

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

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31 March 2006

### Medium-Term Strategy II 2006-2008

1. The Board of Directors endorsed the strategy. Directors supported five strategic priorities of MTS II, which address key development challenges in the rapidly changing region. They welcomed the approach taken to broadly define institutional priorities while providing space to meet the specific needs of individual countries in a very diverse region through country strategies. Directors also appreciated the strategy's selective sector focus. Some Directors argued that ADB's continued commitment to poverty reduction should be more clearly underlined, the special needs of weakly performing countries should be addressed, and a concrete action plan to achieve strategic goals should be provided.
2. Directors supported the priority given to private sector development and improving the climate for private investment. In particular the emphasis given in MTS II to ADB's catalytic role in promoting private investment was appreciated. Directors also supported the focus on regional cooperation and integration (RCI), emphasizing the need for close consultation with regional member countries on specific initiatives in this field. Some Directors stated that the link between RCI and poverty reduction is not clear. Others mentioned that the 1997 crisis had underlined the importance of RCI in mitigating the risks of a similar crisis recurring in future.
3. Directors welcomed the priority given to strengthening inclusiveness, managing the environment, and governance and anticorruption assistance. The identification of social development as a key plank for addressing the non-income dimensions of inclusiveness was appreciated. Directors also welcomed the emphasis given to management of the environment, especially energy efficiency and water. Regarding governance, some Directors mentioned the need for further mainstreaming governance and anticorruption in ADB's operations. Others, while fully agreeing on the importance of improving governance, observed that ADB should be focused in its interventions in this challenging field, keeping in view its own capacity.
4. Directors supported the selective approach adopted in the MTS II operational model, emphasizing that the selection of sectors should be demand driven, and based on needs of DMCs. Some Directors observed that the document does not clearly indicate the resource implications of MTS II and that it lacks an adequate results framework. Others stated that they expected to see these specifications in operational documents that will follow.
5. Summarizing the discussions, the Chair stated that in finalizing the MTS II document the linkage between the strategic priorities and the goal of poverty reduction would be further clarified, and the importance of improving governance would be further emphasized. He also stated that specific approaches for weakly performing countries would be developed as a companion document to MTS II.