

ASIAN DEVELOPMENT BANK

MEDIUM-TERM STRATEGY (2001-2005)

**Office of the President
September 2001**

ABBREVIATIONS

ADB	—	Asian Development Bank
ADF	—	Asian Development Fund
CSP	—	Country Strategy and Program
DMC	—	developing member country
ESW	—	economic and sector work
ICT	—	Information & Communication Technology
IDG	—	International Development Goal
LTSF	—	Long Term Strategic Framework
MTS	—	medium-term strategy
NGO	—	nongovernment organization
NPRS	—	national poverty reduction strategy
OED	—	Operations Evaluation Department
PRC	—	People's Republic of China
SPD	—	Strategy and Policy Department
SWAP	—	sector-wide approach
TA	—	technical assistance
UNDP	—	United Nations Development Program

CONTENTS

	Page
Preface	
I. DEVELOPMENT CHALLENGES FOR THE ASIA AND PACIFIC REGION	1
A. Long-Term Challenges and ADB's Response	1
B. Medium-Term Challenges	2
II. ADB'S MEDIUM-TERM STRATEGY (2001-2005)	4
A. Differentiating Between Countries	5
B. Operations in a Subregional Context	7
C. Applying the Operating Principles	8
III. ALIGNING THE ORGANIZATION WITH THE STRATEGY	12
A. Align the Organizational Structure and Business Processes	12
B. Develop a Learning Organization	13
C. Make Assistance Modalities More Flexible	14
D. Improve Integrated Resource Management	15
IV. THE STRATEGY AND THE PLANNING, PROGRAMMING, AND BUDGET PROCESS	16
APPENDIX 1 THE INTERNATIONAL DEVELOPMENT GOALS AT THE COUNTRY LEVEL	18
APPENDIX 2 THE STRATEGY MATRIX	24

I. DEVELOPMENT CHALLENGES FOR THE ASIA AND PACIFIC REGION

The vision of ADB is an Asia and Pacific region free of poverty. ADB's mission, therefore, is to help its DMCs reduce poverty and improve living conditions and the quality of life.

A. Long-term Challenges and ADB's Response

1. **Poverty reduction, the overarching goal of the Asian Development Bank (ADB),¹ remains the most significant development challenge for the Asia and Pacific region.** While the region achieved unprecedented growth and development over the past three decades, it is home to almost two thirds of the world's poor.² The majority of the poor live in South Asia and the People's Republic of China (PRC); substantial numbers live in Southeast Asia. Many people in the Central Asian republics have slipped into poverty during the transition of their countries to market economies, and the island countries in the Pacific continue to experience deteriorating economies and increased vulnerability due to conflict and external economic shocks. Poverty-reducing efforts in the Asia and Pacific region, therefore, remain central to the fight against global poverty.

2. **Achievement of the international development goals (IDGs) by 2015** substantially depends on the Asia and Pacific region aggressively addressing these goals.³ The IDGs deal with decreasing extreme poverty by one half, with broadening access to, and achieving gender equality in, education and health services, and with improving the environment. While the Asia and Pacific region has made progress in achieving the IDGs, progress has been uneven. South Asia lags substantially behind the rest of the region on all the indicators. Other parts of Asia, particularly East Asia, have been particularly successful in addressing absolute poverty but more needs to be done to effectively address some of the other IDG indicators. Environmental deterioration and degradation, in particular, remain a major concern across the region. An approach that comprehensively addresses these multidimensional goals is necessary. Such an approach requires major economic and social progress, and robust, sustainable economic growth. This will provide the resources necessary to address the IDGs at the country level.

3. **ADB's long-term strategic framework (LTSF) addresses the major long-term development challenges of the region.⁴** The LTSF defines the basic elements of a long-term strategic agenda for ADB to address these challenges, and broad operating principles for implementing this agenda. It identifies three core areas of intervention in support of poverty reduction: (i) sustainable economic growth, (ii) inclusive social development, and (iii) governance for effective policies and institutions. These core

¹ In early 1999, President Chino declared poverty reduction to be ADB's overarching goal. In November 1999, the Board approved the poverty reduction strategy.

² Based on a one dollar-a-day poverty line.

³ For a discussion of the IDGs and the significance of the region in helping achieve them, see the LTSF paper (footnote 1), and www.developmentgoals.org.

⁴ Asian Development Bank, 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-term Strategic Framework of the Asian Development Bank (2001-2015)*, Manila. (www.adb.org) The extensive consultations to develop the LTSF devoted significant time to the development challenges of the region, the medium-term needs of the DMCs, and the major constraints to poverty reduction in the region.

areas are considered necessary for achieving the IDGs. (Appendix 1 provides data on the IDGs for ADB's developing member countries [DMCs]). To broaden and deepen the impact of the core areas, three crosscutting themes are identified: (i) promoting the role of the private sector in development, (ii) supporting regional cooperation and integration for development, and (iii) addressing environmental sustainability. The LTSF specifies four operating principles to ensure selectivity and focus of ADB's interventions at the country level, and to enhance the development impact and effectiveness of ADB's support to its DMCs: (i) ensure country leadership and ownership of the development agenda, (ii) take a long-term approach to development assistance, (iii) enhance strategic alliances and partnerships, and (iv) measure development impact.

4. The LTSF covers 15 years (2001-2015); and will be implemented through a set of three medium-term strategies (MTSs), each covering a five-year period. Each MTS will (i) set priorities for ADB's operations based on the strategic agenda specified in the LTSF, (ii) be geared to the most immediate and pressing development needs of the region, and (iii) provide an opportunity for adjustments to the LTSF in response to changing circumstances and evolving organizational capabilities. This first MTS addresses the medium-term needs and challenges for the region for 2001-2005.

B. Medium-Term Challenges

5. **The greatest challenge for the Asia and Pacific region is the need for robust and sustainable economic growth to address the poverty reduction agenda.** The ability to dramatically reduce poverty is only feasible in the context of a vigorous, growing economy that creates opportunities for generating employment, improving efficiency, and increasing incomes. This must be accomplished, while retaining or improving the natural resource capital and the quality of the environment. In the past few years, growth prospects for many countries in the region have become uncertain due to a variety of factors, including the Asian financial crisis and a slowdown in growth and trade worldwide. Reviving and accelerating growth are the highest priorities, especially over the medium-term in the poorer countries of the region. To accomplish this, substantial investment in economic and social infrastructure is necessary.⁵ Such investment provides the foundation for sustainable economic growth to support poverty reduction and help achieve the IDGs.

6. **To effectively reduce poverty, economic growth must be broad based and pro-poor.** Initiatives must ensure that economic growth takes place with the participation of a wide spectrum of stakeholders, and that the benefits of growth are broadly shared. Economic growth must be accompanied by inclusive social policy and more targeted efforts to achieve the IDGs by supporting social development. Because achieving gender equality is crucial to accomplishing the IDG, special attention will be given to increasing the opportunities for women to benefit equally from growth resulting from investments in economic and social infrastructure. Should shocks such as the recent Asian economic and financial crisis occur, social protection systems should be in place to cushion the effects of such crises. Hence, social development must be an

⁵ Economic and social infrastructure includes physical infrastructure, infrastructure in support of human development, and infrastructure that creates an enabling environment for promoting economic growth, such as financial, regulatory, and information infrastructure.

important ADB objective in support of economic growth in the region.⁶

7. Ineffective institutions and policies — the biggest constraints to growth and development in the region — must be improved. In fact, sound policies and institutions are as important for development as financial assistance; without them any financial assistance has limited impact. Poor governance, in both the public and private sector, retards and distorts the development process. The efficiency of investments, as well as equitable access to their benefits, largely depends on the quality of the policy and legal frameworks, and sound corporate governance and institutions within the country. Inadequate capacity of public institutions to provide and maintain essential infrastructure and services, and inefficient processes that prevent the active involvement of civil society or the private sector in the development process have a disproportionate impact on the poorer and weaker sections of society. Therefore, ADB must place the strengthening of institutions and policies at the center of its MTS to enhance the development impact of interventions and support sustainable and broad-based growth.

8. The role of the private sector must be enhanced to achieve the growth necessary for poverty reduction. Mobilizing the enormous resources required to provide economic and social infrastructure, improve management performance, and promote employment will not be possible without the active participation of the private sector. ADB must play a key role in helping create the enabling environment for the private sector to be fully engaged in the development process by supporting institutional capacity building and policy reform. In addition, ADB will help create investment opportunities; build public-private partnerships, particularly for infrastructure needs; and provide direct private sector investments.⁷ ADB will also act as a catalyst to mobilize private resources through commercial cofinancing.

9. Environmental degradation must be reversed because it constrains both agricultural and industrial productivity, and hence income growth and the region's prospects for poverty reduction. Many of the region's environmental problems are a result of ineffective institutions, inadequate regulatory frameworks, and inefficient compliance. Thus, the promotion of sound institutions and policies are also central to addressing environmental issues and to ensuring environmental safeguards. In addition, future economic growth must not be at the cost of further depletion of scarce natural resources. The many cross-border environmental problems must be addressed through regional cooperation efforts, an area of particular ADB strength.

10. Greater efforts at regional cooperation are essential to widen the range of development options. Regional cooperation supports pro-poor growth⁸ by providing infrastructure that links participating countries, and by creating larger markets and opportunities. Regional cooperation can address issues of regional public goods that have impact across borders. Regional public goods include both shared problems and opportunities, for example, the environment (such as forest fires and riparian water

⁶ ADB has several policies and strategies specifically designed to ensure inclusiveness in the development process. The most relevant of these and perhaps most crucial for poverty reduction efforts is the gender and development policy. For details of all ADB policies and strategies related to social inclusion see www.adb.org.

⁷ The Private Sector Development Strategy approved in March 2000, is designed to promote private sector development for economic growth in support of poverty reduction.

⁸ In general, the ongoing regional cooperation efforts include the poorest countries of the region and/or the poorest regions of participating DMCs.

rights), health issues (infectious diseases and HIV/AIDS,⁹), cross-border trafficking of drugs, trade facilitation, and regional financial stability. Regional cooperation can also enhance domestic efforts to develop effective institutions and policies by sharing experience. ADB has a unique mandate, experience, and strengths to support regional cooperation, an area that must receive increased emphasis over the medium term and become a key area of strategic intervention for ADB.¹⁰

II. ADB'S MEDIUM-TERM STRATEGY (2001-2005)

11. **The MTS is the bridge between the LTSF and the activities that ADB will undertake in its DMCs over the next five years.** The MTS defines operational priorities, within the context of the strategic agenda, that directly address the medium-term challenges for the region.¹¹ The MTS also identifies the organizational changes and requirements necessary for implementing the operational priorities and operating principles with greater efficiency. The MTS is designed to ultimately enhance the development impact of ADB assistance.

12. **The MTS (2001-2005) will support policy and institutional strengthening of the DMCs; investments in several key areas will be supplemented by this support.** These areas include priority physical infrastructure necessary to promote growth and productivity in both rural and urban areas, and essential social infrastructure and services for human development to support pro-poor growth. Agriculture and natural resource management will be supported to promote growth and environmental sustainability. Financial infrastructure and systems will be strengthened, as will both public and private sector governance systems, to support broad-based growth, enhance job creation through private sector development, and increase development effectiveness. These operational priorities will be implemented selectively at the country and subregional levels. The needs and priorities of each DMC for addressing poverty reduction and achieving the IDGs will help determine the choices that ADB makes in each country and for each subregion.

13. **ADB helps the DMCs meet the medium-term challenges by providing investments combined with technical assistance (TA) support; economic, sector, and thematic studies; and policy dialogue.** ADB's unique strength as a development financier is its knowledge of the region and its experience at the country and subregional levels. ADB will strengthen this knowledge and utilize it to supplement its investments by (i) addressing critical institutional constraints, and economic and sector management issues; and (ii) improving policy and regulatory frameworks. ADB's financial support alone is not substantial from the point of view of the DMCs capital requirements. However, by packaging and supplementing its loans appropriately, ADB can address the critical constraints to development in the region over the medium term, and provide

⁹ HIV/AIDS refers to human immunodeficiency virus/acquired immunodeficiency syndrome.

¹⁰ In Article 1 of ADB's Charter, the purpose of ADB is "to foster economic growth and cooperation in the region." ADB has initiated and supports several ongoing regional cooperation efforts; the most prominent is in the Greater Mekong Subregion. ADB support includes the Indonesia-Malaysia-Thailand Growth Triangle, the Central Asia Regional Cooperation, and economic monitoring in the Association of Southeast Asian Nations (ASEAN) region through its Regional Economic Monitoring Unit.

¹¹ Internal consultations on the MTS, including discussions with an ADB-wide working group, focused on ADB's operational priorities.

strong leverage for the overall investment undertaken by the DMCs and external partners.

14. ADB must ensure selectivity in its interventions and in doing so will be guided by the operating principles specified in the LTSF. Applying the operating principles to its operations will help ADB ensure country ownership of the development agenda, develop long-term commitments with its DMCs, work in alliance with all development partners, and ensure development impact.

15. The country strategy and program (CSP) for each DMC will be the mechanism by which ADB's strategic agenda will be operationalized at the country level. ADB will develop a CSP for each DMC, catering to the specific needs and conditions of the DMC and reflecting the operational priorities of the MTS.¹² The CSP for each country in a subregion will also specify the regional cooperation activities that ADB will undertake at the subregional level. On the basis of these activities, an ADB-wide regional cooperation plan will be developed.

A. Differentiating Between Countries

16. While selectivity must be determined at the country level, a typology of the DMCs can be defined to help understand the broad range and scope of activities that could be undertaken in different groups of countries over the medium term. The DMCs can be broadly divided into three categories: (i) very low-income countries, (ii) low-income countries, and (iii) middle-income countries. The different needs and priorities of each of these groups of countries will guide the implementation of the MTS, and thus ADB's range of operations in each. For a complete list of the DMCs in each category see Appendix 1.

17. The very low-income countries include many landlocked and island economies such as Bhutan, Cambodia, Lao People's Democratic Republic (PDR), Mongolia, Nepal, and several Pacific island economies. They are characterized by poor basic infrastructure, weak institutions, and limited economic opportunities. They have practically no access to capital markets, domestic private resources are scarce, and their debt repayment capacity is very low. Per capita incomes are very low, and the incidence of poverty very high. Accelerated economic growth is key to addressing their poverty problem. However, because of the very high levels and incidence of poverty in several of the countries in this group, direct poverty interventions to supplement pro-poor growth will also be necessary. The needs of these countries run across many sectors. The provision of concessional development funds for basic infrastructure, human development (particularly basic education and health services), and institution building will remain very important over the medium-term.¹³ Gender equity remains a key issue for many of these countries. Mobilizing private resources in the very low-income countries poses a major challenge as the high growth necessary to tackle poverty reduction will not be possible through only public investments.

¹² For the Pacific DMCs a full CSP will be prepared only for Papua New Guinea. A regional strategy with country details will be prepared for the remaining Pacific island economies.

¹³ At ADB, concessional funds are from the Asian Development Fund and from grant funds, while nonconcessional funds are from ordinary capital resources, and which are based on the London interbank offered rate (LIBOR).

18. The high growth needed in the very low-income countries must not be accompanied by environmental degradation or be at the cost of depleting scarce natural resources. ADB needs to assist these countries adopt appropriate safeguards and design country programs that contribute to reversing environmental degradation. Particular emphasis must be placed on the poverty-environment nexus. For the smaller DMCs in this group, ADB's role in regional cooperation activities will be particularly important. The broader markets and opportunities created through regional cooperation will make these economies more attractive to private investors.

19. While low-income countries might be better served by basic infrastructure, they generally also have weak institutions and limited debt repayment capacity. Countries in this group include Bangladesh, Pakistan, Sri Lanka, and Viet Nam. The incidence of poverty in this group is high, and as in the very low-income group, addressing basic human development including gender issues remains central to ensure broad-based growth. Addressing selective infrastructure bottlenecks and constraints affecting, in particular, productivity and income growth in the rural areas, and attracting both domestic and foreign private investment will further support growth and employment creation in these countries. In line with the overall thrust of the MTS, ADB priorities for this group of countries should include (i) removing institutional bottlenecks (financial and others) that impede the development of a dynamic private sector, and (ii) developing a policy environment supportive of labor intensive growth. While development conditions and debt repayment capacity vary across the low-income group of countries, their human development indicators are all very poor and significant effort will be needed to achieve the IDGs. Therefore, most of these DMCs will continue their need for concessional funds from ADB over the duration of the MTS. Market-based funding should be selective and well targeted, and supplement concessional funding. For all countries with access to concessional funds, allocation of such funds will be based on an evolving and increasingly better-defined country performance system and will depend upon progress made in several key areas related to development management.¹⁴

20. The majority of the poor in the region live in India and the PRC, where the level of poverty remains very high in significant parts of the two countries. Reducing poverty in these two countries is absolutely necessary if the IDGs for the region are to be met. Both countries share characteristics of both low-income and middle-income countries. Of the two, India could more readily be categorized as a low-income country. Due to robust growth for over a decade and significant poverty reduction, parts of the PRC could be categorized as middle income. However, large parts of the country remain very poorly developed. Partly because of the sheer size of their markets, both countries have some access to international capital markets and foreign direct investment, particularly the PRC. For growth to be robust and sustained, both countries face an extensive and complex reform agenda over the medium term. Neither India nor the PRC have access to concessional funding for loans from ADB.¹⁵ The challenge for ADB over the medium term is to determine how it should best use its ordinary capital resources to assist these countries in addressing their poverty reduction agenda. ADB's assistance will have to be targeted at development of the poorer areas of both countries, and support their complex reform process and institution building. To make the assistance suitable to both India and the PRC, ADB must combine selective investments, policy and institutional support,

¹⁴ ADB is committed to performance-based allocation of Asian Development Fund resources.

¹⁵ India and the PRC do not have access to the Asian Development Fund (ADF) under the ADF VIII agreement.

and knowledge transfer that will be financed by a combination of instruments (lending, TA, regional cooperation initiatives, and possibly other sources of grant financing).

21. Middle-income countries in the Asia and Pacific region include a diverse group comprising Malaysia, Thailand, Philippines, Indonesia, the Fiji Islands, Papua New Guinea, Kazakhstan, and Uzbekistan. Most of these countries have access only to nonconcessional funding from ADB.¹⁶ Poverty remains a problem although the incidence of poverty varies significantly across and within the countries. Most of these countries have access to international capital markets, and some, such as Malaysia and Thailand, have attracted large amounts of foreign investment. However, access to external capital fluctuates greatly. Over the medium term, the growth prospects for these countries will be significantly affected by slowdown of growth in the world economy. Growth prospects will be further impacted by continued structural weaknesses in these economies often resulting from the Asian crisis, internal security issues, weak institutions, and for some transition-related governance issues. Indonesia, for instance, has already experienced a significant drop in per capita income over the last few years. A period of slower growth for all these countries could substantially reverse the poverty reduction gains they have achieved, and many of the indicators for the IDGs could worsen as a result. ADB's assistance will remain very important over the medium term. Besides interventions targeted at the poorer regions and possible support for social protection, ADB will support institutional and policy reforms including financial sector reforms and corporate governance to reinvigorate and accelerate private-sector-led growth. Program lending, particularly for institutional reforms, could become more important. The access that these countries have to domestic and international private capital markets could fluctuate because of uncertainty and this could result in fluctuating demand for ADB assistance. Therefore, ADB will need to incorporate a greater degree of flexibility into its assistance programs in these countries.

B. Operations in a Subregional Context

22. Subregions, composed of groups of neighboring countries, such as South Asia, Central Asia, Southeast Asia, the Mekong, and the Pacific Island economies, provide an important context for ADB operations. Countries that share the same "neighborhood" often also share cross-border development constraints and opportunities that allow the leveraging of limited resources beyond a single country. This can lead to subregional cooperation initiatives as a basis for addressing domestic challenges more effectively. Therefore, operational priorities relate not only to individual countries, but also groups of countries. Selectivity in operations in a sub-regional context can emerge from either the subregional or country level. From a subregional starting point, it will involve the emergence of operational priorities for ADB based on an assessment of subregional challenges and constraints, such as particular cross-border environmental problems, or shared opportunities, such as infrastructure to promote growth and poverty reduction. From a country-based starting point, it will involve the identification over time of particular operational priorities that emerge as individual country strategies are implemented, and lead to priority areas for the subregion as a whole. Examples would be particular types of financial or public governance issues that seem to be common to a group of countries in a given subregion.

¹⁶ Indonesia and Papua New Guinea have access to some Asian Development Fund resources under special circumstances.

23. While subregions are a relevant context for operations, countries may have important similarities from the perspective of development needs that go beyond subregions and do not arise from "neighborhood effects." For example, Nepal and the Lao People's Democratic Republic, two very poor landlocked countries in different subregions, may share characteristics and development needs that allow for a common strategic focus and operations. Therefore, learning from experience and practices that cuts across countries and subregions must be facilitated. Over time, experience from operations at the country and subregional level will also provide the basis for adjusting ADB's operational priorities as an institution. For example, certain issues in promoting effective institutions, or linkages between the provision of physical infrastructure and institutional strengthening or between rural development and social development, may emerge as relatively more relevant in a diversity of countries and subregions over time. The emergence of subregional priorities over time will provide ADB with a clearer basis for allocating its resources and building capacity to deal with these priorities.

C. Applying the Operating Principles

24. The LTSF identifies four operating principles to guide strategy implementation and achieve focus and selectivity. The selection of particular priorities for different groups of countries or subregions over the duration of the MTS will influence the interpretation and application of the operating principles. However, their fundamental application will be consistent across all groups of countries.

1. Ensure Country Ownership and Leadership of the Development Agenda

25. **Country ownership and leadership of the development agenda requires each DMC to have a poverty reduction agenda based on a national poverty reduction strategy (NPRS) that is fully owned and supported by the DMC.** The assistance of ADB and other development partners will be based on the NPRS in each country. ADB will assist individual DMCs to prepare the NPRS where necessary. In line with the focus of the MTS, ADB activities in support of the NPRS will be defined and agreed to in the partnership agreements with each DMC and outlined in the CSP. **To enhance ownership, the CSP cycles for all DMCs will be aligned progressively with their respective medium-term planning and public investment cycle, and by 2004 all CSPs will be prepared in parallel with these for each DMC.**

26. **More generally, ensuring country ownership and leadership requires continuing dialogue and consultation between ADB and all key stakeholders in the DMCs.** The resident missions will take the lead role in this dialogue. Policy dialogue and greater interaction with the DMCs will be part of the core competencies of the resident missions and will be defined as one of their main functions. This will require staff time and requisite staff skills.

2. Take a Long-Term Approach to Development Assistance

27. **As a general principle, ADB will take a long-term approach to its involvement with the DMCs.** This requires a stronger institutional commitment by ADB to particular areas of focus within countries (e.g., sectors and issues), and greater selectivity in ADB interventions. It also implies greater in-depth knowledge by ADB of both sector issues and country circumstances; and an organizational capacity to learn

over time, both from experience and as circumstances evolve. Activities included in the CSP will reflect careful selection and a comprehensive program of support that includes a combination of activities ensuring long-term commitment, rather than individual, stand-alone loans and TA. Emphasis on country performance and the success of this comprehensive approach will be reinforced through intensive portfolio evaluation reviews regularly undertaken by the Operations Evaluations Department (OED).

28. An effective long-term approach in a particular sector must reflect sequencing of activities based on the priorities identified for each DMC. A strategy matrix (Appendix 2) can be used as an organizing tool to logically break down each priority area, e.g., provision of economic infrastructure, into core activities and to identify linkages among activities, e.g., associated need for strengthening particular institutions. Such assessment will require substantial up-front analysis through economic and sector work (ESW) and policy dialogue. This is where key strategic assessments (poverty, governance, and private sector) for each country become particularly important. In the case of countries with access to the Asian Development Fund resources, the performance-based allocation (PBA) assessments will also become increasingly important in identifying and prioritizing key long-term issues for ADB assistance.

29. The implementation of long-term assistance approaches will be executed through the CSP process. Starting from 2002 all new CSPs need to present a more focused country strategy with clear priorities, and a sequencing of assistance activities. Interventions will focus on a limited number of sectors/subsectors that have a strong impact on poverty reduction and development, and where ADB has the capability, experience, and a comparative advantage. The most successful long-term approaches can lead to programmatic forms of assistance such as sector-wide approaches (SWAPs). For both the development partner and recipient government, SWAP can have significant benefits, provided accountability issues are addressed and adequate safeguards are met.¹⁷ **ADB together with the concerned DMC will work to achieve a limited number of pilot SWAPs in selected countries by 2005. To this end, in 2002 ADB will need to determine, together with selected DMCs, which SWAPs to tentatively target for implementation.** Apart from SWAPs, long-term approaches will involve assistance modalities blending TAs, project and program loans, and regional TAs. Where appropriate, flexible program cluster loans and other program lending modalities will be developed to better support a longer-term approach to development assistance.

3. Enhance Strategic Alliances and Partnerships

30. As a regional multilateral development institution, ADB has a unique mandate to support development in Asia and the Pacific. However, the challenges of development go well beyond the resources and capabilities of any single institution. Therefore ADB's effectiveness will also be a function of its abilities to develop alliances and partnerships that leverage resources for development in the region. At one extreme are programmatic approaches that will require that all development partners in a given sector work closely together. In general, the more

¹⁷ SWAPs envisage a programmatic sector approach involving agreement on a common strategy and a costed plan, matched to available resources from the government and development partners, which is then converted to a work plan, with clear responsibilities defined, clear criteria for assessment, and formalized agreements with the financiers.

efficient use of development assistance over the medium term will require ADB to develop much stronger linkages with other development partners, e.g., other multilateral development banks, International Monetary Fund, United Nations institutions, bilateral assistance agencies, and nongovernment organizations (NGOs) operating in the field. Developing partnerships with the private sector to involve them in broader and deeper ways in the development process will also be necessary.

31. In general, partnerships in development assistance must start with the formulation of the NPRS, and under the leadership of the DMCs. Building on this, relations with other development partners must be clearly spelled out in the CSP, identifying areas where ADB will take a long-term leadership role based on its particular capabilities and experience, as well as areas where it will play a complementary role. Partnerships will also drive all ESW to avoid duplication and overlap. All ESW must be identified up front during CSP preparation. Within this overall context, ADB will expand its partnership agenda with both traditional partners, e.g., United Nations Development Programme (UNDP) and World Bank, and include new types of partners that can assist in implementing its strategy, e.g., NGOs,¹⁸ foundations, community-based organizations, and the private sector. At the broader institutional level, relationships with agencies such as the World Bank, UNDP, and International Labour Organization will build on formal memorandums of understanding and develop joint institution-wide programs and action plans in addition to cooperation at the country level.¹⁹ Agreements with partners will also relate to funding mechanisms (e.g., trust funds). The Strategy and Policy Department (SPD) will promote the partnership agenda and report annually on progress and activities. Resident missions will play an enhanced role in supporting partnerships at the country level; this will be reflected in the country's areas of core competencies and performance evaluation. Box 1 summarizes the various steps involved in implementing the MTS.

¹⁸ ADB has an NGO policy that advocates collaboration with NGOs in several areas including country programming and policy setting. See ADB. 1998. *Cooperation Between the Asian Development Bank and Nongovernment Organizations*. Manila.

¹⁹ A memorandum of understanding has been signed with UNDP, and one is being finalized with the World Bank. Others are being prepared with other agencies.

Box 1. Putting It All Together: Implementing the Medium Term Strategy

- The Country Strategy and Program (CSP) will ensure sector selectivity, with a few key sectors per developing member country (DMC).
 - Choice of sectors will be based on DMC priorities assessed on the basis of the national poverty reduction strategy (NPRS), Asian Development Bank (ADB) organizational capacities, and partnership arrangements with other development institutions, civil society, and the private sector.
- Economic Sector Work (ESW) is necessary for sector selection, along with clear evidence that ADB has a sufficient knowledge base to add value.
 - ESW will be a planned output of ADB.
 - A key focus of ESW will be an assessment of social development problems, institutions, and policies.
- Sector strategies will have a clear, long-term rationale.
 - Such strategies will reflect a deep understanding of the sector and its context, in particular institutional and policy issues; social development issues, in particular gender issues; and partnerships with key stakeholders in the sector including the private sector.
- The CSP and sector strategies will guide design of projects and technical assistance (TA).
 - Initial preparation will be country-led to ensure ownership.
 - Country-developed TA proposals are necessary to initiate a project.
 - Loans and TAs will be designed with the participation of key stakeholders.
- Support for policy reform and institutional capacity building will be a core product of ADB operations.
 - This requires blending TA and loan instruments to ensure relevant design and feasible implementation.
- Subregional cooperation efforts and initiatives will be explicitly outlined in the CSP, and sources of funding will be identified for each country participating in the subregional cooperation.

4. Measure Development Impact

32. **The measure of success of ADB operations is the impact on the development of the DMCs in the region.** In this context, ADB will develop performance benchmarks and indicators to assist in monitoring the implementation of its operations, and in evaluating their impact. **Therefore, developing such indicators and associated monitoring and evaluation mechanisms should constitute an important element of CSP preparation by 2005.** Measurable indicators are generally more easily developed in an area such as physical infrastructure than for social development or institutional and

policy reform. Also, assessment of the impact of ADB's interventions on poverty reduction and on the IDGs is very difficult. Therefore, to assist in this process, improve assessment of the development impact of ADB operations, and enhance such impact, OED will develop "real time" evaluation and feedback mechanisms. This will build on existing project monitoring, management, and evaluation mechanisms, as well as sector- and country-level monitoring and evaluation. More generally, the management of ADB's overall portfolio will be strengthened, including monitoring and reporting, to measure development impact; this will be reflected in the allocation of staff time and staff incentives. **Regular portfolio evaluation reviews will be undertaken by OED by 2005 to support assessment of development impact.**

33. For DMCs where the incidence of poverty is highest and poverty-related issues are particularly complex, the CSP cycle may be accelerated and adjusted to allow for deeper understanding of poverty issues and for adjustments and better targeting of ADB assistance, in particular for the achievement of the IDGs. This should help enhance the development impact of ADB's activities in these countries. Reliable data on poverty and gender-related indicators, and on the environment at the country level is scarce (Appendix 1). ADB is expanding its statistical databases on poverty in the region and over the next two years will have developed more detailed, comparable, and consistent databases on poverty indicators and the IDGs for all the DMCs. In addition, ADB is also assisting its DMCs to develop reliable and consistent data on environmental indicators. This support for improving statistical databases will be undertaken in close coordination with other major development institutions.

III. ALIGNING THE ORGANIZATION WITH THE STRATEGY

34. To implement the country and regional programs effectively and to ensure the desired impact of ADB's interventions in terms of its strategic objectives will require ADB to select its interventions more strategically and align the organization to increase efficiency. Several internal changes must be undertaken over the medium term to make ADB more responsive to its client needs and a more efficient organization:

- Align the organizational structure and business processes.
- Develop a learning organization.
- Make assistance modalities more flexible.
- Introduce integrated resource management.

A. Align the Organizational Structure and Business Processes

35. **ADB is in the process of aligning its organization, business processes, and products in support of the LTSF.** This effort began in February 2001 and will result in a new structure and revised business processes being introduced in January 2002.²⁰ The new organization structure and business processes respond to the challenges and principles given in the LTSF and further elucidated in the MTS.

36. **ADB must become more client-focused.** In a highly dynamic development environment, ADB must respond to the varying needs of its clients with greater flexibility in its structure, processes, and products. The new organizational structure will result in

²⁰ WP4-01: *Review of the Organization of the Asian Development Bank*. 5 July .

country-focused, subregional departments responsible for the delivery of the full range of ADB services to the DMCs. ADB needs to introduce greater accountability within its structure and processes for more efficient and effective service to the DMCs. The DMCs receive sensitive and significant policy and institutional reform support from ADB. ADB must have clear internal accountability for such support. The reorganized structure will ensure that a single department head is accountable for all of its services to a DMC. Enhanced accountability will ensure more efficient and effective service delivery to the DMCs.

37. The MTS underscores the importance ADB must give to knowledge products in addition to the traditional functions of resource transfer and development financing. The new structure and processes will promote the development and dissemination of knowledge products by focusing and concentrating responsibility for knowledge products in two or three key departments, and the ADB Institute. Regional cooperation provides a major opportunity for sharing knowledge and experience among the DMCs. ADB can play a pivotal role in this process and the new structure will greatly facilitate this function and role. The new country-focused subregional departments allow for clearer accountability and provide an opportunity to promote subregional cooperation between various geographical groupings of countries.

B. Develop a Learning Organization

38. To enhance its effectiveness ADB must become a more efficient learning organization, drawing on its own internal expertise, past experience, and practices, and on the experience of others, particularly the experience of its diverse DMCs. To improve the quality of its assistance, strengthen its learning capacity, and broaden its communications base, ADB will develop more efficient and timely feedback mechanisms and incorporate these into the design of its interventions. The capacity for evaluating ongoing projects and policies will be further developed, as will the capacity for self-evaluation in operational units. Evaluation methodologies must go beyond the evaluation of specific activities, to evaluation of impact within core areas/themes of the strategic agenda and country programs. **These methodologies will be developed by OED by the end of 2002.**

39. Internalizing knowledge and becoming a learning organization is essential for effective development support. ADB must become more efficient at internalizing the vast amounts of information derived from its own experience, including its private sector operations. Information sharing across departments has not always been systematic, and internal communications have not been optimal. Part of the problem relates to the procedures currently employed to prepare ADB products, particularly loans, TAs, and ESW. Consultants and consulting firms are mainly responsible for preparing TAs and ESW, with relatively little staff time allocated to substantive work on these activities. As a result, internalization and sharing within the ADB of the knowledge and information generated has been inadequate. ADB will clearly need to allocate more staff resources in key strategic and operational areas. Staff incentives should be reviewed to reward knowledge building by staff. The use of consultants should be optimized. For instance, the benefits of maintaining long-term relationships with consultants to supplement the internal expertise and knowledge of ADB could be explored.

40. **A change in the operating culture of ADB to encompass a greater country focus, knowledge sharing, and deeper knowledge and understanding of country and sector issues is required.** This will be done through a series of programs and initiatives, including training and learning, strengthening the role of resident missions, and internal networking. Some attempts have been made to establish and maintain a knowledge base or systematically create internal knowledge networks that draw upon the existing and evolving expertise of ADB staff. Recently, networks have been started in the areas of governance, poverty analysis, and private sector development. However, these networks need to be strengthened to have the desired impact. Knowledge networks will operate satisfactorily if all units participating benefit from the knowledge generated. Incentive systems and reporting procedures for networks will be reviewed in 2002. This will be initiated by the Regional and Sustainable Development Department in coordination with the Budget, Personnel, and Management Systems Department. In addition, knowledge within ADB must be coordinated and consolidated through closer coordination between the ADB Institute, Economics and Research Department, Office of External Relations, Regional Economic Monitoring Unit, Regional and Sustainable Development Department, Strategy and Policy Department, and regional departments.²¹

41. **ADB's internal knowledge will be supplemented by external networking and greater and more efficient use of information and communications technology (ICT).** In particular, strategic partnerships will be developed with regional institutions. These include the Asian Institute of Management, the Asian Institute of Technology, and the Institute of Southeast Asian Studies. ADB must rely upon the extensive use of ICT, both internally and externally. The use of ICT will enormously increase the reach of ADB, its development impact, and thus its productivity. **The Office of Information Systems and Technology is preparing a medium-term information technology strategy for approval in 2002 that will comprehensively address these issues.**

C. Make Assistance Modalities More Flexible

42. **New processes for project processing that are currently being pilot tested in several DMCs will streamline the project cycle by simplifying many of the more cumbersome procedures that were previously in place.** At present the products that ADB uses to deliver its assistance consist of project, sector, and program loans (designed mainly with the use of project preparatory TAs), advisory TAs (that are either stand alone or attached to loans), and regional TAs. In addition, ESW and staff policy dialogues are used. ADB's products need to be comprehensively reviewed to ensure that they remain appropriate for delivering the complex agenda that ADB has set for itself. ADB needs to be more responsive to its client needs, and its product designs must reflect this responsiveness by being streamlined, simplified, and flexible.

43. **The process for preparing project preparatory TA is time consuming and cumbersome.** Greater DMC ownership must translate into the DMCs being more involved in project preparation, requiring relatively less inputs from ADB in the preparation for projects; this will speed up project processing. Consultants will be supervised and managed more closely to ensure greater ADB involvement in the final product and also greater interaction between the consultants, ADB, and the DMCs. The

²¹ A knowledge management committee will be set up to deal with the generation, management, and dissemination of ADB's knowledge products.

new business processes address some of these issues, and are being refined in light of the reorganization.

44. **To do things right today is more time consuming, requires greater flexibility, and a far broader range of expertise.** The nature of loans has changed considerably. Previously, project design was not complex and was based primarily on physical components with relatively predictable timetables. Now ADB's strategic objectives have to be included in the design of interventions, to ensure that policies and strategies that ADB advocates are being complied with, and safeguards are being met.²² In addition, because of the linking of products (loans, TAs, policy dialogue) and their sequencing, interventions will cater to a more complex agenda. As a result, team effort and a greater variety of inputs and expertise will become even more important. Ensuring that this does not lead to the project processing cycle being unduly prolonged is essential.

45. **While existing assistance modalities may be appropriate for many of the interventions, more flexibility is necessary for some of the more complex policy and process-based interventions that are being increasingly expected of ADB.** To maintain a long-term commitment in a particular sector, a sequence of interventions will be developed and a level of flexibility introduced to allow for midcourse corrections. New forms of loans such as basket-financing loans (to finance SWAPs) and multiphase/adaptable program loans will be examined to meet such requirements. Appropriate financing mechanisms responsive to the special needs and requirements of regional cooperation will also be developed. **In particular, the establishment of regional cooperation funding facilities will be targeted before the end of 2005.**

46. **New modalities for working together with NGOs, in addition to those undertaken under the Japan Fund for Poverty Reduction, will be developed.** The development of partnerships is becoming increasingly important to draw upon expertise essential for delivering many targeted interventions, expertise that is not available within ADB. These will include developing funding (and control) mechanisms that will allow NGOs to directly access ADB funds. At present NGOs are implementing some selected projects for ADB, particularly in microfinance. Methods that will allow NGOs to implement a wider range of ADB projects and programs, particularly targeted poverty interventions, will also be developed. **The review and development of new assistance modalities will be undertaken by SPD in 2002-2003.**

D. Improve Integrated Resource Management

47. **ADB must ensure better assessment of the cost of delivering the CSP and adequate resourcing of country programs.** Integrated resource management must be further developed for ADB operations, and better efforts will be made to strengthen the linkage between strategic objectives, work programs, and resource allocation. This process will include better identification of staff resources and other operational requirements at the CSP level, which will then feed into the budget process (para. 50). A particular CSP will contain several project preparatory TAs, loans, advisory TAs; and several sector studies (ESW), and will require policy dialogue, aid coordination, and NGO and civil society consultations. At present, resource requirements for delivering

²² Safeguards include environmental safeguards, and several others related to indigenous peoples and involuntary resettlement. For a list of all safeguards included in ADB support see www.adb.org.

ADB's operational program are being identified at the regional assistance plan level. The process will be refined and updated with a view to assessing the resource requirements at the country and subregional level. Not resourcing the CSP accurately can lead to one of two results. If resources are not sufficient, either ADB will not be able to deliver what it is committing itself to, or it will deliver low-quality products.

48. **With performance-based allocation in place, ensuring that all activities are appropriately resourced will be even more important.** The CSP for ADF countries that are good performers will need to be resourced differently than for those that are not, because a different emphasis will be placed on different activities. Poor performers will have more emphasis on ESW, policy dialogue, and building institutional capacity, prior to, or accompanying, an effective investment program. Thus, different skills will also be required on the part of ADB to deal with different ADF countries. In addition, due to the uncertainty of a more complex agenda and product design, what is included in the pipeline may need to be increased to allow for larger overprogramming. More resources may, therefore, be required to manage a larger pipeline.

49. **Delivering the MTS agenda will require resources.** Lending operations, guarantee facilities and commercial co-financing will constitute by far the bulk of ADB assistance. However, with the MTS focusing on effective institutions and policies as well as on broad-based development and regional cooperation, sufficient grant funding must also be insured. ADB will also need to actively seek additional sources of financing, in particular through partnerships on its strategic agenda with regional institutions, bilateral funding agencies, and possibly private foundations. In addition to grant resources to finance TA operations, demands on administrative resources will increase significantly as, in spite of greater selectivity, assistance programs will become much more staff and skills intensive. Selectivity will be crucial to keep the budget within the availability of projected resources. Finally, enhancing the quality of ADB assistance and fully using its potential by making it a learning organization will also have a cost in terms of staff resources and time, training programs, and ICT investments. More integrated resource management and a review of the financing of some operations will lead to better use, targeting, and management of resources.

IV. THE STRATEGY AND THE PLANNING, PROGRAMMING, AND BUDGET PROCESS

50. The priorities of the MTS will be incorporated into ADB's operational planning framework. Each year, the President's planning directions will translate the MTS priorities into more specific areas of focus and broad regionwide targets. Guided by the planning directions, operational departments will, in consultation with the DMCs, prepare CSPs/CSP updates, which contain a three-year operational program. The CSPs will include all activities that will deliver the MTS priorities and targets in the DMCs including activities that are a part of regional cooperation initiatives. Taken together, individual DMC CSPs will constitute ADB's work program and budget framework. Ensuring consistent objectives, targets, and resources throughout this planning sequence will be crucial, from the MTS through the CSPs to the work program and budget framework. Prior to the formulation of the next MTS, which will be prepared in late 2004 to early 2005 to cover 2006-2010, a review of the current MTS will be undertaken.

APPENDIXES

Number	Title	Page	Cited on (page, para.)
1	The International Development Goals at the Country Level	18	2, 3
2	The Strategy Matrix	24	9, 28

THE INTERNATIONAL DEVELOPMENT GOALS AT THE COUNTRY LEVEL

1. Following the agreements and resolutions of various world conferences organized by the United Nations in the first half of the 1990s, seven broad international development goals (IDGs) were identified.²³ Each IDG addresses one aspect of poverty, but they should be viewed as a whole to address the world's poverty problems by 2015. The IDGs, which serve as benchmarks to the global effort to address the core causes of poverty, are

- reduce the incidence of extreme poverty by half from 1990 to 2015,
- attain 100 percent primary school enrolment by 2015,
- eliminate gender disparities in primary and secondary education by 2005,
- reduce infant and child mortality by two thirds from 1990 to 2015,
- reduce maternal mortality ratios by three quarters from 1990 to 2015,
- provide access for all to reproductive health services by 2015, and
- implement a national sustainable development strategy in every country by 2005 to ensure that current trends in the loss of environmental resources are effectively reversed at global and national levels by 2015.

2. The Asia and Pacific region has made significant progress in achieving the IDGs. However, the progress has been uneven both at the individual country level and at the subregional level. Table A1 provides data on the IDGs for each of the developing member countries (DMCs) of the Asian Development Bank (ADB). Various indicators are used for each of the IDGs. As the table shows, availability of reliable data varies greatly across the DMCs. For several countries, data for many of the indicators does not exist. For others, data reliability may be questionable. In addition, comparing data on poverty across countries is problematic due to differences in measurement techniques. These problems notwithstanding, the data do show that much still needs to be done across the region to achieve the IDGs by 2015. In particular, many of the South Asian countries lag behind on most indicators, and many of the very low-income and low-income countries need to address gender equity and access issues urgently if they are to meet the targets. Environmental problems are a major concern across the region and a much more concerted effort will be required to address these. Efforts at the national, subregional, and regional levels will be necessary.

3. Since the IDGs are broad goals, no one indicator necessarily captures the whole intent of the specific goal. Therefore, several indicators are used for some of the IDGs. This is particularly so for the goal on environment. The paucity of data and its reliability also underscores the need to develop more reliable databases for the IDGs across the DMCs. The indicators used are as follows:

²³ United Nations. International Development Goals (on-line). Available: www.developmentgoals.org

- (i) Extreme poverty. Two indicators are used:
- population living on less than a dollar a day, and
 - percentage of the population living in poverty based on national poverty lines.

In addition, the prevalence of child malnutrition is also given to provide an indication of the level of deprivation

- (ii) Universal primary education. The indicators used are
- net primary enrollment ratio, and
 - gross primary enrollment ratio.
- (iii) Gender equality in school enrollment. The indicator used is
- ratio of girls to boys in primary and secondary education.
- (iv) Infant and child mortality. The indicators are
- infant mortality rate, and
 - under-five mortality rate.
- (v) Maternal mortality. The indicators are
- maternal mortality ratio, and
 - births attended by skilled health staff.
- (vi) Access to reproductive health services. The indicator used is
- contraceptive prevalence rate.
- (vii) Environment. The indicators are
- status of environmental action plans,
 - access to improved water source,
 - forest area,
 - nationally protected areas,
 - gross domestic product per unit of energy use, and
 - carbon dioxide emissions per capita.

Table A1: Selected International Development Goal Indicators for the Developing Member Countries

Developing Member Countries (DMCs)	Net primary enrollment ratio % of relevant age group		Gross primary enrollment ratio % of relevant age group		Ratio of girls to boys boys in primary and secondary education	
	1997	Other year	1996	Other year	% 1999	Other year
Very Low-Income DMCs						
Afghanistan	—		49.0		50.0	1990
Bhutan	—		—		—	
Cambodia	100.0		110.0		77.0	
Kiribati	—		—		101.0	
Kyrgyz Republic	95.0		104.0		100.0	1990
Lao People's Democratic Republic	72.0		112.0		77.0	
Maldives	—		128.0		—	
Mongolia	81.0		88.0		115.0	
Myanmar	—		121.0		95.0	1990
Nepal	—		113.0		53.0	1990
Samoa	96.0		100.0		100.0	1990
Solomon Islands	—		97.0		77.0	1990
Tajikistan	—		95.0		—	
Tuvalu	—		—		—	
Vanuatu	—	1990	96.0	(1990)	86.0	1990
Low-Income DMCs						
Azerbaijan	—		106.0		95.0	
Bangladesh	64.0	1990	72.0	(1990)	72.0	1990
Cook Islands	—		—		—	
Marshall Islands	—		—		—	
Micronesia, Fed. States of	—		—		—	
Nauru	—		—		—	
Pakistan	—		61.0	(1990)	47.0	1990
Sri Lanka	—		109.0		99.0	1990
Tonga	—		—		92.0	1990
Viet Nam	—		113.0		—	
China, People's Republic of	102.0		123.0		94.0	
India	—		100.0		71.0	
Medium-Income DMCs						
Fiji Islands	101.0	1990	126.0	(1990)	93.0	1990
Indonesia	95.0		113.0		91.0	1990
Kazakstan	—		98.0		102.0	
Malaysia	100.0	1996	101.0		98.0	1990
Papua New Guinea	—		80.0		77.0	1990
Philippines	101.0		114.0		—	
Thailand	—		87.0		94.0	1990
Uzbekistan	—		78.0		—	
Memo item						
Turkmenistan	—		—		—	

Table A1: Selected International Development Goal Indicators for the Developing Member Countries (continued)

Developing Member Countries (DMCs)	Infant mortality rate (per 1,000 live births) 1999	Under 5 mortality rate (per 1,000 live births) 1999	Maternal mortality ratio (per 100,000 live births) 1990-1999	Births attended by skilled health staff % of total 1997-1999	Contraceptive prevalence rate % of women ages 15-49 1990-1999
Very Low-Income DMCs					
Afghanistan	147.0	220.0	—	—	—
Bhutan	59.0	107.0	380.0	—	—
Cambodia	100.0	143.0	470.0	31.0	22.0
Kiribati	56.0	72.0	225.0	—	28.0
Kyrgyz Republic	26.0	38.0	65.0	98.0	60.0
Lao People's Democratic Republic	93.0	143.0	650.0	—	25.0
Maldives	29.0	35.0	350.0	—	17.0
Mongolia	58.0	73.0	150.0	—	60.0
Myanmar	77.0	120.0	230.0	—	33.0
Nepal	75.0	109.0	540.0	32.0	29.0
Samoa	23.0	26.0	70.0	—	30.0
Solomon Islands	21.0	26.0	550.0	—	8.0
Tajikistan	20.0	34.0	65.0	—	79.0
Tuvalu	40.0	—	—	—	40.0
Vanuatu	36.0	44.0	68.0	—	15.0
Low-Income DMCs					
Azerbaijan	16.0	21.0	43.0	99.0	...
Bangladesh	61.0	89.0	440.0	14.0	54.0
Cook Islands	26.0	—	20.0	—	53.0
Marshall Islands	63.0	—	—	97.0	26.0
Micronesia, Fed. States of	27.0	33.0	561.0	—	25.0
Nauru	25.0	—	—	—	...
Pakistan	90.0	126.0	—	—	24.0
Sri Lanka	15.0	19.0	60.0	95.0	66.0
Tonga	21.0	24.0	160.0	—	32.0
Viet Nam	37.0	42.0	160.0	77.0	75.0
China, People's Republic of	30.0	37.0	55.0	—	91.0
India	71.0	90.0	410.0	—	52.0
Medium-Income DMCs					
Fiji Islands	18.0	22.0	31.0	—	31.0
Indonesia	42.0	52.0	450.0	43.0	57.0
Kazakstan	22.0	28.0	70.0	98.0	66.0
Malaysia	8.0	10.0	39.0	—	56.0
Papua New Guinea	58.0	77.0	370.0	53.0	26.0
Philippines	31.0	41.0	170.0	56.0	47.0
Thailand	28.0	33.0	44.0	95.0	72.0
Uzbekistan	22.0	29.0	21.0	98.0	56.0
Memo item					
Turkmenistan	33.0	45.0	65.0	—	—

Table A1: Selected International Development Goal Indicators for the Developing Member Countries (continued)

Developing Member Countries (DMCs)	Status of national environmental action plans	Access to an improved water source % of population 2000	Forest area % of total land area 2000	Nationally protected areas % of total land area 1999	GDP per unit of energy use PPP \$ per kg oil equivalent 1998	Carbon dioxide emissions per capita metric tons 1997
Very Low-Income DMCs						
Afghanistan	No data	13.0	—	0.3	—	0.0
Bhutan	Completed	62.0	—	21.2	—	0.6
Cambodia	Completed	30.0	52.9	16.2	—	0.0
Kiribati	Completed	47.0	...	36.6	—	0.3
Kyrgyz Republic	Completed	77.0	5.2	3.6	4.0	1.4
Lao People's Democratic Republic	Completed	90.0	54.4	0.0	—	0.1
Maldives	Completed	100.0	—	0.0	—	1.2
Mongolia	Completed	60.0	6.8	11.5	—	3.3
Myanmar	No data	68.0	52.3	0.3	—	0.2
Nepal	Completed	81.0	27.3	7.8	3.5	0.1
Samoa	No data	99.0	—	3.6	—	0.8
Solomon Islands	Completed	71.0	—	0.0	—	0.4
Tajikistan	Being prepared	—	2.8	4.2	—	0.9
Tuvalu	—	—	—	—	—	—
Vanuatu	Completed	88.0	—	0.0	—	0.3
Low-Income DMCs						
Azerbaijan	Completed	—	12.6	5.5	1.5	4.1
Bangladesh	Completed	97.0	10.2	0.8	8.9	0.2
Cook Islands	—	—	—	—	—	—
Marshall Islands	No data	—	—	—	—	—
Micronesia, Fed. States of	No data	—	—	—	—	—
Nauru	—	—	—	—	—	—
Pakistan	Completed	88.0	3.2	4.8	4.0	0.8
Sri Lanka	Completed	83.0	30.0	13.5	8.0	0.4
Tonga	Completed	100.0	—	1.1	—	1.2
Viet Nam	Completed	56.0	30.2	3.1	4.0	0.6
China, People's Republic of	Completed	75.0	17.5	6.4	4.0	2.9
India	Completed	88.0	21.6	4.8	4.3	1.1
Medium-Income DMCs						
Fiji Islands	No data	47.0	—	1.1	—	1.0
Indonesia	Completed	76.0	58.0	10.6	4.6	1.3
Kazakstan	Completed	91.0	4.5	2.7	1.8	8.0
Malaysia	Being prepared	95.0	58.7	4.6	3.9	6.3
Papua New Guinea	Completed	42.0	67.6	0.0	—	0.5
Philippines	Completed	87.0	19.4	4.9	7.0	1.1
Thailand	No data	80.0	28.9	13.9	5.1	3.8
Uzbekistan	Completed	85.0	4.8	2.0	1.1	4.4
Memo item						
Turkmenistan	Being prepared	58.0	8.0	4.2	1.2	6.7

Table A1: Selected International Development Goal Indicators for the Developing Member Countries

Developing Member Countries (DMCs)	People living on below \$1 a day		Population in poverty (%) ^a		Prevalence of child malnutrition share of children under 5 (%) 1990-1999 ^b
	%	year	Total	year	
Very Low-Income DMCs					
Afghanistan	—	—	—	—	49.3
Bhutan	—	—	—	—	18.7
Cambodia	—	—	35.9	1999	47.4
Kiribati	—	—	—	—	13.0
Kyrgyz Republic	—	—	55.3	1999	11.0
Lao People's Democratic Republic	26.3	1997	38.6	1997-1998	40.0
Maldives	—	—	40.0	1994	45.0
Mongolia	13.9	1995	35.6	1998	12.5
Myanmar	—	—	—	—	28.2
Nepal	37.7	1995	42.0	1996	46.9
Samoa	—	—	48.0	1997 (Households; food)	17.0
Solomon Islands	—	—	—	—	21.0
Tajikistan	—	—	83.0	1999	—
Tuvalu	—	—	—	—	—
Vanuatu	—	—	—	—	23.0
Low-Income DMCs					
Azerbaijan	—	—	68.1	1995	10.1
Bangladesh	29.1	1996	44.7	May 1999	56.3
Cook Islands	—	—	—	—	—
Marshall Islands	—	—	—	—	—
Micronesia, Fed. States of	—	—	39.5	1998	15.0
Nauru	—	—	—	—	—
Pakistan	31.0	1996	32.2	1998-1999	40.2
Sri Lanka	6.6	1995	26.7	1995-1996 (Households)	33.0
Tonga	—	—	—	—	2.0
Viet Nam	—	—	37.0	1998	36.7
China, People's Republic of	18.5	1998	3.7	1999 (Rural)	9.0
India	44.2	1997	26.1	1999-2000	45.4
Medium-Income DMCs					
Fiji Islands	—	—	25.5	1990-1991 (Households)	8.0
Indonesia	7.7	1999	23.4	Feb 1999	39.0
Kazakstan	1.5	1996	31.8	2000	8.0
Malaysia	—	—	8.1	1999 (Households)	25.0
Papua New Guinea	—	—	21.7	1996	29.0
Philippines	—	—	40.0	2000	33.5
Thailand	—	—	12.9	1998	19.0
Uzbekistan	3.3	1993	22.0	1996	18.8
Memo item					
Turkmenistan	20.9	1993	48.0	1993-1994	—

— = Not available.

^a Refers to headcount ratio or proportion of the population falling below the poverty line (in each country) to total population, unless otherwise specified.

^b Refers to most recent available data within 1990 to 1999.

THE STRATEGY MATRIX

1. The strategy matrix was developed as an operating tool to enhance focus and selectivity in Asian Development Bank (ADB) operations. As a logical framework for developing the Country Strategy and Program (CSP), the strategy matrix is designed to ensure that all ADB operations, and its strategic concerns and priorities, are viewed holistically and within the context of the long-term strategic framework.²⁴ All activities in the CSP must be identified with the core areas of intervention given in the strategic agenda, and the crosscutting themes should be used to broaden and deepen the impact of the core areas. The rows of the matrix are the core areas of intervention and the columns of the matrix are the core areas and the crosscutting themes (Figure A1). The strategy matrix will help:

- make decisions (tradeoffs) about which activities ADB will undertake,
- identify linkages, namely how activities relate to each other and thereby identify clusters of activities; and
- assist with differentiation, namely identify which clusters of activities are suited to which clients/settings, and how a given cluster should be implemented.

2. As a first step, the range and scope of activities that ADB undertakes in each DMC will be determined by the national poverty reduction strategy for the particular developing member country (DMC). ADB will support activities that will promote poverty reduction most effectively; these activities must conform to one of the three core areas, namely sustainable economic growth, inclusive social development, or governance for effective policies and institutions. Each of the core areas will be divided into a number of activities that will conform to the operational priorities during the medium term. For example, activities under sustainable economic growth will include, activities in the area of economic and social infrastructure. Those under inclusive social development may include support for social protection. Similarly, activities in the area of governance will also be specified. This breakdown will constitute the vertical division of each of the core areas. No activity will be undertaken that does not conform to one of the core areas.

3. Once all activities are categorized in this manner, the cross impact of the core areas and the crosscutting themes on each activity will be assessed. This will be achieved by moving horizontally along the matrix to identify the logical linkages between each activity and each of the components of the strategic agenda. For example, linkages between the activities related to sustainable economic growth and the other core areas, namely inclusive social development and governance for policies and institutions will help determine how each activity can be made socially inclusive and what governance issues are necessary to supplement the activity. Furthermore, by including the crosscutting themes each activity will also take into consideration ways in which the private sector can be involved, what environmental issues need to be addressed, and how regional cooperation may help make the activity more effective. Thus, moving horizontally across the matrix for each activity will help determine the many dimensions of each intervention. Thus, the strategy matrix will help determine tradeoffs between

²⁴ ADB, 2001. Moving the Poverty Agenda Forward in Asia and the Pacific. The Long-Term Strategic Framework of the Asian Development Bank, Manila.

activities, namely which activities are contributing to ADB's strategic objectives most effectively. Additionally, the strategy matrix will help create linkages between activities by specifying necessary conditions or preconditions for making interventions a success, thereby helping identify either a sequence of activities or a cluster of activities. This will be within the context of an individual country. Across countries, depending upon the specific conditions in each country, such as the level of income and development, the matrix can help differentiate between the kinds of activities that will be appropriate for different groups of countries or subregions.

4. All questions relevant to strategies and policies, and safeguards that ADB has mandated or is committed to, can also be accommodated within the elements of the matrix. A series of questions related to each policy or strategy can be addressed for each activity. For example, all questions related to the environment, social development safeguards and policies, private sector development strategy, or governance can be addressed to each of the activities to ensure that the activity conforms to ADB's strategic requirements. The strategy matrix can thus be used to ensure that all activities that ADB undertakes are not only the right activities to undertake to support the poverty reduction agenda of each DMC but are also being done right.

5. The model of the cross-impact strategy matrix is provided as Figure A1. The details of the workings of the strategy matrix will be developed in coordination with the operations departments to increase its effectiveness and use.

