

Roundtable Meeting on ADB's Strategy 2030
16 June 2017, SOAS University of London, London

NOTE-TO-FILE

Introduction

1. ADB organized a roundtable meeting with 14 development thinkers, academics, and representatives of the private sector and nongovernment organizations (NGOs) from across Europe at SOAS University of London on 16 June 2017 to exchange views on the proposed [Strategy 2030 draft framework](#).¹ This roundtable was the last in a series of four such meetings, the first three being held in Manila (16 March), Washington, DC (20 April), and Tokyo (26 May). This note summarizes the main points raised by the participants.

Asia's Development Landscape

2. The concept of development has expanded over the years. It is no longer confined to economic growth but also includes human development, gender, and environment-related concerns. While income levels have increased in Asia and the Pacific in recent decades, there remain significant differences in terms of poverty and human development indicators (including health and education) within the region. ADB should take a broader view of development while preparing Strategy 2030 so that it can address these disparities. It should continue to assist the lagging developing member countries (DMCs) of the region, and ensure that growth is inclusive and sustainable.

3. Europe's interest in the Asia-Pacific region is rising. Both regions are facing similar challenges owing to global economic uncertainty, climate change, aging, large-scale migration, and job losses due to automation. It will be in their interest to strengthen dialogue, economic ties, and trade relations. ADB should work closely with the European Union in this regard. While Europe is currently grappling with a rapid increase in the number of migrants coming from other regions, Asian countries will also face similar challenges in the years ahead. ADB's DMCs should invest in public infrastructure, skills development, and quality jobs to address growing levels of migration (both within the region and from outside), and secure the foundation for future development.

4. The mega-trends of climate change, urbanization, aging, and automation will have enormous implications on global and regional growth prospects. Multilateral engagement should be strengthened further to address these global challenges. There has been fragmentation of the aid architecture over the past 10–15 years. The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) have emerged as new players. Several special purpose vehicles such as the Global Alliance for Vaccines and Immunization and Global Fund to Fight AIDS, tuberculosis and malaria have been established.² Given these trends and the multiplicity of players in the global development arena, multilateral and regional development banks must undertake reforms, strengthen coordination, and improve development results.

¹ President Takehiko Nakao chaired the roundtable meeting. Mr. Indu Bhushan, Director General, Strategy, Policy and Review Department, presented the rationale, process and emerging directions of the new strategy. The list of participants is attached.

² Several international coalitions (i.e. "coalition of the willing") led by NGOs and advocacy groups have also come up in recent years. They focus on issues ranging from anti-corruption and tax reforms. The multilateral development banks must take their views into account and collaborate with them where required.

ADB's Value Addition

5. ADB is not as well-known as it should be in Europe. It should use this opportunity of preparing a new strategy to find its niche and clearly differentiate itself from other players based on its comparative advantage.

6. ADB has played an effective role in promoting regional cooperation and integration (RCI) over the years. Under Strategy 2030, support for RCI will become even more critical since the problems posed by climate change, pollution, loss of biodiversity, and spread of diseases cut across national boundaries. ADB must remain engaged with all its DMCs including upper middle-income countries (UMICs) to support projects with global and regional public goods features. This will strengthen the region's overall resilience and stability in the long run.

7. Providing finance cannot be ADB's only role. Finance should be combined with knowledge so that it can be channeled for development. Under Strategy 2030, ADB should become a true knowledge bank, pilot good practices, and set examples in Green Finance, environment and climate risk assessment, shadow carbon pricing, and advanced technologies through its lending operations.

8. ADB should promote knowledge exchange across countries. Within Asia, there is currently no single leading organization in terms of knowledge. The Asian Bureau of Economic and Financial Research (ABEFR) has been established recently along the lines of the National Bureau of Economic Research of the US.³ The ABEFR needs greater representation of economists and policy makers from within the Asia-Pacific region. Under Strategy 2030, ADB could partner with such institutions to strengthen its knowledge work, support collection of regional data on key areas including Sustainable Development Goals, climate change, urbanization, and promote research to inform operational work. ADB's knowledge work should not focus on research exclusively but also on capacity development to influence policy dialogue.

9. It is good that Strategy 2030 explicitly focuses on monitoring and evaluation. It will be essential that evaluation lessons are incorporated into the design and implementation of new projects. The work done by ADB and the ADB Institute in terms of knowledge and capacity building should be expanded.

Engagement Principles

10. Given the increased fragmentation of the MDB system with the entry of new players (para. 4), stronger partnerships and collaboration will be critical. ADB has been coordinating with AIIB and co-financing projects with it. Going forward, ADB should also dialogue and coordinate with large national banks such as the China Exim Bank and the China Development Bank, which have vast resources and are scaling up lending rapidly. It is necessary that these institutions also direct their funding towards financially and environmentally sustainable development projects instead of focusing mainly on lending volumes.

11. ADB has been partnering with NGOs such as the Aga Khan Foundation in fragile and conflict-prone areas of Central Asia and South Asia. Since it is difficult to attract private sources

³ ABEFR is an institute founded by academics from Asia, North America, and Europe. It aims to promote Asia-Pacific oriented financial and economic research at local, regional and international levels; to connect globally prominent academic researchers, practitioners and public policy decision-makers on Asia-Pacific related financial and economic issues; to enhance the research capabilities and develop strong clusters of finance and economic research groups in academic institutions and other institutions in Singapore and Asia-Pacific. Source: <http://abfer.org/about-us.html>

of financing for projects in these areas, MDBs such as ADB must continue their support. Different instruments and approaches are needed to engage effectively in such difficult contexts.

12. While ADB needs to interpret its graduation policy flexibly, its lending to UMICs should not be at the cost of the assistance to low-income DMCs. Development aid should be targeted towards the needy countries since their ability to pay is low. It is necessary to differentiate between a country's "ability to pay" and its "willingness to pay". ADB should pursue differentiated pricing in UMICs based on a country's ability to pay. There was broad agreement that ADB should remain engaged with such UMICs to support projects involving global and regional public goods with significant externalities. Projects focusing on the poor regions of UMICs should be funded primarily by their own governments.

Strategic Business Areas

13. The proposed framework for Strategy 2030 is very broad and would spread ADB thinly across multiple sectors and themes. It should be clearer about the linkages and trade-offs across different areas of operations. ADB should focus on its comparative advantages, and build staff strength and capabilities in selected niches. It should strike the right balance between "breadth" and "depth" of operations; between being a "general practitioner" versus being a "specialist". Since there is much more competition now, MDBs and RDBs should avoid duplication.

14. In the coming years, ADB's focus should be on addressing inequality of income, disparity in access to education, health, skills, and economic opportunities, fragility, and migration of labor. ADB's support for infrastructure development focusing on backward regions, education, health, social protection, and inclusive business development should be increased under Strategy 2030. Integrated approaches across sectors will be needed to tackle these challenges. The importance of good governance and building institutional capacity should be emphasized further in the proposed framework.

15. While alternative sources of finance including pension funds and sovereign wealth funds are increasingly available for DMCs, they focus more on short-term commercial projects. Unlocking and catalyzing private sector finance for long-term development projects is complex, and will require specialized staff skills. If ADB wants to play a role, it should build up its staff's expertise, and design new instruments. ADB should increase its support to DMCs for building a pipeline of bankable projects. ADB's Credit Guarantee Investment Fund (CGIF) should expand its operations.⁴ DMCs should also take measures to boost domestic savings and reduce reliance on foreign hard-currency.

16. Due to rapid technological change, projects in the energy and water sector are going to become more decentralized and smaller. Different renewable energy sources will continue to grow. Similarly, water distribution and management will become more decentralized with time. Given the decline in the size of projects and requirement for capital, smaller financiers will be able to play a larger role in such sectors. ADB should assess the implications of these technology-driven changes on its energy and water sector strategy and operations. It should not crowd out

⁴ CGIF was established in November 2010 to promote financial stability and boost long-term investment in the Asia and Pacific region. It provides guarantees on local currency denominated bonds issued by investment grade companies in countries belonging to the Association for South East Asian Nations (ASEAN), the People's Republic of China, Japan, and the Republic of Korea. Its aim is to help companies, which would otherwise have difficulty in tapping local bond markets to secure longer-term financing, reduce their dependency on short-term foreign currency borrowing, and address currency and maturity mismatch. Source: <https://www.adb.org/site/funds/funds/credit-guarantee-and-investment-facility>

private sector investment. ADB should have an open mind about when it should exit some sectors. For example, a time will come when the private sector is able to finance renewable energy projects entirely on its own.

17. Going forward, ADB should continue to strengthen its human resources and streamline its business processes. This will enable it to be responsive to its clients, and improve the overall design and delivery of its projects.

List of Participants

A. Experts

1. Baroness Valerie Amos, Director, SOAS University of London, London, United Kingdom
2. Lord Meghnad Desai, Chairman, Advisory Board, Official Monetary and Financial Institutions Forum, London, United Kingdom
3. Mr. Nick Dyer, Director General for Policy and Global Programmes, Department for International Development, Government of United Kingdom, London, United Kingdom
4. Mr. Richard Teuten, Head, International Financial Institutions Department, Department for International Development, Government of United Kingdom, London, United Kingdom
5. Ms. Shada Islam, Director Europe and Geopolitics, Friends of Europe, Brussels, Belgium
6. Mr. Victor Murinde, Professor, School of Finance and Management, School of Oriental and African Studies, University of London, London, United Kingdom
7. Ms. Carol Newman, Chair of Trinity International Development Initiative Trinity College Dublin, Dublin, Ireland
8. Ms. Maaïke Okano-Heijmans, Senior Research Fellow, Clingendael Institute, The Hague, Netherlands
9. Mr. Matt Reed, Chief Executive Officer, Aga Khan Foundation UK, London, United Kingdom
10. Mr. Martin Seeger, Chief Executive Officer and President, Lahmeyer International GmbH, Hesse, Germany
11. Ms. Paola Subacchi, Research Director, International Economics, Chatham House, London, United Kingdom
12. Mr. Chris Vermont, Chief Executive Officer, GuarantCo Management Company, London, United Kingdom
13. Mr. Ulrich Volz, Head of Economics, SOAS University of London, London, United Kingdom
14. Ms. Beatrice Weder di Mauro, Professor of Economics and Chair of Economic Policy and International Macroeconomics, University of Mainz, Mainz, Germany

B. ADB

1. Mr. Takehiko Nakao, President
2. Mr. Indu Bhushan, Director General, Strategy, Policy and Review Department (SPD)
3. Mr. Marvin Taylor-Dormond, Director General, Independent Evaluation Department
4. Ms. Debra Kertzman, Representative, European Representative Office
5. Ms. Valerie Hill, Director, Strategy, Policy and Business Process Division (SPBP), SPD
6. Mr. Kai Preugschat, Head, Office of Cofinancing Operations
7. Mr. Naoya Jinda, Chief Advisor to the President
8. Mr. Masayuki Tachiiri, Principal Planning and Policy Specialist, Interagency Relations and Nonsovereign Operations, SPD
9. Mr. Shamit Chakravarti, Senior Planning and Policy Specialist, SPBP, SPD