

The Asian Development Bank

Manila, Philippines



The World Bank

Washington, D.C. 20433, U.S.A.



MEMORANDUM OF UNDERSTANDING

on Administrative Arrangements between the Asian Development Bank (ADB), and the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) (hereinafter collectively referred to as the World Bank)

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I. THE IMPORTANCE OF ADB-WORLD BANK COOPERATION

1. ADB and the World Bank account for a significant portion of development assistance to developing countries in the Asia and Pacific Region (Region). This places a responsibility on both ADB and the World Bank to cooperate in ways that serve the interests of their common shareholders, both developing and developed members.
2. ADB and the World Bank have been cooperating with each other over many years on matters of common concern in the Region by collaborating, from time to time, in the provision of loans and technical assistance and policy advice. In January 2000, Vice Presidents of ADB and the World Bank jointly signed a Memorandum of Cooperation (MoC) that set out some broad guidelines for promoting, planning and conducting further cooperation.
3. The international community is giving higher priority to improved cooperation among development partners as a productive means to support country-led development processes and achieve greater effectiveness and efficiency in the use of scarce resources for development.
4. Therefore, ADB and the World Bank, in their continuing collaborative efforts, agree by this Memorandum of Understanding (MoU) to memorialize certain administrative arrangements, in addition to the MoC, designed to promote increased effectiveness of their programs of assistance for the benefit of developing countries in the Region.
5. ADB and the World Bank further understand that such cooperation should be subject to the mutual consent and, where appropriate, the agreement of developing country governments, and should be flexible in order to take into account the operating conditions and needs of each Institution and in such developing countries.

II. GUIDING PRINCIPLES

6. The two Institutions desire to develop further their cooperative efforts based on the following principles:
 - Country ownership of sound development policies is an objective in itself as well as a necessary condition for sustainable development efforts. Country-owned reforms, based on a broad societal foundation and participation, are more likely to survive periods of social and political stress.

- A country-led, comprehensive, long-term approach to development and transition is needed. It must be holistic in nature and address the multidimensional nature of sustainable, equitable growth and poverty reduction.
- A partnership of all development actors, with country governments in the lead, and development partners participating where they add value, must exist to ensure the efficient use of scarce development resources.
- Cooperation between ADB and the World Bank should be result-oriented, linked to performance and built on transparent relationships of development assistance providers and recipient countries alike.

III. GREATER SCOPE FOR COOPERATION

7. The issues, and their interrelationships, that are relevant to the development process in the Region are more complex today than ever before. Therefore, ADB and the World Bank will focus their cooperation on priority development issues and activities, including mutually agreed activities or programs of assistance planned and undertaken at each Institution.

8. Within this broad framework, ADB and the World Bank will focus their cooperation upon the following general areas:¹

- (i) Reciprocal attendance at meetings as observers;
- (ii) Regular consultations at the senior management level and other staff consultations;
- (iii) Sharing of knowledge and research, and supporting global and regional public goods;
- (iv) Country-specific operations;
- (v) Selected themes, sectors and subsectors; and
- (vi) Operational procedures and practices.

IV. VISIBLE PARTNERS

9. Reciprocal attendance at meetings as observers may include, but not necessarily be limited to the following:

- (i) Representatives of ADB may attend meetings of the Board of Governors of the World Bank, as observers;

¹ See the Annex to this MoU for some specific areas where cooperation is underway. The Annex to the MoU will be periodically updated to keep track of collaboration on an on-going basis.

- (ii) Representatives of the World Bank may attend meetings of the Board of Governors of the ADB, as observers;
- (iii) Representatives of ADB may attend meetings of Deputies of the IDA, including mid-term reviews, as observers;
- (iv) Representatives of the World Bank may attend meetings of Donor members of ADB's Asian Development Fund (ADF), including mid-term reviews, as observers;
- (v) Each Party to this MoU may invite staff of the other Party to attend meetings within its Institution dealing with matters relating to operations and programs and policy issues (in the Region) in areas and activities covered by this MoU and in which the other Party may have a general or specific interest; and

Sufficient notice of such meetings and their agenda shall be given so that the respective Party may make arrangements for adequate representation.

V. COMMUNICATION FOR PARTNERSHIP

10. In order to ensure effective communication and collaboration, ADB and the World Bank will deepen the current practice of meetings at both the senior management as well as operational and nonoperational levels, and in particular hold regular consultations including:

- (i) Meetings of the Heads of Multilateral Development Banks (MDBs) and Multilateral Financial Institutions (MFIs);
- (ii) Consultation between senior staff of ADB and the World Bank representing similar institutional mandates and areas of corporate responsibility, to discuss and compare procedures and practices;
- (iii) Consultations between senior staff of ADB and the World Bank to consider potential cooperation on issues of strategic concern to each Institution;
- (iv) Regular joint consultations, including videoconferencing where appropriate and feasible, of ADB and World Bank senior staff teams to review the cooperation process and results achieved, to consider joint initiatives over the near-term, to discuss processes for broader donor coordination including Consultative Group arrangements and procedures, and to consider other areas of potential operational collaboration; and

Coordination meetings between ADB and World Bank staff in the preparation of their respective country assistance strategies and country operations papers to foster complementarity, particularly in small, low-income developing countries with limited absorptive capacities.

VI. SHARING KNOWLEDGE AND RESEARCH AND SUPPORTING GLOBAL AND REGIONAL PUBLIC GOODS

11. The generation and application of useable knowledge lies at the heart of the development process. ADB and the World Bank have distinct capabilities, as well as a shared responsibility, to put knowledge to work for achieving poverty reduction in developing Asia. ADB has a mandate and valued leadership role in working with countries in the Region to promote and support effective approaches and programs for subregional and region-wide cooperation/integration and addressing regional public goods. The World Bank's mandate, on the other hand, includes a focus on global and regional perspectives. It is recognized by both Institutions that the global and regional perspectives benefit each other. Therefore, ADB and the World Bank will seek to cooperate on research and knowledge sharing on priority development topics and on achieving the International Development Goals, with an emphasis on their relationship to, and impact on, poverty reduction in individual countries and in the Region.

VII. SUPPORTING COUNTRY OWNERSHIP OF THE DEVELOPMENT PROCESS

12. Under the principle of country ownership of the development process, closer cooperation between ADB and the World Bank on operations in developing countries in the Region will bring benefits to borrowing and nonborrowing shareholders and to each Institution. Borrowers will benefit from reduced administrative costs associated with planning and reporting on the external development assistance provided by both Institutions, and should realize greater and better development impact derived from the synergy flowing from complementarity between ADB and World Bank operations. Nonborrowing shareholders in ADB and the World Bank would benefit from seeing greater development effectiveness in the use of scarce resources provided by them. ADB and the World Bank would benefit from more cost-effective allocation and use of financial and other resources available to the Institutions.

13. Reflecting the guiding principles mentioned above, ADB-World Bank cooperation to directly support country ownership may be pursued through the following means:

- (i) Implementation of the existing joint "Protocol on Collaboration Among MDB/IMF in the Preparation of Poverty Reduction Strategies in Developing Countries", and ADB and the World Bank will strive for greater and better defined complementarity of roles within the framework of the national poverty reduction strategy;
- (ii) Collaboration on economic sector and advisory work as may be appropriate and where mutually agreed;
- (iii) Assistance for capacity building in developing countries in the Region that mutually supports operations and avoids duplication and overlap;
- (iv) Systematic consultations on country strategies and assistance plans; and

- (v) Participation in and support for country level aid coordination, including the Consultative Group processes, led by government and in association with other development partners.

VIII. WORKING TOGETHER TO MAKE THE RIGHT INVESTMENTS

14. Cooperation at the sectoral/subsectoral level, and on certain development themes important to developing countries in the Region, should support the framework of cooperation at the country and institutional levels. Consistent with these objectives, cooperation may be pursued through the following means:

- (i) Collaboration on economic and sector work;
- (ii) Collaboration on capacity building, portfolio review, and monitoring and evaluation in developing countries in the Region;
- (iii) Fiduciary assessments where there are shared Institutional needs, such as financial management, procurement and environmental compliance;
- (iv) Co-financing of programs and projects, including possible joint appraisals and joint missions;
- (v) Regular and systematic information exchange on each Institution's respective country assistance strategies as well as planned and current activities under sub-paragraphs (i) - (iv) of this paragraph; and
- (vi) Exchange of staff, where appropriate and feasible.

XI. COOPERATION ON OPERATIONAL PROCEDURES AND PRACTICES

15. In February 2001, the Presidents of the five major MDBs affirmed the relevance and importance of the continuing joint work by MDBs to improve development impact and reduce administrative costs for developing countries through harmonization of operational procedures and practices. They noted the several technical level working groups established by the MDBs to enhance their collaboration, build coherence, and harmonize procedures and practices. While acknowledging the considerable progress, the Presidents agreed that there are still many challenges in this area. In that context, ADB and the World Bank will continue their cooperation in the specialized technical working groups and in the associated Roundtable on Operational Policies, Strategies and Practices.

X. FOCAL POINTS

16. Cooperation between ADB and the World Bank under this MoU is an Institution-wide responsibility. However, each Institution shall designate a focal point to be the primary contact for this MoU and will inform the other Party in writing within 15 days from the date of signature by the Parties of such designated focal point.

XI. ASSESSING EFFECTIVENESS, STAYING RELEVANT

17. Two years from the date of signing of the MoU, ADB and the World Bank will prepare a joint report on their cooperation and to transmit the report simultaneously to their respective Board of Directors, for information. The goal of the report would be to identify examples of improved collaboration, as well as areas where further improvement is needed, and to recommend relevant changes or updates to these administrative arrangements included in this MoU.

XII. MISCELLANEOUS

18. In order to enhance the cooperation and coordination between the Institutions by improving the process of amicably resolving any disputes that may arise in pursuing such joint efforts, the Institutions reaffirm by this MoU the rules of etiquette that were adopted in January 2000 under the previous MoC.

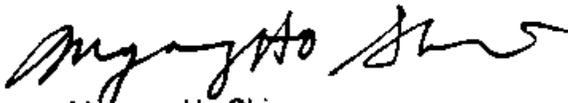
19. This MoU will become effective on the date of the fixed signature hereto.

20. This MoU may be amended by mutual written consent of the Parties.

21. The MoU may be terminated by either Party giving at least six months prior written notice to the other Party. Termination of this MoU shall not affect activities already approved or in progress under the terms of this MoU.

22. In line with the procedural nature of the provisions of this MoU, no provision herein shall be construed so as to in any way interfere with ADB's and the World Bank's independent decision-making autonomy with regard to their own respective affairs and operations.

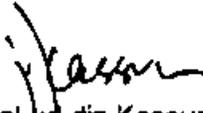
In witness whereof, the undersigned, duly appointed representatives of ADB and the World Bank, respectively, have on behalf of the Parties signed the present MoU on the dates and at the places indicated below their respective signatures.



Myoung-Ho Shin
Vice President Region West
Asian Development Bank

Dec 13, 2001
Date

Manila, Philippines
Place



Jemal-ud-din Kassum
Vice President, East Asia and
Pacific Region
The World Bank

Dec. 21, 2001
Date

Washington DC
Place

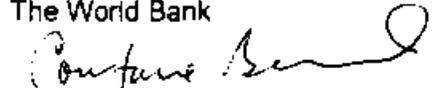


Joseph Eichenberger
Vice President Region East
Asian Development Bank

Dec 13, 2001
Date

Manila, Philippines
Place

Johannes Linn
Vice President, Europe and
Central Asia Region
The World Bank


Dec 28, 2001
Date

Washington DC
Place

Mieko Nishimizu
Vice President, South Asia
Region
The World Bank


Date

January 1, 2002
Washington DC
Place

INDICATIVE COOPERATION BETWEEN ADB AND THE WORLD BANK

1. ADB and the World Bank are intensifying their cooperation in mutually agreed themes and sectors. Such cooperation is most evident in the areas of support for Poverty Reduction Strategies (PRS), Public Expenditure Reviews (PER), Joint Portfolio Reviews and Country Assistance Programs.

2. Joint cooperation in supporting developing member countries in the preparation of their PRS is more apparent in Azerbaijan, Bangladesh, East Timor, Kyrgyz Republic, Lao PDR, Papua New Guinea and Uzbekistan. Joint work on Public Expenditure Reviews is currently in progress in Lao PDR, Maldives and Mongolia. Joint Portfolio Reviews are also being increasingly undertaken as collaborative exercises and are currently specifically promoted in Indonesia, Nepal and Philippines. Close consultations during the Country Assistance Programs' formulation have been increasing and recent examples are in Indonesia, Philippines, Thailand and Viet Nam.

A. COUNTRY-LEVEL COOPERATION

Azerbaijan

3. ADB, the World Bank and UNDP will continue to jointly support the government to prepare the full PRS focusing on poverty analysis, articulation of strategic priorities, elaboration of investment and institutional implications.

4. ADB's inputs include Technical Assistance (TA) for poverty analysis and assessing institutional implications of PRS implementation, while the World Bank and UNDP support other aspects of the PRS process, including civil society consultations.

Bangladesh

5. The PRS process has now been initiated and ADB is collaborating closely with the World Bank in this exercise. As part of this exercise, ADB and the World Bank collaborate on poverty analysis and PER.

China, People's Republic of

6. ADB and the World Bank jointly assist the government in strengthening the poverty analysis and reviewing operational mechanisms to enhance the poverty focus of the respective country strategies.

East Timor

7. A Trust Fund for East Timor (TFET) was created in 1999. The TFET grant projects are formulated and supervised by ADB and the World Bank with a clear division of labor and coordination between them, involving regular consultations of East Timor amongst donors and MFIs, including ADB and the World Bank.

8. A joint poverty assessment work by ADB, the World Bank and UNDP is underway in East Timor. Further joint work in this direction can lead to the formulation of PRS for East Timor.

India

9. ADB and the World Bank collaborate closely on programming and processing missions, and through the annual India Development Forum. ADB and the World Bank are coordinating on an appropriate geographical and sectoral focus for each institution's state-level operations.

Indonesia

10. ADB and the World Bank continue to closely coordinate with each other in many areas, such as on poverty situation monitoring, country strategy preparation, governance initiatives, joint country portfolio review and information sharing on poverty assessment.

Kazakhstan

11. ADB, the World Bank and UNDP are supporting the government to develop a medium-term strategy for economic development and poverty reduction.

Kyrgyz Republic

12. ADB, IMF and the World Bank continue to assist jointly the government in the preparation of PRS. ADB's support includes assisting in the preparation of sector analysis and the process of public consultation.

Lao PDR

13. ADB, the World Bank and the government jointly conducted Participatory Poverty Assessment and are now jointly working on PER.

Maldives

14. ADB and the World Bank are jointly undertaking PER.

Mongolia

15. ADB's Poverty Reduction Partnership Agreement with the government provided a basic framework for the interim PRS. ADB and the World Bank are collaborating on the conduct of the Mongolian PER.

Nepal

16. ADB and the World Bank maintain close coordination in selected sectors such as education, power, agriculture, and financial sector. ADB and the World Bank also mount joint annual portfolio review missions and quarterly portfolio reviews.

Papua New Guinea (PNG)

17. The World Bank undertook the first Poverty Assessment in PNG five years ago. Further work in this regard will be done jointly by ADB, the World Bank and AusAID. This exercise will contribute to formulation of the PRS.

Philippines

18. ADB and the World Bank are cooperating with each other for joint country portfolio review and joint assistance to the government in governance and anti-corruption assessment. In developing its Poverty Reduction Partnership Agreement with the government, ADB has sought active cooperation with the World Bank.

Sri Lanka

19. At the sector level, there is good division of responsibilities and cooperation especially in sectors like power, ports, financial sector and the environment.

Tajikistan

20. ADB, the World Bank and UNDP have collaborated in supporting the PRS preparation. ADB's complementary support focuses on the process of public consultation.

Thailand

21. ADB and the World Bank are coordinating closely on the finalization of ADB's Country Strategy and Program, and the World Bank Group's Country Assistance Strategy.

Uzbekistan

22. ADB and the World Bank coordinate closely their respective work on the country's key macroeconomic policies, including foreign exchange policy, and structural reform agenda. ADB and the World Bank are coordinating to assist the country in poverty analysis and subsequent formulation of PRS.

Viet Nam

23. ADB and the World Bank are jointly preparing country strategies this year and joint consultations are being planned.

Other Pacific Developing Member Countries (PDMCs)¹

24. There is an understanding between ADB and the World Bank to collaborate and coordinate on all activities, particularly those related to PRS and Consultative Group process.

¹ Pacific Developing Member Countries (PDMCs) of ADB are: Cook Islands, Fiji Islands, Kiribati, Republic of Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

REGIONAL LEVEL COOPERATION

25. In order to help Asia and the Pacific lay the foundations for a sustained and effective fight against corruption, the World Bank collaborates with the ADB-OECD Initiative for Combating Corruption in Asia-Pacific region.

26. The World Bank continues to support the ADB-led Poverty Forums, which aim to debate how best to address the needs of the poor and work towards reaching a consensus on strategies for reducing poverty.

27. ADB cooperates with the World Bank in the Asia Development Forum, which is a partnership program among MDBs, research institutes, governments and non-government organizations involved in development work. It is the premier regional forum with the goals of sharing knowledge and exchanging views on best practices in development policy and strategy.

C. INSTITUTION-WIDE COOPERATION

28. ADB and the World Bank will continue their participation in the specialized technical working group and the associated Roundtable on Operational Policies, Strategies and Practices. In particular, they continue to participate in the technical working groups dealing with environment assessments, financial management and procurement.