \$3.0 billion in 2019. The share of 2020 commitments in group A countries dropped to 0.7% from 21.0% in 2019 as only \$10 million was committed from a single project compared with \$631.5 million from three projects in 2019. Commitments in group B countries (excluding India) increased by \$62.2 million to reach \$148.4 million in 2020, increasing the group B share of 2020 commitments to 10.6% (2.9% in 2019).⁴⁷ Commitments in group C countries (excluding the PRC) decreased to \$206.9 million (14.7%) from \$773.9 million (25.8%) in 2019. Commitments classified as regional increased from \$162.5 million in 2019 to \$278.8 million in 2020. Commitments in the PRC and India decreased to \$761.8 from \$1,346.1 million in 2019, however its share of total commitments increased to 54.2% in 2020, from 44.9% in 2019. Commitments in groups A and B countries (excluding India) dropped to \$158.4 million or 11.3% of the total commitments, from \$717.6 million, or 23.9% of the total commitments in 2019.

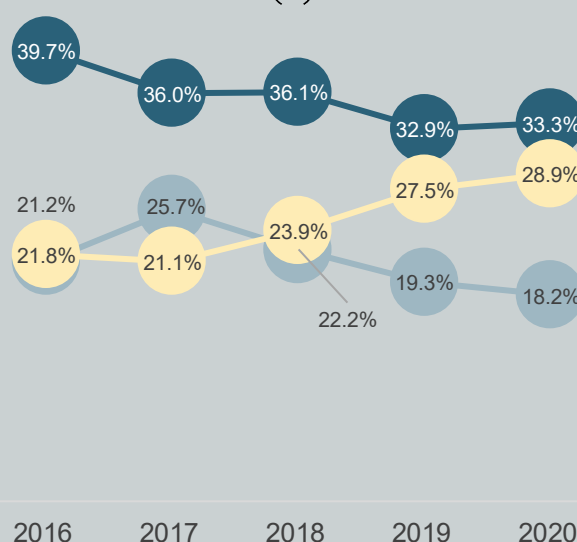
Figure 106: Country Group Concentration, by Amount (%)



IND = India, PRC = People's Republic of China, REG = regional.

Source: Asian Development Bank data.

Figure 107: Operations by Country Group, by Project Count 2016–2020 (%)



IND and PRC
Groups A and B, excluding IND
Group C, excluding the PRC

IND = India, PRC = People's Republic of China.
Source: Asian Development Bank data.

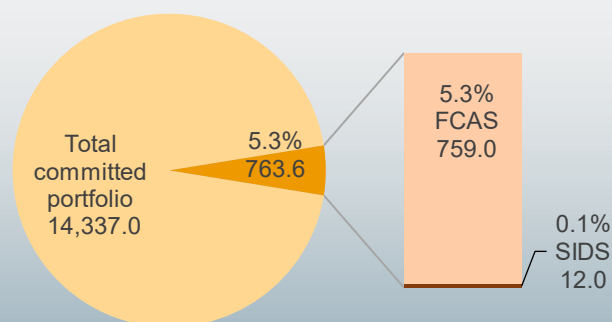
146. The NSO committed portfolio by project count remained concentrated in India and PRC with 33.3% (Figure 107), but concentration has gradually declined since 2016, when it was 39.7%. The committed portfolio in groups A and B countries (excluding India) has dropped to 18.2% from 21.2% in 2016. The committed portfolio in group C countries (excluding the PRC) has increased to 28.9% from 21.8% in 2016, mainly because of several new commitments in Thailand,

⁴⁶ [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]

⁴⁷ Sri Lanka and Viet Nam graduated from group B to group C in 2019.

Indonesia, and Armenia (26 out of 76 commitments—excluding commitments in the PRC, India and regional—during 2016–2020) and because of the graduation of Viet Nam and Sri Lanka to group C. Of 15 COVID-19 related project commitments in 2020, four were in India and four were in the PRC, two were in group B countries (excluding India), four were in group C countries (excluding the PRC), one was regional.

Figure 108: Portfolio Composition, FCAS and SIDS (\$ million, %)



FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

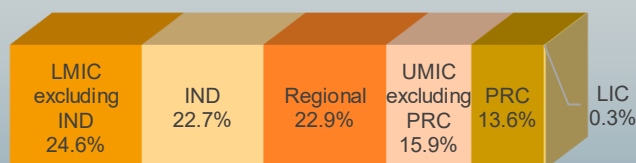
Note: \$7.4 million in Papua New Guinea included in both FCAS and SIDS.

Source: Asian Development Bank data.

147. Commitments in fragile and conflict affected situations and small island developing states. As of 2020, the committed portfolio in FCAS and SIDS DMCs remains low at 5.3% by amount (Figure 108) and 4.4% by project count. The total committed FCAS and SIDS portfolio totaled \$763.6 million from 10 projects. Of this, 96.6% or \$737.9 million was under five projects in Myanmar, of which \$555.5 million was in one 2019 nonsovereign public sector project commitment. **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**⁴⁸ Three SIDS—Maldives, Papua New Guinea (also classified a FCAS), and Samoa—have a combined \$12.0 million committed

portfolio, which is only 0.1% of the overall NSO portfolio. At the end 2020, out of 17 FCAS or SIDS countries, only five (Afghanistan, Myanmar, Papua New Guinea, Samoa and Maldives) had direct nonsovereign commitments. The Federated States of Micronesia, Kiribati, Kyrgyz Republic, Nauru, Marshall Islands, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu, Cook Islands, Fiji, Palau, and Tonga did not have any direct commitments.

Figure 109: Portfolio Composition by Income Group by amount (%)



IND = India, LIC = low-income country, LMIC = lower middle-income country, PRC = People's Republic of China, UMIC = upper middle-income country.

Source: Asian Development Bank data.

148. Operations by income groupings.

As of year-end 2020, the share of the committed portfolio in lower middle-income countries (excluding India) was 24.6% (25.5% in 2019), and 15.9% (18.1% in 2019) in upper middle-income countries (excluding the PRC). India's share was 48.0% of the lower middle-income country portfolio, and the PRC's share was 46.1% of the upper middle-income country portfolio. The composition has not changed materially during 2016–2020 and there have been only three transactions in low-income countries and none in high-income countries (Figure 109).

⁴⁸ **[This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]**

149. **Operations by region.** NSO were highest in Southeast Asia with a share of 30.2% by amount of the committed portfolio and 23.1% by project count. Operations in South Asia were the second largest, with 24.8% by amount and 24.4% by project count. NSO in the Pacific region remains low and accounted for 0.1% by amount and 0.9% by project count. Portfolio categorized as regional represents 22.9% by amount and 19.6% by project count (Figure 110).

150. **Nonsovereign public portfolio.** [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]⁴⁹ During 2016–2020, \$2,899.3 million transactions were committed from 11 projects, of which four transactions with a value of \$1,313.8 million were committed in 2019. At the end of 2020, the total nonsovereign public sector committed portfolio reached \$2,536.3 million, \$1,701.7 million of which was outstanding and doubled from the 2016 amount of \$561.9 million. The nonsovereign public sector portfolio remains modest at 15.1% of the overall outstanding nonsovereign portfolio of \$11.3 billion.

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152. Local currency financing helps expand ADB's assistance to smaller and more local clients in less-developed markets. This has been facilitated by an expansion of local currency available for financing to 23 currencies by the Treasury Department and the adoption of a new Asian Development Fund (ADF)-Private Sector Window for group A DMCs. During 2020, local currency disbursements from loans and ODS represented 29.3% of total disbursements.

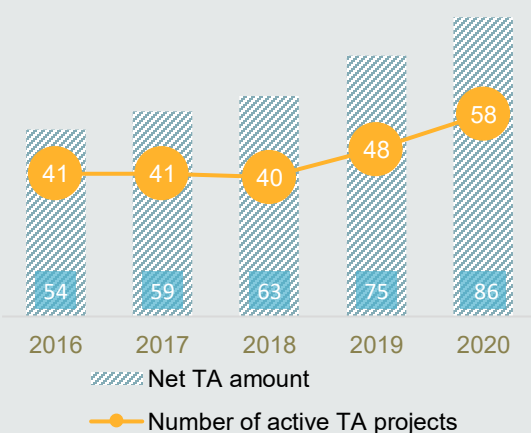
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153. **Technical assistance portfolio.** TA plays an essential role in NSO in developing capacity and providing policy advice in corporate governance, environmental and social standards, risk management and broader sector regulatory frameworks that support private sector development; and in developing new products for underserved segments. The committed TA portfolio has increased in number and amount, from \$53.6 million (41 in number) in 2016 to \$85.8 million (58 in number) in 2020 (Figure 113). During 2016–2020, \$81.5 million in TA has been committed for NSO. In 2020, new commitments totaled \$18.2 million, down from \$24.2 million in 2019. COVID-19 related commitments were \$5.7 million.

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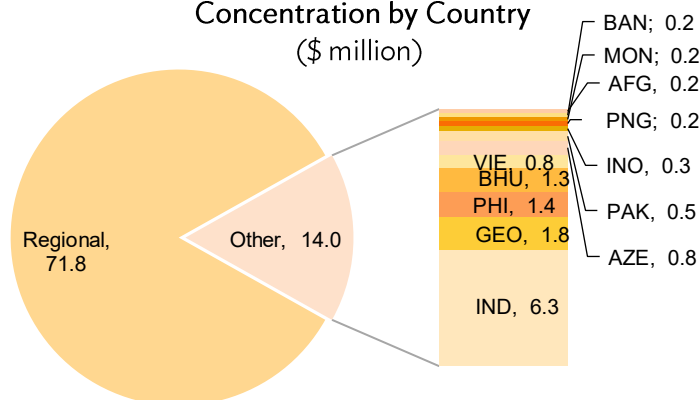
⁵⁰ ADB. 2020. *FAST Report. Loan to Jointown Pharmaceutical Group Co. Ltd in the People's Republic of China*. Manila and ADB. 2020. *FAST Report. Loan to PT Cisarua Mountain Dairy Farmer Support and Food Security Project in Indonesia*. Manila.

Figure 113: Technical Assistance Portfolio Growth, 2016–2020 (\$ million)



TA = technical assistance.
 Source: Asian Development Bank data.

Figure 114: Technical Assistance Concentration by Country (\$ million)



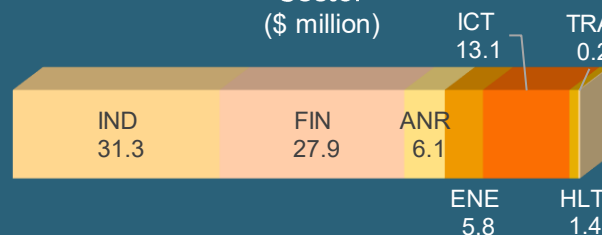
AFG = Afghanistan, AZE = Azerbaijan, BAN = Bangladesh, BHU = Bhutan, GEO = Georgia, IND = India, INO = Indonesia, MON = Mongolia, PAK = Pakistan, PHI = Philippines, PNG = Papua New Guinea, VIE = Viet Nam.

Source: Asian Development Bank data.

154. **Country distribution.** Of active TA, 83.7% by amount (\$71.8 million) is categorized as regional TA. India has the largest share of committed TA (7.3%), followed by Georgia (2.1%) (Figure 114). Of TA commitments during 2016–2020, 82.6% by amount (\$67.3 million) was regional TA; India's share was 7.7%, and Georgia's 2.2%.

155. **Sector distribution.** Industry and trade (\$31.3 million, 36.5%) and finance (\$27.9 million, 32.5%) account for the largest share of active committed TA by sector. TA commitments during 2016–2020 were also highest in industry and trade (38.0%) and finance (31.2%) sectors (Figure 115).

Figure 115: Technical Assistance Concentration by Sector (\$ million)



ANR = agriculture, natural resources, and rural development; ENE = energy; FIN = finance; HLT = health; ICT = information and communication technology; IND = industry and trade; TRA = transport.

Source: Asian Development Bank data.

2. Portfolio Performance

a. Impact of Pandemic on Nonsovereign Portfolio: An Overview

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b. Processing Efficiency

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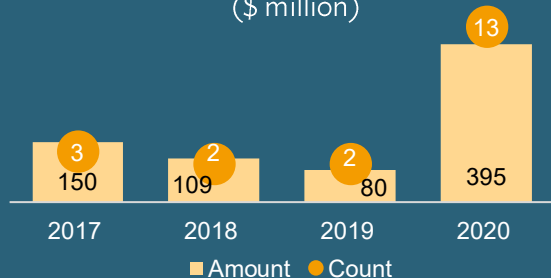
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168. **Transactions not yet signed.** The amount pending effectiveness continued to decrease and totaled \$0.7 billion (down from \$1.0 billion at the end of 2019). The pace of commitments further increased with 71.7% (33 out of 46) approved and signed within 2020 (up from 68.4% in 2019). Figure 118 shows the transactions with the full amount pending for signing by year of approval. Of 20 unsigned transactions, 13 were from projects approved in 2020. Three loans approved in 2017 for Armenia, Pakistan and Vietnam have remained unsigned for more than 36 months.

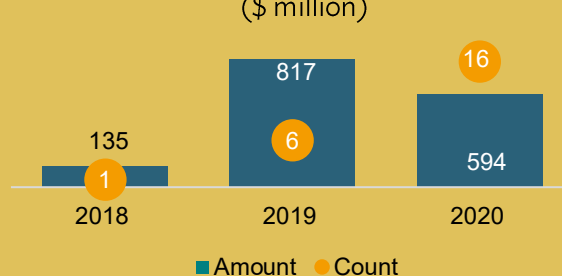
169. **Transactions pending disbursements.** By the end of 2020, 23 transactions totaling \$1.5 billion (compared with 28 transactions with a value of \$1.8 billion at year-end 2019) had been signed but not yet disbursed; 69.6% of these were signed in 2020 (Figure 119). Of the 38 projects committed in 2020, only 16 projects or 42.1% were signed and disbursed within 2020 (down from 52.6% in 2019).

Figure 118:
Transactions Approved but Not Yet Signed
(\$ million)



Source: Asian Development Bank data.

Figure 119:
Transactions Signed but Not Yet Disbursed
(\$ million)



Source: Asian Development Bank data.

c. Financial Performance

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i. Loans and Other Debt Securities Portfolio Financial Performance

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ii. Guarantee Portfolio Financial Performance Portfolio

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iii. Equity Portfolio Financial Performance

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i. Loan, Other Debt Security, and Guarantee Portfolio and Financial Performance

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ii. Equity Portfolio

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C. Lessons and Recommendations

1. Lessons

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2. Status of 2019 APPR Recommendations

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3. Proposed Portfolio Actions for 2021

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4. Findings and Recommendations of the 2020 APPR

236. [This information contains sensitive financial information subject to disclosure restrictions per paragraph 5, exception (viii) of ADB's Access to Information Policy.]
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The background features a light purple gradient. Three abstract geometric designs are scattered across the page. Each design consists of a central yellow arc, a thin grey arc, and a cluster of colorful segments (dark blue, teal, yellow, and light blue) arranged in a fan-like pattern. One design is in the top right, one in the middle left, and one in the bottom right.

APPENDIXES

2020 SOVEREIGN PORTFOLIO: KEY INDICATORS

	Active Portfolio (\$ million) ^a		Contract Award Ratio (%) ^b		Uncontracted (%) ^b		Disbursement Ratio (%) ^c		Undisbursed (%) ^c		PPR Rating			
											On Track (%)		Implementation Risk (%)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
OPERATIONS	101,572	86,974	28	25	37	39	18	20	61	61	64	74	36	26
CWRD	24,416	22,319	22	18	38	39	16	16	58	61	60	62	40	38
Afghanistan	3,155	3,245	17	8	42	37	14	10	61	59	52	38	48	63
Armenia	613	610	0	29	26	12	7	10	47	50	29	43	71	57
Azerbaijan	1,155	1,155	0	65	7	11	37	29	26	41	67	100	33	-
Georgia	2,515	2,171	26	41	27	27	9	21	63	60	78	100	22	-
Kazakhstan	1,938	841	66	6	10	13	11	43	43	31	80	100	20	-
Kyrgyz Republic	677	752	20	5	47	55	7	8	82	82	46	82	54	18
Pakistan	7,666	7,933	21	18	35	38	18	13	56	62	53	47	47	53
Regional	60	49	-	-	-	-	-	-	-	-	100	100	-	-
Tajikistan	967	898	12	14	50	32	15	22	66	51	69	93	31	7
Turkmenistan	503	503	78	-	22	100	15	0	84	100	-	-	100	100
Uzbekistan	5,	4,162	11	17	57	58	20	22	58	65	68	48	32	52
EARD	14,938	13,301	15	18	50	46	17	22	61	57	70	77	30	23
China, People's Republic of	13,167	11,608	14	18	50	45	17	22	60	55	71	77	29	23
Mongolia	1,756	1,678	20	17	55	57	18	17	65	68	68	79	32	21
Regional	14	15	-	-	-	-	-	-	-	-	-	-	-	-
PARD	3,453	2,965	24	24	28	33	20	21	53	58	66	78	34	22
Cook Islands	70	57	46	64	13	18	50	32	25	46	100	50	-	50
Fiji	180	242	7	74	46	23	6	12	80	85	-	50	100	50
Kiribati	93	26	0	62	80	1	87	48	81	10	100	100	-	-
Marshall Islands	70	39	6	6	65	54	13	14	72	68	60	50	40	50
Micronesia, Federated States of	82	54	9	3	61	56	7	7	65	59	-	-	100	100
Nauru	93	91	70	1	8	34	15	18	69	81	100	100	-	-
Niue	1	0	-	-	100	-	-	-	-	-	-	-	-	-
Palau	84	69	12	30	12	9	43	27	20	24	100	100	-	-
Papua New Guinea	2,009	1,615	28	13	16	27	25	21	41	51	50	76	50	24
Regional	216	230	49	28	36	71	12	3	85	97	25	50	75	50
Samoa	140	130	1	0	83	61	4	23	84	64	100	100	-	-
Solomon Islands	157	153	12	41	49	47	11	47	72	72	67	83	33	17
Tonga	136	148	59	33	20	40	25	60	53	62	100	100	-	-
Tuvalu	43	37	63	6	33	60	17	17	68	76	67	100	33	-
Vanuatu	79	75	24	5	56	31	24	35	66	45	67	80	33	20

2020 SOVEREIGN PORTFOLIO: KEY INDICATORS

	Active Portfolio (\$ million) ^a		Contract Award Ratio (%) ^b		Uncontracted (%) ^b		Disbursement Ratio (%) ^c		Undisbursed (%) ^c		PPR Rating			
											On Track (%)		Implementation Risk (%)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
SARD	33,878	30,714	38	42	25	26	21	23	59	58	72	87	28	13
Bangladesh	10,575	9,663	30	44	26	26	18	24	55	56	81	93	19	7
Bhutan	396	326	12	32	23	17	31	27	49	56	82	100	18	-
India	14,479	13,421	48	48	22	23	20	25	63	58	67	88	33	12
Maldives	249	102	5	56	61	30	16	22	76	62	40	100	60	-
Nepal	3,675	3,102	29	21	34	31	14	16	63	59	65	81	35	19
Regional	61	65	-	100	-	-	-	-	-	-	-	-	100	100
Sri Lanka	4,443	4,036	31	28	27	35	32	21	52	62	77	79	23	21
SERD	24,886	17,676	33	14	48	62	18	16	68	70	51	65	49	35
Cambodia	2,001	1,634	28	13	49	58	16	12	70	74	54	63	46	37
Indonesia	5,982	3,253	17	41	65	65	17	38	70	55	40	71	60	29
Lao PDR	818	859	19	27	38	42	20	20	54	60	56	91	44	9
Myanmar	2,561	1,456	7	3	85	86	5	3	93	92	43	67	57	33
Philippines	6,725	4,443	64	8	34	77	40	18	65	77	56	69	44	31
Regional	295	304	-	100	-	-	-	(0)	-	-	57	67	43	33
Thailand	1,596	95	-	100	1	-	-	(2)	-	-	100	100	-	-
Timor-Leste ^d	294	291	2	43	15	15	16	16	50	58	43	83	57	17
Viet Nam	4,615	5,340	16	7	41	53	7	8	63	72	53	46	47	54
NON-OPERATIONS	549	427	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	102,121	87,400	28	25	37	39	18	20	61	61	64	74	36	26

- = nil, () = negative, 0 = amount less than \$0.5 million or percentage less than 0.5%, CWRD = Central and West Asia Department, EARD = East Asia Department, Lao PDR = Lao People's Democratic Republic, PARD = Pacific Department, PPR = project performance rating, SARD = South Asia Department, SERD = Southeast Asia Department.

Notes:

1. The 2019 figures will not tally with figures presented in the 2019 Annual Portfolio Performance Report because of adjustments made after the end of 2019.

2. Totals may not sum precisely because of rounding.

^a Covers loans, grants, technical assistance, equity investments, and guarantees.

^b Covers project loans and grants but excluding results-based, financial intermediation (FI)/credit, and FI component of combined FI/project loan and grants.

^c Covers project loans and grants only.

^d Effective 2020, Timor-Leste is reported under SERD. 2019 data for Timor-Leste was also moved under SERD for historical comparison.

Source: Asian Development Bank.

2020 NONSOVEREIGN PORTFOLIO: FINANCIAL STATEMENT

(\$ million)

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STATUS OF THE PORTFOLIO PERFORMANCE ACTIONS RECOMMENDED IN 2019

Table A3.1: Sovereign Section

<p>Issue 1: Portfolio quality was uneven in 2019 and needs improvement considering the increasing level of commitments and the implementation of Strategy 2030.</p> <p>Recommendation: Sector and country teams to focus on enhancing the quality of the active portfolio through quality project design, strong project implementation performance, and high-quality ADB supervision.</p>	<p>Central and West Asia Department</p> <p>CWRD developed standard operating procedures for processing and administering gender mainstreamed projects, financial management, and environmental safeguards, which were rolled out in December 2020. A technical session between the Accountability Mechanism and CWRD was conducted (182 staff participated) to strengthen safeguards in CWRD. In addition, CWRD initiated a management information system and programming database as it moves away from Excel systems.</p>
	<p>East Asia Department</p> <p>Implementation arrangements for smooth project implementation and capacity building for weak executing and implementing agencies were fully incorporated in project design. The ADB team and the executing and implementing agency frequently used the project performance monitoring system that adopted the revised PPR system. The ADB team, executing and implementing agency, and consultants conducted frequent virtual missions or meetings.</p>
	<p>Pacific Department</p> <p>PARD is striving to achieve quality performance. Despite COVID-19 challenges, and with changes to the PPR methodology, PARD outperformed projections, as shown by the 2020 PPR. A RETA approved in December 2020 for enhancing the quality of portfolio performance will be implemented during 2021–2025.</p>
	<p>South Asia Department</p> <p>Through its strong PAU Heads network led by the front office, SARD continued to closely monitor project implementation. It also promoted seamless collaboration among sector divisions and resident missions, leading to better project preparation and implementation. SARD has been working closely with PPFD units and outposted staff as part of an integrated SARD operations framework, while committing itself to strengthening portfolio and data management through active participation in ADB-wide initiatives on systems enhancements (Management Dashboard, Procurement Review System, eOps, Consultant Management System). SARD continued to focus on 80% design-readiness and 60% procurement-readiness. Additionally, the following measures were undertaken:</p> <ul style="list-style-type: none"> ○ SARD increased the frequency of project reviews with the governments/executing and implementing agencies. In addition to regular TPRMs, specific reviews were carried out

	<p>to resolve outstanding operational issues (through special TPRMs for slow-moving projects, project-specific review meetings, etc.).</p> <ul style="list-style-type: none"> ○ Depending upon the complexity of the project, efforts were made to develop a realistic project duration and an appropriate project modality. ○ SARD renewed its focus on financial management issues—especially the aspects relating to timely submission and quality of APFS/AEFS—to improve project performance. SARD also consulted with the supreme audit institutions to facilitate greater synergy on financial management. Safeguards-related issues were closely monitored to minimize risks. ○ A spring cleaning exercise was done in Q2 2020 on TA savings and cancellations. <p>Southeast Asia Department</p> <p>Enhanced application of the One ADB approach and close coordination with relevant departments ensured a holistic approach to project design. Newly established systems by sector divisions facilitated quality-at-entry, involving comprehensive review of documentation, design quality, and implementation arrangements. For urban and water projects, the Southeast Asia Urban Services Facility enhanced the quality of new projects through rigorous assessments and designs.</p> <p>While the COVID-19 pandemic continued to pose challenges, One-SERD project teams (resident mission and headquarters staff) improved compliance in procurement, safeguards, and financial management by conducting project-specific consultations, virtual project administration missions, and/or regular virtual meetings with executing and implementing agencies and relevant departments to resolve implementation issues or deficiencies. Project teams held virtual bimonthly portfolio performance meetings or project management action plan meetings, by sector, monitor the progress.</p> <p>Executing and implementing agencies made efforts to keep all projects moving forward with minimal delays, assisted by the increased use of virtual meetings and paperless communications.</p>
<p>Issue 2: The portfolio's age profile is not improving, indicating that projects may take longer to achieve development objectives.</p>	<p>Central and West Asia Department</p> <p>Design and procurement-readiness was supported by extensive use of PRF and SEFF, with three PRFs (AFG: Road Rehabilitation and Maintenance Program; PAK: Punjab Water Resources Management Project; PAK: Punjab Urban Development Projects) and two SEFF additional financing (KGZ: Osh-Plotina Chlorination Neutralization Plant; KGZ: Naryn Program Readiness) committed in 2020.</p>

<p>Recommendation: Leverage the use of PRF and SEFF modalities across all sectors to reduce project implementation time and the age profile of the portfolio.</p>	<p>East Asia Department</p> <p>EAER has not used PRF nor SEFF. According to EASS, the PRC's Ministry of Finance had concerns about the use of PRFs as there was no domestic procedure to approve the practice of using a portion of the subsequent loan before approving the loan itself—which would amount to refinancing by the subsequent loan.</p>
	<p>Pacific Department</p> <p>PARD processed three PRFs in 2020 (one in the transport sector and two in the water and urban sector). Three more PRFs are planned for processing in 2021.</p>
	<p>South Asia Department</p> <p>SARD processed three PRFs in 2020 for the transport, urban, and agriculture sectors.</p>
	<p>Southeast Asia Department</p> <p>SERD largely delivered COVID-19 response products in 2020 that did not use PRF or SEFF modalities. Given the emergency nature of support, project implementation time was limited, and new products did not affect the portfolio's age profile. SERD countries have domestic limitations on the use of PRF and SEFF.</p>
<p>Issue 3: With more projects shifting to the 2017 Procurement Framework, project teams need to ensure procurement objectives meet the criteria of value for money and quality.</p> <p>Recommendation: Prior to approval, each investment project, except for emergency assistance loans, should complete a robust strategic procurement planning with well-defined performance indicators to capture value for money.</p>	<p>Central and West Asia Department</p> <p>CWRD consistently holds department review meetings chaired by the director general during project concept stage. Nonregional departments are invited and PPFD works closely with project teams during this stage to complete a robust strategic procurement plan with well-defined performance indicators. These efforts are also institutionalized through the outposted PPFD specialists to CWRD sector divisions and resident missions.</p>
	<p>East Asia Department</p> <p>Robust strategic procurement planning was conducted prior to approval of each investment project. For three EAER projects approved in 2020, a strategic procurement plan and/or detailed procurement risk assessment were prepared to confirm the achievement of value for money.</p> <p>New project preparation follows the 2017 Procurement Framework to enable SPP.</p>

	<p>Pacific Department</p> <p>Ten SPPs were conducted in 2020 and SPPs are planned for all the infrastructure projects being processed.</p>
	<p>South Asia Department</p> <p>The SPP preparation activities remained on track, with the assistance of outposted PPFD staff and in consultation with relevant stakeholders. Packaging, including choice of procurement modality, was an essential part of the outcome of SPP.</p>
	<p>Southeast Asia Department</p> <p>Robust procurement assessments through development of SPPs were undertaken during project processing in close coordination with PPFD. For projects with additional financing, procurement risk assessments were updated, where applicable.</p>
<p>Issue 4: The PPR system is frequently used as a project team performance assessment tool instead of as a project implementation feedback tool to direct project team efforts.</p> <p>Recommendation: Use the revised PPR system effectively as a project management tool to track implementation risks and identify appropriate mitigation measures early.</p>	<p>Central and West Asia Department</p> <p>CWRD pays close attention to PPR ratings and has emphasized improving financial management and safeguards compliance with overall portfolio performance in 2020.</p>
	<p>East Asia Department</p> <p>The revised PPR system was used effectively as a project management tool to track implementation risks and identify appropriate mitigation measures early. However, the revised PPR system needs to be enhanced to be more user-friendly. The PPR system is supplemented by division system to ensure performance.</p>
	<p>Pacific Department</p> <p>Despite 2020's tough operating conditions and ADB's changes to the PPR system, PARD nearly met all of its targets, with 66% of its projects rated as <i>on track</i>, 23% <i>for attention</i>, and 11% <i>at risk</i>.</p>
	<p>South Asia Department</p> <p>SARD rolled out the new PPR system across DMCs in early 2020, facilitated by capacity building sessions to communicate its features and implications. The results of quarterly validation have been analyzed and discussed with the sector divisions and resident missions. Remedial action plans were developed and implemented to improve project performance.</p>



	<p>Southeast Asia Department</p> <p>SERD actively used the new PPR in portfolio management, which facilitated discussions with project teams on tracking project progress and safeguards compliance and meeting financial management requirements.</p> <p>For some procurement-related issues that are not easily reflected in the PPR system, project teams have used their own internal monitoring tools/systems.</p>
<p>Issue 5: Project supervision capacity of DMCs constrained by limited resources and weak project management skills.</p> <p>Recommendation: Adopt tailored programs that address country- and regional-specific interventions, training requirements, and priorities that can be integrated into the local institutional development strategies.</p>	<p>Central and West Asia Department</p> <p>CWRD prepared a first-ever set of social safeguards readiness filters for the Pakistan portfolio. These were approved by the director general in December 2020. CWRD spearheaded portfolio spring cleanings such as \$125 million savings and cancellations for Pakistan and \$100 million for Afghanistan for COVID-19 related programs.</p>
	<p>East Asia Department</p> <p>PRC Resident Mission conducted several online trainings based on clients' needs for 1,100+ participants from executing and implementing agencies/PMOs/relevant government agencies, covering (i) project implementation management; (ii) practical contract management; (iii) financial management; (iv) procurement; (v) ADB project safeguards training for environment, resettlement, indigenous people, and gender. Other project teams conducted training programs on safeguards and procurement.</p> <p>Tailored sector assessment reports for PPP, RCI, public management, and finance sector were prepared for Mongolia's new CPS.</p> <p>Training is undertaken by PPFD, resident missions, and project teams during specific missions.</p> <p>Special interventions to address project implementation issues were conducted through the special portfolio review meeting for the PRC and quarterly portfolio review meetings for Mongolia.</p>
	<p>Pacific Department</p> <p>PARD supports capacity-building and institutional-strengthening activities for implementing and executing agencies. In 2020, two new RETAs—Enhance Quality Portfolio Performance in the Pacific (\$5.0 million) and Sustainability Capacity Development for Safeguards in the Pacific (\$0.8 million)—were approved. Capacity building and support were provided to 15 projects in 6 countries, including on-the-ground assistance in the areas of procurement,</p>

	<p>safeguards, financial management, disbursements, portfolio reviews, and project management for effective project implementation.</p> <p>To support the use of a differentiated approach, ADB has also approved a RETA to assist SIDS to adopt longer-term planning horizons, promote cross-sectoral synergies, and support more programmatic approaches to sector investments in the economically important urban centers.</p>
	<p>South Asia Department</p> <p>Through capacity development resource centers in resident missions, SARD focused on strengthening the capacity of executing and/or implementing agencies in handling procurement processes and conducting due diligence. Emphasis was placed upon building the institutional capacity of the government institutions, project authorities, and other stakeholders. Focused training programs on procurement and project implementation issues were organized. SARD's approach to greater utilization of PRF considers the different needs of each project and the implementation capacity of executing and implementing agencies.</p>
	<p>Southeast Asia Department</p> <p>SERD programs/projects are consistently aligned with CPSs and country operations business plans, which act in concert with the country's development plans.</p> <p>In 2020, due the pandemic, most of the interventions (new products/additional financing) were unanticipated or unplanned to respond to the COVID-19-related requirements of DMCs.</p>

ADB = Asian Development Bank; AFG = Afghanistan; APFS = audited project financial statement; AEFS = audited entity financial statement; COVID-19 = coronavirus disease; CPS = country partnership strategy; CWRD = Central and West Asia Department; DG = Director General; DMC = developing member country; EA = executing agency; EAER = Environment, Natural Resources & Agriculture Division, EARD; EARD = East Asia Department, EASS = Urban and Social Sectors Division, EARD; eOps = eOperations; HQ = headquarters; IA = implementing agency; KGZ = Kyrgyz Republic; MOF = Ministry of Finance; MON = Mongolia; PAK = Pakistan; PARD = Pacific Department; PAU = project administration unit; PMAP = Portfolio Management Action Plan; PMO = project management office; PPF = Procurement, Portfolio and Financial Management Department; PPP = public-private partnership; PPR = project performance rating; PRC = People's Republic of China; PRF = project readiness financing; Q = quarter; RCI = regional cooperation and integration; RETA = regional technical assistance; RM = resident mission; S2030 = Strategy 2030; SARD = South Asia Department; SD = sector division; SEFF = small expenditure financing facility; SERD = Southeast Asia Department; SIDS = small island developing state; SPP = strategic procurement planning; TA = technical assistance; TPRM = tripartite portfolio review meeting. Source: Asian Development Bank (regional departments).

Table A3.1: Nonsovereign Section

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UPDATE ON 2020 COMMITTED ACTIONS BY REGIONAL DEPARTMENTS

SOVEREIGN SECTION

Central and West Asia Department	
(i) Expand the use of the financial intermediation loan modalities to more countries and sectors.	Due to COVID-19, DMCs' priorities changed and the focus in 2020 became supporting DMCs through COVID-19 related projects. In 2020, \$2.98 billion for 18 COVID-19 initiatives (7 CPRO loans, 1 PBL, 4 emergency assistance loans/grants, and 6 APDRF loans) were approved and signed.
(ii) Continue to expand the use of PRF, which is expected to contribute significantly to reduced project start-up delays by assisting executing agencies with limited capacity to prepare detailed designs, bidding documents, requests for proposals, and compliant safeguards reports.	Design- and procurement-readiness efforts continue with three PRFs committed in 2020 (AFG: Road Rehabilitation and Maintenance Program; PAK: Punjab Water Resources Management Project; PAK: Punjab Urban Development Projects).
(iii) Increase the share of projects delegated to resident missions from 49% in 2019 to reach the 50% target.	CWRD has an average of 50% delegated projects as of 31 December 2020.
(iv) Explore outposting staff where feasible.	Planned staff outposting slowed in 2020 due to COVID-19 travel restrictions.
East Asia Department	
(i) On a pilot basis, process two design-ready and procurement-ready projects in PRC and introduce the PRF modality in Mongolia.	EAER's Yunnan Sayu River Basin Rural Water Pollution Management and Eco-Compensation Demonstration Project could not be design-ready nor procurement-ready because of delays in preliminary design related to COVID-19.
(ii) Continue quarterly portfolio review in Mongolia and a focused review of two slow-moving projects and one provincial portfolio review in the PRC.	Conducted PRC Resident Mission SPRM for 10 slow-moving projects. Solid action plans addressing critical issues were made and monitored for each of the 10 projects. Mongolia Resident Mission conducted quarterly portfolio review meetings with executing and implementing agencies, focusing on problematic projects.
(iii) Select projects for early delegation immediately after approval.	Fifteen projects (3 in Mongolia and 12 in PRC) were delegated in 2020. Two projects were delegated immediately after approval, and four projects were delegated in Q1 2020.
Pacific Department	
(i) Continue efforts to improve project readiness through effective use of seven existing PRFs, process five additional PRFs in 2020, and work on the possibility of using a small expenditure financing facility and cofinanced grants. The project readiness checklist will be	PARD continues to work on improving project readiness, making use of PRF to prepare large investment projects. In addition to ongoing PRFs in FSM, Solomon Islands, Tonga, and Vanuatu, PARD committed three PRFs in 2020 focusing on the transport and water and urban sectors in Papua New Guinea, RMI, and Tuvalu. PARD continues to implement the project readiness checklist at concept stage, which is updated until project approval.

strengthened to monitor the readiness of projects at all stages of processing.	
(ii) The differentiated approach will be discussed and agreed upon in the ongoing preparation of the Pacific Approach and CPS for Papua New Guinea. The differentiated approach in project implementation will be incorporated in the design and reflected in the strategic procurement planning of the Pacific projects. In coordination with development partners, efforts will continue to initiate, develop, and pilot differentiated approaches in the Pacific.	The Pacific Approach will be finalized in Q1 2021. CPS for Papua New Guinea was approved in 2020. Differentiated approaches have been discussed.
(iii) Continue to work on capacity supplementation for executing and implementing agencies to improve project implementation and develop and implement sustainable capacity building measures in the Pacific.	Two new regional TA projects—Enhance Quality Portfolio Performance in the Pacific (\$5.0 million) and Sustainability Capacity Development for Safeguards in the Pacific (\$0.8 million)—were approved in 2020. The TA projects continue the support provided by the Building Project Implementation Capacities in the Pacific TA project and are aimed at meeting the high demand among Pacific DMCs and boosting the effectiveness of in-country assistance. In 2020, capacity supplementation was provided to 15 projects in 6 countries in the areas of procurement, safeguards, financial management, disbursements, portfolio reviews, and project management for effective project implementation.
(iv) In line with Strategy 2030 operational priorities, rigorously monitor the quality of project design and implementation, improve projects' quality ratings, and reduce uncontracted and undisbursed balances.	PARD met 84.4% of its corporate targets for contract awards and 98.6% of its targets for disbursements. PARD projects were 66% <i>on track</i> , 23% <i>for attention</i> , and 11% <i>at risk</i> . After completing five PCRs in 2020, PARD rated one project as <i>highly successful</i> and two as <i>successful</i> .
South Asia Department	
(i) Achieve high project readiness by focusing on the stringent project readiness review process of advance procurement actions, including actions on safeguards compliance and monitoring, executing and implementing agencies' staff resources, and risk management.	The department strived to ensure high project readiness through advance procurement actions, including actions on safeguards compliance and monitoring, executing and implementing agency staff resources, pre-construction activities, and risk management. SARD has maintained its performance on design and procurement readiness, achieving 89% design readiness compared to ADB's target of 80%, and 83% procurement readiness, compared with ADB's 60% target.
(ii) Optimize the end-to-end procurement time, especially for complex procurement cases, and reduce the turnaround period for review of bid	Average processing time for evaluation reports (more than \$10 million) is 52 days, 60% of which are procurement contract transactions of \$10 million or more with processing time of 40 days or less (80% target). Procurement time from

documents and bid evaluation reports for critical contract packages.	advertisement to contract signing is 353 days, higher than ADB's average of 287 days, as of November 2020.
(iii) Strengthen the capacity of executing and implementing agencies on procurement processes, and improve performance through a systematic program with dedicated CDRCs in resident missions.	Through CDRCs in resident missions, SARD will strengthen executing and/or implementing agencies' capacity on procurement processes and perform due diligence to improve project performance. Capacity building efforts in 2020 were predominantly conducted online. A CDRC network was also launched by SARD.
(iv) Improve the quality of financial management in projects by increasing financial management resources in the department. Financial management staff will provide support during processing as part of the project teams to ensure robust financial management arrangements are in place from project effectiveness.	Improved financial management compliance and additional financial management resources were made available (one national staff and one administrative staff were hired in 2020). Financial management staff provided support during project processing and implementation, enhanced monitoring, conducted country study, and strengthened the financial management capacity of government institutions.
(v) Provide additional support for preparation of project and TA completion reports, given the increased volume of completion reports in 2020.	SAOD provided additional staff consultancy budget to some sector divisions and resident mission offices for preparation of 2020 PCRs. Consultants were also engaged by the front office in 2020 to assist in the review of PCRs to ensure quality. Some PCRs from bigger resident missions such as India and Bangladesh were delegated to sector divisions, which also promoted collaboration and knowledge/experience sharing between headquarters and resident missions.
Southeast Asia Department	
(i) Continue efforts to improve project implementation quality, achieve 2020 operational targets, and increase the number of design- and procurement-ready projects.	<p>Project teams improved project design and implementation quality through project readiness measures, virtual country/sector portfolio reviews, virtual project review missions, more frequent virtual project meetings with executing and implementing agencies, and closer coordination between headquarters and resident missions.</p> <p>While some projects' achievement of targets were negatively impacted by COVID-19 (e.g., delay in procurement/award of contracts and mobilization of consultants and contractors), SERD has exceeded its commitments target (\$10.6 billion against the target of \$5.8 billion); achieved 90% of its disbursements target (\$2.08 billion against the target of \$2.31 billion); exceeded the target on gender equity and mainstreaming; and achieved 74% of its climate change operations target and 29% of the climate finance target.</p>
(ii) Continue to conduct tripartite country and sector portfolio performance review meetings.	Eight TPRMs were conducted in collaboration with sector divisions in 2020 (two in Cambodia, one in Indonesia, one in Lao PDR, one in Myanmar, one in Timor-Leste, and two in Viet Nam) with actions to improve project implementation jointly agreed with government in time-bound actions plans.

In Cambodia, a TPRM was conducted in July 2020, preceded by a safeguards review of water and other urban infrastructure and services projects.

In Indonesia, the annual country portfolio review mission was conducted virtually jointly with the National Development Planning Agency (BAPPENAS), the Ministry of Finance, and ADB, engaging more than 100 staff from executing and implementing agencies, the resident mission, and relevant staff from headquarters. The time-bound actions were developed to address systemic implementation issues. The Memorandum of Understanding was signed on 19 Feb as (BAPPENAS) needed to conduct a meeting with other ministries and relevant departments to get their commitments on the agreed actions. The Ministry of Finance also held internal discussions before signing the Memorandum of Understanding.

The Lao Resident Mission conducted in-person and virtual tripartite country portfolio review mission with sector divisions. An MOU with a time-bound action plan to improve portfolio performance was signed in December 2020. A 3-day tripartite sector consultation mission was held prior to the country portfolio review mission.

In Myanmar, the deputy minister of the Ministry of Planning, Finance, and Industry and the country director of the resident mission co-chaired the formal kick-off meeting (virtual) of the 2020–21 Joint Country Portfolio Review, which convenes key government agencies and ADB, the World Bank, JICA, and AFD to discuss common challenges affecting loan-financed projects. ADB is the lead/coordinating development partner for the 2020–21 round. This was followed by the tripartite portfolio review mission (virtual) to discuss progress, challenges, and forward planning for the ADB-financed sovereign loan and grant project portfolio.

Timor-Leste Resident Mission, with support from headquarters (virtual), conducted a 3-day annual CPRM in November 2020, with participation from government agencies involved in project implementation and disbursement, such as the Ministry of Finance, Ministry of Public Works, and Ministry of Planning and Territory.

Viet Nam Resident Mission conducted two results-focused (in-person and virtual) tripartite country portfolio review missions in collaboration with sector divisions, resulting in actions to improve project implementation that were jointly agreed upon with the government in time-bound action plans. In terms of country-level capacity development, sustained high-level policy engagement in Viet Nam resulted in early approval of official development assistance budgets, which



	enabled strong contract awards and disbursement performance.
	PPFD and SERD jointly conducted financial management portfolio review by country.
(iii) Pilot a joint country portfolio review arrangement by the Viet Nam Resident Mission and the Private Sector Operations Department under the One ADB/One SERD approach.	Viet Nam resident mission successfully piloted a country portfolio review covering sovereign and nonsovereign operations in November 2020.
(iv) Continue capacity development activities through tailored training for executing and implementing agencies to strengthen procurement, disbursement, financial management, safeguards, and project management capacity during processing and implementation.	<p>Project teams conducted project administration (procurement, safeguards, financial management) capacity development trainings at the project level, with sufficient support from resident mission-based specialists. Resident missions also initiated targeted project administration capacity development trainings.</p> <p>Several executing and implementing agencies also participated in the Forum on Successful Project Design and Implementation in November 2020.</p> <p>PPFD, in coordination with SERD, also conducted training on financial management by country (e.g., in the Philippines and Indonesia).</p>

ADB = Asian Development Bank; AFD = Agence Française de Développement; AFG = Afghanistan; APDRF = Asia Pacific Disaster Response Fund; CAM = Cambodia; CDRC = capacity development resource center; COVID-19 = coronavirus disease; CPRM = country portfolio performance review meeting; CPRO = COVID-19 Pandemic Response Option; CPS = country partnership strategy; CWRD = Central and West Asia Department; DMC = developing member country; EAER = Environment, Natural Resources & Agriculture Division, EARD; FSM = Federated States of Micronesia; INO = Indonesia; JICA = Japan International Cooperation Agency; LAO = Lao People's Democratic Republic; MOF = Ministry of Finance; MOPFI = Ministry of Planning, Finance and Industry; MOU = memorandum of understanding; MYA = Myanmar; MYRM = Myanmar Resident Mission; PAK = Pakistan; PARD = Pacific Department; PBL = policy-based loan; PCR = project completion report; PHI = Philippines; PNG = Papua New Guinea; PPFD = Procurement, Portfolio and Financial Management Department; PRC = People's Republic of China; PRF = project readiness financing; Q = quarter; RMI = Marshall Islands; SAOD = Office of the Director General, SARD; SARD = South Asia Department; SERD = Southeast Asia Department; SPRM = sector portfolio review mission; TA = technical assistance, TIM = Timor-Leste; TLRM = Timor-Leste Resident Mission; TPRM = tripartite portfolio review meeting; VIE = Vietnam.

Sources: ADB; ADB. Regional: [Building Project Implementation Capacities in the Pacific.](#)

2017 PROCUREMENT FRAMEWORK IMPLEMENTATION PROGRESS

OUTLINE

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I. INTRODUCTION

A. The 2017 Procurement Framework

1. In April 2017, the Board of Directors of the Asian Development Bank (ADB) approved the 2017 Procurement Framework,¹ which introduced a set of reforms anchored on achieving optimal value for money (VFM) for developing member countries (DMCs) to respond to their needs and those of ADB operations. The framework sets a new principles-based procurement policy and includes two new core procurement principles—quality and VFM—in addition to economy, efficiency, fairness, and transparency. These two new principles provide flexibility to use customized fit-for-purpose procurement methods and to better support procurement of high-level technologies. To implement the new policy, ADB Management approved in April 2017 the Procurement Regulations for ADB Borrowers (2017, as amended from time to time), containing operational procedures at the project level. The regulations were to be supplemented by detailed staff instructions, guidance notes, and user guides (including standard bidding and related procurement documents and templates), to facilitate project procurement activities by borrowers.

2. The framework is expected to improve procurement systems, processes, and governance. It directs efforts to improve procurement efficiency, quality, and delivery systems while ensuring that fiduciary, governance, and anticorruption requirements are fulfilled.

B. Key Drivers and Major Changes

3. The framework has four key drivers: increased lending operations, evolving needs of DMCs, harmonization with multilateral development banks, and improvement of procurement delivery systems.

4. Guided by key drivers, the framework shifted to a risk-based procurement model and widened the space for more players to participate. The major changes introduced in the framework include: (i) shifting from rules-based to principle-based procurement; (ii) establishing alternative procurement arrangements (APA) with other multilateral or bilateral agencies or organizations to enable procurement oversight through mutual reliance, and with project executing agencies for reliance on their accredited procurement systems; (iii) using open competitive bidding (removing limitations caused by the previous distinction between international and national competitive bidding); (iv) tracking and monitoring procurement complaints; (v) decentralizing and delegating procurement approval authority within and outside the Procurement, Portfolio and Financial Management Department (PPFD); and (vi) promoting beginning-to-end procurement support instead of focusing only on reviewing procurement documents. The expected benefits are reduced procurement time, improved quality and delivery systems, faster implementation of ADB-financed projects, greater engagement with DMCs, lower transaction costs for the borrower, and fiduciary compliance throughout the project cycle.

5. Implementation was phased, flexible, and proactive. The 2017 Procurement Framework applies to all projects with concept notes approved on or after 1 July 2017. To avoid disruption of ongoing projects that were either under processing or implementation before the framework took effect, there was no obligation to retroactively apply the framework. However, regional departments, in consultation with PPFD, have the option to review any requests by borrowers to use the framework retroactively.

¹ ADB. 2017. *Enhancing Procurement Performance of Developing Member Countries in ADB Projects*. Manila.



II. SUMMARY OF 2017 PROCUREMENT FRAMEWORK IMPLEMENTATION PROGRESS (2018–2019)

6. After Board approval in 2017, operational guiding documents were completed, and initial implementation began. The following year focused on the preparation and completion of the operational guiding documents and conducting training, which are crucial for actual implementation of the framework. Full implementation of the framework occurred in 2019.

A. Operational Guiding Documents

7. Following extensive review and consultations, in June 2018 PPFD launched 45 guiding documents for the actual implementation of the framework at the project level. These include: 4 staff instructions, 8 standard bidding documents, 9 user guides, and 24 guidance notes.

B. Capacity Building

8. To prepare ADB staff and DMCs for its implementation, PPFD conducted extensive capacity building activities in 2018. It held 10 procurement strategy clinics (PSC) for 4 regional departments and 2 executing agencies with 209 participants; 3 trainings of trainers for PPFD staff, sector heads and regional departments; and 3 procurement masterclasses on risk assessment, contract management, and strategic procurement planning (SPP). In 2019, 29 PSCs were held, 6 of which were for regional departments with 175 participants and 23 for executing agencies with 841 participants. PSCs were conducted for 2 pilot projects (1 in India and 1 in Sri Lanka). The purpose of a PSC is to introduce the SPP process to participants. Ten e-learning modules were also developed and launched in May 2019.

C. Communication and Outreach

9. To support DMCs in adopting and implementing the framework, various communication products were produced and outreach activities organized:

- (i) Outreach activities for executing agency staff and regional departments to introduce the 2017 Procurement Framework. In 2018, there were 28 activities with 2,853 participants in 20 DMCs, 1 resident mission, 1 regional department, and 6 nonregional ADB member countries;
- (ii) Eight newsletters to inform procurement practitioners of procurement, including updates on 2017 Procurement Framework activities and updated procurement reference materials;
- (iii) Twenty-five videos on guidance notes on the application of 2017 Procurement Framework features;
- (iv) Procurement website; and
- (v) Enhanced Procurement Complaints Tracking System (PCTS)

D. ADB Procurement Website

10. An ADB procurement website presenting the new procurement framework was launched in 2019 (adb.org/business/operational-procurement). The website contains the following essential information: operational procurement, business opportunities, and links to resources such as ADB's procurement policy and regulations, guidance notes, staff instructions, standard bidding documents and user's guides, standard request for proposals and user's guides, 2017 Procurement Framework e-learning modules, and instructional/informational videos.

E. Decentralization and Delegation of Authority

11. In 2019, PPFD decentralized and delegated procurement approval authority within and outside PPFD. In terms of procurement of goods and civil works, the Procurement Committee threshold increased from \$40 million to \$50 million as of 1 January 2020.

12. In terms of consulting services: (a) approval from the director general of PPFD is no longer required for engaging long-term consultants; (b) user units are not required to seek PPFD approval for direct contracting of consulting firms up to \$100,000; (c) the threshold for a consultant selection committee is increased from \$600,000 to \$750,000; and (d) PPFD directors can sign consulting services contracts up to \$2 million with firms; the deputy director general of PPFD signs contracts from \$2 million to \$5 million; and the director general of PPFD signs contracts above \$5 million.

13. To provide end-to-end procurement support to project teams and executing agencies, about 65% of procurement specialists, or 10 were outposted to resident missions and 12 were strategically placed in sector divisions and front offices of the five regional departments.

F. Alternative Procurement Arrangements

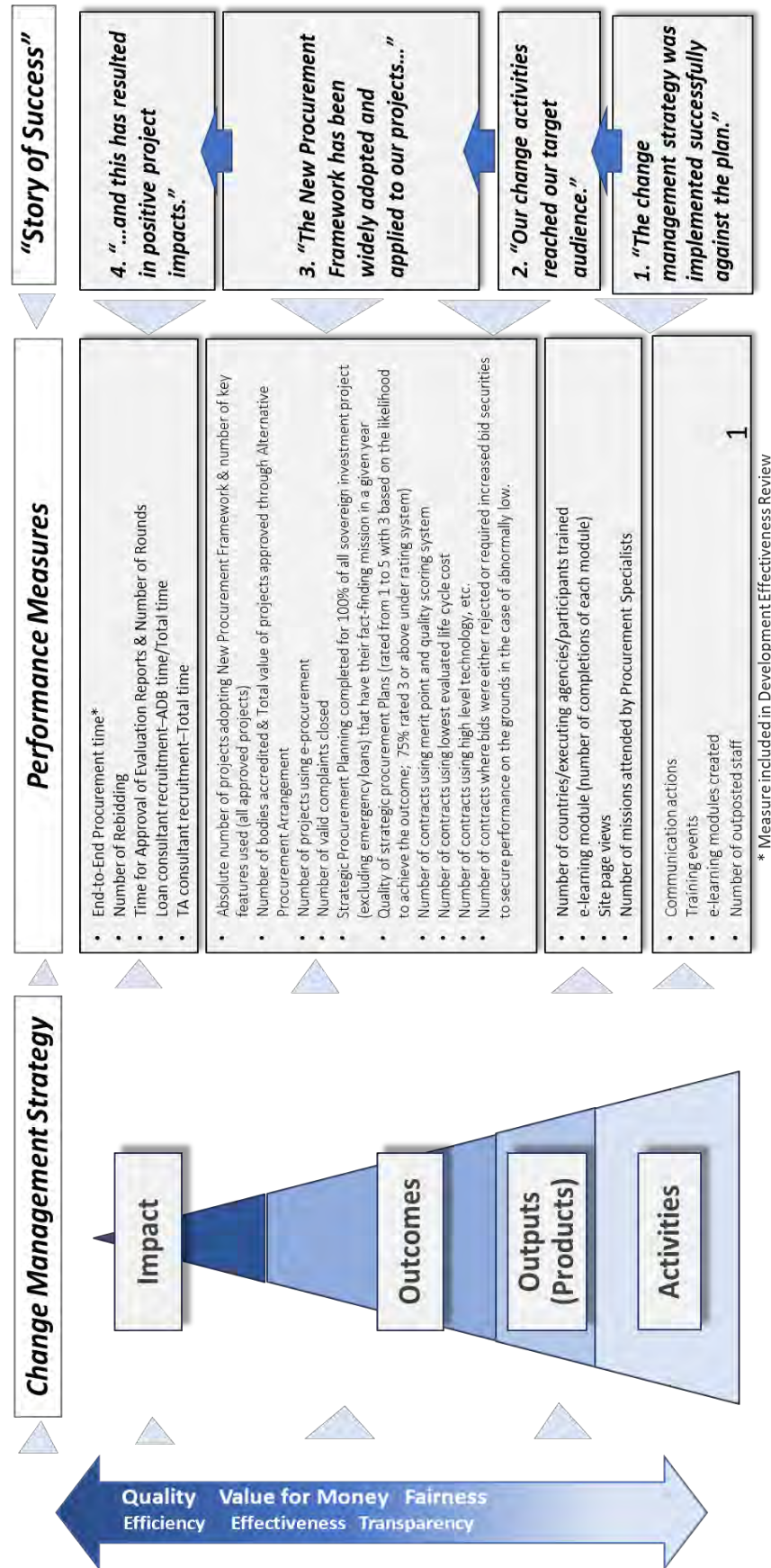
14. By using a single framework for an entire project, the APA establishes mutual reliance in cofinanced projects for more efficient implementation, and most importantly, reduces transactional costs for ADB's clients. ADB signed the first APA with the World Bank in December 2018, and the second one with the European Bank for Reconstruction and Development in November 2019.

G. Performance Monitoring Measurements and Indicators

15. PPFD introduced a set of performance measures and indicators in March 2019 to monitor the implementation of procurement reforms. The performance measures were developed to capture the data relating to the implementation and effectiveness of the 2017 Procurement Framework and measures based on impact, outcome, outputs, and activities. The data were manually collected from 2018 when the framework started full implementation across regional departments and executing and implementing agencies. The performance measures were linked to the change management strategy and the "story of success" of the framework (Figure 1). PPFD provided quarterly implementation progress reports to the Vice-President for Administration and Corporate Management using this measurement and indicator system.

Figure 1: Performance Metrics

Approved performance measures for the 2017 Procurement Framework are linked to the change management strategy and the “story of success” of the implementation and effectiveness of the framework



Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department)

H. Application of the 2017 Procurement Framework in ADB Operations

16. With the joint efforts from ADB and DMCs, the number of projects adopting the 2017 Procurement Framework increased from 2 in 2017 to 39 in 2018 and to 69 in 2019 (3%, 39%, and 73% of all approved investment projects in those years).

I. Value for Money in Energy Sector Projects

17. The Sustainable Development and Climate Change Department (SDCC), in collaboration with PPFD, conducted a study on the use of bid evaluation methods (i.e., life-cycle cost and capital cost) to increase VFM in three energy sector projects with contracts awarded in 2019.

- (i) **Rupsha 800 Megawatt Combined Cycle Gas Turbine, power generation plant in Bangladesh.** A state-of-the-art power plant with 800-megawatt generation capacity using cleaner and highly efficient power generation technology. This project applied life-cycle cost for bid evaluation considering the overall plant performance. The evaluation considered the overall combined cycle gas turbine thermal efficiency in conjunction with that of the steam turbine, heat recovery steam generator, and auxiliary system power consumption over the life of the plant.
- (ii) **Power Transmission Improvement Project, substation construction in Myanmar.** This project applied capital cost with bid price adjustment by loss of transformers over the expected life cycle for bid evaluation. The evaluation took into account electricity loss over the substation's life cycle using loading factors and electricity price and the operation and maintenance cost.
- (iii) **Southwest Transmission Grid Expansion Project in Bangladesh.** This project had life-cycle costs built into its design and technology. The design and specifications were determined in advance by calculating life-cycle energy losses over its 20-year life cycle. As a result, the bidding documents required high-temperature low-sag (HTLS) conductors for high-voltage transmission lines. This was a significant technological advance compared with conventional aluminum conductor steel reinforced (ACSR) cables, which are currently widely used. While the capital costs of HTLS conductors per unit length are generally 2 to 3 times higher than that of ACSR when expressed in terms of cost per unit of power capacity and energy throughput, the VFM of HTLS conductors is greater than for ACSR conductors.



J. Procurement Complaints Tracking System

18. A cloud-based real-time PCTS launched in May 2019 improves the handling of procurement complaints. The system, developed in the last quarter of 2018, includes separate functions for procurement and consulting services (Box 1).

Box 1: Procurement Complaints Tracking System

The Asian Development Bank (ADB) Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time) hold that operations procurement-related complaints should be addressed objectively and in a timely fashion, with transparency and fairness.

From 2019–2020, the Procurement, Portfolio and Financial Management Department's Procurement Complaints Tracking System development team worked with the Information Technology Department's development team and change management team and the Department of Communications website team to develop an electronic operations procurement complaint tracking system for ADB. This SharePoint-based system is a central database for all complaints on operations procurement and consulting services received by ADB. It automates the workflow from complaint submission, assignment, processing (including seeking clarification from the complainant and the executing or implementing agency), tracking (including sending reminders), responding, and closing. It also uses Microsoft's Power BI to generate user analytics and reporting.

The in-house developed system has gone far from its humble beginning with a simple procurement complaint submission form on adb.org in Q4 2018, to a fully integrated and centralized intelligent system. The integrated system linking the submission page on adb.org to the tracking and responding tools on SharePoint was launched in May 2019. Briefings and reviews with user units were undertaken, following enhancements that were made to improve its robustness, integrity, user-friendliness, and data analytics. Awareness-raising activities and system enhancement were concluded in 2020. Compared with the previous manual and decentralized practice of handling procurement complaints, ADB has achieved significant improvement on the robustness, responsiveness, standardization, trackability, reporting, and data analysis aspects of its procurement handling through this system.

Source: ADB (Procurement, Portfolio and Financial Management Department).

III. 2020 Highlights: Mainstreaming the 2017 Procurement Framework

A. Mainstreaming the Framework in ADB Operations

19. Mainstreaming of procurement reforms in ADB operations was intensified in 2020, mainly during project processing and through the SPP process to achieve VFM. Actions were also taken to address the coronavirus disease (COVID-19) situation in procurement due diligence, enhanced involvement of procurement specialists in ADB operations, and evolution of capacity building and awareness raising.

20. **Strategic procurement planning for VFM.** The procurement policy defines VFM as the principle that enables the borrower to obtain optimal benefits through effective, efficient, and

economic use of resources by applying the core procurement principles and related considerations, which may include life-cycle costs, development objectives, and borrower's socioeconomic and environmental context. Price alone may not sufficiently represent VFM. The application of VFM is done through SPP, which develops a suitable procurement strategy, including the design of a procurement approach.

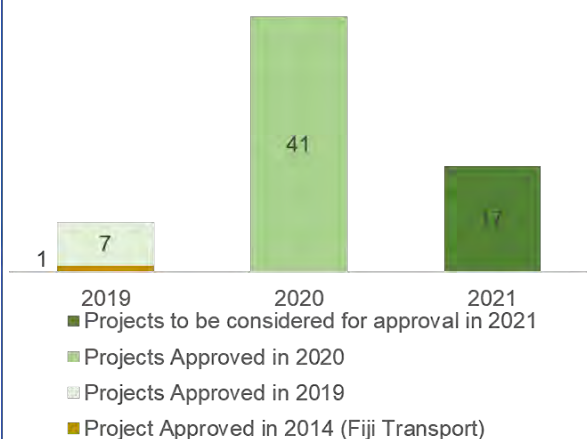
21. In project processing, achievement of VFM is considered and planned during the SPP process. SPP takes into account project concept, operating environment, market analysis, risk management, options analysis, and procurement strategy. It is a mandatory precursor to assess the prevailing risks and develop a fit-for-purpose procurement plan in support of the achievement of VFM. SPP considers the 2017 Procurement Framework features (APA, e-procurement, framework agreement, scored and weighted evaluation criteria, life-cycle costing, high-level technology, standstill period, fragile and conflict-affected situations, and abnormally low bids) and identifies measures or approaches that will promote the achievement of VFM. During the bidding period at the initial stages of project implementation and to determine the bidder that offers "optimum value for money," SPP checks the evaluation criteria used (e.g., lowest evaluated price; lowest evaluated life-cycle cost; merit point scoring system; and other means such as high-level technology, corporate social responsibility, reverse auction, or competitive dialogue). Box 2 is an example of VFM in projects.

**Box 2: Strategic Procurement Planning for the Nuku'alofa Port Upgrade Project, Tonga
Achieving Value for Money through the Strategic Procurement Planning Process and
2017 Procurement Framework Features**

On 3 December 2020, the Board of Directors of the Asian Development Bank (ADB) approved an Asian Development Fund grant of \$45 million for Tonga to upgrade the Nuku'alofa Port by rehabilitating and expanding infrastructure and improving its management and operations. The Ministry of Finance and National Planning and the Ministry of Infrastructure are the executing and implementing agencies. The strategic procurement planning (SPP) for the project was initiated in March 2020 with its focus on fit-for-purpose procurement to achieve ADB's core procurement principles of value for money and quality. Based on ADB's country and sector procurement risk assessment of 2017 and the data available from other donor-funded projects in Tonga, comprehensive procurement risk and capacity assessments and supply market analysis were undertaken, and all procurement options were carefully analyzed for contract packaging, procurement methods, bidding procedures, contracting modality, prequalification, and consultant selection method. The optimal procurement arrangements were confirmed at the final SPP workshop conducted in May 2020 with the executing agency, ADB, and the project implementation consultant. These arrangements were focused on achieving better value for money using an e-procurement system to lower transaction costs, enhance transparency, and address coronavirus disease travel restrictions; using open competitive bidding and merit points evaluation criteria to ensure the delivery of quality outputs. The lessons learned are: (i) every project is unique in its complexity, risks, and value of its contracts, and these factors will drive the level of research and analysis undertaken to ensure that the procurement approaches are adequate to mitigate the risks; (ii) SPP requires adequate time and effort to collect and analyze data; and (iii) close coordination between the ADB project team, the project management unit of the executing agency, and the consultant is essential when preparing and implementing a fit-for-purpose procurement strategy.

Source: ADB (Procurement, Portfolio and Financial Management Department).

Figure 2: SPP Documents Completed by Project Approval Year



Source: ADB (Procurement, Portfolio and Financial Management Department).

22. Quantity and quality of strategic procurement planning documents. The 2020 President's Planning Directions called for full implementation of the 2017 Procurement Framework by completing SPPs for all sovereign investment projects at the processing stage. At the project completion stage, project teams assess the effectiveness of the SPP. Key measures undertaken in 2020 included SPPs completed for 100% of all sovereign investment projects under the 2017 Procurement Framework (excluding emergency loans) and their quality assessed. The total number of completed SPP documents as of 31 December 2020 was 66, comprising 16 completed in 2019 and 50 completed in 2020. For projects approved in 2020, 39 SPP documents were completed (7 completed in 2019 and 32 completed in 2020). Additionally, there are 18 SPP documents for projects to be approved in 2021. The number of SPPs completed by project approval year is in Figure 2.

23. The target SPP indicators were achieved according to the SPP criteria: (i) 100% of SPPs completed for approved investment projects during the year, and (ii) 31 reviewed SPP documents rated 3 and above. See Tables 1 and 2 for the indicators and rating methodology.

Table 1: Performance of Strategic Procurement Planning Indicators

Indicator	Target	Achievement against Target
SPP completed for 100% of sovereign investment projects (excluding emergency loans) that have their fact-finding mission in a given year	100%	100%
Quality of SPPs rated 3 (rating from 1–5) based on the likelihood of achieving the outcome, with 75% of all SPPs rated 3 or above under the PPFD rating system	75%	82%

PPFD = Procurement, Portfolio and Financial Management Department, SPP = strategic procurement planning.
Source: Asian Development Bank (PPFD).

Table 2: Assessment of the Quality of Strategic Procurement Planning Documents

Criteria	Rating	Assessment of SPPs Completed in 2019 and 2020	
		No.	%
Good, analysis is comprehensive, relevant, and informs the procurement strategy with clear links from analysis to VFM statement.	4–4.9	9	24%
Acceptable, meets the minimum requirements with minor deficiencies and informs the procurement strategy. Some linkage between analysis, procurement strategy, and VFM statement.	3–3.9	22	58%
Analysis is insufficient and/or lacking relevance. Analysis is only partly used for procurement strategy and VFM statement.	2–2.9	6	16%
SPP not carried out or analysis is significantly flawed, no relation between analysis, strategy, and VFM statement.	1–1.9	1	3%
Total		38	100%

SPP = strategic procurement planning, VFM = value for money.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

24. **Framework agreements.** ADB delivered increased VFM in consulting services. In 2020, 36 framework agreements for consulting services were set up in commonly required areas of expertise across ADB. These framework agreements empaneled 174 experts, with 129 experts engaged through call-offs that significantly reduced the transaction and staff time required to meet ADB's operational needs.

25. A TA project in Afghanistan is adopting a framework agreement to facilitate the recruitment of consultants and ensure the efficiency of recruitment actions (Box 3).

Box 3: Framework Agreement for Consulting Services

In support of the Ministry of Public Works in Afghanistan through a delegated TA project, the Procurement, Portfolio and Financial Management Department led the selection of three consultancy firms empaneled under framework agreements. These agreements were prepared to promote project efficiency in feasibility studies, detailed design, and procurement support in the transport sector. As an indicator of the market's level of interest in participating in framework opportunities, the Procurement, Portfolio and Financial Management Department received 21 expressions of interest in June 2020. This indicates that the industry gravitates toward aggregated opportunity sets rather than individual transactions. Frameworks added to the efficiency of recruitment actions in Afghanistan, and a high level of service quality is expected based on the market response.

Procurement in Afghanistan is challenging, and the framework agreements with three qualified firms are expected to facilitate faster consultant recruitment in the transport sector. There are discussions about applying the same model in another challenging procurement area in Afghanistan—i.e., the risk management consultancy firms that will be needed to perform security risk feasibility studies for infrastructure projects.

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department).

26. **Merit points system.** This system was introduced to assess cost and quality according to the needs of the borrower and the project's development objectives. This is applicable when: (i) quality needs to be compared across bidders based on their qualifications, experience, and

performance; (ii) complex solutions are required, consisting of a combination of goods, works, and services; or (iii) infrastructure, equipment, or services involve a proven or high-level technology that improves the quality of the goods and works. The merit points system was applied in the evaluation of the technical aspects of bids under the Philippines Malolos–Clark Railway Project. This resulted in the award of six contracts amounting to \$2.5 billion. Several other contracts under preparation will also use the merit points system.

27. Life-cycle costs. The evaluation criteria for life-cycle costs are applied when the quality standards of the technical requirements can be established and measured easily by referring to technical specifications or well-established industry standards (Box 4). Life-cycle costs include costs of operation and maintenance, licensing, additional features, consumables, and disposal. The contract will be awarded to the bidder that offers the lowest evaluated cost for goods, works, and services and meets the technical requirements.

Box 4: Greater Male Waste-to-Energy Project

The project is a 500 tons per day (tpd) waste-to-energy (WTE) plant with 15 years of operation and maintenance (O&M), including two treatment lines of 250 tpd each, a minimum 8-megawatt (MW) electricity surplus energy recovery facility, and an air pollution control system. It will include a landfill for safe disposal of hazardous air pollution control residues and non-marketable bottom ashes. The facility (WTE plant and landfill) will be implemented through a design–build–operate (DBO) contract with a specialized firm, which will integrate a design–build phase and a 15-year O&M phase to improve sustainability of service delivery.

Solid waste treatment and disposal services established under the project will be maintained through a long-term O&M phase under a DBO contract with a specialized WTE operator, which will also design and build the facilities. The contract has 12 measurable operational performance guarantees—including service quality, efficiency, environmental standards, and damages—as effective leverage mechanisms for compliance.

A DBO contract for the WTE plant, including 15 years of O&M service, was selected as offering the best fit for the project's objectives. The Ministry of Environment, supported by the Asian Development Bank, conducted a market engagement to assess interest, and the feedback was incorporated into the bidding document, thus increasing the probability of optimal competition. The evaluation criteria assess life-cycle costs of the WTE plant, including the guaranteed energy generation, and the contract conditions include various environmental performance guarantees. The strategic integration of these key aspects contributes to achieving value for money.

Source: Asian Development Bank (Report and Recommendation of the President Review).

28. Procurement risk assessment. The Conducting Procurement Risk Assessment for Improved Procurement Outcomes² project provides support for carrying out procurement risk assessments in DMCs to inform appropriate risk mitigation in ADB projects and recommend improvements in country procurement systems. Under this TA project, PPFD is supporting the Methodology for Assessing Procurement Systems in the Philippines and Indonesia in close partnership with the procurement agencies in the two countries and the World Bank. Similarly, the Integrated Fiduciary Risk Assessments and Strengthening Country Systems³ project, approved in 2020, provides resources to (i) further strengthen diagnostic work on fiduciary

² Asian Development Bank. [Regional: Conducting Procurement Risk Assessment for Improved Procurement Outcomes](#).

³ ADB. Regional: [Integrated Fiduciary Risk Assessments and Strengthening Country Systems](#).

assessment, (ii) strengthen country procurement systems, and (iii) develop and disseminate knowledge related work.

29. Involvement of procurement specialists in ADB operations. In 2020, procurement specialists participated in 125 missions, 62 of which were for project processing, 25 for capacity building, and 38 for project implementation. The active involvement of the procurement specialists resulted in an increase in completed SPP documents and the inclusion of the VFM statement and other procurement framework features in project documents.

30. Awareness raising through the adb.org procurement site. There is significant traffic on the website with 26,654 views in 2020. The consultant management system page had 1,159 views; project and tenders had 1,870 views; and e-learn had 62 views.

B. Response to Coronavirus Disease

31. A guidance note on Delivering Effective Procurement Outcomes Through ‘One-ADB’ in Responding to the Coronavirus Disease (COVID-19) was issued in August 2020. It introduced a streamlined procurement planning framework to support the measures described in the April 2020 policy paper ADB’s Comprehensive Response to the Pandemic.⁴ To support ADB communication and engagement with the international business community on ADB’s response to the pandemic, PPFD developed and launched, in collaboration with the Department of Communications, a COVID-19 business outreach webpage in late June (adb.org/what-we-do/covid19-coronavirus/procurement). This page contains information on PPFD’s business outreach efforts to communicate with the global market on emergency procurement of COVID-19-related critical goods. It also contains data and guidance on sovereign operations’ procurement of goods, works, non-consulting and consulting services in response to the COVID-19 pandemic.

32. PPFD benchmarked emerging global best practices and worked with the Sustainable Development and Climate Change Department (SDCC) and the Office of the General Counsel to prepare a joint advisory note on the health and safety of workers and communities in ADB-financed projects. Entitled COVID-19 Health and Safety on Works and Service Contracts, the advisory provides guidance on the mobilization and remobilization of contractors and consultants. It also describes COVID-19 mitigation measures in new procurement and contract implementation that reflect country-specific requirements and project-specific conditions and risks. To support the implementation of these measures, revised standard bidding documents with additional COVID-19 health and safety management plans were issued. To promote awareness and share good practice, PPFD gave five internal briefings to more than 600 staff from operations departments.

33. Contract management guidance was strengthened with the update of the contract management guidance notes and the release of a new template for the Contract Management Plan. The plan now includes specific requirements on health and safety activities and related statistics. This will provide ADB and DMCs with the necessary information about health and safety compliance monitoring and reporting, and it will help them make strategic interventions and decisions based on robust data analysis and trend identification.

C. Evolution of Capacity Building

34. Capacity building has evolved from general training on the 2017 Procurement Framework in 2018 to specialized workshops on the SPP process in 2019, and finally, to practical guidance

⁴ ADB. 2020. *ADB’s Comprehensive Response to the COVID-19 Pandemic*. Manila.

on the preparation of project-specific SPP documents in 2020. The trainings in 2018 concentrated on the introduction of the framework, key drivers and major changes in procurement (from “one-size fits all” to “fit-for-purpose,” quality and VFM, risk-based procurement, and beginning-to-end procurement support), and reference documents. The SPP workshops in 2019 focused on country and sector market analysis and risk mitigation, as well as the development of a suitable procurement approach for specific projects. In 2020, the workshops became part of project processing missions, and preparation of SPP documents became part of the procurement plan. In addition, TRMs among procurement specialists were held regularly to discuss the SPP process and the scoring system. The workshops and TRMs contributed to the increasing number and improved quality of SPP documents. Box 5 illustrates the use of the SPP process as a communication and learning tool.

35. In 2020, 68 capacity building events were conducted with 2,705 participants comprising: (i) 42 SPP sessions—9 for regional departments and resident missions with 846 participants, and 33 for executing and implementing agencies with 791 participants from 18 DMCs (Afghanistan, Bangladesh, Cambodia, Fiji, India, Indonesia, Kazakhstan, Lao PDR, Myanmar, Nepal, Palau, Pakistan, Papua New Guinea, PRC, Solomon Islands, Tajikistan, Tonga, and Vanuatu); and (ii) 26 complementary capacity building activities (knowledge sharing on specific procurement topics, COVID-19 procurement and coordination briefings) with 1,068 participants. All these trainings were conducted virtually. As of December 2020, the total number of trainings was 185 with 9,642 participants, comprising 83 SPP workshops with 2,936 participants and 102 other trainings with 6,706 participants.

36. Additional initiatives included e-learning modules, which were launched in May 2019. As of 31 December 2020, the e-learning modules had 880 registered users comprising 466 users from ADB and 314 external users.

Box 5: Strategic Procurement Planning Process as a Communication and Learning Tool

Integrating strategic procurement planning (SPP) in the Asian Development Bank (ADB) procurement cycle improves the procurement process and stakeholder engagement. One such SPP exercise was conducted for the Bangladesh South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project—a US\$2.8 billion project for building a 209 kilometer road. It is complex and high risk due to its size, new road technology, market conditions, and COVID-19 constraints and challenges.

The SPP was designed and conducted to address each procurement challenge. Through research, analysis, and strong stakeholder consultation, mitigating actions were designed that would suit the project and market conditions and be acceptable to the executing agency and the regional department.

Following the One ADB approach, a joint Procurement, Portfolio and Financial Management Department and South Asia Department Transport and Communications team conducted the exercise from June 2020 to November 2020. Three workshops were delivered in June and July with an average of 40 participants represented in the high-level, actively engaged sessions.

This exercise demonstrated strong communication and coordination among stakeholders, including ADB departments, the executing agency, and other key government officials involved in the post-workshop dialogue. Communication with contractors and engineers and their respective associations in the Bangladesh market was also a strong feature of this exercise. Their feedback was sought and considered in the development of the procurement strategy. The iterative design of the procurement strategy was issue-driven and adapted to best fit the Bangladesh context and ADB requirements.

Source: ADB (Procurement, Portfolio and Financial Management Department).

D. Revision of Measurement and Indicators

37. By end-2020, change management activities and outputs had been largely completed, and procurement due diligence through the SPP process well mainstreamed. A review and update of the indicators were initiated to shift the focus from activities and output to the impact and outcome of the reform. Some procurement indicators were also updated to align them with the ADB Results Framework indicators and the PPF 2021 Results-Based Work Plan.

E. Measurement of 2017 Procurement Framework Implementation Progress in 2020

38. The measurement of progress in 2020 focuses on the impact and outcome of the implementation of procurement reform in ADB operations.

39. **Impact and outcome.** Early indications show positive signs of the impact generated by the implementation of the 2017 Procurement Framework. Borrowers are recognizing its immediate benefits, namely achieving VFM using merit points scoring in bid evaluation, the ability to plan strategically for engaging with the market and potential bidders at project preparation, enhancing transparency through greater use of e-procurement systems, and addressing procurement-related complaints in an open and transparent manner at any stage of the procurement process.

40. From 2016 to 2020, the impact indicators measured under the framework (Table 3) were showing signs of improvement with some minor fluctuations. The slight downward trend of 2020 reflects the impact of COVID-19 but is not worrying. The leading causes were lockdowns, a shift to work from home, border closures, quarantine of infected persons, and a general slowdown in economic activity. Once the external shocks of the pandemic begin to subside and a sense of normalcy prevails, performance indicators are expected to improve.

Table 3: Performance of Impact Indicators

Impact Indicators	Baseline Year	Baseline Value	Target/Monitor	2020 Result
End-to-end procurement time for transactions \$10 million and above (prior review contracts), days	2016	300	Monitor	285
Number of cancelled bids/re-bids for transactions \$10 million and above	2016	3	Monitor	17
Time for approval of evaluation report for transactions \$10 million and above (ADB review time), days	2016	45	Target ≤ 40	50
% of evaluation report reviews with one review round or less for transactions \$10 million and above	2016	90	Monitor	64
Loan consultant services recruitment for contracts \$5 million and above using QCBS/FTP (ADB review time), days	2016	22.3	Monitor	19.6
TA consultant services recruitment using QCBS (total cycle time), days	2016	212	Monitor	185

ADB = Asian Development Bank, FTP = full technical proposal, QCBS = quality and cost-based selection, TA = technical assistance

Source: ADB (Procurement, Portfolio and Financial Management Department).

41. Outcome indicators were generally met, particularly in the number of projects adopting the 2017 Procurement Framework and SPPs completed. The progress of some leading indicators is elaborated below.

(i) Application of the 2017 Procurement Framework

42. In 2020, 86 approved projects adopted the 2017 Procurement Framework, an increase of 121% from the 39 projects that adopted the framework in 2018 (Table 4).

Table 4: Project Approvals (2018–2020)

	2018		2019		2020 ^a	
	No. of Projects	%	No. of Projects	%	No. of Projects	%
Using 2017 Procurement Framework	39	34%	69	61%	86	50%
Using 2015 guidelines	61	53%	25	22%	8	5%
Not applicable	16	14%	20	18%	77	45%
Total	116	100%	114	100%	171	100%

No. = number.

Note: Not applicable implies neither using the 2017 Procurement Framework nor the 2015 guidelines.

^a Due to the coronavirus disease (COVID-19) pandemic in 2020, many projects that were approved neither used the 2017 Procurement Framework nor the old guidelines under the COVID-19 Pandemic Response Option modality.

Source: Asian Development Bank (project documents: Report and Recommendation to the President, Project Administration Manual, and Procurement Plan).

43. Ninety percent of the approved investment projects in 2020 adopted the 2017 Procurement Framework compared with 39% in 2018 and 79% in 2019 (Table 5). A comparison of projects approved under the 2015 guidelines against the 2017 procurement framework is in Figure 3. The amount of contract awarded under the 2017 PF over the last three years is in Figure 4.

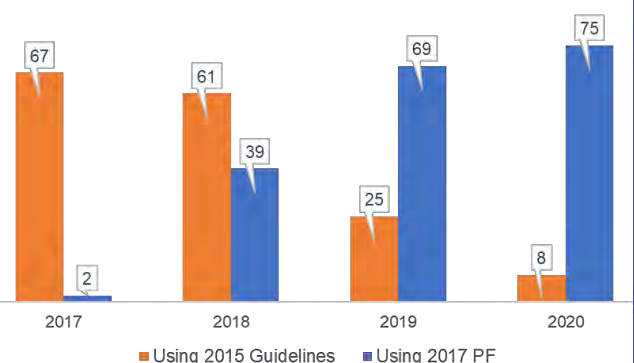
Table 5: Investment Project Approvals (2018–2020)

	2018		2019		2020	
	No. of Projects	%	No. of Projects	%	No. of Projects	%
Using 2017 Procurement Framework	39	39%	69	73%	75 ^a	90%
Using 2015 guidelines	61	61%	25	27%	8	10%
Total	100	100%	94	100%	83	100%

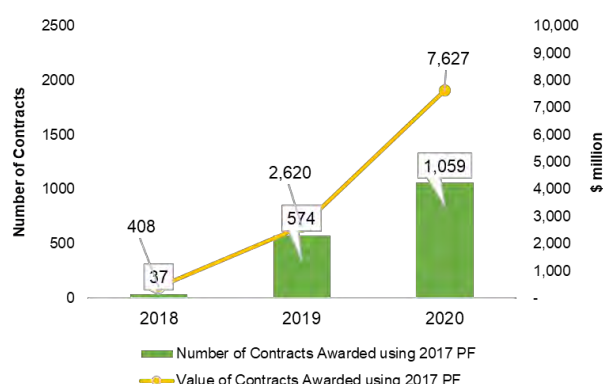
No. = number.

^a Excluding 11 projects not classified as investment projects (5 Policy-Based Lending, 1 Results-Based Lending, and 5 Sector Development Program).

Source: Asian Development Bank (project documents: Report and Recommendation to the President, Project Administration Manual, and Procurement Plan).

Figure 3: Approved Projects under 2015 Guidelines vs. 2017 Procurement Framework

Source: ADB (Procurement, Portfolio and Financial Management Department).

Figure 4: Contracts Awarded under 2017 Procurement Framework

Source: ADB (Procurement, Portfolio and Financial Management Department).

(ii) Alternative Procurement Arrangements

44. ADB completed negotiations with the European Investment Bank and signed the third alternative procurement arrangement (APA) with the European Investment Bank in January 2021. As of 31 December 2020, 5 projects for \$940 million (ADB: \$617 million; World Bank: \$58 million; and European Bank for Reconstruction and Development: \$265 million) have been approved under the APA (Table 6)

Table 6: List of Projects Approved under Alternative Procurement Arrangements

Project Name	ADB (\$ million)	World Bank (\$ million)	EBRD (\$ million)	Total (\$ million)	Status
UZB: Power Generation Efficiency Improvement (L3621)	450.00		240.00	690.00	•ADB lead •Project Implementation Agreement signed with EBRD on 3 July 2019.
KIR: South Tarawa Water Supply Project (G0652/G0653)	13.00	12.96		25.96	•ADB lead •Project APA was signed by SPSP in February 2019.
SOL: Urban Water Supply and Sanitation Sector (L3826/G0663/G0663)	37.00	15.00		52.00	•ADB lead •Project Implementation Agreement signed with World Bank on 30 January 2020.
KIR: Outer Island Transport Infrastructure Investment Project (G0713-KIR)	12.00	30.00		42.00	•World Bank lead •Project Implementation Agreement signed with World Bank on 15 September 2020.
TAJ: Power Sector Development Program (G0777/G0778)	105.20		25.00	130.20	•Project Implementation Agreement signed on 11 Dec 2020.
TOTAL	617.20	57.96	265.00	940.16	

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, KIR = Kiribati, SOL = Solomon Islands, SPSP = Strategic Partnerships Division, TAJ = Tajikistan, UZB = Uzbekistan.

Source: ADB, Procurement, Portfolio and Financial Management Department.

(iii) E-procurement

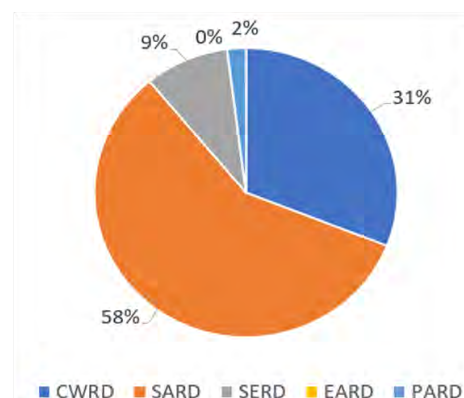
45. E-procurement is a key feature of the 2017 Procurement Framework to promote good governance, transparency, VFM, maintain audit trails and ease of access to potential bidders. In 2020, the value of contracts advertised to be procured using e-procurement was \$7.4 billion for 40 projects, compared with 35 projects for \$4.5 billion in 2019 (Table 7).

Table 7: E-procurement

Number and Value of Projects Using E-procurement	2019	2020
Number	35	40
Value (\$ million)	4,500.0	7,431.54

Source: Asian Development Bank (Procurement Services Unit).

Figure 5: e-Bidding by Regional Department



Source: ADB (Procurement, Portfolio and Financial Management Department).

(iv) Procurement and Consulting Services Complaints

46. The PCTS functioned well in 2020. A total of 138 complaints (83 for procurement and 55 for consulting services) were received in 2020, of which 119 complaints were closed (Table 8).

Table 8: Procurement and Consulting Services-Related Complaints

	2019				2020			
	Received	Open	Closed	%	Received	Open	Closed	%
Procurement	35	4	31	89%	83	15	68	82%
Consulting Services	30	0	30	100%	55	4	51	93%

Source: Asian Development Bank (Procurement Services Unit and Consulting Services Unit).

47. In addition to generating a report of the number of complaints received and closed, the system categorizes the complaints by (i) reason (Table 9); (ii) sector, department, and division; and (iii) project type.

Table 9: Top Five Categories of Complaints

Procurement	Consulting Firm
1. Bid evaluation	1. Preparation of longlist and shortlisting of consultants
2. Bidding procedure compliance	2. Preparation and issuance of request for proposal
3. Contract award	3. Contract administration issues
4. Bid preparation and submission	4. Proposal evaluation
5. Prequalification	5. CMS/CSRN access

CMS = consultant management system, CSRN = consulting services recruitment notices.

Source: Asian Development Bank (Procurement Services Unit and Consulting Administration Unit).

IV. INVESTING IN TECHNOLOGY

48. **Information technology.** ADB recognizes the significant opportunities presented by using innovative and effective information technology when supporting borrowers' procurement. ADB will make a significant investment in the systems used to capture, analyze, and disseminate procurement information in 2021. The investment will increase ADB's ability to analyze and report on procurement internally and externally and promote wider dissemination of procurement-related activities. It will shorten workflows and improve both ADB and its borrowers' ability to track the status of their various projects. It will be client focused, enabling borrowers to transact with ADB on a single platform that will replace the current manual processes. As an immediate enhancement in the first half of 2021, ADB will publish a "live" procurement dashboard on ADB's website. This new dashboard will make ADB-financed procurement information accessible to anyone who wishes to view, download, and assess the data.

49. **Next generation procurement reporting.** In the second half of 2021, ADB will roll out a procurement dashboard that will be available to the general public. This is a major step toward making all information related to ADB-financed procurement available to its members, clients, think tanks, nongovernment organizations, civil society, research institutes, practitioners, and others. The system will enhance accountability and transparency of procurement transactions. It will be linked to the current procurement portal available on adb.org with an expanded set of data and graphical representations of annual and historical trends. Users will be allowed to download data for further analysis. An annual report summarizing annual procurement results and outcomes will complement the dashboard and be made available on ADB's website.

V. MOVING FORWARD

A. Overall

50. **The first 3 years of implementation of the 2017 Procurement Framework has shown considerable progress toward achieving quality procurement outcomes.** Early strategic procurement planning in the procurement cycle is helping borrowers overcome perennial challenges of project implementation. Sound contract management is helping to mitigate potential project-related risks. Achieving VFM and assessing life-cycle costs are central to ensuring project sustainability. Alternative procurement arrangements are paying dividends by dramatically reducing transaction costs to borrowers.

51. **The 2017 Procurement Framework's fit-for-purpose approach provided much needed flexibility to ADB to respond quickly and effectively to evolving needs during the pandemic.** Streamlined procedures to fast-track the procurement of emergency equipment helped borrowers address urgent requirements. Fiduciary oversight was not compromised and transaction costs to the borrower did not increase. The flexible approach to addressing the emergency is expected to continue in 2021.

52. **Initial implementation of the reform has shown positive results.** These include (i) SPP mainstreamed with a focus on achieving VFM, (ii) outposted/strategically placed procurement specialists lead to more systematic involvement in project processing, (iii) three APAs signed and discussions with other MDBs underway, (iv) improved transparency and fairness with the adoption of the PCTS, and (v) enhanced capacity of PPFD staff. In 2021 and beyond, following the recommendations in the Review of ADB's Resident Mission Operations,⁵ national procurement

⁵ ADB. 2020. *Review of ADB's Resident Mission Operations*. Manila.



officers will functionally report to PPFD to strengthen the procurement function in the respective resident missions.

B. Future Direction

53. **Deepening of the reforms will continue.** To improve efficiency, quality, and delivery, the focus will be on expanding the adoption of VFM standards in procurement contracts and promoting the use of country systems.

54. **Operational efficiency will be enhanced.** More specifically, operational efficiency will be pursued by: (i) further delegation of procurement approval authority within and outside PPFD; (ii) streamlining business processes and workflows; (iii) simplifying templates; (iv) providing greater flexibility to address country-specific situations; and (v) increasing the use of call-offs under framework agreements in consulting services. Capacity building activities will support current and future initiatives and reforms to help borrowers adapt to an ever-changing procurement world.

55. **Procurement quality will be improved.** This will be pursued by providing procurement support in projects implemented in countries in fragile and conflict-affected situations, and supporting measures such as life-cycle costs, point-scoring, sustainability or socioeconomic targets in the evaluation criteria. More effort will be made to improve country procurement systems through: (i) implementing TA programs that strengthen country procurement systems; (ii) conducting joint assessments with the World Bank of country procurement systems using the methodology for assessing procurement systems; (iii) promoting APA for agencies with accredited procurement systems in borrowing countries; and (iv) further expanding e-procurement across DMCs.

ACRONYMS

ADB	Asian Development Bank
APA	alternative procurement arrangements
COVID-19	coronavirus disease
DBO	design–build–operate
DMC	developing member country
FCAS	fragile and conflict-affected situations
O&M	operation and maintenance
PCTS	Procurement Complaints Tracking System
PPFD	Procurement, Portfolio and Financial Management Department
PSC	procurement strategy clinic
SDCC	Sustainable Development and Climate Change Department
SPP	Strategic Procurement Planning
TA	technical assistance
tpd	tons per day
VFM	value for money
WTE	waste-to-energy



SOVEREIGN OPERATIONS GLOSSARY

Active portfolio	All loans, grants, technical assistance (TA), equities, and guarantees committed and not financially closed (i.e., disbursement ended) as of the end of the financial year. The active portfolio includes funding from ordinary capital resources (OCR), concessional OCR lending (COL), the Asian Development Fund (ADF), other special funds, fully administered cofinanced loans and grants, and TA projects fully administered by the Asian Development Bank (ADB).
Advance action	Initiation of the process for procuring goods, services, and works before the effective date of the financing agreement.
Age	Refers to the average time from the date of product signing (commitment) to the end of the reporting period for active (committed) products.
Cancellation (effective)	Refers to the amount of partial or full reduction from the principal amount of effective products.
Cancellation (not effective)	Refers to the amount of products signed but cancelled prior to product effectiveness.
Closing date or closure	The last date for the borrower to withdraw from the account.
Contract award ratio	The ratio of total contracts awarded during the year to the total value for contract awards available at the beginning of the year, including newly committed projects (loans and grants) during the year.
Commitment (signing)	The financing approved by ADB's Board of Directors or Management, for which the financing agreement has been signed by the borrower or recipient and ADB.
Delay (actual)	Refers to the time from original product closing to the actual financial closing.

Design-ready	<p>Design-ready projects are those that have completed one of the following steps before project approval:</p> <ul style="list-style-type: none"> a) detailed engineering designs (DEDs), suitable for preparing and launching bidding documents for major construction or goods contract. For sector projects, DEDs for those subprojects for which construction is scheduled to start in the first 2 years should be available; or b) preliminary design and specifications suitable for preparing and launching bidding documents for (a) construction contracts that include detailed design; and/or (b) turnkey or engineering, procurement and construction (EPC) contracts.
Disbursement ratio	The ratio of total disbursements during the year (including disbursement from newly committed operations during the year) to the undisbursed balance at the beginning of the year.
Effective (date)	The date on which ADB dispatches to the borrower or recipient notice of accepting supporting evidence of the satisfaction of project (loan or grant) effectiveness conditions set out in the financing agreement.
Implementation period (original / actual)	Refers to the time from product commitment (signing) to the original product closing (for original implementation period) or actual financial closing (for actual implementation period).
Multitranche financing facility (MFF)	A financing instrument through which ADB provides assistance programmatically by aligning the provision of financing with project readiness and the long-term needs of a client.
Net resource transfer	Defined as loan disbursements less principal repayments or prepayments and interest or charges received.
Procurement readiness	Defined as when bid documents were launched before project approval for major construction or goods contracts.
End-to-end procurement time (\$10 million and above)	End-to-end procurement time is measured from the date of advertisement of the invitation for bids on the ADB website (or, if not advertised on the ADB website, from the date of advertisement by the executing agency) until the contract signing date. These are prior review contracts of \$10 million or more processed in the procurement review system for which contract signing data are available in the loan/grant financial information systems covering projects under the procurement guidelines and the new procurement framework. "Time" refers to average time in calendar days.



Procurement contract transactions of \$10 million and above with processing time of 40 days or less	Number of procurement contract transactions of \$10 million and above for sovereign operations received and approved in the procurement review system (PRS) in the calendar year that were approved in 40 days or less as a percentage of total procurement contract transactions of \$10 million and above for sovereign operations recorded in the PRS during the same year. Processing time refers to ADB's review and approval of evaluation report measured from EA's submission of evaluation report to ADB till approval as recorded in PRS and electronic procurement approval forms. The average time in calendar days includes (i) the time taken by ADB to exercise its procurement oversight and (ii) time taken by EA to clarify and revise the evaluation reports before approval.
Product (or instrument)	The generic means of providing financing—debt (mostly loans), equities, guarantees, grants, or TA.
Project	Defined by its unique design and monitoring framework regardless of the number of its financing instruments or sources. It refers to a project or program with a common outcome (one design and monitoring framework) regardless of which financing instrument or source ADB has agreed to provide.
Project performance rating	Projects are rated using five performance indicators: output, contract awards, disbursement, financial management, and safeguards. A three-level traffic light rating system applies: green is <i>on track</i> , amber is <i>for attention</i> , and red is <i>at risk</i> .
S-curve	<p>The project S-curve shows the project contract award and disbursement over its life and is a useful graphical presentation of project performance.</p> <p>The portfolio S-curves represents the annual contract award and disbursement profiles of the loan and grant portfolio by age.</p>
Special funds	Asian Development Fund, Technical Assistance Special Fund, Japan Special Fund, Asian Tsunami Fund, Pakistan Earthquake Fund, Regional Cooperation and Integration Fund, Climate Change Fund, Asia Pacific Disaster Response Fund, Asian Development Bank Institute Special Fund, and Financial Sector Development Partnership Special Fund.
Terminated	Refers to the amount of products approved but terminated prior to signing of agreement.
Tranche (MFF)	Loan, grant, guarantee, or ADB-administered cofinancing for a project or a component under an MFF.

Uncontracted balance	Amount available for contract awards at the end of the year for active project loans and grants.
Uncontracted percentage	Uncontracted balance as a percentage of the total value to be awarded.
Undisbursed balance	Amount available for disbursement at the end of the year for active project loans and grants.
Undisbursed percentage	Undisbursed balance as a percentage of the net loan or grant amount.



NONSOVEREIGN OPERATIONS GLOSSARY

Approval	Approval of the project by ADB's Board of Directors or the relevant ADB authority.
B-loan	B loans are Cofinancing arrangements for a single borrower that are funded by commercial banks and other eligible financial institutions, helping to distribute related risks, with ADB acting as the lender of record.
Cancellation	Undisbursed committed balance of an equity investment, loan, guarantee or other debt securities cancelled by the mutual consent of ADB and an investee company/borrower/counter-party.
Carrying value (of an equity)	Value at which an equity is carried on the balance sheet. The carrying value depends on the accounting method used (cost method, equity method, market value method, or fair value method).
Closed-out loan	Loans that are fully repaid and/or prepaid.
Collective loss allowance	An allowance for existing probable losses resulting from risks that cannot be identified with specific investments.
Commitment	An investment/financing approved by ADB's Board of Directors or Management for which the legal agreement has been signed by the investee company and ADB.
Commitment fees	Fees charged for entering into an agreement that obligates the entity to make or acquire a loan or to satisfy an obligation of the other party under a specified condition.
Cost of funding	Interest charges incurred for borrowed funds (e.g., ADB bonds) used in the lending activities (also called interest charges).
Default status	Status of a loan for which payments (principal, interest, and/or fees) are overdue by more than 1 day.
Direct value-added (DVA) commercial cofinancing	Cofinancing with active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB (such as for credit enhancement, syndication, or financial administration) to facilitate mobilization, administration or participation in cofinancing. (ADB Financing Partnership Strategy, 2006).
Direct equity	An equity investment (e.g., common, preferred, or other capital stock) which gives the buyer direct ownership interest in an entity.

Droppage	An investment approved by ADB's Board of Directors or Management but which failed to become a signed agreement (can be partial or full). Also called "termination."
Equity	The residual interest in the assets of the entity after deducting all its liabilities.
Equity income	Income from equity investments, including dividends and realized and unrealized capital gains and/or losses.
Fair value (of an equity)	Current market value (i.e., realizable sales value) of an equity. For a direct public and liquid equity, this is the current market price on a public exchange (also called "market value"). For a direct private equity and direct public but illiquid equity, this is an estimate of the realizable sales value based on valuation methods.
Guarantee	A formal pledge to pay a borrower's debt (in part or in full) in the case of default by the borrower.
Impairment status	A loan is impaired when it is unlikely that ADB will be able to collect all amounts due in accordance with the contractual terms of the prevailing loan agreement. This includes all loans extended to borrowers rated 13 and 14 on ADB's 14-point internal risk rating scale.
Impairment loan ratio	The sum of impaired loans divided by total loans outstanding. This includes all loans extended to borrowers rated 13 and 14 on ADB's 14-point rating scale. In both numerator and denominator, "loans" include the gross amount of loans, present value of guarantees, and debt securities that are held to maturity and reported at amortized cost, regardless of credit enhancements in the form of guarantees, insurance, collateral, and security. Loans exclude equity investments, and debt that is available for sale and reported at fair value.
Internal rate of return (IRR)	A measure of an investment's financial performance over the entire holding period. The IRR takes into account both the amount and timing of disbursements and cash receipts. In the case of an outstanding equity investment, an estimated valuation of the investment is included as an element in calculating the IRR.
Direct public equities	Equity investment in a company whose shares are traded on a public exchange.



Loan-loss provision	The charge against income that is the net result of increases and decreases in loan-loss allowances on specific investments, plus the increase or decrease in collective loan-loss allowance.
Loss allowance	An accounting estimate of credit losses inherent in an entity's loan portfolio as of the balance sheet date recognized complying with the US Generally Accepted Accounting Principles.
Nonaccrual status	Transactions in arrears for more than 180 days where ADB recognizes interest income on a cash basis and no longer on an accrual basis.
Public Sector Nonsovereign Operations	Refers to loans, guarantees, and syndications to or for (i) enterprises that are majority owned by public entities (more than 50% of its voting capital is held by entities that are owned or controlled by the state or state-owned entities), (ii) local governments or other subsovereign entities, or a state-owned entity that can contract and obtain financing independently from the related sovereign and that can sue and be sued (OM D10).
Outstanding guarantee	A committed guarantee for which the underlying instrument has been issued and which is earning fees for the risks being guaranteed. Also called an "executed guarantee."
Other debt securities	A debt instrument that can be bought or sold between two parties, and which represents borrowed funds that must be repaid to its holder. It includes government bonds, corporate bonds, municipal bonds, preferred stocks, and collateralized securities.
PD-WARR	Calculated by (i) determining the probability of default for each borrower or transaction based on its rating, (ii) calculating the weighted average probability of default weighted by projected exposure at default, and (iii) mapping the weighted average probability of default to a rating on ADB's 14-point scale.
Pooled IRR	The internal rate of return of a group of equities calculated by pooling the cash flows.
Prepayment	A loan paid in full or partial amount ahead of the original amortization/repayment schedule.
Private equity funds	Pooled funds for the purposes of equity investment, generally organized as partnerships, unincorporated joint ventures, or limited liability companies.
Repayment	Periodic or one-time receipt of principal amount due from a loan.

Rate of return	Portfolio income, representing total income before imputed cost of funds or capital divided by the average outstanding portfolio for the year (calculated either before or after specific loan loss provisions and charges, impairment losses, and charges and expenses).
Risk participation	Where one party offloads/assigns its exposure in a loan or other receivable/obligation to another party to reduce the former's risks.
Risk rating	A rating that indicates the risk that a borrower may default. An ADB rating of 1 (>A-) indicates the lowest risk and 14 (default) the highest risk.
Risk transfer arrangement	An agreement between ADB and an eligible counterparty under which, further to a legally binding guarantee, insurance policy, risk participation agreement or other similar contract, the eligible counterparty assumes a portion or all of ADB's risk of loss occurring as a result of primary borrower default under one or more of ADB's transactions. (OM D13).
Total committed portfolio	Total committed portfolio is defined as (i) committed loan, other debt security and equity (carrying or fair value) portfolio, which consists of outstanding balances plus undisbursed balances; and (ii) the committed guarantee portfolio, which consists of outstanding balances on executed guarantees plus non-executed project commitments.
Undisbursed	Refers to the amount that is available for disbursement at any given point in time for effective loans, equity investments and other debt securities.
Weighted average risk rating (WARR)	Average risk rating weighted by exposure (outstanding or outstanding net of risk transfer).
Write-off	An accounting procedure used when an asset is determined to be uncollectible, considered to be a loss, and taken off the balance sheet.