

Enhancing ADB Support to Middle-Income Countries (MIC) and OCR Borrowers

2006 DMC Orientation Program

Strategy and Policy Department
5 September 2006

Who are the Middle Income Countries or OCR Borrowers?

MICs are countries eligible for OCR financing:

- ✓ OCR-only countries (group C)
- ✓ Blend countries (group B1 and B2)

Why continue engagement with OCR Countries?

OCR countries still face large development challenges:

- Poverty and MDG agenda
- Policy and institutional prerequisite for sustained growth
- Access to finance is mixed
- Regional public goods

What is behind the Reforms?

OCR Clients Concerns

- Stagnating ADB operations despite high investment needs. WHY?
- Wider range of financing options available. But also:
- Increasing costs of doing business with ADB
- Lack of appropriate financial instruments
- Importance of knowledge product and services

What is the Asian Development Bank Doing?

- ADB has initiated a broad range of reforms and initiatives to enhance development effectiveness in OCR countries.
- Overall objectives of the reforms are to ensure that ADB remains:
 1. RELEVANT
 2. RESPONSIVE; and
 3. ADDS VALUE

Measures Cover 3 Broad Areas

1. Reducing costs of doing business with ADB
2. Enhancing and/or expanding range of instruments
3. Improving service quality

Reducing Costs of Doing Business with ADB

- **Financial Costs**: Ensuring that ADB loan pricing remain competitive
 - ✓ annual review of loan charges
 - ✓ comprehensive review of LIBOR-based loan product (ongoing)
- **Non-Financial Costs**: Streamlining operational policies and business processes
 - ✓ Simplicity
 - ✓ Harmonization with comparator institutions
 - ✓ Assessing potential for greater use of country systems

Enhancing / Expanding Range of Instruments

Development of new financial instruments on a pilot basis (done)

- Multi-tranche financing facility
- Sub-sovereign and non-sovereign public sector financing
- Local currency financing for public sector

Enhancement to existing instruments (ongoing)

- TA reform agenda
- Improved guarantee instruments

Enhancing Service Quality

1. Improving HR management and staff incentives
2. Build staff capacity
3. Greater focus and selectivity
4. Decentralization of responsibilities to resident missions
5. Capture clients feedback

Thank you.