The role of MDBs in development and ADB’s response to COVID-19

16 February 2021

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Tomoyuki Kimura is the head of the Strategy, Policy and Partnerships Department (SPD) which coordinates the development and implementation of ADB's strategies and policies, including its Strategy 2030, operations coordination and resource allocation, results management, harmonization with other multilateral development banks, strategic partnerships, particularly related to resource mobilization and responses to the Sustainable Development Goals.
1. Role of MDBs in development
   - Features of MDBs
   - Strategy 2030
   - Evolving role of MDBs
   - ADB’s Operations

2. ADB’s COVID-19 Response
Presentation outline

1. Role of MDBs in development
   - Features of MDBs
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   - ADB’s Operations

2. ADB’s COVID-19 Response
Multilateral Development Banks (MDBs)

- **The World Bank**: 1944
- **Expert System Development Bank**: 1959
- **IDB (Inter-American Development Bank)**: 1964
- **African Development Bank Group**: 1974
- **Asian Development Bank (ADB)**: 1966
- **Islamic Development Bank**: 1991
- **European Bank for Reconstruction and Development**: 1991
- **New Development Bank (NDB)**: 2014
- **AIIB (Asian Infrastructure Investment Bank)**: 2015
**MDBs vs. Commercial banks**
- Loans and grants to the governments of developing countries
- Soft loan (low interest rates, long-term lending) and grant
- Provide finance and knowledge
- Focus on development impact

**MDBs vs. UN agencies**
- Raises funds by issuing bonds in capital markets (vs. voluntary contributions)
- More loans than grants
- Stable income
- Large projects

**MDBs vs. Bilateral aid agencies**
- Impartiality, role of an honest broker
- Promotion of global public goods, promoting regional cooperation
Presentation outline

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2. ADB’s COVID-19 Response
Diversity of the Region

Fragile and Conflict-Affected Situations
Afghanistan
Myanmar, etc.

Small Island Developing States
Solomon Islands
Papua New Guinea, etc.

Low income • Lower middle income countries

Upper middle income countries
# ADB Country Classification

<table>
<thead>
<tr>
<th>ADB Financing Terms</th>
<th>Low income &lt;$1035</th>
<th>Lower middle income $1,036–$4,045</th>
<th>Upper middle income $4,046–$12,535</th>
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</table>
Strategy 2030 responds to the region’s changing needs

Expanded Vision
Achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining efforts to eradicate extreme poverty

Value Addition
• Finance
• Knowledge
• Partnerships

Guiding Principles
• Using country-focused approach
• Promoting the use of innovative technology
• Delivering integrated solutions
SEVEN OPERATIONAL PRIORITIES

Addressing remaining poverty and reducing inequalities

Promoting rural development and food security

Accelerating progress in gender equality

Strengthening governance and institutional capacity

Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability

Making cities more livable

Fostering regional cooperation and integration

KEY APPROACHES

Expanding private sector operations

Catalyzing and mobilizing financial resources for development

Strengthening knowledge services

1/3 of number of ADB committed operations by 2024

At least 75% of number of ADB committed operations by 2030, total of $80 billion from ADB’s own resources from 2019 to 2030

$1 in private sector operations financing matched by $2.50 of cofinancing
Seven Operational Priorities Mapped to SDGs

- **OP1: Addressing remaining poverty and reducing inequalities**
- **OP2: Accelerating progress in gender equality**
- **OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability**
- **OP4: Making cities more livable**
- **OP5: Promoting rural development and food security**
- **OP6: Strengthening governance and institutional capacity**
- **OP7: Fostering regional cooperation and integration**

CUTTING ACROSS ALL OPERATIONAL PRIORITIES
Presentation outline

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2. ADB’s COVID-19 Response
**Evolving Role of MDBs and Greater G20 participation**

*From post-war support, crisis management to development cooperation*

**Historical mandate:** to provide financial assistance to developing member countries, typically in the form of loans and grants in order to promote economic and social development.

- **Review and adapt lending instruments** to adequately meet members' needs and revise lending role in the light of the ongoing financial crisis.

- **Identify infrastructure gaps**, needs and funding requirements, particularly with respect to regional and rural infrastructure, as well as opportunities to promote public-private partnerships.

- **Emphasis on mobilization and catalyzation of additional financing** for infrastructure investment, particularly in emerging markets and developing countries.

- **Optimize MDB balance sheets** to ensure work on infrastructure benefits low-income countries.

- **Promote investment with a focus on infrastructure** in terms of both quantity and quality.

- **Ambitions on crowding-in private finance.** Role of the private sector in sustainable economic development.

- **Provide strong net financial flows (support) to countries in response to COVID,** in complement to the G20’s Debt Service Suspension Initiative (DSSI).

- **MDBs now encouraged to go further on their collective efforts in supporting the DSSI.**
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Project Identification Process
(Sovereign Project)

Developing Countries

National Development Plan

Sector/Regional Development Plan

Investment Project

ADB

Sector Operation Plans

Country Partnership Strategy (5 years)

Country Operations and Business Plan (3 years)

Investment Project

Long Term Strategy

ADB
ADB Project Cycle

1. Country Partnership Strategy
2. Preparation
3. Approval
4. Implementation
5. Evaluation
PRODUCTS AND SERVICES

ADB supports its developing member countries (DMCs) through:

**Loans, Guarantees, Equity Investments, Grants**

- **Sovereign Financing**
- **Non-sovereign Financing**
- **Transaction Advisory Services (TAS)**
- **Technical Assistance (TA)**

**Funding Sources**

- Regular ordinary capital resources (OCR)
- Asian Development Fund (ADF)
- TA Funds, Special Funds and other Trust Funds
- Concessional OCR
- Cofinancing
### Philippine: Malolos–Clark Railway Project
- ADB provides financing of up to $2.75 billion for the construction of 53.1 km of a railway connecting Malolos to Clark International Airport.
- JICA cofinances with up to $2 billion, which finances the rolling stock and the railway systems.
- It is estimated to cut the travel time from Metro Manila to Clark International Airport to less than one hour, compared with 2 to 3 hours by car or bus today.

### Indonesia: Muara Laboh geothermal power generation project
- ADB signed a $109 million financing package 2017.
- On completion, the geothermal facilities will generate 80 megawatts of electricity.
- This project contributes to reducing carbon dioxide emissions as well as increasing generation capacity.
Regional: Pacific Disaster Resilience Program (Phase 3)
• $94 million contingent disaster financing which was approved in November 2020.
• It covers 10 counties in the Pacific: the Cook Islands, Kiribati, the Federated States of Micronesia, the Marshall Islands, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.
• The program supports critical actions on disaster risk management, along with urgent measures required by the countries to respond to COVID–19.

Bangladesh: Urban Primary Health Care Services Delivery Project
• The project started in 2012.
• ADB provided $50 million loan with $20 million cofinancing by the government of Sweden. (ADB approved additional financing of $110 million in 2018.)
• This is a unique public–private partnership model delivering primary healthcare services in partnership with NGOs.
Regional: Asia–Pacific Remote Broadband Internet Satellite Project

- ADB provided the Kacific Broadband Satellites International Limited with $50 million loan to provide affordable satellite-based, high-speed broadband internet connections to countries in Asia and the Pacific, especially in remote areas of small island nations in the Pacific and larger island nations like Indonesia and the Philippines.
- This is ADB’s first satellite financing.

ADB Ventures Investment to Cambodian manufacturer Otago

- ADB Ventures Investment: $100,000
- ADB Ventures supports Cambodian manufacturer Otago.
- Otago creates char-briquettes from clean, sustainable biomass such as coconut shells and other organic materials, a substitute for traditional charcoal, which is produced from trees from Cambodia’s vulnerable forests and contributes to respiratory issues when burned.
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Developing Asia’s subregions are diverging: East Asia will still grow in 2020, while other subregions contract to varying degrees.

GDP growth (%)

<table>
<thead>
<tr>
<th>Subregion</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>5.4</td>
<td>1.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Mongolia*</td>
<td>5.1</td>
<td>-2.6</td>
<td>5.1</td>
</tr>
<tr>
<td>People’s Rep. of China</td>
<td>6.1</td>
<td>2.1</td>
<td>7.7</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.3</td>
<td>-6.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Bangladesh*</td>
<td>8.2</td>
<td>5.2</td>
<td>6.8</td>
</tr>
<tr>
<td>India</td>
<td>4.2</td>
<td>-8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Maldives*</td>
<td>7.0</td>
<td>-20.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Pakistan*</td>
<td>1.9</td>
<td>-0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Central Asia</td>
<td>4.9</td>
<td>-2.1</td>
<td>3.8</td>
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<tr>
<td>Azerbaijan*</td>
<td>2.2</td>
<td>-4.3</td>
<td>1.2</td>
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<tr>
<td>Kazakhstan</td>
<td>4.5</td>
<td>-3.2</td>
<td>2.8</td>
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<tr>
<td>Developing Asia</td>
<td>5.1</td>
<td>-0.4</td>
<td>6.8</td>
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</tbody>
</table>

Note: * denotes forecasts from the ADO 2020 Update published in September. Data for Bangladesh, India, and Pakistan are on fiscal year basis, ended 30 June this year for Bangladesh and Pakistan; and ending 31 March next year for India. NIEs = newly industrialized economies of Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China.

- Economies that have contained COVID-19 (PRC, Viet Nam) will post positive growth
- Those grappling with outbreaks (IND, IDN, MYS, PHI) will contract
- Commodity exporters (KAZ, AZE, MON, PNG) hurt by weak demand/prices
- Tourism economies (THA, MLD, FIJ) hurt by travel collapse
- BGD and PAK fiscal year 2020 ran to end-June, so only last quarter was affected by COVID-19

How costly has COVID-19 been? Losses are calculated in 2020 and 2021, relative to a “no-COVID” scenario (these are not growth rates)

- **Global loss** is $4.8-$7.4 trillion (5.5%-8.7% of global GDP) in 2020, $3.1-$5.4 trillion (3.6%-6.3% of GDP) in 2021
- **Developing Asia loss** is $1.4-$2.2 trillion (6.0%-9.5% of regional GDP) in 2020, $0.84-$1.5 trillion (3.6%-6.3% of GDP) in 2021

COVID-19’s impact on developing Asian subregions (relative to a no-COVID baseline)

- Channels include domestic demand declines, tourism, and global spillovers
- Among the subregions, South Asia takes a big hit from domestic demand declines due to outbreaks, lockdowns
- Small tourism-dependent economies among hardest-hit

Note: Small tourism-dependent economies include Cook Islands, Fiji, Maldives, Palau, and Vanuatu.

*Source: The Impact of COVID-19 on Developing Asia: The Pandemic Extends into 2021. ADB Brief No. 159, 4 December 2020.*
Many economies moved from balanced budgets and low debt to sizeable deficits and higher debt.

Public debt and fiscal balance

DMC = developing member country, GDP = gross domestic product.
Notes: Projections are from Baseline Scenario. Comprises a panel of 40 ADB DMCs. Lower-income DMCs are shown with darker shaded dots and labels.
ADB’s RAPID COVID-19 RESPONSE

- ADB responded quickly: starting January 2020, and within 12 months all 41 developing member countries (DMCs) received support.
- Within a week of declaration of a global pandemic on 11 March 2020, ADB announced an initial $6.5 billion package to address the immediate DMC needs.
- On 13 April 2020, ADB launched a comprehensive support package of $20 billion.
- ADB responded through partnerships: close collaboration with IMF, World Bank Group, WHO, UNICEF, and other UN agencies; and the broader global community.

As of 31 December
ADB committed $16.1 billion and mobilized $10.8 billion cofinancing for COVID-19 lending and TA operations

- $10.2 billion worth CPROs to 26 DMCs
- $2.9 billion in other sovereign projects and programs
- $2.9 billion to private sector
- $190 million in technical assistance and quick disbursing (APDRF) grants

Key dates:
- 27 Jan: ADB’s first response
- 13 Apr: $20 billion revised response package announced with new policy for faster and focused response
- 18 Mar: $6.5 billion initial response package announced
- 23 Apr: ADB approved first COVID-19 Pandemic Response Options (CPRO) (Indonesia and the Philippines)
- 11 Mar: WHO declared COVID-19 a Global Pandemic
## ADB’s $20 billion COVID-19 Response Package

### Public sector $18.2 billion

- **$13 billion**: COVID-19 Pandemic Response Option (CPR0) – budget support, countercyclical funding
- **$170 million**: grants and technical assistance
- **$5 billion**: Reallocation of ongoing project loans, emergency assistance loans, etc.

### Private sector $1.8 billion

- **$800 million**: Trade Finance Program
- **$200 million**: Supply Chain Finance Program
- **$240 million**: Microfinance, etc.
- **$560 million**: others

### Short-term emergency needs

- Protective equipment
- Health supplies
- Testing
- Communication
- Entry screening

### Medium- to long-term needs

Help DMCs counter the socioeconomic impacts of The COVID-19 pandemic
### ADB’s COVID-19 RESPONSE

as of 31 December 2020, (Commitments* in $ million)

<table>
<thead>
<tr>
<th>Item</th>
<th>ADB</th>
<th>Cofinancing</th>
<th>Total</th>
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<tr>
<td><strong>Sovereign</strong></td>
<td>13,042.65</td>
<td>8,170.17</td>
<td>21,212.82</td>
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<td>CPRO</td>
<td>10,190.53</td>
<td>7,775.33</td>
<td>17,965.86</td>
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<td>Other projects</td>
<td>2,852.13</td>
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<td><strong>NSO</strong></td>
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<td>Projects</td>
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<td>Revolving programs</td>
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<td><strong>Grants</strong></td>
<td>190.39</td>
<td>17.74</td>
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<tr>
<td>Quick disbursing grants</td>
<td>55.47</td>
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<td>55.47</td>
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<tr>
<td>Technical assistance</td>
<td>134.92</td>
<td>17.74</td>
<td>152.65</td>
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<tr>
<td><strong>Total</strong></td>
<td>16,106.31</td>
<td>10,755.98</td>
<td>26,862.29</td>
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*Based on US dollar equivalent at time of signing.

### Committed CPROs*

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<th>DMC</th>
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<td>2 Philippines</td>
<td>1,504.79</td>
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<tr>
<td>3 India</td>
<td>1,500.00</td>
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<tr>
<td>4 Bhutan</td>
<td>20.00</td>
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<tr>
<td>5 Kyrgyz Republic</td>
<td>50.00</td>
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<td>6 Bangladesh</td>
<td>500.00</td>
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<tr>
<td>7 Mongolia</td>
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<td>9 Georgia</td>
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<td>26 Vanuatu</td>
<td>16.93</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>10,190.53</td>
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</table>
ADB’s Support for COVID-19 Vaccine

- ADB announced $9 billion Asia Pacific Vaccine Access Facility (APVAX) on 11 December 2020.
- The facility supports DMCs to access and distribute COVID-19 vaccines safely and swiftly.

Asia Pacific Vaccine Access Facility

- **Two Components:**
  (i) Rapid Response Component: Procuring COVID-19 vaccine
  (ii) Project Investment Component: Investing in system and capacity for distribution

- **Vaccine Eligibility Criteria:**
  (i) procured via COVAX; or
  (ii) vaccine manufacture is prequalified by WHO; or
  (iii) is authorized by a Stringent Regulatory Authority (SRA) for manufacture in an SRA country or the SRA has authorized its manufacture in a non-SRA country

- **Access Criteria:**
  (i) Needs assessment and national vaccine allocation plan acceptable to ADB
  (ii) An effective development partner coordination mechanism for collaboration across partners such as WHO, UNICEF, GAVI, COVAX, World Bank Group, and others

Private Sector Support and Technical Assistance

- In addition to APVAX, ADB will support vaccines through:
  (i) **Nonsovereign operations** for supply and trade financing; storage, logistics and distribution
  (ii) **Technical assistance** for needs assessments; capacity building, project design and implementation
Five Priorities to Achieve Inclusive, Resilient and Sustainable Growth

1. Deepening Regional Cooperation and Integration:
   - enhancing regional trade and investment, diversifying value chain and strengthening regional health security.

2. Investing in Human Capital and Social Protection:
   - addressing worsening inequality and opportunity gap and strengthening health system.

3. Promoting Green Infrastructure:
   - boosting economic activity, generating jobs, while strengthening resilience and mitigating the impact of climate change.

4. Harnessing Digitalization:
   - accelerating the transition to the digital economy, while closing the digital divide and ensuring cyber security.

5. Strengthening Domestic Resource Mobilization (DRM):
   - ensuring stable and sustainable financial resources to achieving the SDGs, while closing tax loophole.

ADB’s new Regional Hub for DRM and International Tax Corporation will support this agenda.
Question

“Despite the setback by the COVID-19, Asia and the Pacific region is expected to continue to grow beyond the pandemic with more countries becoming Upper Middle Income Countries and High Income Countries in the long run. Given this long-term outlook, how do you think the role of MDB in the region will evolve? “
References

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Thank you.

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