These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

COUNTRY PARTNERSHIP STRATEGY

1. The Asian Development Bank (ADB) aims to deliver its corporate strategic agenda through demand-based, country-owned, and results-oriented country partnership strategies (CPSs) and related technically viable programs of assistance to its developing member countries (DMCs). The CPS sets the framework for ADB's engagement with its DMCs. It translates the substance and priorities of the DMC’s development strategy and ADB's corporate strategy and comparative advantage into specific activities and a program of financing and other assistance. Where appropriate, the CPS should also define issues suitable for regional cooperation and the assumed benefits of such cooperation from the perspectives of the DMC and ADB. The development objectives for ADB’s engagement should be critically assessed during the preparation of the CPS to ensure that ADB’s role and objectives are clear, and that there is a credible strategy for achieving them. The CPS includes a results framework and a knowledge management plan.

2. The CPS should be prepared in close partnership with development partners and stakeholders, and reflect full ownership by the DMC.

Basis: This OM section is based on:


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.

This supersedes OM Section A2/BP issued on 1 February 2013. Prepared and issued by the Strategy and Policy Department with the approval of the President.
COUNTRY PARTNERSHIP STRATEGY

A. Introduction

1. The country partnership strategy (CPS) serves as the primary relationship document between a developing member country (DMC) and the Asian Development Bank (ADB). The CPS sets out shared priorities and strengthens the mutual ownership of ADB’s assistance program. It also provides the strategic and operational framework for ADB’s involvement in a DMC, including sovereign and nonsovereign operations (where applicable). The CPS provides an opportunity for a DMC and ADB to conduct policy dialogue. The CPS is expected to respond to the following four questions to present a coherent description of ADB’s engagement:

(i) What are the key development challenges of a DMC that ADB will try to address through its involvement?

(ii) What are ADB’s strategic objectives and priorities for engaging with the DMC through both sovereign and nonsovereign operations, considering the DMC’s challenges, and lessons from past engagement?

(iii) How is ADB’s engagement aligned with the government’s development plan and its own corporate strategy, and complementary to strategies of other development partners?

(iv) How can ADB ensure the best use of its limited resources to support the DMC?

B. Business Processes

1. Preparation of the Country Partnership Strategy

2. The CPS should be prepared and updated in line with the DMC’s development strategy cycles, where applicable. Exceptions could be made in cases where there is a clear justification for not needing to prepare a new CPS after the original date of the preceding CPS’s expiry. The

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1 In responding to these questions, the CPS may present an integrated description of ADB’s engagement to address each DMC’s unique country-wide development challenges and agenda. For example, a CPS for a small island country may aim to build resilience in order to overcome vulnerability to external shocks. Likewise, the objective of a CPS for an upper middle-income country could be strengthening productivity and competitiveness through technology applications and innovation.

2 As the chair of the regional management team, the regional director general decides when to launch CPS preparation. A regional management team meeting may be held at the initiating stage of CPS preparation.

3 The justification should comprise (i) the development priorities of the DMC having not changed; and (ii) ADB’s strategic objectives and thematic and sector priorities for the DMC also having not changed. In such a case, the enhanced country operations business plan (COBP) may extend the validity of the existing CPS, until the next CPS
CPS cycle can also be accelerated in cases where a change of government results in the adoption of a new development strategy that deviates substantially from the previous strategy.4

3. The major steps in formulating a CPS are (i) pre-CPS assessment and diagnostic work; (ii) country consultations; (iii) strategic priorities meeting; (iv) consultation with the Management; (v) informal Board seminar; and (vi) finalization (government clearance, approval by the President, and endorsement by the Board).5

a. Pre-Country Partnership Strategy Assessment and Diagnostic Work

4. CPS preparation should be based on an integrated assessment of inclusive growth and sustainable development,6 holistically addressing economic, governance, poverty, gender, private sector, and environment issues. This inclusive and sustainable growth assessment7 plays an important role in setting out the rationale for selecting the strategic objectives and thematic priorities in the CPS. At the same time, the description of key challenges and constraints in the CPS could come directly from the analysis undertaken in this assessment.

5. The CPS final review and its validation by the Independent Evaluation Department (IED) and the country assistance program evaluation (CAPE)8 are essential in shaping the directions of the new CPS. The regional department concerned should make a timely request to IED for preparation of the validation report9 or CAPE.

will be formally in place. The text of the enhanced COBP should confirm validity of the existing CPS’s strategic thrust and the extended implementation period. An enhanced COBP may also be used when DMC-related or other inevitable factors (such as a delay in preparation of a new national development plan or formation of a new government) necessitated suspension of the new CPS preparation. In the latter case, the enhanced COBP may not only extend the existing CPS’s implementation period but also reflect, as appropriate, the change of the strategic focus that may be required. An interim CPS can be prepared for engaging with any new DMCs or reengaging with an existing DMC after a protracted interruption.

4 These exceptional cases will be determined and decided jointly by the DMC government and the regional department. When CPS is not prepared, the recommendation to that effect by the country director should be approved by the regional director general. The operations vice-president concerned should be informed of such a decision. Regional departments can decide on an appropriate approach for small DMCs, such as the Pacific Approach adopted by the Pacific Department for small island DMCs.

5 The required steps do not necessarily have to be sequenced in this order. Other than these, ADB’s relevant operational policies should be observed. OM sections A1 (Classification and Graduation of Developing Member Countries) and A3 (Performance-Based Allocation of ADF Resources) provide details on eligibility and accessibility to the concessional resources and country performance assessment. OM Section H3 (Cost Sharing and Eligibility of Expenditures for ADB Financing) covers cost sharing and expenditure eligibility.

6 Global and internationally accepted goals and development practices may be taken into account.

7 As appropriate, findings from knowledge work and inputs from sector and thematic groups may feed into the inclusive and sustainable growth assessment. National targets for inclusive economic growth indicators should be reflected in the CPS, and gender issues must be systematically addressed in its main text, as well as the inclusive and sustainable growth assessment. Country teams may seek advice on compliance with relevant ADB policies from departments concerned.

8 OM Section K1 (Independent Evaluation).

9 To this end, the signed CPS final review should be submitted to IED at least 17 weeks before the informal Board seminar. It may take about 12 months for IED to complete a CAPE.
b. Country Consultations

6. From the start of CPS preparation, DMCs must be consulted to ensure that the CPS builds on country perspectives and to create conditions for strong DMC ownership. Such consultations should be based on (i) the DMC’s development strategy, (ii) lessons learned from the preceding CPS and consolidated in the CPS final review, and (iii) the inclusive and sustainable growth assessment and the development coordination matrix.¹⁰

c. Strategic Priorities Meeting

7. The purpose of the strategic priorities meeting is to discuss the priorities to be set under the CPS.¹¹ The discussions should be based on the completed diagnostic work, outcomes of the country consultation, and lessons from the CPS final review.¹² The concerned operations vice-president chairs the meeting, but may delegate this role to the director general of the regional department. The first draft of the CPS is prepared¹³ and peer-reviewed.¹⁴

d. Further Consultation with Management

8. The President’s guidance should be sought at an early stage of the CPS preparation. Country teams should also separately consult with the vice-presidents in charge of private sector operations and knowledge management to receive their inputs.

e. Informal Board Seminar

9. An informal Board seminar is organized. The regional department, through the Office of the Secretary, submits a memo to the President for approval of the informal Board seminar.

¹⁰The DMC consultation may be undertaken through the strategy formulation mission, day-to-day interaction with the government by the resident mission, or in conjunction with the country programming mission. A memorandum of understanding may be concluded with the government or an aide-memoire may be confirmed. The consultations with the DMC government and nongovernment entities may continue, as needed, throughout the CPS process. OM sections L3 (Public Communications) and E4 (Promotion of Cooperation with Nongovernment Organizations) on broader multi-stakeholder consultations provide more details.

¹¹The strategic priorities meeting may be held more than once, if deemed necessary. The regional department may invite other departments and peer reviewers, as deemed necessary at its discretion.

¹²The country team should present the CPS final review, the inclusive and sustainable growth assessment, and the development coordination matrix.

¹³The CPS main text (excluding the country knowledge plan and results framework) will not exceed 15 pages. For small DMCs with limited ADB engagement, the CPS document could be less than 10 pages. For larger DMCs with more extensive ADB engagement, the CPS main text could be longer as needed, up to the maximum length of 15 pages. Core linked documents include the inclusive and sustainable growth assessment, the development coordination matrix, and the first COBP.

¹⁴The country team selects at least two peer reviewers from the list maintained by the Strategy and Policy Department, based on criteria including experience in CPS preparation, knowledge of the DMC concerned, and relevant sector or thematic expertise. An external peer reviewer may be invited, if deemed desirable and possible within resource constraints. Peer reviewers are requested to provide concise, value-adding, and practical inputs and suggestions for improving the quality of the CPS document.
f. Finalization

10. The draft final CPS is forwarded to the government to obtain clearance for public disclosure. Following the government clearance, the document is edited by the Office of the Secretary and submitted to the President for clearance and approval for circulation to the Board. Subsequent to Board discussion 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.

2. Indicative Country Operations Business Plans

11. CPS implementation is undertaken through COBPs, which focus on the 3-year rolling pipeline and the resources needed to implement the pipeline. The first COBP in the strategy cycle is prepared in conjunction with the CPS.

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 COBP is prepared by the country programming mission, approved by the President, and usually submitted to the Board for information by 31 August each year—well before Board discussion of ADB’s work program and budget framework (WPBF).

3. Disclosure

13. The CPS and its related documents are disclosed in accordance with the requirements of ADB’s Public Communications Policy.

4. Retrospective Stocktaking

14. ADB may collectively undertake a biennial retrospective stocktaking of approved CPSs to assess if the quality at entry has improved. Management designates the department or office that coordinates this exercise.

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15 Earlier drafts of the CPS may be shared with government counterparts on an informal basis, building on government engagement and involvement during CPS preparation and country consultation. Such ongoing engagement is expected to facilitate the government’s early clearance of the draft final CPS.

16 General endorsement relates to the broad strategic thrust of the CPS, rather than details presented therein.

17 In exceptional circumstances, the COBP for a shorter time span may be prepared, particularly toward completion of the current CPS (whereby the full 3-year time-span would cut into the implementation period of the new CPS). In such cases, an alternative arrangement should be in place to ensure timely submission of the Management-cleared pipelines for the current and next 3 years as an input to the WPBF process.

18 Where relevant, performance-based allocation of concessional resources is reported in COBPs.

19 The country programming mission concludes a memorandum of understanding with the DMC, or secures confirmed aide-memoire.

20 OM Section L3 (Public Communications).
5. Roles and Responsibilities

15. The primary responsibility for managing the CPS process and the annual preparation of the COBP rests with the regional management team at the department level and with the country team at the country level. The country team comprises staff of the concerned regional departments and the Private Sector Operations Department. The regional department may call for participation from other departments, offices, and sector and thematic groups, as necessary. The country team may be maintained throughout the CPS formulation and implementation cycle.

Basis: This OM section is based on OM Section A2/BP and the documents cited therein.

Compliance: This OM section is subject to compliance review.

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