

ADB

Forum on  
Inclusive Growth and Poverty  
Reduction in the New Asia and Pacific  
8-9 October 2007 • ADB, Manila, Philippines



Asian Development Bank

# Some hypotheses on implications for ADB's future strategy

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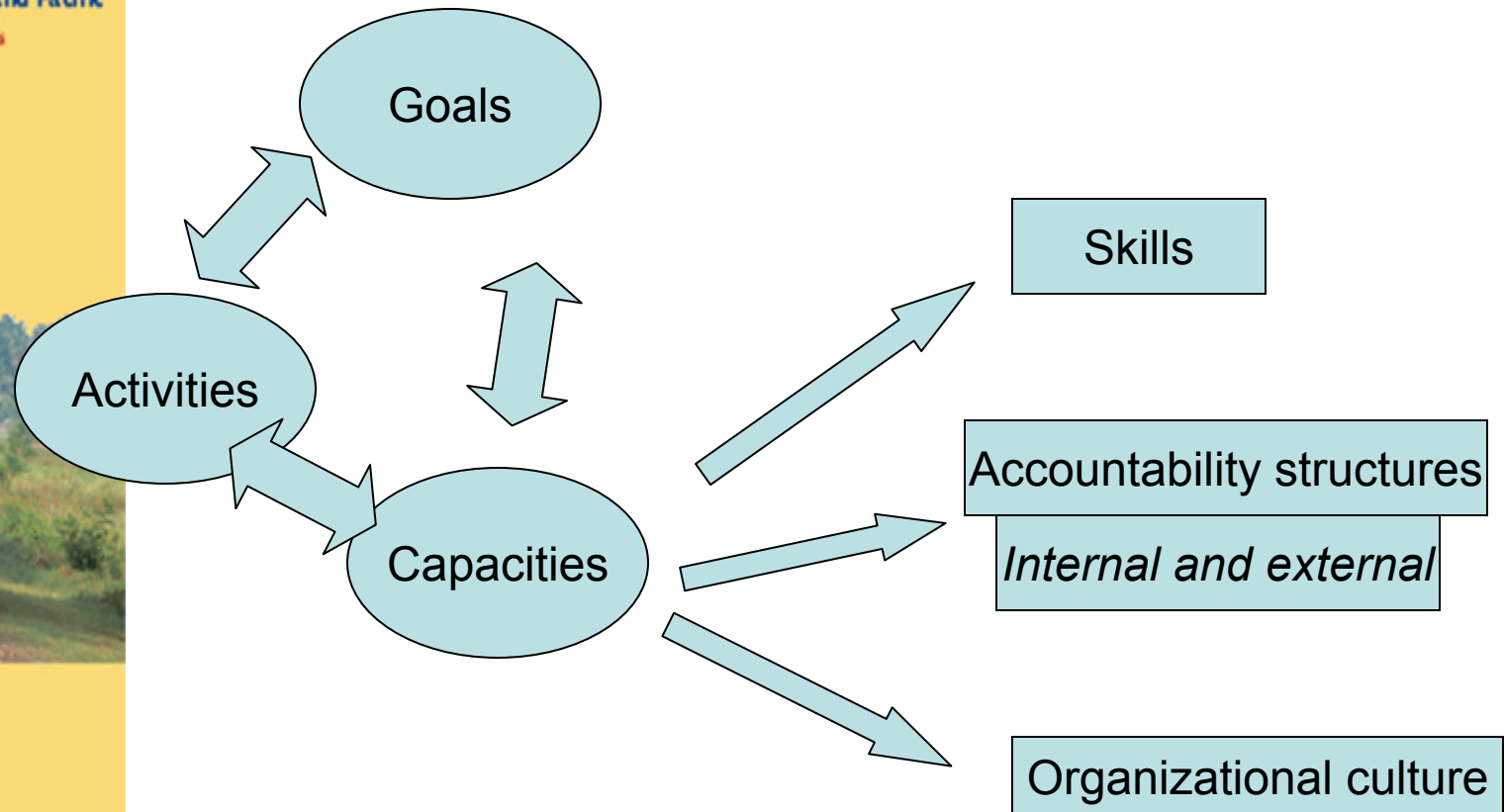


# The general hypothesis

- ADB has a huge opportunity to undertake a major transformation to meet the changing demands of the Asian region.
- If it doesn't transform itself, Bill Easterly will be right. It should close.



# Organizations need alignment for success





# Hypotheses

- H1. The old ADB, with a core focus on large-scale infrastructure, was well-aligned
- H2. The addition of a poverty focus delivered some valuable ends, but was not associated with transformation
- H3. The changed environment in the “New Asia” requires revised goals and this generated a fundamental misalignment
- H4. The Expert Persons Group Report is internally misaligned



# Misalignment in the EPG report

Goals/strategic directions



Essentially right

Activities



Misaligned

Capacities



Good overall  
messages



# A comment on poverty lines

- The poverty line (generating the headcount) is a bad welfare indicator
- Go for
  - A broader conception of well-being
  - Opportunities for all, outcomes for most deprived
  - Distributionally weighted welfare across the whole population
  - National poverty definitions and both \$1 and \$2 a day (for regional comparison) only as a politically useful guide

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# Goals/strategic directions

Inclusive growth, the environment  
and regional engagement

To add:

*Making a difference, through  
acting where markets and  
governments fail*



...imply a prima facie case  
for activities in:

New goals

Remaining poverty pockets  
--country, subnational  
geographic

Making a difference in areas  
relevant to emerging  
market countries



# Activities in poverty pockets

- Traditional in sense of working with national governments
- But requires a very non-traditional way of working
  - Fragile states
  - Helping governments work better
  - A load of other institutional issues



# Activities--and capacities--in emerging market countries

## A selected list

- Infrastructure challenges where markets and governments fail
- Liveable cities (for people and firms)
- Lagging regions, and rural development
- Comprehensive risk management structures
- “Competitive” education systems (quality/tertiary)
- Innovation systems
- Financial inclusion

## ADB capacities

Partial?

No?

No?

No?

Partial?

No?

Partial?



# Cross-cutting capacities

## *Requirements for demand and effectiveness:*

- Learning, knowledge-based, nimble, *and* supporting long-term institutional building and *evaluation systems*
- Capacity to be a strategic player in inter-country interactions
- Bundled with finance (and new financial instruments)

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# Process questions

*How* should ADB

(a) Work out what to do?

(b) Implement a transformation?