

# ADB COUNTRY STRATEGY AND PROGRAM

## *The ADB's Roadmap for your Country*

The ADB conducts research on the status of a country's economy and its various sectors. These findings and assessments are used to develop Country Strategy and Program (CSP) plans for each of its borrowers which serve as the ADB's "5-year master plan" for a country. The CSP lays out the ADB's medium-term development strategy for the particular country and identifies specific poverty reduction strategies, as well as thematic and sector priorities. The ADB also produces CSP Updates (CSP-U) every year which take into account the continued relevance of the CSP and its implementation.

CSPs are supposed to reflect the priorities set out in the ADB's Long Term Strategic Framework<sup>1</sup>, Medium Term Strategy, and the Poverty Reduction Strategy.

### **How are CSPs developed?**

A Country Team comprised of a staff representative from each sector division<sup>2</sup> within a regional department, and staff from the country Resident Mission, are responsible for developing a CSP and facilitating its implementation. A senior program officer from the respective Regional Department is designated as Country Team Leader to lead and coordinate the work of the Country Team. The ADB says that a "CSP is prepared with the DMC's active participation through consultation with the government and other stakeholders — civil society, NGOs, the private sector, and other aid agencies." The extent to which civil society is consulted, and whether the pre-requisites of effective consultations (see "Practical Tips"

CSP: Step-by-Step <sup>3</sup>	
Step 1: Pre-CSP analysis and assessments  <i>Duration: 18-23 weeks</i>	Preparation of studies and assessments such as Economic Growth Analysis, Poverty Analysis, Thematic Analysis (gender, governance, environment, private sector), Sector Performance Assessments, Portfolio Performance Assessments.
Step 2: CSP Preparation - Stock Taking Meeting  <i>Duration: 2 weeks</i>	Status Report prepared, containing: <ul style="list-style-type: none"> <li>- rationale for CSP (if not on 5 year schedule)</li> <li>- update on studies/assessments and need for additional studies</li> <li>- ToR for evaluation of previous CSP</li> <li>- Resources required for studies/assessments</li> <li>- Names of Country Team and ToR</li> <li>- Decision to prepare a new CSP</li> </ul>
Step 3: Updating of Pre-CSP Analysis and Assessments  <i>Duration: 4-6 weeks</i>	

<p>Step 4: Preparation of CSP Initiating Paper (CIP)</p> <p><i>Duration: 2 weeks</i></p>	<p>CIP prepared. Discusses</p> <ul style="list-style-type: none"> <li>- Constraints to growth</li> <li>- Summary of key development issues</li> <li>- Proposed strategic focus of ADB operations</li> <li>- CSP Mission Members, ToRs, and Timeframe for CSP Preparation</li> </ul>
<p>Step 5: CSP Initial Consultation</p> <p><i>Duration: 2 weeks</i></p>	<p>Draft CIP discussed and confirmed with DMC stakeholders (government, civil society, private sector, external funding agencies, etc.)</p>
<p>Step 6: CSP Initiating Meeting chaired by ADB Regional Vice President</p> <p><i>Duration: 1 week</i></p>	<p>Decision taken on the strategic focus of ADB operations (sector/thematic/geographic/regional cooperation) taken.</p>
<p>Step 7: Updating Sector and Thematic Roadmaps</p> <p><i>Duration: 4-6 weeks</i></p>	<p>Updated Roadmaps and Concept papers prepared; co-financing possibilities identified</p>
<p>Step 8: CSP Mission</p> <p><i>Duration: 3-4 weeks</i></p>	<p>Country visited by ADB Country Team to:</p> <ul style="list-style-type: none"> <li>- Hold consultation meetings with Stakeholders</li> <li>- Sign agreements with government on sector/thematic selection, geographical focus, goals, targets</li> <li>- Agreement with government on the assistance program</li> <li>- Co-financing confirmed with other agencies</li> <li>- Updated Concept Papers (for initial three years) ready</li> <li>- Memorandum of Understanding signed</li> <li>- Back-to-Office-Report (BTOR) endorsed by VP</li> </ul>
<p>Step 9: CSP Finalization</p> <p><i>Duration: 13 weeks</i></p>	<ul style="list-style-type: none"> <li>- First draft CSP discussed in Management Review Meeting and revised as per comments</li> <li>- Second draft CSP developed and sent to government for "endorsement"</li> <li>- Edited CSP circulated to Board and Briefing arranged for ADB President</li> <li>- Board approval of CSP</li> <li>- Publication &amp; public dissemination of approved CSP</li> </ul>

table) are complied with, is debatable and varies from country to country.

Before a CSP is developed the Country Team conducts the following country-specific analysis to assess:

- \* economic growth
- \* level of poverty
- \* thematic assessments, on issues such as gender, governance, environment and the private sector
- \* sector assessments on areas such as water and power

The Team conducts these assessments (or determines whether previous assessments are still applicable in a "stock-taking" meeting chaired by the relevant regional Director General) to identify key development issues and

challenges. Some of these assessments may be financed by technical assistance grants and will generally involve missions to the country.

A country team is given tremendous flexibility in deciding how to work with the Developing Member Country (DMC) in developing the CSP. Generally, teams should consult with a variety of DMC stakeholders, such as civil society and the private sector, in addition to the government.

Preparation of the CSP is aligned with the planning cycle of the country so that the CSP can be integrated into the borrowing country's budgeting processes. A CSP Update is prepared every year taking into account the continued relevance of the CSP, its implementation, and

### A sample of CSPs & CSP-U's available on ADB website

Country	Duration	Available at
Afghanistan	CSP: 2002-2004 CSP-U: 2003-2005	<a href="http://www.adb.org/Documents/CSPs/AFG/default.asp">http://www.adb.org/Documents/CSPs/AFG/default.asp</a>
Azerbaijan	CSP: Not listed CSP-U: 2004-2006	<a href="http://www.adb.org/Documents/CSPs/AZE/default.asp">http://www.adb.org/Documents/CSPs/AZE/default.asp</a>
Sri Lanka	CSP: Not listed CSP-U: 2004-2008	<a href="http://www.adb.org/Documents/CSPs/SRI/default.asp">http://www.adb.org/Documents/CSPs/SRI/default.asp</a>
Papua New Guinea	CSP: Not listed CSP-U: 2003-2005	<a href="http://www.adb.org/Documents/CSPs/PNG/default.asp">http://www.adb.org/Documents/CSPs/PNG/default.asp</a>
India	CSP: 2004-2006	<a href="http://www.adb.org/Documents/CSPs/IND/default.asp">http://www.adb.org/Documents/CSPs/IND/default.asp</a>
Philippines	CSP: Not listed CSP-U: 2004-2006	<a href="http://www.adb.org/Documents/CSPs/PHI/default.asp">http://www.adb.org/Documents/CSPs/PHI/default.asp</a>

its operational program for the next 3 years.

### Problems with the CSPs: Ownership and Participation

The ADB's claim that the CSP is prepared with active participation of civil society and other stakeholders is questionable in practice. For example, the ADB does not make the CSP available to the public until after it has been approved by its Board of Directors. Even the sovereign government of the respective DMC does not approve the CSP and merely "endorses" it. Moreover, civil society and other stakeholders are often invited to "consultations" on a draft CSP that they have not even seen.

CSPs have very few mechanisms to incorporate the needs and concerns of Asia's poor and vulnerable communities. The lack of meaningful stakeholder participation and government and parliamentary approval means there is no country ownership of a document which sets the stage for future ADB lending, and hence debt, which the citizens of that country have to bear.

### How can civil society participate in the development of a CSP?

You can find out when the ADB is planning to develop a new CSP for your country by checking the dates of the current CSP on the ADB's website: (<http://www.adb.org/Documents/CSPs/>) or by contacting either the Regional Department under which your country falls, or your country's Resident Mission. Contact information for these is available in Appendices III and IV respectively.

The ADB has emphasized the primacy of the CSP in guiding ADB operations. The fact that it contains up-stream information about proposed ADB initiatives in a country makes it an important document for civil society groups. Also of importance to note, any ADB private sector operations conducted in your country are supposed to be consistent with the CSP. At the concept stage, the ADB must assess whether a proposed private sector project falls in line with the CSP and the country's development priorities.

### What information does a CSP contain?

#### Development Trends and Issues

A brief description of trends in the country's economic, political and social development, described in the following categories:

- \* Economic growth
- \* Poverty
- \* Political Environment
- \* Governance and Institutional Capacity
- \* Gender (and other social issues if appropriate)
- \* Private Sector
- \* Environment
- \* Regional Cooperation

#### The Government's Development Strategy

This section includes the following:

- The DMC's long-term goals, medium-term objectives, and a summary of the DMC's development program, including issues the DMC has identified as being of high priority

### Practical Tips for Civil Society Participation in the CSPs

If invited to consult on the CSP, CSOs may wish to propose certain criteria to the ADB and the respective government that must be met in order for the consultation to be effective. The criteria can include demands for:

- 1) Adequate early notification of the process. Ideally, CSOs wishing to provide input into the CSP would be best served if they were to be involved at Step 4-5 of the process (CIP Stage).
- 2) Provision of sufficient documentation so that CSOs can prepare for the meeting. In addition to the draft CSP and all its annexes, groups may want to request in writing the purpose of the consultation, the basic elements of the prior CSP or CSP-U, a list of studies undertaken in preparation for the CSP, and a brief description of the principle themes of the current CSP.
- 3) Provision of translated documentation to audiences unfamiliar with the English language.
- 4) A clear framework for the consultation process. The ADB or government conveners should indicate how the consultation will take place, who will be participating, and what the conveners' expectations are.
- 5) Availability of means to ensure that CSO views and interests will be taken into account in the final document (even in cases where those views are rejected)
- 6) Existence of clear, transparent criteria for selection of NGO representatives.

- Explains how the development plan will be financed, the extent of need for external aid, and the DMC's efforts to mobilize resources
- Explains the role and amount of external assistance needed to fund the development program.
- Includes ADB's own assessment of the DMC's development strategy and the feasibility of implementing it.

#### ADB's Development Experience

- Summarizes the ADB's assistance to the country in the past and assesses its impact.
- Describes the current status of the country's borrow-

ing portfolio, how the ADB feels those projects are performing, and any problems or risks the ADB has identified.

- Describes lessons learned from past ADB assistance to the country, the projects/programs performance, and what these lessons imply for the new CSP.

#### ADB's Strategy

- Identifies the key development challenges faced by the country
- Identifies the long-term goals and medium-term objectives agreed on between ADB and the DMC in the Poverty Partnership Agreement (PPA)
- Discusses the CSP's strategic focus in terms of sectors, thematic issues, geographical areas and (if relevant) regional cooperation.

#### ADB's Assistance Program

- Describes the proposed overall assistance level from ADB's Ordinary Capital Resources (OCR)<sup>4</sup> and Asian Development Fund (ADF) resources<sup>5</sup>
- Describes external funding coordination and partnership agreements
- Indicates the level of ADB internal staff resources required to implement the CSP

#### Risks and Performance Monitoring and Evaluation

- Describes the possible risks to the success of the CSP, including description of any unstable political situation, shortage of domestic funding, internal or external conflict, etc.
- Briefly describes how implementation of the CSP will be monitored

### Key Annexes in the CSP

Many of the annexes in a CSP contain useful information about future projects and thematic focus. It is thus always worthwhile to browse through these annexes, some of which are described below.

#### Roadmaps

The ADB prepares Thematic and Sector Plans, referred to as "Roadmaps" for every major thematic area and sector in a country where the ADB is providing loans. These roadmaps describe ADB plans in those sectors, including planned policy reforms and proposed projects and programs, so they are a good source of upstream information. Inclusion of project/program proposals in these

roadmaps is required for providing financing to the country in the particular roadmap theme or sector.

#### Concept Papers for Proposed Projects and Programs

- Each CSP includes an annex of concept papers for proposed ADB projects and programs in a particular country. The concept note generally includes the following information:
- Type of assistance (i.e. whether it is in the form of a loan or a grant)
- General theme of the initiative (such as environmental protection, economic growth, etc.)
- ADB staff person and department responsible for the project
- A brief description of what the project will entail
- The executing agency of project
- A general timeline of when the project will be submitted for approval and years during which it will be implemented
- Source of ADB funding (such as OCR, ADF, or a grant) and indication of sources of co-financing for the project

### **Regional and Subregional Cooperation Strategy and Program**

Regional cooperation is one of three cross-cutting

themes highlighted in the Long-Term Strategic Framework of the Asian Development Bank (2001–2015) and the Poverty Reduction Strategy (PRS). To ensure coherence and strategic prioritization, sub-regional cooperation strategies and programs (RCSPs) are prepared for the five sub-regions covered by ADB's regional departments, with annual updates (RCSP-U). On the basis of priorities established, ADB assists developing member countries (DMCs) in financing regional cooperation through technical assistance grants and projects loans. ADB's Regional and Sub-regional Cooperation Strategies and Programs are in different stages of evolution. Thus far, RCSPs are available for the Mekong Region<sup>6</sup> and for the Central Asia Region<sup>7</sup> with others in different stages of preparation.

The ADB tries to facilitate regional cooperation by (i) increasing the DMCs' understanding and awareness of the potential for regional cooperation and on increasing ADB's understanding of the nature and extent of existing regional organizations and cooperation arrangements, (ii) identifying projects with potential regional implications by providing technical assistance resources, predominantly on a grant basis, for feasibility studies, and (iii) by financing or mobilizing financing for such regional projects that have a strong economic rationale and contribute to the reduction of poverty in the region. This approach can be revised if the ADB believes another could be more beneficial. The ADB can also, under this approach, fund national projects which have regional importance or facilitate investment by regional governments in a national project.

### **Endnotes**

<sup>1</sup> The Long-Term Strategic Framework outlines ADB's poverty reduction agenda over the next 15 years. See <http://www.adb.org/Documents/Policies/LTSF/default.asp>. The LTSF will be implemented through a set of Medium Term Strategies (MTS) each covering 5 year periods. The first MTS, which is the connection between the LTSF and the CSP, covers the 2001-2005 period. See <http://www.adb.org/Documents/Policies/MTS/2001/default.asp>

<sup>2</sup> Sector divisions generally include: infrastructure; agriculture, environment and natural resources; social sectors; governance, finance and trade.

<sup>3</sup> Information in this table is taken from Appendix 2 of ADB Business Processes (2001) and CSP Operations Manual. See [http://www.adb.org/Documents/Policies/Reorganized\\_ADB/in296\\_01.pdf](http://www.adb.org/Documents/Policies/Reorganized_ADB/in296_01.pdf) and [http://www.adb.org/Documents/Policies/Review\\_Business\\_Process/Business\\_Process.pdf](http://www.adb.org/Documents/Policies/Review_Business_Process/Business_Process.pdf) and [http://www.adb.org/Documents/Manuals/Operations/OMA02\\_29oct03.pdf](http://www.adb.org/Documents/Manuals/Operations/OMA02_29oct03.pdf)

<sup>4</sup> OCR loans are usually for 15-25 years, have an interest rate set by the market and are made to DMCs with a higher level of economic development

<sup>5</sup> ADF loans give borrowers a long time to repay the money (32 year maturity period for project loans and 24 year maturity period for program loans) including an 8 year grace period during which the borrower does not pay any interest, and a very low interest charge (1 % to 1.5 %).

<sup>6</sup> <http://www.adb.org/Documents/CSPs/GMS/2004/default.asp>

<sup>7</sup> <http://www.adb.org/CAREC/default.asp>