

**BOARD OF DIRECTORS
DEVELOPMENT EFFECTIVENESS COMMITTEE**

CHAIR'S SUMMARY OF THE COMMITTEE DISCUSSION ON 26 JULY 2006

Special Evaluation Study on Urban Sector Strategy and Operations

1. The Development Effectiveness Committee (DEC) generally agreed that an effective urban sector strategy was necessary for effectiveness of ADB's new Medium-Term Strategy II, which explicitly recognizes that demographic pressure and growth are driving rapid urbanization in the region. The Committee generally agreed with the main recommendations of the special evaluation study that ADB's urban sector strategy should: (i) be updated; (ii) include a road map or business plan for implementation, taking into account the resource and organizational constraints; (iii) include a results based framework with performance indicators; and (iv) be grounded at a focal unit in the Regional and Sustainable Development Department (RSDD) to coordinate implementation across regional departments. While the recommendation to provide guidance to staff on how to engage in anticorruption initiatives was also supported, DEC members emphasized the cross-sectoral dimension of such anticorruption initiatives.

2. At the same time, several DEC members thought that the study's concluding recommendations were general ones dwelling on process and that the updated strategy should pay closer attention to the more specific diagnoses in the study as well as to the documented views and suggestions to ADB from stakeholders in the borrowing member countries surveyed.

3. The DEC cautioned that an updated strategy would not be more effective than the previous one in intensifying ADB's response to greatly increased demand for urban sector assistance in the region unless the resources needed to implement the strategy are systematically assessed and realistically budgeted, and an institutional focus on the urban sector is regained. At the same time, sound decisions on the strategy for the urban sector and the resources to be committed to its implementation cannot be made in isolation of overall consideration by Management of inter-sectoral strategy and resource allocation, with such overall planning being guided by Medium-term Strategy II. The ADB-wide urban sector strategy should inform and help guide analysis and decision making in individual country strategies and programs (CSPs), through complementary country-specific urban sector roadmaps. The overall ADB strategy should not incorporate institution-level lending targets for the urban sector that might drive and distort country-level choices. One member of the Committee thought that OED, on its part, had to be particularly careful not to endorse or promote sector-specific targets and activity levels in sectoral evaluations, since complex institution-level policy considerations needed to be taken into account

4. DEC acknowledged Management's initial plan to address the study's recommendations and the substantive issues behind these through an interdepartmental Urban Services Initiative that would result in a paper to the Board setting out "the proposed directions for development, targets, and indicators for the sector, and a business plan to support such development." At the meeting, the Committee was informed that staff work on the paper was planned to be completed around the end of the year.

5. DEC members emphasized that an updated urban sector strategy should be focused on poverty reduction in cities. The challenge of managing the migration from rural to urban areas

must form part of the framework. On the organizational issue, DEC members were not certain if the proposed formal establishment of an Urban Community of Practice would suffice as the mechanism to lead and coordinate implementation of the strategy; this needs to be monitored. On the issue of knowledge management, an updated urban sector strategy needs to specifically address how the role of consultants should be balanced by the role of staff so as to improve in-house knowledge retention and sharing.

Agus Haryanto
Chair, Development Effectiveness Committee

2 August 2006