

**OPERATIONS MANUAL
BANK POLICIES (BP)**

OM Section A2/BP
Issued on 1 January 2010
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<i>These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.</i>

COUNTRY PARTNERSHIP STRATEGY

1. The Asian Development Bank (ADB) aims to deliver its strategic agenda through demand based, country-owned, and results-oriented partnership strategies and related technically viable programs of assistance to its developing member countries (DMCs). ADB's overall strategic approach is determined by Strategy 2020, which guides all country partnership strategies (CPSs).¹ ADB's strategic priorities consider global and internationally accepted goals and development practices.
2. ADB and its DMCs are partners in development, working together to reduce poverty and achieve sustainable economic growth and development effectiveness. ADB will pursue its vision and mission by focusing on three complementary strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration.
3. Under Strategy 2020, ADB is committed to achieving sustained and equitable development, improving the quality of life, and reducing poverty with the aim of contributing most effectively to the harmonious growth of the region in keeping with the *Agreement Establishing the Asian Development Bank* (the Charter). A balanced integration of these elements should be reflected in an individual CPS. CPSs are based on high-quality analytical work and include a results framework.
4. A CPS will define ADB's strategic approach in the country that is aligned with Strategy 2020, country's own development strategy, and ADB's comparative strengths, and complement efforts by its development partners. ADB will consider its operations in five core areas specified in Strategy 2020: (i) infrastructure; (ii) environment, including climate change; (iii) regional cooperation and integration; (iv) finance sector development; and (v) education. In three other areas—health, agriculture, and disaster and emergency assistance—ADB will continue operations selectively in close partnership with other agencies.
5. ADB operations in a country will seek to mainstream the five drivers of change under Strategy 2020: (i) private sector development and private sector operations, (ii) good governance and capacity development, (iii) gender equity, (iv) knowledge solutions, and (v) partnerships.

¹ ADB. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

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Basis: This OM section is based on:

ADB. 2004. *Review of the Asian Development Bank's Policy on the Performance-Based Allocation of ADF Resources*. Manila.

ADB. 2004. *Review of the Asian Development Bank's Poverty Reduction Strategy*. Manila.

ADB. 2005. *The Public Communications Policy of the Asian Development Bank Disclosure and Exchange of Information*. Manila.

ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

ADB. 2006. *Further Enhancing Country Strategy and Program and Business Processes*. Manila.

ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

ADB. 2009. *Country Partnership Strategy: Responding to the New Aid Architecture—Report of the Country Partnership Strategy Working Group*. Manila.

This OM section is to be read with OM Section A2/OP.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Director of Strategy, Policy and Interagency Relations Division, Strategy and Policy Department.

1 January 2010
This supersedes OM Section A2/BP
issued on 21 February 2007.

Prepared and issued by the
Strategy and Policy Department
with the approval of the President.

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COUNTRY PARTNERSHIP STRATEGY

A. Introduction

1. The objective of the country partnership strategy (CPS) is to describe ADB's strategic approach in a country, aligned with both the country's development strategy and the corporate strategic priorities of the Asian Development Bank (ADB). Thus, the CPS should identify operational areas from the menu of options provided in Strategy 2020¹ within the framework of a government's national development plan, and narrow the focus further within these areas. It should contain a short and focused assessment of how the strategy will support the five drivers of change in the developing member country (DMC). The CPS should include a results framework.

B. Business Processes

1. Preparation of the Country Partnership Strategy

2. The major steps in formulating a CPS are (i) initiation; (ii) preparation of a CPS initiating paper and initiating meeting; (iii) country consultations; (iv) Management Committee Meeting (MCM) and subsequent confirmation of the CPS with the DMC government; and (v) the President's clearance, followed by consideration and general endorsement by the ADB Board of Directors. The CPS timeframe should be aligned with the client's strategic planning cycle, where relevant and feasible. Further adjustments in the timeframe can be made if justified by major economic or political developments.²

a. Country Partnership Strategy Initiation

3. The composition of the country team and of the peer reviewers should be proposed by the country team leader in consultation with departments and offices concerned and endorsed by the regional director general as the chair of the regional management team (RMT). Peer reviewers will be chosen from among ADB staff and, if required, external experts. External peer reviewers shall be engaged as resource persons.

4. The CPS preparation should be based on economic, thematic, and sector works made available by the time of the initiating process.³ These knowledge products should be prepared

¹ ADB. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

² When there is considerable uncertainty, an interim country partnership strategy (CPS) with a time horizon shorter than the developing member country's (DMC's) strategic planning cycle and/or abbreviated business process may be considered.

³ The CPS first identifies broad knowledge gaps, and time frames for preparation of prospective economic, thematic, and sector works are managed by country operations business plans (COBPs). These knowledge products will

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jointly with interested development partners, to the extent possible, and with close involvement of the government. The knowledge products and other supporting documents⁴ should be stored electronically in the knowledge repository managed by the concerned regional department for easy use by the country team.

5. Evaluating the existing CPS is essential to preparing a new one. The originating regional department prepares a brief final review of the validity of ADB's strategic focus and progress using the results framework. Experience and lessons, particularly those relating to the findings of independent country assistance program evaluations, as made available by the Independent Evaluation Department (IED), are incorporated into the new CPS,⁵ with recommendations of the Development Effectiveness Committee of the Board.

b. Initiating Paper and Meeting

6. An initiating paper is prepared as a preliminary draft CPS. After peer review, it is reviewed and discussed during the CPS initiating meeting chaired by the relevant operations vice-president. The conclusions of the CPS initiating meeting form the basis for country consultations through the strategy formulation mission.

c. Country Consultations: Strategy Formulation Mission

7. The strategy formulation mission conducts dialogue with DMC stakeholders⁶ on the draft CPS and the country operations business plan (COBP), normally for the first 3 years of the CPS. This concludes with a memorandum of understanding with the DMC. The CPS formulation mission also coordinates with other development partners.

inform the preparation of future CPSs. Knowledge products required to be available at the time of CPS preparation include economic analysis, poverty analysis, gender analysis, environment assessment, private sector assessment, priority sector diagnostics and analysis, and risk assessment and risk management plans covering governance priorities (public financial management, procurement, and combating corruption). See OM sections C2 (gender and development) and C4 (governance).

⁴ Key supporting documents will be referenced in the CPS as an electronic link. These include country and portfolio indicators; country performance assessment (CPA) ratings (for eligible countries with access to the Asian Development Fund [ADF]); country cost-sharing arrangements and eligible expenditure financing parameters; a note summarizing the CPS formulation process, including findings from the country assistance program evaluation (CAPE) or CPS final review validation; CPS final review; and COBPs. For eligibility and accessibility to ADF and CPA, see OM sections A1 (Classification and Graduation of Developing Member Countries) and A3 (Performance-Based Allocation of ADF Resources). With regard to cost sharing and expenditure eligibility, see OM Section H3 (Cost Sharing and Eligibility of Expenditures for ADB Financing).

⁵ In the absence of a CAPE, Independent Evaluation Department (IED) may validate a CPS final review. Subject to IED's concurrence, the validated CPS final review serves as the equivalent of a CAPE for the purpose of CPS preparation. See OM Section K1 (Independent Evaluation).

⁶ The mission holds in-depth discussions with the DMC government, development partners, and civil society, including nongovernment organizations and the private sector, as appropriate.

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d. Informal Board Seminar

8. The draft CPS will be revised based on the findings from country consultations. An informal Board seminar will be organized.⁷

e. Management Committee Meeting

9. After peer review, the draft CPS is presented to the MCM through the concerned operations vice-president. At the MCM, Management's guidance is sought on high-level strategic issues that require resolution. Subsequently, a copy of the revised draft CPS is forwarded to the government to obtain its clearance for publication. If required, a mission may be fielded to discuss with the government any revisions that may have been made during ADB's internal review process, and to confirm the CPS with the government. Necessary revisions, if any, are made as a result of this confirmation mission.

f. Country Partnership Strategy Endorsement

10. The final draft of the CPS⁸ is edited and submitted to the President for clearance and approval for circulation to the Board. Following Board consideration and general endorsement of the CPS, the chair's summary, which reflects the major issues during the Board discussion, is prepared for approval by the President for circulation to the Board. Any major changes to the CPS that may result from Board consideration and general endorsement are discussed with the DMC.

2. Indicative Rolling Country Operations Business Plans

11. CPS implementation will be undertaken through the COBP, which focuses on the 3-year rolling pipelines in principle and the resources needed to implement the pipelines. As with the CPS, inputs informing the COBP will be available in the electronic knowledge repository, and referenced as electronic links. The first COBP in the strategy cycle will be prepared in conjunction with the CPS, but will be circulated to the Board and published as a separate document.

12. During the CPS cycle, the current business plan is reviewed through the annual programming exercise that is guided by the President's planning directions. The COBPs are prepared by country programming missions, approved by the President, and usually submitted to the Board for information by 31 August each year—well before Board consideration of the Work Program and Budget Framework.⁹

⁷ The regional department, through the Office of the Secretary, informs the President through a memo of the date of the informal Board seminar and the date when the draft PowerPoint presentation will be circulated. The content of the presentation is approved by the relevant operations vice-president.

⁸ The main text will not exceed 10 pages.

⁹ When substantial variations emerge in an amount of overall indicative financing "envelopes" specified in CPS in disaster and emergency situations (e.g., tsunami, earthquake), the changes in a country operations program are normally discussed with the Board.

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3. Disclosure

13. The CPS, COBPs, and relevant knowledge products¹⁰ and key supporting documents¹¹ are disclosed in conformity with the requirements of the Public Communications Policy (2005).¹²

4. Country Partnership Strategy Retrospective Stocktaking

14. ADB may collectively undertake a biennial retrospective stocktaking of approved CPSs to assess if the quality at entry has improved and whether they are progressively more results-based. The Management designates the department or office that coordinates this exercise.

5. Roles and Responsibilities

15. Primary responsibility for managing the CPS process and the annual preparation of the COBP at the department level rests with the RMT, and at the country level with the country team.

16. The country team is established for each DMC. The country team should comprise staff of the concerned regional departments and the Private Sector Operations Department. The regional department may call for participation of other departments and offices, as needed.

17. As the chair of the RMT, the regional director general decides if and when a new CPS is required.¹³ The country team prepares the CPS. Internal peer reviewers of the CPS should include staff from the Economics and Research Department, IED, and Regional and Sustainable Development Department, among other departments and offices as required. The Office of Cofinancing Operations should be consulted on financial partnership issues. The MCM for the CPS is chaired by the President and attended by the vice-presidents, managing director general, regional director general, country director (or director of operations coordination division), country team leader (if not country director), and other staff who may be called upon by the chair. If discussions at the MCM involve internal resource requirements or ADB-wide strategic issues, representatives of the Budget, Personnel and Management Systems Department and/or the Strategy and Policy Department may attend, as appropriate.

18. The Office of the Secretary is responsible for editing the final draft of the CPS and COBP, and for circulating them to the Board. The public is informed of the CPS, COBPs, and relevant assessments upon their completion through their uploading on ADB's website by the Department of the External Relations.

¹⁰ See Footnote 3.

¹¹ See Footnote 4.

¹² See OM Section L3 (Public Communications).

¹³ As required, a regional management team meeting may be held at the initiating stage of CPS preparation.

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