

## Chair's Summary of Meeting of the Board of Directors

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22 August 2006

### Enhancing Asian Development Bank Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources

1. The main objective of the paper was to provide a status report on the various measures ongoing and/or planned Bank-wide to enhance support to OCR borrowers. The paper was presented to the Board for discussion only. The discussion focused mostly on broad strategic issues. Most Directors appreciated the frank diagnosis of the challenges facing OCR clients and ADB, but some felt that the proposed responses were insufficient to address the issues identified.

2. Several Directors noted that ADB should do more to reduce the costs of its loan products (both financial and non-financial). In terms of financial costs, several Chairs noted that the review of ADB's commitment charge should be completed in a timely manner. Views were split on the need to soften the terms of OCR loans for regional public goods and social services. The rationale for differentiating rates by sector was not clear to some Directors, particularly in the case of social sectors. The financing of the various facilities discussed in the paper, was also a cause for concern, especially if these facilities are to be funded from ADB's net income. With respect to non-financial costs, many Directors felt that ADB should do more to streamline business processes and reduce processing time. Several Directors emphasized the need for greater use of country systems as an important means to reduce transaction costs, provided such national systems met appropriate standards. However, several Chairs also noted that ADB's efforts to reduce transaction costs should not come at the expense of quality and development effectiveness, particularly when dealing with safeguards and program loan tranche release conditions.

3. With respect to operational instruments, a few Directors noted that ADB had taken a number of steps to enhance and broaden the scope of its instruments (mostly in the context of the Innovation and Efficiency Initiative) and were of the view that ADB's attention should now focus on their implementation. Others felt that ADB should do much more in this area and increase the role of private sector operations in OCR countries.

4. Several Directors noted that the measures taken to enhance service quality were insufficient. This was viewed by many as a serious drawback, given the importance of knowledge transfer in OCR countries. Several Directors noted that ADB must do more in terms of knowledge and human resource management, including better management of consultants. A few Directors suggested that these issues be revisited in the context of the 2007 budget discussion.

5. The Chair thanked the Board members for their valuable feedback, which will be carefully taken into consideration as work on individual initiatives proceeds. The Chair also noted that annual progress reports would be prepared as a follow-up to this paper to inform the Board on the progress of this work. The first such report is expected to be circulated in third quarter of 2007.