

## **MANAGEMENT RESPONSE ON THE SPECIAL EVALUATION STUDY ON ADB POLICY FOR THE HEALTH SECTOR**

On 22 August 2005, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### **General Comments**

1. Management finds the special evaluation study (SES) on ADB Policy for the Health Sector well prepared and forward looking. It provides strategic directions of ADB's health sector operations. Management supports SES's general findings and conclusions that (i) the health sector policy has been and remains relevant in strengthening ADB's overall goals and policies, in particular poverty reduction and achieving the Millennium Development Goals; (ii) health programs must adhere to the policy's strategic priorities, and (iii) the health policy has helped ADB's health programs produce positive impacts on people's health and social conditions. We recognize that ADB's health-related activities have been instrumental in advocacy, policy development, governance, and services improvement in ADB's developing member countries (DMCs). We will consider the key issues identified and the recommendations of the SES when we review the Health Policy and formulate a strategy that covers health, nutrition, and population (HNP) and other related social sectors.

### **Specific Comments**

2. The SES advocates the need for ADB's institutional commitment and recommends concrete measures such as developing sound economic research to provide a basis for its lending and advocacy roles, and developing innovative financing mechanisms for health-related interventions. Considering resource constraints, regional departments are integrating health considerations into the non-health sectors. For example, HIV/AIDS interventions are incorporated in transport projects. The grant allocation of 2% of ADF IX financing for HIV/AIDS and other infectious diseases has facilitated the inclusion of health-related interventions. Health-related interventions, however, need to be advocated and discussed during the CSP/U process, when country priorities are identified. The SES and the proposed new strategy will provide strong tools to be used for continuing advocacy.

3. In terms of scope and modalities of health interventions, the issues pointed out under the lessons learned are also relevant. For transition economies that are challenging reforms and facing emerging poverty, ADB has taken the combined approach of health sector reforms with essential services targeted the vulnerable groups. The SES appreciated this approach. However, it articulated the need for taking enough time for policy dialogue and political process, making in-depth analysis at appraisal, implementing effective monitoring and evaluation, and extending usual project duration. The new strategy should suggest durable solutions to accommodate the needs.

4. The SES recommends to allow ADB finance health infrastructure and equipment. We support this recommendation. We believe that the first step in achieving the desired outcome of high-quality and cost-effective care is availability of the right physical structures. We also welcome SES's cautious approach that national policy on development of health facilities is essential. ADB has often seen that Government's lack of operational and maintenance cost caused quick deterioration of rehabilitated or newly built facilities, reducing the sustainability of investment. ADB would need to help the Government develop and implement such a national policy while investing in infrastructure and equipment.

5. The SES expresses concern that the DMCs do not take ordinary capital resources (OCR) lending for social sectors, which effectively excludes two major countries—India and the PRC—from health sector operations. The SES provides some perspective of how to deal with this challenge. This can be examined from the view point of the flexibility of ADB's assistance policy in accommodating needs of DMCs at different levels of economic growth. The ongoing study on 'Building New Partnership Framework with Middle Income and OCR Countries' is examining ways for ADB to meet the financing demand from social sector of these countries. ADB's 'Innovation and Efficiency Initiative (IEI)' will also help provide innovative financing instruments and modalities that would facilitate greater ADB involvement in this sector.

6. The SES suggests that ADB formulate a health sector strategy on its overall strengths and competencies. Identifying niches that have potential to grow, and catering to such growing niches can provide future growth opportunities. The SES highlights urban primary health care as one such niche. Management will consider fully these suggestions in developing a new health sector strategy.

7. Considering the overall resource constraints within ADB, the resource implications associated with different options to be considered in the Strategy will be carefully analyzed.

8. In conclusion, Management believes that the SES has laid an excellent foundation for removing constraints faced in the health sector and mainstreaming the health interventions in ADB.