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ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
CSP	-	country strategy and program
DC	-	Development Committee
DFID	-	Department for International Development
EBRD	-	European Bank for Reconstruction and Development
GMR	-	Global Monitoring Report
HLF2	-	Second High Level Forum
JV	-	joint venture
MDB	-	multilateral development bank
MDGs	-	millennium development goals
MfDR	-	managing for development results
MIC	-	middle-income country
MOU	-	memorandum of understanding
OECD-DAC	-	Development Assistance Committee of the Organisation for Economic Cooperation and Development
TWG	-	technical working group
UNDP	-	United Nations Development Programme
UNESCAP	-	United Nations Economic and Social Commission for Asia And the Pacific
WP-EFF	-	Working Party on Aid Effectiveness and Donor Practices

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EXECUTIVE SUMMARY

Asian Development Bank's (ADB's) cooperation with its development partners is designed to enhance its aid effectiveness through joint and more stream lined solutions. Partnerships have been strengthened and are being built increasingly around the principles of better division of labor among donors, building on comparative strengths and benefiting from each partner's experience. Partnerships reduce duplication and transaction costs and results-oriented partnerships can substantially improve the quality of aid ADB offers its developing member countries (DMCs). Partnerships have been undertaken on several fronts. Harmonization of policies, practices and procedures with key development agencies, both multilateral and bilateral, has been ongoing for some time. More recently harmonization has been combined with aligning aid strategies, programs and assistance with partner country development programs and systems.

The Rome High-Level Forum in 2003 established basic ground rules for donors and partner countries to work together to make development assistance more effective. The Second International Roundtable on Managing for Development Results (MfDR) took place in February 2004. MfDR was subsequently introduced as an integral part of ADB's reform agenda. ADB is also active in the OECD-DAC Working Party on Aid Effectiveness and Donor Practices (WP-EFF) set up after Rome to monitor and evaluate progress toward a global partnership for development. The WP-EFF took overall responsibility for the preparation of the Second High-Level Forum (HLF2) on Aid Effectiveness in Paris in March 2005.

Between Rome and Paris, ADB was actively engaged with the harmonization and alignment agendas with its development partners and member countries. ADB co-sponsored two regional workshops, which produced reports that were presented at the HLF2 in Paris. The Forum was co-sponsored by ADB and resulted in the Paris Declaration, a set of commitments from both donors and countries covering country ownership, harmonization, alignment, MfDR, and mutual accountability, endorsed by the international development community. Many of the commitments in the Paris Declaration have been guiding principles for ADB operations for many years.

The multilateral development banks (MDBs) have been working together to simplify and harmonize their practices, procedures, and policies. MDB technical working groups (TWGs) standardize documentation and policies, and MDB roundtables regularly discuss progress on joint efforts to enhance aid effectiveness. ADB, in partnership with other donors, has been very active in promoting country ownership of development projects, alignment with country systems, donor harmonization, capacity building, and introducing improved approaches for MfDR.

ADB has work plans in place to further strengthen partnerships in the future. It is generally accepted by both donors and partner countries that the Paris Declaration is very important for increasing the impact aid has in reducing poverty and inequality, building capacity and accelerating achievement of the MDGs. Partnerships need to become more outcome oriented with more effort put into developing monitoring and evaluation capacity in the partner countries. The greater emphasis on MfDR should help in this regard as will more harmonization of operational policies and procedures. Alignment with country systems has proved a difficult challenge and it is very important to find ways to increase the use of country systems, while at the same time directing efforts at strengthening those systems and address corruption. Increasing the use of country systems for aid delivery will necessitate working closely with partner countries. Accountability mechanisms need to be built into partnerships. Most importantly, country priorities must drive the way in which partnerships are developed.

I. INTRODUCTION

1. The main thrust of Asian Development Bank's (ADB's) cooperation with its development partners has been to enhance its aid effectiveness through joint and more streamlined solutions. In recent years partnerships have been strengthened and are being built increasingly around the principles of better division of labor among donors, building on comparative strengths and benefiting from each partner's experience. Partnerships reduce duplication and transaction costs and results-oriented partnerships can substantially improve the quality of aid ADB offers its developing member countries (DMCs). Partnerships have been undertaken on several fronts. Harmonization of policies, practices and procedures with key development agencies, both multilateral and bilateral, has been ongoing for some time. More recently harmonization has been combined with aligning aid strategies, programs and assistance with partner country development programs and systems. These efforts culminated in the Paris Declaration, endorsed in March 2005 by the international development community. This report provides a brief account of efforts by ADB to enhance aid effectiveness through strategic partnerships. The partnership agenda for ADB covers several aspects. First, there is implementation of the Paris Declaration, at the country, regional and institutional level. Second, there are institutional partnerships with MDBs and other development agencies covering harmonization and cooperation activities including work on regional public goods and emergency assistance. Finally, there are partnerships around special initiatives and programs. The paper concludes with some brief thoughts on moving forward on the partnership agenda.

II. ENHANCING AID EFFECTIVENESS THROUGH STRATEGIC PARTNERSHIPS

2. In 2002 in Monterrey, Mexico the donor community agreed to increase global development assistance and also to increase its effectiveness. The Rome High-Level Forum in 2003 established basic ground rules for donors and partner countries to work together to make development assistance more effective. ADB had collaborated with several development partners (France, Germany, Japan, United Kingdom [UK], and the World Bank among others) to pilot test harmonized procedures aligned with country systems prior to the Rome Forum. The Second International Roundtable on Managing for Development Results (MfDR) took place in February 2004 in Marrakech, Morocco. In the Joint Marrakech Memorandum, the heads of the MDBs and the Chairman of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC) affirmed their commitment to developing a global partnership on MfDR. These international agreements define key goals and objectives for the aid effectiveness agenda.

3. MfDR was introduced as an integral part of ADB's reform agenda in 2004.¹ ADB is also active in the multilateral development bank (MDB) Technical Working Groups (TWGs) and MDB roundtables, has developed strategic partnerships with selected international financial institutions, and is a member of the OECD-DAC Working Party on Aid Effectiveness and Donor Practices (WP-EFF). The WP-EFF was set up after Rome to monitor and evaluate progress toward a global partnership for development. In order to effectively cover its broad mandate, the WP-EFF established five teams working in the following areas: (i) harmonization and alignment; (ii) joint venture (JV) in public financial management; (iii) JV in MfDR; (iv) JV in procurement; and (v) JV in untangling aid. ADB has been actively involved in the WP-EFF and on all the teams except the last which comprises only bilateral donors.² The WP-EFF took overall responsibility

¹ A separate paper on MfDR is being prepared for the ADF IX mid-term review.

² ADB represents the regional development banks on the WP-EFF and co-chairs the JV on MfDR.

for the preparation of the Second High-Level Forum (HLF2) on Aid Effectiveness in Paris in March 2005.

4. Between Rome and Paris, ADB was actively engaged with the harmonization and alignment and MfDR agendas with its development partners and member countries. In preparation for HLF2, ADB co-sponsored two regional workshops, one in Bangkok with the World Bank and the Government of Thailand and the other in Bishkek with the European Bank for Reconstruction and Development (EBRD) and UK Department for International Development (DFID). Workshop participants included partner countries, donors, and civil society representatives who produced detailed reports on aid effectiveness and constraints that were presented at HLF2. HLF2 was co-sponsored by ADB and was attended by senior ministerial and agency representatives from over 100 countries and donor agencies. The forum resulted in the Paris Declaration, a detailed set of commitments from donors and partner countries covering country ownership, harmonization, alignment, MfDR, and mutual accountability. Subsequently, target dates and monitorable indicators were agreed upon and endorsed in September 2005.

A. Implementation of the Paris Declaration

5. Many of the commitments in the Paris Declaration have been guiding principles for ADB operations for many years. ADB, in partnership with other donors, has been very active in promoting country ownership of development projects, alignment with country systems, donor harmonization, capacity building, and introducing improved approaches for MfDR. Regional departments take the lead on country-specific initiatives, and support service departments lead on institutional harmonization and alignment.

6. The Paris Declaration recognizes that the development community must, "...adapt and apply to differing country situations" and that the role of partner countries in achieving development effectiveness is crucial. Global targets have been set for 2010. In May 2006, OECD-DAC launched the Survey on Monitoring the Paris Declaration designed to establish an initial baseline to monitor progress on the indicators. The survey is the first of three rounds of monitoring (2006, 2008, and 2010) of the Paris Declaration at the country level. The MDBs are collaborating closely with OECD-DAC in this process. In collaboration with DFID, Japan, and the World Bank, ADB organized the 2006 Asian Regional Forum on Aid Effectiveness—Implementation, Monitoring, Evaluation, in Manila on October 18–20 (see Box 1). The Forum discussed case studies from several countries and resulted in a broad consensus on ways in which partner countries and donors can work together to move the Paris agenda forward.³

Box 1: 2006 Asian Regional Forum on Aid Effectiveness: Implementation, Monitoring and Evaluation, ADB Headquarters, 18-20 October 2006

The Asian Regional Forum on Aid Effectiveness, sponsored by the Government of Japan, the Government of the United Kingdom, ADB, and the World Bank, was held in Manila on 18 to 20 October 2006. The Forum brought together representatives from 24 DMCs, donors, and civil society and assessed progress, identified best practices, and noted a number of measures to enhance implementation, and improve the monitoring and evaluation of the Paris Declaration. As an integral part of the efforts to achieve the Millennium Development Goals (MDGs) and to implement the Paris Declaration on Aid Effectiveness adopted in March 2005, the Forum facilitated this process in Asia by providing a forum for sharing practical experiences, identifying constraints, and recommending actions to improve aid effectiveness at the country level. The results of the Forum contributed to strengthening the performance of the international community on aid effectiveness.

³ For details see <http://www.adb.org/Documents/Events/2006/Aid-Effectiveness/default.asp>

7. At country/regional level, notable progress in supporting the Paris commitments is evident in many Asian Development Fund (ADF) recipients.⁴ (Details are on the Aid Harmonization website: <http://www.aidharmonization.org>.) In Cambodia, a government-donor working group has been established to monitor implementation of the Paris Declaration with an accompanying action plan. Similarly, in Kyrgyz Republic, the government and donor joint Harmonization Working Group has developed the National Action Plan for Harmonization. In Viet Nam a local version of the Paris Declaration has been prepared and is being jointly implemented by the government and donors. In Lao PDR a local version is also being finalized by the government and donors. ADB, through its resident missions (RMs), actively supports and participates in these efforts.

8. Resident missions play a key role in addressing the Paris commitments at the country, sector, and thematic levels. ADB continues to delegate increased responsibilities to them, including conducting analytic work and formulating country strategies and programs, to further strengthen their capacity to coordinate with governments and development partners. RMs are increasingly taking the lead on program based approaches, joint country strategies and programs, and joint portfolio reviews. Strengthening partnerships is increasingly important for ADB's effectiveness in the Pacific. Accordingly, ADB has upgraded its relations with key Pacific regional organizations.

9. Harmonization and coordination with other donors has improved in the field. Notable examples are (i) ADB, the World Bank, DFID, and Japan prepared a joint country strategy and program (CSP)⁵ in Bangladesh (2005) (see Box 2) and (ii) ADB, the World Bank, and DFID prepared a joint country strategy and program in Cambodia (2005).⁶ ADB is also working toward in-country harmonization (e.g., in the Kyrgyz Republic) to align processes in procurement, financial management, and audit. ADB has also prepared country gender assessments and related strategies in cooperation with donors and United Nations (UN) agencies in several countries across the region.

Box 2: Joint CSP for Bangladesh

ADB's CSP for Bangladesh, covering 2006-2010, is one of the first CSPs prepared using a results-based approach and formulated in collaboration with other development agencies. The strategy for Bangladesh is aligned with the Government's priorities. Developed with thorough consultations with stakeholders over two years, the CSP supports the Government's national poverty reduction strategy, which reaffirms that poverty reduction and accelerating the pace of social development are the country's most important long-term strategic goals.

ADB will play a major role in supporting policy and institutional reforms to increase sector efficiency in the energy, transport, education, urban health, and urban water supply and sanitation sectors. The new CSP is part of a joint strategy worked out with the UK DFID, Government of Japan, and World Bank, which together provide about 80% of development assistance to Bangladesh. In October 2005, ADB's Board of Directors discussed and endorsed the new CSP.

⁴ Afghanistan, Bangladesh, Cambodia, Indonesia, Kyrgyz Republic, Maldives, Mongolia, Nepal, Pakistan, Papua New Guinea, Sri Lanka, Tajikistan and Viet Nam. In March 2006, an Information Paper *Paris Declaration on Aid Effectiveness: Highlights and Challenges* was presented at an Informal ADB Board Seminar in March 2006 to report on the various ADB initiatives at the country level on the Paris Declaration themes of ownership, alignment, harmonization and results.

⁵ The recent revision to the business processes on country strategies and programs included a change in the title of the document to "country partnership strategies." However, this report will maintain the old nomenclature to avoid confusion when referring back to the Donors' Report.

⁶ All country strategies and programs are now prepared in close consultation with other donors and where possible are prepared jointly.

10. The Paris Declaration called for a common approach to incorporate global/regional programs in country programs. ADB is collaborating with the other MDBs on the Global and Country Alignment Concept Note that the World Bank spearheaded. Specifically, this note recommends ways such programs can be better integrated. This work is being coordinated with that of the WP-EFF, representatives from developing countries and from global programs.⁷ Good Practice Principles and Guidance Notes are to be prepared in consultation with partners.

B. Institutional Level Partnerships

1. Cooperation with Multilateral Development Banks

11. The MDBs have been working together for several years to simplify and harmonize their practices, procedures, and policies to increase opportunities for joint activities beyond the Paris commitments. MDB TWGs standardize documentation and policies, and MDB roundtables regularly discuss progress on joint efforts to enhance aid effectiveness. The heads of MDBs meet annually to discuss the global development agenda and to address concerns of common interest. In addition, the Global Monitoring Report is prepared annually under the leadership of the World Bank to address efforts by the MDBs to address the global development agenda (see Box 3).

Box 3: MDB Partnership to Address the Global Development Agenda

The MDBs have been working more closely together on major issues in particular, those raised by the Group of 7/8 (Canada, France, Germany, Italy Japan, UK, and United States plus Russia), the Group of 20 (Argentina, Bolivia, Brazil, Chile, People's Republic of China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, and Zimbabwe), the Development Committee (DC) of the International Monetary Fund/World Bank, and OECD-DAC. Of particular interest is joint reporting on cooperation to the DC. While recognizing the role of the UN in assessing progress on the MDGs, at the World Bank annual meetings in September 2002,⁸ the DC requested a framework for monitoring their progress. In response, the World Bank and the IMF, in cooperation with partner agencies, developed a monitoring framework that was endorsed by the DC in April 2003.

The World Bank and the IMF used the framework to prepare the first annual *Global Monitoring Report* (GMR) in the spring of 2004 with input from OECD-DAC, the UN, African Development Bank, ADB, EBRD, and Inter-American Development Bank (IADB). The GMR is shared with the Management and Boards of all MDBs and is a major accountability mechanism for the global community. The GMR for 2006 is subtitled *Strengthening Mutual Accountability: Aid, Trade and Governance*. It highlights economic growth, better quality of aid, trade reforms, and governance as essential elements of the global development agenda and for achieving the MDGs. ADB contributed significantly particularly to Chapter 4: "Strengthening the Performance of International Financial Institutions" which includes sections on managing for development results (MfDR), performance-based allocation (PBA) systems, and institutional integrity and transparency. *GMR 2006* reports that many countries are not on track to meet the human development MDGs.

⁷ The paper, *Summary Progress Update on Joint MDB, OECD-DAC, UNDP Work on Aligning Global Programs at the Country Level* (June 2006) provides a summary on the status of joint work by MDBs, including ADB, OECD-DAC and UNDP (the sponsors) on aligning vertical programs with country-based development activities. Within Asia, Bangladesh has been selected as one of the seven countries for a closer study on alignment issues.

⁸ Earlier that same year, in March 2002, a compact had been established between developed and developing countries in Monterrey, in which developing countries agreed to improve their policies and governance while developed countries pledged to increase and improve their assistance and provide developing countries with more access to their markets.

12. In 1996, the MDB heads agreed that TWGs would be set up. The TWGs meet regularly, and recently their number has expanded considerably. There are groups on evaluation; on environment; on financial management; on procurement; on capacity building, governance, and anticorruption; on gender; on managing for development results; on the private sector; on legal documentation; and on disbursement (see Appendix 1 for details on recent achievements of the TWGs). In addition, a special task force on anticorruption was set up after the heads' meeting in February 2006 to develop a common framework to fight corruption (see Box 4).

Box 4: International Financial Institutions Anti-Corruption Task Force

At a meeting on 18 February 2006, the Heads of MDBs agreed to launch the joint International Financial Institutions Anti-corruption Task Force with a mandate to standardize definitions of corruption, improve consistency of investigative rules and procedures, strengthen information sharing, and ensure compliance and enforcement actions taken by one institution are supported by all others. The Task Force has concluded its work and submitted its report to MDB Heads on their meeting on 17 September 2006. The Task Force aimed to improve consistency in investigative rules and procedures, strengthen information sharing, and implement mechanisms to recognize each other's sanctions decisions. The Task Force has agreed on common definitions of corrupt, fraudulent, coercive, and collusive practice; on investigative guidelines, on information sharing and on mutual recognition of enforcement action.

13. To complement the TWGs, MDB roundtables are held to report on TWG progress to senior management and to collaborate with the OECD-DAC. The roundtable comprises the operational policy senior staff of the five MDBs: the African Development Bank, ADB, EBRD, IADB, and the World Bank. In addition, select international financial institutions are invited to attend. Since mid-2004, three roundtables have been held, the most recent being the thirteenth, which was hosted by IADB in Washington DC in June 2006. Discussions covered (i) updates of work by the TWGs, (ii) progress in strengthening country systems with a special focus on anti-corruption initiatives, and (iii) implementation of the Paris Declaration. The roundtable is very important as it provides a useful mechanism for discussing the harmonization agenda from each institution's perspective, for guiding the overall direction of MDB cooperation, and for identifying new issues and concerns.

2. Strategic Partnership Arrangements

14. ADB has entered into various partnership arrangements with both multilateral institutions and bilateral agencies. Over the years, the number of partnerships became unmanageably large. Moreover, several had outlived their usefulness and needed to be updated or brought to an end. In 2004, an interdepartmental working group at ADB reviewed all existing partnerships and prepared guidelines for staff to update them or to establish new ones. Under the guidelines, partnerships are based on enhancing development effectiveness by utilizing comparative strengths, avoiding duplication and competition, and increasing joint and co-financed work. The potential benefits of and demand for the partnership must be clearly demonstrated before negotiations commence. The focus is on jointly achieving the MDGs. All arrangements are results based and provide for systematic monitoring and evaluation.⁹ (For a list of recent partnership arrangements, see Appendix 2.)

⁹ Depending upon the extent and nature of the collaboration either a memorandum of understanding (MoU) or a letter of intent (LoI) is finalized. Since the new guidelines came into use several MoUs and LoIs have been negotiated and finalized. A revised and updated MoU with UNESCAP served as the test case for the new guidelines. New MoUs have included those with UK DFID and the World Conservation Union, among others, and new LoIs have been signed with OECD, the German Development Corporation, and UN Office on Drugs and Crime. The existing MoU with UNDP is currently being updated and the one with the World Bank is being reviewed.

15. There are several good examples of successful partnerships. In particular, there is the updated ADB-UNESCAP memorandum of understanding. Since its signing in 2004, three annual consultations have taken place. The focus of joint activities has been sharpened, there is greater selectivity, and more efforts have been made to jointly address a wider range of the MDGs. In addition, both sides have addressed funding and other administrative arrangements, joint planning and designing of projects, and policy and advocacy issues. The focus of this, as well as other partnership arrangements that ADB has undertaken in recent years, has been on achieving positive outcomes and results for joint activities (see Box 5).

Box 5: Results-based Partnership: The ADB-UNESCAP Collaboration

The “ADB-UNESCAP Strategic Partnership: Memorandum of Understanding (MoU)” signed on 16 May 2004 is a good example of the results based partnership arrangements that ADB has been undertaking in recent years. Assessments of the partnership are undertaken annually with emphasis on results-based progress and are based on a joint “road map” that tracks the status and targets for cooperation at the institutional and project levels. On institutional cooperation, this involves an (i) annual assessments of results; (ii) joint mid-term evaluation; (iii) sharing of knowledge/lessons learned; (iv) consultations on policy dialogue; (v) exploring potential for co-financing; and (vi) library exchange, among others. At the project level, several pipeline and ongoing projects are in the road map covering both sector and thematic areas (e.g., transport, environment, and capacity building). On a continuing basis, possible joint projects are being explored in other sectors (e.g., health) that support achievement of non-income MDGs. The results, problems and constraints of the joint projects are reviewed in detail. To date, positive results have been identified and achieved from successfully completed projects (e.g., the joint report “MDGs: Progress in Asia and the Pacific 2006” which updates the detailed analysis provided in the regional report “A Future Within Reach 2005”) and ongoing projects are being closely monitored.

16. Under the new MoU with UK DFID one of the major undertakings was an international conference in London titled “Asia 2015: Promoting Growth, Ending Poverty” to discuss development challenges and to foster global partnerships to address them. The idea for the conference was launched at the signing of the MoU with UK DFID in Manila in May 2005. The conference was jointly organized by ADB, UK DFID, and the World Bank, in close cooperation with the United Nations Development Programme (UNDP) and UNESCAP (see Box 6).

Box 6: Asia 2015: Promoting Growth, Ending Poverty

DFID, ADB and the World Bank co-sponsored this conference on 6–7 March 2006 in London. More than 150 key stakeholders from Asia and the development community attended; President Kuroda led the ADB delegation. The conference highlighted the vital importance of partnerships in global development and helped underscore ADB’s role as an essential partner contributing to economic and social development in the region. Full details of the conference can be found at www.asia2015conference.org.

Asia 2015 paid particular attention to setting the agenda for partnerships through 2015. Aid must be in line with the commitments outlined in the Paris Declaration, and partnerships should be outcome oriented with spending linked to those outcomes. Country priorities must determine how development partnerships are harmonized and aligned. Aid needs to be predictable, transparent, and delivered through long-term relationships where possible with accountability mechanisms built into them from the outset.

17. A detailed survey of ADB-World Bank cooperation was undertaken by ADB in 2004 (see Appendix 3 for details). The survey identified improved collaboration especially at the country and regional levels and in the following areas (i) regional and subregional programs; (ii) country

strategies; (iii) analytical work; (iv) parallel and cofinancing; and (v) portfolio reviews. The survey also drew attention to constraints and problems. A report based on the survey was shared with the World Bank and was discussed by ADB regional department heads and their World Bank counterparts during ADB's Annual Meeting in Hyderabad, India in May 2006. A mutually agreed program addressing problems and future cooperation is being developed.

3. Cooperation on Global/Regional Public Goods and Emergency Assistance

18. ADB's strategy on regional public goods (RPGs) was clarified in the recently adopted strategy paper on regional cooperation and integration (RCI).¹⁰ ADB's RCI strategy concentrates on the following priority areas: (i) regional/subregional economic programs focusing mainly on cross-border infrastructure and software; (ii) trade and investment; (iii) money and finance, and (iv) RPGs.

19. Regional integration has both benefits and costs. One of its negative side effects is environmental degradation. Intergovernmental organizations are the key players and although there is considerable progress, decisions at the local, national, and regional levels need to be more synchronized. Another negative side effect is the spread of communicable diseases. ADB's support includes addressing cross-border implications for health including regional measures to contain HIV/AIDS,¹¹ severe acute respiratory syndrome (SARS), and avian flu. ADB worked closely with the World Health Organization (WHO), Food and Agriculture Organization, and other international agencies in developing its response and support to member countries affected by avian flu. ADB is working in partnership with WHO to quickly assess country readiness to react effectively to contain disease outbreaks and to mobilize financial support.¹² ADB participated in the International Pledging Conference on Avian and Human Pandemic Influenza in Beijing in January 2006 to assess financial needs at the country, regional and global levels. ADB has shown that it is well placed to make significant contributions due to its regional presence and its earlier experience in dealing with the SARS crisis.

20. ADB coordinates its assistance for countries faced with natural disasters and post-conflict reconstruction under its Disaster and Emergency Assistance Policy of 2004. While ADB has had a disaster policy since 1987 the new policy emphasizes better coordination among the many development agencies and relief organizations that respond to disasters and places a premium on disaster-risk planning. ADB swiftly responded to the destruction caused by the Indian Ocean tsunami and the earthquake in Pakistan. ADB launched the Asian Tsunami Fund in record time, and ADB's project teams processed emergency assistance for all countries affected by the disaster. ADB used the knowledge gained to launch the Pakistan Earthquake Fund in even less time. In both instances joint needs assessments were conducted with the World Bank and UNDP.

¹⁰ Approved by the Board on 25 July 2006.

¹¹ ADB and the Secretariat of the Joint United Nations Program on HIV/AIDS (UNAIDS) signed a memorandum of understanding in February 2005 to strengthen cooperation in responding to the disease in Asia and the Pacific. ADB's project Community Action for Preventing HIV/AIDS, funded by the Japan Fund for Poverty Reduction, focuses on HIV/AIDS prevention in Cambodia, the Lao People's Democratic Republic, and Viet Nam.

¹² ADB announced the allocation of additional \$69.2m grant resources for avian flu and infectious diseases. These new grants finance a \$30.9 million *Greater Mekong Subregion: Regional Communicable Diseases Control Project* (\$30.0 million from ADB and \$0.9 million cofinancing from WHO)¹²; the \$1.2 million Regional Technical Assistance: *Epidemiological Surveillance and Response for Communicable Diseases*¹²; and the \$38 million Grant 0041/RETA 6313: *Prevention and Control of Avian Influenza in Asia and the Pacific (Regional) Project*.

C. Partnerships around Special Initiatives

1. Weakly Performing Countries

21. Donors recommended that ADB quickly adopt a special approach for weakly performing countries (WPCs) during the ADF IX negotiations.¹³ ADB's initial approach was based on two pillars that remain relevant: (i) selectivity and focus and (ii) strategic partnerships. Key areas for donor collaboration include (i) initial needs assessments and political/economic analyses; (ii) joint diagnostic studies of processes and systems; and (iii) identifying selective and properly sequenced interventions. However, in many WPCs, various donors conduct their own country assessments and it is important to find ways to harmonize the findings of all of them.

22. Improving harmonization and alignment is especially important but also challenging in WPCs.¹⁴ Implementing programs of assistance is problematic because the governments in many lack the capacity to accurately identify and document their development priorities. Frequently, there are several active partners each typically operating outside national modalities. Donors may find parallel systems and project implementation units essential for designing and managing projects, but they might undermine government capacity and jeopardize long-term sustainability. In such situations, innovative approaches such as aligning donors' systems with local planning and budgeting cycles can help support eventual alignment.

2. Middle-Income Countries

23. ADB has been collaborating during the last couple of years with development partners and MDBs, particularly the World Bank, in developing a common approach to assistance for middle-income countries (MICs). At the meeting of MDB heads in February 2006, it was agreed to (i) conduct joint MDB consultations with MICs in each region over the coming months and (ii) prepare a joint policy paper on "blending" in MICs. ADB and the World Bank jointly organized a consultation meeting with Asian MICs in Manila on 7 April 2006 to (i) assess whether the current set of reforms under adoption and/or implementation by MDBs is sufficient; (ii) identify challenges in implementing the reforms; and (iii) identify areas where policy and procedures may need further adaptation to MIC and MDB needs. Nine MICs participated with staff from ADB, the World Bank, EBRD and the European Investment Bank.

24. ADB hosted and chaired the 2006 Annual Meeting of the Heads of Multilateral Financial Institutions (MFIs) at the annual meetings of the World Bank and IMF in September 2006 in Singapore. Aside from general discussions on the global economy and matters of mutual interest and concern, the meeting discussed a common strategic approach on lending to MICs. There is broad agreement among MDBs that there would be merit in exploring the scope for extending and enhancing collaboration on MICs, recognizing that different mixes of modalities and instruments will be relevant in different countries and sectors.

¹³ ADB. 2004. *ADB's Approach to Weakly-Performing Developing Member Countries*. Information paper for ADF IX Negotiations, Seoul, May 2004. ADB, 2004. *ADF IX Donors' Report: Development Effectiveness for Poverty Reduction*. Manila.

¹⁴ Overseas Development Institute 2005. *Harmonization and Alignment in Fragile States*. Discussion paper for the Senior Level Forum on Development Effectiveness in Fragile States.

III. FUTURE DIRECTIONS

25. ADB has significantly strengthened its cooperation with its development partners in recent years, and work plans are in place to further strengthen cooperation and to develop even stronger partnerships. There is greater honesty with frank discussions about better division of labor and greater selectivity among donors. It is generally accepted by both donors and partner countries that the Paris Declaration is very important for increasing the impact aid has in reducing poverty and inequality, building capacity and accelerating achievement of the MDGs. ADB is fully committed to implementing and monitoring the Paris Declaration. All relevant departments are working towards addressing the Paris commitments at the country sector and thematic levels. In this regard, partnerships need to become more outcome oriented and greater effort put into developing monitoring and evaluation capacity in the partner countries. The greater emphasis on MfDR should also help as will more harmonization of operational policies and procedures.

26. One of the major concerns in recent years has been weak country ownership of technical assistance, which is often not truly demand driven, and represents a large share of aid flows. Efforts will be made to improve the quality and effectiveness of technical assistance by ensuring country leadership. Alignment with country systems has proved a difficult challenge and it is very important to find ways to increase the use of country systems, while at the same time directing efforts at strengthening those systems, and address corruption. Increasing the use of country systems for aid delivery will necessitate working closely with partner countries. Accountability mechanisms need to be built into partnerships, and a greater role needs to be given to civil society as it plays a vital role in challenging societies, governments, and development partners to deliver on promised commitments and demands transparency and accountability at all levels. Most importantly, country priorities must drive the way in which partnerships are developed.

27. As for future events, ADB is co-sponsoring the Third International Roundtable on MfDR in Hanoi in February 2007. Along with assessing progress and charting a plan of action to support developing countries to better manage for outcomes, the roundtable will focus on capacity development. In accordance with ADB's revised action plan on MfDR, ADB will continue to participate in global knowledge sharing, including the MDB TWG on MfDR and the OECD-DAC JV on MfDR. The main focus will be through contributions to the Common Performance Assessment System of the MDBs, capacity development, and joint efforts in results-based country programming.

MDB TECHNICAL WORKING GROUPS

Thematic cooperation, often pursued through technical working groups (TWGs), endorsed by the MDB Heads, has been a core part of the coherence building efforts of the MDB system in recent years.

1. Evaluation

The Evaluation Cooperation Group works to strengthen cooperation among evaluators and to harmonize evaluation methodology in its member institutions. The group has contributed to better evaluation standards and harmonization across MDBs through preparation of good practice standards for evaluations in private sector investment operations and in MDB supported public sector operations. Subsequently, regular benchmarking exercises track implementation of the good practice standards. Recent work has moved to focus more on evaluations of entire country programs and on evaluation practices for policy based lending. Opportunities to undertake joint evaluations are being discussed.

2. Environment

The Working Group on Environment discussed harmonization and coordination of approaches to environmental and social issues, environment and safeguard policy updates at IFC, IDB, and ADB, the provision of the Paris Declaration, the use of country systems, country environmental analysis, strategic environmental assessments, and common sustainability reporting indicators for development finance institutions. The Working Group also discussed recent developments in carbon finance, adaptation to climate change, markets for environmental services, emerging issues in environmental management, and indigenous peoples issues. Prior to the Paris Forum, the Working Group issued a “Common Framework for Environmental Assessment”.

3. Financial Management

The working group has agreed on a common approach on (i) diagnostic work; (ii) financial reporting and auditing; and (iii) financial analysis. The group is refocusing efforts on country-level implementation. A small subgroup is being established to develop an MDB FM framework for SWAps - given the growing interest in SWAps among DMCs and development partners. This will also cover procurement, disbursement and FM activity. At the regional level, the Asia Pacific Subgroup is focusing on knowledge sharing (training materials, websites, methodologies and reports are being shared among the various MDBs), and networking. The group meets quarterly to discuss joint training and project and country specific FM issues.

4. Procurement

The procurement group has produced harmonized master bidding documents for (i) procurement of goods, (ii) procurement and prequalification of civil works, and (iii) request for proposals for consulting services. New or revised procurement policy guidelines have been completed at the WB, the IADB, and ADB. These are all substantially harmonized, with differences remaining due to each MDB's Charter considerations. Work is now progressing on implementation and on capacity development in the partner countries. Each MDB's anti-corruption policy remains its own. Considerable progress has been made in agreeing on common definitions of fraud and corrupt practices and draft investigative guidelines. The group is increasingly focusing on joint procurement assessments, the use of country systems and

capacity development. The group is working closely with the Procurement Joint Venture of the OECD/DAC Round Table Group Initiative.

5. Capacity Building, Governance and Anticorruption

Through the MDB Working Group on Capacity Building, Governance and Anticorruption, there has been an exchange of ideas, approaches, tools and efforts to harmonize policies, guidelines and operational procedures. The group has pushed harmonization in the field of capacity development and prepared a synthesis paper for the High Level Forum in Paris including suggestions on a coordinated approach to capacity development strategies at country level.

6. Gender

The gender group has created a joint framework for reporting on women's representation in member organizations and shares good practices in the areas of recruitment and career development. The MDB Heads issued a joint statement on the occasion of the International Women's Day on 8 March 2005, reaffirming the agencies' commitment to implementing the Beijing Platform for Action. Ongoing areas of collaboration include sharing good practices in mainstreaming gender in lending and conducting joint seminars/workshops on gender. The group has also been instrumental in organizing several joint country gender assessments (CGAs). In 2006 the multidonor CGA for Indonesia was published and work is underway for PRC and Viet Nam. In 2006, the institutional and operational subgroups respectively met on the margins of the annual meetings of ORIGIN and the OECD/DAC Network on Gender Equality (GenderNet). The new work program will include: (i) collaboration with DAC sub-group on statistics to refine the gender markers; (ii) addressing gender equality issues in the new aid modalities in the context of the Paris Declaration; (iii) joint analytical work on gender in country; and (iv) promoting inclusion of national gender action plans in the context of closer alignment with country policies.

7. Managing for Development Results (MfDR)

The MfDR Working Group had a lead role in producing the "MfDR Sourcebook on Emerging Good Practice", which was introduced at the Paris Forum. Following that work, the Group focused on setting up an initiative on monitoring MDB contributions to MfDR, called the common performance assessment system (COMPAS) initiative. A collective effort managed by ADB, the first COMPAS report was used in the 2006 Global Monitoring Report, and will continue to evolve as a principal means to track MfDR commitments. Together with the OECD-DAC JV on MfDR, the Group is planning the Third International Roundtable on MfDR in Hanoi, Vietnam in February 2007, with the focus on capacity development in partner countries.

8. Private Sector

In 2005, it was agreed that cooperation on investment climate surveys, including the business environment and enterprise performance studies, piloted by EBRD and WB, and similar investment climate studies in other regions, will now become a global MDB activity. ADB and WB have been carrying out joint surveys of the "Investment Climate" on a pilot basis. Final reports of the Philippines, Indonesia and Sri Lanka have been completed and disseminated. The surveys of enterprises for the Lao PDR and Vietnam studies have been completed and final reports are being finalized. Various private sector development harmonization meetings are being conducted. Closely linked to private sector development efforts is an infrastructure

coordinating task force that includes ADB, World Bank, AusAID, and NZAid established in December 2005 to coordinate various development partner activities in the area of infrastructure related economic and sector work, financing requirements, institutional and regulatory reform, and public-private partnerships.

9. Information and Communication Technology

The MDB ICT Information Sharing Initiative (ICTISI) aims to promote better exchange of information on MDBs' activities, policies and strategies. To this end, Development Gateway Foundation (DGF) has agreed to host the secure platform for MDBs. A Global Alliance for ICT and Development will be established under UN-ECOSOC leadership. The development banks will join this global alliance for ICT.

10. Legal Documentation

The group of Legal Counsels of MDBs has been established for cooperation, information sharing & cross-institutional learning. Legal Counsels regularly share information and discuss legal developments and specific rulings of interest and importance for MDBs. In January 2005, ADB hosted the 10th Annual Meeting. ADB also organized a special symposium on challenges to implementing access to justice program that provided an opportunity to compare different institutional strategies and experiences in this field. Following adoption of ADB's revisions to its Procurement and Consulting Guidelines, revisions were made to its model loan documents. In doing so, ADB ensured close alignment with the WB.

11. Disbursement

The five major MDBs have been working on disbursement harmonization, including preparation of a matrix comparing disbursement policies and procedures of MDBs. Areas for potential harmonization have been discussed. As a full-fledged Working Group, the MDBs met in December 2005 and reviewed the key areas agreed previously after the comparative inventory of the disbursement policies and procedures. Since then, a follow-up meeting was held in April 2006 to review and update the: (i) project milestone dates and other terminology; (ii) fiduciary remedies/fiduciary control framework; (iii) common withdrawal application form; (iv) imprest/special accounts and advances; and (v) MDB disbursement website.

**LIST OF PARTNERSHIP ARRANGEMENTS SIGNED BY ADB
WITH VARIOUS DONOR COUNTRIES AND MULTILATERAL INSTITUTIONS
Year 2004 to August 2006**

TYPE	DATE OF AGREEMENT	INSTITUTION
MOU	12 April 2004	South Asian Association for Regional Cooperation (SAARC)
MOU	16 May 2004	United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
MOU	20 November 2004	IUCN The World Conservation Union
MOU	21 February 2005	Secretariat of the Joint United Nations Programme on HIV/AIDS (UNAIDS)
LOI	2 March 2005	Organisation for Economic Cooperation and Development (OECD)
LOI	4 May 2005	The Federal Ministry for Economic Cooperation and Development (BMZ) for German Development Cooperation (GDC)
LOI	12 May 2005	Environmental Protection Agency of the United States of America (EPA)
MOU	17 May 2005	United Kingdom Department for International Development (DFID)
MOA	23 June 2005	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) on Coordination of Assistance to Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA)
LOI	26 February 2006	United Nations Office on Drugs and Crime (UNODC)
MOU	22 April 2006	The Boao Forum for Asia (BFA)
LOI	7 August 2006	Asian Institute of Technology, United Nations Environment Programme Regional Resource Centre for Asia and the Pacific and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) on The Establishment of a Regional Knowledge Hub on Reduce, Reuse and Recycle
MOU	24 August 2006	The Association of Southeast Asian Nations Secretariat (ASEAN)

Note: MOU = Memorandum of Understanding; LOI = Letter of Intent; MOA = Memorandum of Agreement

JOINT ADB-WORLD BANK ACTIVITIES

Country Strategies

- Country strategies for Bangladesh and Cambodia have been jointly prepared with World Bank.
- A joint ADB CSP/WB CAS is being discussed to be prepared for Maldives in late 2006/2007.
- ADB, the World Bank and a number of bilateral donors are working closely in the preparation of their new country strategies for PRC particularly on the formulation of the development results framework within the context of PRC's 11th Five-Year Program (2006-2010). ADB's CSPU, which has been completed, drew on certain items of World Bank analytical work (e.g., public expenditure review, environmental assessment, gender assessment).
- Afghanistan Resident Mission has just started to work on developing joint-action plans, Country Assistance Plans, projects and programs with the World Bank, other multilateral and bilateral donors.
- Azerbaijan Resident Mission actively coordinates the CSP process with other development partners (World Bank, EBRD) via formal consultations and roundtable discussions.
- ADB, DFID, SDC/SECO, UN and WB are developing a comprehensive Joint Country Assistance Strategy for Kyrgyz Republic over 2006-2010.

Economic, Sector, and Thematic Work (ESTW)

- In many DMCs, ADB has been collaborating in various economic, sector and thematic work with World Bank in the form of poverty assessments (Bangladesh), public expenditure reviews (Bangladesh, Cambodia, Lao PDR, Papua New Guinea), country financial accountability assessments (Indonesia), economic reports (Pakistan), public financial management and accountability assessments (Pakistan), policy dialogues on sector reforms (Tajikistan, Sri Lanka, Lao PDR), country gender assessments (PRC, Mongolia, Cambodia), fiscal consolidation understanding (India, Philippines), and decentralization efforts to strengthen accountability and resource use (Philippines).

Operations Review

- Joint country portfolio reviews have been conducted by ADB and World Bank in Bangladesh, Nepal, Cambodia, Lao PDR, Viet Nam, Indonesia, Philippines, Kazakhstan, Kyrgyz, and Tajikistan. Likewise, operations/program reviews, project implementation review/streamlining, debt sustainability analysis, and portfolio effectiveness reviews have been conducted jointly by ADB and World Bank in various DMCs.

Response to Disasters

- Joint damage/needs/loss assessments have been conducted with World Bank in the wake of the Indian Ocean tsunami and the Indonesia and Pakistan earthquakes.

Program-Based Approaches

- ADB and World Bank have also collaborated to support policy programs and adopt common approaches across various sectors such as power, coastal and maritime resources,

irrigation, energy (Indonesia), transport (Indonesia, Bangladesh, India) and judicial reform (Philippines).

Harmonization

- ADB and World Bank have been working in close collaboration towards harmonizing approaches to public financial management (Bangladesh, Cambodia), project auditing/reporting requirements (Bangladesh, Tajikistan), and assessment and diagnostic study of accounting and auditing (Philippines).
- ADB and World Bank are members of the harmonization and alignment (H&A) working group constituted by Lao PDR to prepare an H&A action plan structured around the five themes outlined in the Paris Declaration.
- In Viet Nam, the Five Banks' (ADB, WB, JBIC, AfD and KfW) priority harmonization actions have been focusing on assisting the development of the legal framework, procurement management, public financial management, environmental and social safeguards, project preparation, project reporting and monitoring, and joint portfolio reviews. Starting from procedural harmonization, the Five Banks' Initiative is now geared towards helping strengthening country systems. Based on the common reporting format developed in 2004, the Five Banks, with the support of the Viet Nam-Australia Monitoring and Evaluation Support Program (VAMESP II), piloted the use of the Aligned Monitoring Tool (AMT) in a number of projects. The AMT was finalized in August 2006.

Other Initiatives

- Other ADB-WB joint initiatives include joint formulation of poverty reduction strategy papers (Indonesia, Uzbekistan), joint preparation of national poverty reduction strategy (Kyrgyz), joint country procurement assessment review (Bangladesh, Indonesia, Pakistan), and parallel financing for Development Policy Support Program (Indonesia).