African Development Bank Group

Strategic Plan 2003-2007

November 2002

foreword by the president

The African Development Bank Group's (the Bank) Vision, adopted by its Boards of Governors, was the product of extensive consultations with all stakeholders. In order to operationalize this Vision, the Boards of Directors approved a new organizational structure that became effective on 1st January 2002 and have recently approved the Bank's first Strategic Plan for the period 2003-2007. So, it is with great pleasure that I share with you some thoughts on this milestone in the Bank's evolution.

It is important to note that this Plan was prepared through a collective effort that involved all of the Bank's resources throughout 2002. The Plan also took into consideration best practices as well as the experience of sister institutions and development partners. I wish to take this opportunity to most sincerely thank all Bank staff for their active contributions to these consultations and congratulate them on their initiative to conduct an accompanying "mission exercise" where they developed a mission statement and complementary set of values and behaviours. This staff initiated and staff led culture change exercise not only fosters stronger in-house ownership of the Bank's strategic priorities but also help heighten awareness of staff individual roles in implementing them.

The degree of staff engagement in the process and the quality of their contribution ensured that the Plan provides an accurate assessment of the Bank's capabilities on which the Board of Directors based its strategic choices. The Strategic Plan is therefore a powerful instrument of dialogue and partnership to position the Bank to define and realize its contribution to meet the threats and challenges of poverty reduction in regional member countries (RMCs) while capitalizing on development opportunities in a constantly changing global environment. It has thus been designed as a dynamic and flexible tool to prepare the Bank better than before to play a leading role in assisting RMCs to take advantage of emerging development initiatives with a strong focus on Africa.

I am, therefore, convinced that with a broadly shared Vision, a staff owned Strategic Plan and a new organization structure designed to converge the Bank's capabilities and resources on its key strategic choices, the Bank will attain the levels of development effectiveness and results expected by its clients, partners and shareholders alike.

I hope you will find this Plan useful and thank you in advance for sharing with us, at your earliest convenience, any comments and observations you may have with a view to their incorporation in its forthcoming reviews. To that end, I wish to thank you for your continued interest in the Bank and its development activities.

Omar Kabbaj
President

executive summary

The Strategic Plan of the African Development Bank Group (the Bank) for the 2003-2007 period defines the approach adopted by the Bank to achieve better development effectiveness and results through the operationalization of its Vision. To that end, the Plan proposes that the Bank, in close cooperation with its clients and partners, identifies its operational, sector and thematic priorities so as to focus on a selective core of activities by country, where its expertise, experience and its action would be far-reaching and more likely to produce tangible development results in support of poverty reduction in its regional member countries (RMCs).

With a view to attaining these objectives, the Bank Group will give priority in allocating its resources to agriculture and sustainable rural development, with greater emphasis being given to water supply in vulnerable rural and peri-urban areas, and to human capital formation through primary education and basic health services. Selective support will also be given to the development of essential infrastructure, where this is a vital component of rural development, or a priority factor of economic integration. This applies to support to the initiatives of NEPAD, which represents the commitment of African leaders to the principles underpinning the dynamism and prosperity of their peoples, namely democracy, economic liberalization, good governance, growth with equity, respect of sovereignties and a culture of peace.

Over the same period, significant support will also be given to crosscutting themes such as the promotion of good governance, environmental protection, gender concerns, assistance to post-conflict countries and the fight against trans-boundary and communicable diseases. Finally, a special premium will be paid to private sector development and capacity building initiatives and programmes to bring the benefits of globalization to regional member countries, in particular through increased direct foreign investment inflows and the promotion of small and medium-size enterprises.

Furthermore, with a view to consolidating the impact of its operations and improving their contribution to the development impacts in its regional member countries, the Bank will attach the highest importance to achieving better project quality at entry. The supervision and monitoring of operations will also be strengthened with a view to improving and ensuring the timely completion of expected actions by all parties involved in the implementation of projects. In this context, special attention will be paid to the creation of a stronger project implementation culture, in particular through the introduction of new, more incentive and participatory performance review procedures aimed at promoting team spirit. Finally, the Bank Group's Annual Project Performance Review will be improved and strengthened in order to focus more closely on assessing progress in achieving expected development outcomes and results. The implementation of these essential reform measures will play a vital role in supporting the efforts of the Board of Directors and Senior Management to scale up the mobilization of concessional resources for the most vulnerable countries of the region, in particular during the next replenishment of ADF resources.

In conclusion, it is important to highlight that the Bank will resolutely pursue the policy of gradual deconcentration and decentralization of its activities in its regional member countries. This gradual shift in its activities will be accompanied by real efforts to adapt the new structure of the organization, effective in January 2002, by prioritizing the improvement and simplification of coordination procedures, and better delegation of authority. To that end, the planned opening of new national and regional offices will be a key objective of the 2003-2007 Strategic Plan.

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list of acronyms

AADFI	Association of African Development Finance Institutions
ABR	African Business Roundtable
ACBF	African Capacity Building Foundation (Harare, Zimbabwe)
ADB	African Development Bank (Abidjan, Côte d'Ivoire)
ADF	African Development Fund (Abidjan, Côte d'Ivoire)
ADI	African Development Institute (Abidjan, Côte d'Ivoire)
AERC	African Economic Research Consortium
AFREXIMBANK	African Export & Import Bank
AFRICA Project	Accuracy, Flexibility, Relevance, Integration, Change and Accessibility
AFRICA-RE	Insurance and Re-insurance Business in Africa
AFRITAC	African Regional Technical Assistance Center
AGOA	Africa Growth and Opportunity Act
AMCOW	African Water Ministers
AMINA	Assistance in Micro-Finance
AMSCO	African Management Services Company
APDF	African Project Development Facility
APPR	Annual Project Performance Review
APRM	African Peer Review Mechanism
AsDB	Asian Development Bank
AU	African Union
BSC	Balanced Scorecard
BSL	Budget Support Loan
BWC	Bretton Woods Committee
CADM	Administration Department (now CGSP)
CAR	Central African Republic
CEMAC	Central African Economic and Monetary Community
CEO	Chief Executive Officer
CGS	Corporate Government Strategy
CHRM	Human Resources Management Department
CIDA	Canadian International Development Agency
CIMM	Information Management and Methods
CMVP	Corporate Management Complex
CPR	Country Portfolio Review
CSP	Country Strategy Paper
DFIs	Development Finance Institutions
DRC	Democratic Republic of Congo
DTISs	Diagnostic Trade Integration Studies
EBA	Everything But Arms
EBRD	European Bank for Reconstruction and Development
ECA	Economic Commission for Africa
EIB	European Investment Bank
ERP	Enterprise Resource Planning
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FECA	Federation of African Consultants
FNVP	Vice-President Finance Management Complex
G-8	Group of 8
GCI	General Capital Increase
GDP	Gross Domestic Product
GECL	Legal Services Department
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HQ	Headquarters
HR	Human Resources
IAPSO	Inter-Agency Procurement Services Office (UN)
ICP	International Comparison Program
ICT	Information and Communication Technology

IDA	International Development Association
IFAD	International Fund for Agricultural Development (Rome, Italy)
IFC	International Finance Corporation (Washington D.C., USA)
IGWA	Inter-Agency Group for Water in Africa
IMF	International Monetary Fund
IT	Information Technology
IWMI	International Water Management Institute
IWRM	Integrated Water Resource Management
JAI	Joint Africa Institute
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goal
MFIs	Multilateral Financial Institutions
MICs	Middle-Income Countries among RMCs.
MOUs	Memorandum of Understanding
NBI	Nile Basin Initiative
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organizations
NTF	Nigeria Trust Fund
OCVP	Vice-President West and Central Africa
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development (Paris, France)
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
ONVP	Vice President North, East & Southern Africa
OPEV	Operations Evaluation Department
OPSD	Private Sector Department
PARIS 21	Partnership in Statistics for Development in the 21st Century
PDRE	Development Research Department
POPR.1	Operations Policies and Procedures Division
PPLB	Planning and Budgeting Department
PPLB.1	Strategic Planning Division
PPLB.2	Programming and Budgeting Division
PPLB.3	Partnership and Cooperation Division
PPP	Public-Private Partnerships
PRS	The Office of the President of the Bank Group
PRS	The Planning, Budgeting and Research Strategy
PRSPs	Poverty Reduction Strategy Papers
PRVP	Policy, Planning & Research Complex
QPR	QPR Software PLC
RBM	Results-Based Management
RFP	Request for Proposal
RMCs	Regional Member Countries
SADC	Southern African Development Community (Gaborone, Botswana)
SAP	System Application Products
SAPR	Cabinet of the President
SDA	Social Dimensions of Adjustment
SEGL	General Secretariat
SIDA	Swedish International Development Agency
SSP	Sector Strategy Papers
SWAPs	Sector-Wide Approach
SWOT	Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis)
TICAD	Tokyo International Conference on African Development
TRA	Temporary Relocation Agency
UA	Unit of Account
UEMOA	Union économique et monétaire Ouest africaine (Ouagadougou, Burkina Faso)
UN	United Nations
UNDP	United Nations Development Programme (New York, USA)
UNESCO	United Nations Educational, Scientific and Cultural Organization (Paris, France)
UNICEF	United Nations Children's Fund (New York, USA)

USAID	United States Agency for International Development (Washington, DC, USA)
WHO	World Health Organization (Geneva, Switzerland)
WRMFP	Water Resources Management Focal Point
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

I INTRODUCTION

1.1 This Strategic Plan ("the Plan") is being prepared at a critical juncture for the Bank and its regional member countries (RMCs). While Africa continues to face daunting development and poverty reduction challenges, there has been positive progress in a number of RMCs and for the continent as a whole. Prospects for ending some long-standing civil conflicts are now brighter and significant advances are being made via the HIPC initiative in addressing the debt problems that have hampered development in many of the poorest countries.

1.2 There is also a widespread recognition among African policy makers of the importance of sound economic policies, good governance structures and effective public institutions to create the conditions for more rapid, poverty reducing economic growth. This has culminated in the elaboration of the New Partnership for African Development (NEPAD) under which African governments are committing themselves jointly to concerted action for conflict resolution in the region and to implementing policies to promote good governance, effective democracy, economic growth and macroeconomic stability in the context of enhanced support from the international community through market access, debt reduction and targeted development assistance.

1.3 Although support for official development assistance (ODA) weakened in the decade of the nineties, more recent positive developments could lead to significant increases in ODA flows to Africa and facilitate access for its exports in key developed country markets. The recent international conferences in Doha, Monterrey, the TICAD process, the G-8 Summit in Kananaskis, and the World Summit on Sustainable Development (WSSD or Johannesburg Summit) have demonstrated a growing consensus among the developed countries of the importance of paying increased attention to the problems of the low income countries, and particularly to the problems and challenges of African development, in the interests of global security, the control of communicable diseases, global environmental management and the promotion of world-wide social equity. The brighter prospects for ODA have been further reinforced by the successful conclusion of the ADF IX and parallel IDA-13 replenishment negotiations.

1.4 At the same time, donors have clearly articulated their concern to enhance the effectiveness of development assistance and its contribution to attainment of the Millennium Development Goals (MDGs) (see Annex I). This will demand concerted actions by all of the agencies and international institutions that comprise the development community to assist RMCs design and implement effective poverty reduction strategies. Achieving the demanding MDG targets for poverty reduction will require targeting scarce financial, human and knowledge resources on selected interventions (all of which must be country-driven, country-owned and country-specific) that can deliver the greatest poverty reduction impact and by ensuring strategic coherence and constructive synergy among development institutions and donor programs.

1.5 In response to all these growing dimensions of aid effectiveness, the President of the Bank Group in the introductory section of his 2002 Annual Meetings speech clearly articulated "the importance of the ownership of the development effort by our RMCs, the imperative for strong and productive partnerships between all players in the development community, and the need for a focused Strategic Plan that achieves the optimal deployment of the Bank's resources". This statement coupled with similar requests from the Boards of Directors captures the need for the Bank Group to establish a platform for enhancing its role and franchise value for all its stakeholders and maximizing its development effectiveness in tackling poverty in RMCs.

1.6 To better achieve these goals, this Plan is intended to provide the strategic direction and a coherent framework to guide the Bank Group's operations and support activities in the next five years, 2003 to 2007, as it seeks to capitalize on the emerging opportunities. While integrated strategic planning represents a new departure for the Bank, the Plan builds on various strategic activities and on several successful initiatives, including the recent management reorganization, that the Bank has undertaken since 1995 to enhance its financial soundness and organizational and operational effectiveness.[1]

1.7 This Strategic Plan is a key instrument to position the Bank to define and realize its enhanced contribution to meet the African development challenge. It aims to align the Bank's activities as closely as possible to the fundamental goal of poverty reduction. The Plan indicates how the Bank intends to direct and execute its activities so as to maximize its contribution to enhancing development results and thereby reducing poverty in its RMCs, both directly and through strategic alliances with its development partners. Recognizing the magnitude of the challenge of poverty reduction and the finite capacity of its human and financial resources, the Plan aims to enhance the development impact of the Bank's activities through greater selectivity of operations and careful targeting of resources at country level, taking into account the Bank's comparative expertise and experience, and that of its development partners. It also aims to further strengthen the Bank's institutional effectiveness to enable it to play a leading role as a center of knowledge and excellence on issues of African development.

1.8 The Plan has been prepared through a Bank-wide effort involving the active participation of all units and departments under the guidance of PRVP and its Strategic Planning and Budgeting Department (see Annex II).[2] An important purpose of the Plan is to establish an integrated framework for strengthening coordination of the activities of the Operations and Support Complexes so that all work together in a coherent manner to achieve the greatest impact on poverty reduction. This framework will also help to ensure that the human, financial and institutional resources of the Bank are developed and allocated in accordance with the strategic priorities established.

1.9 Three important initiatives are being undertaken in parallel with the Strategic Plan formulation and their results will be incorporated into the final Strategic Plan and facilitate its implementation. These are: (i) the Mission Exercise, which aims to enhance staff understanding of and support for the mission and objectives of the Bank and to create an internal culture conducive to their realization; (ii) the Staff Skills Inventory, which is assessing the availability of the skills and competencies that the Bank will need to implement its future operations; and (iii) the OPSD Study, which is making an in-depth assessment of the structure and future operations of the Private Sector Department.

1.10 Following this introduction, the Strategic Plan is organized as follows:

- Section II highlights the major challenges and opportunities facing the Bank and its preparedness to meet these challenges;
- Section III presents the guiding principles that have been used in elaborating the Plan and setting the strategic thrusts for its operations;
- Section IV describes the operational priorities and modalities reflected in the Plan and the steps to be taken to achieve them;
- Section V sets out the complementary actions that the Bank will take to enhance its organizational effectiveness and operational efficiency;
- Section VI reviews the resource framework and financial results objectives embodied in the Plan;
- Section VII describes the process for monitoring and updating the Plan and its links to the Bank's annual budgeting process;
- Section VIII presents a risk assessment of factors that could adversely affect the implementation of the Plan;
- In conclusion, Section IX outlines how the Bank Group will appear in five years time as a result of implementing this Strategic Plan.

1.11 Annexes to this document give further detail on specific programs and activities related to the Strategic Plan and a SWOT Analysis matrix. The detailed cost implications of the Plan and their impact on the Bank's financial results will be set out in complementary documents and reviewed by the Board as part of the Bank's Annual Administrative and Capital Budget process.[3]

1.12 Following the Strategic Plan approval, Management will hold a series of workshops with representatives from a wide-range of stakeholders including government and non-government officials, private sector associations and key development partners including bilateral and multilateral institutions. The objective will be to help disseminate the Bank's strategy and prepare the ground for further strategic consultations, refinements and review processes in 2004-2005 and beyond.

[1] Management's Proposals To Regenerate the African Development Bank (ADB/BD/WP/2001/36/Add.2 - ADF/BD/WP/2001/47/Add.2 of 16 May 2001.

[2] Senior Management received more than 1,200 pages of contribution from Bank staff and managers through this participatory approach. These contributions are documented and are available in PPLB.

[3] Budget 2003 – Working Document ADB/BD/WP/2002/99 – ADF/BD/WP/2002/114 of 7 November 2002.

II THE CONTEXT: CHALLENGES AND OPPORTUNITIES

2.1 Africa's Development Challenges

2.1.1 Social indicators for Africa are among the lowest in the world. The number of people living in abject poverty in sub-Saharan Africa – those living on less than US$1 per day – increased from 217 million in 1987 to about 300 million in 1999 (see Table 1). Poverty in Africa also has a clear gender dimension, about 70 percent of the poor being women. Civil conflict, poor-governance, weak economic management, and unmanageable debt levels have held back progress in many RMCs, causing per capita incomes to decline and the number of people living in absolute poverty to grow.

2.1.2 Other indicators of human development are equally disturbing. In 2001, life expectancy in Africa stood at only 53 years compared to an average of 64.3 years for the developing world and 76 years for OECD countries. The HIV/AIDS pandemic, together with malaria, have aggravated the situation, leading to an increase in infant and adult mortality and morbidity in several African countries. Africa is today home to 80 percent of the children living with HIV in the world. Gross primary school enrolment in Africa has been declining, currently standing at about 79.5 percent – the lowest in the world. Secondary school enrolment has remained at 29.3 percent while adult illiteracy has fallen from 43 percent in 1995 to 38 percent in 2000

2.1.3 A major factor contributing to Africa's poor development performance has been the high prevalence of instability and conflict. Armed conflicts have caused over 2 million fatalities in the last five years alone, accompanied by a massive rise in the numbers of children fighters/soldiers, refugees and displaced persons. Violent conflicts also leave behind a legacy of militarized and divided societies, decimated institutional capacity, and weak economic potential. The development prospects of a significant number of African countries is therefore predicated on bringing these conflicts to an end and in helping these countries undertake post-conflict rehabilitation and social reconstruction.

2.1.4 Nevertheless, progress is being made in a growing number of RMCs, which is reflected in improved economic performance of the continent as a whole. There has been continuous progress towards strong economic performance in countries such as Morocco, Tunisia, Botswana, Uganda, Senegal, Mauritius and Mozambique – where sound economic management, good governance and stability have created favorable conditions conducive to improved living standards for the majority. Others RMCs that have committed themselves to the path of reform have begun to register positive results, such as Mali, Ethiopia, Tanzania, Mauritania, and Burkina Faso.

2.1.5 Africa's economies grew by a trend rate of 3.5 percent during 1996-2001 as compared to 1.4 percent in the first half of the 1990s. Inflation has declined to 12.7 percent from a peak of 35.7 percent in 1994 and the fiscal imbalance has been reduced to 1.0 percent of GDP. Significant advances have been made via the HIPC initiative in addressing the debt problems that have hampered development in many of the poorest RMCs.

2.1.6 Recently, positive developments towards the restoration or consolidation of peace have been recorded in Angola, DRC, Sierra Leone, Ethiopia and Eritrea.

TABLE 1
People living below US$ 1.0 a day (ppp millions)

	1987	1990	1993	1996	1999
East Asia and Pacific	415	452	432	265	260
Europe and Central Asia	1	7	18	24	17
Latin America	64	74	71	76	77
Middle East and North Africa	25	22	21	21	n.a.
South Asia	474	495	508	532	490
Sub-Saharan Africa	217	242	273	289	300
TOTAL	1,196	1,292	1,323	1,207	1,144

Sources: World Bank, Poverty Net and World Development Report.

As well, remarkable progress has been made in the peace negotiations in Sudan. Furthermore, more than 29 RMCs have demonstrated growing commitment to democratic elections. Africa's development challenges in the coming decade will therefore be to focus on both broadening and deepening the economic reform effort and setting the continent's economies on a path of good governance and sustained socio-economic growth.

2.1.7 Achieving the Millennium Development Goals (MDGs) in RMCs. Despite the gradual improvement in economic and social conditions, Africa's overall economic growth remains well below what is required to bring about significant reductions in poverty. This is evident by reference to the Millennium Development Goals (MDGs) set by the international community in 2000, which aim, inter alia, to reduce the number of people living in absolute poverty by half by the year 2015.[4] There is a broad consensus that MDGs provide a frame for many of the desired socio-economic outcomes, recognizing that they reflect the mutually reinforcing influence of a broad spectrum of development policies. These goals, which appear in Annex I, have been endorsed by African leaders in various international fora and constitute the basic framework within which African development efforts will be mainly measured over the coming decade.[5]

2.1.8 African countries will need to double current economic growth rates and make major investments in upgrading social services if they are ever to come close to meeting the MDGs targets. While the relatively more developed Southern and Northern RMCs would need to grow by an annual rate of about 5 percent to achieve the targeted reduction in poverty, the poorest countries of East, West and Central RMCs would have to grow by at least 8 percent. Clearly, such growth rates exceed those attained by most African countries during recent years, although a few high performers, such as Botswana, Egypt, Mali, Mauritius, Tunisia, Mozambique, and Uganda, have demonstrated the possibility of doing so. The real challenge therefore that Africa and its development partners must confront is how to achieve and sustain accelerated and broad-based economic growth in an increasing number of RMCs not only over the Plan period but up to 2015 and beyond.

2.1.9 Resources Requirements of Meeting the MDGs in Africa[6]. Recent work by the Bank Group indicates that substantial additional resources are required by RMCs if they are to achieve the MDGs. For the 30 or so RMCs judged to both need and in a position to use aid effectively, it is estimated that an increase of US$20-25 billion in ODA would be required. Taking account of the global estimates presented at the Monterrey conference, these estimates suggest that at least half of the global increment in aid should be allocated to RMCs. That would be on top of the US$16.0 billion in ODA that Africa currently receives, of which US$13 billion goes to Sub-Saharan Africa, and US$11.0 billion to good performers. These are broad orders of magnitude, which depend on country performance, especially improvements in the efficiency with which aid is used, improved domestic resource mobilization, and increase in foreign private investment. More specific country assessments will be made during the Plan period in the context of the PRSPs and CSPs processes. In addition, the costs of regional initiatives such as NEPAD, the fight against communicable diseases, need to be taken into account at a later stage. Given its resource constraints, the Bank can only contribute to these global needs if it were able to leverage resources through better development results of its operations.

2.2 Emerging Opportunities in a Changing Global Environment

2.2.1 In general, Sub-Saharan Africa's share of aid flowing to all developing countries dropped from 37.2 percent in 1990 to 27.2 percent in 2000 and as a share of regional GNP, from 5.8 percent to 4.1 percent during the same period. In volume terms, aid fell from a high of US$32.0 billion in 1991 to jus over US$18.0 billion in 1999. OECD countries account for nearly US$12.0 billion while multilateral organizations account for most of the balance. In 1999, the average donor country provided aid equal to about 0.24 percent of its GNP compared with 0.35 percent in 1989-92. This level of support is well below the target of 0.7 percent suggested as the percentage of GNP which industrialized countries should have made available in foreign aid. However, concessional floaws have begun to rise again, if modestly, since 1997. ODA to developing countries rose from US$35.6 billion in 1997 to US$41.6 billion in 2000, although this was well below the peak of US$49.5 billion in 1991. Concerns about aid effectiveness rose as research suggested that development assistance was only producing significant benefits in countries with growth enhancing policies, capable institutions, good governance structures and manageable

[4] The Global Poverty Report prepared by the Bank Group in June 2002 in collaboration with sister institutions such as the Bretton Woods Institutions, AsDB, EBRD, and IADB.

[5] The results agenda embraces the MDGs, but recognizes that countries also may have other goals for which measurable results are sought. Hence, this Strategic Plan recognizes the need for a concept that might be called the "MDGs-plus", reflecting the broader list of results that RMCs are pursuing in the context of their PRSPs and other national development strategies.

[6] Source: Global Poverty Report.

levels of debt. Fortunately, there has been a conjunction of positive events since 2002 that offers brighter prospects and new opportunities for accelerating progress on poverty reduction in RMCs. In particular, the international community has been engaged in an effort to improve effectiveness, efficiency and accountability through development assistance.

2.2.2 At the Monterrey meeting on Financing for Development, consensus was reached among the major international development stakeholders, who pledged themselves to help meet the MDGs targets, inter-alia by raising ODA transfers to the poorest countries. New financing vehicles, such as the US$ 5.0 billion Millennium Challenge Account, have been proposed, with a strong focus on Africa. At the Doha WTO Ministerial Conference, increased attention was paid to the market access problems of low-income countries and the need to provide capacity building support to help African countries make full use of enhanced market access opportunities. The G-8 Summit in Kananaskis, Canada, in June 2002 invited several African leaders to participate and placed African development at the top of its agenda. The recently completed IDA-13 and ADF-IX replenishment discussions have provided some real increases in funding and significantly increased the proportion of resources provided on grant terms. As well, the TICAD process continues to play a unique catalytic role as a framework through which Africa and its partners in Asia promote comprehensive dialogue and mutual cooperation.[7]

2.2.3 There is also the emerging African Initiative in addressing economic issues, as exemplified by the New Partnership for Africa's Development (NEPAD), which articulates the political commitment of African leaders towards ownership, and joint action to guide the continent towards more rapid economic growth and sustainable development. Under these proposals, RMCs would commit themselves jointly to strengthening systems for conflict resolution in the region and implementing policies to promote good governance, economic growth and macroeconomic stability, and private sector development in the context of enhanced support from the international community through market access, debt reduction and targeted development assistance. These proposals were endorsed in principle at the G-8 meeting, although details remain to be worked out.

2.3 Outlook

2.3.1 The Bank is better prepared than ever before to play a leading role in assisting RMCs to take advantage of the emerging opportunities. Since 1995, there has been progress in enhancing the Bank Group's operational credibility and financial health, and support from its shareholders, its client responsiveness, strengthening its partnerships, increasing transparency and improving communication with the Board. These reforms have also involved: human resources management and training, telecommunications and information systems technology developments, business processes innovations, corporate management improvements, financial management reforms, operational policy improvements, internal and external communications, and articulation of a strategic Vision. Building on these initiatives the Bank began implementing, in January 2002, a new organizational structure, incorporating a robust strategically oriented planning function and two Vice-Presidencies in Operations tailored to meet its diverse clients needs.

2.3.2 The Bank is engaged in ongoing efforts to further strengthen the organization through consultation on the future strategic orientations and thrusts of the private sector department, the establishment of an inspection panel, and the recruitment of a Chief Economist, all of which are important to the Bank's overall quest to achieve a higher level of efficiency to fight poverty for lasting results in RMCs.

2.3.3 The Bank's main financial indicators now compare well with those of the other MDBs. As a result of this progress, the Bank's credibility is now high among its shareholders and development partners, many of whom expressed their strong support for the Bank's recent operational achievements and its future strategic direction at the 2002 Annual Meetings. This support was further confirmed by the successful conclusion of the negotiations for the ADF-IX Replenishment.[8] Accordingly, the Bank is now well placed to assist RMCs in their efforts to reduce poverty in Africa, in accordance with the Millennium Development Goals.

[7] The next TICAD III to be held in October 2003 is expected to give priority to the following three areas: (i) Asia-Africa cooperation; (ii) "human-centered development"; and (iii) efforts to consolidate peace as a precondition of development.

[8] The Report of the ADF Deputies on the Consultative Meetings on the Ninth General Replenishment of Resources for the African Development Fund, September 2002.

III GUIDING PRINCIPLES AND STRATEGIC FOCUS

3.1 This Strategic Plan embodies the following four enduring principles that will govern the Bank's activities over the next five years and beyond:

- Productivity growth and poverty reduction will continue to be the overarching objective for Bank Group operations;
- The Bank's operational focus will continue to reflect the key areas of intervention set out in the Vision Statement, but within these areas the Bank will tailor its operations so as to maximize its contribution to the achievement of lasting development results within the MDGs framework;
- The Bank will strengthen its understandings and cooperation arrangements with multilateral, bilateral and regional agencies that have a similar strategic orientation and with whom enhanced partnerships can lead to constructive division of labor and benefits from synergy;
- The Bank will enhance and strengthen its support to emerging initiatives in order to bring the benefits of globalization to RMCs from both market access and economic diversification viewpoints, and continued monitoring focused on long-term debt sustainability and stronger action on debt management and capacity building in RMCs.

3.2 Poverty Focus

3.2.1 The difficult challenges facing economic development and poverty reduction in Africa and the improving prospects for addressing these challenges, as set out above, provide the contextual backdrop against which the Bank has set its strategic focus and the sector and thematic priorities for the next five years. The Bank is planning in the expectation that concessional funding for Africa will continue to be below country needs in the short run, but that prospects are brighter for funding increases in the second half of the planning period assuming that RMCs can follow through in implementing the NEPAD undertakings and that the Bank and its development partners continue to make progress in enhancing aid effectiveness and demonstrating the development results of their interventions.

3.2.2 Poverty reduction, underpinned by efforts to improve productivity and economic growth, will continue to be the overarching objective for Bank Group operations. The Bank's primary focus will be to support the efforts of its regional member countries to create a climate conducive to sustained and broad-based growth in output and employment and to establish policies and step up investments that will empower the poor to contribute to, and benefit from, more rapid economic growth.

3.2.3 Recognizing the magnitude of the challenge of poverty reduction and the finite capacity of its human and financial resources, the Bank will seek to maximize the development impact of its activities through clear definition of its areas of strategic focus, and through greater selectivity of operations and better targeting of resources at country level. This objective will be better achieved by taking into account the Bank's experience and competencies and recognizing the areas in which other development partners may be better equipped to take the lead (Section 4.2 as well as Annex III discuss a framework for Selectivity in greater detail).

3.2.4 Link between the Vision and the Strategic Plan. The Vision Statement, which was based on wide consultation with the Bank's clients and stakeholders, sets out the long-term strategic focus that the Bank has set itself in pursuing its poverty reduction objective and indicates the sector and thematic priorities that will guide its operations[9]. Operationalizing this Vision is a major objective of the Strategic Plan over the 2003-2007 period. To that end, the Millennium Development Goals (MDGs), which set quantified targets for the poverty reduction agenda, provide an additional frame of reference for the Bank to further focus its activities and to assess progress.

3.2.5 The Bank's operational focus will continue to reflect the key areas of intervention set out in the Vision Statement, but within these areas the Bank will tailor its operations and develop its internal capabilities and partnership arrangements so as to maximize its contribution to the achievement of the MDGs. Comparative advantage and poverty reduction impact will be the key guiding principles. The Bank will not attempt to pursue all aspects of the Vision agenda in each of its borrowing countries. Instead, and in close consultation with RMCs and other partners, it will narrow its operational focus, concentrating on a restricted set of activities in which its expertise and experience and financial support are likely to have the greatest impact in achieving the MDGs agenda (see Annex I).

3.2.6 For the period 2003-2007, the Bank will give priority to allocating its resources particularly towards agriculture and rural development, with greater emphasis being given to water and sanitation in rural and peri-urban areas, and to human capital formation through primary education and health services. Selective support, through a scaling up approach, will be given to public utilities where this is an essential component of rural development, a priority element in a specific RMC's poverty reduction strategy, or a vital component of NEPAD regional economic integration initiatives. Support will also be given to cross-cutting development themes such as gender concerns, environment, and good governance (particularly financial-, economic- and corporate governance), as well as to the fight against trans-boundary and communicable diseases, global environmental problems, and assistance to post-conflict countries, in particular through strategic alliances with the Bank Group's development partners, by leveraging collective strengths and by combined experience and expertise. A special premium will be paid to private sector development and capacity building initiatives and programs, in particular in order to bring the benefits of globalization by attracting private investment to high performing RMCs, that they be the forerunners of Africa's transition from high aid dependency to a more robust development path, led by the private sector. For the Bank Group therefore during the Plan period, effective scaling up of its resources will be essential to moving the institution far beyond traditional project related-activities, as it raises challenges for better measuring, monitoring and managing for development results.

3.3 Sector and Thematic Priorities

3.3.1 Agriculture and Rural Development. Given that poverty in Africa tends to be widespread and most acute in rural areas, the Bank will seek to contribute to meeting MDGs goals by supporting agriculture and rural development in line with its revised policy document approved in 1999.[10] The Bank has built up significant experience and capabilities in this sector and is already a leading player. By contrast, other key donors have shifted their focus away from agriculture towards the social sectors.[11] The PRSPs/CSPs processes will therefore put agriculture and rural development at the top of their strategic agenda, particularly in ADF countries.

3.3.2 Support for this sector during 2003-2007 will focus on the adoption of modern agricultural technologies, diversification of crop and animal production systems, efficient management of natural resources, and improvement of land and labor productivity for farm and non farm activities. The Bank will aim to play a leadership role in the development of rural financial services, building on its hard-won lessons and experiences as well as best practices in sister institutions and NGOs in this sector. Special attention will be given to facilitating access of women to land and improving gender equity in all aspects of rural development.

3.3.3 Because the lack of adequate, affordable, and reliable infrastructure is pervasive in rural Africa, the Bank Group will also give emphasis to strengthening rural infrastructure. Investments in all-weather roads, telephone services, rural electrification, and above all clean water supply and sanitation will be actively supported to enhance access to markets for inputs and outputs, improve the delivery of social services of high quality, facilitate the flow of vital information on markets, attract non-farm business enterprises, and promote the processing and diversification of agricultural products.

3.3.4 The Water Initiative. In RMCs, providing basic water supply and sanitation, ensuring food security and energy, and protecting societies from the extremities of climate variations constitute tremendous development challenges. Recent estimates show that more than half of the over 810 million people in Africa have no access to clean water, nor adequate sanitation, and only about 6% of the cultivated area is irrigated, whereas, on the other hand, only about 4% of the fresh water resources are put to use. There is a need for improving water use efficiency and productivity; capacity building in water knowledge and governance; financing water infrastructure and ensuring broad stakeholder participation. RMCs and donors cannot expect any real inroads into poverty reduction and sustainable development in RMCs in the next 10-20 years without effectively tackling this major issue.

3.3.5 To this end, the Bank Group, during the Plan period, will strengthen its capacity to promote integrated management of water resources and seek to play a leading role to focus on joint efforts by RMCs, partners and stakeholders to implement integrated water resources management practices and high impact projects and to promote use of shared water resources to enhance regional integration. This objective will be pursued in close collaboration with other donors to mobilize the necessary resources and know-how to achieve better development and lasting results.

3.3.6 This approach has already led the Bank to embark, along with ECA, AU, and other partners on efforts to develop the African Water Vision and Framework for Action, and to take a leading role in establishing the African Water Task Force. The Task Force has successfully combined the energies of a wide variety of institutions, national, regional, and international, to promote the African Water Agenda. One of the positive outcomes of these efforts is a proposal to establish the African Water Facility. In this framework and during the Plan period, the Bank Group will strive to gradually become the premier lending institution in

[9] The Vision of the African Development Bank – A re-Invigorated Bank – An Agenda for Moving Forward (ADB/BD/WP/98/172/Rev.1 of 12 March 1998.

[10] Agriculture and Rural Development Sector Policy – ADB/BD/WP/99/105/Final/Approved – ADF/BD/WP/99/85/Final/Approved.

[11] For example, the World Bank lending for rural development in Africa fell from 23 projects valued at US$1.0 billion in 1990 to 8 projects, valued at US$224 million in 1999.

the provision of potable water, adequate sanitation, secure water for agriculture use and harnessing sustainable hydro-energy potential for sustainable livelihood in RMCs (Annex VII).

3.3.7 Human Capital Formation – Five of the eight MDGs call for improvements in the social indicators with respect to children's education, gender equality and maternal and child health care. The Bank will increase significantly the proportion of its total resources going to the education and health sectors, in ADF countries and in particular, to basic education and primary health care. These will be addressed through the Bank's support for investments in human resources development and social service delivery and targeted support through social protection programs to countries with strong policy and financial commitment to these sectors.[12]

3.3.8 In Education the emphasis will be on expanding access to primary education and ensuring affordability, with particular emphasis on the enrolment and retention of girls, enhancing youth/adult employability through literacy, vocational and basic skills training, and enhancement of education systems through policy and curriculum development, supply of teachers and teaching materials and public expenditure management reforms. Selective interventions in tertiary education will be made in areas of critical skill shortages (including teachers' training and the introduction of ICT in distance learning) and poverty related research, in particular through public-private partnership programs.

3.3.9 In Health, the Bank will place emphasis on primary health care, reproductive health, maternal and child health care and the control of communicable diseases. It will support country level programs for combating HIV/AIDS, malaria and tuberculosis in areas where it has the skills and resources to do so.[13] A particular concern will be the accessibility, reliability and affordability of primary health services, particularly in rural and peri-urban areas and for women and children. Policy reform, including budgetary reform, and capacity building in health and social services, will also be given priority support.

3.3.10 Social protection programs will also be supported, including the establishment, reinforcement and efficient operation of social safety nets and the provision of economic and social support to vulnerable groups and for mitigating the effects of drought and natural disasters. The Bank will retain the flexibility to respond to unexpected eventualities, including natural disasters and post-conflict rehabilitation and reconstruction, but will aim to do so in cooperation with its development partners and in areas where it has appropriate skills and experience.[14]

3.3.11 Infrastructures Development and Regional Economic Integration – NEPAD. Lack of adequate social and economic infrastructure remains one of the key constraints to short and medium term poverty reduction in Africa. In most RMCs, the road network is poorly developed; telecommunications and water supply systems are inadequate and inefficient; and power supply is insufficient and unreliable.[15] These deficiencies have translated into high transaction costs, which, in turn, have inhibited investment and hampered cross-border trade. Greater regional cooperation in infrastructure will reduce costs; facilitate market integration; and help promote investment, particularly by the private sector.

3.3.12 With the NEPAD homegrown development agenda, there is a rising realization among RMCs that progressive integration holds great potential for minimizing the costs of market fragmentation and thus, is a precondition for integrating African economies into the global economy. The new integration efforts are being carried out in an environment that is considerably different from the past. Most RMCs are undertaking wide-ranging economic reforms and opening their economies through extensive trade and exchange system liberalization.

3.3.13 The Bank has a long history of financing regional/multinational projects and national investments, which increase the complementarity of RMCs' economies.[16] The lessons learned from implementing these projects point to the need for selectivity in the choice of areas of future interventions. Since multinational projects tend to be large, costly and involve high sunk costs, the Bank Group will pursue co-financing arrangements with other development partners and the beneficiary RMCs. Above all, the Bank Group will be selective, concentrating on demonstration and high-

[12] Education and Health Sector Policies as well as the Population Policy and Strategies for Implementation approved by the Boards of Directors (Annex VI).

[13] HIV/AIDS Strategy Paper for the Bank Group Operations (ADB/BD/WP/2001/11/Rev.2 – ADF/BD/WP/2001/12/Rev.2).

[14] A Position Paper on ADF Interventions in Post Conflict Countries was prepared in September 2002 during the consultations on ADF-IX. A Bank Group Policy Guidelines on Post-Conflict Assistance to RMCs will be prepared in 2003.

[15] In Sub-Saharan Africa less than half the rural population has access to safe drinking water, over two-thirds lack adequate sanitation services, only about 5 percent of them have access to modern electricity, and the disparity in 'teledensity' (number of telephone lines per person) between urban and rural areas is as high as 60:1. Source: Global Poverty Report, June 2002.

[16] The Bank Group has played a key role in the establishment of regional institutions such as Afreximbank, Shelter Afrique, APDF, AMSCO, AFRICA RE, FECA, AADFI, and ADB-NGO Committee.

impact projects that facilitate cooperation and integration confidence among participating countries. This approach will call for greater emphasis on programs and projects in power interconnections, upgrading transport and telecommunications projects. The Bank's focus will be for better linkages between RMCs and improved market access, in particular for land-locked countries where these are economically sound and represent important components of regional integration programs. As well, a selective priority will be given to addressing trans-boundary and global health and environmental problems in close coordination with key strategic partners.

3.3.14 In line with guidance and request from the Board of Directors made during its deliberations on the new structure of the Bank Group in June 2001, Management supports the principle of establishing a focal point/ unit within the Bank to deal with economic cooperation and regional integration issues and to mainstream these in Bank Group operations. In pursuit of this principle, Management has engaged the services of a consulting firm to examine the relevant issues and advise the Bank accordingly. During the Plan period, after reviewing the recommendations of the consultant, various options for establishing a meaningful coordination focal point or unit will be examined to coordinate Bank Group's regional integration activities and to promote economic cooperation and regional integration of its RMCs. An effective focal point/unit will facilitate the Bank's efforts to gradually position itself as a lead facilitator or enabler of regional economic integration through its operational interventions and co-operations with other stakeholders, including member countries and their civil society structures, regional and sub-regional organizations and other development partners.

3.4 Cross Cutting Issues and Concerns

3.4.1 The Bank will continue to mainstream Gender concerns in all its operational work. Gender analysis will be further strengthened in country strategy preparation, poverty analyses and project and program designs. Attention will be given to eliminating gender disparities in education, including functional literacy programs, and policies and strategies to promote the participation of women in higher education. Women's access to health and social services will be further strengthened. Particular emphasis will be placed on the gender dimensions of the HIV/AIDS pandemic. An increased consideration will be given to women's participation in agriculture and in rural and micro-finance programs and the training of small-scale entrepreneurs.[17]

3.4.2 Good Governance is an important building block of the fight against poverty. In line with its recent Policy on Good Governance, the Bank will focus its support to the efforts of RMCs to enhance accountability and transparency in the management of public resources, to undertake legal, judicial and regulatory reform and to build regulatory capacity in key public institutions.[18] Support will be provided through governance programmes, including capacity building interventions in cooperation with regional, bilateral and multilateral partners.[19] Within this framework, the Bank Group will seek over the Plan period to build up its experience and skill mix to play a leading role in economic, financial and corporate governance. A particular attention will be paid to the distinctive needs of ADF and ADB countries (See section IV).

3.4.3 Sustainable Development – The Bank intends to mainstream environmental sustainability, like gender, in all of the Bank's interventions. In addition, the Bank will support the development of national and regional environmental sustainability strategies and will support selected, free-standing projects to redress high priority environmental problems in the region such as land and water degradation, desertification, protection of coastal and marine environment, and promoting the use of renewable energy in close coordination with other donors.

3.4.4 To promote environmentally sound and sustainable development, the Bank will ensure that: (i) the environmental and gender implications of the Bank's activities are taken into account from the early stages of planning and decision-making; (ii) environmental and gender issues are properly reflected in the preparation, approval, implementation, and evaluation of all types of financing by the Bank Group; and (iii) capacity building and training efforts are enhanced in the Bank's investments.

3.5 Strategic Partnerships

3.5.1 The Bank will strengthen its understandings and cooperation arrangements with multilateral, bilateral

[17] ADF Strategy and Assistance in Micro-Finance (AMINA) to Regional Member Countries (ADF/BD/WP/2001/97) of 17 July 2001 and the Business Plan – Central Microfinance Unit (OCMU) ADF/BD/WP/2002/112 of 24 October 2002.

[18] Bank Group Policy on Good Governance (ADB/BD/WP/99/55/Rev.2/Approved – ADF/BD/WP/99/40/Rev.2/Approved). Also see ADB/BD/IF/2001/06 – ADF/BD/IF/2001/06. The Bank Group is committed to an effective Strategy on Law for development that is based on poverty reduction and regional economic cooperation and integration.

[19] Political governance will be handled by ECA that has been closely involved in providing technical support to NEPAD in conceptualizing the African Peer Review process. It is important to make effective use of the ECA's expertise in this division of labor and strategic partnership program.

and regional agencies that have a similar strategic orientation and with whom partnerships can lead to constructive division of labor and benefits from synergy. Key strategic partnerships will be with the World Bank, the IMF, IFAD, UNDP, and the European Union and active bilateral agencies with whom the Bank has, or will conclude a Memorandum of Understanding. Technical Cooperation Agreements are in place with specialized UN agencies including FAO, UNESCO and WHO. Key regional partners will be ECA and the NEPAD Secretariat as well as the African Business Roundtable (ABR) and AERC. In 2003, the Bank will develop strengthened criteria for the choice of additional strategic partners and for the design of cooperation arrangements and Trust Funds.

3.5.2 The priority sectors and themes outlined above represent the core strategic focus of the Bank. In some of the critical areas identified, Bank intends to play a lead role and will aim to capitalize on and further develop its internal capabilities and expertise and strengthen its comparative advantages vis-à-vis other development partners (see Annex III). In other sectors, the Bank will not seek to play a leading role but will support the efforts by other development partners where it has the financial resources and staff skills to do so and where the activity is in line with the Bank's overarching poverty reduction objective.

3.5.3 As a guiding principle, the Bank Group, will explicitly step back where other institutions have clear comparative advantage – and will actively encourage and support leadership roles for partner organizations. Enhanced CSPs will detail the rationale for the Bank Group involvement (or not) in specific areas and the types of instruments and partnership arrangements to be used in supporting the country's agenda--aiming at making the biggest possible impact on poverty reduction in RMCs.[20]

3.5.4 Division of Labor. The Bank Group will continue to work very closely with the Bretton Woods Institutions (BWIs) within an enhanced agreed division of labor. The BWIs will lead the dialogue on macroeconomic reforms and public sector management issues in RMCs and in the financing of major infrastructure projects such as in Telecommunications and ICT. The Bank Group will seek over the Plan period to build up its skills and experience to play a leading role in agriculture and rural development, in human resources development, in governance (financial and economic governance), in regional economic integration issues, and in water and sanitation (see Annex III).

3.5.5 In the case of multisector policy-based operations in support of macroeconomic policy reform, the Bank will play an increasingly active role in preparatory studies and policy dialogue, focusing on the priority sectors and themes set out above and in which it has, or will have developed clear capabilities over the Plan period. Particularly important in this respect will be the assistance given to RMCs to help them develop Poverty Reduction Strategies Papers (PRSPs) in close coordination with the BWIs. The Bank will be proactive in supporting these efforts, particularly in those sectors and thematic areas likely to make the biggest impact on poverty reduction in RMCs. The Bank Group will consider introducing the Budget Support Loan (BSL) as a new instrument to finance the debt portion of the multi-year expenditure framework of MICs.[21]

3.5.6 Strategic Alliances with Civil Society. Governments and institutions such as the Bank Group need to work more closely with civil society at the local and regional levels. In its partnership with the civil society, the Bank's outreaching since 1995 has made much progress. During the Plan period, the Bank Group will strengthen and enhance its work in seeking to maximize the potential of this important relationship, in particular with greater emphasis on building the constituency for support to NEPAD in the private sector and other stakeholders in the civil society. The rich experience and commitment of many NGOs will remain a valuable resource for the Bank Group in order to ensure timely and meaningful consultations and participation while maintaining continued collaboration with its government shareholders.

3.5.7 Trust Fund Reforms. Many of ADB's traditional donors have established trust funds for specific purposes and with specific procedures attached to their use. The lack of uniformity and the administrative cost of managing the trust funds has drained resources from the Bank and has not always proven to result in additionality. As a result, during the Plan period, an assessment of the Trust Fund practices and policies in the Bank Group and sister institutions will be implemented to propose a coherent framework for better leveraging resources for the implementation of the Bank Strategic Plan, and to rationalize its strategic partnerships in line with best practices in similar institutions.

3.6 Private Sector Development

3.6.1 The private sector can contribute to poverty reduction in two major ways. First, it can generate economic growth, employment and higher incomes, especially for those involved in agricultural production, and

[20] The new format for the enhanced CSP, which was approved by CODE, will be presented to the Boards of Directors for approval to ensure a timely and effective entry into effectiveness of ADF-IX resources.

[21] Management Proposals for Enhancing the Bank Group Operations in Middle-Income Countries (ADB/BD/WP/2002/47 of 22 May 2002).

trade. Second, it can contribute to the development of infrastructure and the efficient delivery of social services, including education, health, water, and energy. The Bank is undertaking a strategic study aimed at developing its activities and capabilities to support the private sector.[22] The Bank will pay particular attention to improving the investment climate for domestic and foreign investment, reducing public sector dominance in the provision of goods and services and promoting financial sector development and deepening and support for SMEs.

3.6.2 The Bank plans to give greater emphasis to advisory support and technical assistance in order to streamline legal and regulatory environments, promote private infrastructure provision and public-private partnerships, encourage domestic entrepreneurship and facilitate joint ventures. The Bank will work closely with the Bretton Woods Institutions in assisting RMCs to achieve a stable macroeconomic environment, which is an important pre-requisite for more rapid private sector development.

3.7 Bringing the Benefits of Globalisation to RMCs

3.7.1 There is a real opportunity to make significant progress into poverty over the next 10 years, and to bring the benefits of globalization to all RMCs. To realize this opportunity, and taking into account the growth prospects that are strong for a growing number of RMCs because of improved policies and institutions, the Bank Group will develop a selective approach over the period 2003-2007 to facilitate their trade integration to the world economy and their debt management policies.

3.7.2 Trade Integration Strategy. Trade policies can contribute to poverty reduction through their effect on economic and income distribution. But several RMCs are not well integrated into the global market. Due to imperfections in domestic and international trade, their share in world trade has declined to 1.3 percent, a third of its level two decades ago. It is estimated that if Sub-Saharan African had today the world trade that it had in 1980, its annual global exports would be US$191 billion, or almost double current levels. Some of the constraints affecting RMCs' access to international trade are national rigidities, including infrastructure constraints and dependence on a narrow range of commodities with declining prices. Oil-exporting RMCs have also experienced volatile prices, introducing fluctuations in their exports earnings. Even ADB countries that have diversified their exports suffer from problems of quality and lack of knowledge of export markets and appropriate technology. As well, African exporters of agricultural products face the high subsidies in developed countries exporting similar products.

3.7.3 Recent estimates indicate that 80 percent of RMCs depend on just two primary commodities for more than half their export earnings. They need to diversify their production base and increase their exports of processed goods, while continuing to exploit the comparative advantage they enjoy in primary commodities. Those efforts will require the support of their major trading partners. Subsidies and trade barriers by industrial countries tilt the field against RMCs, even though many of them cannot now take advantage of trade liberalization because of structural and institutional constraints.

3.7.4 Within this framework, the Bank will focus on the private sector to harness trade towards meeting the MDGs and to help this sector develop its export competitiveness and overall capacity to take advantage of the emerging opportunities such as AGOA, EBA, and the TICAD process. As a result, the private sector will be better placed to utilize the enhanced market access opportunities for African exports which are an integral part of the multilateral trading system and thereby enable the private sector to assume its role as the engine of growth of RMCs' economies. This objective will be pursued with due regard to the Bank's limited resources and expertise and will take into account the existing coherent framework that gives due cognizance to the new multilateral trading system as embodied in the WTO.

3.7.5 In this regard, the Bank Group in close coordination with WTO will have a significant and substantive contribution to make in two critical areas: (i) the implementation of the Doha Development Agenda; and (ii) the preparation of country-specific Diagnostic Trade Integration Studies (DTISs) with greater emphasis and priority being given to ADB and MICs countries as well as high performing ADF countries that have demonstrated a strong commitment to policy reforms and good governance.

3.7.6 The DTIS will be an effective instrument for assessing the competitiveness of the RMCs' economies concerned, and for identifying the impediments to the meaningful integration of these countries into the multilateral trading system and the global economy. As well, such diagnostics can provide an effective mechanism for building domestic consensus for necessary policy reform, for prioritizing the needs of trade-related

[22] An informal Board meeting was held on 17 May 2002, to discuss the preliminary findings of the consultant on Restructuring the Private Sector Department of the Bank (ADB/BD/IF/2002/92 of 21 May 2002.

technical assistance and capacity building, for coordinating donor responses to the identified needs, and for stimulating necessary supply-side responses through better public and private partnership programs.

3.7.7 Long-Term Debt Sustainability Strategy. Within the framework of the HIPC program, the Bank Group has to date approved debt relief to 22 African countries. Of these, 17 countries are decision point approvals while for five countries – Burkina Faso, Mauritania, Mozambique, Tanzania, and Uganda -- an irrevocable commitment of debt relief has been made, as these countries reached their completion points. It is important to note that for Burkina Faso and Mozambique 'topping-up operations' amounting to $3.45 million (18 percent) and $18.50 million (27 percent) respectively were approved at their completion points. Total approvals for these 22 countries currently stand at US$1.6 billion (in relevant NPV terms). This total could be subject to upward revisions should more countries qualify for topping-up operations as they reach their completion points.

3.7.8 Seven other countries are expected to qualify for debt relief in 2002 and 2003. The two most significant in terms of size of operations are Côte d'Ivoire and DRC, with the DRC expected to qualify in the first quarter of 2003 and perhaps Côte d'Ivoire could reach its decision point contingent upon a quick resolution of its current difficulties and a positive reassessment of its economic situation. The share for the AfDB of the debt relief for these two countries is estimated at US$1.2 billion. The preliminary figures for the other five countries stand at US$269.4 million. As these countries have significant arrears to the Bank Group, schemes for arrears clearance will need to be worked out with the assistance of donors, to enable them to qualify for HIPC debt relief.

3.7.9 With 22 RMCs having reached their decision or completion points, and estimates having been revised or new ones done for 7 other eligible RMCs, the Bank Group's costs for its participation in the HIPC initiative has been accordingly adjusted.[23] The total estimate for the 29 countries now stands at about US$ 3.1 billion. This includes US$ 906.27 for the DRC, which under the special arrears clearance scheme approved by ADF Deputies and the ADB Board is expected to be financed as follows: ADF contribution: US$ 43 million; donor contribution to ADB for partial payment: US$ 76 million; ADB contribution: US$ 615.2 million; HIPC Trust Fund contribution: US$ 172 million.[24]

3.7.10 During the Plan period, an immediate challenge for the Bank is to consolidate its tracking mechanism of the expenditure of HIPC debt relief to ensure that poverty reduction projects and growth enhancing programs are actually being funded. This is particularly important as the post-conflict countries become eligible for debt relief. Hence, over the strategic planning period, the Bank, in close coordination with the donor community, will seek to improve, as appropriate, the debt sustainability analysis under the current framework for HIPC.

[23] The number of African HIPCs has risen to 32 from the original 30 with the inclusion of Gambia and the Comoros. The three countries for which adequate estimates do not currently exist are: Liberia, Somalia and Sudan.

[24] These are preliminary figures and the share to be financed by the HIPC Trust Fund could be considerably higher depending on the resources mobilized by the Fund for the initial partial payment.

IV OPERATIONAL PRIORITIES AND MODALITIES

4.1 In light of the guiding principles and strategic focus as set out in the previous section, and taking into account understandings reached during the ADF IX replenishment negotiations, the Bank plans to pursue the following strategic priorities and modalities to guide its operations during the Plan period:

- Optimize the allocation of Bank's scarce human and financial resources through greater selectivity of operations within countries, between countries and at the regional level;
- Maximize the development effectiveness of the Bank operations through an enhanced appreciation of client needs and focus on quality enhancement and development results;
- Build up the Bank's human, institutional and knowledge management resources and expertise to enable it to become an intellectual leadership institution for development in Africa able to attract and nurture diverse and committed staff; and
- Maintain the financial soundness and integrity of the Bank Group.

4.2 Greater Selectivity in Operations

4.2.1 A Framework for Selectivity. While the Bank is committed to pursue the broad poverty reduction agenda set out in its Vision, it is widely recognized that it should not attempt to address all items of this agenda in all its 53 RMCs. This Strategic Plan therefore is intended to serve as a framework for defining how resources will be selectively allocated within countries, between countries and at a regional level. The basic approach will be to agree on a narrow set of priority interventions for each RMCs, in close collaboration with the country authorities and other donors through the PRSPs/CSPs process, and within the priority sectors and themes set out in the previous section. The Bank's available lending resources and staff skills will therefore be sharply focused on those interventions and areas of development where Bank assistance can have the greatest development impact. This will necessarily mean explicit trade offs, restricting lending to certain sectors and sub-sectors and even to some RMCs, while working to enhance the policy framework and implementation capacity in sectors or countries where lending operations are not a priority.

4.2.2 Within Countries the Bank will rigorously link the selection of operations to its areas of competence and comparative advantage vis-a-vis other partners, to the results of its country performance assessments and to an analysis of the adequacy of fiduciary controls. The strategic choices made will be more fully spelled out in enhanced CSPs, these being the major instruments for defining the Bank's country priorities. In particular, the CSPs will clearly state those areas where the Bank expects to do more in each RMC and those where it intends to do less. CSPs for all the 52 active RMCs will be updated thoroughly in 2003/2004, to ensure that they are well focused and closely aligned to each country's development and poverty reduction strategies and, where available, to interim and full PRSPs. Thereafter, they will be updated on the normal 3-year cycle. Updated CSPs will take into account country and sector implementation capacity and project implementation experience.

4.2.3 To achieve the maximum poverty reduction impact in low income ADF countries, the Bank will narrow its focus in the CSPs and will select a limited range of high priority interventions within the priority areas identified in this Strategic Plan. For middle income and ADB countries, the National Development Plans will be used as the main reference for future Bank Group's interventions in these RMCs. An additional instrument for spelling out the Bank's business plan for delivering on its corporate priorities will be Sector Strategy Papers (SSPs). These SSPs that could be undertaken in cooperation with other donors will contain clear guidance as to what the Bank Group will and will not do in RMCs, and they will be further strengthened as a result of the on-going efforts to promote results-based management (RBM).

4.2.4 In ADF Countries, the Bank Group will generally target its available country staff and financial allocations towards a limited number of programs and project interventions with a sharper sector focus than previously to 2 to 3 sectors maximum for the Plan period. In line with the Millennium Development Goals and ADF-IX policies and conditionalities, the Bank will give increased attention to agriculture and rural development, primary education, basic health care and clean water and sanitation in the poorer RMCs and take leadership in specific sub-sectors (Para 6.2). To avoid dispersion of effort on a larger number of low impact operations, project loans would not normally be smaller than UA 5.0 million, and even in the case of very small countries where the ADF allocation will be at least equal to this floor.

4.2.5 High quality country economic and sector work is essential for developing operations and country strategies. Therefore, the Bank will increase significantly its own economic and sector work and will draw on, and cooperate where appropriate in the work produced by other institutions.

4.2.6 The Bank will increase the proportion of its assistance provided through participation in multi-donor supported, sector-wide approaches (SWAPs), particularly in the agriculture and social sectors. In appropriate cases, such SWAPS will include participation in sector investment and budget support programs. The greater volume of grant resources available will be used to support the design and implementation of SWAPs by helping ADF eligible countries build their capacity to manage, monitor and evaluate public expenditures, strengthen internal regulation and generally promote transparency and good governance.

4.2.7 In ADB Countries that have access to a broader range of commercial and official financing sources and have more sophisticated product requirements, the Bank will take a more pragmatic and flexible approach to tailoring to these countries' needs. While they may not prepare common framework such as the PRSP, most ADB countries do set out their national strategies and investment plans in National Development Plans. In consultation with the national authorities and other active financing agencies, the Bank will select operational programs in these countries that focus on areas that are consistent with their national strategies and with the Bank's own sectoral and thematic priorities as defined above.

4.2.8 In ADB countries the Bank will give increased attention to private sector development, private provision of infrastructure and to public-private partnerships, and to a proactive effort to applying a prudent proportion of the Bank's available risk capital to non-sovereign financing. During the Plan period, priority will be given to:

- intensifying country dialogue, in particular through (i) ESW in order to deepen Bank understanding of the development priorities of ADB countries, and (ii) advisory assistance needs and preferences of ADB clients at national and sector levels as input to CSP formulation;
- enhancing the range and attractiveness of ADB lending and investment products, guarantees and advisory services with particular attention being paid to rationalizing conditionality, shortening processing times, avoiding procurement delays and strengthening competitiveness vis-à-vis other sources of finance;
- building areas of expertise and comparative advantage and developing mutually beneficial partnerships with key domestic and international players, including the EU, EIB and Arab funds;
- ensuring that selection of ADB sovereign and non-sovereign guaranteed operations contributes to the development of a financially sound portfolio consistent with the Bank's AAA credit rating and financial viability objectives.

4.2.9 In allocating staff and financial resources between countries, the Bank will concentrate more strongly on countries with demonstrated good policy performance and governance. In line with donor requirements, the formula for allocating ADF IX resources will be refined to more clearly distinguish differences in performance and to reflect governance and results based management concerns more strongly. The appropriate weighting of implementation performance, as reflected in the CPIA and CPR, the main components of the CPA, is also being reconsidered. This work will be carried out in close collaboration with IDA and other development partners to ensure consistency of approach.[25]

4.2.10 While the result-oriented approach argues for concentrating resources on well-performing RMCs, the Bank will stay engaged with poor RMCs performers, in particular those low income, highly indebted countries under stress or emerging from conflict. In the poorly performing countries, the Bank's assistance will be primarily restricted to non-lending services to support the development of good policies and implementation capacity. Increased availability of grant resources will allow the Bank to make allocations to address the special needs of countries that are emerging from devastation caused by civil conflict and natural disasters. As stability returns to such countries, the Bank will consider enhanced allocations for rehabilitation and reconstruction investments.

4.2.11 At the regional level, the Bank will also apply a selective approach. It will aim to support a limited number of initiatives that can have a high pay-off for the development of the region or significant sub-regions. Typically, these will be in the areas such as communicable diseases, environmental protection, regional trade and integration and financial governance standards. Nevertheless, given the multiplicity of initiatives in these areas, the Bank will develop criteria to help select a restricted range of initiatives to which it can provide worthwhile support in the light of its expertise and resource base.

4.2.12 Under NEPAD, the Bank has been asked to play a key advisory and partnership role, particularly in respect of regional banking and financial standards and infrastructure development. The Bank is consulting with the NEPAD Steering Committee and its development partners to further clarify and deepen the specific role it can play in keeping with its overall mission and the availability of necessary staff skills and financial resources. The objective will be to concentrate the Bank's contribution on selected areas in line with its Strategic Plan where it can make a distinct and appreciable impact.

[25] The revised and final document on the Enhanced Performance-Based Allocation Framework will be submitted to the Boards of Directors for approval to ensure the entry into effectiveness of ADF-IX resources (ADF/BD/WP/2002/120 of 31 October 2002).

4.3 Maximizing Development Effectiveness

4.3.1 Quantifiable and Measurable Indicators. The Strategic Plan places strong emphasis on enhancing the development impact of Bank Group operations, particularly in areas that contribute to attaining the MDGs. The Bank will give high priority to collaborating with the World Bank and other key partners to develop quantifiable and measurable indicators for all sectors to monitor the expected development impact of Bank Group operations and progress towards achieving the desired outcomes in RMCs. By 2003, all project documents will contain clear and measurable indicators of expected development outcomes, and over the 2004-2007 period, these indicators will be refined.[26]

4.3.2 To achieve intended development outcomes depends on the actions of client governments and their implementing agencies and of other development partners as well as the actions of the Bank. Project documents will be required to spell out more fully the details of the country's development project or program that the Bank operation is intended to support, the actions to be taken by the various parties involved in implementation with the associated timetables and the expected development outcomes of the overall program.

4.3.3 Better Quality at Entry. Focusing Bank interventions at country level on fewer projects will permit greater Bank staff inputs into project identification, preparation and appraisal. Field missions will be fewer in number but will comprise larger project teams to ensure that: (a) the underlying program that the project is intended to support is well designed, is a priority element in the country's poverty reduction strategy and has full government commitment[27]; (b) expected development outcomes have been quantified and implementation benchmarks established; (c) key actions have been taken by government to set up the necessary policy framework and establish the required implementation arrangements ahead of loan approval; and (d) the Bank's role in the program is clearly defined, the expected impact of its contribution quantified and the implementation risks assessed. The aim is to achieve better quality at entry with shorter delays between loan approval, loan signing and first disbursement.

4.3.4 Enhanced Supervision. Project supervision will monitor completion of expected actions by all parties involved in implementation, and follow up where corrective actions are required, and will be carried out jointly, where feasible, with the other financing partners. As a result, supervision coefficients will be increased over the 2003-2007 period (initially from 1.5 to 2 supervision missions per year) and supervision teams enlarged to make sure that progress of project and underlying program targets are thoroughly reviewed and implementation bottlenecks are adequately addressed.

4.3.5 Stronger Implementation Culture. The Bank will only achieve expected development outcomes if the projects and the underlying programs they support are successfully implemented. Accordingly, the Plan aims to create a stronger implementation culture. Staff performance will be judged increasingly on development results and on the successful implementation of the projects for which they are responsible rather than the number of new projects they bring to the Board. The Annual Staff Performance Review format will be redesigned during the Plan period to give greater weight to supervision performance. Departments and Units will also be judged as a whole on implementation performance (with clear benchmarks to be developed in the framework of the corporate balanced-scorecard).

4.3.6 Performance Review, Compliance and Quality Control. In line with the objectives of the recent Bank reorganization, the Bank is redesigning project review and quality assurance procedures to more clearly assign responsibility for project quality and implementation success to Country Operations / Sector Departments Management Team and their respective Task Managers. Project review procedures will focus on providing less frequent, but higher quality inputs at key points in the loan processing cycle, primarily at the project conception and post appraisal stages. Ex-post reviews will be undertaken periodically on a sample of recently approved projects to provide the Bank with a sounder basis for assessing progress in raising quality-at-entry standards.

4.3.7 The Annual Project Performance Review (APPR) will more clearly identify projects at risk and ensure that action programs to deal with problem projects are implemented promptly and vigorously. It will also focus more closely on assessing progress in achieving expected development outcomes. Non-performing projects would be reformulated during mid-term reviews or cancelled if they are unlikely to achieve worthwhile development results.

4.3.8 Sector policies for almost all priority sectors have recently been revised.[28] Therefore during the next five years, emphasis will be on disseminating these

[26] Management has already set up in June 2002 a Task Force on MDGs to make proposals as to how the Bank will integrate MDGs concerns into its operations especially in the social sector and to ensure that they are part of future project and program design of Bank interventions according to their relevance for each sector.

[27] Country commitment is essential. Development cannot be imposed from outside, no matter how results-oriented the aid is.

policies to staff, RMCs, and other stakeholders and ensuring that they are fully reflected in operational designs and implementation follow-up.

4.3.9 Knowledge and Advisory Services. The Bank will enhance the volume, quality and relevance of its knowledge-based support and analytical and advisory services. This will enable it to better meet the special needs of individual RMCs, including post-conflict countries and those for whom lending is not currently appropriate, as well as ADB countries whose demand for Bank assistance has been low. Complementing this will be: (a) a program of applied research on selected African development issues carried out in collaboration with international and regional research institutes;[29] and (b) an expansion of workshops and seminars for RMCs policy makers and senior officials provided by ADI/JAI to facilitate high level exchanges of views on vital development issues, including governance, communicable diseases and economic management.

4.3.10 Strengthening Field Presence. Opening new Field Offices in RMCs is intended to improve the development effectiveness of Bank operations. In 1999, the Board approved a plan to establish a network of field offices in up to 25 RMCs as a key measure in improving dialogue with client countries[30], raising the Bank's profile at country level, improving donor coordination and enhancing implementation performance. Gradual implementation of this decision will be an important element of the Strategic Plan. To date, an initial set of four field offices has been opened comprising one regional office in Gabon, and three country offices in Nigeria, Egypt, and Ethiopia. In addition, the Bank has a national program office in Mozambique, an arrangement that allows the Bank to have a professional staff member based in the facilities of the UNDP. Discussions with South Africa are in progress for the opening of a regional office there.

4.3.11 The Bank proposes to open the next batch of 4 offices in 2003/4 including one regional office in Senegal and three country offices in Tanzania, Tunisia, and Uganda. In addition, it intends to establish six national program offices in Algeria, Cameroon, Eritrea, Guinea-Bissau, Rwanda, and Sierra Leone and to second a staff member to Angola and the Democratic Republic of Congo (DRC). The objective of this program is to have a field presence established up to 25 countries by 2007.[31]

4.3.12 The future models for field offices and their integration into the Bank's management structure are the subject of an ongoing review to be completed in 2002. Based on cost considerations, staff availability and work program priorities, strengthening field presence in some RMCs may start with the appointment of a National Program Officer as an initial step towards eventually opening a full country office. In other cases, one Bank office may serve two or more countries. However, typically offices will serve one country and have 8-10 staff, mostly recruited locally.

4.3.13 Field Office staffs are intended to play a key role in strengthening country dialogue, and will have operational support, donor coordination and first level supervision responsibilities. Field offices will report to Country Directors and will be fully integrated into the Bank's work programs and management structure. The operational cost of field offices will be an integral part of the strategic administrative budgets of the two Operations Complexes, which must carefully consider the costs and benefits, the potential for savings in HQ costs in deciding when to open or expand specific offices.

4.3.14 Changing the way the Bank Group does business. Opening this network of field offices will have major implications in the way the Bank conducts its business and will facilitate much closer consultation with host governments, local donor representatives and civil society organizations. It is intended that the offices will be connected via web and satellite links to Bank Headquarters with full e-mail, HQ systems and database access and video-conferencing facilities.

[28] Annex VI that provides a detailed list of Policy documents that were revised and approved by the Boards of Directors since 1995 and which cover all the key strategic sectors identified as areas of focus in the present Strategic Plan.

[29] It is proposed that renowned figures who are leading intellectuals in their respective fields, particularly but not exclusively Africans in RMCs or Africans in Diaspora, be invited for short term assignments at the Bank or in its field offices or on sabbatical leaves, to develop some studies or papers and initiatives in conjunction with Bank staff on some critical themes that impact upon poverty reduction in RMCS. For ADF countries priority could be given to agriculture and rural development, governance, capacity building and sharing of knowledge in the preparation of Sector Strategy Papers (SSP) in social sectors or in infrastructure for regional integration. Other priority areas might include the preparation or design of high-impact projects to provide intensive poverty-focused support e.g. for community-driven development. For ADB countries greater emphasis could be placed on knowledge, advisory services, and capacity building in ICT, governance and competitivity issues to bring the benefits of globalization. All these objectives could be actively pursued in close coordination with other partners such as ECA, ABR, AERC, and in the framework of building a constituency for the Bank Group.

[30] Proposal for Bank Presence in Regional Member Countries (ADB/BD/WP/99/34/Rev.1, dated 5 August 1999).

[31] Report on the Bank Group's Experience on Field Office (ADB/BD/WP/2002/45 – ADF/BD/WP/2002/48 of 27 May 2002) as well as Report on the Bank Group's Experience on Field Offices (ADB/BD/WP/2002/45/Add.2 – ADF/BD/WP/2002/48/Add.2 of 24 September 2002).

Over time, an increasing proportion of the paperwork associated with procurement and disbursement will be pre-screened or handled in the field offices, or transmitted electronically to Headquarters, enabling significant improvements in processing efficiency.

4.3.15 As the field office network is progressively established from 2003 to 2007, an increasing number of Bank employees will be field based.[32] Overseeing the procurement of office premises, facilities and equipment for the field offices, the recruitment of local staff, the reassignment of HQ staff to the field offices and the establishment of appropriate staff policies and operational regulations will represent a major program for the Corporate Management and the Operations Complexes to manage.

4.4 Developing Human and Knowledge Management Resources

4.4.1 The skills and experience of its staff and its predominantly African character are the Bank's most important assets in its drive to become the premier development institution for Africa. A key element of the Strategic Plan will be to ensure that the Bank retains a world-class staff with the mix of technical and managerial skills needed to implement its strategic agenda and that staff skills remain at the leading edge in their respective fields.

4.4.2 To this end, the Bank Group will implement a strategic staffing approach to manage staff inflow, staff skills and careers development, and staff exit to meet current and future business needs during the Plan period and beyond. The Staff Skills Inventory study currently underway will provide an important starting point for identifying skills gaps and staff training needs and developing a strategic approach to future staffing needs.

4.4.3 Implementation of the Strategic Plan, which entails a targeted growth in Bank Group operations with a sharper sector focus, emphasis on development impact and a substantial enhancement of field presence, will require some increases in staff numbers and the reinforcement of specific staff skills and capabilities. Currently there are about 150 vacancies in respect of the staffing complement of 1188 approved for the new organizational structure. The high level of vacancies, while adversely affecting the Bank's delivery capacity, is providing a unique opportunity to address skills mix issues.

4.4.4 During the remainder of 2002 and throughout 2003, the recruitment emphasis will be on filling existing vacancies, including local staff needs in field offices, although each Complex will be given the necessary freedom to decide its recruitment priorities in accordance with its strategic agenda and approved staff complement. Demands for specific sector skills, which will be affected by sharper targeting of operations at the country level, will be reassessed once CSP updating is complete. Subsequently, priority will switch to recruiting additional staff, including local staff for new field offices, and filling vacancies that may arise mainly through retirements, voluntary departure programs and resignations. The large number of vacancies also provides an opportunity to speed up the professionalization programs that are currently underway in the support Complexes.

4.4.5 Efficiency Gains from Technology. The Bank has only just begun to realize the efficiency gains and staff savings that should result from the process reengineering that has been undertaken via Project AFRICA and the introduction of SAP. Most savings will be achieved in the support Complexes, but all Complexes will be able to make further efficiency gains from the recent major investments in IT and communications. As the savings are realized, the Bank will be able to improve the balance of staff resources allocated to front line activities, particularly Operations. At present only about 33% of approved positions are in Operations. By the end of the 2007, this proportion should have gradually risen to between 50% and 60%.

4.4.6 Young Graduates Program. A feature of the recruitment plan will be the targeting of best-qualified younger professionals from renowned institutions to rectify age profile among professionals and provide for future management continuity. Recruitment procedures are being streamlined and the "accelerated" recruitment approach commenced in 2002 will be pursued in 2003 and 2004. In addition, the Plan envisages that Complexes will be able to use salary budgets for unfilled positions to hire short-term consultants over the Plan period.

4.4.7 Enhanced Staff Training Program. An intensified training program will start in 2003. This will be aimed both at rectifying gaps in key staff skills and competencies, including management skills, identified in the Skills Inventory exercise and in ensuring that professional and technical skills of all staff are kept at the leading edge. An average of 10-15 training days per year will be programmed for all staff and measures introduced to ensure that staff take advantage of the training opportunities offered. Each Complex will identify the priority training needs of its staff and CMVP and PRVP

[32] It is expected to about 15 to 20% would be in the Field Offices when all the 25 Offices open and become operational. However, the growth in international staff will be closely monitored as well as other support staff levels at the Headquarters and in the Field Offices in line with the skills gaps analysis.

will make the necessary training arrangements. These will include internal programs run through ADI as well as external training programs run by local and international training institutions, secondment with multilateral and bilateral partners and participation in joint missions. Special provision will be made for training field offices staff.

4.4.8 Knowledge Management Resources. To be fully effective, Bank staff will need to have access to state-of-the-art IT and communications facilities. The Bank will capitalize on the major improvements in IT and communications facilities put in place in recent years by ensuring that staff are well trained in their use and that equipment is updated at least on a three year cycle. Operations staff who travel frequently will be fully equipped with portable computing equipment with desk-top docking stations. They will also have remote access to the Bank's Intranet and E-mail systems through new internet access capabilities and the expanding network of field offices. Expanded use of video-conferencing will facilitate closer communications with borrowers and strategic partners and full integration of field offices staff in work programs.

4.4.9 The Bank generates an enormous amount of information in the course of its operations and financial activities. It also gathers a great variety of information from member countries, partner institutions and other external sources. An Integrated Knowledge Management System will be introduced, based in part on the Data Warehouse system currently under development, which will greatly facilitate access to this extensive knowledge base by Bank staff and by RMCs and development partners.

4.5 Maintaining Financial Soundness and Integrity

4.5.1 Since 1997 the Bank has made significant progress in strengthening financial soundness in both its ADF and ADB accounts. Its financial ratios now compare well with the other MDBs and its reserves and provisions are strong. Table 2 below shows the improvements that have been achieved in the ADB accounts. High priority will be given to maintaining the financial soundness of the Bank Group throughout the Plan period.

4.5.2 The Bank's outstanding ADB portfolio has been declining in recent years. Maintaining an adequate balance of ADB and ADF lending and achieving a fuller utilization of the Bank's risk bearing capacity will be important strategic objectives during the Plan period. To better achieve this objective throughout the Plan period, the Bank will continue to conduct its financial and operational activities in such a manner as to maintain a strong financial position in its ADB and ADF accounts and preserve resource transfer efficiency so as to achieve early restoration of its full AAA credit rating. An expanded set of risk weighted performance indicators will be introduced to better monitor the Bank Group's financial performance, including the effective utilization of its risk bearing capacity.

TABLE 2
Selected ADB Financial ratios

	1997	1998	1999	2000	2001**
Total Loans Outstanding (UA blns)	6.86	6.76	6.79	6.57	6.47
Loan Loss Reserves to Total Loans %	4.61	5.19	5.71	6.42	7.64
Total Reserves to Total Loans %	16.96	18.78	20.67	23.38	26.12
Net Loans to Usable Capital - AAA	106.3	103.0	96.93	86.11	81.88
Resource transfer efficiency*	0.05	0.07	0.07	0.08	0.07

* Annual Administrative Expenses over Gross Annual Disbursements.

** The ratios for 2002 are estimates.

V ENHANCING ALIGNMENT AND IMPROVING INTERNAL EFFECTIVENESS

5.1 In addition to better focusing the Bank Group's operational activities and improving their development impact, the Strategic Plan aims to enhance the internal organizational effectiveness of all the Bank's support Complexes by ensuring that their respective Strategic Plans are coherent and fully aligned to the priority support needs of the other Complexes in implementing the Bank-wide Strategic Plan. The most important elements of the Complex Strategic Plans in this regard are highlighted below.

5.2 Scaling Up the Alignment of the Non-Operations Complexes to Bank-wide Strategic

5.2.1 The Planning, Budgeting and Research Strategy (PRS) will be designed to undertake the core functions of managing the strategic planning process and the mobilization of ADF, HIPC and GCI resources and their leveraging through co-financing and technical and financial inputs from other sources. It will also provide intellectual leadership in raising development effectiveness and enabling the Bank to become a world-class center of excellence on issues of African Development. To better achieve these objectives, the Planning, Budgeting and Research Complex (PRVP)'s further contributions to raising the organizational, operational and development effectiveness will include:

- perfecting the new strategic planning and budgeting that will seek to ensure that the staff and financial resources of the Bank are allocated in line with the institution's strategic priorities;
- developing, in cooperation with key development partners, quantifiable and measurable indicators of development outcomes for all sectors and disseminating their use to staff and borrowers;
- refining operational policies and procedures and review processes to enhance the quality of new operations and the effectiveness of project supervision and procurement oversight;
- codifying and mainstreaming best practices with respect to good governance, gender and sustainable development within the Bank and disseminating them to RMCs;
- building the reputation of the Bank as a leading African center of knowledge and expertise on poverty reduction and sustainable development in Africa by undertaking a targeted program of development research in collaboration with other regional and international agencies, publishing the results of the Bank's research activities and analyses in specialised reports and journals, expanding the program of workshops and seminars for RMC policy makers the African Development Institute and Joint Africa Institute, and facilitating access to the Bank's knowledge base to internal and external clients; and
- arranging and monitoring strategic partnerships with key multilateral, bilateral and regional agencies and ensuring that these operate to the mutual benefit of the parties involved and are in line with the Bank's strategic priorities.

5.2.2 The Financial Strategy (FS). The key objectives of this Strategy over the Plan period will be to provide the financial services required by the Bank Group in fulfilling its poverty alleviation and sustainable socio-economic development mission in RMCs. To better achieve this objective, the Finance Complex, in its dual mandates of operations and support services, will seek to raise and manage funds in close coordination with other complexes, provide the RMCs with a cost effective tailored range of desirable financial products compatible with the objectives of the Strategic Plan; and maintain, analyze, record and report the financial consequences of all strategic decisions and financial transactions of the Bank Group. To better achieve these objectives, the Finance Complex will be giving priority to the following tasks and activities in support of the Bank-wide strategic agenda and the specific support needs of Operations:

- enhancing the effectiveness of asset and liability management and credit management practices and introducing new performance indicators to protect the financial integrity of the Bank, better track and utilize its risk bearing capacity and monitor overall efficiency of resource transfer;
- improving the quality of service to clients particularly by improving the efficiency of disbursement processing and loan administration procedures and introducing on-line access by borrowers to their loan accounts;
- restoring and maintaining of the Bank's full triple A credit ratings in order to minimize borrowing costs;
- designing and introducing new loan products and guarantee arrangements, including risk management products and local currency loans, in order to improve the attractiveness and competitiveness of Bank financing under the ADB window.

5.2.3 The Corporate Support and Institutional Strategy (CSIS) has a vital role to play in ensuring that the Bank has the necessary staff numbers and skill mix in headquarters and in the field to implement its strategic agenda, supported by appropriate IT, communications and office and logistical facilities. To better achieve these objectives, the Corporate Management complex (CMVP) will seek to ensure that the new management structure introduced in January 2002 is efficiently and effectively implemented and adequately documented. To enhance organizational effectiveness, CMVP will be giving priority to:

- identifying the Bank's staff capabilities and skill mix and assessing future needs in relation to the implementation of the Strategic Plan;
- redesigning the recruitment process to cut lead times, refine selection criteria and preserve transparency to address the large recruitment backlog and bring on board rapidly the new skills required;
- upgrading performance evaluation and reassignment practices and mounting an intensive training program to enable the Bank to keep staff skills at the leading edge, adapt to changing work program demands and facilitate career development;
- managing the logistics of the Bank's field office expansion program, which will include negotiating with host government authorities, arranging office premises, procuring equipment and communications facilities, hiring local staff, managing HQ reassignments, and establishing appropriate administrative and HR policies;
- ensuring that the Bank's compensation and benefits systems remain dynamics competitive for international and local recruitment and enable the Bank to attract and retain a high calibre, well motivated staff;
- capitalizing on the substantial investment in IT facilities undertaken in recent years, by ensuring that staff continue to have access to appropriate applications software and equipment and are fully trained in their use and that the potential benefits of business process reengineering are fully realized;
- upgrading satellite communications systems to provide on-line access to HQ systems and video-conferencing capabilities in the network of field offices;
- upgrading the Bank's knowledge management capabilities through the introduction of an integrated knowledge management system that will facilitate wide access to the Bank's considerable information resources.

5.2.4 The Corporate governance strategies (CGS) contribute to Bank-wide organizational and operational effectiveness, both through the efficiency with which the Units reporting directly to the President and the Boards of Directors they carry out their respective functions and the support they give to key elements of the Strategic Plan. When the Chief Economists Office is operational in 2003 it will provide leadership on issues of African social and economic development at international forums and at top level meetings with development partners. It will also head up the internal Economics and Poverty Reduction Network that will oversee the upgrading of skills of the Bank's economic staff through cross fertilization, training and targeted recruitment.

5.2.5 The Operations Evaluation Department will be introducing an integrated development effectiveness evaluation system that will enable annual reports on the development effectiveness of Bank operations to be prepared, starting in 2003. The Legal Services Department will play a leadership role in designing governance programs and developing an appropriate legal framework and innovative instruments to support private sector development. A concept paper for the creation of an inspection function was prepared and presented to the Board of Directors in October 2001.[33] Following this presentation, a technical report was prepared to advise on the establishment of an Inspection Panel in the Bank beginning in 2003-2004. This is essential to ensure that within the overall context of good governance, the Bank's inspection function be designed to complement the Bank's other efforts at improving the efficiency, accountability, quality and transparency of all its operations. It will also greatly contribute to foster accountability and transparency in the management of public resources and generally to combating corruption in Regional Member Countries.

5.2.6 The Internal Audit Department will give priority in its review and advisory services to ensuring that the internal and external resources of the Bank are being used effectively and in line with prevailing policies and regulations and the Bank's strategic priorities. As well, in line with ADF-IX policy objectives, the department will finalize and implement actions to have in place plans to strengthen the anti-fraud and corruption investigative mechanism within the context of the implementation of the blueprint of the new organization of the Bank Group. Secretary General's Department, that will be restructured, will facilitate contacts with RMC authorities in respect of field office expansion program and, through the Communications Unit. It will also have a key role to play in communicating the key features and implications of the Bank's Strategic Plan to RMCs, development partners and other internal and external stakeholder.

[33] Proposals to Regenerate the African Development Bank - The Indicative Timetable for the Implementation of the Blueprint of the Organization Study (ADB/BD/WP/2001/36/Add.5 – ADF/BD/WP/2001/47/Add.5 of 21 November 2001).

5.2.7 Early on in the Plan period, the Bank Group will prepare a Communication Strategy aiming at incorporating two kinds of complementary services, namely the definition and implementation on a global basis of: (i) public relations programs on critical development issues facing Africa; and (ii) strategic management analysis of critical external relations concerns, including research and the formulation of pragmatic information disclosure strategies to ensure that the Bank's distinctive features be fully recognized. These would include, notably: its African character, its track record of successful reforms and its future strategic orientations and priorities. Another vital objective of this program will be to determine the extent to which the ADB is known among influential decision making organs of its member countries, in the most policy influential academic institutions in Africa and the rest of the world, and in the non-governmental organizations. A premium will be placed on internal ADB knowledge and support for external relations programs. This Communication Strategy will be implemented during the Plan period and beyond.

VI RESOURCE FRAMEWORK AND FINANCIAL RESULTS

6.1 In order to provide a framework for planning the levels of Bank Group operations and administrative budgets, this section first sets out Management's objectives and assumption regarding the availability of lending, investment, and grant resources during the Plan period and then examines the prudent rate at which administrative budgets could increase while maintaining financial soundness of the ADB and ADF accounts.

6.2 Resource Mobilization and Lending Capacity Utilization

6.2.1 ADF Resources. In September 2002, Donor countries of the African Development Fund reached agreement on the Ninth Replenishment of the Fund, covering the period 2002-2004. This agreement determines the volume of ADF resources available to the Bank for the period 2002 –2004 and the policies and conditionalities for their utilization. The most important details of the replenishment from a planning perspective are as follows:

- Total resources during this period, including internally generated resources, are expected to amount to UA 2.37 billion (about US$ 3.5 billion) for the three-year operational period of the ADF-IX. This represents an increase of some 25 percent over the Eighth Replenishment of the Fund (1999-2001);
- Of the total amount of the replenishment, 18 to 21%, corresponding to about UA 400 to 500 million, will be made available to eligible RMCs on grant terms. This compares with 7.5% on grant terms under ADF-VIII. These grant funds would be available primarily for the poorer ADF countries with per capita incomes of less than US$360.

6.2.2 There was also a consensus among donors that priority sectors for all Fund interventions, including grants, in the next three years will be primary education and health care – including support to HIV/AIDS interventions – water supply and sanitation, agriculture and rural development, promoting good governance, and supporting a healthy private investment climate. In addition, Donors urged the Fund to continue supporting regional integration efforts, promote gender equity, and support sustainable management of the environment.

6.2.3 The negotiations for a timely and effective replenishment of ADF-IX culminated initially in the Interim Financing Arrangement, pending a consensus on the terms of the ADF-IX. Accordingly, in August 2002, some ten State Participants made advanced voluntary individual subscriptions of about US$500.0 million or about UA 416.1 million, to allow some ADF commitments to be made in the second half of 2002, and as advance payments for the ADF-IX.

6.2.4 Of the total amount of available ADF-IX resources (including internally generated resources, transfer from ADB net income and other additional resources), allocations should be made as follows: (i) UA 25.5 million as the remaining balance of the Fund's costs of participating in the HIPC initiative; (ii) UA 36.5 million as the Fund's contribution to the arrears clearance of the Democratic Republic of Congo (DRC) in the context of an internationally agreed plan involving bilateral donors, the IMF and the World Bank; (iii) UA 15 million to finance the costs of grants in the current replenishment; (iv) Up to UA 0.5 million for the independent evaluation of the Fund's undertakings under the ADF VII, VIII, and IX replenishments; (v) Up to 10 percent for regional economic integration and co-operation interventions; and (vi) Two (2) per cent as a contingency to cover the Fund's exchange rate risks.

6.2.5 Of the remaining balance of resources, allocations will be made on the following basis: (i) 77.5 per cent for specific project investments and technical assistance operations. The vast majority of these resources should be allocated to Category A countries, with up to 5 percent to Category B Countries; and (ii) a maximum of 22.5 per cent for policy-based operations.[34]

6.2.6 Based on the brightened prospects for African aid flows, the subsequent ADF-X replenishment, which would cover the period 2005 – 2007, has been assumed to be some 15-20% higher in real terms compared to ADF-IX and similar in conditionality (or about 20-40% higher in a scenario including any earmarked NEPAD financing requirements).

6.2.7 The planning assumption for ADF-X is based on the pledges made by donor community at the Monterrey Conference in March 2002 and at Kananaskis Summit in June 2002. The increased pledges are expected to augment ODA by approximately US$ 12.0 billion a year, at least 50 percent of which has been pledged for Africa. An increase of 20 percent for ADF-X would mean that, of the additional US$6.0 billion a year coming available, the Fund would be expecting to receive around 10-15 percent of the incremental resources channeled through it. For all these

[34] Report of the ADF Deputies on the Consultative Meeting on the Ninth General Replenishment of Resources for the African Development Fund and the ADF-IX Lending Policy (ADF/BD/WP/2002/121 of 31 October 2002).

reasons, it is essential to further refine the planning assumptions and keep them realistic, thus enabling the Bank Group to mobilize increased resources and to continue playing a major role within a donor community, particularly with respect to the development results agenda.

6.2.8 In the context of the implementation and monitoring of the Strategic Plan, Management will be seeking to avoid any adverse interruption of funds flow caused by protracted negotiations and delays in securing succeeding ADF replenishments. Accordingly, the Mid-Term review of ADF-IX will be undertaken no later than 18 months after the effectiveness of ADF-IX.

6.2.9 ADB Resources. The Bank has considerable scope to increase lending to ADB eligible clients without any major threat to its bond rating or risk capital adequacy ratios[35]. The constraint on ADB lending has rather been the small number of ADB eligible clients and their improving ability to borrow from a variety of competing commercial and official sources.

6.2.10 As indicated earlier, the Bank's outstanding ADB portfolio has been declining in recent years. Maintaining an adequate balance of ADB and ADF lending and achieving a fuller utilization of the Bank's risk bearing capacity will be important strategic objectives during the Plan period. The Bank expects to be able to increase its risk capital base by an average of 5% per year over the next five years by actively managing the annual additions to the Bank's general provisions, new capital subscriptions paid in, and net income after allocations. With the resultant risk capital base, the Bank would have the capacity to increase ADB lending to about UA 1.5 billion per year up to 2007.

6.2.11 NTF Resources The Nigerian Trust Fund (NTF) has ample resources to increase technical assistance lending to eligible RMCs. The objective for the Plan period will be to raise annual approvals to an average of at least UA 20 to 25 million per year.

6.2.12 Complementary Resources The Bank will leverage available lending resources by arranging co-financing with bilateral and multilateral institutions and, in the case of private sector operations, with private banks and equity investors. When the Bank is the lead agency, target co-financing will be at least 25% of the Bank's financing.

6.2.13 The Bank Group will seek to mobilize resources from the continent as appropriate, in particular through: (i) arrangements like trust funds similar to the NTF that could be targeted to individual or collective regional middle-income countries, or (iii) any appropriate and sustainable form providing opportunity to mobilize resources from the continent to meet the growing needs of RMCs' financing requirements. This could include the possibility of local currency lending in selected countries that fulfill the main pre-requisites for an efficient fund raising of local currencies and successful on-lending.[36]

6.2.14 The Bank will seek to enlarge the number of ADF subscribers taking into account the new formulae for determining the minimum subscription amounts for membership of the Bank and the participation in the Fund that were approved in June 2001. The Boards of Directors will have a leading role to play to achieve this strategic objective.

6.2.15 Lending Targets. As a result of the delay in concluding the ADF-IX negotiations, it is expected that there will be a drop in ADF project and PBL approvals in 2002, which would be compensated by an increased volume of such approvals in 2003. In 2004 these approvals would return to the ADF-IX average level of about UA 0.80 billion. Approval volumes for all types of operations would increase by some 15 to 20% in nominal terms from 2005 to 2007.

6.2.16 Bearing in mind the ground-work needed to develop a significantly higher volume of ADB lending, and the desire to do so without risking portfolio quality, the objective for this Strategic Plan will be to raise the level of ADB annual approvals from about UA 0.8 billion in 2001 to UA 1.3 million in 2007 i.e. by about 60%.

6.2.17 ADB lending will continue to be oriented primarily towards public sector loans with full sovereign guarantees, although significant expansion of private sector, non-sovereign guaranteed lending is envisaged.[37] Non-sovereign lending, for private sector, and commercially operated public entities (COPE) and enclave projects, would be kept within a ceiling of about 20% of the Bank's risk capital, permitting such lending to rise from about UA 190 million in 2002 to about UA 350 million by 2007.[38]

6.2.18 The targeted growth in lending operations embodied in the Strategic Plan will have a positive impact on Bank Group Income. In the case of ADB, by 2003 the planned operational growth will reverse the decline in the outstanding ADB portfolio on which interest is earned. The impact of declining world interest rates on ADB income levels will be positive in 2002 and thereafter will remain quite small if prevailing funding

[35] Capital Adequacy and Exposure Indicators for the 2nd Quarter of 2002 (ADB/BD/IF/2002/235 of 24 October 2002.

[36] The Rand and CFA Franc Zones could be good candidates for this local currency lending. An experience is already under way in the Rand Zone.

policies are followed. Interest on outstanding loans will fall but this will be largely compensated by lower borrowing costs over the 2003-2007 period.

6.2.19 ADF operating income will rise somewhat in 2002 as a result of the expected clearance of Democratic Republic of Congo's arrears, although this will be offset in part by lower investment earnings. Subsequently, ADF should achieve more continuous income growth as disbursed and outstanding loans increase over the 2003-2007 period. Table 3 below shows projected operating income for ADB and ADF based on the operational growth assumptions used for the Plan.

6.2.20 The Strategic Plan will entail some increases in administrative costs, particularly for the expansion of the field offices network, although it is expected that there will be some counterbalancing savings. It should be possible to accommodate such increases satisfactorily in the ADB and ADF accounts provided that the growth of administrative costs is kept reasonably in line with the growth of the Bank Group's income earning business activities (primarily its portfolio of disbursed loans). This will also ensure that the Bank's operational efficiency, as measured by the administrative costs per UA transferred, is maintained. This is an important consideration as the Bank strives to become the intermediary of choice for aid donors in RMCs. The other measure of performance will be the ratio of administrative expenses to operational income.[39]

6.2.21 An indicative overview of the cost implications of implementing the Strategic Plan and the resulting ADB and ADF financial projections will be set out in the " Resource Framework for Implementing the Strategic Plan" to be prepared each year through the three year rolling budget framework.

TABLE 3
Projected ADB, ADF and NTF Operating Income (UA millions)

	2001	2002	2003	2004	2005	2006
ADB						
Loan Interest	434	408	353	339	330	324
Commitment Fees	14	15	13	12	12	13
Investment Income	121	75	89	99	101	104
Interest on Borrowings	(349)	(253)	(258)	(246)	(241)	(238)
Operating Income	220	245	197	204	202	203
ADF						
Income From Loans	47	65	57	61	66	71
Investment Income	34	26	31	36	39	43
Operating Income	81	91	88	97	105	114
NTF						
Income from Loans	2	3	3	3	3	3
Investment Income	15	7	8	8	8	8
Operating Income	17	10	11	11	11	11

[37] Proposals for Enhancing the Bank Operations in Middle-Income Countries (ADB/BD/WP/2002/47 of 22 May 2002).

[38] The target volume of non-sovereign guaranteed lending may be reassessed based on the Financial Complex's analysis of the capital risk adequacy ratios and the results of the OPSD study currently underway. The Bank could also seek to have the potential non-sovereign borrowers rated by qualified rating agencies to fully assess and reduce any potential credit risk.

[39] This is a widely used measure of efficiency, also used by commercial banks. Admittedly, this would have to be adapted for the specificities of the ADF.

VII MONITORING AND REVIEW PROCESS

7.1 Once approved, the Strategic Plan will provide an integrated framework that sets the directions for Bank Group operations and provides the framework for resource allocations during 2003-2007. Individual Departments and Vice-Presidencies will realign their own Strategic Plans to take account of any amendments to the Bank-wide Strategic Plan that have been introduced during the approval process so as to ensure that all parts of the Bank work together in a coherent manner during Plan implementation.

7.2 The next step, which is already underway, is to prepare the next Administrative and Capital Budget Proposals beginning in 2003, with resource allocations that reflect the Strategic Plan objectives and priorities. It is at the annual budget preparation stage that detailed annual work programs and targets for outputs and deliverables for the next year will be set at Complex and departmental levels and resource allocations and cost estimates refined and justified. Budget proposals will also show indicative work programs and targets for the next two years of the Strategic Plan, which will be subject to annual review and refinement.

7.3 An Institutional Scorecard for the Bank. The Bank will introduce a corporate scorecard coupled with an Annual Review System to monitor progress made in the preparation and implementation of the Strategic Plan. The proposed scorecard will greatly contribute to setting targets and performance criteria within the annual strategic budget and monitoring progress made by the Bank in achieving them (see Annex IV). By means of the scorecard, management will be able to formulate a proposal for corporate performance measurement which:

- reflects the multiple and complex objectives of the Bank in a single set of measurable objectives;
- focuses the Bank's Budget objectives, and support institutional alignment behind those objectives;
- links performance measurement to strategy implementation;
- improves feedback from senior management to the Board and to staff; and
- responds to requests from the Board to set a stable set of performance measures.

7.4 Annual Review Report. PRVP will be responsible for monitoring implementation of the Strategic Plan and for preparing management reports. In April - June each year, a formal Annual Review Report will be prepared for Senior Management and the Board assessing progress in implementing the Plan and proposing any necessary adjustments. While the main strategic thrusts of the Plan are not expected to change significantly from year to year, some refinements in timetables and approaches may be called for in the light of internal and external eventualities. The review process in years two to four of the Plan would be less demanding in staff time than initial Strategic Plan preparation, with most of the analysis being undertaken by PRVP staff with the assistance of planning coordinators assigned by each Complex. In year five of the Plan, a more intensive review would be undertaken as an input into the preparation of the next five-year Strategic Plan.

7.5 The Annual Review Report would assess progress in implementing each of the main elements of the Bank-wide Strategic Plan using an agreed set of corporate level performance indicators and benchmarks. The principal aspects to be monitored and the associated indicators and benchmarks are shown in Appendix A of Annex IV.

VIII RISK FACTORS ASSESSMENT

8.1 This section presents an assessment of risk factors that could impede the implementation of the strategic plan. Four key risk factors have been identified as follows: (i) the host country risk; (ii) the burden of medium- and long-term indebtedness of a growing number of RMCs; (iii) lack of coherence between the Bank's strategic planning and budgeting; and (iv) prevalence of instability and conflicts in some RMCs.

8.2 Host Country Risk. The volatility of socio-political events in the host country, and its adverse economic effects could, were they to continue or worsen, severely hinder the Bank's ability to both deliver on its mandate and implement this Strategic Plan. The most obvious and direct impact of this situation is the security of Bank staff and members of their families. In addition, this critical environment is making it more difficult for the Bank to recruit and retain the high caliber and diverse staff that are essential for the implementation of the Strategic Plan priorities.

8.3 Recognition of these difficulties has prompted the Boards of Directors and Management to take initiatives aimed at strengthening and improving the security of staff members and their families on the one hand, and ensuring the recovery and continuity of the Bank's essential activities in the event of a disaster, on the other. The aim is to protect, in the event of an emergency, the institution's vital interests, in particular its ability to pursue its development operations in all its RMCs and its presence on the international financial markets.

8.4 In addition, the Bank is planning to adopt a new compensation policy, the objective of which is to strategically position the Bank Group as a development partner and leader in certain sectors with the greatest impact on poverty reduction, by providing incentives and a continued high level of motivation for its staff. This is essential to ensure that the Bank remains a competitive employer in all member states, in spite of local hardships.[40]

8.5 Medium and Long Term Indebtedness of RMCs. Some 32 of the 52 active RMCs are at various stages of achieving decision or completion points under the HIPC initiative. There is the view that excessive debt 'overhang' can deter investment, in particularly private investment among investors who anticipate that higher taxes will be needed to pay it off, or because it creates uncertainty about future inflation or exchange rate movements. In this regard, the HIPC Initiative in general is relevant in reducing debt levels and improving the debt service profile of participating countries. However, there are challenges that HIPC faces in achieving long-term debt sustainability and this points to the need for continued sound economic policies past the completion point, institutional support for debt management, and increased concessional financing for these RMCs. If these goals are not met, the Bank's lending operations in these countries will have to be curtailed.

8.6 To mitigate this risk and in close coordination with the BWIs and other development partners, the Bank Group will continue to actively support initiatives aimed at both strengthening the long-term debt sustainability of its RMCs, and to provide technical assistance and institutional support for debt management and capacity building. To achieve this objective, the PRSPs and CSPs will emphasize performance and good governance as the criteria for the enhanced allocation of concessional resources, especially as countries approach their completion points. Accordingly, they will also give priority to the role of trade, from both the market access and economic diversification viewpoints, in ensuring sustainability. The Bank Group will support initiatives for improved policy performance by countries benefiting from debt relief, to ensure that they attain debt sustainability within a reasonable time frame. To be most effective, the Bank will give greater emphasis on increasing social expenditures and growth enhancing activities, particularly for better-targeted high-impact projects and programs.

8.7 Incoherence between Strategic Planning and Budgeting. Without a dynamic and timely alignment of resources to the priorities set out in this Strategic Plan achieving its objectives could be seriously delayed or compromised. Management is firmly committed to implementing the Bank Group's operations, whilst at the same time maintaining budget discipline. To achieve this objective, some guiding principles of planning and budgeting will be developed, building on best practices in other sister institutions to drive resource allocation, and support the implementation of the proposed corporate balanced scorecard for the 2003-2007 period and beyond (Annex IV).

8.8 Prevalence of instability and conflicts in RMCs. A critical factor accounting for Africa's poor development performance has been the high prevalence of instability and conflict in some RMCs (para. 2.1.3). Lingering armed confrontation and unpredictable disruptive socio-political conflicts in an increasing number of RMCs continue to pose serious threats. The Bank's policies do not permit continuation of operations in countries under conflict, where hostilities are ongoing, and this could significantly affect Plan implementation, if such conflicts were to persist in some RMCs.

[40] A Proposal for the Professional Level (PL) Staff Future Compensation Policy (ADB/BD/WP/2002/103 of 30 October 2002).

8.9 It is important to address conflict prevention and resolution in Africa at the regional and sub-regional levels, as efforts for development cannot bear fruit without peace. Consolidation of peace as a precondition of sustainable socio-economic development will therefore be an important element of the Bank Group's activities through post conflict reconstruction and capacity-building in the years to come. In this context, the decision of RMCs to introduce the African Peer Review Mechanism (APRM) in order to ensure the steady implementation of NEPAD by itself represents a major step forward in this respect. The APRM is intended to provide credible assessments of economic and corporate governance in RMCs by Africans. If successful, it will demonstrate to Africans citizens and the international community that African countries have the political will and commitment to conduct self-monitoring and to take corrective actions on governance issues where needed. As well, the initiatives taken by the AU to establish the Peace and Security Council and to undertake further efforts in this area, also go towards creating conditions conducive to the effective and efficient implementation of the Bank's Strategic Plan (para.2.1.6 –2.1.9).

IX THE BANK GROUP FIVE YEARS ON

9.1 Implementing this five-year Strategic Plan, will result in a transformation of the Bank Group and of the way it does business. The changes envisaged will be achieved mainly through five key drivers: (i) "Professionalization" of the staff and achievement of the correct skills mix; (ii) a major shift towards devolution of Operations activities to the field offices; (iii) a continuing investment in state-of-the-art information and telecommunications technology;; (iv) Better measuring, monitoring and managing for development results in RMCs; and (v) the implementation of a disaster recovery and business continuity plan.

9.2 Professionalization Program and Achievement of the Correct Staff Skills Mix. With the completion of the staff skills inventory and the realignment of staff skills to approved positions through staff transfer, the pursuit of an aggressive and well-targeted recruitment campaigns and enhanced training, the Bank will have in place the right staff with the required profile to support its strategic agenda. It should also have achieved the objective of keeping the vacancies level below 5% of approved positions. The Bank will have also improved the overall ratio of professional staff to total staff resulting in a greater orientation of professional staff towards operations-related activities.

9.3 Five years hence, the current Mission exercise will have had time to bear fruit as its anticipated and very positive impact permeates more and more the Bank's culture and staff behavior. It will also have restored the sense of trust, excellence and teamwork as well as empowerment, service mentality and communication, which are essential ingredients to achieving the development results objective of the Bank in RMCs.

9.4 Devolution of Operations Activities. By the end of 2007, the Bank will have established a field presence in between 15 and 25 RMCs. Whilst the size of many of the field representations may be relatively small, the positive impact on Bank operations and the corresponding improvements in development effectiveness, will have been substantial. By 2007, there will be considerably more Bank staff residing and working closer than ever to the Bank Group's customer base, thus creating better conditions for improved and continuous policy dialogue with the borrowing RMCs, as well as greatly strengthening participatory approaches. Coordination with the Bank's key development partners operating at the country level would also be enhanced. The Bank will then be better positioned to work on improving development results through better selected and well targeted interventions tailored to country circumstances and needs.

9.5 IT and Communications. The impact of continuing to invest intelligently in IT and process re-engineering, will be felt not only in Operations, where all professional staff can expect to be fully equipped with portable computing equipment combined with desktop docking stations, but also in non-operations activities particularly in management, cost and budgetary control and in the access to and diffusion of, information both within and outside the institution. In addition to having direct telephone and e-mail connections with Headquarters colleagues, staff based in the field offices will have become fully integrated by having quasi-instantaneous access to all Bank-wide systems and databases through the greatly enhanced capabilities of the Bank's Data warehouse, Intranet and external website.

9.6 Expanded use of the video-conferencing facilities and real time communications will significantly contribute to rationalize the missions to and from the RMCs and facilitated the early resolution of project-related issues as they occur. The video-conferencing capability will also have changed the way the Bank undertakes training with the introduction of distance learning, in particular with respect to procurement, sustainable development and governance concerns. Equally important, the Bank will have fully computerized loan administration, allowing on-line access to loan accounts for borrowers.

9.7 Enhanced Development Results. The process of preparing, approving, disseminating, monitoring and updating the Strategic Plan will have played a vital role in developing a consensus between the Bank's Board, Management staff, financiers, RMCs, development partners and other stakeholders on the Bank's strategic orientation and operational priorities. Through its focus on selectivity, strategic partnership, client focus and measurable development results the Bank will have made a significant contribution to helping RMCs attain the Millennium Development Goals and should be in a position to quantify its development impact. The Bank will be intermediating substantially increased volumes of ADF and ADB resources efficiently while maintaining sound overall financial results. It will have become a preferred channel for handling an increasing proportion of the anticipated increases in ODA funding.

9.8 Disaster recovery and business continuity plan. With the opening and entry into effectiveness of the Temporary Relocation Agency (TRA) in Tunis by end of 2003, the Bank Group will have completed the most

[41] Establishment of a Temporary Relocation Agency (TRA) in a Regional Member Country: Final Selection Stage of the Site in Tunisia (ADB/BD/WP/2002/09 – ADF/BD/Wp/2002/09 of 15 February 2002.

important facet of its efforts to ensure the disaster recovery and business continuity security of its operations, in the event of any major unexpected risk it could be called upon to face. [41]

9.9 The combined impact of all the foregoing will have been to greatly strengthen the position of the Bank as the premier regional development funding institution in Africa that is making a real and measurable impact on productivity growth and thereby reducing poverty and improving living standards throughout the continent.

X CONCLUSIONS AND RECOMMENDATIONS

10.1 An important function of the Strategic Plan is to provide an integrated framework that will strengthen the coordination of the activities of the individual Operations and non-Operations Complexes and Units of the Bank and ensure that all work together in a coherent manner to achieve the greatest impact on poverty reduction in RMCs. This framework will also help ensure that the human, financial and institutional resources of the Bank are developed and allocated in accordance with the strategic priorities established.

10.2 This document offers an interactive strategic framework and directions for the Bank Group as well as some core strategic choices over the next five years, 2003-2007. This document also proposes to introduce a dynamic corporate balanced-scorecard to provide a clear and stable set of annual objectives to ensure that all the Bank's Complexes and units will pull together and in the same direction. This is essential to enhance the internal alignment of the resources of the various Complexes and departments relative to the institutional objectives in the Bank Group's quest for improving and deepening its internal effectiveness in order to achieve better development results in RMCs.

10.3 The Boards of Directors considered and approved this Strategic Plan on 18 December 2002.

THE MILLENNIUM DEVELOPMENT GOALS (MDGS)

The Millennium Development Goals are contained in the Millennium Declaration adopted by the United Nations Millennium Summit in September 2000. They are a refinement of the International Development Goals and are derived from the agreements and resolutions of United Nations conferences in the 1990s. They consist of the following eight goals:

1 ERADICATE EXTREME POVERTY AND HUNGER

- Halve the proportion of people whose income is less than one dollar a day by year 2015;
- Halve the proportion of people who suffer from hunger by year 2015;

2 ATTAIN UNIVERSAL PRIMARY EDUCATION IN ALL COUNTRIES BY YEAR 2015

- Ensure children of both sexes everywhere will be able to complete a full course of primary schooling;

3 3. PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

- Eliminate gender disparity in primary and secondary education, preferably by year 2005, and at all levels of education no later that 2015;

4 REDUCE CHILD MORTALITY

- Reduce by two-thirds under five mortality rate by 2015;

5 IMPROVE MATERNAL HEALTH

- Reduce by three-quarters the maternal mortality ratio by year 2015;

6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

- Halt by 2015, and begin to reverse the spread of HIV/AIDS;
- Halt by 2015, and begin to reverse the incidence of malaria and other major diseases;

7 ENSURE ENVIRONMENTAL SUSTAINABILITY

- Integrate the principles of sustainable development into country polices and programs and reverse the loss of environmental resources;
- Halve by 2015 the proportion of people without access to safe drinking water;
- Achieve a significant improvement in the lives of at least 1000 million slum dwellers by 2020;

8 DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

- Develop further an open, rule-based, predictable, non-discriminatory trading and financial system;
- Address the special needs of the least developed countries;
- Address the special needs of land-locked countries and small island developing states;
- Deal comprehensively with the debt problem of developing countries through national and international measures in order to make debt sustainable in the long term;
- In cooperation with developing countries, develop and implement strategies for decent and productive work for youth;
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries;
- In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

annex 2

PARTICIPATORY APPROACH IN STRATEGIC PLANNING

I.1 Preparation of this first five-year-Strategic Plan has been a Bank-wide effort and has been drawn up based on contributions from a wide range of Bank managers and staff under the guidance of PRVP and its new Strategic Planning and Budgeting Department (PPLB). In developing this proposal, consideration has also been given to consultations with sister institutions on best practices in strategic planning, as well as exchanging each other's experiences thereon.[1]

I.2 In this framework, the Plan has been prepared in four main stages, through the following broad-based participatory process

- The first stage was launched in January 2002, when each Department was asked to prepare a departmental Strategic Plan using as a guide a strategic framework paper that set out the process to be followed and the broad planning assumptions to be used. In this stage, all departmental staff were encouraged to participate in facilitated meetings to help set departmental strategic priorities and assess associated work programs and resource implications;
- In the second stage from March to May 2002, the Departmental Plans were integrated into Complex Strategic Plans with additional guidance being given by Senior Management on resource planning assumptions and operational selectivity issues;
- In the final stage from June to August 2002, PRVP managed the integration of the Complex Strategic Plans into the Bank–wide Strategic Plan set out in this document. Inter-Complex coordination issues and inconsistencies were resolved through a process of consultation in order to ensure a coherent overall approach within the framework of anticipated available resources;
- A Presidential Council met on 13 September 2002 to get Senior Management consensus on key issues related to the articulation of clear corporate goals for the Bank Group consistent with its unique mission of reducing poverty and promoting sustainable economic growth in RMCs, while remaining a financially sound development institution;[2]
- The Board discussed Management's initial proposals for the preparation of a Strategic Plan for the Bank Group for the 2003-2007 period. During this Committee on the Whole meeting held on 8 October 2002, there was a general consensus on the guiding principles and strategic focus of the Plan. However, some Boards members requested Management to provide them with more detailed information on the issue of selectivity within and across RMCs and to to give them some illustration about the link between strategic plan and budgeting;
- Two focus groups composed of senior management of the Bank were set up to brainstorm on the selectivity issue, in order to develop and come up with concrete proposals for determining the Bank's strategic focus in both ADF and ABD RMCs over the next 5-year period, together with the rationale and justification. The two focus groups met on 28 and 29 October 2002 to examine, by sectors and sub-sectors, specific areas in which the Bank will have a clear sense of where it will seek to play a leadership role or support role, or where it will not be involved at all, thus ensuring consistency of programs and reducing overlap with other donors in RMCs. The main results, conclusions and recommendations of these seminars can be found in Annex III herewith attached for reference;
- An informal Board meeting was held on 8 November 2002 to show an illustration of the closer linkage between strategic planning and budgeting. An Agricultural and Rural Development Department was taken as a case study. Taking into account the comments and suggestions made during this meeting and those made during the subsequent Boards seminar on the Budget held on 12 November 2002, Management highlighted its continuous commitment to improve the transparency and efficiency of the planning and budgeting process and to achieve a rational and more pragmatic allocation of resources. In light of experience, Management will also propose changes intended to assist the Bank in pursuing a business driven approach to planning and budgeting, taking into account its project based framework, whilst recognizing its responsibilities as a public institution.

I.3 Converging Exercises

It is important to note that three major initiatives being undertaken in parallel with the Strategic Plan formulation will be incorporated into the final Strategic Plan and thereby facilitate its implementation during the next five years. These are: (i) the Mission Exercise, which aims to enhance staff understanding of and support for the mission and objectives of the Bank and to create an internal culture conducive to their realization[3]; (ii) the Staff Skills Inventory, which is taking stock of the avai-

[1] The World Bank, IMF, IADB, EBRD, UNDP and AsDB.

[2] The meting was chaired by the President and participants included the Vice-Presidents, PRVP, FNVP, OCVP, and the Representative of OCVP. The Directors presents were: PDRE, Ag. SEGL, GECL, FFCO, Ag. FFMA, FTRY, SAPR, OPSD, and the Officer in charge of PPLB. Other participants included the following Managers PPLB.1, PPLB.2, Assistants to PRST and PRVP and the Consultants.

lability of the skills and competencies that the Bank will need to implement its future operations; and (iii) the OPSD Study, which is making an in-depth assessment of the structure and future operations of the Private Sector Department.

I.4 Consultations with all the Key Stakeholders

Once the Strategic Plan is approved, Management plans to hold a series of workshops with representatives from a wide-range of stakeholders including government and non-government officials, private sector –in particular the African Business Roundtable (ABR), and key partners such as the Bretton Woods Institutions, AsDB, UNDP, EIB, the Arab Funds, and the ECA. The objective will be to help disseminate the Bank's strategy and prepare the ground for further strategic consultations, refinements and review processes in 2004-2005 and beyond.

PARTICIPATORY APPROACH IN THE PREPARATION OF THE STRATEGIC PLAN 2003-2007[4]

	Document title[5]	Number of pages
1	Interaction Matrix	13
2	Senior Management's Key Communications on Strategic Plan	190
3	Compendium of Strategic Plans by Complex	104
4	Compendium of Departmental Strategic Plans	276
5	Compendium of Facilitation Reports	405
6	Blueprint on the Implementation of the New Structure	81
7	Others related strategic planning documents Report of the Resource Committee – Meetings of the Mission Exercise Committee	93
8	Management's initial proposals for the preparation of a strategic Plan for the Bank Group for the 2003-2007 Period- First Draft	106
9	Eight Power-point Presentations to the Boards of Directors	240

[3] The basic information gathered from staff during the discussions on corporate values will be reviewed and analyzed by the change facilitators as a task force to produce a draft statement of corporate values. The staff will be invited to validate the aforementioned statement. This validation will officially become the staff's "Declaration of Values".

[4] Overall, 70 volunteer staff were selected and trained in change management and facilitation skills. During the first quarter of 2002, they conducted 85 consultation sessions achieving impressive rates of over 80% participation among staff in spite of many competing priorities. This broad-based consultation not only provided the basic information and ideas on which the strategic plans were developed, but also built awareness of the Bank's goals and ownership of the process at all levels of the organization. These facilitators will remain a useful resource for the Bank for years to come and will maintain an on-going role as internal consultants monitoring the evolution of the organization's capabilities and institutional culture change through the Mission exercise, and provide advice in the context of future successive strategic planning exercises.

[5] All these documents can be made available and are in file in Strategic Planning and Budget Department (PPLB).

annex 3

INDICATIVE FRAMEWORK ON THE FOCUS AND SELECTIVITY IN STRATEGIC PARTNERSHIP

1 During the Committee of the Whole meeting on 8 October 2002 on the Strategic Plan, the Boards of Directors expressed the need for more clarification and precision on the issue of selectivity as elaborated in the Plan. Two focus groups, comprising members of senior management of the Bank were therefore set up to brainstorm on the selectivity issue, in order to develop some indicative but nevertheless concrete proposals for determining the Bank's strategic areas of intervention over the next 5-year period, together with the rationale and justification.

2 The two focus groups met on 28 and 29 October 2002 to examine, by sectors and sub-sectors, specific areas in which the Bank should play the role of leader, partner, or facilitator; the objective being to position the Bank to become a respected leader in a few areas, and an effective partner in others.

3 Participants agreed on the definition of the specific roles the Bank might be expected to play in its interventions as leader, key partner or support role as facilitator. As leader, the Bank would seek to be the anchor or focal point for particular activities or sectors, and to be recognized for its expertise and endowments in the area. Other development partners support the Bank, which sets the tone for interventions in this area. As partner, the Bank plays no leadership role, but would collaborate as an equal partner with other development agencies. Such collaboration is usually defined within the framework of an MOU and an action program in which joint activities are spelled out and clear responsibilities are assigned to each member of the partnership. As a facilitator, the Bank recognizes that it has neither the means nor the capacity to lead or assume any significant responsibilities in specific activities or areas, but would support the lead set by other development partners and provide as much contribution as is feasible. This may not require any formal MOU.

4 The focus groups agreed that the key priorities within RMCs, between RMCs, and at regional levels will be based on tailored needs as defined through PRSPs/CSPs. They also noted that these priorities will be determined through collaboration with country authorities and other development partners within the framework of the PRSP/CSP processes, during which agreement will be reached on a set of well targeted priority interventions where Bank assistance can have the greatest development impact. Overall, it was underscored that selectivity has to be country focused and to make a clear distinction between ADB, ADF, and Blend countries.

5 Within these broad guidelines, the summary chart below presents, for information only, some indicative proposals, which must necessarily be viewed as flexible and not binding, as they will be subject to: the regular annual reviews of the Strategic Plan, from 2003 and beyond, involving the Boards and management. In practice, all the concerns raised on selectivity will be thoroughly and adequately addressed, on the one hand, within the approval process of the next cluster of enhanced CSPs for all the RMCs that will be presented to the Boards of Directors, and on the other, through the next consultations with all the key stakeholders on the dissemination of the Strategic Plan, as indicated in Annex II of this Plan (See paragraph 1.4 of this Annex). This dialogue is essential to prepare the ground for further strategic refinements and review processes in determining the specific strategic areas of intervention at the country level for Bank Group operations during the Plan period and beyond.

SUMMARY CHART ON SELECTIVITY

Sector/Sub-Sectors	ADF countries	ADB countries	Justification
MULTISECTOR			- In recognition of key roles played by national authorities, the BWIs and other development partners in this area, the Bank will play a partnership role with other development agencies in both ADF and ADB countries in the preparation of PRSPs and national plans and policies
• Preparation of PRSPs or National Development Plans	P	P	
• Promotion of stable macro-economic environment	P	P	
• Privatisation and Deregulation	P	P	
• Poverty Related Research	L	L	- In view of the Bank's mandate and mission for poverty reduction in RMCs, the institution aims to play the lead role in poverty-related research
AGRICULTURE & RURAL DEVELOPMENT			- Many actors are involved in ADF countries, and the Bank plays a partnership role. Private sector dominance in ADB countries; also ADB resources are expensive
• Crop Production	P	F	
• Rural Infrastructure (feeder roads, storage, water supply and sanitation)	L	P	
• Rural Financial Services	L	L	- Critical role for poverty reduction in ADF countries; other actors and the private sector in ADB countries
• Land Tenure System	L		

			- ADF projects and AMINA have developed microfinance services in partnership with local MFIs. Need to build on track record of success in both ADF and ADB group of countries - In ADF countries, improved tenure system will impact positively on production, food security and poverty reduction. Tenure system already functioning well in ADB countries, hence no major role for the Bank
HUMAN CAPITAL DEVELOPMENT			- In ADF countries literacy rate is low and facilities are in short supply. The Bank needs to play a leadership role in the areas of basic and vocational education, and in curriculum development - In ADB countries literacy is relatively high and facilities better developed, hence need for borrowing from ADB window is low, and Bank plays the role of facilitator - In ADF countries the Bank is expected to play a leading role in supporting primary and maternal health care and in strengthening health infrastructure to increase productivity and alleviate poverty. In the areas of reproductive health and communicable diseases, there are many actors using grant resources, hence the Bank needs to collaborate with other development partners - In ADB countries facilities are better developed, and there are also many actors. The need for borrowing from ADB window is therefore low, hence the Bank needs to play a supporting role
(a) Education			
• Basic Education	L	F	
• Secondary education	F	F	
• Curriculum development	L	F	
• Technical, Vocational Training	L	F	
• Adult Education	P	F	
• Higher Education/Research	P	F	
(b) Health			
• Basic/Primary health care	L	P	
• Maternal and child health care	L	P	
• Reproductive health	P	F	
• Communicable diseases	P	F	
• Strengthening health infrastructure	L	F	
INFRASTRUCTURE & PUBLIC UTILITIES			- There is critical need for water and sanitation facilities for poverty reduction. Assigned role of Bank as lead agency in NEPAD and also at WSSD conference - The Bank is a major player in the transport sector in RMCs and has acquired great experience in rehabilitating and upgrading transport corridor projects - The Bank aspires to establish a niche in renewable energy to enhance poverty reduction in ADF countries - Emerging dominant role of the private sector in the provision of energy and telecommunications facilities
• Water and Sanitation	L	L	
• Transport	L	L	
• Energy (including renewable energy resources)	L	P	
• Telecommunications & IT	F	F	
PRIVATE SECTOR			- Bank will aspire to play leadership role in improving business and investment climate for public-private partnerships (PPP) in infrastructure and social services - The Bank is expected to play a leading role in SMEs' financing and development as leverage to employment and income generation and poverty reduction - In view of resource constraints and activities of other partners, Bank will play a facilitator role
• Enabling Environment (and PPP)	L	L	
• Development of small scale enterprises	L	L	
• Investment Operations	F	F	
REGIONAL ECONOMIC INTEGRATION			- Macroeconomic policy harmonization and trade liberalization are key aspects of Bank's mandate, and Bank collaborates with other actors in this area - Given assigned role of Bank in NEPAD, the Bank is expected to take the lead in promoting and financing regional infrastructure through its private sector window, and to lead in the rationalization of regional organisations, as well as in studies and research on economic integration
• Policy harmonisation	P	P	
• Regional infrastructure	L	P	
• Private sector promotion	P	P	
• Rationalizing regional organizations	L	L	
• Capacity building: studies and research on regional integration	L	L	

GOVERNANCE			- The Bank aspires to play the lead role in economic, financial and corporate governance as mandated by the NEPAD Heads of State Implementation Committee, and in line with Bank Group policy on Good Governance
• Financial Governance	F	F	
• Judicial/Legal	P	P	
• Corporate Governance	P	P	
• Public sector Reforms	P	P	
POST CONFLICT			- There is no case of post conflict situations in ADB countries. The Bank needs to collaborate effectively with other partners already involved in ADF post conflict countries in all the dimensions of assistance strategy
• Resettlement Assistance	P		
• Institutional Support	P		
• Rehabilitation & Reconstruction	P		
• Demobilisation & Reintegration	F		
• Arrears Dialogue	P		

Note : L = Leadership role; P = Partnership role, i.e., primary or equal partner; F = Facilitator or supporting partner.

SUMMARY AND CONCLUSIONS

It is proposed that the Bank should play or aspire towards a leadership role in the following sectors and sub-sectors:

Indicative framework of selectivity for ADF Countries where over the next five years and beyond, the Bank will aspire to become leader in:

I) MULTISECTOR
Poverty-related research in view of the Bank's mandate and mission for poverty reduction in RMCs.

II) AGRICULTURE AND RURAL DEVELOPMENT

a) Rural financial services, to build to build on the Bank's past experiences and on the best practices in sister institutions and in NGOs in the area of lines of credit and microfinance (AMINA);

b) rural infrastructure in view of its importance for poverty reduction through agricultural production and access to social services; and

c) land tenure, in view of the limited knowledge in this area in the ADF countries and its impact on poverty reduction through agricultural production.

III) EDUCATION
Basic and vocational education in view of the poor facilities in these areas and their impact on poverty reduction. Strong leadership is also required in the area of curriculum development.

IV) HEALTH
Support for basic, primary and maternal health care and strengthening health infrastructure to increase productivity and alleviate poverty.

V) INFRASTRUCTURE AND PUBLIC UTILITIES
Water and sanitation in rural and peri-rural areas in view of their importance for poverty reduction and the Bank's assigned role in NEPAD and the WSSD plan of action. Also, leadership role in transport and renewable energy resources in view of the Bank's track record.

VI) PRIVATE SECTOR
Enabling environment, to improve business environment and promote public-private partnership. Also development of SMEs as leverage to employment and income generation and poverty reduction.

VII) GOOD GOVERNANCE
Economic, financial and corporate governance as mandated by NEPAD, and in line with recent Bank Group policy, in order to enhance accountability and transparency in the management of public resources.

VIII) REGIONAL ECONOMIC INTEGRATION
Promoting and financing regional infrastructure through the Bank's private sector window, rationalization of regional organisations, as well as studies and research on economic integration, to enhance regional cooperation and integration efforts in line with Vision and assigned role of Bank in NEPAD.

Indicative framework of selectivity for ADB Countries where, over the next five years and beyond, the Bank will seek to build up experience and skills mix to become leader in:

I) MULTISECTOR
Poverty-related research in view of the Bank's mandate and mission for poverty reduction in RMCs.

II) AGRICULTURE AND RURAL DEVELOPMENT
Rural financial services, to build on the past Bank's experiences and best practices in sister institutions and in NGOs in the area of lines of credit.

III) PRIVATE SECTOR
Enabling Environment, especially in the area of promotion of public-private partnership. Also development of small and medium scale enterprises as leverage to employment and income generation and poverty reduction.

IV) INFRASTRUCTURE AND PUBLIC UTILITIES
Water and sanitation in rural and peri-urban areas in view of its assigned role in NEPAD and the WSSD plan of action. Transport sector in view of the pre-dominance of the Bank in this sector.

V) GOOD GOVERNANCE
Economic, financial and corporate governance as mandated by NEPAD, and in line with recent Bank Group policy, in order to enhance accountability and transparency in the management of public resources.

VI) REGIONAL ECONOMIC INTEGRATION
Rationalization of regional organisations, as well as studies and research on economic integration, to enhance regional cooperation and integration efforts in line with Vision and assigned role of Bank in NEPAD.

annex 4

PERFORMANCE MEASUREMENT
INTRODUCTION OF AN INSTITUTIONAL SCORECARD FOR THE BANK GROUP OVER THE 2003-2007 PERIOD AND BEYOND

1 Context

1.1 The African Development Bank has achieved a major turn around over the past six (6) years. It is now about to adopt its first Strategic Plan for the period 2003-2007, which aims to align the Bank's activities and to further strengthen the Bank's institutional effectiveness. The present document of the Strategic Plan proposes that the Bank Group in line with best practices in other sister institutions introduces a corporate scorecard coupled with an annual review system to monitor progress made in the implementation of the Strategic Plan and to provide an overall framework within which the future strategic budgets will be formulated over the 2003-2007 period.

1.2 Interest in the concept of the Balanced Scorecard crystallized after the first Donors-Roundtable on Better Measuring, Monitoring and Managing For Development Results held on 5-6 June 2002 in Washington D.C. Subsequently, at the invitation of the African Development Bank, a two-day period of consultations with UNDP and EBRD was organized in Abidjan in July 2002 to share the experience of these institutions in designing and implementing their organization-wide Balanced Scorecard. During these separate consultations, the different concepts of the Balanced Scorecard were outlined and the experiences within UNDP and UNDP/IAPSO on one hand and EBRD on the other, with the Balanced Scorecard were shared. The UNDP Country Office in Abidjan also demonstrated the operationalization of the concept at the decentralized level. The Bank Group also undertook some study and fact-finding mission to these institutions in October 2002.

1.3 At the end of all these consultations and exchange of experiences with other multilateral and bilateral development agencies such as the Bretton Woods Institutions, it was confirmed that the timing and choice for implementing a Balanced Scorecard at the African Development Bank was very relevant. It was found that the implementation of a corporate Balanced Scorecard, composed of two different scorecards, one for Operations, and the other for non-Operations, each cascading down at the "Complex" or regional/country or sectoral levels should be the first option to explore. It was also found that, in order to take into account all the specificities of the African Development Bank, the preferred Balanced Scorecard model would likely be the one used by public sector agencies such as EBRD and UNDP.

1.4 On the information technology side, it was agreed that the possibility to expand the current contract with SAP to include their Balanced Scorecard module could be considered as a medium and long term solution contingent upon the development of a comprehensive Data Warehouse. However, in the short and medium term, the alternative option to pursue will be to implement a corporate scorecard using the UNDP approach without a Data Warehouse as a precondition but taking action to carry it over to the long-term option in due course.

2 Project Objectives

2.1 The ultimate objective of the Balanced-Scorecard project is the successful implementation of the Bank's strategy as outlined in its Strategic Plan. The Balanced Scorecard will be the instrument to communicate and help operationalize the strategy at the business unit and individual levels. It will support the current decentralization effort and focus performance management on the key success or failure behaviors expected from the Bank's staff members.

2.2 The anticipated benefits of the Balanced Scorecard can be summarized as follows:

- Clarify the vision and its link with a rolling five-year Strategic Plan;
- Enhance focus on priorities through better consensus building and stronger ownership;
- Align the organization through better decentralization, delegation of authority while ensuring and enforcing budget discipline;
- Drive resource allocation and help integrate strategic planning and budgeting by shifting the focus from inputs to achieving results;
- Improve the balance between upstream policy work and downstream project work and program activities;
- Respond to the request of the Board to set stable a set of performance measures and to develop a transition impact measurement;
- Improve and enhance dialogue and transparency with the Board on strategic planning and budgeting and performance measurement; and
- Improve management effectiveness.

2.3 Project Components and Steps

2.3.1 The Balanced Scorecard project is composed of the following four major components:

PHASE 1
Strategic Planning and Budgeting

- Finalize / fine-tune the Strategic Plan 2003-2007, ensuring consistency between the concepts used (strategic priorities, challenges, etc.) and the typical Balanced Scorecard framework (themes, perspectives, goals, etc.);
- Secure approval of the Strategic Plan 2003-2007 by December 2002.

PHASE 2
Balanced Scorecard Design

This phase is composed of 4 distinct modules. The first one, the design of the Balanced Scorecard model, can be seen as the minimum requirement for the Bank to launch its Balanced Scorecard. The three other modules, while considered essential in any successful Balanced Scorecard project, can be pursued by the Bank at its own pace depending on the level of integration aimed at for the Balanced Scorecard with other business processes.

This phase also includes a comprehensive in-house consensus building process on the key strategic performance indicators to adopt for the Bank Group. These indicators must be really strategic, meaning that they should be few in number, comprehensive and provide high-level guidance for strategic business decisions. They must also, to begin with, focus on operations and financial performance indicators rather than development effectiveness. However, a set of indicators will be formulated to monitor development effectiveness and results in close coordination with other multilateral and bilateral donors including RMCs and members of their civil societies. Finally, the performance indicators must be practical to track and to use. This means that they should be quantifiable or qualitatively measurable and based on readily available data.

2.3.2 MODULE 1
Balanced Scorecard Model

- Reach agreement on what model to choose (Private or Public Sector);
- Explore structural options for the selected model. Options include one Corporate Balanced Scorecard.;
- Strategic objectives and Strategy map;
  • Review cause-effect relationship of strategic objectives in the Strategic Plan
  • Build the African Development Bank's Strategy Map
- Reviewing strategic measures;
  • Prepare inventory of existing indicators
  • Brainstorm on possible lag and lead measures for each strategic objectives
  • Retain indicators to be included in the initial launch of the Balanced Scorecard
  • Prepare list of 1st and 2nd choice strategic indicators
  • Secure sign-off of Senior Management Team on the list of indicators to be included in the first roll-out of the Balanced Scorecard
- Prioritizing initiatives;
  • Finalize inventory of official (and less official) initiatives
  • Map existing and planned initiatives against strategic objectives
  • Identification of strategic gaps
  • Prioritize initiatives
  • Reach agreement on strategic initiatives to be launched in 2003

2.3.3 MODULE 2
Information Technology

- Review pros and cons of existing BSC products/vendors;
- Adopt QPR approach and develop Data Warehouse or SAP approach on opportunity to expand current contract to include Balanced Scorecard ERP module;
- Business requirements prepared (including Balanced Scorecard model and cascading structure, number and type of users, data-mining, web and reporting functions);
- RFP (if needed) and contracting process completed;

- Balanced Scorecard model developed in selected application.

2.3.4 MODULE 3
Strategic Planning and Budgeting

- Review the framework used for budget allocation and work planning at the unit level;
- Identify synergies between the strategic planning Balanced Scorecard and the current budget allocation mechanisms;
- Explore the opportunity to use the Balanced Scorecard strategic objectives and initiatives as the framework for planning unit work and allocating budget resources to ensure that the limited budget resources are aligned with the strategy.

2.3.5 MODULE 4
Individual Performance Incentives

- Explore various options for linking current individual performance assessment instruments to the Balanced Scorecard results;
- Explore opportunities to link unit and personal objectives to the strategic objectives and implement performance based pay;
- Agreement reached on what and when to introduce Balanced Scorecard related performance incentives, if applicable.

2.4 PHASE 3
Advocacy

- Corporate wide communication of Strategy Map;
- Balanced Scorecard on the agenda of key corporate events;
- Corporate wide communication of Balanced Scorecard indicators;
- Promotion of Balanced Scorecard concepts, benefits and use.

2.5 PHASE 4
Implementation and Review

- Roll-out Balanced Scorecard application to all key users;
- Train user community on Balanced Scorecard application;
- Target setting exercise for all business units;
- Data collection, including design of instruments necessary to collect information, e.g. surveys (staff, client, partners);
- Performance analysis and feed-back;
- Yearly review of Balanced Scorecard experience and alignment with strategy.

3 Project Implementation Plan and Indicative Timeframe

3.1 A first version of a Balanced Scorecard will be ready to implement within the African Development Bank before the end of the year 2003.

DECEMBER 2002 – JANUARY 2003 : M

- Strategic Plan final draft finalized and approved;
- Kick-off meeting with Vice-Presidents, chaired by the Bank President;
- Set-up cross-functional Balanced Scorecard Focus Group;
- Approval of Balanced Scorecard project;
- Initiate discussions on Balanced Scorecard model and structure;
- Conduct inventory of existing indicators and initiatives.

M+3

- Balanced Scorecard design workshop to finalize the Bank's Balanced Scorecard model (Phase 2);
- Initiate and conclude dialogue with UNDP/EBRD/SAP on their Balanced Scorecard ERP modules;
- Prepare IT requirements.

M+4

- Kick-off advocacy activities (Phase 3);

- Corporate planning processes review workshop to explore options for linking Balanced Scorecard with budget allocation, work planning, and individual performance assessment;
- Present to the Board a document on the Principles of Planning and Budgeting;
- Contract with software vendor;
- IT system customization.

M+6

- Launch of the Bank's Balanced Scorecard Version 1;
- Roll out and user training;
- Strategic Budget Allocation;
- Target Setting exercise for all business units;
- Other implementation (Phase 4) steps.

M+9

- Review of Balanced Scorecard launch to reflect on experience, identify barriers, and collect feed-back on indicators and target setting.

M+15/18

- Close performance evaluation loop;
- Workshop to reflect strategy changes and indicator improvements in particular for the Operations, Finance and PRVP Complexes;
- IT system upgrades;
- Release of Bank's Revised Balanced Scorecard Version 2.

4 UNDP/AfDB partnership

4.1 UNDP and UNDP/IAPSO as well as IFC, EBRD have been implementing the Balanced Score Card for the past 2-3 years. The African Development Bank and these sister institutions have many similarities on focus, organizational structure and development environment.

4.2 A partnership agreement between UNDP and the African Development Bank, operating within the framework of the existing Memorandum of Understanding between UNDP and the African Development Bank, is being considered by the two institutions. The purpose of this agreement would be for the African Development Bank to leverage UNDP's experience in implementing its Balanced Scorecard and draw on advisory, facilitation and training services from UNDP Office of Corporate Planning and other UNDP units directly involved in implementing the instrument.

appendix a

PRINCIPAL CORPORATE-LEVEL PERFORMANCE INDICATORS

MAJOR PLAN PRIORITY	KEY ACTIONS	PERFORMANCE INDICATORS
Utilizing Lending Capacity	Expand annual ADB lending to UA 1,250 million by 2006 with increased volume of private sector lending Using ADF IX and X resources in line with agreed policies	Annual volume of ADB and OPSD approvals versus growth target Sector and thematic characteristics of ADF annual approvals
Achieving Selectivity in Operations	WITHIN COUNTRIES - expand ESW - align CSPs to poverty reduction strategies - sharpen sector focus within countries - increase use of SWAPs	- Number of ESW reports - Number of CSPs revised each year and sharpness of their sector focus - Increasing average project loan sizes compared to 2001 base year - Volume of SWAPs increasing towards target of 25%
	BETWEEN COUNTRIES - revise ADF allocation formula - determine priorities for allocating increased grant resources	- New allocation formula agreed in 2002 - Indicative grant program for ADF IX agreed in 2002
	AT REGIONAL LEVEL - develop criteria to select key regional initiatives for support - select restricted range of high priority initiatives to support	- Indicative regional support program reviewed and approved annually
Enhancing Development Effectiveness	Develop quantifiable and monitorable indicators of development impact in collaboration with partner institutions	Development impact indicators approved and utilized in project documents starting 2003
	Increase staff support for project preparation and require project documents to describe - priority development program project supports and status of policy and institutional requirements - roles of cooperating partners	Improved quality and content of project documents. Work programs and budgets reflect revised staff input coefficients Annual reviews show increasing quality-at-entry. OPEV annual reviews of development effectiveness starting in 2003
	Create stronger implementation culture - Increase staff supervisioninputs - Judge staff performance on implementation effectiveness	Annual APPRs show - declining proportion of projects at risk - proportion of projects rated satisfactory increasing to 90% by 2005 to 2007
Strengthen Field Presence	Approve annual plans for field office expansion Make arrangements with host authorities	Opening of new field offices according to agreed timetable Numbers of staff located in field offices Annual budgets presented in Strategic Plan framework
Developing Human, Institutional and Knowledge Management Resources	Introduce streamlined staff recruitment processes to cut lead times while preserving transparency. Mount intensive staff training programs to keep skill profiles in line with future demands	Average time between recruitment advertisement and panel decision reduced to 3 months Vacancy backlog as of January 2002 cleared by mid-2003

	Introduce improved staff performance assessment and career development processes Keep compensation and benefits systems attractive Upgrade IT support and communications facilities and ensure staff fully trained Implement a pilot program to attract leading intellectuals particularly but not exclusively limited to Africans in RMCs or Africans in the Diaspora	Future number of vacancies kept below target level of 5% Average training days per staff member per annum raised to 10 New processes approved in 2003 for staff reassignments and for staff performance assessment by 2005 Comprehensive Annual Compensation Reviews to be held every 3 years starting in 2003 with annual updates Annual budget report to review progress on major IT and communications projects, including training, and propose budget for coming year. Number of demonstration projects or studies produced per year including SSPs
Increasing Organizational Effectiveness	Implement strategic budgeting Refine operational policies, procedures and review processes Establish development research program in collaboration with other agencies Improve efficiency of disbursement processing Design and introduce competitive new ADB loan products	Annual budgets presented in Strategic Plan Framework New policy documents approved in accordance with schedule set out in annual budget document Annual review of development research activities and indicative program for following year New document processing standards introduced and used to monitor disbursement performance New products approved and introduced – i.e. non-sovereign guaranteed lending
Maintaining Financial Soundness	Maintain high financial standards in the conduct of the Bank's resource mobilization and lending activities and in the management of risk Develop and introduce improved financial performance and exposure management indicators, forecasting models and reporting formats	Good Audit Reports and Management Letters received each year Full AAA credit rating restored by 2004 Key financial ratios kept within target range through business best practices among MDBs Timely financial reporting on quarterly and annual basis using new indicators and formats

annex 5

AFRICAN DEVELOPMENT BANK SUPPORT FOR STATISTICAL ACTIVITIES IN AFRICA : AN ACTION PLAN TO BETTER MEASURING, MONITORING AND MANAGING FOR DEVELOPMENT RESULTS

1.1 The African Development Bank has supported activities aimed at developing statistical systems in regional member countries (RMCs) mainly through capacity building projects. The Bank has also funded statistical activities relating to poverty reduction within the context of the social dimensions of adjustment (SDA) programs and the PRSP process. Over the last 12 years, the African Development Bank has approved USD 97.7 million to support institutional capacity building projects with some statistical support components in 19 African countries. The main financing instrument used has been technical assistance grants (19 grants for a total amount of USD 49.3 million) for institutional support to government ministries and for SDA programs. Since 1997, Bank support for statistical activities in RMCs has been channeled through components in poverty reduction projects, with approvals of five such projects for a total amount of USD 46.9 million.

1.2 Statistical activities financed by the Bank generally aim to improve the availability and quality of data and to strengthen the institutional capacity of government agencies to produce these data. Some projects financed by the Bank have components directed towards financing statistical activities aimed at improving the compilation of national accounts (Djibouti, Equatorial Guinea, Guinea, and Rwanda). Support is also provided for the undertaking of household and poverty related surveys within the context of poverty reduction programs (Cameroon, Rwanda, Chad, and Sao Tomé). Other Bank funded projects aim to strengthen economic and financial management capacity by supporting the principal institutions for macroeconomic management and monetary and financial policies, including statistical agencies. These projects include components of technical assistance, training, procurement of necessary equipment such as computers and vehicles and funding of operating costs of implementation units, including providing incentives to local staff.

1.3 Health, education, poverty, and gender projects funded by the Bank usually incorporate a monitoring and evaluation component. This involves the training of beneficiaries and undertaking studies to review the impact of the project on the ground, thus leading to overall improvement in data availability and capacity building. Furthermore, sectoral and structural adjustment programs provide resources for the general development and improvement of government services which also result in some improvements in government record keeping and in the availability, quality and consistency of the data collected.

1.4 Since June 2002, the African Development Bank has taken on the responsibility for managing the International Comparison Program (ICP) for the Africa region. The immediate objective of ICP is to organize the collection of economic statistics in RMCs, with a view to meeting the urgent demand for reliable and timely data to support the Millennium Development Goals (MDGs) and Poverty Reduction Strategy Papers (PRSPs). The long term objectives include the need to: (i) strengthen national statistical capacity in price and national accounts, (ii) make the ICP an integral part of national statistical systems; (iii) bring purchasing power parities (PPPs) for the poor into the mainstream of the ICP; and (iv) promote the use of ICP data.

1.5 ICP-Africa will have country-specific and region-wide capacity building components. Its country specific components include (a) establishing the greatest possible synergy between the ICP data collection efforts and routine national statistical programs, (b) strengthening institutional capacity through technical and managerial training and assistance, (c) providing financial, technical and material assistance, including hardware and software for data collection, verification, and processing, (d) creating and maintaining databases and improving the quality and timeliness of the publication and dissemination of the data, and (e) promoting the use of data for policy making and monitoring of progress (Reference Appendix A)

THE INTERNATIONAL COMPARISON PROGRAM FOR AFRICA (ICP-AFRICA)

1 Global Objective

The ICP is a global program established to produce purchasing power parity (PPP) estimates, with the objective of facilitating cross-country comparisons of GDP and its components, such as expenditures on food items, health, education and capital goods. The ICP generates its results on the basis of hundreds of item price comparisons for many detailed components of GDP.

2 Poverty Reduction-Related Objectives

The specific objectives of the ICP are to provide a reliable information base for national, regional and global policy making and for monitoring of progress. In line with the global strategy, the African regional framework aligns itself with the Millennium Development Goals (MDGs), and as such aims to integrate poverty-specific PPPs into the mainstream of the ICP work.

3 Framework of the ICP for Africa

The regional framework pays particular attention to data quality, consistency and comparability through (i) capacity building to improve price and national accounts statistics in the participating countries, and (ii) harmonization of methodologies, concepts and definitions.

4 Usefulness of ICP data

At the international level, the ICP data are widely used by international and regional agencies. They are used to establish international poverty threshold and to monitor progress towards achieving the MDG poverty reduction target (World Bank); to construct the Human Development Index (UNDP); to compare health expenditure per capita (WHO); to assess per capita expenditures in education (UNESCO); to monitor the welfare of children (UNICEF); and to compare the relative sizes of economies and to estimate weighted averages of regional growth rates (IMF, ADB).

5 Regional Coordination

The ICP is a truly cooperative international statistical undertaking involving global, regional, and national agencies. Regional coordination and day-to-day management will be carried out by the ADB, working closely with ECA and the World Bank to coordinate the region's work with that of other regions.

6 ICP-Africa Partnership

ADB, in close collaboration with ECA, will carry out regional training workshops and provide financial and technical support needed to accomplish the work at the country level. National statistical agencies would be responsible for country level data collection and management of the program. At the African level, partnership in ICP will include other regional and sub-regional organizations (such as AFRITAC, the African Capacity Building Foundation (ACBF), the SADC, the UEMOA, the CEMAC, etc.) and other key partners such as PARIS21.

7 Country Participation

It is envisaged that the program will include fifty (50) African countries.

8 Strategic Approach

Sub-regional organizations in Africa will help ensure that ICP optimally fits in with sub-regional recommendations and programs applicable to their member states and would also use ICP as an integrated tool for the assessment of their economic convergence. National statistical offices will participate in the program at all levels, including (i) in the preparation of a regional list of item specifications (through participation in regional workshops), and (ii) in the coordination and management of the regional program (through representation in the respective regional governing bodies).

9 Support to Participating Countries

The estimated total budget of the program is US$ 15 millions over 3 years, of which up to 70% (more than $ 10 millions, i.e. on the average, US$ 200,000 per country) have been earmarked to provide substantial financial, material and technical support to participating countries for national data collection, and capacity building programs. The budget also includes 6% for research, publication and dissemination of reports, as well as for promoting policy oriented uses of the data.

10 Time Frame

The program started in July 2002 and will run until mid 2005. It is expected that a new round of the ICP will take place beyond that horizon, thus ensuring the ICP to be a permanent framework for statistical improvement and capacity building in Africa.

INDICATIVE LIST OF RECENT POLICY DOCUMENTS APPROVED BY THE BOARDS DIRECTORS FROM 1996-2002 [1]

CATEGORY		DOCUMENT TITLE	DOCUMENT REFERENCE CODE
Operations	1	Emergency Assistance Policy	ADB/BD/WP/98/45 ADF/BD/WP/98/41
	2	Bank Policy Guidelines on Financing Enclave Projects	ADB/BD/WP/96/166
	3	ADF-8 Guidelines on the Financing of Multinational Operations	ADF/BD/WP/2000/14/Final approved/Corr.2
	4	Guidelines for the Utilization of the Project Preparation Facility	ADF/BD/WP/99/87/Rev.3
	5	Bank Group Policy and Procedures for Loan Supplements for On-going Projects	ADB/BD/WP/97/83 ADF/BD/WP/97/90
	6	Report on the Bank Group's Experience on Field Office	ADB/BD/WP/2002/45 ADF/BD/WP/2002/48
Agriculture	7	Agriculture and Rural Development Sector Policy	ADB/BD/WP/99/105/Final/Approved ADF/BD/WP/99/85/Final/Approved
	8	Forestry Policy	ADB/BD/WP/93/92 ADF/BD/WP/93/112
Transport	9	Rural Infrastructure Policy Guidelines	
	10	Transport Sector Policy	ADB/BD/WP/93/98 ADF/BD/WP/93/121
Public Utilities	11	Energy Sector Policy	ADB/BD/WP/93/93/Rev.3 ADF/BD/WP/93/113/Rev.3
	12	Water Supply and Sanitation Sector Policy	ADF/BD/WP/90/111
	13	Urban Development Policy	ADB/BD/WP/91/154 ADF/BD/WP/91/174
	14	Integrated Water Resources Management Policy	ADB/BD/WP/99/146/Rev.2 ADF/BD/WP/99/141/Rev.2
Industry	15	Policies and Procedures relating to the Granting of Lines of Credit to Development Finance Institutions (DFIs)	ADB/BD/WP/89/66 ADF/BD/WP/89/54

[1] This list does not include some 120 Country Strategy Papers including updates prepared on each of the borrowing RCMs over the period under review.

[2] The Bank's Urban Development Policy will be revised to take cognizance of the growing urbanization in RMCs with the attendant urban poverty, and come up with more effective policies, which might include interventions in social housing, urban renewal schemes and ways of lending to municipal authorities, to address the situation. Reference Proposals For Enhancing the Bank Operations in Middle-Income Countries (ADB/BD/WP/2002/47 of 22 May 2002.

	16	Industrial Sector Policy	ADB/BD/WP/86/86 ADF/BD/WP/86/70
	17	Policy of Lines of Credit, Agency Lines and Guarantees to Private Sector Financial Institutions	ADB/BD/WP/89/37/Rev.3/Approved
Social	18	Education Sector Policy	ADB/BD/WP/99/92/Rev.3 ADF/BD/WP/99/69/Rev.3
	19	Health Sector Policy	ADB/BD/WP/96/52 ADF/BD/WP/96/32
	20	Health Sector Policy Guidelines	ADB/BD/WP/98/117 ADF/BD/WP/98/139
	21	Population Policy and Strategies for Implementation	ADB/BD/WP/2000/142 ADF/BD/WP/2000/177
Multi Sector	22	Policy on Structural and Sectoral Adjustment Lending	
Private Sector	23	Private Sector Operations Policy	ADB/BD/WP/94/127/Rev.2
	24	Equity Participation Policy	ADB/BD/WP/94/125
Policy Planning & Research	25	Environmental Policy	ADB/BD/WP/89/123
	26	Environmental Assessment Guidelines	ADB/BD/IF/97/214 ADF/BD/IF/97/168
	27	Gender Policy	ADB/BD/WP/2001/62 ADF/BD/WP/2001/58
	28	Bank Group Policy on Good Governance	ADB/BD/WP/99/55/Rev.2/Approved ADF/BD/WP/99/40/Rev.2/Approved
	29	Cooperation with Civil Society Organizations: Policy and Guidelines	ADB/BD/WP/2000/05/Rev.1 ADF/BD/WP/2000/03/Rev.1
	30	Poverty Alleviation Strategies and Actions Program	ADB/BD/WP/92/94 ADF/BD/WP/92/104
	31	Policy for Regional Cooperation and Economic Integration	ADB/BD/WP/2000/13/Rev.1 ADF/BD/WP/2000/17/Rev.1
	32	HIV/AIDS Strategy Paper for Bank Group Operations	ADB/BD/WP/2001/11/Rev.2 ADF/BD/WP/2001/12/Rev.2
Finance	33	Bank Group Credit Policy	ADB/BD/WP/98/40
	34	ADF Liquidity Policy	ADF/BD/WP/99/42/Rev.2
	35	Financial Sector Policy	ADB/BD/WP/2002/49 ADF/BD/WP/2002/55
Corporate Management	36	Proposals to Regenerate the African Development Bank –	ADB/BD/WP/2001/36/Add.2 ADF/BD/WP/2001/47/Add.2

		The Re-Organization Study	
	37	Conversion of Short term Staff Functions to Regular Positions	(ADB/BD/WP/99/95 ADF/BD/WP/99/70
	38	CADM (new CGSP) Reforms)	ADB/BD/WP/99/96
	39	The Indicative Timetable for the Implementation of the Blueprint of the Organisation Study	ADB/BD/WP/2001/36/Add.5 ADF/BD/WP/2001/47/Add.5
Others Units	40	Bank Report on the Information Techno-logy Plan and Telecommunications Mo-dernization Study	ADB/BD/WP/96/31 ADF/BD/WP/96/20
	41	Establishment of a temporary Relocation Agency (TRA) in a Regional Member Country: Final Selection Stage of the Site in Tunisia	ADB/BD/WP/2002/09 ADF/BD/WP/2002/09
	42	New Formulae for Determining the Minimum Subscription for Membership of the African Development Bank and Participation in the African Development Fund	ADB/BD/WP/2001/87/Rev.1/Approval ADF/BD/WP/2001/142/Rev.1/Approval
	43	ADF Strategy and Assistance in Micro-Finance to Regional Member Countries	ADF/BD/WP/2001/97

WATER RESOURCES MANAGEMENT INITIATIVE

1 Background

1.1 Prior to the year 2000, the Bank financed, water supply and sanitation, irrigation and hydropower projects for about 13 % of its total annual loan commitments, through a sectoral approach. Though having a positive impact on the welfare of African populations, the water projects featured planning, institutional, cost recovery, human resources, and legal framework problems and insufficient stakeholder participation, due to a lack of an integrated, multi-sector approach.

1.2 Only about 4% of the available fresh water resources are utilized whereas over 300 million Africans are without safe and adequate water supply and sanitation and suffer from effects of severe drought and flooding. In 2000, the Bank developed a new Integrated Water Resources Management policy, based on the principle that water use must be balanced between the basic and overlapping social, economic and environmental needs, and should be managed in an integrated holistic way in agriculture, domestic consumption, sanitation, hydropower, energy and transport.[1]

1.3 The IWRM policy will enable the Bank to strengthen its capacity to assist RMCs in developing IRWM policy and institutional frameworks at regional, sub-regional, river basin and national levels and embark on water infrastructure development needed to utilize the water resources of the continent to overcome poverty and contribute to the socio-economic well-being.

2 Current Programmes and Initiatives

In order to effectively promote IWRM, the Bank has spearheaded the following main initiatives, hence gaining increasing recognition as a leading institution in the African water sector:

- The African Water Vision and Framework of Action, in which the IRWM principles are articulated, and which set important water resource development targets to meet the needs of the African poor and served as channel for the African input to the development of a World Water Vision;
- Coordination of the African Water Task Force consisting of representatives of the UN Agencies, the AU, the World Bank, the Regional Economic Communities, and River and Lake Basin organisations, which undertook the responsibility of advocating and facilitating the implementation of the Water Vision and ensuring that African water priorities are reflected in international fora;
- The Bank/Netherlands Partnership Program, which was established to provide support to the operationalisation of the IWRM Policy of the Bank and contribute to the implementation of the African Water Vision Framework for Action, through support to policy reform and capacity building programmes in the RMCs;
- The contribution, through the Inter-Agency Group for Water In Africa (IGWA), to the establishment of the Conference of African Water Ministers (AMCOW), created to promote and endorse the African Water Agenda;
- The participation, as member of the organising committee, in the Water Dome Project at the World Summit on Sustainable Development (WSSD), to increase awareness on "water" as a key issue in sustainable development;
- The Participation, through its President, in the Panel on Financing Water Infrastructure established by the World Water Council and Global Water Partnership and chaired by the former Managing Director, IMF. The Bank will contribute to the Panel by making an assessment of the financing needs of the water infrastructure linked to poverty reduction in RMCs;
- The promotion, in collaboration with the World Bank, FAO, IFAD and the International Water Management Institute (IWMI), of an innovative investment in sustainable, cost effective agricultural water management, in line with the Bank’s policies on Agriculture and Rural Development and Integrated Water Resources Management;
- The participation in the Nile Basin Initiative (NBI), a transitional arrangement for sustainable development and management of the Nile waters, through a pledged contribution of USD 33.5 millions out of the 171 million budgeted for the initial programs, and an internal task force for technical input to the Initiative;
- The development, in its role as lead agency on infrastructure for the New Partnership for Africa’s Development (NEPAD), of the Water and sanitation component designed to achieve the objectives of adequate and safe water supply and sanitation, national and regional cooperation in managing water, promotion of irrigated and rain-fed agriculture and of sustained eco-system biodiversity;
- The establishment and the housing of the African Water Facility to support critical programs designed to catalyze massive investment in the African Water Sector;
- The commitment to develop a new key initiative on drinking water for rural Africa.

[1] Reference: Policy for integrated Water Resources Management – Final Version – of 26 April 2000.

3 Lead Role In Water Resources Management In RMCS

In line with guidance and advice from the Boards, Senior Management has determined that the Bank would assume a leadership role on the water sector in Africa. Moreover the NEPAD program, due to its political endorsement in Africa and the support of G8 and the donor community, has provided an important framework, along with the Millennium Development Goals, for articulating and mobilizing support for water resource development and management programs. To consolidate this leadership role and take advantage of the many opportunities currently available, the Bank will continue to position itself strategically, by:

- Strengthening its collaborative efforts, partnerships and visibility in the international water community (MDBs, donor agencies, river and lake basin authorities, African Regional and sub-regional organizations, AMCOW, Global Water Partnership and the World Water Council);
- Strengthening its capacity for developing workable ideas and initiatives in the sector;
- Stepping up its efforts at mobilizing resources, in the form of both grants and loan resources, for water infrastructure development;
- Establishing the necessary internal institutional and human capacity through the setting up of a Water Resources Management Focal Point.

4 Water Resources Management Focal Point

4.1 Currently, only two professional staff of the Operations Policies and Review Department (POPR) are handling the above work of policy, guidelines and Bank initiatives development. To strengthen the Bank's leading role through intensified efforts, the human resource capacity should be augmented and extended to the establishment of a Water Resource Management Focal Point (WRMFP) in POPR, as per the recommendations of the approved IWRM Policy and that of the Bank/Netherlands Water Partnership program. The functions of the Focal Point will be:

- To strengthen the capacity for policy work in the water sector;
- To develop and maintain the impetus on important initiatives and ideas;
- To strengthen the linkages and relationships between the Bank and other stakeholders at the national, regional and international levels;
- To facilitate effective coordination between water policy, programming, initiatives and the operational work of the Bank. The Water Focal Point is positioned to provide strategic and operational support to the Operations Complexes and, in this respect, will be closely linked to them.

4.2 The Water Resources Management Focal Point (WRMFP) will be established in POPR.1 and will involve recruiting three additional long-term staff and two short term staff. The latter will be employed initially for a period of one year. The Focal Point would be led by a Coordinator referred to as Water Resources Management Coordinator who will report to the Division Manager of POPR.1. In addition, one professional staff and one technical Assistant with one secretarial support would be engaged funded from the Netherlands Water Partnership Program funds.

5 Conclusion

The Bank is already embarking on a number of strategic initiatives, for which it is receiving increasing recognition. More initiatives are being planned which will further strengthen the credibility of the Bank as a lead institution in this sector. The Bank needs to take full advantage of the current window of opportunity by strengthening its intellectual and institutional capacity. To begin with, the establishment of the Focal Point in POPR.1 will represent the least costly and the most efficient method of strengthening Bank capacity to take a lead role in the area. In close coordination with the concerned donors, other options could be assessed to enhance and strengthen the Bank's competitiveness with respect to the Water Resources Management Initiative, in particular in the light of the proposed structure-related study on regional economic integration.

annex 8

STRATEGIC PLAN 2003-2007:
A SWOT ANALYSIS MATRIX

SWOT DRIVERS		BANK GROUP RESPONSE (S)
	Strengths	
1	Successful track record of institutional reforms since 1995 – Preparedness meeting opportunities	Implementation of the Re-organization of the Bank Group beginning in 2002 that led to: - The strengthening of the top management structure of the Bank - The creation of a strategically oriented planning function - The realignment of the Organisation of Operations to clients needs mainly through the creation of two vice-presidencies to improve and strengthen the quality of operations and their focus on selectivity and development results - The establishment of a base of intellectual leadership in development thinking in Africa - The upgrade of the management of staff resources Preparation of a Strategic Plan for the 2003-2007 period: - To enable the Bank to define its future operational focus, compatible with stakeholder priorities and the Bank's resource endowments, and to increase its franchise value to RMCs - To narrow the Bank's focus on key selective sectors and thematic priorities with the greatest impact on productivity growth as a means toward poverty reduction and development results in RMCs - To position the Bank Group to be a honest broker to mobilize and leverage resources to meet the growing financing requirements in RMCs with respect to the implementation of major emerging or maturing initiatives such as the MDGs, the Water Initiative, NEPAD, and the WSSD's Action Plan for Africa
2	Improved financial credibility (AAA and AA+ rating) Credibility restored i.e. GCI-V, the Governance Reforms at the Bank Group, Commendation of ADB Reforms in the US Congress (Bill H.R. 2604), and the recent replenishment of ADF-IX resources for the 2002-2004 period	- To ensure financial soundness and integrity - To continuously upgrade the Bank's capacity to measure and monitor risk - To maintain the Bank's standing in capital markets - To provide a wide range of competitive financial products and services to RMCs compatible with the objectives of the Strategic Plan - To introduce new lending instruments such as non-sovereign guaranteed lending to MICs and Budget support loans - To mobilize complementary resources in Africa in order to develop local and regional capital markets, and to support emerging sovereign ratings in order to improve chances of attracting increased private capital flows in high performing RMCs - To build an effective and a longer-term constituency for the Bank Group
3	Enhanced Human Resources Management - More than 60% of professional staff turnover since 1996	- To take stock of the availability of the skills and competencies that the Bank Group will need to implement its future operations and Strategic Plans for the next 3-5 years and beyond. - To implement the Staff Skills Inventory Study and Competency Gaps Analysis through a strategic staffing approach aiming at fostering the injection of 'new blood' in the Bank, and mainstreaming diversity as a high value-adding business imperative - To implement the conclusions and recommendations of the Mission Exercise, in particular the staff's "Declaration of Values"

4	Increasing transparency and improving communication through high performing telecommunications and information systems technology developments	- To build a "Knowledge Bank" and establish a stronger governance system to consolidate and integrate current knowledge-sharing activities to ensure stronger client and operational relevance - To improve and enhance the information disclosure policy and to enable the Bank to become a beacon of excellence on African Development issues and challenges, and an engine of regional socio-economic growth - To realize the efficiency gains and staff savings resulting from the process of reengineering via the Project AFRICA and intensify the Bank's staff professionalization program - To implement regular technology upgrades and investments, in particular in client service software systems, in response to RMCs' growing demands for development knowledge and information and the actions of other competing information providers
5	Availability of a set of key sector policy documents and cross-cutting policy documents ready for implementation	- All the key programs and sector policy documents on the main sectors and thematic priorities retained in the Strategic Plan have been revised over the last few years and are ready for implementation - Therefore, the priority over the next 3-5 years will be to put emphasis on implementation, to consolidate building on various strategic planning activities and on the track record of successful institutional reforms undertaken since 1995
	Weaknesses	
1	Inadequate field offices presence in RMCs	- To increase current field offices presence from 4 in 2002 up to 25 by 2007 - To implement a gradual devolution of certain operations activities in field offices in the short and medium term to improve donors coordination activities, and to promote RMCs' ownership of development programs and results - To prepare and implement actions to have in place plans to gradually decentralize effectively and efficiently some well-defined and better-targeted operations and activities of the Bank Group over a medium and longer time frame, taking into account the best practises and experiences of other sister institutions, leading private banking institutions, and major corporate firms
2	Decreasing demand for ADB credits/loans and services	- To deliver a competitive range of high quality products and services in ADB countries - To develop new lending instruments, including non-sovereign lending to COPE in middle income RMCs, and multi-sector policy-based operations such as Budget support loan - To revise the Bank's Urban Development Policy in order to propose operations in urban renewal schemes, municipal financing, and social housing programs, in particular in ADB countries and high performing ADF countries - To prepare and implement the restructuring of the private sector department by providing greater emphasis on the financing and development of small and medium scales enterprises in high performing RMCs - To advise and support RMCs to benefit from increased trade financing from official export credit agencies (ECAs) of the OECD for building infrastructure to improve health, transportation, communication and other essential industries. Private sector banks will not take the risk in these transactions without the participation of ECAs
3	Difficulties to attract and retain high caliber professionals	- To streamline the recruitment process and intensify recruitment effort,

		initially to fill existing and then to meet additional skill requirements, particularly in the light of the Staff Skill Profile Inventory and Competency Gaps Analysis - To enhance staff training and to implement a well-targeted staff exchange program - To tackle decisively outstanding issues in HR management i.e. taking a more strategic approach to the Bank staffing; demanding high-quality management, at every level; strengthening delegation of authority and enforcing accountability; enhancing the capability and retention of high performance staff; and enhancing the quality and responsiveness of the HR function itself within the Bank; - To implement a young graduates program to rectify the age profile among professionals and provide built-in flexibility for future management continuity; - To propose a new and more competitive remuneration package for staff with greater emphasis on scare resource skills to enable the Bank remain a competitive employer all member states
4	ADF: resources out of proportion to requirements – Completion of ADF-IX confirms donors support for the Bank but resources are modest in relation to the development needs	- To use the Strategic Plan to increase the franchise value and relevance of the Bank Group and position the institution to leverage increased concessional resources through better development results - To take advantage of all the emerging opportunities such as the Water Initiative, the Millennium Challenge Account, AGOA, TIDAD process, EBA, etc. for partnership to tackle the 'African exception" in terms of sustainable development obligations and results
5	ADB: declining demand (large capital risk margin)	- To increase ADB lending without creating any major threat to its bond rating or risk capital adequacy ratios; i.e. increase non-sovereign lending up to 20% of the Bank's risk capital - To encourage private sector investment, strategic portfolio, debt and equity flows into high performing RMCs that could be models for their neighbours to emulate and engines of sustainable economic growth in the region - To support franchising, especially in the service sector, to stimulate capital flows into Africa - See same strategic responses as in point 2 of Weaknesses above
	Opportunities	
1	Doha Development Agenda	- To develop a pragmatic approach to bringing the benefits of globalization to RMCs - To assist high performing RMCs (ADB and ADF countries) prepare and implement targeted Diagnostic Trade Integration Studies (DTISs) to facilitate their integration into the world economy - To support RMCs to take advantage of fully-fledged opportunities such as AGOA, EBA, and TICAD process, in particular by providing greater emphasis on private sector development strategies through the promotion of small and medium scales enterprises
2	Outlook of Opportunities: NEPAD, Monterrey Consensus, the Millennium Challenge Account, Kananaskis, Next G-8 Summit in Evian-France, and TICAD III	- To use all these growing opportunities as catalysts to reverse the declining trends of ODA flows to Africa and for export diversification, job creation springboards in the private sector - To position the Bank Group strategically to play a leading role for the implementation of selected key initiatives such as the Water Initiative, the agriculture and rural development, and NEPAD - To align strategic planning and budgeting to increase the chances of having an increased ADF-X replenishment based on the Bank Group's

		performance in implementing its Strategic Plan and in showing development results over the next 3-5 years through greater emphasis and priority to clean water, primary education and basic health, rural infrastructure, economic and financial governance, capacity building initiatives - To increase of Bank Group's share of ODA's resources to RMCs over the medium and long run
3	Emerging initiatives: AGOA, EBA, the Water Initiative, TICAD III, and other major initiatives from the Nordic countries	- To finalize and implement the private sector department restructuring study as an integral part of the Strategic Plan over the planning horizon 2003-2007, in particular through strategic partnership programs with other sister institutions - To promote private sector development, in particular small and medium scale enterprises - To support investment incentives reforms programs and projects, and more broad-based structural measures, including privatisation, investment in human capital, and the intensification of policy liberalisation in both trade and investment flows and the information technology revolution - To promote good governance economic and financial reforms programs and projects to lower barriers, red tape, and to promote and enforce the rule of law in RMCs through advisory services and technical assistance programs
	Threats	
1	Medium and long term indebtedness of RMCs	- To request donors to deliver on their pledges to provide the Bank Group with adequate resources through the HIPC Trust Fund to ensure medium and long term debt sustainability for a growing number of RMCs - To seek to mobilize additional HIPC resource requirements of the Bank Group, estimated at about US$700 to 800 million
2	Agricultural subsidies in OECD Countries	- To assist RMCs in close partnership with WTO and major trading partners to put appropriate proposals on the table for the multilateral rounds of negotiations to reduce subsidies substantially, eliminate the exports subsidies and drastically reduce the domestic support and access restrictions to markets in well-off OECD countries - To support private sector initiatives to foster the integration of RMCs to the global economy i.e. the Diagnostic Trade Integration Studies (DTISs) to take advantage of AGOA, EBA, the Millennium Challenge Account, TICAD III, and others major initiatives from the Nordic countries, EU, Canada and China
3	Decline in ADF resources in real terms since ADF-VI	- To better position the Bank Group to increase productivity in RMCs, reduce poverty, and increase its franchise value through greater selectivity within country, cross-country and regional dimensions - To align corporate priorities with RMCs programs and ownership - To continue to enhance the Bank's client responsiveness, including through a gradual devolution and decentralization of activities, the opening of new field offices in up to 25 RMCs by 2007 - To improve and strengthen strategic partnerships to leverage resources, and to increase transparency and emphasize knowledge as a prime factor in development results for RMCs - To seek to differentiate the Bank Group from the Bretton Woods Institutions with a clear sense of where the Bank Group will play a leadership role or support role, or where it will not be involved at all, thus ensuring consistency of programs and reducing overlap

		- The compounding effect of all the above should enable the Bank to seek for higher level of resources for ADF-X for the 2005-2007 period and beyond if the institution delivers on development results through the implementation of its first Strategic Plan and thereby contribute to reverse the declining trends of its concessional resources in real terms since 1991-1993
4	Expected increase in agriculture portfolio of sisters institutions such as the World Bank	- The Bank Group should continue to build up its skills and experience in agriculture and rural infrastructure development and seek, during the Plan period, to play a leading role in this sector. The Water Initiative/IWRM should be used as a springboard to achieve this key objective over the next 3-5 years - To this end, and to complement and strengthen its current staff skills mix, the Bank will examine and implement an active relationship between the institution and leading RMCs and non-RMCs universities, and Africans of the diaspora - Elements in such a relationship include faculty exchanges, faculty sabbatical opportunities, Africa field research opportunities for faculty and graduate students, young graduates programs, student internships programs and a speaker series for several universities - Business leaders to government officials, multilateral and private banking institutions officials to representatives of the most effective NGOs from major donors countries and high performing RMCs as well as scholars from renown think-tanks will also be associated to this partnership of exchange and cross fertilization of experiences on development issues and success stories to emulate
5	EUROMED BANK-AU-African Investment Bank Proposal	- Same strategic response as in point 3 of the Threats and in point 2 of Weaknesses above

annex 8