Summary of Stakeholder Consultations on the Strategy 2020 Midterm Review
SUMMARY OF STAKEHOLDER CONSULTATIONS ON THE STRATEGY 2020 MIDTERM REVIEW

1. A guiding principle for the Strategy 2020 Midterm Review (MTR) was to make the exercise interactive and inclusive by engaging with all stakeholders and soliciting their views and perspectives. The MTR process was accordingly planned since the start. With assistance from ADB’s Department of External Relations, an internal and external web page was created to upload and disseminate all important information and documentation pertaining to the MTR. The initial MTR concept note was put on the website, followed by the detailed implementation progress review, along with a discussion paper on future strategic directions prepared for a Board and Management Retreat held in September 2013. An updated discussion paper was uploaded on the website prior to an Informal Board Meeting held in December 2013. Some, but not too many, comments and views were received from ADB staff and external stakeholders on the MTR documents through the websites.

2. Extensive regional and country consultations were organized to inform the MTR process during October 2013 and January 2014. Altogether, 30 developing member countries (DMCs) were consulted and their views and perspectives considered. Regional consultations with DMCs from South Asia were held in New Delhi, India; with DMCs from Central and West Asia in Bishkek, Kyrgyz Republic; DMCs from East and Southeast Asia in Phnom Penh, Cambodia; and DMCs from the Pacific Islands in Nadi, Fiji. Country-level consultations with central and state officials and executing and implementing agencies in the countries visited were also held. In addition, specific meetings with civil society organizations (CSOs), private sector institutions, and international development partners were organized in these countries to obtain broader feedback and input. Consultations with CSOs based in the Philippines were also organized in Manila in December 2013. Finally, some non-regional shareholders were consulted through ADB’s Board of Directors, meetings attached to broader events in the various capitals, and bilateral meetings at the ADB headquarters in Manila.

3. Inputs and feedback received through these consultations was carefully considered and incorporated in the MTR. The main messages from the consultations are summarized as follows:

A. Broad Strategic Directions

(i) ADB’s overarching objective of poverty reduction in DMCs should not be lost in its proposed focus on middle income countries (MICs) in the future. Poverty reduction should remain ADB’s key priority. Even so, ADB needs to become more relevant for MICs. Managing the duality between ADB’s continuing core mandate of poverty reduction and its aspiration to be a more relevant partner of MICs is a key challenge for ADB going forward.

(ii) It is important for ADB to retain country and subregional focus in its strategy and operations. The Pacific region, for example, has distinct development challenges and opportunities which are sometimes lost in macro-discussions on the Asia-Pacific region as a whole.

1 http://www.adb.org/about/strategy-2020-mid-term-review

2 Consultations with officials from Papua New Guinea were held in Manila.
(iii) ADB should make more effective use of its trusted partner relationship and its reach in DMCs to conduct policy dialogue on the often difficult, but important, governance reforms and anti-corruption related issues.

(iv) ADB’s focus on infrastructure development to reduce poverty and promote livelihoods is correct. Infrastructure development should continue as ADB’s main operational focus based on its comparative advantages.

(v) At the same time, development institutions, including ADB, must have a people-centered and rights-based policy framework and approach to development assistance, and their assistance should go beyond physical infrastructure.

(vi) Even though ADB should focus on its key operational strengths, it should be pragmatic in applying selectivity. The selectivity principle under Strategy 2020 should be applied to prioritize specific outcomes on inclusive growth, environmental sustainability and regional cooperation and integration (RCI), but it should not be applied in terms of sectors of operations. The selectivity of ADB’s operations at the sector level should depend on country needs and demands.

(vii) ADB should further prioritize support for the agriculture sector and food security, recognizing that large parts of the region’s populations continue to reside in rural areas and rely on agriculture for livelihoods. Investment in agriculture will have a strong impact on ADB’s goal of poverty reduction and inclusive economic growth.

(viii) ADB’s assistance continues to be needed to upgrade health infrastructure, improve service delivery, and provide training and capacity building opportunities for health sector staff and institutions.

(ix) A greater focus on education, skills building, and promoting entrepreneurial leadership is also needed. ADB should support a second generation of projects in these areas. Besides tertiary and vocational education, ADB should also consider support for secondary education.

(x) Climate change should be a clear priority for ADB for which it needs to build up and strengthen its technical staff capacity. ADB does not have a clear climate change policy, particularly in relation to pollution emission standards. ADB should focus on clean and renewable energy, moving away from “dirty energy” sources and fuels such as coal. ADB should support green businesses, including investments in natural capital.

(xi) ADB should provide greater support for disaster-related assistance. However, lending for reconstruction and rehabilitation in disaster situations is questionable. ADB should carefully evaluate the impact of its financial instruments on debt creation in DMCs, and guard against unsustainable debt situations in DMCs.

(xii) ADB should consider the youth as a possible sixth driver of change, and invest in building their skills and connecting them to job markets.

(xiii) ADB must also support the marginalized, the disabled, and children.

(xiv) There is a need for ADB to provide greater support for lagging geographical areas and regions to promote inclusive economic growth.

(xv) ADB’s assistance framework going forward should incorporate considerations of the post-2015 development agenda.

(xvi) The emphasis on knowledge solutions is correct but this should be cost-effective and efficient. Further attention should be placed on promoting south-south cooperation. Regional knowledge hubs have an important role, which ADB can support.

(xvii) Continued emphasis on maintaining and enhancing coordination with development partners is essential to build complementarity and avoid overlap. In this regard, the potential of corporate social responsibility should be also recognized in Strategy 2020.
(xviii) The MTR should be linked with the ongoing exercise on preparing a long-term vision for the Asian Development Fund (ADF).

(xix) The links between the three strategic agendas of Strategy 2020 and ADB’s vision of a poverty-free Asia Pacific need to be further clarified.

(xx) The distinction between core and other areas of operations under Strategy 2020 has not worked as intended. This distinction should be removed as this has led to the interpretation that ADB will no longer operate in the other areas of operations.

(xxi) The end vision of Strategy 2020 is not clear. Is the objective to end poverty by 2020?

B. Support to Middle-Income Countries

(i) MICs require ADB to change the way it does business with them. ADB should adopt country systems. ADB should also bring in international best practices to such countries, not just from Asia but globally.

(ii) MIC clients increasingly demand knowledge services. But ADB’s present organizational structure is not conducive for providing quality knowledge services under a “One-ADB” approach.

(iii) ADB should consider support for strengthening social protection and social security systems in MICs. It should also stand ready to provide countercyclical support to mitigate the impact of economic and financial crises.

(iv) ADB should play a role in catalyzing different forms of financing for MICs. ADB should act as a bridge between MICs and nontraditional donors.

(v) ADB should find other innovative ways of forging development partnerships with those MICs that choose not to borrow from international development agencies.

(vi) A specific focus on realizing economies of scale is required in MICs that have small and scattered populations where the cost of development projects is significantly higher than in larger countries.

(vii) ADB can better align its support to MICs’ needs by focusing on good governance, including through assisting civil society organizations (CSOs) and citizens to more effectively participate in national development processes.

(viii) Aside from the income criterion, ADB should employ additional indicators to develop a more comprehensive and complete classification framework for middle-income countries.

C. Resource Transfer to Developing Member Countries

(i) ADB’s volume of development assistance has remained relatively the same over recent years. Yet, development budgets of most DMCs have grown over time and additional resources from other external sources have also become available. Therefore, ADB’s share of financial support in most DMCs has decreased. Given this, ADB’s role should also evolve and its assistance further improved and come with greater value-addition and innovation.

(ii) Selective Ordinary Capital Resources (OCR) support in ADF-only countries for income-generating projects can be provided to meet the development financing deficit in these countries.

(iii) ADB needs to find way innovative ways of augmenting its resource base during the remaining years of Strategy 2020 to stay relevant to the financing needs of DMCs.

(iv) Another capital increase will be needed to secure an adequate financial size of ADB.
D. Infrastructure Development

(i) A focus on sustainability of infrastructure through ensuring effective maintenance of the built infrastructure assets is required.
(ii) ADB should consider getting into new types of infrastructure, such as logistics, multimodal transport, and climate proofing. Support for infrastructure projects should also build in resilience to natural disasters.
(iii) There is a need to go beyond infrastructure creation to ensuring service delivery from infrastructure to improve quality of life of citizens.
(iv) A greater focus on water and sanitation is needed, particularly from the perspective of implementation, sustainability, and service delivery. There is also a need to look at and support the energy-water interface and the energy-water-food security interface. Infrastructure development at the local government level through public-private partnerships (PPPs) is a priority.

E. Regional Cooperation and Integration

(i) ADB’s assistance for RCI is well-recognized and appreciated. However, this support needs to be broadened and accelerated.
(ii) ADB should consider a corridor type approach for regional transport projects as opposed to providing country specific funding for such projects—the latter complicates the undertaking of cross-border infrastructure investments.
(iii) ADB should place a greater focus on support for trade facilitation through harmonization of cross-border customs and trade procedures.
(iv) Harmonization of regulations and supervisory standards and norms is critical for promoting greater financial and monetary cooperation in the region.
(v) There is considerable room for cross-learning among the various subregions on their experiences with RCI. ADB should encourage such knowledge exchange.
(vi) Development efforts should move away from a country to a regional focus. One way for ADB to achieve complementarities with new banks such as the BRICS bank is to focus more on regional projects.

F. Private Sector Development and Operations

(i) ADB’s work in the private sector in small countries is not visible. ADB is oriented towards the public sector and is not sufficiently working with the private sector in these countries. Private sector operations need expansion for which ADB needs to strengthen its equity. At the same time, ADB has to leverage its resources further.
(ii) Scaling-up private sector operations in ADF-recipient countries while balancing the associated higher risks is important, but not easy. A fine balance needs to be drawn between the objective to achieve higher development impact through private sector operations while maintaining prudent risk management.
(iii) ADB’s value addition in the private sector lies in venturing into areas that are important from a development impact perspective, but remain too risky for private sector to engage in on its own. In this sense, ADB should demonstrate a higher appetite for risk compared to private sector counterparties.
(iv) ADB’s risk management and pricing depends on rating agencies. This sometimes comes in conflict with ADB’s development mandate. ADB must develop the skills set to assess credit risk itself and make appropriate decisions
on its investments, balancing risk with development impact. ADB will price itself out of the market if it demands financial returns from its investments that are sometimes even higher than what the private sector counterparties expect.

(v) ADB’s priorities for private sector development should include support for small and medium-sized enterprises, infrastructure to improve connectivity for trade and businesses, and trade logistics systems. ADB’s enhanced focus on financial sector development is also critical to promote the role of the private sector. Development of domestic capital markets is important. So is improving access to finance.

(vi) The PPP concept is still very new for most countries of the region. Laws and regulations for PPPs are nascent. Strong ADB support is needed to build institutional capacity in government agencies to plan and manage PPPs. At the same time, ADB should strengthen its knowledge sharing efforts amongst DMCs on experiences with PPPs.

(vii) Reform and corporatization of state-owned enterprises should be part of ADB’s assistance for providing a level playing field to the private sector.

(viii) Support for local currency finance and trade guarantee products is required. There is a need to improve the structure and pricing of ADB’s guarantee products to make these more competitive.

(ix) ADB should remove bureaucracy and introduce flexibility in its procedures and processes for private sector operations. ADB also needs to (a) strengthen the links between its public and private sector operations; and (b) promote country and region driven private sector development strategies aimed at energizing key sectors that require ADB support.

(x) There should also be a focus on stronger regulations and accountability structures for the private sector.

G. Business Processes and Procedures

(i) ADB has made efforts to improve its business processes and procedures over time. However, there is a strongly-felt need for ADB to further streamline its systems and improve its business processes, particularly procurement. Current processes and procedures are complex and time-consuming.

(ii) Despite some improvements on consultant recruitment/management processes in recent years, little progress is evident. The processes and time required to recruit consultants could be substantially streamlined and reduced.

(iii) A greater focus on improved project designs, timely delivery of projects and value for money is required.

(iv) ADB needs to adopt more innovative and client-responsive approaches to remain relevant (including expanding use of results-based lending and providing more solutions-oriented support).

(v) ADB should maintain its competitiveness and attractiveness as a key development partner of DMCs. Currently, ADB projects are expensive and take a longer time to complete than projects financed by governments themselves.

(vi) ADB should have a clear client focus to improve clients’ experience of engaging with the bank. Inputs from the ADB Perception Survey could provide timely feedback in this area.

(vii) In streamlining its business procedures, ADB should not, however, compromise on quality control.
From a value for money perspective, ADB should also find ways of becoming more efficient through rationalizing its administrative costs, rather than just passing the burden to DMCs through higher loan charges.

ADB should retain appropriate flexibility and country-specificity in its strategy and operations to respond to client needs in a relevant and timely way.

ADB should recognize and adopt country systems, avoid parallel processes and systems, and provide more budget support and programmatic assistance.

Greater harmonization of procedures among the multilateral financing institutions will reduce transaction costs for DMCs.

ADB’s procurement system should give more preference to domestic contractors and local companies to develop the indigenous industry of DMCs.

In the implementation of ADB’s technical assistance operations, executing agencies should have a direct role in supervising consultants, and approving their reports and outputs. This is important for building accountability and improving the quality of work of the consultants. In general, the dependence of ADB-assisted projects on consultants should be reduced.

Monitoring and evaluation of projects and programs needs strengthening. ADB should clarify its methodology for monitoring projects and impact, and disseminate the details of the results frameworks employed for this purpose. Sometimes, projects that displace large amounts of people are categorized by ADB as “successful”. Affected communities should have a direct role and engagement with ADB projects.

ADB needs to strengthen the quality of, and do more, project-level impact assessments to determine the impact of projects on communities and their livelihoods.

Linkage between ADB’s corporate results framework and operations should be further strengthened to support implementation of Strategy 2020, especially through cascading ADB’s corporate results framework to the departmental levels with realistic targets and incentives to reward good performance.

Performance management strategies (to include benchmarking, scorecards, etc.) should be part of Strategy 2020.

**H. ADB’s Institutional Arrangements**

ADB needs to promote further decentralization of its activities and operations. Resident missions need to be given greater authority over decision-making on operational matters.

ADB should be constantly reviewing its institutional arrangements to build greater internal efficiency. It should ensure the quality of its staff to meet the expectation of its client DMCs.

ADB needs to rethink its organizational structure and staffing mix to be in a position to meet the challenges of the next two decades. One option would be to evaluate the current region-centric organizational structure against a sector or a theme based structure.

There is a need for ADB to look at its current staff composition, reduce over-staffing in some departments and restructure staffing mix to implement Strategy 2020 more effectively.

ADB must ensure that internal resources are aligned to achieve Strategy 2020’s targets. There should be a roadmap on how ADB would transform its organizational structure, systems and processes to deliver on Strategy 2020.
(vi) There is a need to raise the quality of ADB’s operational missions to DMCs to improve project processing and implementation.

(vii) ADB must also enhance the role of resident missions in knowledge creation and promote greater integration between the specialized knowledge departments and operational departments.

(viii) To be able to provide more knowledge solutions to its DMC clients as “One-ADB”, ADB needs to become more agile and flexible in how it structures teams, especially in its ability to source the best expertise internally from across the Bank to provide timely solutions and professional advice to clients.

(ix) ADB needs to groom talent and nurture bank staff as leaders in its proposed strategic focus areas.

I. ADB’s Engagement with Civil Society Organizations

(i) Engagement with CSOs should be an important consideration in the successful implementation of Strategy 2020.

(ii) ADB’s interactions with CSOs should go beyond conducting consultations. ADB should treat CSOs as partners and not just as vendors and contractors. ADB should enter into direct financing partnerships with CSOs and explore how they can become more active partners in the implementation of projects.

(iii) ADB should make greater use of CSOs for consultancy and technical work, including collaboration on knowledge products, given their cost effectiveness, technical know-how, and extensive reach into local communities.

(iv) ADB should support higher-impact community-driven projects with strengthened engagement of CSOs.

(v) Strengthening of CSOs is a must for participatory development to create conditions for inclusive economic growth. CSOs should be recognized as contributing directly to productive economic activities.

(vi) ADB should rigorously apply its environmental and social safeguards policies, in consultation with CSOs, to all its projects.

(vii) ADB also needs to improve information dissemination for greater transparency and awareness-raising of all stakeholders on the results and outcomes of its development projects.

(viii) There is great potential to harness social media to obtain feedback from CSOs.