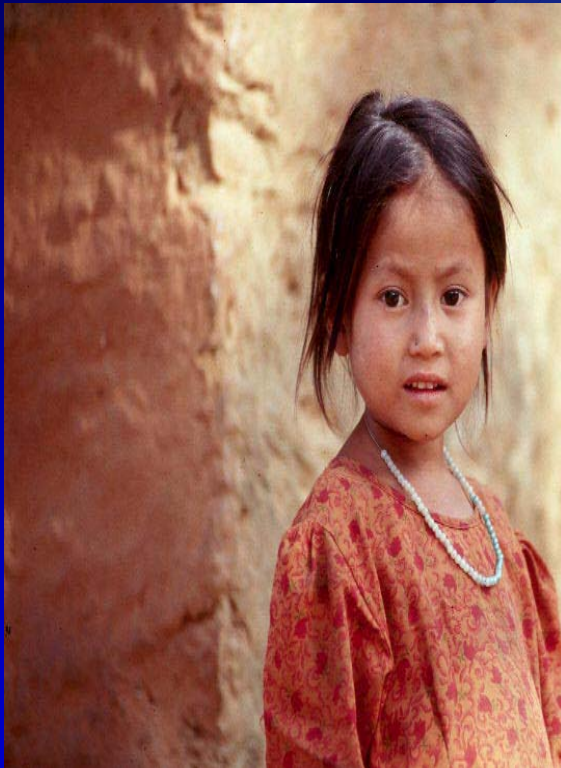


Development Challenges and ADB's Strategy

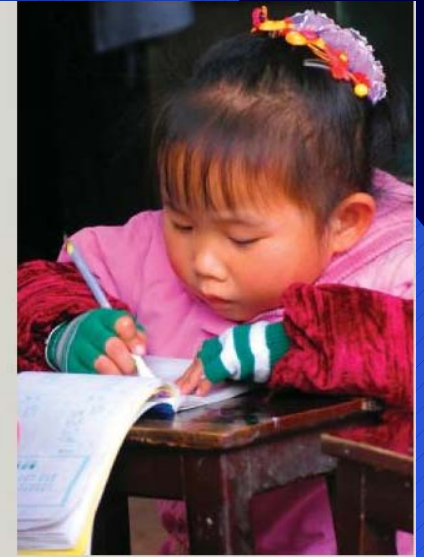
The Region's Poverty Challenge



- Two thirds of the world's poor live in the region
- 621 million people live on less than US \$1 a day
- Wide spread non-income poverty

ADB's Vision

Asia and Pacific
Free
of Poverty



ADB's Mission

“Because the vision is an Asian and Pacific region free of poverty, ADB has a clear and single-minded mission. Reduction of poverty is no longer just one of its strategic objectives, it is ADB's overarching goal. To this end, the other strategic objectives will be pursued in ways that contribute most effectively to poverty reduction”.

(Poverty Reduction Strategy, 1999)

Poverty Reduction Strategy, Documents of ADB

Poverty Reduction
Strategy [1999]

Long-Term Strategic
Framework 2001-2015
[2001]

Review of Poverty
Reduction Strategy [2004]

Medium-Term Strategy
2001-2005 [2001]

Annual Poverty Reduction
Report

Medium-Term
Strategy II 2006-2008
[2006]

Three Pillars for Poverty Reduction



- Pro-poor, sustainable economic growth
- Social development
- Good governance

Thematic Priorities

- Gender equality
- Environmental sustainability
- Private sector development
- Regional cooperation
- Developing capacity



Operating Principles

- Country focus and ownership
- Partnerships around national poverty reduction strategy
- Results focus



Safeguards, Participation and Transparency

- Environment
- Resettlement
- Indigenous People
- Accountability Mechanism
- Public Communication Policy



ADB's Medium-Term Strategy II (2006-2008)

Changing Context in Asia

- High economic growth
- Reduction in income poverty
- Slower reduction in non-income poverty
- Growing disparity
- Strains on environment
- Weak governance
- Progress in regional cooperation and integration



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	Ave. Annual GDP Growth Rate 1991-2003 (in percent)	2015 Projection	
				Lower Inequality	Higher Inequality
Viet Nam	50.7	9.7	7.5	0.1	0.5
Cambodia	46.0	33.8	5.7	10.6	12.3
India	42.1	30.7	5.6	6.8	11.3
Bangladesh	34.0	30.3	5.1	3.6	10.8
PRC	33.0	13.4	9.9	0.1	2.6
Indonesia	20.5	6.5	4.3	0.4	1.6
Philippines	19.7	14.1	3.2	0.5	6.9
Uzbekistan	1.3	13.3	1.0	0.0	6.5
Tajikistan	0.6	5.9	-3.9	0.0	0.0
Total Region	34.3	19.3	-	2.9	6.7

ADB's Medium-Term Strategy II (2006-2008)

Strategic Priorities

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



ADB's Medium-Term Strategy II (2006-2008)

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 resources from public and private sector partners



ADB's Medium-Term Strategy II (2006-2008)

Strengthening Inclusiveness

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



ADB's Medium-Term Strategy II (2006-2008)

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.



ADB's Medium-Term Strategy II (2006-2008)

Managing the Environment

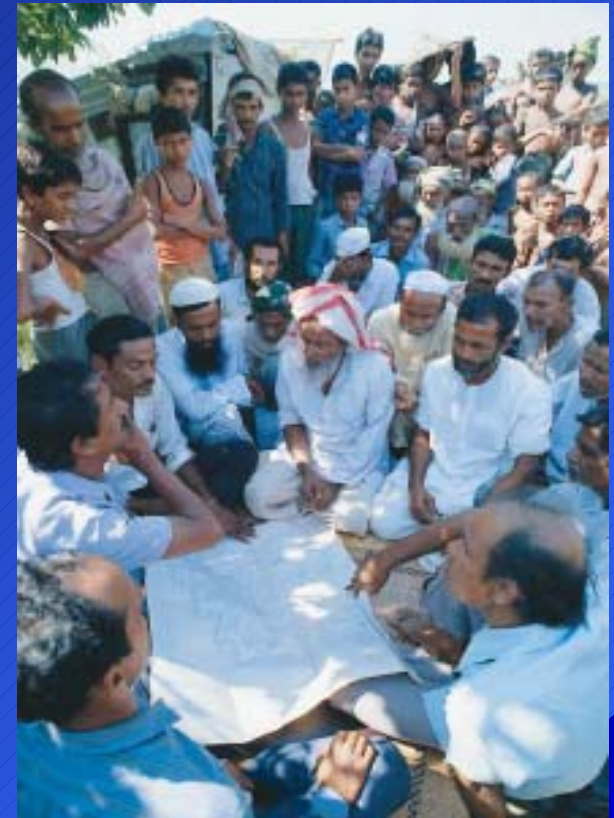
- Minimize adverse environmental impact of high population density and economic growth
- Focus assistance in sectors where ADB has comparative advantage:
 - energy efficiency
 - urban environment improvement



ADB's Medium-Term Strategy II (2006-2008)

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.



ADB's Medium-Term Strategy II (2006-2008)

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.



ADB's Medium-Term Strategy II (2006-2008)

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

ADB's Medium-Term Strategy II (2006-2008)

Operational Model Adjustments

- 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



ADB's Medium-Term Strategy II (2006-2008)

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



Thank you.

