

The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in white serif font on a dark blue square background.

ADB

# PARTNERING & HARMONIZATION

## REVIEW OF ADB PARTNERING & HARMONIZATION STRATEGIES AND ACTIVITIES IN SELECTED COUNTRIES

A Case Study from the 2007 Special Evaluation Study on the Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness

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**Kus Hardjanti**  
**James Lee**  
**Michael Ratcliffe**  
**Caren Joy Mongcopa**

Operations Evaluation Department

**Asian Development Bank**

# Abbreviations

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CSO	civil society organization
DFID	Department for International Development
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
LCG	local consultative group
MDB	multilateral development bank
MTDP	Medium-Term Development Plan
NPRS	national poverty reduction strategy
PBA	program-based approach
PEDP II	Second Primary Education Development Program
PPA	participatory poverty assessment
PRSC	Poverty Reduction Strategy Credit
SDS	Strategy for the Development of Samoa
SEDP	Socio-Economic Development Plan
SWAp	sector-wide approach
UNDP	United Nations Development Programme

## NOTE

In this report, "\$" refers to US dollars.

# Contents

<b>Bangladesh</b>	<b>1</b>		
ADB Country Strategy Response	1		
Scope and Diversity of ADB Approaches and Operations		1	
Assessment of ADB Approaches	2		
<b>Cambodia</b>	<b>4</b>		
ADB Country Strategy Response	4		
Scope and Diversity of ADB Approaches and Operations		4	
Assessment of ADB Approaches	5		
<b>Indonesia</b>	<b>7</b>		
ADB Country Strategy Response	7		
Scope and Diversity of ADB Approaches and Operations		7	
Assessment of ADB Approaches	8		
<b>Samoa</b>	<b>10</b>		
ADB Country Strategy Response	10		
Scope and Diversity of ADB Approaches and Operations		10	
Assessment of ADB Approaches	11		
<b>Viet Nam</b>	<b>13</b>		
ADB Country Strategy Response	13		
Scope and Diversity of ADB Approaches and Operations		13	
Assessment of ADB Approaches	14		

# BANGLADESH

## ADB COUNTRY STRATEGY RESPONSE

The process and outcome of the Asian Development Bank's (ADB's) country strategy and program 2006–2010<sup>1</sup> are consistent with broader harmonization and alignment policies. The country strategy priorities are fully aligned with the National Poverty Reduction Strategy (NPRS) vision, strategies, and priorities, as set out in the NPRS triangular framework of economic growth, human development, and governance. The country strategy results framework draws directly on NPRS performance indicators.

Another key feature is that a harmonized approach was adopted in preparing the country strategy, through joint performance and country strategy reviews with the World Bank, Department for International Development (DFID), and Japan in close consultation with the Government. On this basis, the Government and development partners helped identify ADB's comparative advantage and strategic focus in the energy, transport, education, and urban sectors. In this context, the country strategy sets out clearly those initiatives where ADB will play a lead role; in others, where other donors are assessed by the development partners to have a comparative advantage, ADB will play a supporting role.

Consistent with the harmonization action plan, the country strategy also responds to the overall view that harmonized approaches at the sector level are a priority. As a result, ADB has been delegated a lead role in coordinating the sector-level local consultative groups (LCGs) in four selected sectors or thematic areas (power, railways, urban sector, and project implementation). This delegation of responsibility from other partners will help ensure effective approaches to harmonization and alignment in these sectors, including measures to ensure coordinated support for their systems and capacity building.

## SCOPE AND DIVERSITY OF ADB APPROACHES AND OPERATIONS

**Supporting Country Harmonization Policy and Strategy.** ADB plays an active role in promoting country harmonization policy through involvement in the country-led Poverty Reduction Strategy Joint Implementation Committee, Harmonization Implementation Task Force, and Public Financial Management Task Force. ADB is also represented on the executive committee of the LCG and chairs four of the 24 LCG sector/thematic subgroups, including those for energy, transport, urban development, and project implementation; and contributed significantly to the country's development policy formulation at both macro and sectoral levels. This included NPRS, public procurement act and regulation, national land transport policy and transport sector development road map, and education policy, reform framework, and investment plan for 2003–2009.

**Supporting Joint Analytical and Sector Work.** The main activities have included (i) cooperation in poverty estimates analysis with the Bangladesh Bureau of Statistics and the World Bank; (ii) joint public expenditure review with the World Bank, DFID, Canadian International Development Agency, and Swedish International Development Cooperation Agency; (iii) shared economic, sector, and thematic work with the World Bank, DFID, and Japan for joint country programming planning and implementation processes in the education, energy, transport, and water/sanitation sectors; (iv) a joint study, Economic Growth and Poverty Reduction in Bangladesh, with the Embassy of Japan, Japan Bank for International Cooperation (JBIC), and Japan International Cooperation Agency (JICA) in 2004; (v) joint poverty assessment with DFID on the rural infrastructure

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<sup>1</sup> ADB. 2005. *Bangladesh: Country Strategy and Program (2006–2010)*. Manila.

program; and (vi) ongoing joint studies with the World Bank and IMF to facilitate policy dialogue on macroeconomic and sector issues with the Government.

**Participating in Joint Program Reviews.** At the macro level, the main activities have included (i) participating in the government-led joint assessment of the NPRS with other development partners, including the World Bank, DFID, and Japan; and (ii) conducting a joint country portfolio review with the Government, the World Bank, DFID, and JICA/JBIC in April 2007. At the sector level, ADB led joint fact-finding and appraisal missions for the preparation of the Second Primary Education Development Program (PEDP II). For PEDP II implementation, the Government is leading joint annual sector and midterm reviews with its 11 development partners.<sup>2</sup> Similar joint program review arrangements will also be implemented for the new railway sector investment program with the World Bank, JBIC, and DFID.

**Participating in Selected Common Operational Arrangements.** ADB activities have included (i) application of the Government's 2003 public procurement regulation for local procurement for the PEDP II and the railway program, and (ii) adoption of the project documentation and approval process, which has been substantially streamlined following the approval of the Government's new project approval system in March 2005. At the sectoral level, PEDP II has implemented a number of common operational arrangements and procedures for all development partners, including the use of: (i) an integrated annual operation plan and annual procurement plan, (ii) a common withdrawal application form for disbursement and replenishment between ADB and the World Bank, (iv) common financial management and external audit systems, (v) a common field management manual for field application, and (vi) common reporting from the executive agency.

**Implementing Selected Program-Based Approaches.** The country's harmonization action plan promotes sector-wide approaches (SWAp) to streamline donor assistance and reduce transaction costs on the Government. In the education SWAp, donor support is aligned with the country's education policy framework and sector financing is integrated with the Government's Medium-Term Budget Framework. A consortium of education donors has been established to enhance policy dialogue and information sharing among all development partners. In addition, new programs in governance and in the transport and urban development sectors have increasingly incorporated program-based approach (PBA) characteristics in their design, such as a clear sector policy and strategic framework and a formalized process of country-led partnership and donor coordination.

## ASSESSMENT OF ADB APPROACHES

**Enabling Country Development Vision and Strategy.** ADB's support for country development vision and strategy was initiated through the signing of the partnership agreement for poverty reduction in 2000. Subsequently, the Government prepared the first interim poverty reduction strategy in March 2003. The formulation of the full-fledged NPRS followed immediately afterward and ADB provided technical assistance to support the planning process. In this way, ADB has also effectively supported capacity building for setting well-defined development targets and initial progress and impact monitoring systems through existing statistics units.<sup>3</sup>

ADB's selective approach to its programming assistance, however, constitutes a mix of opportunities and challenges. The opportunity is that ADB's strong experience in working with both central and sector agencies positions itself effectively in influencing partners to gradually align existing and new programs with the NPRS, using the coalition of the four key donors. One challenge for ADB is to strike a balance between maintaining an operational focus in selected sectors while enabling and

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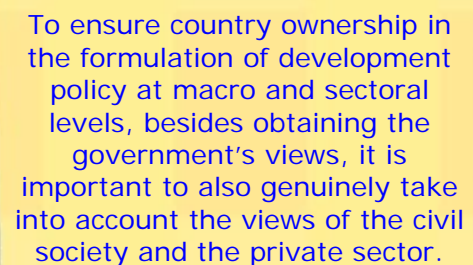
<sup>2</sup> ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Second Primary Education Development Program*. Manila (Loan 2015-BAN, for \$105 million, approved November 2003).

<sup>3</sup> ADB. 2001. *Technical Assistance to the People's Republic of Bangladesh for Strengthening Capacities for Poverty Monitoring and Evaluation*. Manila (TA 4303-BAN, for \$350,000, approved on 19 December 2001).

promoting a more holistic development planning process. A second challenge is, where possible, to align the large number of ongoing projects within the NRPS framework of priorities.

**Supporting Country Ownership.** ADB has played an effective role in advocating and promoting country ownership at macro and sectoral levels. Through its long-term relationship with the Government, ADB has encouraged country leadership of the NPRS forum and various sectoral and thematic groups. Building on government initiatives and institutional arrangements, ADB has facilitated civil society and private sector involvement in NPRS formulation and a number of priority sector strategic reviews. For example, ADB is a member of a group of donors known as the Development Partners Support Group that assists the Government in its long-term program of private sector development through a combination of institutional and regulatory reforms.<sup>4</sup>

A number of challenges remain. First, the private sector and the civil society need reassurance that their views are genuinely being taken into account in the formulation of development policy at macro and sectoral levels. However, some skepticism lingers.<sup>5</sup> Second, civil society organizations (CSOs) need to reassure the Government that they are genuine and cooperative partners, rather than competitors in public service delivery. ADB and other large donor partners are in a good position to facilitate the resolution of these difficulties. Currently, many of the assistance programs are large-scale multi-donor projects and programs, driven by a determination to minimize transaction costs and pool funds in various ways without a clear set of sector or subsectoral strategies and targets. A third challenge is to promote country leadership of sector strategic analysis and planning processes to ensure that any future external assistance is aligned with country-owned sector policies and strategies.



To ensure country ownership in the formulation of development policy at macro and sectoral levels, besides obtaining the government's views, it is important to also genuinely take into account the views of the civil society and the private sector.

**Supporting Country-Led Partnership.** Through its support for the NPRS process, ADB has played an effective role in facilitating country leadership of the coordination of macro development planning, helping partners' strategies to be better aligned, and facilitating a number of analytical partnerships and partnership organizations. The picture at the sectoral level is more uneven. ADB is a key or a lead donor in a number of sectors. In these sectors, there has been some progress toward harmonization with country systems and the use of pooled fund mechanisms, and joint planning and monitoring measures are being put in place, e.g., the education SWAp. However, the challenge for ADB will be to promote more strongly, country leadership of donor coordination processes, including support for capacity development and sector consultative arrangements. Uncertainties over the process and review of donor adoption of a government initiative to revise national procurement guidelines constitute a missed opportunity to strengthen country ownership and potentially align donor procedures with country systems.<sup>6</sup>

**Supporting Country Results Monitoring Processes.** ADB has played an effective role in supporting country results monitoring processes through extensive assistance to the Bangladesh Statistics Bureau and NPRS monitoring processes. The picture at the sector level is more uneven with ADB support for sector performance monitoring focusing largely on program operational monitoring. In sectors where ADB has been active over a long period, limited progress has been made in integrating program performance monitoring systems into broader sectoral and macro development monitoring processes. The challenge will be to work with the Government to redress this imbalance through more comprehensive results frameworks that can be applied at macro, sectoral, and program levels. ADB is

<sup>4</sup> Wilson, Craig. 2006. *The Bangladesh Private Sector Forum*. Paris.

<sup>5</sup> Centre for Policy Dialogue. 2005. *Bangladesh Development Forum 2004: Civil Society's Perspectives*. Dhaka.

<sup>6</sup> Evaluation team discussion with the Ministry of Finance, May 2007.

responding through a comprehensive technical assistance program to strengthen development impact evaluation and audit systems.<sup>7</sup>

## CAMBODIA

### ADB COUNTRY STRATEGY RESPONSE

**A**DB's country response, set out in the country strategy 2005–2009, is fully aligned with the Government Socio Economic Development Plan, National Poverty Reduction Strategy, and Rectangular Strategy, formulated with ADB-supported analytical work. During the joint country strategy preparation, the World Bank and DFID facilitated donor policy and operational harmonization and helped identify ADB's comparative advantage, formulated in the Poverty Partnership Agreement between the Government and ADB. The country strategy adopts a selective approach, both sectoral and geographic. The key strategic thrusts are (i) strengthening governance for development, (ii) increasing opportunities and reducing vulnerability, and (iii) promoting broad-based economic growth. These priorities helped inform ADB partnership and harmonization priorities at both policy and operational levels.<sup>8</sup>

### SCOPE AND DIVERSITY OF ADB APPROACHES AND OPERATIONS

**Supporting Country Harmonization Policy and Strategy.** ADB played an important role in advocating country harmonization policy development and in action planning as cochair of the initial high-level harmonization working group with the World Bank, United Nations Development Programme (UNDP), and DFID. ADB also had a significant role in preparing the subsequent government harmonization action plan, and hosted or cohosted follow-up regional forums with extensive Cambodian participation.<sup>9</sup>

**Supporting Joint Analytical and Sector Work.** The activities in this field included (i) joint analytical work on the integrated fiduciary assessment and public expenditure review with the World Bank, International Monetary Fund, UNDP, and DFID; (ii) joint country gender assessment with the World Bank, DFID, United Nations Development Fund for Women, UNDP, and CSOs; (iii) joint transport sector road map and maintenance financing plan with JICA; and (iv) ongoing performance analytical work as part of the joint portfolio and program reviews with the World Bank and DFID. In addition, joint performance analysis and strategy adjustment takes place between ADB, the European Commission, and the United Nations Children's Fund/Swedish International Development Cooperation Agency as part of the education SWAp.

**Participating in Joint Program Reviews.** Since 2002, the ADB resident mission has led a joint country portfolio review mission, with the World Bank and DFID. Through consultations with the Government, joint approaches to harmonizing external assistance, against government priorities, have been streamlined and the work burden on the Government has been reduced. This process underpinned the harmonized joint consultations with the Government, the World Bank, UNDP, and DFID, ahead of the country strategy formulation in 2004/05.

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<sup>7</sup> A new ADB technical assistance program is aimed at consolidating this process through support for the Implementation Monitoring and Evaluation Division (IMED) of the Planning Commission and the Foreign-Aided Projects Audit Directorate (FAPAD) of the Audit Department.

<sup>8</sup> ADB. 2004. *Country Strategy and Program Cambodia 2005–2009*. Manila.

<sup>9</sup> The Bangkok Regional Workshop on Harmonization, Alignment, and Managing for Development Results in 2004 and the Regional Forum on Aid Effectiveness in Manila 2006.



**Participating in Selected Common Operational Arrangements.** Among others, ADB has participated in the (i) joint support for the preparation of standard operating procedures and financial management manuals for line agencies, with the World Bank; (ii) formulation of a harmonized approach to procurement, including manuals and staff training, with the World Bank; and (iii) preparation of a harmonized approach to national competitive bidding, including relevant documents and processes, with the World Bank.

**Implementing Selected Program-Based Approaches.** ADB has been a lead donor in promoting selective PBAs, including (i) three phases of education SWAp design and implementation since 1999; (ii) several phases of health SWAp design and implementation since 1999; and (iii) selective support for debt management under the public financial management program, whose design was underpinned by jointly led ADB analytical work under integrated fiduciary assessment and public expenditure review.


## ASSESSMENT OF ADB APPROACHES

**Enabling Country Development Vision and Strategy.** Over the past decade, ADB's approach to enabling development visioning and strategy formulation has been extensive and comprehensive through increasing government-led social economic development planning and NPRS processes. A similar assessment applies to ADB approaches at the sector level across rural development, education, health, infrastructure, and small and medium enterprise development. The increasingly selective approach and specific operational constraints constitute a mix of opportunities and risks for the next phase of development visioning and strategy. The selective strategic focus will allow for greater impact on aligning government policies and ADB operations in key areas. However, one potential risk is that ADB's absence from the upcoming multi-donor poverty reduction strategy operation support, involving around 10 donors, may affect its high-level strategic influence.

**Supporting Country Ownership.** For a number of years, ADB has strategically and effectively promoted country ownership at the macro and sector levels, using its significant political access and the trust and confidence it has built up within the country. ADB's approach has been a mixture of informal and formal mechanisms. It has responded to the growing formality of country ownership processes through a more focused and selective involvement in the harmonization working groups, based on the reality of in-country capacity and resource constraints. Ensuring civil society, private sector, and parliamentary participation in country strategy-related operations (e.g., socioeconomic development planning, NPRS) has enabled broader-based country ownership. Particularly at the sector level, ADB has contributed to sustaining country ownership through a focus on building up national capacity for strategy development, especially in the transport, education, and health sectors.

The recent positive economic performance, the emergence of new donors (e.g., the People's Republic of China, India, and the Republic of Korea), and the growing number of private sector partners present a new challenge for ADB support for stronger country ownership. Greater attention will need to be given to nongovernment ownership and nongovernment systems. Therefore, it is necessary to strengthen the capacity of nongovernment partners to participate in strategy formulation and implementation. The country strategy specifically addresses these issues.

**Supporting Country-Led Partnership.** ADB has supported a wide range of macro and sector-level partnership development processes. As part of enhancing its donor assistance strategies and programming, ADB has strongly supported country leadership of the Consultative



The National Poverty Reduction Strategy results-based monitoring process, coordinated by the planning and finance ministries, has accelerated the move away from donor-set benchmarks at consultative group meetings.



Group process and provided technical assistance for socioeconomic development planning, and national poverty reduction strategy and public investment planning. A wide range of financial and analytical partnerships as part of building the Government's analytical capacity (e.g., integrated fiduciary assessment and public expenditure review, Supreme National Economic Council, and country gender assessment) are among the activities supported by ADB. The SWAs in the social sectors have enabled country leadership and improved the alignment of external assistance strategies. In broad terms, the ADB approach has had significant impact on country-led partnership development.

The multi-donor country strategy and joint portfolio reviews provide an opportunity to further strengthen harmonization and alignment with national development strategies. The government-led public financial management reform process should provide increased assurance for the use of multi-donor budget support and SWAs in various sectors including education, where ADB has a comparative advantage. The transport road map process also provides a vehicle for ADB, other donors, and the private sector to ensure alignment of support with the Government's overall strategy. ADB's strong role in infrastructure and private sector thematic groups provides an opportunity to further reinforce government-led partnership in these sectors and help organize public-private partnership.

Nevertheless, some challenges remain. A more robust and realistic medium-term expenditure framework is needed to underpin macro and sector-level policy harmonization and program alignment. Measures to ensure that commitment and disbursement of ADB and donor funds are fully aligned with the government budget cycle and calendar are critical. ADB's presence in the public financial management process constitutes an opportunity to influence the medium-term expenditure framework and budget cycle processes. A priority is to ensure that finance ministry capacity building under the public financial management is strategically linked with sector-level partnership organization and capacity building, especially in public works, rural development, the financial sectors (e.g., small and medium enterprises), and the social sectors.

**Supporting Country Results Monitoring Processes.** The NPRS results-based monitoring process, coordinated by the planning and finance ministries, has accelerated the move away from donor-set benchmarks at consultative group meetings. NPRS progress reports are presented to the Council of Ministers and the National Assembly, and poverty monitoring responsibilities have now been delegated to the planning ministry, with the support of ADB, UNDP, World Food Programme, and the World Bank. Through SWAs in education and health, ADB has strongly supported the integration of outcome-based monitoring and evaluation into these line ministries. Partnership organization, through joint annual performance reviews, has been established in these two ministries.

The challenge is to consolidate and extend government results-based monitoring and evaluation capacity. In many cases, project-level monitoring and evaluation needs to be more fully integrated into line ministries, including the rural development, infrastructure, land management, agriculture, and local government ministries. The Joint Technical Working Group could lead the development of an action plan for fully integrated monitoring and evaluation, with accessible results and information from the private sector. Strengthening the capacity of national and sector-level audit bodies to assess the reliability of monitoring information constitutes another challenge.

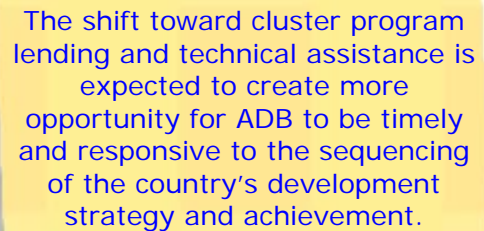
## INDONESIA

### ADB COUNTRY STRATEGY RESPONSE

**A**DB's country response, set out in the country strategy 2006–2009, is fully aligned with the Government's Medium-Term Development Plan (MTDP) and targets, which are focused on poverty reduction through higher growth rates, job creation, environmental sustainability, and

activities and investments to achieve the Millennium Development Goals.

Accordingly, the country strategy is focused on (i) enabling pro-poor sustainable economic growth by catalyzing public and private sector investments and financial sector reforms; and (ii) enabling social development through policy and institutional reforms and selective expenditure programs, especially in education and health. Governance and anticorruption efforts are crosscutting themes.<sup>10</sup>



The shift toward cluster program lending and technical assistance is expected to create more opportunity for ADB to be timely and responsive to the sequencing of the country's development strategy and achievement.

A key feature of the country strategy is increased program lending using clusters of single-tranche operations, guided by the policy priorities and actions of the MTDP reform agenda. The use of multi-tranche financing facility cluster technical assistance will provide a vehicle for high-level macro and sector policy dialogue and allow flexibility in adjusting ADB support to suit the speed of implementation of these reforms. The country strategy also gives priority to working with the Government and the other multilateral banks on harmonized project preparation, procurement, and performance review processes. In other words, facilitating the implementation of the Government's harmonization policies is central to the country strategy.

## SCOPE AND DIVERSITY OF ADB APPROACHES AND OPERATIONS

**Supporting Country Harmonization Policy and Strategy.** ADB played a significant role in promoting country harmonization policy by cochairing the Consultative Group on Indonesia aid effectiveness working group. Now, with the World Bank and JBIC, ADB continues to promote and facilitate alignment of external assistance with MTDP priorities, through macro and sectoral policy dialogue, and with incentives through the joint bank development policy support program. ADB also leads alignment efforts in specific sectors and areas, especially with joint sector notes in the transport sector (with JBIC), the energy sector (with the World Bank), and decentralization.

**Supporting Joint Analytical and Sector Work.** ADB activities have included (i) joint analytical assessments with the World Bank on the Government's poverty reduction strategy, including the impact of fuel subsidies and unconditional cash transfer; (ii) joint country gender assessment with the World Bank, Canadian International Development Agency, and nongovernment organizations; (iii) joint analytical work on transport and energy sector road maps with the World Bank and JBIC; (iv) joint financial accountability and procurement assessment with the World Bank; (v) joint analytical work with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), United States Agency for International Development, and the World Bank for the formulation of a local government performance index in the context of decentralization; (vi) joint analytical work on requirements for harmonizing public procurement policies and guidelines, with the World Bank, JBIC, and the European Commission; and (vii) joint analytical work and damage assessment on the Aceh tsunami disaster.

**Participating in Joint Program Reviews.** For a number of years, ADB, the World Bank, and JBIC have cooperated informally on program and portfolio reviews to identify comparative advantage. Since 2006, the Government, ADB, the World Bank, and JBIC have conducted joint portfolio performance reviews focused on both systemic and implementation-related issues. Focal areas include: (i) project readiness criteria, (ii) responsiveness to the Government's annual project approval and budget cycle, and (iii) financing of project activities before loan signing.<sup>11</sup>

<sup>10</sup> ADB. 2005. *Country Strategy and Program 2006–2006, Indonesia*. Manila.

<sup>11</sup> ADB. 2007. *ADB Harmonization Action Plan*. Manila.

**Participating in Selective Common Operational Arrangements.** ADB activities have included (i) joint support to the Government for the formulation of standard bidding documents for public procurement; (ii) joint support to the Government for the dissemination of procurement process information at local government levels, together with legislation and district capacity building; (iii) joint work with the World Bank and JBIC to harmonize approaches to the prevention of corruption, as set out in a multilateral development bank (MDB) memorandum of understanding; and (iv) joint support for Aceh reconstruction through participation in the multi-donor trust fund, together with extensive parallel financing through the Government's reconstruction agency for Aceh.

**Implementing Selective Program-Based Approaches.** There are a number of broad PBAs, including (i) joint support with the World Bank and JBIC, aligned with a government development policy action matrix, with performance-based program loan tranche release; (ii) joint support for a decentralization support facility with the World Bank, DFID, GTZ, and UNDP; (iii) a health sector support program; and (iv) joint support for the Aceh reconstruction program through a government-run planning and implementation body, together with the decentralization support facility-financed long-term Aceh public expenditure assessment and strategy.

## ASSESSMENT OF ADB APPROACHES

**Enabling Country Development Vision and Strategy.** Since the economic crisis in 1997, ADB's approach has been strongly aligned with the Government's development vision, through relationships formed and trust gained within the planning and finance ministries. The continued focus on policy-led macro and specific sector program lending has maintained mutual trust and confidence in Indonesia's development vision and strategy. As the implementation of country development strategy becomes more private sector-driven and as civil society involvement grows, ADB's approach presents opportunities and challenges. The current shift toward cluster program lending and technical assistance, channeled through central government ministries, creates a further opportunity for the ADB approach to be timely and responsive to the sequencing of the country's development strategy and achievement of results. The systematic development of private sector partnership organizations is a potential ADB comparative advantage.

**Supporting Country Ownership.** Its long-term presence, modest profile, high-level access, and trust and confidence earned within government have enabled ADB to promote and support country ownership, especially at the macro reform level. Selective partnering with MDBs and bilateral donors has reinforced the impact of this approach. ADB's approach to nurturing mechanisms and organizations for civil society, private sector, and local parliamentary involvement has been significant, though difficult, partly because of the diversity of interests and players. The impact on strengthening local nongovernment organization partnership, through the Japan Fund for Poverty Reduction (e.g., for the vulnerable girls project in Yogyakarta, school community committees) has been significant.<sup>12</sup>

A challenge will be to promote within government and other partners a systematic development planning capacity support program to translate national policies into effective actions on the ground. Strengthening engagement with national and local parliamentary committees could be considered a part of quality-at-entry requirements. The decentralization support facility is another potential focal point for partnership in local government and parliamentary capacity support, and for robust quality-at-entry arrangements. Greater use of government-initiated analytical work by donors would also strengthen national ownership and avoid duplication of effort.

**Supporting Country-Led Partnership.** ADB was a strong advocate of early government leadership of the Consultative Group on Indonesia meetings, and of partnerships for harmonization,

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<sup>12</sup> ADB. 2006. *Special Evaluation Study on the Involvement of Civil Society Organizations in Asian Development Bank Operations*. Manila.

alignment, and aid effectiveness. ADB and the World Bank have played a strong role in promoting financial and analytical partnerships within government and the donor community, particularly at the macro level, and less so at the sectoral and local government levels. Within the central finance and planning ministries, ADB has played a significant role in ensuring coherent and coordinated capacity support for development policy planning and financing, especially with the MDBs. Despite ADB's comparative advantage, however, its promotion of and support for systematic capacity building in sector agencies, especially for strategic analysis and results-oriented expenditure planning, has been limited. The same assessment applies to local government capacity building, where narrower operational concerns take priority. ADB's recognition of the need for support for civil service and administrative reforms signifies a key opportunity.<sup>13</sup>

**Supporting Country Results Monitoring Processes.** The MTDP results monitoring framework, coordinated by BAPPENAS (National Development Planning Agency), is an entry point for strengthening national development results monitoring processes. MDB development policy program lending represents an opportunity to promote and support the strengthening of monitoring systems at this level. ADB's support at the sectoral level has focused on the monitoring of discrete project outputs and outcomes, and the integration of project monitoring support into sector agencies' systems has been uneven. Donors tend to monitor their own projects with limited attention to a harmonized approach.

The challenge is to consolidate and extend the country's results-based monitoring and evaluation capacity. In many cases, ADB's project-level monitoring and evaluation needs to be more fully integrated into line ministries' information systems. ADB, as a major partner, should promote this integration, with accessible results and information from the private sector. A second challenge is to promote and support the translation of national performance targets into disaggregated provincial and district performance targets, linked to measures that will promote poverty-indexed and results-based local government financing.

## SAMOA

### ADB COUNTRY STRATEGY RESPONSE

The Government's 2005–2007 Strategy for the Development of Samoa (SDS) identifies six broad focal areas for priority development—the private sector, agriculture, tourism, education, health and community development, especially in poor disadvantaged communities. The SDS highlights the importance of strengthening partnerships between government, the private sector, and CSOs (e.g., faith-based groups, village chiefs).

ADB's country response, set out in the 2005–2006 Country Strategy and Program Update, is broadly aligned with the SDS. The country strategy update adopts a three-pronged strategy for Samoa to (i) accelerate private sector growth through an enabling fiscal and macroeconomic policy environment; (ii) strengthen basic social economic infrastructure, focusing on energy/power and water/sanitation; and (iii) improve basic social service delivery, focusing on improved access and quality of education.

Furthermore, the country strategy update reflects the Government's priorities in building partnership organizations including (i) individual private sector partners through privatization and reorganization of state-owned enterprises; (ii) village organizations for water and sanitation improvements; and (iii) school and community organizations and church groups for education service delivery. The country strategy update also gives priority to strengthening macro and sector level

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<sup>13</sup> ADB. 2005. *Country Strategy and Program 2006–2009, Indonesia*. Manila (Appendix 3).

government-donor consultative arrangements to ensure aid harmonization and the implementation of alignment policy.

## SCOPE AND DIVERSITY OF ADB APPROACHES AND OPERATIONS

**Supporting Country Harmonization Policy and Strategy.** ADB has played and continues to play a lead role in assisting the Government in country development policy formulation and planning through the SDS 2002–2004 and SDS 2005–2007 processes. These processes, which have constitutional and legal basis, provided a framework for aligning external development assistance with national development priorities. ADB has supported national ownership through extensive stakeholder consultation with sector ministries, the business community, religious organizations, CSOs, and community-based associations of farmers, fishermen, youth groups, and others. The country strategy update formulation process mirrors SDS stakeholder consultation.

**Supporting Joint Analytical and Sector Work.** Much of the joint analytical and sector work is conducted jointly by ADB and government agencies, including participatory poverty assessment (2003), institutional analysis, and specific sector strategy analysis (e.g., education, power/energy and water/sanitation). Government and ADB jointly disseminate this analytical work to development partners to promote harmonization of policy and external assistance. Joint analytical work with the World Bank on a procurement system assessment is now taking place. This analytical work contributes to a shared regional cooperation agenda between ADB, Australian Agency for International Development (AusAID), and the World Bank, incorporating thematic issues, regional cooperation, and activities in Samoa and five other priority Pacific Island developing member countries.

**Participation in Joint Program Reviews.** ADB and the Government have a formal poverty partnership agreement, which forms the basis for joint government-ADB program reviews. ADB has been actively participating in the various sector working groups for joint program reviews, in the education, water/sanitation, and power/energy sectors. In this way, ADB's comparative advantage in economic and sector analysis can be optimized, even in sectors where its investment is limited. These processes are helping to promote increased joint reviews and programming. The preprogramming mission for the new Samoa country strategy was undertaken jointly with AusAID, the European Commission, and New Zealand's International Aid and Development Agency (NZAID). (The World Bank will join subsequent joint country strategy planning processes.) As a result, ADB has been invited to participate as observer in the 2007 high-level discussions between the governments of Samoa and New Zealand, and AusAID, whose objective is to help harmonize foreign policy and development assistance strategies.

**Participation in Selected Common Operational Arrangements.** Under the Education Sector Program II, ADB, AusAID, and NZAID have formulated a common financing agreement, which sets out common operating procedures and financial management and procurement systems for the implementation of the integrated sector program. It is anticipated that the common operational arrangements will be progressively adapted in other sectors to minimize the Government's transaction costs in managing external assistance.

**Implementing Selected Program-Based Approaches.** Education Sector Program II supports the Government's aim of moving toward a SWAp in external assistance modality. In addition, ADB is considering developing a similar approach for other sectors, such as the power sector improvement project.



## ASSESSMENT OF ADB APPROACHES

**Enabling Country Development Vision and Strategy.** Through its strong relationship with the finance ministry, ADB has played a very effective role in helping to define the Government's role and responsibilities in foreign affairs and in development policy formulation and implementation. Through its support for the SDS process, managed through the finance ministry, ADB has been able to promote institutional and organizational reform for the implementation of country development strategy and measures to ensure better alignment of external assistance with SDS priorities. Before this SDS process, foreign affairs and development policy considerations were blurred, and this lack of clarity has reduced aid effectiveness.

ADB's support for the 2002 participatory poverty assessment (PPA) has also enabled the formulation of a phased and sequenced development strategy and plan targeted at the macro and sector levels. The SDS and PPA have also provided resources and on-the-job capacity development for country strategy formulation, reinforced by the inclusive country strategy update process. The challenge is to further promote partnerships for the further strengthening of the capacity of central and sector agencies as well as private/community organizations to implement and monitor the SDS vision and priorities.

**Supporting Country Ownership.** The Government's confidence and trust in ADB has helped to ensure that the SDS is a genuinely country-led initiative and is fully owned and understood. Through its support for the SDS process, ADB has helped institutionalize the involvement of all stakeholders, including church, village, and private sector groups in development planning. The leadership of the SDS process by the finance ministry and sector technical working groups has strengthened national capacity for development strategy formulation.

There is a potential risk that sector-level strategy formulation will become overly centralized, resulting in reduced ownership at sector agency and implementation agency levels. There are signs of finance ministry fatigue when all strategy and program screening responsibilities are concentrated in the central ministry. The challenge will be to strengthen sector agency capacity to assume greater delegated authority for these responsibilities. A key entry point would be to initially strengthen sector/implementing agencies' capabilities for strategy/program progress and impact monitoring to create a mechanism for feedback into strategy review.

**Supporting Country-Led Partnership.** ADB's strategy has been broadly effective and comprehensive. Through its support for the SDS process, ADB has helped enable country leadership of development policy coordination and improved alignment of partners' assistance strategies and country ownership, especially in the areas of ADB country strategy update strategic focus. Country strategy formulation has also been synchronized with the 3-year rolling SDS planning processes, as a demonstration of ADB's commitment to harmonize its own planning and budgeting processes with those of the Government.



Through its support to the Strategy for the Development of Samoa, ADB has helped enable country leadership of development policy coordination and improved alignment of partners' assistance strategies and country ownership.

ADB has a strong financial and analytical partnership with the Government, but joint analytical partnerships with other donors are uneven. The limited involvement of ADB in the Public Financial Management Performance Report 2006 (led by European Union, alongside four other donors) was a missed opportunity to jointly formulate coordinated capacity support for financial management reform.<sup>14</sup>

<sup>14</sup> World Bank. 2007. *Status on Applications of PEFA Performance Measurement Framework*. Washington, DC.

Although ADB has been active in promoting policy dialogue with government sector agencies and donors at the sector level, these arrangements remain informal and carry little authority or decision-making power. A challenge will be to help the Government set up formal sector-level partnership organizations (e.g., sector working groups), including private sector and civil society representatives, with formal roles and responsibilities and rules of engagement. A potential constraint for ADB is the lack of a permanent presence of ADB officials and advisers who can make decisions, although in some sectors regular teleconferencing is helping to overcome these difficulties.<sup>15</sup>

**Supporting Country Results Monitoring Processes.** Overall, the quality of development information and systems remains uneven. The PPA helped set a baseline for monitoring poverty reduction and Millennium Development Goal targets. In 2005–2007 country strategy update, ADB is committed to assisting the Government in monitoring the progress of SDS implementation. Through sector agency support, ADB is assisting in the improvement of development information systems, especially in education and water/sanitation. However, institutional arrangements for poverty monitoring and reporting within the Government remain unclear, especially measures to ensure stakeholder access to key development information. The challenge for ADB and its partners is to assist the Government in the systematic development of capacity for results-based monitoring, including the consolidation and integration of project-level monitoring and evaluation systems in the line ministries into the country-level monitoring and evaluation system.

## VIET NAM

### ADB COUNTRY STRATEGY RESPONSE

ADB's country response, set out in the 2007–2010 country strategy, is fully aligned with the Government's second Socio-Economic Development Plan and Comprehensive Poverty Reduction and Economic Growth Strategy. ADB delayed its country strategy for 1 year to synchronize socioeconomic development planning and the ADB-assisted analytical work, extensive consultations with the provincial governors, and the formulation of a monitoring framework. Country strategy preparation also involved extensive consultations with the Government on thematic and sector road maps to ensure alignment of the country strategy with the Government's policy priorities. Extensive consultations with other donors, through the Five Banks Initiative, among others, helped identify ADB's comparative advantage.<sup>16</sup>

The country strategy adopts a selective approach focused on (i) business-led pro-poor economic growth by helping the Government to develop the foundation for increased private sector investment and employment; (ii) social equity and balanced development through poverty-targeted social development assistance; (iii) environmental improvement and protection; and (iv) integration of the Viet Nam program with Greater Mekong Subregion initiatives. A key feature of the country strategy is a new results framework, aligning anticipated country strategy targets with socioeconomic development planning performance indicators.<sup>17</sup>

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<sup>15</sup> The finance ministry reported to the evaluation team that there was some confusion over lines of communication and authority between ADB headquarters and the regional offices in Fiji Islands and Sydney.

<sup>16</sup> The Five Banks group consists of ADB, the World Bank, JBIC, Entwicklungsbank (KfW), and Agence Française de Développement.

<sup>17</sup> ADB. 2006. *Country Strategy and Program Viet Nam 2007–2010*. Manila.



## SCOPE AND DIVERSITY OF ADB APPROACHES AND OPERATIONS

**Supporting Country Harmonization Policy and Strategy.** ADB plays a significant role in promoting country harmonization policy, by chairing of a number of thematic working groups of the Partnership Group on Aid Effectiveness, including those for environmental and social impact assessment. Through the Five Banks Initiative, ADB has also contributed significantly to the harmonization of policy on the legal framework for public investment and official development assistance management, public financial management, and project preparation and reporting. This Five Banks harmonization program has helped launch the Partnership Group on Aid Effectiveness thematic groups which have assumed some of the Five Banks thematic work.

**Supporting Joint Analytical and Sector Work.** ADB activities have included (i) joint government-donor analytical work on the public expenditure review with the World Bank and other donors; (ii) joint country gender assessment with the World Bank, JBIC, and DFID; (iii) a country procurement assessment under the Five Banks Initiative; (iv) a country financial accountability assessment under the Five Banks Initiative; (v) joint analytical work with a number of donors on environmental and social safeguards, in response to revised government legislation; and (vi) joint analytical work with the Government on the formulation of an aligned monitoring tool to help harmonize project management unit reporting.

**Participating in Joint Program Reviews.** Joint portfolio and program reviews with JBIC and the World Bank were initiated in 1999, and extended to the Five Banks Initiative in 2003. Through consultations with the Government, joint approaches to harmonizing external assistance, against the Government's priorities, have been streamlined and the work burden on the Government has been reduced. From an original focus on procedural harmonization among the Five Banks, the focus, through portfolio reviews, has shifted toward helping to strengthen government systems through advice on legislation/regulation, operational guidelines, and procedures needed to improve the Viet Nam country system to international standards.

**Participating in Selected Common Operational Arrangements.** ADB activities have included (i) joint support for the strengthening of the Government's systems for managing official development assistance and public investment; (ii) joint support for strengthening of government procurement management, including harmonized competitive bidding processes across the Five Banks; (iii) joint support for the strengthening public accounting and audit procedures, together with the pilot-testing of a medium-term expenditure framework; (iv) common procedures for environmental and social impact assessment and safeguards; (v) harmonization of project preparation standards and procedures, including feasibility study processes; and (vi) joint support for the harmonization of project monitoring and reporting procedures. All these common operational arrangements were originally initiated through the Five Banks program. The formation of the Partnership Group on Aid Effectiveness presents an opportunity for these common operational arrangements to be applied to a wider range of government and aid agencies.

**Implementing Selected Program-Based Approaches.** ADB has participated in the World Bank-led Poverty Reduction Strategy Credit (PRSC) process since 2003, together with a large number of MDBs and bilateral donors. The PRSC process involves the release of funds into the government budget as socioeconomic development policy actions, jointly agreed on by the Government and participating aid agencies, are achieved. In addition, policy-led sector development loans for the financial sector, small and medium enterprise development, and agriculture increasingly incorporate features of PBAs.

## ASSESSMENT OF ADB APPROACHES

**Enabling Country Development Vision and Strategy.** For the past 15 years, ADB has taken an extensive and comprehensive approach to enabling country development visioning and strategy at both

macro and sectoral levels, which includes the focused building of analytical capacity within key central and sectoral ministries. ADB's approach to capacity support for the private sector and civil society to enable their participation in development visioning has been strategic and responsive to the Government's policy directions. The approach involves stakeholder consultation, analytical work, and selective use of policy-led program lending, through PRSC and specific sectors.

ADB's selective strategic focus and comprehensive program constitutes a mix of opportunities and challenges to ensure ADB support is fully aligned with the country's development vision. The range of ADB assistance modalities can respond flexibly to implementation capacity constraints within the public and private sectors. Nevertheless, the challenge will be to promote and assist in partnership development in addressing institutional, organizational, and analytical capacity constraints identified by the Government, especially related to political and economic transformation policies, and market conditions and competitiveness.<sup>18</sup> Partnerships that help the Government to phase and sequence these enabling are critical.

**Supporting Country Ownership.** ADB's high-level access and the trust and confidence it has earned within the country ensure ADB's position in strategically promoting country ownership, especially at the macro level. The Five Banks Initiative has reinforced the impact of this approach. ADB's promotion of the Five Banks partnership process within the Partnership Group on Aid Effectiveness mechanism has helped reinforce the country's ownership of policy and system changes. ADB's alignment of country strategy preparation with the Government's political and financial Socio-Economic Development Plan (SEDP) cycle also enhances country ownership alongside ADB's promotion of private sector and civil society ownership of SEDP policies.

A number of ownership challenges still need to be addressed, however. Ensuring full ownership by stakeholders of difficult political economy and market institution reforms should remain a key focus for ADB. The emergence of new development partners in Asia and potential international private sector partners presents further challenge of harmonizing the strategies of these potential partners and promoting capacity measures to strengthen their involvement.

**Supporting Country-Led Partnership.** ADB has adopted a comprehensive approach to promoting country-led partnerships. It was a strong advocate of early country leadership of consultative group meetings and streamlined development assistance coordination. ADB helped initiate the Five Banks process to simplify the Government's coordination of development bank partners. The synchronizing of the country strategy with the SEDP timetable ensures effective harmonization and alignment of ADB country assistance with emerging policy priorities.

The challenge will be to ensure that future partnerships maintain country sovereignty while promoting often complex and difficult policy undertakings, not presented as conditionalities.<sup>19</sup> Government willingness to accept a range of aid modalities and deal with a range of donor partnerships (despite additional transaction costs) does constitute an opportunity.<sup>20</sup> The challenge for ADB will be to ensure that the most appropriate modality (e.g., investment projects, program budget support) is selected. In cases where budget support may be more appropriate, prior



The emergence of new development partners in Asia and potential international private sector partners presents further challenge of harmonizing the strategies of these potential partners and promoting capacity measures to strengthen their involvement.

<sup>18</sup> Government of Viet Nam. 2006. *The Five-Year Socio-Economic Development Plan, 2006–2010*. Hanoi.

<sup>19</sup> Ohno, Izumi. 2004. *Fostering True Ownership in Viet Nam: From Donor Management to Policy Autonomy and Content*. Tokyo. According to this book, government often perceives budget support as externally imposed policy conditionalities and potential infringement on sovereignty, which can create partnership tensions.

<sup>20</sup> Other partnership groups are the Like-Minded Donor Group, the United Nations group, and the European Union group.

policy dialogue and trust building, through the various partnership mechanisms, is critical.

Another challenge will be to gradually integrate the various project monitoring unit functions (which admittedly are not parallel) into government systems, including the capacity building of professional project management staff. The Government's recent approval of Decree 131, which creates a career path for project management professionals, presents an opportunity to address this issue and possibly contribute to improved aid disbursement and implementation efficiency.

**Supporting Country Results Monitoring Processes.** The framework for the results-based monitoring of socioeconomic development planning, coordinated by the Ministry of Planning and Investment, is a starting point for the strengthening of development results monitoring. ADB has supported the formulation and review of the socioeconomic development planning monitoring framework and aligned its country strategy monitoring formats accordingly. It has also comprehensively supported the building of capacity for project monitoring and evaluation in a wide range of ministries, in partnership with other donors, frequently through bilateral cofinancing. Partnership organizations (including ADB) are growing through joint sector and thematic performance reviews and joint portfolio review missions.

The challenge is to consolidate and extend the country's results-based monitoring and evaluation capacity. In many cases, project-level monitoring and evaluation needs to be more fully integrated into the line ministries information systems. ADB, as a major partner, should promote this integration, with accessible results and information from the private sector. Another challenge is to promote a strong focus on socioeconomic development planning results monitoring and strategic effectiveness. There is a potential risk that the current focus on official development assistance monitoring systems (essentially input indicators) could distract attention from the tracking of development outcomes and results. ■