Summary of Comments by the Strategy 2020 Midterm Review External Panel of Peer Reviewers
1. **Professor Takashi Shiraishi**, President, National Graduate Institute for Policy Studies, Tokyo

A. **Relevance of Strategy 2020**
   
   (i) Strategy 2020 was formulated before the global financial crisis. Going forward, given global uncertainty, there is a need to focus on the challenge of maintaining currency and financial stability.
   
   (ii) Regional cooperation integration (RCI) as a strategic agenda under Strategy 2020 is welcome. With greater trade liberalization, governments also need advice on how to position their countries and economies in the global and regional value chain. Since regional development issues are not typically prioritized by national governments, the RCI agenda is an area where ADB could expand its operations and continue to play an important role.

B. **Overcoming the Middle-Income Trap**
   
   (i) Will freedom from poverty remain the overarching development challenge for ADB, or will overcoming the middle-income trap be elevated to the status of a major challenge at par with poverty reduction? The latter will require a recalibration of ADB’s strategy.
   
   (ii) Education, infrastructure development and inclusive growth are crucial. Required policy measures (and in what combination) will depend on country context.
   
   (iii) Science, technology and innovation might be another important strategic agenda (in addition to the three strategic agendas of Strategy 2020).
   
   (iv) The knowledge agenda is critical. ADB has significantly improved in the area of research and knowledge solutions. ADB could consider further increasing its resources and emphasis on the knowledge area, including generating greater awareness of its role and contributions.

C. **Need for Greater Spatial Focus**

   (i) Different sub-regions may have differentiated priorities for development assistance.
   
   (ii) ADB needs to pay closer attention to spatial focus. Urbanization is a long-term trend in the region. Challenges of infrastructure development and inclusive growth will be most evident in rapidly growing cities.
   
   (iii) Given huge investment needs, public-private partnerships (PPPs) must be pursued vigorously in core regional cities.

---

D. Expanding Perspective beyond 2020

(i) While this is a midterm review (MTR) of Strategy 2020, it is important for ADB, at some point, to start thinking and strategizing even beyond 2020, based on its diagnosis of the new realities and evolving challenges in the region. The draft report has already highlighted, for instance, the declining number of Asia’s extreme poor (or those living below $1.25/day) but growing vulnerability (especially of people living below $2/day), the rise of middle-income countries (MICs), and rapidly growing urbanization. These challenges require new strategic approaches and initiatives that may require ADB to move beyond its current poverty reduction agenda.

(ii) Given that there are many other alternative sources of financing now available and new development partners are emerging, it is important for ADB to shift its emphasis from being a “funder” to an institution that builds networks and coalitions to take collective initiatives on key selected development challenges. It is important to tap on resources available globally and regionally and work in partnership with the private sector and other stakeholders to better respond to the new development challenges.

2. Dr. David Bloom, Harvard School of Public Health, Massachusetts

A. ADB’s Mandate

(i) It is clear that the changes in the development landscape of the region have been far-reaching, encompassing economic, social, political, environmental, technological and demographic changes. It is critical for ADB’s role to evolve in line with these changes to ensure its continued relevance.

(ii) There is more heterogeneity among ADB client countries today and ADB needs to refresh and renew its activities so that it responds to its developing member countries (DMCs) in an appropriate and customized way. This implies that ADB should continue its traditional role of providing development finance. At the same time, ADB should re-tool itself to respond to a new set of objectives brought by the new realities of Asia. This includes supporting countries that have achieved MIC status, promoting environmental quality and sustainability, and addressing issues of changing demographics (including support for labor force, employment, social protection and health challenges).

(iii) Or, should the end of poverty in the Asia Pacific region mean the end of ADB? Should ADB put itself on a different trajectory and think of a future where it can downsize and eventually wind-up its operations instead of continuing to expand on a wider scale?

B. Priorities for ADB’s Assistance

(i) ADB needs to ensure complementarities and interactions between its sectors and thematic areas of operations to promote greater synergies and maximize the development impact of its work.

(ii) Consistent with the inclusive growth agenda, ADB’s assistance in health and education are crucial to meet Strategy 2020 goals. ADB needs to better explain why support for health and education decreased, and how it would re-energize its support for these sectors.
(iii) More articulation is needed on ADB’s assistance to health (including non-communicable diseases and reproductive health). ADB should be able to meet the challenges of new, emerging, and reemerging pathogens (such as avian flu) and ramp up DMCs capabilities to respond.

(iv) ADB needs to consider the implications of change in “lifestyle in Asia” (in the context of challenges such as urbanization, pollution, unhealthy diets and physical inactivity, and obesity). Migration is another important consideration.

(v) Greater emphasis on the likely effects of climate change is needed.

(vi) It would be useful to include an explanation of why infrastructure should remain ADB’s key focus.

(vii) The knowledge agenda will become increasingly important. However, there is a great deal of knowledge embedded in ADB’s operations that has not been collected and distilled in a strategic way to enable lessons learned to be shared more widely.

(viii) The role of the private sector is extremely important and could be further tapped (for instance, by creating an enabling environment to harness private sector support in health, education and other social sectors).

C. Coordination with Other Donors

(i) The review should discuss the extent to which ADB’s work is coordinated with that of other development organizations.

(ii) There is a need to assess “how big a player is ADB in Asia?” and compare ADB’s efforts and “reach” in relation to other sources of funding (including private sector activities and remittances).

(iii) How are the findings of the MTR connected with the emerging post-2015 emerging development agenda? What are the implications as the MTR report is being completed and launched before the post-2015 agenda is finalized?

D. ADB’s Human Resources Practices and Other Organizational Goals

(i) The review should include an assessment of ADB’s human resource practices, staff diversity (gender, ethnicity, national origin, and age) to look into any “glass ceilings” at ADB.

(ii) The review should include discussions on ADB’s organizational structure and leadership, planning for leadership succession, and the pace of turnover among current staff.

(iii) The paper should explain how business processes will be improved and what actions ADB will take to realize those improvements.

3. Ms. Rasheda Choudhury, Executive Director, Campaign for Popular Education, Dhaka

A. Focus on Inclusiveness

(i) While the region shows declining poverty levels, the issue of growing inequality in the region should also be addressed.

(ii) The challenge for ADB is to become more than a lending agency and increase its specific focus on ‘inclusiveness’ to include: (a) demonstrating impacts of infrastructure development on poverty and inclusive growth; (b) greater investments in the social sectors (health and education); and (c) support for agriculture and food security. In education, continued attention needs to be given
to basic education, besides ADB’s current focus on technical education and vocational training. More attention should also be given to improving enrollment of girls in secondary education. Innovative approaches, including improvements in sanitation, have been successful in increasing girls’ enrollment and should be supported.

(iii) ADB should further explore climate change issues, including poverty induced by climate-related displacement.

(iv) ADB should provide more strategic focus on governance (including on the issues of corruption, transparency and accountability). Human rights issues are also an important consideration.

(v) ADB needs to support DMCs to realize the potential demographic dividend and harness the energy of the youth.

(vi) Microfinance continues to play an important role in empowering women and should be supported.

B. Increased Engagement with Civil Society/Other Partners

(i) In line with the goal of fostering partnerships, ADB needs to improve the volume and quality of its engagement with civil society organizations that can play supplementary roles in assisting with technical assistance operations, and with campaign support and advocacy initiatives.

(ii) Increased partnerships with other stakeholders (for example, think-tanks and research institutions) are also important to promote exchange of knowledge and information.

C. ADB’s Institutional Transformation

(i) The review should provide pragmatic suggestions for enhancing ADB’s human resources and skills mix to support Strategy 2020’s implementation.

(ii) ADB needs to address the issue of decentralization of its operations, particularly through delegating more authority to its resident missions.

4. Dr. Stefan Matzinger, Head, Infrastructure Practice in Asia, McKinsey, Asia

A. Strategic Issues for ADB

(i) Poverty will be eradicated in the region on account of strong economic growth. However, ADB (based on its Charter) was created as a regional institution with a mandate to promote economic development. If poverty reduction is no longer a relevant agenda for in the region, the key question for ADB is to determine what its new role should be within the broader scope of its mandate on economic development. The region continues to face significant development challenges. ADB needs to assess the new challenges to define an appropriate transition for itself to new roles and priorities to further support development of the region.

(ii) ADB should be mindful of the emerging large inequalities in DMCs, and the tendency of small groups of people to apportion a large share of national wealth through corruption or other unfair means. Extreme concentration of wealth can lead to significant social instability in societies. Corruption weakens state institutions. How can ADB play a more active role in fighting corruption?
It is important for ADB to support DMCs to avoid the MIC trap by adopting a twin focus on infrastructure development and improving quality and effectiveness of national institutions.

B. Infrastructure Development

(i) Since infrastructure is over 70% of ADB’s operations, it will be useful to develop a deeper understanding of overall infrastructure needs in the countries where ADB operates, and measure ADB’s involvement and success relative to infrastructure-related metrics.

(ii) The financing issue is critical. There is significant available liquidity but too few investment opportunities. The missing link is to match higher return-seeking liquidity with the financing need for infrastructure projects and to develop ideas into bankable projects, which offer risk/return characteristics that investors have the appetite for.

(iii) Without taking equity risk (and specifically, early development equity risk), ADB will remain limited to financing already bankable projects rather than contributing to taking many more projects from the idea and concept stage to the bankable stage. Could ADB become a more active risk-taking investor, who would enable projects to come to life which otherwise would simply never happen?

(iv) The infrastructure investment need in Asia is estimated at $2 trillion per year. ADB’s balance sheet is insignificant—it is only the multiplier effect of ADB’s financing capacity, which has the potential to have a more relevant impact. This poses the question of how to best leverage ADB’s financial strengths.

(v) PPPs are clearly an essential element of infrastructure financing. However, given the limited success of multilaterals in Asia to create a functioning PPP environment, is it realistic for ADB to aspire to higher impact in this space?

C. Reach and Impact of ADB Operations

(i) ADB’s market share is very small even in its defined space in infrastructure, and its overall impact on a country’s infrastructure would be small—notwithstanding the success of individual ADB-assisted projects.

(ii) ADB is more relevant in some countries than others. Therefore, should ADB focus more on selected countries as against seeking a wider spread of its operations in all countries?

(iii) Creating a knowledge culture to add value to operations is a highly challenging undertaking. ADB may consider narrowing the scope of its knowledge initiatives to where better knowledge development, dissemination, and application has the potential for disproportionate impact.

D. ADB’s Organizational Structure

(i) The type and volume of staff talent required to implement a successful strategy is of fundamental importance. ADB’s staff are its most important asset. For the complexity of the operations covered, the number of staff at ADB is small (which explains why ADB retains many external consultants).

(ii) The current ADB organizational set-up is headquarters-centered, with relatively little capacity and decision-making authority in its resident missions. Resident missions need to be become stronger and more empowered. A smaller ADB headquarters may then be warranted.