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

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Outline

1. MDBs and Their Roles in Development
3. COVID-19 and ADB’s Response
4. Discussion
MDBs and Their Roles in Development
Multilateral Development Banks (MDBs)

- **The World Bank** (1944)
- **Inter-American Development Bank** (IDB) (1959)
- **African Development Bank Group** (1964)
- **Asian Development Bank** (1966)
- **Islamic Development Bank** (1974)
- **Asian Infrastructure Investment Bank** (AIIB) (2015)
- **New Development Bank** (2014)

**European Bank for Reconstruction and Development** (1991)
What MDBs Offer

MDBs vs. Commercial banks
- Loans and grants mainly to 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
- Larger projects

MDBs vs. Bilateral aid agencies
- Impartiality, role of an honest broker
- Promotion of global public goods
- Promoting regional cooperation
Evolving Role of MDBs and 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.
- Recognize the continuing crisis on developing countries.

- 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.
- 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).
Asian Development Bank: Overview, Strategy and Operations
Overview: Asian Development Bank (ADB)

- Founded in 1966
  - 31 founding members: 19 regional members, 12 non-regional members
  - 68 current members: 49 regional members, 19 non-regional members
- Headquartered in Manila, Philippines
- Bonds issued first in Germany (1969), followed by in Austria (1970), Japan (1970), and the U.S. (1971)
- Main Roles: Help developing members in Asia and the Pacific through:
  - combining finance and knowledge;
  - promoting good policies; and
  - catalyzing regional cooperation and friendship.
- 3,675 Staff (including international staff 1,336)
ADB Regional Members (49 economies)

Nonregional Members (19 countries)

Austria, Belgium, Canada, Denmark, Finland, France, Germany*, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States*

- Advanced economies and/or graduated developing members.
- Field Office

As of January 2023

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Strategy 2030’s Response to the Region’s 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 innovating technology
• Delivering integrated solutions
Strategy 2030 Priorities

7 Operational Priorities

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

Key Approaches

- Expanding private sector operations
- Catalyzing and mobilizing financial resources for development
- Strengthening knowledge services
Operational Priorities Mapped to SDGs
Differentiated Approaches for Diverse DMCs

- Fragile and conflict-affected situations
- Small island developing states
- Low-income and lower middle-income countries
- Upper middle-income countries

Targeted approaches to pockets of poverty and fragility at subnational level
Products and Services

ADB supports its developing member countries (DMCs) through:

**Loans, Guarantees, Equity Investments, Grants, Advisory Services**

- Sovereign Financing
- Nonsovereign Financing
- Transaction Advisory Services (TAS)
- Technical Assistance (TA)

**Funding Sources**

- Regular ordinary capital resources (OCR)
- Concessional OCR
- Asian Development Fund (ADF)
- TA Funds, Special Funds and other Trust Funds
- Cofinancing
Project Identification Process (Sovereign Projects)

Developing member countries

- National development plan
- Sector or regional development plan
- Investment projects

ADB

- Country partnership strategy
- Indicative country pipeline and monitoring report
- Investment projects

Strategy 2030

Operational plans
Typical Project Cycle

- Preparation
- Programming
- Approval
- Implementation and Monitoring
- Evaluation
Examples of ADB Projects

Sovereign

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.

Nonsovereign

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.
Examples of ADB Projects

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.
Examples of ADB Projects

Innovative project

Regional: Asia-Pacific Remote Broadband Internet Satellite Project
- ADB provided the Pacific 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 Otao
- ADB Ventures Investment : $100,000
- ADB Ventures supports Cambodian manufacturer Otao.
- Otao 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.

It's a 17-year fund life and we can provide follow-on investment up to 10 years.
COVID-19 and ADB’s Response
Impact of COVID-19

After 5.0% real GDP growth in 2019, developing Asia is estimated to have contracted by 0.1% in 2020—the region’s first contraction in 6 decades.

Growth will rebound to 7.0% in 2021 and 5.3% in 2022, but GDP levels will remain below pre-COVID trends.

The main risks still come from COVID-19, including renewed outbreaks, waning vaccine effectiveness, and delayed vaccine rollouts.

Source: Asian Development Outlook database.
Impact of COVID-19 by region

Regional output will remain below its pre-pandemic trend by 2022, with gaps varying due to divergence in forecasts.

- Developing Asia’s 2022 GDP will be 2.6% below the pre-COVID-19 trend. But the gap varies across subregions.
- Recovery in exports, COVID-19 containment and vaccination coverage are shaping the outlook.
- Strong performance by the PRC and the NIEs will bring back GDP in East Asia close to its pre-COVID-19 trend in 2022.
- Gaps are wider elsewhere in the region. Southeast Asia has the largest gap, at 8.6%, as the recovery was held back by renewed outbreaks and slower vaccination progress.

Note: The 2022 pre-pandemic GDP level is measured based on its trend in the 5 years before the pandemic begins. Source: Asian Development Outlook database.
ADB’s Response to COVID-19

ADB’s $20 billion COVID-19 Response Package

Public sector
$18.2 billion

- $13 billion: COVID-19 Pandemic Response Option (CPO) – 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 Response to COVID-19

As of 31 December 2021, ADB committed $25.8 billion for DMCs and the private sector.
ADB mobilized $18.2 billion through cofinancing from development partners and commercial cofinancing.

Quick-Disbursing Budget Support: COVID-19 Pandemic Response Option (CPROs)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (in million)</th>
<th>Country</th>
<th>Amount (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>1,508</td>
<td>Tajikistan</td>
<td>50</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,505</td>
<td>Solomon Islands</td>
<td>20</td>
</tr>
<tr>
<td>India</td>
<td>1,500</td>
<td>Uzbekistan</td>
<td>500</td>
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<tr>
<td>Bhutan</td>
<td>20</td>
<td>Kazakhstan</td>
<td>1,078</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>50</td>
<td>Maldives</td>
<td>50</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>500</td>
<td>Thailand</td>
<td>1,500</td>
</tr>
<tr>
<td>Mongolia</td>
<td>100</td>
<td>Cambodia</td>
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<td>Palau</td>
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<td>Georgia</td>
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<td>Cook Islands</td>
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<td>Afghanistan</td>
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<td>Papua New Guinea</td>
<td>24</td>
<td>Marshall Islands</td>
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<tr>
<td>Vanuatu</td>
<td>26</td>
<td>Azerbaijan</td>
<td>250</td>
</tr>
</tbody>
</table>

TOTAL ($ million) 10,441*

*Based on US dollar equivalent at time of signing.

Other COVID-19 Response Projects
- $8.9 billion in other COVID-19 response projects (mostly in health and social protection)

Private Sector Support
- $724 million in direct private sector lending (e.g. to a medical equipment logistics firm in Wuhan, PRC)
- $5.5 billion through short-term financing program (trade and supply chain finance, and microfinance)

Technical Assistance and Grants
- $226 million in technical assistance and quick-disbursing grants to 41 DMCs for urgent needs (PPE purchase, health systems, food distribution, vaccine strategy), coordinated closely with the World Bank and UN agencies, such as WHO and UNICEF.
ADB’s Support for COVID-19 Vaccine

• ADB announced $9 billion Asia Pacific Vaccine Access Facility (APVAX) on 11 December 2020.
• The facility will support DMCs to access and distribute COVID-19 vaccines safely and swiftly.
• As of 31 December 2021, ADB committed $4.1 billion and mobilized $1.1 billion cofinancing, for Afghanistan, Bangladesh, Georgia, India, Kyrgyz, Mongolia, Nepal, Pakistan, Philippines, Samoa, Sri Lanka, Tajikistan, Tonga, Tuvalu, and Vanuatu.

Asia Pacific Vaccine Access Facility

• Components:
  • Rapid Response: Procuring COVID-19 vaccine
  • Project Investment: Investing in system and capacity for distribution
• Vaccine Eligibility Criteria:
  • the vaccine has been selected for procurement through COVAX on behalf of its participating countries, or
  • the vaccine has received WHO prequalification or WHO emergency use listing (EUL), or
  • the vaccine has received regular or emergency licensure or authorization by a stringent regulatory authority (SRA).
• Access Criteria:
  • Needs assessment and national vaccine allocation plan acceptable to ADB
  • Effective partner coordination with WHO, UNICEF, GAVI, COVAX, World Bank Group, and others

Private Sector Support and Technical Assistance

In addition to APVAX, ADB will support vaccines through:
• Nonsovereign operations for supply and trade financing; storage, logistics and distribution
• Technical assistance for needs assessments; capacity building, design and implementation
Focus of ADB’s Future COVID-19 Support

Responding to the needs of developing members, and learning from experience to date, ADB’s future support will be organized around 5 Pillars.

<table>
<thead>
<tr>
<th>Pillar 1</th>
<th>Pillar 2</th>
<th>Pillar 3</th>
<th>Pillar 4</th>
<th>Pillar 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding safe and equitable access to COVID-19 vaccines</td>
<td>Providing development financing and ensuring debt sustainability</td>
<td>Supporting the private sector to create jobs and rebuild incomes</td>
<td>Investing in health, social protection and education to enhance resilience to future pandemics</td>
<td>Providing targeted COVID-19 knowledge solutions</td>
</tr>
</tbody>
</table>
Five Priorities to Achieve Inclusive, Resilient and Sustainable Growth

- Deepening regional cooperation and integration
- Investing in human capital and social protection
- Promoting green infrastructure
- Harnessing digitalization
- Strengthening domestic resource mobilization

- enhancing regional trade and investment, diversifying value chain and strengthening regional health security.
- addressing worsening inequality and opportunity gap and strengthening health system.
- boosting economic activity, generating jobs, while strengthening resilience and mitigating the impact of climate change.
- accelerating the transition to the digital economy, while closing the digital divide and ensuring cyber security.
- 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.
Discussion
Discussion

Despite the setbacks caused by the COVID-19 pandemic, Asia and the Pacific region is expected to continue to grow—with more countries achieving middle to high-income status in the long run.

Given this long-term outlook, how do you think the role of MDBs in the region will evolve?
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Thank you!

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