

ADB's Medium-Term Strategy II

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ADB

Outline of Presentation

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Key Challenges and Trends in the Region

- High regional growth (6% average) → rapid poverty reduction
- But large cross country variations

\$1-a-Day Poverty Index (Headcount Ratio %) in Selected DMCs

Country	1990	2003	2015 Projection	
			Lower Inequality	Higher Inequality
Viet Nam	50.7	9.7	0.1	0.5
Cambodia	46.0	33.8	10.6	12.3
India	42.1	30.7	6.8	11.3
Bangladesh	34.0	30.3	3.6	10.8
PRC	33.0	13.4	0.1	2.6
Indonesia	20.5	6.5	0.4	1.6
Philippines	19.7	14.1	0.5	6.9
Uzbekistan	1.3	13.3	0.0	6.5
Tajikistan	0.6	5.9	0.0	0.0
Total Region	34.3	19.3	2.9	6.7

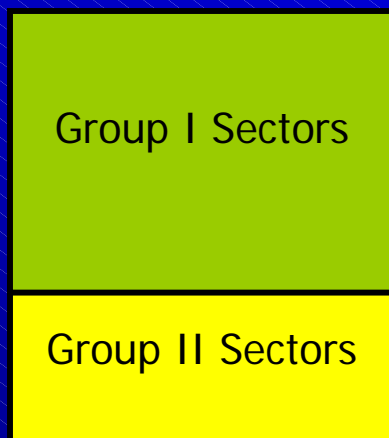
Key Challenges and Trends in the Region

- Continuing high poverty incidence, mixed performance on MDGs
- Poor investment climate, outflow of region's savings up to 3% of region's GDP
- Urgency of regional cooperation and integration following the 1997 crisis
- Environmental costs of demographic pressure and high growth
- Weak governance, high incidence of corruption

Key Challenges and Trends in the Region

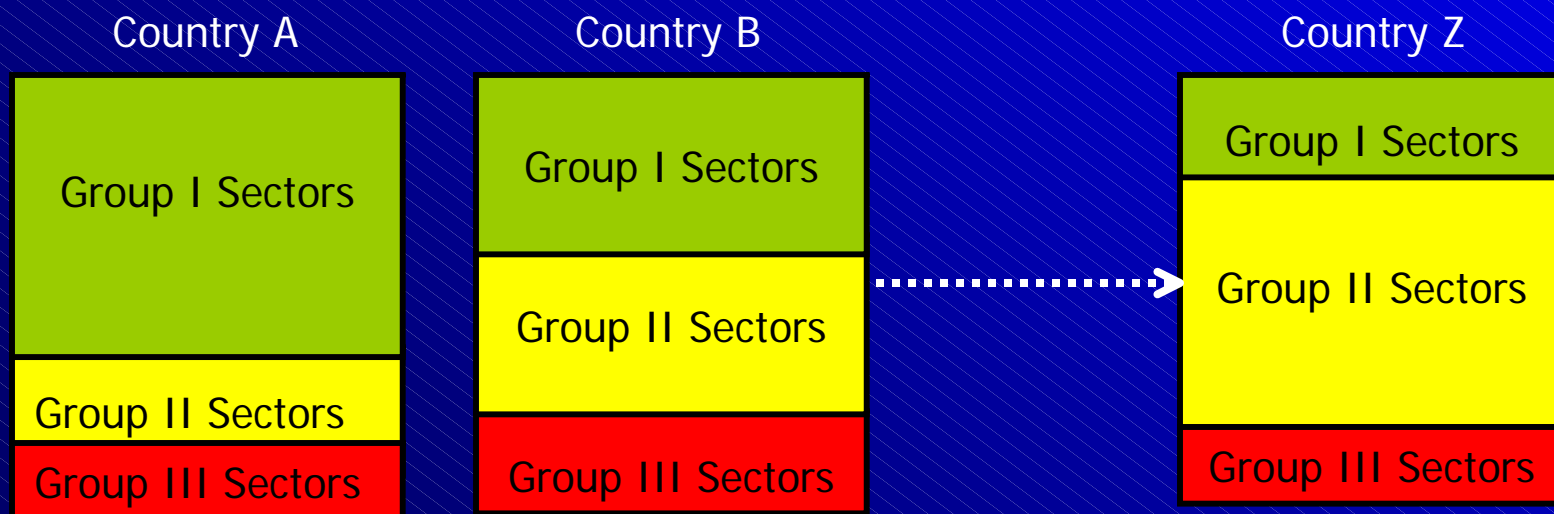
- Large variation in size and topology of countries
 - PRC, India versus Pacific Islands
 - landlocked countries versus coastal regions
 - very high population density versus very low population density
 - varying levels of development
- “One size fits all” approach does not work
- Need strategic approach responsive to all countries

ADB's Response: 2 Tier Strategic Approach



Institutional Strategic Priorities
for ADB wide decision making
(e.g., staff capacity)

Variable Country-specific Strategic Priorities (CSPs)



ADB's Strategic Priorities

- Catalyzing investment
- Strengthening inclusiveness
- Promoting regional cooperation and integration
- Managing the environment
- Improving governance and preventing corruption

Catalyzing Investment

- Support DMCs improve the investment climate through:
 - reforms to eliminate policy uncertainty and market distortions
 - infrastructure development in urban and rural areas
 - development of quality human resources to expand and develop the skills base
- Leverage cofinancing resources from public and private sector partners

Strengthening Inclusiveness

- Promote productivity-enhancing reforms to raise wages
- Support employment-intensive rural development
- Support inclusive social development through interventions in education and health

Promoting Regional Cooperation and Integration

- Strengthen RCI as a regional platform to support country level poverty reduction efforts
- Four pillars:
 - support cross-border infrastructure
 - promote monetary and financial cooperation
 - develop advisory capacity for trade and investment cooperation and integration
 - assume larger role in the provision of regional public goods

Managing the Environment

- Minimize adverse environmental impact of high population density and economic growth
- Focus assistance in sectors where ADB has comparative advantage:
 - energy efficiency
 - urban environment improvement

Improving Governance and Preventing Corruption

- More focused governance activities and renewed commitment to fighting corruption:
 - focus on public financial management including procurement, public expenditure management
 - legal/regulatory work and capacity development in sectors/subsectors where ADB is active
 - work with other MDBs to develop a common framework for preventing corruption

Operational Model Adjustments

- Identification of core operational sectors/subsectors

Group I: Large demand for ADB assistance and ADB has good track record. Critical mass of expertise will be built up.

Group II: Not less important than Group I but there is less demand for ADB assistance. ADB will maintain adequate capacity to provide range of options to DMCs.

Group III: Limited demand for ADB services and patchy ADB record. Gradual exit from this group of subsectors.

Core Operational Sectors/Subsectors

Group I	Group II	Group III
<ul style="list-style-type: none">• Road transport• Energy• Urban infrastructure (water supply, sanitation, waste management, and urban transport)• Rural infrastructure (roads, power, irrigation, and water management)• Education• Financial sector	<ul style="list-style-type: none">• Agriculture and natural resources (except fishery, livestock, irrigation and water management)• Railways• Health• Trade (RCI related)• Law and the judiciary• Public finance and economic management	<ul style="list-style-type: none">• Fishery• Livestock• Civil aviation• Water transport• Communications• Development finance institutions• Housing construction• Industry• General government administration

Operational Model Adjustments

- Realignment of the organization: done
- More focused and selective use of ADB's TA resources
 - clearly link to lending/grant operations
 - fewer TAs but better quality and more manageable
- Use of financing partnerships and cofinancing to leverage additional investments
- Focus on portfolio performance, development effectiveness and results

Operational Model Adjustments

Innovation and Efficiency Initiative

- New financial instruments
 - multi-tranche financing facility
 - subsovereign lending facility
 - refinancing facility
 - local currency lending
- Cost sharing and eligibility of expenditures