

Summary

Toward a New Asian Development Bank in a New Asia

Report of the Eminent Persons Group to The President of the Asian Development Bank

By 2020 we envision a dramatically transformed Asia. It will have conquered widespread absolute poverty in most countries, with more than 90% of its people living in “middle-income” countries. Its share of global GDP will approach 45%, and its share of world trade, 35%. Even though in “capital surplus,” the region will remain a magnet for private capital flows. And it will become a major factor in global issues.

Asia appears poised to complete its transformation to the next stage of development. In this transformed Asia, the traditional model of development banking—transferring outside official capital—will become redundant.

The Asian Development Bank (ADB) is the institution of choice to continue delivering development assistance to Asia. But to play this desired role from now to 2020 ADB must change radically and adopt a new paradigm for development banking. The *New ADB* should help tackle issues critical to further development of a newly middle-income Asia by offering a more balanced blend of knowledge and financial assistance. To address the remaining pockets of poverty, its primary emphasis should be on supporting higher and more inclusive growth rather than transferring external aid. As a financial intermediary, it should connect lenders and borrowers from within the region.

The *New ADB* must be much more focused, driven by three complementary strategic directions: moving *from* fighting extensive poverty *to* supporting faster and more inclusive growth, *from* economic growth *to* environmentally sustainable growth, and *from* a primarily national focus *to* a regional and ultimately global focus. Its work should cover six core activities: infrastructure, financial development, energy and environment, regional integration, technological development, and knowledge management.

- **Infrastructure development** should be a primary instrument to promote higher and more inclusive growth, emphasizing public-private partnerships and supporting more conducive policy frameworks.
- **Financial development** should bring together lenders and borrowers from within the region, by supporting the development of regional financial markets and by intermediating through its own financial operations.
- **Energy and environment** activities should concentrate on global commons issues, such as climate change, by promoting public-private partnerships and supporting the development of market instruments rather than acting as a conduit for official transfers.
- **Regional integration** must become central to the Bank’s operational activities.
- **Technological development and knowledge management activities** should pool regional knowhow, with the Bank as a platform for knowledge-sharing rather than as the primary source of knowledge. It must do so by harnessing modern technology.

ADB must realign its operations to concentrate on these six core activities. To make room for them, it must phase out other activities.

In the transition toward the *New ADB*, the Bank should:

- Continue to follow the poverty alleviation focus in low-income and fragile economies.
- Tackle the basic new challenges to countries projected to become middle-income.
- Strengthen internal ADB capabilities in the six core activities.

ADB’s ability to deliver on this agenda will require far-reaching institutional changes. It will require greater flexibility and responsiveness, the ability to respond quickly to a rapidly changing environment, and a new culture of partnership with borrowers. Three areas require particular attention:

- Reducing the transaction costs associated with its assistance.
- Strengthening its institutional capacity (including the skills and size of its professional staff) to carry out the six core activities.
- Eliminating rigidities in human and budgetary resources management.

The Bank should house clusters of technical staff in regional hubs in major Asian business and academic centers, an essential step for attracting the world-class talent consistent with its new agenda.

The character of the institution and the roles of its members must evolve with changes in the economic environment. By 2020 the relative responsibilities and contributions of the regional members should reflect the new global economic realities. This would lead to more equitable burden sharing and underline more fully ADB's Asian heritage. At the same time, ADB must retain the support of its nonregional members. These delicate but essential adjustments require strong vision and leadership from top political leaders in Asia and the rest of the world.