

IV. Contributing to the CPS Process⁴³

The Enhanced Poverty Reduction Strategy (EPRS) has introduced a stronger country focus requiring improved quality of country partnership strategy (CPS) preparation. This chapter sets out for guidance of country teams some essential quality aspects that need to be emphasized, such as linkage to country poverty analyses and national poverty reduction strategies; better sector strategies and road maps; need for focus and selectivity; strengthened consultation, participation, and partnerships in the preparation process; and development of a results framework. The chapter also identifies the elements of the new quality appraisal process that has been introduced.

A. The Role of the CPS in Country-focused Poverty Reduction

During the 1980s and 1990s, the main focus of the Asian Development Bank (ADB)'s poverty monitoring and assessment was at the level of the individual projects. In particular, projects that were classified as "poverty interventions" were expected to demonstrate their likely ex-ante and ex-post contribution to poverty reduction. Over time, it became apparent that individual projects could not be expected to reduce poverty on their own because of the relatively small contribution that each individual project played in the overall investment program and policy framework of a country, the multifaceted nature of poverty, and the many constraints that needed to be addressed to promote pro-poor growth and social development.

It is now increasingly understood that the overall country-led process of poverty reduction is crucial, and that the contribution of ADB to poverty reduction in any country hinges on the degree to which its CPS is effective in assisting a developing member country (DMC) government to address poverty. Consequently, the main focus of assessing ADB performance has shifted from assessing performance at the level of individual projects to a more rigorous assessment of ADB's contribution to poverty reduction at the level of ADB's country assistance. Rather than conceived of as isolated vehicles for poverty reduction, individual lending and nonlending assistance (including policy dialogue, preparation of knowledge products, and donor coordination) are understood to be the programmatic building blocks through which ADB translates its strategic focus into an actual contribution to the DMCs country-led poverty reduction effort. Hence, there should be a clear strategic rationale for each assistance activity, and each intervention should be appropriately linked to one or more of the key pillars and thematic initiatives of ADB's country strategy.

⁴³ Changes from CSP to CPS processes have been discussed in ADB. 2006. *Further Enhancing Country Strategy and Program and Business Processes*. May.

The CPS is ADB's main planning document at the country level. It is prepared every 5 years. The CPS defines ADB's strategy for each DMC, and within a 3–5-year planning cycle, identifies a 3-year program of ADB assistance designed to maximize poverty reduction impact and assist the DMC government achieve the relevant Millennium Development Goals (MDGs). The CPS is based on the outcomes of the country poverty analysis and macroeconomic assessment, thematic and sector assessments, high level consultations, and other consultations within the partner country. It is the primary country-specific document in the planning and programming cycle, setting the priorities for ADB assistance that are considered to be most effective in reducing poverty. These priorities form the basis of ADB's lending and nonlending activities in the DMC. The CPS is designed to: (i) translate ADB's overarching goal, strategic objectives, and operational priorities into country-specific strategies during the planning and programming cycle that are ultimately reflected in the project portfolio; and (ii) define strategies and programs to support the National Poverty Reduction Strategy (NPRS) and be integral to its realization. As noted in Chapter 2, the NPRS will have already identified the country's development objectives, to be critically assessed during the preparatory phase of the CPS. The CPS itself will, in effect, become ADB's medium-term business plan for contributing to the attainment of NPRS objectives.

CPS preparation is the responsibility of a country team, headed by the country team leader and with representation from all sector divisions and operational staff involved in delivering assistance to a particular DMC. With the adoption of results orientation, ADB's strategic and programming focus has shifted from delivering "assistance" per se toward contributing to poverty reduction "results". In practice, CPSs have become more results oriented by: (i) identifying the "results" sought by the Government, to which ADB will contribute, (ii) identifying what "outcomes" are expected during the implementation of a CPS, (iii) providing a mechanism and indicators for monitoring progress made toward achieving those outcomes, and (iv) providing a basis for evaluating the success of the CPS and thereby a basis for adjusting future plans to improve results.

The CPSs are based on a number of business processes that have been introduced since ADB's reorganization in 2001. The CPS processes require comprehensive sector and thematic assessments, close coordination with other development partners for analytical work, and alignment of CPSs with NPRSs. The new CPSs in general have become more sharply focused on poverty reduction and have given attention to effective aid coordination and country ownership. CPSs have also generally followed the EPRS framework of the three pillars and thematic priorities. Some CPSs had a specific sector or geographic focus to achieve greater poverty reduction impact⁴⁴.

Given the centrality of CPSs in determining ADB's contribution to the country-led poverty reduction effort, it is critical to achieve a high standard of analytical rigor in preparing CPSs and to ensure their effective implementation. Toward this end, the regional departments are providing greater focus on improving analytical standards and overall quality of country assessments; allocating adequate staff and financial resources for preparing CPSs; providing recognition for staff who are members of CPS teams; and introducing a results framework in each CPS. Efforts are also being taken to improve quality at entry by involving RSDD staff at the initial stages to improve thematic and sector assessments; and involvement of the Strategy and Policy Department (SPD) in making the CPSs more results-based. To enhance quality, there is a biennial stocktaking of CPSs prepared over the previous 24 months to examine if CPSs are progressively more results-based and demonstrate improvement in quality at entry. This measure will be supplemented by regular evaluation of country assistance programs by the Operations Evaluation Department (OED).

⁴⁴ See ADB. 2005. *Practice Note on Results-Based Country Strategies and Programs*. Manila.

B. The CPS Process: Integrating the NPRS, CPA, Analysis, and Consultations

The CPS supports the NPRS⁴⁵ and is based on the outcomes of the country poverty analysis, thematic and sector assessments, performance evaluation, and consultations within the partner country (Table 4.1). The NPRS establishes the overall framework against which ADB's assistance is to be aligned. The CPS identifies, strategically and programmatically, those parts of the NPRS that future ADB assistance will support. It also identifies those aspects of the NPRS that are being assisted by other development partners, or addressed by other stakeholder groups. The CPS is the primary country-specific document in the planning and programming cycle, setting the priorities for ADB assistance that are considered to be most effective in reducing poverty. These priorities form the basis of ADB's lending and nonlending activities in the DMC.

The CPS is understood to serve as a business plan for assisting the DMC address critical elements of its NPRS. To do so, the CPS will help answer the following questions:

- What are the strategic long-term poverty reduction goals, such as the MDGs or national goals identified by the country as a priority and to which ADB's strategy will be aligned? These should be framed (or accompanied) by specific indicators such as reduction in poverty levels, GDP growth rates, infant mortality, etc., and include current baseline, NPRS targets, and the associated time frames.
- What are the issues/constraints to achieving the longer-term poverty reduction strategic goals?
- What poverty reduction outcomes will be the primary focus of ADB's interventions which the program can influence directly? This should relate to key issues, and is preceded by a discussion of the basis for selectivity and focus, what other donors are doing, etc.
- How does ADB's poverty reduction support (both ongoing and planned, lending and nonlending) combine to achieve these outcomes or to support a knowledge base to tackle the issues/constraints to poverty reduction?

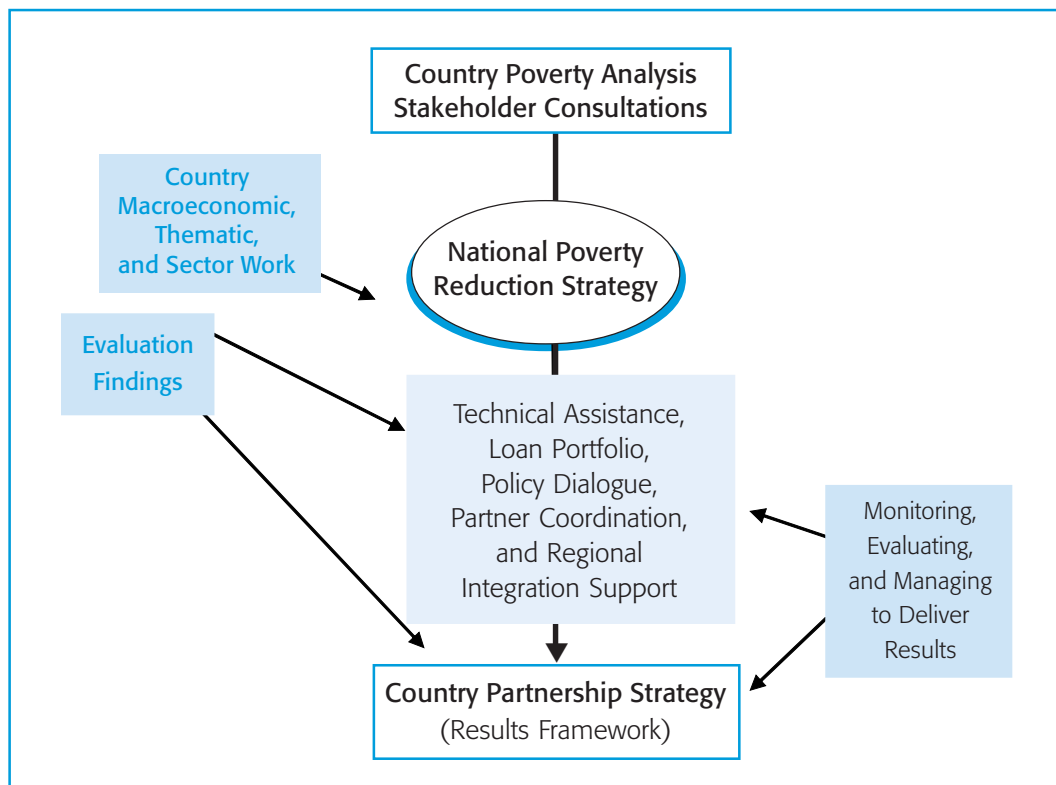
As illustrated in Figure 4.1 and discussed in Chapter 2, the manner in which ADB's strategy in each DMC contributes to the realization of the NPRS is based initially on a detailed country poverty analysis (CPA) and a macroeconomic assessment. The CPA provides a poverty diagnosis, an independent assessment of the NPRS, a review of prospects and partnership arrangements for achieving the MDGs and national poverty reduction targets, and an initial strategic framework for ADB assistance to contribute to the country-led poverty reduction effort. The CPA is then augmented, as necessary, by other analysis such as ADB's ongoing economic, thematic, and sector work, and by the findings of self- and independent evaluation of ADB's assistance performance. The macroeconomic assessment is conducted in parallel with the CPS and reviews trends and determinants of macroeconomic performance (growth, savings and investment, fiscal, monetary, trade, balance of payments, and exchange rate), including an identification of the binding factors to improved macroeconomic performance. Sound and stable macroeconomic

⁴⁵ A national development plan may be an NPRS if it includes clear strategies for poverty reduction.

performance is essential to poverty reduction—hence, the findings from the macroeconomic assessment will complement those of the CPA. The preparation of the CPA and the macroeconomic assessment are important parallel processes. Care should be taken to ensure that synergies are built-up and overlaps avoided in these two important assessments. Building on this analytic foundation, ADB’s CPS is then developed in a participatory manner through a series of consultations with stakeholders. The end result of this process is a CPS document, containing a summary of the poverty assessment, thematic assessments and sector strategies and road maps for themes and sectors prioritized in the CPA, and a 3-year rolling country program.

During the preparation of the CPS, country teams will identify priority sectors for ADB support and will assess the desirable mix of assistance interventions in the context of country strategic priorities for development and poverty reduction. ADB’s approach will be rooted in the findings of the CPA and will be fully consistent with the NPRS. It will also take into account the macroeconomic and policy frameworks to assess its consistency with the country’s strategic priorities. Sector, subsector and project choice will depend on the country-specific poverty context, national strategies and priorities for poverty reduction, and the availability of good practices to scale up the poverty reduction response. Whether ADB operations are specifically targeted to assist groups of the poor directly or are designed to operate indirectly to ease infrastructure, public service, policy, or institutional constraints to poverty reduction are a choice decided upon in the CPS based on in-depth country knowledge and experience and guided by analysis presented in the CPA. This involves matching the mode of assistance that is most suited to meet the poverty reduction challenges in each sector and thematic area, and ensuring that ADB has the capability to assist in that manner.

Figure 4.1: Country Programming



C. CPS Consultations: Fostering Participation to Build Shared Ownership

Participatory Processes. Success in generating effective participation and ownership in the design and implementation of the CPS is essential to fostering successful outcomes. The use of a highly participatory process aimed at producing consensus and commitment to the CPS is essential to building shared ownership and commitment to its eventual implementation. Beyond that, ADB promotes a continuum of ongoing participatory processes because it recognizes that, ultimately, it is the collective efforts of government, development partners, civil society, the private sector and the community that determine the success of development, rather than a development partner acting in isolation.

The participatory process in the CPS should build on ongoing participatory processes with the Government, NGOs, the private sector, and other development partners. It should build on and use participation to (i) help design and build shared ownership, (ii) identify major strategic and programmatic issues, and (iii) assist in the public disclosure and dissemination of the CPS. While government is the main partner for ADB, an effort should be made using ongoing participatory processes to obtain the views and options of national and local stakeholders on the completeness, consistency, and likely effectiveness of the NPRS as a vehicle for guiding national poverty reduction efforts and for identifying an appropriate role for ADB assistance to poverty reduction.

Participation in developing the CPS can take many forms. Typically this includes a series of consultations with key interlocutors in national government, with the development partners, civil society organizations, the private sector, and regional consultations with representatives of the poor, community-based organizations (CBOs), and local governments. Members of the country team may undertake a parallel consultation process with representatives of each sector or thematic area. This should build on the continuous dialogue process in the sector, except where new areas are being explored. The consultation process is organized by ADB's resident mission, involves ADB's country team, and is undertaken in close consultation with ADB's main counterpart agencies in the Government. In cases in which the country assistance programs of other development partners are being prepared together with ADB, the consultative process would be planned and implemented simultaneously with the other partners. This has the advantage of reducing transactions costs of external assistance planning on key stakeholders.

The findings from the consultative process can be used to help assess the ownership and soundness of the NPRS, to assess priorities for poverty reduction assistance, to identify critical gaps in support for the NPRS for which ADB assistance would be most appropriate, and to identify ways in which ADB assistance can be best aligned to support provided by other groups (i.e. development partners, the private sector, NGOs); and to identify ways of building more robust partnerships and fostering positive synergies between assistance activities. The consultative process can also be used to validate the key findings and recommendations of the CPA, and to identify in more detail the appropriate role and manner in which ADB can best support the Government in implementing its NPRS.

CPS consultations complement the analytical and evaluative work that underpins the CPS by helping contextualize the analyses, evaluations, and government plans and strategies, and by assessing these from the perspective of the communities that ADB aims to assist. For example, in the case of the Nepal CSP, a series of local consultations identified the nation's conflict, which was rooted in historical patterns of exclusion, as being the single most important constraint to poverty

Table 4.1: Poverty Reduction Focus in Country Partnership Strategy (CPS) Processes

CPS Stage	Purpose	Poverty Reduction Purpose	Tool / Process	Output
Pre-CPS analysis and assessment	Thorough pre-CPS analysis and assessment is the key to preparing the CPS.			
macroeconomic and country poverty analysis	will determine country priorities for ADB assistance for effective systemic poverty reduction will determine country priorities for	ADB assistance to achieve poverty reduction and MDG achievement targets under the national poverty reduction strategy. Basic elements of the CPS results framework should begin to be conceptualized at this stage	poverty reduction and social analysis; participatory consultations; relies largely on secondary data and literature review; in some cases economic modelling with the goal of poverty reduction	Country Poverty Analysis (CPA) and Macroeconomic Assessment
thematic analysis (gender, environment, governance, capacity development, private sector, regional cooperation)	assessment of constraints and options for improving development performance	assessing constraints and opportunities for attaining the development and poverty reduction goals under the national poverty reduction strategy	analysis, consultations (internal and external), utilization of partner sources	thematic assessments
sector assessments	overview on sectors' contribution to the country's poverty reduction strategy	assessing sectoral constraints and opportunities to attain the development and poverty reduction goals in the national poverty reduction strategy	analysis, consultations, utilization of partner sources	sector issue papers
Draft CPS Initiating Paper	The CPS initiating paper will identify (i) DMC policies addressing poverty, (ii) constraints to growth and poverty identified through cause-effect analysis, (iii) key development issues and challenges, (iv) strengths and weaknesses of previous CPS, (v) factors for establishing the cost sharing arrangements and other financing parameters, and (vi) proposed intended CPS outcomes, indicative strategy and foci for interventions.	based on an agreement on Government's priorities in its national poverty reduction strategy and ADB's own priorities, lessons learned from CAPE, CSP completion report, and pre-CPS assessments, identify the major strategy and programming issues to be addressed in order to attain poverty reduction goals.	Stakeholder consultations; workshops; assessments of partners and dialogue with them	Draft CPS Initiating Paper
priority sectors analysis and sector road maps	For priority sectors, in-depth assessments are to be conducted to examine specific constraints in DMC sector development plans, their causes, and opportunities.	Based on an assessment of constraints and opportunities, identify sector issues that will contribute to overall CPS outcomes for poverty reduction. Specific thematic issues will be integrated into sector diagnostics.		indepth sector analysis and roadmaps
develop a CPS results framework		Results framework should demonstrate how ADB is supporting the national poverty reduction goals and outcomes.		results framework
Draft CPS	The CPS formulation mission agrees with the DMC government on medium-term goals, intended CPS outcomes and planned key outputs, the selection of sectors and thematic areas, geographical focus, results framework and monitoring indicators, sector roadmaps, cost sharing arrangements and other financing parameters, and indicative business operations plan for the first 3 years of the CPS; confirms any cofinancing arrangements; and concludes with a memorandum of understanding (MOU) with the DMC.	highlight how the overall strategy and program in partnership with other development partners is going to achieve the poverty reduction and MDG achievement goals and targets.	Analysis of the issues identified in the CPS initiating paper; consultations with DMC stakeholders including the private sector and civil society and other development partners.	Draft CPS
CPS Paper for Board Discussion				Final CPS (including confirmed results framework, M&E arrangements, and 3-year business plan)
CPS Mid-term Review (monitoring, evaluation and revision)	ADB may undertake biennial retrospective stocktaking of CPSS prepared and approved over a respective review period to examine quality at entry and provide practical lessons to the CPS preparation process.	review relevance of ADB priorities in CPS for poverty reduction and assess contributions to the country's changing poverty reduction priorities	consultations, monitoring and evaluation process; assessment of poverty reduction relevance	CPS Mid Term Review
CPS Completion				CPS Completion Report

reduction. A summary of the local consultation process used to develop the Nepal CSP is provided in Box 4.1.

BOX 4.1: LOCAL CONSULTATIONS UNDERPIN PRIORITY SETTING IN THE NEPAL COUNTRY STRATEGY AND PROGRAM

By engaging in and using the results of extensive consultations, the Nepal CSP is a substantially different document from the traditional CSP. It reflects the hard-won knowledge of local groups and designs programs that link goals with specific and measurable desired results. In preparing the CSP, ADB organized consultations in five districts in December 2003, as well as a consultation with women representing ethnic groups from the eastern region. The first step in the process was to identify the stakeholders, with the goal not to maximize the number of participants, but, to optimize the quality. A total of 119 representatives participated in the regional workshops, including women's groups, ethnic groups, and *dalit* organizations (considered the lowest in the caste hierarchy), trade unions, bar associations, municipal leaders, nongovernment organizations, press unions, local government, the private sector, and the Ministry of Finance. This diverse array of stakeholders set the agenda, while ADB only organized and listened.

Although the needs of the regions differed, the issues raised were similar. Regional stakeholders identified the poor security situation and political instability as the main constraints to implementing development activities. Traditional farming; inadequate skills; lack of access to electricity, microfinance, and roads; and social exclusion were also identified as impediments to sustainable development. Stakeholders in the mid- and far-western regions—where conflict has been most acute—identified lack of employment as the main factor behind the conflict. However, they felt that development can proceed even amid conflict if the right approach—such as implementing programs that either ensure local participation or are demanded by local organizations elected bodies—is taken. Insights from the consultations varied from the general to the specific. Looking at water-resource projects, for example, stakeholders complained that some water projects had not been completed even after years of implementation. They called on ADB and others to monitor water projects closely, and called unanimously for comprehensive project reviews.

Source: ADB. 2004. *Voices from the Field: Nepal Country Strategy and Program through People's Participation*. Manila.

D. Focusing to Maximize Poverty Reduction Impact

In the 1980s and 1990s, ADB interventions were designed to address several different goals in many sectors and subsectors of the economy because poverty reduction was one of several ADB corporate goals, as opposed to being the overarching goal of ADB. As ADB evolved from being a project bank to a full-fledged development finance institution, it tried to be as responsive as possible to the requests of member governments to provide assistance through several modalities to a large number of sectors, subsectors and regions of some countries.

There is ample evidence that sustained engagement in a sector (or subsector) with a combination of support for essential public investments, institutional capacity, and an enabling policy environment is needed to generate meaningful results. However, faced with limited financial and human resources, the dispersion of ADB assistance over a large number of sectors, subsectors, institutions, and regions has meant that it is difficult to achieve the critical mass required in key areas to make a meaningful contribution to the government's poverty reduction effort. In many DMCs, one of the challenges of the CPS process is to focus the assistance effort in those areas where ADB can assist the government make a meaningful impact.

The CPS will need to position ADB's assistance to ensure that it makes a meaningful contribution to the national poverty reduction effort. Country positioning is a measure of how well ADB responded to (or even anticipated) the evolving development challenges and priorities of government, built on the organization's comparative advantage, and designed the CPSs in a manner that took into consideration the support available from other development partners. In assessing sectors and thematic areas for future focus, the following questions should be addressed:

- In which sectors or subsectors has ADB assistance been effective and efficient in contributing to poverty reduction? What have been the main factors contributing to intervention success? Conversely, in which areas has ADB assistance been less successful than planned, and what are the main reasons for this?
- What are the main lessons learned from past assistance?
- Are there opportunities to build on and scale up past interventions that have a proven track record in efficiently and effectively contributing to poverty reduction?

To answer these questions, the CPS will build on a comprehensive assessment of ADB's past contribution to poverty reduction. This will draw on the findings of the CPA, the CPS completion report, self- and independent evaluations of projects, and technical assistance, the findings of the most recent OED Country Assistance Program Evaluation (CAPE) or post evaluation of the CPS (if available), and the conclusions of the portfolio review missions. Interviews with key project stakeholders will also be used to draw lessons regarding the efficacy, effectiveness and efficiency of ADB operations. Added to this will be (i) government's guidance on where ADB should assist; (ii) activities of other donors, and (iii) an assessment of ADB's internal capacity and expertise to arrive at the final selection.

Other development partners, private sector, civil society organizations, community groups, and the government are bound to have core competencies and experiences that are different from, and complementary to, ADB's assistance. In many areas, the assistance needs of the government may be adequately served by one or more partner organizations. In those sectors, ADB assistance could be most productive by supporting those partnerships, through cofinancing, participation in coordination working groups, policy dialogue, and the contribution of new knowledge from the region regarding developments in that area. The extent to which ADB was able to forge productive relationships with other development partners will have an important influence on the degree to which ADB is able to focus its assistance to achieve development results in a particular sector. For example, the Bhutan CSP focused ADB's assistance in transport, power, urban development, and financial sector/private sector development (Box 3.6). This was based on the recognition that ADB had a strong performance record in these sectors/thematic areas; that there were binding constraints to poverty reduction in each area; and that there was, and would continue to be, sufficient development assistance from other partners in agriculture and rural development, and in the social sectors, to justify ADB's withdrawal from direct lending to those sectors.

E. Building Partnerships to Achieve MDGs and National Goals

The CPS process provides an opportunity to forge productive relationships with other development partners within the wider framework of development cooperation in the country. During this process, ADB takes stock of the external finance situation and identifies ways of improving the mobilization and utilization of external assistance for poverty reduction. This assessment should answer the following questions:

- What is the medium-term financing gap, and does the Government have adequate capacity to borrow, externally and domestically, to meet its poverty reduction requirements?
- To what sectors and subsectors are the other development partners providing assistance? How can ADB assistance best complement assistance provided in these areas?
- Are there sectors, subsectors or thematic areas that require additional external assistance, beyond that which ADB and its partners are planning to provide if national goals and MDGs are to be achieved? Can partners be encouraged to provide additional assistance in those areas?
- Are existing aid coordination efforts effective? Are there opportunities to improve government's leadership of the aid mobilization and coordination effort?

The Partnership Matrix. ADB assistance should complement and be coherent with the assistance that other development partners provide. The CPS includes a partnership matrix which summarizes the main focus of ADB assistance vis-à-vis that provided by the other development partners. The partnership matrix should build on the partnership arrangements identified in the sector and thematic road maps (see section F) and from the consultations with development partners. The partnership matrix should be presented for the key sectors in which ADB is focused, and should be used to identify complementarity and coherence between ADB's strategic focus and assistance approach, and the strategies and approach being pursued by the other development partners.

The CPS should also review development coordination arrangements, suggest strategies for improving the coherence of external assistance and the alignment of external assistance with the NPRS, and promote greater use of national systems. Reducing transaction costs arising from aid management on overburdened public sectors is an objective in many DMCs, and by harmonizing procedures and the provision of assistance in key sectors, ADB can contribute to reducing such costs. As part of the CPS preparation process, ADB will need to assess the extent to which other partners are providing sufficient assistance to help contribute to the achievement of the MDGs, especially in sectors that are not the focus of ADB operations. The discussion in the CPS of development coordination should also assess the extent to which other partners are complementing ADB assistance, particularly with respect to providing assistance to achieve the MDGs. Where there appear to be major assistance "gaps" or serious absorption constraints in other sectors where progress is essential for achieving the MDGs, these should be highlighted and remedial measures suggested.

F. Sector Strategies and Road Maps: The Basic Building Blocks to the Results Framework

A key CPS building block is the sector/thematic assessments, strategies, and road maps. These assessments, strategies, and road maps provide the framework for identifying projects and programs, the justification of which is based on their potential contribution to sector outputs and outcomes that can contribute to easing binding constraints to poverty reduction.

The thematic assessments of governance, gender, the private sector, and environment are a significant source of information and guidance for the CPS. These involve (i) a detailed assessment of current performance, (ii) a discussion of key thematic issues, (iii) a review of public policies and their impact on thematic performance, (iv) an assessment of the government's strategy to improve thematic performance, (v) a discussion of ADB experience and activities of other partners, and (vi) recommendations for ADB's future strategic and programmatic response to key issues in the thematic areas. In some cases, analytical work prepared by other development partners, if of a sufficiently high quality and reasonably complete, can substitute for the preparation of thematic studies by ADB. In those cases in which ADB and other partners prepare joint CPSs, the economic and sector work from each partner is made available and drawn on to inform the preparation of each respective country strategies. Increasingly, more emphasis is to be placed on incorporating these thematic elements in the CPA. Individual thematic assessment will then be undertaken if the CPA identifies the need to improve the knowledge base in any of these areas.

Sector strategies and road maps are vital building blocks of the CPS and are prepared only for those priority sectors where ADB assistance has been programmed. These are to be undertaken routinely in the sectors in which ADB is engaged and kept updated. For the CPS, a sector strategy and road map draws on ADB's own assessments, as well as on the sector plans, policies, and strategies that the government and ADB's development partners adopted. These include (i) a brief review of sector performance, (ii) key issues affecting sector performance, (iii) the Government's sector development strategy, (iv) ADB's involvement in the sector, (v) activities of other development partners, (vi) ADB's strategy for the next 5 years, and (vii) implementation and monitoring issues. In drafting sector strategies, the key challenge is to envisage ways in which the sector can be improved to contribute to poverty reduction, as opposed to developing the sector as a goal unto itself. For example, a national road network could be developed as an end unto itself. It could also be developed in ways that serve to connect poor and isolated communities to the market economy. The sector strategies and road maps should answer the following questions:

- What are the key sector and subsector challenges and constraints to progress?
- What strategies has the government pursued to foster development in the sector/subsector, and what future strategies are planned? How do these strategies relate to Government's poverty reduction goals and objectives?
- What outcomes/targets the government established? Are they realistic?
- What has been ADB's experience in the sector/subsector, and what are the major lessons?
- What is the extent of involvement of the government and other development partners in the sector/subsector?
- What strategies will ADB pursue to contribute to poverty reduction in the sector/subsector?

- Are there any issues related to implementation and monitoring of future sector/subsector interventions that require special attention?

Sector strategies also include a summary road map. The road map should include a set of key sector performance indicators; a summary of sector development issues; and an identification of ADB's, the government's, and other development partner's programmatic responses to these key issues. The information collected on the programs of the government and other development partners should also help in providing inputs to the partnership matrix in the CPS. The sector road map should specify both the sector-outcomes that ADB will contribute to during the next 5-year period and during the period in which the new CPS activities are likely to contribute to development results. Results during the next CPS period will primarily reflect the influence of the ongoing portfolio of lending and nonlending assistance, whereby the activities initiated during the new CPS will likely effect outcomes with a gap of several years. Moreover, since sector impacts generally have a long gestation period, these outcomes will be tracked to assess the extent to which ADB assistance remains on-track to assist the government meet sector development goals and objectives.

G. Defining a Poverty-focused CPS Results Framework

The results framework is a planning and management tool that defines the links between strategic development goals, outcomes that are directly influenced by ADB's program, key results that are necessary to reach those outcomes, and the mix of ADB support (program/project, policy dialogue, and partnerships). It defines the linkages between ADB sector and thematic assistance (as specified in the sector and thematic strategies and road maps) and the poverty reduction outcomes and impacts of the NPRS to which ADB contributes. The results framework serves as a bridge between the goals, strategies, and objectives for ADB assistance identified in the CPA, on the one hand, and the strategic priorities and targets of the NPRS on the other. The CPS results framework captures and consolidates ADB's planned interventions and describes how these will contribute to the monitorable development results identified in the NPRS/PRPS. The results framework then becomes a device for monitoring the agreed contribution of ADB to the achievement of a prioritized subset of NPRS goals and objectives.

The results framework is designed to be used as a planning and management tool for the country program level, based on clearly posited relationships between ADB inputs and country outputs, outcomes, and impacts. It starts with the country outcomes and impacts that ADB seeks to influence, as well as the presumed linkages between these results and the program supported by ADB instruments. By working back from the country outcomes and impacts to the ADB instruments, the construction and utilization of the framework can also help sharpen the selectivity of ADB interventions, by transparently setting out the underlying thinking behind the selection, based on ADB's comparative advantage, track record in the particular area, and availability of support provided by other partners.

The results framework should help answer the following questions:

- To what MDG and national goals will ADB assistance help contribute?
- What are the strategic outcomes and impacts that are expected to result from ADB's assistance, combined with the efforts of other development stakeholders?

- What indicators will be used to assess near to medium-term progress toward achieving those results?
- What development interventions will ADB support to contribute to the achievement of targeted results?

The results framework builds, in a bottom-up manner, on the sector and thematic road maps. These are used to identify areas of future ADB assistance, likely sector outcomes and outcome indicators which are used to monitor progress toward achieving sector results. Likewise, it draws on the NPRS, in a top-down manner, to identify national poverty targets and MDG commitments, and the key areas of focus of the government's poverty reduction strategy.

The results framework can help sharpen the CPS program—especially its relevance. To this end, the CPS's results framework should be developed in tandem with the design of the program, allowing for an iterative process between the two that takes into account practical considerations and constraints such as the size of the program and the budgetary resources required to implement it and that examines the trade-offs among possible ADB activities in terms of their relative impact. Here critical issues are (i) the likelihood of successful country action—including importantly through policy reforms; (ii) the possible availability of alternative sources of support (for example from other donors) as a way to assess ADB's comparative advantage vis-à-vis its partners in providing a particular line of support; and (iii) the specific implications of the lessons learned from past country and ADB implementation experience for the design of the strategy and program, including the choice of instruments of support, both lending and nonlending.

At the CPS design stage, use of the framework forces questioning of the strategy and increased selectivity. During implementation, the framework is used for management purposes to help the country and the team assess if implementation is on track and if not why not. The results framework is not a tool to declare attribution and accountability. Rather, it is a tool to improve strategy design, management decisions, and ultimately results on the ground. By clearly setting out the intentions of the portfolio in support of government and the associated management process over the period of implementation, future evaluations or accountability exercises can be better informed.

In most cases, the results framework is designed to trace ADB assistance, at a sector and thematic level, to the outcomes and impacts defined at the country level in the NPRS. In those cases in which a CPS is prepared together with several development partners, it is useful to include a results framework for all participating partners. As in the Bangladesh case, in addition to easing transactions costs on the government, preparing a joint results framework by four participating partners (ADB, World Bank, Japan Bank for International Cooperation, and Department for International Development) provided a useful means of organizing the harmonization exercise, helped foster greater sector selectivity, and resulted in greater synergies being fostered across assistance programs.

The M&E system for the results-based CPS is embedded in the results framework, where measurable indicators are specified. These indicators are not parallel to the government's system but are consistent with it. In some cases, deficiencies in the country system become evident when attempting to define indicators to measure progress against outcomes. In several countries, ADB and its partners provide assistance to the government to improve the reliability of baseline indicators, to improve overall data quality, and to build the government's M&E capacity. In countries,

such as Viet Nam, Lao PDR, and Nepal, ADB has provided assistance to governments to improve the results frameworks embedded in the national plans, and to build institutional capacity to prepare and utilize results—frameworks for managing the implementation of the NPRS.⁴⁶

H. CPS Quality Appraisal

The Review of ADB's Poverty Reduction Strategy⁴⁷ (PRS Review) approved by the Board in July 2004 envisages three sets of measures⁴⁸ to be undertaken to improve the quality at entry of CPSs:

- (i) Greater regional department focus on analytical rigor and overall quality of country assessments before finalizing the initiating paper, and introduction of a CPS results framework;
- (ii) Involvement of the Regional and Sustainable Development Department (RSDD) at the initial stages to improve thematic and sector assessments and SPD involvement in making CPSs more results-based; and
- (iii) Introduction of a biennial stocktaking of CPSs and projects prepared over the previous 2-year period to examine if CPSs are progressively results-based and demonstrate improvement in quality at entry.

Quality at Entry. Continuous learning and several internal quality control measures are to be built into the new CPS preparation processes. A biennial review will assess the quality-at-entry of the CPS undertaken by a task force which is a customized panel interacting with country teams.⁴⁹ In reviewing a particular CPS, the task force ensures that panelists have appropriate skills and experience, while at the same time avoiding actual or perceived conflict of interest. The CPS assessment, estimated to run for about 2 weeks, will generally be through desk review and discussions with country teams.

The first staff panel made an assessment of six CSPs prepared in 2004 and 2005. It adopted the following criteria:

- the soundness of the CSP preparation procedures;
- robustness of the poverty analysis and other country diagnostics including sector and thematic assessments;
- identification of lessons from previous CSPs;
- assessment of consistency between country diagnostics and strategic focus areas of the CSP and with past CSP assessments;
- alignment between the country's development agenda and the strategic focus;

⁴⁶ For guidance on social development outcomes and indicators to include in a results framework, see the forthcoming ADB *Handbook on Social Analysis*.

⁴⁷ ADB. 2004. *Review of the Asian Development Bank's Poverty Reduction Strategy*, R95-04. June.

⁴⁸ Paragraphs 96-98 and 103 (iii) of the *Review of the Asian Development Bank's Poverty Reduction Strategy*.

⁴⁹ The panel will typically have staff from RSDD (poverty analysis, sector and thematic issues), ERD (economic and financial analyses), COSO (portfolio management, project implementation issues), SPD (results-based framework)⁵³, and a representative from another regional department that is not responsible for the operation under review.

- assessment of selectivity in future country operations;
- extent to which the CSP has been made results-oriented and whether the performance indicators have been defined, tracked, baselined and targeted; and
- assessment of the quality of risk assessment and its impact on CSP objectives.

CPS Completion Reports. CPS completion reports are being pilot-tested in 2006 and are to be introduced in 2007. These are prepared by operations staff prior to the preparation of a CPS issues paper. The purpose of the completion report is to take stock of progress made in implementing the ongoing CPS, and for the country team to draw lessons from that experience for preparing the new CPS. Criteria and guidelines for the CPS completion reports are still being developed, but these are anticipated to cover (i) progress made in achieving the goals and objectives of the CPSs; (ii) factors affecting CPS implementation; (iii) identified good practices for replication and scaling-up (and less-than-successful interventions for improvement or avoidance); (iv) key lessons learned; (v) and recommendations for the next CPS. The CPS completion reports will draw on available evaluation materials, and from consultations with the country team, the Government, and other country stakeholders. A short completion report will be attached to and distributed with the CPS initiating paper, and will be included as an appendix to the CPS report.

Independent CPS Evaluation. The CPSs will continue to be independently post-evaluated by the OED. The CAPEs of OED will assess the extent to which ADB assistance was relevant, efficient, effective, sustainable, and contributed to desired outcomes and socioeconomic impacts. In the future, the CAPEs will be able to draw on the results frameworks included in the CPSs as a standard against which country performance can be assessed. Compared to the CPS completion report, the CAPE (or the future CPS evaluation report) will provide a more comprehensive assessment of ADB's contribution to a DMC's development results, since the outcomes and impacts of external assistance tend to occur with a lag of some years and require careful evaluation to isolate and attribute.