

ADB

Midterm Review of Strategy 2020

Meeting the Challenges of a
Transforming Asia and Pacific





Meeting the Challenges of a Transforming Asia and Pacific

The midterm review (MTR) of Strategy 2020 is the culmination of a year-long process that was announced at the Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) in May 2013.

ADB has undertaken the MTR to prepare itself to meet the challenges of a transforming Asia and Pacific. ADB must improve its relevance, responsiveness, and effectiveness. The MTR analyzes lessons learned through the implementation of Strategy 2020, and assesses the existing and emerging development challenges of developing member countries (DMCs). Building on this analysis and assessment, the MTR includes a 10-point program on future strategic directions. The MTR aims to improve ADB operations on the ground, build skills, and provide better service to client DMCs. The MTR also discusses how ADB itself can become more innovative, inclusive, and integrated, as its DMCs promote these three “I’s” to achieve sustainable growth and address remaining poverty challenges.



The midterm review of Strategy 2020 aims to improve ADB operations on the ground, build skills, and provide better service to client DMCs.

The MTR involved several rounds of discussions with the Board of Directors, as well as regional workshops to get feedback from government officials, private sector representatives, and civil society members from DMCs. ADB staff also provided inputs and suggestions. A panel of external peer reviewers shared its insights. The Independent Evaluation Department contributed a special evaluation report entitled *Inclusion, Resilience, Change: ADB's Strategy 2020 at Mid-Term*, and participated in discussions with the Board and others.

Review Findings

The MTR finds that ADB has closely aligned its operations with Strategy 2020's three strategic agendas of inclusive economic growth, environmentally sustainable growth, and regional integration. During 2008–2012, more than 80% of ADB operations were in Strategy 2020's five core areas—infrastructure, environment, regional cooperation and integration, finance sector development, and education. Infrastructure operations were the main channel of contribution to the three strategic agendas. The volume of non-infrastructure operations remained limited. Despite improvements in recent years, the success rates of completed ADB projects were lower than the targets. ADB's institutional effectiveness needs strengthening, including staff skills and business processes.

In its assessment of the emerging development challenges for Asia and the Pacific, the MTR notes that the region is likely to eradicate absolute poverty by the mid-2020s—as defined by the number of people living on less than \$1.25 a day. However, this poverty threshold is insufficient for poor populations of DMCs to even subsist. More than

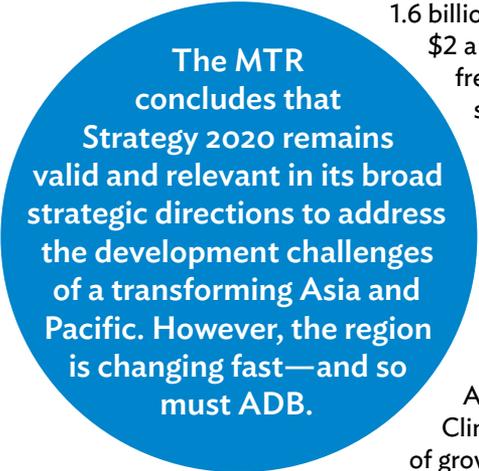
1.6 billion people continue to live on less than \$2 a day and remain highly vulnerable to frequent economic and environmental shocks and natural hazards. They also confront non-income aspects of poverty, including those related to nutrition, maternal and child health, and gender equality.

Asia and the Pacific faces widening inequalities in income and access to economic and social opportunities.

A large infrastructure deficit remains.

Climate change threatens the sustainability of growth and requires urgent adaptation and mitigation measures. Many DMCs are reaching

middle-income country status, including some that are becoming upper middle-income countries. They have better institutional capacity but also face development challenges, including eradicating remaining poverty, addressing the needs of aging populations, creating decent jobs for youth, and mitigating environmental hazards.



The MTR concludes that Strategy 2020 remains valid and relevant in its broad strategic directions to address the development challenges of a transforming Asia and Pacific. However, the region is changing fast—and so must ADB.



Strategic Priorities

The MTR concludes that Strategy 2020 remains valid and relevant in its broad strategic directions to address the development challenges of a transforming Asia and Pacific. However, the region is changing fast—and so must ADB. The following 10 priorities together will determine ADB's strategic focus leading up to 2020. The first seven priorities seek to sharpen and rebalance ADB operations, and strengthen their responsiveness to the changing business environment. The remaining three aim to increase ADB's capacity and effectiveness.



ADB's Strategic Priorities for 2014-2020: Sharpening ADB's Operational Focus

1

Poverty reduction and inclusive economic growth. ADB will pursue its vision of a region free of poverty—eradicating extreme poverty and reducing vulnerability and inequality—by expanding its support for achieving rapid and inclusive economic growth. Infrastructure projects will connect the poor to markets and increase their access to social services. ADB will also support infrastructure projects that benefit lagging areas and help achieve the Millennium Development Goals. By 2020, ADB will expand education operations to 6%–10% and health operations to 3%–5% of its annual approvals of financial assistance, from 3% for education and 2% for health during 2008–2012. It will emphasize support for social protection, financial inclusion, and inclusive business. ADB will help strengthen governance systems and institutional capacities to support effective, timely, and corruption-free delivery of public services. Finally, ADB will provide more resources for low-income and fragile and conflict-affected DMCs.

2

Environment and climate change. With the region facing serious environmental challenges, ADB will scale up its support for climate change adaptation, while maintaining its assistance for mitigation through clean energy and energy efficiency projects and sustainable transport. ADB will further mainstream adaptation and climate resilience in development planning, as well as in project design and implementation. ADB will also strengthen integrated disaster risk management to reduce vulnerability to natural and environmental hazards. It will promote natural resource management to protect and maintain the productive potential of land, forests, and water resources. DMCs access to global and regional funds for environment and climate change will also be supported.



Infrastructure projects will connect the poor to markets and increase their access to social services. ADB will also support infrastructure projects that benefit lagging areas and help achieve the Millennium Development Goals.

3 Regional cooperation and integration. ADB will expand regional connectivity and extend value chains by supporting cross-border infrastructure investments and connecting economic hubs to increase trade and commercial opportunities. It will complement these investments with measures to promote the drivers of second-generation regional cooperation and integration, such as those related to trade facilitation and harmonization of standards, investment climate improvement, access to finance, and skills development. ADB will strengthen financial and monetary cooperation for greater financial, fiscal, and macroeconomic stability in the region. It will also support regional public goods, including effective regional responses to climate change and control of communicable diseases.

4 Infrastructure development. Infrastructure will remain the main focus of ADB operations. ADB will strengthen outcomes of infrastructure projects by improving sector engagement, technical designs, and implementation. It will promote sustainability of infrastructure by emphasizing operations and maintenance. ADB will develop infrastructure projects on a larger scale than its own resources could finance and leverage private sector investments more effectively. ADB will also pursue policy, regulatory, and governance reforms to strengthen public infrastructure management systems and promote the role of the private sector in infrastructure development.



ADB will systematically expand assistance for private sector development and operations to 50% of annual operations by 2020.

ADB's Strategic Priorities for 2014-2020: Responding to the New Business Environment

5 Middle-income countries. As a large majority of its DMCs attain middle-income country (MIC) status by 2020, ADB will sharpen its strategic approach to stay relevant and responsive to their development needs. MICs continue to encounter challenges in reducing poverty (about 90% of Asia's extreme poor lived in MICs in 2010) and vulnerability, especially in remote areas and of marginal groups. Rising inequality, environmental sustainability, and resilience to climate change impacts are also major challenges. ADB will support inclusive growth, infrastructure development, and governance improvement in lower MICs. For upper MICs, ADB will become a more effective provider of catalytic solutions, a partner in finance, and a source of knowledge and innovation. It will continue to support regional public goods in MICs. ADB will also review and revise its business processes to work with country systems in MICs and reduce response times.

6 Private sector development and operations. ADB will systematically expand assistance for private sector development and operations to 50% of annual operations by 2020. It will strengthen the business environments in DMCs to promote private investment. In addition to being a project financier, ADB will become a more active project developer. To support public-private partnership projects, ADB will help build the necessary regulatory and institutional frameworks, support project development, and provide transaction advisory services. It will support innovative financing solutions for projects, including through credit enhancement products and local currency financing. ADB will streamline business processes, particularly for smaller private sector transactions that have significant development impact but come with higher up-front risks and costs.

7 Knowledge solutions. A "One ADB" approach will be adopted for all ADB departments to work together to provide knowledge solutions. Resident missions will seek knowledge partnerships and dialogue opportunities with DMCs and coordinate ADB support. To ensure that knowledge work is operationally relevant, ADB's communities of practice will become more actively involved with project processing and preparing related knowledge products. Information and communication technology will be used more effectively for storage, retrieval, and dissemination of knowledge products and data. ADB will take a lead role in promoting south-south knowledge sharing. It will allocate more resources for knowledge work. Knowledge solutions, along with the other strategic priorities, will help promote innovative development solutions and services in DMCs.

ADB's Strategic Priorities for 2014-2020: Strengthening ADB's Capacity and Effectiveness

8

Financial resources and partnerships. The region continues to need large-scale development financing. ADB cannot remain relevant without a certain scale of operations backed by adequate financial resources. ADB will enhance its lending capacity, including through considering combining Asian Development Fund's lending operations with the Ordinary Capital Resources balance sheet. In addition, it will match its resources with cofinancing by strengthening incentives and streamlining procedures. ADB will continue to strengthen partnerships with multilateral and bilateral institutions, the private sector, and civil society organizations to leverage additional resources and share knowledge and expertise. Civil society organizations will be more involved in the design and implementation of projects, and in the monitoring of project activities and outputs.

9

Delivering value for money in ADB. ADB will seek to increase its efficiency, effectiveness, and institutional economy. To support better project implementation, business processes—particularly ADB's procurement system—will be reformed and rationalized. This will not only contribute to efficiency within ADB; it will also alleviate the burden on client agencies and potential contract bidders, which will make ADB a more attractive partner. The performance of ongoing operations, including disbursement, will be taken into consideration in allocating resources. ADB's internal information and communication technology systems will be strengthened to further simplify and streamline business processes. ADB will more systematically apply results frameworks at the corporate, country, and project levels to measure and monitor performance of its operations and institutional measures.

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10 Organizing to meet new challenges. ADB will comprehensively strengthen its staff skills, incentives, and institutional arrangements to become a more dynamic, agile, and innovative institution. It will undertake a program of strategic recruitment to address critical staff shortages rapidly. ADB will establish a technical career stream to nurture and retain technical talent to build sector expertise. It should be noted that staff with technical backgrounds who have strong managerial skills may be promoted to the highest management positions. More staff incentives will be provided for results, client orientation, innovation and knowledge, and leveraging of resources. ADB will reemphasize long-term sector engagement and technical expertise, underpinned by sound analytical work. Sharing of skills across departments and offices will be promoted under the “One ADB” approach. Resident missions will be empowered by providing greater authority and mandate. National staff will play a greater role.

ADB will prepare an action plan to implement the strategic priorities outlined in the MTR. It will also update its corporate results framework to monitor and report progress on the implementation of these strategic priorities.



About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to approximately two-thirds of the world's poor: 1.6 billion people who live on less than \$2 a day, with 733 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.