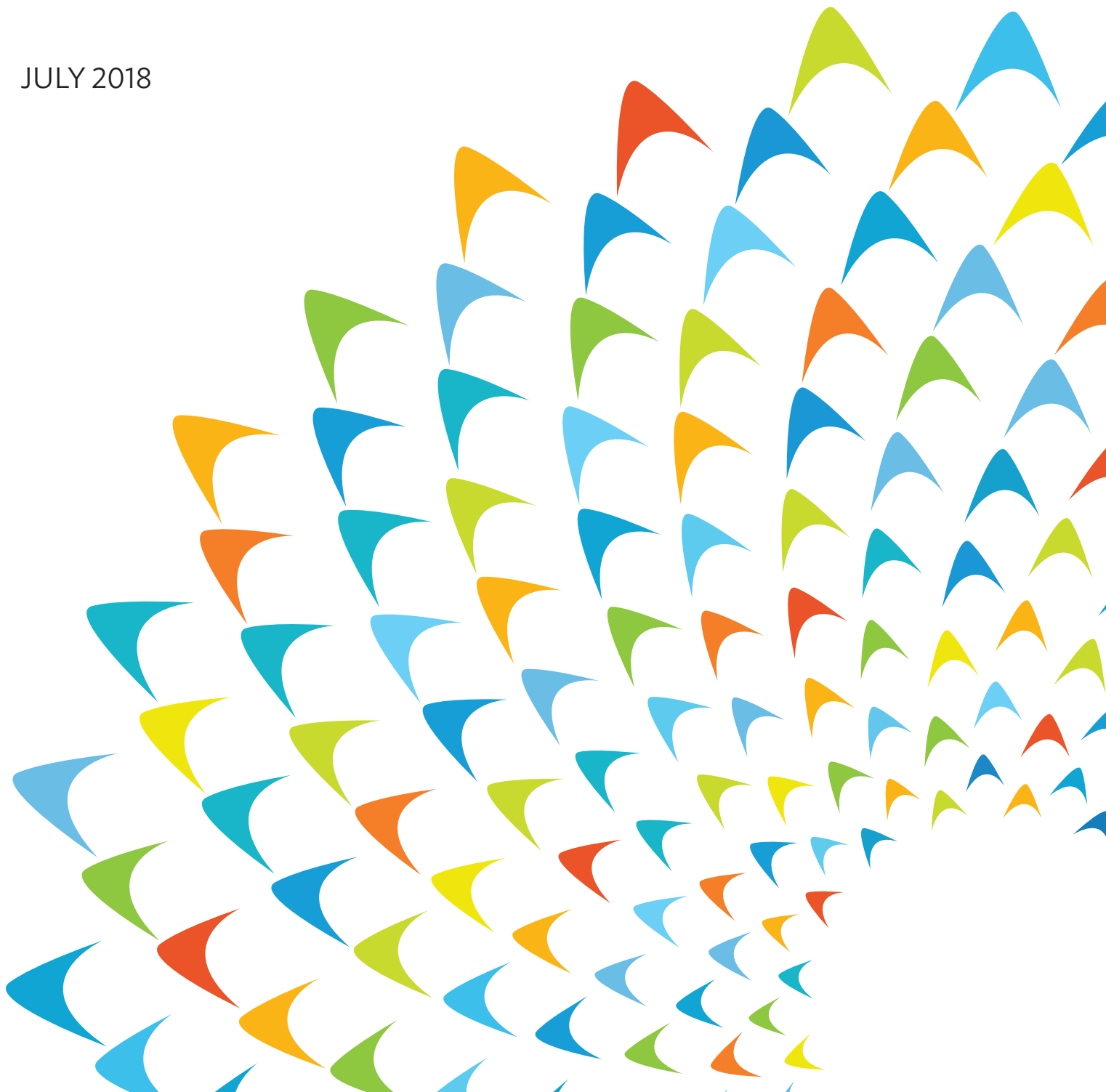


ADB

STRATEGY 2030

Achieving a Prosperous, Inclusive, Resilient, and Sustainable
Asia and the Pacific

JULY 2018



STRATEGY 2030 VISION

PROSPEROUS

INCLUSIVE

RESILIENT

SUSTAINABLE

ASIA AND THE PACIFIC



STRATEGY 2030

Achieving a Prosperous, Inclusive, Resilient, and Sustainable
Asia and the Pacific

JULY 2018

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About the Cover: Fibonacci Sequence

Fibonacci was a medieval mathematician who introduced a sequence of numbers in which each number is the sum of the two previous numbers: 0, 1, 1, 2, 3, 5, 8, 13, and so on. This number sequence manifests itself in nature, such as in the arrangement of leaves around a stem.

The Strategy 2030 design concept is based on the Fibonacci sequence. It represents the thoughtful and dynamic new direction that Strategy 2030 sets for ADB.

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ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund
ASEAN	Association of Southeast Asian Nations
CPS	country partnership strategy
CSO	civil society organization
DEfR	development effectiveness review
DMC	developing member country
FAO	Food and Agriculture Organization of the United Nations
FCAS	fragile and conflict-affected situations
GHG	greenhouse gas
ICT	information and communication technology
IED	Independent Evaluation Department
Lao PDR	Lao People's Democratic Republic
OCR	ordinary capital resources
PBL	policy-based lending
PPP	public-private partnership
PRC	People's Republic of China
RCI	regional cooperation and integration
SDG	Sustainable Development Goal
SIDS	small island developing states
SMEs	small and medium-sized enterprises
SOE	state-owned enterprise
TA	technical assistance
UMIC	upper middle-income country
UNICEF	United Nations Children's Fund
WFP	World Food Programme
WHO	World Health Organization

EXECUTIVE SUMMARY



ASIA AND THE PACIFIC has made great strides in poverty reduction and economic growth in the last 50 years. However, there are unfinished development agendas. Issues such as poverty and vulnerability, rising inequality, climate change, growing environmental pressures, and large infrastructure deficits remain to be addressed. Emerging trends, such as technological advancements, urbanization, and changing demographics, present opportunities and challenges.

Given the size of Asia and the Pacific, achieving major global commitments—such as the Sustainable Development Goals, the related Financing for Development agenda, the Paris Agreement on climate change, and the Sendai Framework for Disaster Risk Reduction—will depend critically on the success of the region.

Strategy 2030 sets the course for the Asian Development Bank (ADB) to respond effectively to the region's changing needs. Under Strategy 2030, ADB will sustain its efforts to eradicate extreme poverty and expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. ADB's aspirations are aligned with major global commitments.

ADB will play an important role in supporting the global agenda of infrastructure development as a source of global growth. Infrastructure will remain a key priority to promote social and economic development. ADB will promote quality infrastructure investments that are green, sustainable, resilient, and inclusive. At the same time, it will expand interventions in social sectors, such as education, health, and social protection. ADB will also seek to integrate its expertise across sectors and themes to address more complex development challenges.

As a trusted development partner, ADB will add value to its developing member countries (DMCs) by combining finance, knowledge, and partnerships. ADB will continue to be a reliable financier and catalyzer of finance. As a knowledge provider, it will focus

on practical value that fits local conditions, identify lessons, and replicate good practices across the region and beyond. As a convener of partnerships, ADB will promote dialogue and collaboration among diverse partners and stakeholders and seek to maximize the impact of the international financial institutions system as a whole. ADB will also increase its function as a project developer.

The ambitious global development agenda must be tailored to specific local circumstances. ADB will strengthen its country-focused approach using the country partnership strategy as the main platform to define customized support, promote the use of innovative technologies, and deliver integrated solutions by combining expertise across a range of sectors and themes and through a mix of public and private sector operations. ADB will be selective at the country level—building on its comparative advantage, specific country demands, and the potential for value addition within ADB's capacity and resource envelope.

Given the significant diversity across countries, ADB will apply differentiated approaches to various groups of countries. It will prioritize support for the poorest and most vulnerable countries in the region, including fragile and conflict-affected situations and small island developing states. ADB will tailor its business processes and strengthen its human resources and field presence in these countries. It will provide predictable and substantial long-term financing to support low-income and lower middle-income countries. ADB's support in upper middle-income countries will be selective, focusing on areas where it can add the most value. Across these country groups, ADB will prioritize support for lagging areas and pockets of poverty and fragility.

ADB will continue to apply its current graduation policy, while also reviewing the effectiveness of the policy. Graduation from regular ADB assistance will involve close consultation with the country, including an analysis and assessment of the key elements of

the graduation policy. As part of its differentiated approaches, ADB will conduct detailed analyses and discuss with various stakeholders the possibility of diversifying the financing terms of its products and instruments. ADB will direct its concessional finance to support its poorest and most vulnerable members and will consider additional support for countries graduating from concessional assistance.

ADB support (including public and private sector operations, advisory services, and knowledge) will focus on the following key operational priorities.

- i. **Addressing remaining poverty and reducing inequalities.** ADB will increase the emphasis on human development and social inclusion to address the non-income dimensions of poverty. It will help facilitate quality job creation, including by small and medium-sized enterprises and inclusive businesses. ADB will support DMCs to improve education and training outcomes, achieve better health for all, and strengthen social protection systems and service delivery for those in need.
- ii. **Accelerating progress in gender equality.** ADB will support targeted operations to empower women and girls, gender mainstreaming that directly narrows gender gaps, and operations with some gender elements that incorporate a few gender equality actions in the design and implementation of ADB projects and programs. At least 75% of the number of ADB's committed operations (on a 3-year rolling average, including sovereign and nonsovereign operations) will promote gender equality by 2030.
- iii. **Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability.** ADB will scale up support in these areas. ADB will ensure that 75% of the number of its committed operations (on a 3-year rolling average, including sovereign and nonsovereign operations) will be supporting climate change mitigation and adaptation by 2030. Climate finance from ADB's own resources will reach \$80 billion cumulatively from 2019 to 2030.
- iv. **Making cities more livable.** ADB will provide integrated solutions to help build livable cities that are green, competitive, resilient, and inclusive. It will pursue crosscutting projects to promote urban health, urban mobility, gender equality, and environmental sustainability. ADB will help cities explore new and expand existing sources of funding, enhance inclusive and participatory urban planning, and integrate climate resilience and disaster risk management considerations into urban planning processes.
- v. **Promoting rural development and food security.** ADB will support efforts to improve market connectivity and agricultural value chain linkages. It will help DMCs increase agricultural productivity and food security by boosting farm and nonfarm incomes, promoting the adoption of advanced technologies and climate-smart agricultural practices, and supporting the improvement of natural resource management standards. It will also help DMCs enhance food safety.
- vi. **Strengthening governance and institutional capacity.** ADB will support public management reforms to help DMCs improve governance and create an enabling environment for sustainable growth. It will help countries build resilience and respond to economic shocks, strengthen service delivery, and improve capacity and standards. ADB will uphold environmental and social safeguards, adhere to fiduciary standards, and implement anticorruption measures in all its projects and programs.
- vii. **Fostering regional cooperation and integration.** ADB will enhance connectivity in the region and the competitiveness of DMCs. It will increase support for regional public goods and collective actions to mitigate cross-border risks such as climate change, pollution, energy and water security, and communicable and infectious diseases. ADB will also enhance financial sector cooperation and strengthen subregional initiatives, including through facilitating knowledge sharing and collaboration, and working with emerging initiatives.

ADB will expand its private sector operations, to reach one-third of its total operations in number by 2024. ADB will pursue development impact as the key objective of its private sector operations. It will also ensure profitability and commercial sustainability. ADB will expand and diversify its private sector operations in new and frontier markets, such as fragile and conflict-affected situations and small island developing states. ADB will use private equity funds to extend its reach and scale up support for public-private partnerships. It will also increase the number of its private sector staff in the field.

ADB will catalyze and mobilize financial resources for development. ADB will strengthen collaboration with multilateral, bilateral, and private sector partners. It will seek finance from commercial and concessional sources. ADB will target a substantial increase in long-term cofinancing by 2030, with every \$1 in financing for its private sector operations matched by \$2.50 of long-term cofinancing. To catalyze investments, it will use public-private partnerships, improve the business environment in DMCs, and enhance DMCs' domestic resource mobilization.

ADB will strengthen its role as a knowledge provider. ADB will work closely with DMCs to identify their needs and produce the most relevant knowledge products and services. It will incentivize staff to integrate the best available knowledge with financing and institutional capacity building throughout the operational cycle. ADB will proactively engage in research, provide high-quality policy advice to DMCs, strengthen DMCs' institutional capacity in addressing development issues

and delivering projects, and expand its knowledge partnerships. It will also promote knowledge generation and sharing across the organization and the region.

ADB will continue to strive to be stronger, better, and faster. It will ensure a robust resource base to support its future operations. ADB will strengthen its human resources and deepen its country presence, through stronger resident missions. It will improve its products and instruments. ADB will pursue dramatic modernization of its business processes (including timely and value-for-money procurement and greater use of country systems) and accelerate its digital transformation. It will strengthen collaboration with civil society organizations in designing, implementing, and monitoring projects.

To operationalize the strategy, ADB will develop operational plans for the seven priority areas to articulate the strategic focus, specific areas of engagement, approaches, and broad skills requirements. Country partnership strategies will further refine priorities at the country level. The work program and budget framework process will be strengthened and used to align the annual work plan and resourcing with operational priorities. A new corporate results framework will be developed and updated to monitor and measure implementation progress. ADB will continue to report annually on institutional performance using the results framework.

ADB will institute a "One ADB" approach, bringing together knowledge and expertise across the organization to effectively implement Strategy 2030.

I. INTRODUCTION



1. Asia and the Pacific has made great strides in poverty reduction and economic growth in the past 50 years.¹ It aspires to make even greater leaps going forward. The Asian Development Bank (ADB) has been a key partner in the significant transformation of the region and is committed to continue serving the region in the next phase of its development.

2. The new long-term corporate strategy to 2030—Strategy 2030—sets the course for ADB’s efforts to respond effectively to the region’s changing needs. It builds on various assessments of ADB performance, including the Midterm Review of Strategy 2020, development effectiveness reviews (DEfRs), and studies by the Independent Evaluation Department (IED).

3. **Midterm Review of Strategy 2020.** The midterm review in 2014 derived lessons from the implementation of Strategy 2020 and proposed a 10-point program to sharpen and rebalance ADB’s future strategic directions and strengthen its responsiveness.² The program aimed to strengthen efforts in poverty reduction, inclusive economic growth, environment and climate change, regional cooperation and integration (RCI), infrastructure development, middle-income countries, private sector development and operations, and knowledge solutions. It also covered actions to increase ADB’s capacity, efficiency, and effectiveness in areas such as financial resources and partnerships, business

processes, staff skills, incentives, and institutional arrangements.

4. **Assessments of ADB’s performance.** Findings from the DEfRs, which take stock of ADB’s performance against its corporate results framework every year, and IED evaluations reinforced the midterm review findings. They showed that ADB aligned its operations well with Strategy 2020 priorities and generated positive results in areas such as infrastructure, climate change, and gender. However, the findings also indicated that ADB should rebalance its portfolio slightly and increase its focus on social sectors to strengthen its support for poverty reduction and inclusive economic growth. Greater emphasis on private sector operations to respond to growing regional needs, including for mobilizing more resources, was also suggested. IED called for ADB to pursue better quality of growth (instead of its magnitude) through three mutually reinforcing agendas of social and geographical inclusion, environmental sustainability, and RCI. IED also proposed that ADB should integrate its expertise across sectors and themes to address more complex development challenges under Strategy 2030.

5. **Feedback from stakeholder consultations.** Strategy 2030 reflects feedback from a wide range of stakeholders, including policy makers in developing and developed countries, academics, and civil society

The new long-term corporate strategy to 2030—Strategy 2030—sets the course for ADB’s efforts to respond effectively to the region’s changing needs.

¹ “Asia and the Pacific” refers to the 48 economies of Asia and the Pacific that are members of the Asian Development Bank (ADB). These economies have been broadly grouped into developing member economies and developed member economies. The term “developed member economies” refers to Australia, Japan, and New Zealand. The remaining 45 developing member economies are collectively referred to as “developing Asia.”

² ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

Strategy 2030 reflects feedback from a wide range of stakeholders, including policy makers in developing and developed countries, academics, and civil society organizations, as well as ADB Board members and staff.

organizations (CSOs), as well as ADB Board members and staff. Four roundtable discussions with prominent development thinkers were held in London, Manila, Tokyo, and Washington, DC, in addition to country consultations across the region. Stakeholders stressed that ADB continues to have an important role to play in Asia and the Pacific even though most of its developing member countries (DMCs) have reached middle-income status. Many DMCs continue to face challenges caused by entrenched poverty and vulner-

ability, global economic uncertainty, inequality, climate change and environmental degradation, urbanization, and aging. ADB should build on its strengths in infrastructure financing and RCI; strengthen its capacity in social sectors; and expand private sector operations, including public–private partnerships (PPPs), to help DMCs address these challenges. Further, ADB should strengthen its knowledge services, facilitate greater knowledge sharing across countries, and improve business process efficiency.³

³ The findings of these assessments and a summary of stakeholder consultations are in the appendix.

II. CHANGING LANDSCAPE AND CHALLENGES



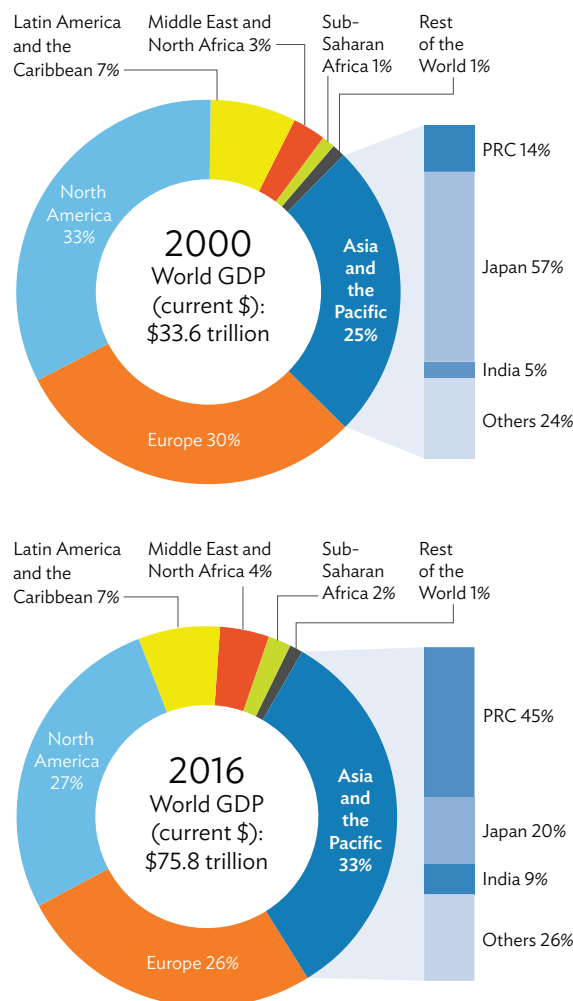
6. Shift of economic center of gravity to Asia and the Pacific.

As the fastest-growing region in recent decades, Asia and the Pacific's share of global gross domestic product increased from 25% in 2000 to 33% in 2016 (Figure 1). The region is expected to account for more than half of global production by 2050.⁴ The People's Republic of China (PRC) and India are now among the world's largest economies. The countries comprising the Association of Southeast Asian Nations (ASEAN),⁵ with a collective population of close to 640 million, have become important market-oriented emerging economies. Robust growth has resulted in a dramatic reduction in income poverty and improvements in standards of living. Extreme poverty, as measured by the \$1.90/day threshold at 2011 purchasing power parity, significantly declined in developing Asia from 53% in 1990 to about 9% of the total population in 2013.⁶ While these positive trends are expected to continue, poverty remains. The region also faces a dynamic and increasingly complex development landscape caused by global events and emerging regional challenges.

7. Remaining poverty and vulnerability.

Reducing poverty in Asia and the Pacific, even in countries with relatively high per capita income, remains an unfinished agenda. Despite major progress, the region was home to 326 million people living in extreme poverty (or below the \$1.90/day poverty line) in 2013 (Figure 2). An additional 915 million people lived above \$1.90/day but below \$3.20/day. These people are constantly at

Figure 1: Asia and the Pacific's Increasing Share of Global Gross Domestic Product, 2000 and 2016



ADB = Asian Development Bank, GDP = gross domestic product, PRC = People's Republic of China.

Notes: Asia and the Pacific includes developing and developed member economies of ADB, except for the Cook Islands and Taipei, China, where data are not available. Dollar figures for GDP are converted from domestic currencies using single-year official exchange rates.

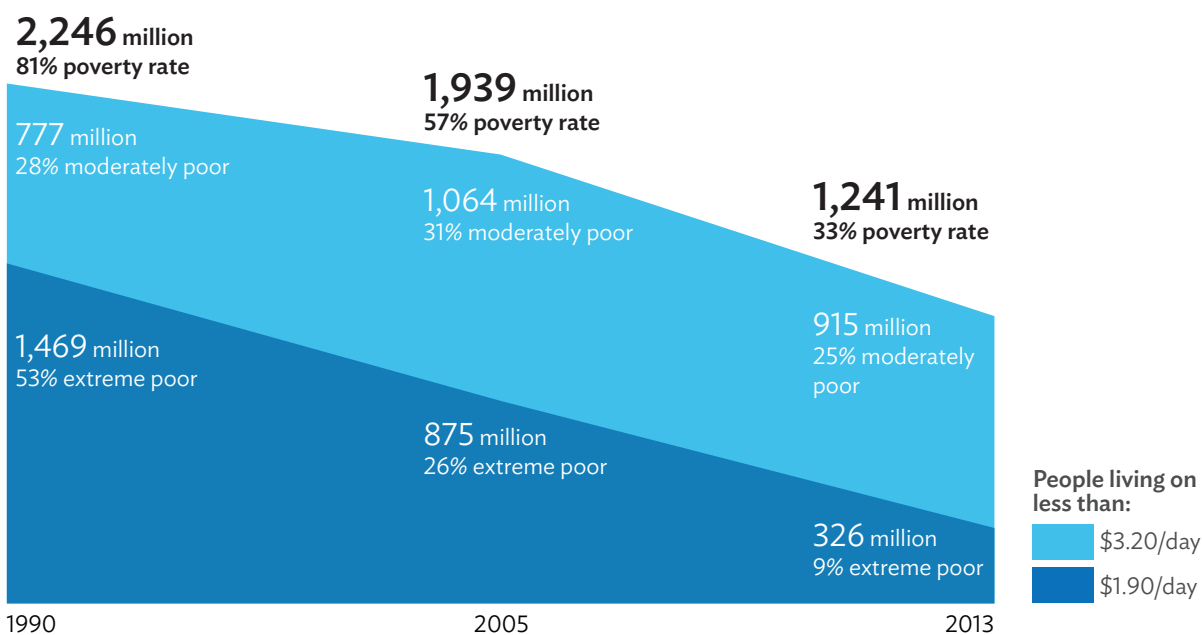
Source: World Bank. World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (accessed 5 March 2018).

⁴ ADB. 2011. *Asia 2050: Realizing the Asian Century*. Singapore.

⁵ The 10 ASEAN member states are Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

⁶ World Bank. PovcalNet. <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed 11 October 2017). The regional poverty estimate for developing Asia is computed for 34 DMCs where data are available: Armenia, Azerbaijan, Bangladesh, Bhutan, the Federated States of Micronesia, Fiji, Georgia, India, Indonesia, Kazakhstan, Kiribati, the Kyrgyz Republic, the Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, the Philippines, the PRC, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Tonga, Turkmenistan, Tuvalu, Uzbekistan, Vanuatu, and Viet Nam.

Figure 2: Poverty and Vulnerability in ADB's Developing Member Countries



ADB = Asian Development Bank.

Notes: The latest reference year for poverty estimates is 2013. Poverty lines are expressed in 2011 purchasing power parity. Some figures may not add up due to rounding.

Source: World Bank. PovcalNet. <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed 11 October 2017).

risk of being pushed back into extreme poverty during economic downturns and other external shocks. The number of food-insecure people remains significant: 64% of the undernourished people in the world (almost 520 million people) lived in Asia in 2016.⁷

8. Rising inequality. Income inequality has risen in several countries, and social disparities remain. Close to 80% of the region's population lived in countries with widening inequality (as measured by Gini coefficients)

between the 1990s and 2000s.⁸ Poverty incidence remains higher in rural than urban areas, and significant disparities exist in school participation and learning achievement and in access to electricity, water sources, and sanitation.⁹ Systemic gender gaps in productivity, wages, and income poverty persist, particularly in households headed by women. Growing inequality could undermine social cohesion, endanger social and political stability, and hamper the region's economic prospects.

⁷ Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development, United Nations Children's Fund (UNICEF), World Food Programme (WFP), and World Health Organization (WHO). 2017. *The State of Food Security and Nutrition in the World 2017: Building Resilience for Peace and Food Security*. Rome: FAO. Undernourishment is defined as the condition in which an individual's habitual food consumption is insufficient to provide the amount of dietary energy required to maintain a normal, active, and healthy life. The estimate for Asia is based on FAO's country classifications.

⁸ World Bank. World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (accessed 15 February 2018). Of the 22 countries with comparable data, 8 countries (India, Indonesia, the Lao PDR, Mongolia, the PRC, Sri Lanka, Tajikistan, and Viet Nam)—accounting for about 79% of developing Asia's population in 2015—experienced rising Gini coefficients between the 1990s and the 2000s.

⁹ ADB. 2017. *Key Indicators for Asia and the Pacific 2017*. Manila. Of the 19 economies with urban-rural disaggregation of poverty data (based on available national household income and expenditures surveys, 2010-2016), the proportion of the population living below the national poverty line is consistently higher in rural areas than in urban areas.

9. **Technological advancements.** Advances in diverse fields—including mobile and digital technologies, robotics, artificial intelligence, the internet of things, and 3-D printing—will dramatically change how goods and services are produced, distributed, delivered, and consumed. These technologies can usher in new industries and improve people’s lives. They can lead to improvements in the design and management of infrastructure, health care, education, financial inclusion, government accountability, and civil society participation, among others. However, there are concerns about the breadth and depth of technology’s impact on society, including the possibility of labor displacement (Box). To prepare for possible adverse impacts, governments must adapt their education, training, and social protection systems.

10. **Climate change and disaster risk.** Climate change and disasters threaten the long-term sustainability of development in the region. Over recent decades, Asia and the Pacific has experienced a significant increase in the number, intensity, and impact of extreme weather events such as tropical cyclones, floods, droughts, and heat waves. Geophysical hazards, including earthquakes and tsunamis, have also caused significant loss of lives

and economic damage. Of the 10 countries worldwide with the highest estimated disaster risk, seven are ADB DMCs.¹⁰ The Pacific region is particularly vulnerable, as the projected rise in sea levels threatens the long-term viability of many of its islands.¹¹

11. **Growing environmental pressures.** Key environmental issues facing the region include air pollution, water pollution and stress, marine litter at sea and along shorelines and coastal areas, inadequate waste management, deforestation, land degradation, and biodiversity loss. Growing environmental pressures pose challenges to sustainability and exacerbate existing vulnerabilities of the poor, who depend disproportionately on ecosystem services for their livelihoods and food security. The region also faces water scarcity because of changes in the climate as well as the growing demand for water from rapid population and economic growth. Understanding the water–food–energy security nexus is critical. About 70% of the water resources in Asia are used for growing food, and water is used in the production of energy. Resource conservation and saving through the use of new technologies and public policies is also crucial.

ASIA AND TECHNOLOGICAL DEVELOPMENT

Technological developments are opening vast opportunities for people to connect, trade, and access services that are currently not available. New technologies have broadened the platform for education (through online courses and virtual classrooms) and health care (such as telemedicine). Digital marketplaces and online services create new trading mechanisms for small and medium-sized enterprises, while technologies such as blockchain could revolutionize payments and logistics and contribute to financial inclusion. Recent technological advances have made renewables more competitive than fossil fuel-derived energy, and localized renewable energy mini-grids have expanded access to electricity. Modern communications can now reach remote areas at relatively low cost.

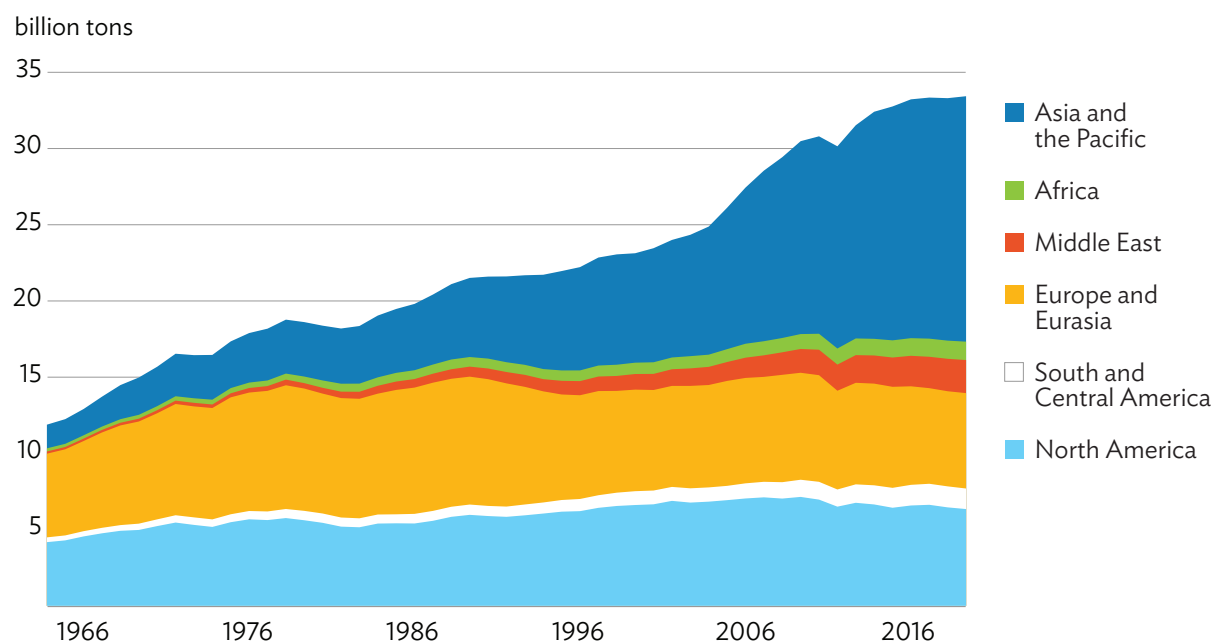
Technological change drives economic growth and improves standards of living. However, there are also concerns that many jobs are at risk because of the growing sophistication in robotics and artificial intelligence. While new technologies will lead to the creation of new jobs, including in new industries, these jobs may require skills that many workers do not yet possess, contributing to the possibility of unemployment and/or low wage growth for less-skilled workers. The challenge for the region is to capitalize on the opportunities technology brings, while preparing for and mitigating the risks.

Source: Asian Development Bank. 2018. *Asian Development Outlook 2018*. Manila.

¹⁰ These are Bangladesh, Cambodia, the Philippines, Solomon Islands, Timor-Leste, Tonga, and Vanuatu. L. Kirch et al. 2017. *WorldRiskReport: Analysis and Prospects 2017*. Berlin: Bündnis Entwicklung Hilft.

¹¹ ADB. 2013. *The Economics of Climate Change in the Pacific*. Manila.

Figure 3: Carbon Dioxide Emissions by Region



Note: Refers to carbon emissions from the consumption of oil, gas, and coal for combustion-related activities.

Source: BP. *BP Statistical Review of World Energy 2017*. London.

12. Ambitious development goals. The Sustainable Development Goals (SDGs), the Paris Agreement on climate change, the Sendai Framework for Disaster Risk Reduction, and the Addis Ababa Action Agenda (with its focus on using billions to mobilize trillions) are shaping the international development agenda. The SDGs call on all countries to accelerate efforts to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.¹² The Paris Agreement sets

out a plan to keep global warming below 2 degrees Celsius.¹³ Given the size of the region's population, meeting key SDGs on poverty, hunger, and lack of access to social services will depend critically on Asia and the Pacific's success.¹⁴ The region also has an opportunity to shape global efforts to reduce greenhouse gas (GHG) emissions, as it is the fastest-growing source of GHG emissions, accounting for 48% of global carbon dioxide emissions in the energy sector in 2016 (Figure 3).¹⁵

¹² United Nations. Sustainable Development Goals. <http://www.un.org/sustainabledevelopment/sustainable-development-goals>.

¹³ Adopted during the United Nations Climate Change Conference 21st Session of the Conference of the Parties (COP21) in Paris, France, in December 2015.

¹⁴ World Bank. PovcalNet. <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed 11 October 2017); Economic and Social Commission for Asia and the Pacific, United Nations Environment Programme, et al. 2016. *Transformations for Sustainable Development: Promoting Environmental Sustainability in Asia and the Pacific*. <http://www.unescap.org/sites/default/files/Full%20report.pdf>; and FAO, International Fund for Agricultural Development, UNICEF, WFP, and WHO. 2017. *The State of Food Security and Nutrition in the World 2017: Building Resilience for Peace and Food Security*. Rome: FAO. Based on the latest estimates, Asia and the Pacific is home to 43% of the developing world's extreme poor (using \$1.90/day at 2011 purchasing power parity; developing world refers to all low- and middle-income countries in the PovcalNet database using the World Bank country classification), 64% of the world's undernourished people, 35% of the global population without access to electricity, 42% of the global population without access to improved water, and 63% of the global population without access to basic sanitation.

¹⁵ BP Plc. *BP Statistical Review of World Energy 2017*. London. Carbon emissions refer only to emissions from the consumption of oil, gas, and coal for combustion-related activities and are based on default carbon dioxide emission factors for combustion listed in the national GHG inventories of the Intergovernmental Panel on Climate Change (IPCC. 2006. *IPCC Guidelines for National Greenhouse Gas Inventories*. Japan). This does not allow for carbon that is sequestered, for other sources of carbon emissions, or for emissions of other GHGs. The estimate for Asia is based on BP's country grouping.

Given the size of the region’s population, meeting key Sustainable Development Goals on poverty, hunger, and lack of access to social services will depend critically on Asia and the Pacific’s success. The region also has an opportunity to shape global efforts to reduce greenhouse gas (GHG) emissions, as it is the fastest-growing source of GHG emissions.

13. Emergence of new development partners.

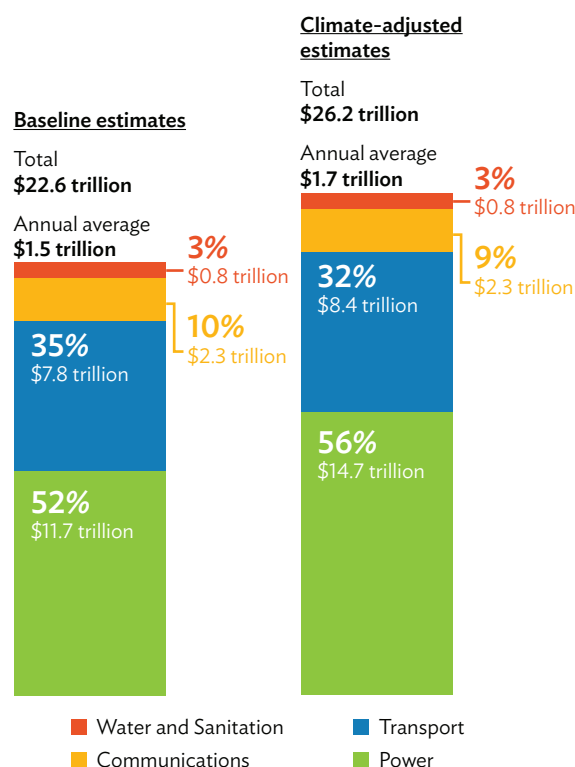
The number of regional and global development actors operating in Asia and the Pacific has increased significantly over the past decade. This includes the rise of CSOs and nontraditional donors, such as charitable and philanthropic organizations; and the establishment of new multilateral development banks, such as the Asian Infrastructure Investment Bank and the New Development Bank. Given the increasing importance of private capital inflows, the private sector must be encouraged to play a bigger role in development. Coordination and leveraging through partnerships across national, institutional, and public-private boundaries has become critical.

14. Impacts of globalization.

Close integration with global markets has benefited the region by boosting trade and external capital inflows. Sophisticated global value chains have emerged, creating production networks across national boundaries. Backed by market-oriented reforms and macroeconomic stability, this has been one of the most important drivers of growth in the region. However, integration with global networks also exposes economies to external shocks. The effects of recession and volatility in capital markets are transmitted farther and more widely. The global financial crisis during 2007–2009 showed the risks of large financial flows in an era of tightly interconnected financial markets. Globalization and technology are also related to widening inequality in many countries.

15. Infrastructure deficits. The region still needs considerable resources to fill infrastructure deficits, especially in lagging areas. More than 400 million Asians lack electricity,¹⁶ about 300 million have no

Figure 4: Estimated Infrastructure Investment Needs by Sector, 2016–2030 (2015 prices)



Note: Estimated needs for 45 developing member countries.

Source: Asian Development Bank. 2017. *Meeting Asia’s Infrastructure Needs*. Manila.

¹⁶ Economic and Social Commission for Asia and the Pacific, ADB, and United Nations Development Programme. 2017. *Eradicating Poverty and Promoting Prosperity in a Changing Asia-Pacific*. Bangkok.

access to safe drinking water, and 1.5 billion lack basic sanitation.¹⁷ Poor-quality infrastructure requires urgent attention. In many countries, power outages restrain economic growth and underdeveloped transportation networks restrict the flow of people, goods, and services. Rehabilitation and better management and maintenance of infrastructure assets are essential. Based on ADB's most recent estimates, Asia and the Pacific will need to invest \$26.2 trillion during 2016–2030, or \$1.7 trillion/year for infrastructure, to maintain its growth momentum, eradicate poverty, and respond to climate change (Figure 4). The private sector will be a critical source of financing.

16. Rapid urbanization. The share of the urban population in the region increased from about 20% in the 1950s to about 48% in 2018. By 2030, it is projected to rise to 55%, or an estimated 2.5 billion people living in urban areas.¹⁸ Rapid urbanization creates both opportunities and challenges. Population shifts from rural to urban areas are often linked to economic opportunities, better access to health and education services, and better living conditions. However, cities in Asia and the Pacific are growing larger and becoming more complex to manage. Environmental degradation and massive shortfalls in urban infrastructure need to be addressed. Developing Asia was home to 431 million people living in slums in 2014—equivalent to 58% of the world's total slum population.¹⁹ Cities, particularly low-lying ones along the coastlines, are increasingly vulnerable to natural hazards.

17. Demographic changes. With longer life expectancies and decreased fertility rates, several DMCs are aging fast. The United Nations projects that the elderly population (people aged 65 years and over) in Asia and the Pacific will grow from about 334 million in 2016 to about 870 million by 2050. During this period, the elderly's share of the total population will increase from 8.1% to 18.1%.²⁰ With more elderly people relative to working populations, governments face fiscal challenges such as lower tax revenues and increased health-care spending. Elderly people in ADB's DMCs, particularly women, often lack adequate pension or health insurance. In contrast, several DMCs have a growing youth population. There are 2 billion individuals under the age of 30 living in Asia and the Pacific, representing 54% of the global youth population.²¹ Favorable demographics or demographic dividends are often correlated with strong economic development and social progress, but this is contingent on the ability of DMCs to offer quality jobs and maximize workers' productivity.²²

18. Governance and institutional capacity. Managing the challenges and opportunities brought by the changing regional landscape requires effective governance. Yet many countries in the region still face governance issues, including poor public services, weak government institutions, and corruption. Governance reforms to counter corruption and strengthen professional civil services, regulatory quality, and the rule of law are needed to sustain development momentum and to ensure that the benefits of growth are equitably and widely shared.

¹⁷ UNICEF and WHO. 2015. *Progress on Sanitation and Drinking Water: 2015 Update and MDG Assessment*. Geneva.

¹⁸ United Nations Department of Economic and Social Affairs, Population Division. 2018. *World Urbanization Prospects: The 2018 Revision*. New York.

¹⁹ World Bank. World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (accessed 19 February 2018).

²⁰ United Nations Department of Economic and Social Affairs, Population Division. 2017. *World Population Prospects: The 2017 Revision*. New York.

²¹ United Nations Department of Economic and Social Affairs, Population Division. 2017. *World Population Prospects: The 2017 Revision*. New York.

²² D. Park, S-H. Lee, and A. Mason, eds. 2011. *Aging, Economic Growth, and Old-Age Security in Asia*. Manila: ADB / Cheltenham, United Kingdom; and Northampton, Massachusetts, United States: Edward Elgar Publishing.

III. ADB'S VISION AND VALUE ADDITION



19. **ADB's vision for Asia and the Pacific.** As the region transforms and the needs and challenges of DMCs change, ADB also needs to change. Under Strategy 2030, ADB will sustain its efforts to eradicate extreme poverty, given the region's unfinished poverty agenda, and expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. It will help the region prosper by sustaining economic growth with quality and creating job opportunities. ADB will promote inclusiveness to ensure that economic gains are widely shared. It will support the resilience and sustainability of countries, especially

ADB will sustain its efforts to eradicate extreme poverty, given the region's unfinished poverty agenda, and expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific.

ADB will continue to prioritize support for the region's poorest and most vulnerable countries.

for vulnerable populations, and foster RCI (Figure 5). ADB will continue to prioritize support for the region's poorest and most vulnerable countries.

20. **Achieving global commitments.** ADB's aspirations for Asia and the Pacific are aligned with major global commitments that both DMCs and ADB have pledged to support—the SDGs and the related Financing for Development agenda, the Paris Agreement on climate change and the Sendai Framework for Disaster Risk Reduction. ADB's future operations will be designed to help meet these goals and targets.²³ ADB will also play an important role in supporting the G20 agenda on infrastructure development as a source of global growth.

21. **Promoting sustainable development through interventions in social sectors and infrastructure.**

While ADB will expand interventions in social sectors such as education, health, and social protection, infrastructure will remain a key priority for its operations. Infrastructure plays a vital role in economic growth and social development. Sustainable infrastructure investment will be central to achieving global commitments to address climate change and strengthen disaster risk management.²⁴ Infrastructure also helps to meet the growing needs of high-quality education, health, and other social services; address emerging challenges like aging; and develop skills to adapt to new technologies. ADB will promote quality infrastructure investments that are green, sustainable, resilient, and inclusive. Through its infrastructure operations, ADB will seek to improve access of the poor, women, and vulnerable groups (including the elderly and people with disabilities) to basic energy, transport, clean water, and sani-

²³ ADB's vision of a prosperous, inclusive, resilient, and sustainable Asia and the Pacific is aligned with the SDGs and the 2030 Agenda for Development. Key goals for ADB operations include zero poverty (SDG 1); gender equality (SDG 5); affordable and clean energy (SDG 7); decent work and economic growth (SDG 8); industry, innovation, and infrastructure (SDG 9); reduced inequality (SDG 10); and climate action (SDG 13). ADB operations will also contribute to zero hunger (SDG 2), good health and well-being (SDG 3), quality education (SDG 4), clean water and sanitation (SDG 6), sustainable cities and communities (SDG 11), sustainable consumption (SDG 12), and peace and justice, strong institutions (SDG 16). ADB's support for conservation and restoration of natural capital (para. 52) will contribute to life below water (SDG 14) and life on land (SDG 15). ADB operations will also play an important role in fostering partnerships to achieve the SDGs (SDG 17).

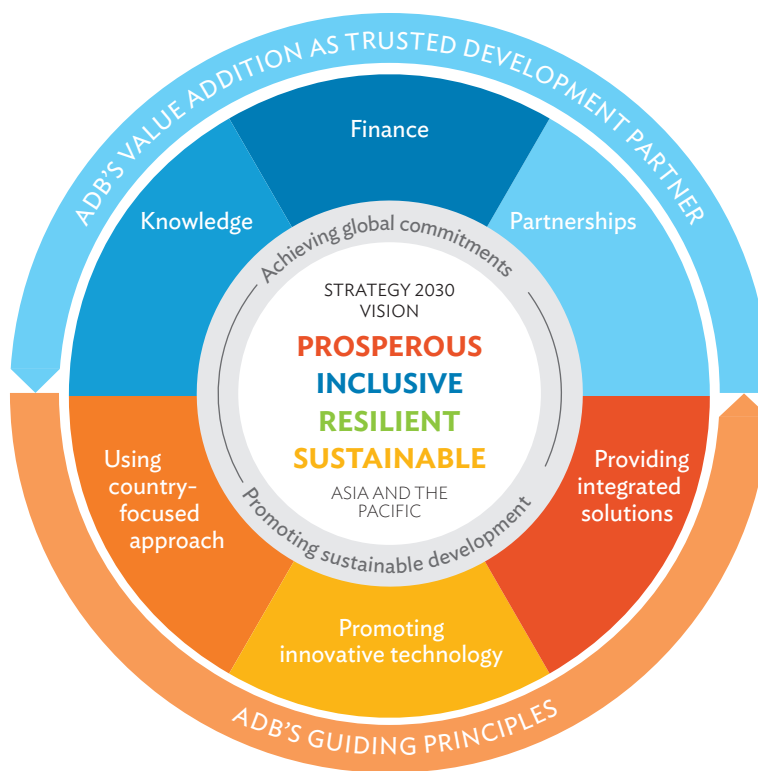
²⁴ Sustainable infrastructure is infrastructure that is designed, built, and operated to be durable, socially equitable, and economically and environmentally viable. ADB. 2018. *Annual Report 2017*. Manila.

tation services. ADB will promote connectivity within and between countries to spur economic growth and further reduce poverty.

22. **ADB’s value addition.** ADB will remain a trusted development partner, delivering the highest-quality operations. ADB provides a unique regional perspective combined with a strong country presence and client relationships built over many years of engagement. ADB support will combine finance, knowledge, and partnerships to maximize development impact for its clients. As a reliable financier and catalyzer of finance, ADB will provide its own financing while mobilizing and catalyzing funds from other sources. As a knowledge provider, ADB will focus on practical value

that fits local conditions, identify lessons, and replicate good practices (including technology transfer, environmental and social safeguards, and fiduciary standards) across the region and beyond. As a convener of partnerships, ADB will promote dialogue and collaboration among diverse partners and stakeholders, including international financial institutions, bilateral development partners, charitable and philanthropic organizations, CSOs, and the private sector. In line with the G20 efforts to strengthen global financial governance, collaboration with the International Monetary Fund and other multilateral development banks will seek to maximize the impact of the international financial institutions system as a whole. ADB will also increase its function as a project developer.

Figure 5: ADB’s Vision, Value Addition, and Guiding Principles



ADB = Asian Development Bank.
Source: Asian Development Bank.

IV. GUIDING PRINCIPLES FOR ADB'S OPERATIONS



23. Using a country-focused approach. The ambitious global development agenda must be tailored to specific local circumstances. DMCs have significantly diverse needs, institutional strengths, and availability of resources, including among countries with similar per capita income. ADB will customize its approach to meet the varying needs of its diverse client base. Under Strategy 2030, ADB will enhance its policy dialogue and analytical work, including on efforts to achieve the country-level targets of the SDGs and the Paris Agreement. The country partnership strategy (CPS) will continue to be the primary platform for defining ADB's operational focus in a country—with the DMC as the driver of its own development and ADB as a partner that provides customized solutions to development needs and challenges. ADB will exercise selectivity at the country level to ensure that its resources are not thinly spread, while maintaining scope for flexibility. ADB's involvement in specific themes or sectors in a country will be based on its comparative advantage

DMCs have significantly diverse needs, institutional strengths, and availability of resources, including among countries with similar per capita income. ADB will customize its approach to meet the varying needs of its diverse client base.

vis-à-vis other development partners, specific country demands, and the potential for value addition within ADB's capacity and resource envelope. Building on the strong track record of collaboration, ADB will further strengthen coordination and partnerships with other international financial institutions, bilateral partners, CSOs, and the private sector at the country level.

24. Promoting innovative technology. ADB will proactively seek ways to promote the use of advanced technologies across its operations and provide capacity building support to DMCs. It will support countries in developing policies and improving the regulatory environment for the digital economy, expanding internet connectivity, and investing in hardware and software. In infrastructure operations, ADB will promote advanced technologies that reduce life-cycle costs and increase durability, improve the efficiency and quality of services, and minimize negative environmental and social impacts. ADB will mainstream the use of advanced technologies by carrying out pilot testing, strengthening project design, emphasizing quality in procurement, and mobilizing subject experts.

25. Delivering integrated solutions. ADB will offer integrated solutions combining expertise across a range of sectors and themes. These solutions will be delivered through an appropriate mix of public and private sector operations that are best suited to the specific needs on the ground. ADB will reinforce a One ADB approach—with its public and private sector staff working to evaluate the potential for private sector solutions systematically—both in terms of service provision and financing, and will use them wherever feasible. The CPS will be the main platform for delivering these integrated solutions through deeper country engagement and stronger resident missions.

V. DIFFERENTIATED APPROACHES TO GROUPS OF COUNTRIES



26. Fragile and conflict-affected situations. Countries in fragile and conflict-affected situations (FCAS) face a high degree of fragility and a considerable need for institutional strengthening.²⁵ In countries designated as FCAS, ADB's support will focus on institutional development and governance reforms, essential infrastructure and social services, and targeted social assistance. ADB will support efforts to build resilience, address the underlying causes of conflicts, and promote reconciliation and reconstruction. It will enhance staff skills, tailor its implementation processes to the realities on the ground, and strengthen collaboration with other development partners and CSOs to make the CPS and ADB operations fragility- and conflict sensitive. ADB will augment resources to accommodate the added costs for processing and supervision because of security and other related needs, and ensure countries that overcome conflict and fragility do not slip back into those conditions.

27. Small island developing states. ADB's Charter gives special attention to the needs of the smaller or less-developed member countries in the region.²⁶ Small island developing states (SIDS) are particularly vulnerable to climate change and disaster-related shocks. Their rich biodiversity and coastal zones are susceptible to environmental degradation. Their economies are often constrained by small domestic markets, a high cost of doing business, and challenges in connectivity to regional and international markets. SIDS confront severe institutional capacity constraints like FCAS countries. Because of this, many ADB DMCs classified as FCAS are small island countries, even though conflicts do not pose a dominant risk.²⁷ They also face a high level of vulnerability to economic shocks, which are further

magnified because of their narrow economic base, limited exports, and high dependence on foreign suppliers for many essential goods and services. Under Strategy 2030, ADB will expand its focus on SIDS (including SIDS that are not categorized as FCAS).²⁸ ADB's support will focus on climate change adaptation, environmental sustainability, and disaster risk management. ADB will further strengthen connectivity and access in areas like information and communication technology (ICT), and sea and air transport; and emphasize institutional strengthening to support countries' efforts to manage financial and economic risks. It will help SIDS improve the business environment, reform state-owned enterprises (SOEs), enhance public-private partnerships (PPPs) to reduce the costs of doing business, strengthen the quality of public service delivery, and promote private sector-led growth. ADB will continue to tailor its business processes to meet the needs and address constraints in small island countries, enhance hands-on technical capacity building and implementation support similar to what is currently being done under the Pacific Project Improvement Action Plan, and further strengthen its field presence.²⁹

28. Low-income and lower middle-income countries. Low-income and lower middle-income countries face a broad range of challenges in sustaining and accelerating the pace of progress. ADB will provide predictable and substantial long-term financing to support low-income and lower middle-income countries and will be a trusted partner in supporting structural and systemic reforms. ADB's focus will include green and inclusive infrastructure, social services and social protection, sustainable urbanization, structural transformation to enhance productivity and competitiveness, public

²⁵ ADB classifies a country as FCAS using the harmonized approach shared among the African Development Bank, ADB, and the World Bank. ADB's operational plan on FCAS allows it to include other countries that exhibit similar fragility or have a subnational situation of fragility or conflict, in consultation with the country. As of June 2018, there had not been any additional FCAS country identified through this process. ADB. 2013. *Operational Plan for Enhancing ADB's Effectiveness in Fragile and Conflict-Affected Situations*. Manila.

²⁶ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

²⁷ The United Nations classifies SIDS. As of May 2018, out of nine ADB DMCs classified as FCAS, seven were SIDS. ADB will periodically review and refine its definitions of FCAS and SIDS in line with other development partners.

²⁸ SIDS that are not currently FCAS are the Cook Islands, Fiji, Maldives, Palau, Samoa, Timor-Leste, Tonga, and Vanuatu.

²⁹ ADB. 2016. *Pacific Approach, 2016-2020*. Manila.

Consistent with its vision to promote inclusiveness, ADB will prioritize support for the region's poorest and most vulnerable countries across DMCs, including UMICs.

sector reforms, private sector development, and domestic resource mobilization. ADB will also support the reform of SOEs and increase private sector operations by attracting private investors and bringing in commercial cofinanciers. Special consideration will be given to countries facing vulnerability because of geography such as hilly and mountainous conditions. These countries face acute problems due to changes in climate.

29. Upper middle-income countries. Many upper middle-income countries (UMICs) have improved their living standards, but countries differ in economic development, social challenges, access to capital markets, and the strength of institutions. ADB will focus on areas where it can add the most value by helping countries increase their access to capital markets, strengthening institutions, and developing demonstration projects. ADB will expand private sector operations, including PPPs, provide targeted support for reforms in the financial sector and SOEs, and enhance countries' resilience to shocks. The sharing of experiences, best practices, and innovation will be increasingly more important elements of ADB's engagement with UMICs than its lending volume, especially in critical areas such as regional public goods, climate change, urbanization, RCI, and emerging social issues such as aging. ADB will facilitate cooperation among developing members to share such knowledge.

30. Pockets of poverty and fragility at the subnational level. Consistent with its vision to promote inclusiveness, ADB will prioritize support for lagging areas and pockets of poverty in DMCs, including in UMICs. These areas or segments of the population continue to experience persistent poverty often caused by fragility and conflict at the subnational level. ADB will apply

targeted approaches to address distinct needs in these areas, including through additional technical assistance (TA) support and simplified business processes.

31. Graduation. ADB will continue to apply its current graduation policy, while also reviewing the effectiveness of the policy.³⁰ Graduation from regular ADB assistance will involve close consultation with the country, including an analysis and assessment of the key elements of the graduation policy. During the transition period, ADB's support will focus primarily on strengthening policies and institutions required for sustainable graduation, support for global and regional public goods, and creating knowledge. These priorities will be reflected in the CPS.

32. Diversification of the terms of products and instruments. ADB will conduct a detailed analysis and discuss with various stakeholders the possibility for greater diversification of its financing terms. ADB will consider using a range of financing terms to implement differentiated approaches, and help fulfill its mandate and maximize its development impact.

33. Concessional finance. ADB will direct its concessional finance from both concessional ordinary capital resources (OCR) lending and the Asian Development Fund (ADF) grant to support ADB's poorest and most vulnerable DMCs. Many FCAS and SIDS are eligible for concessional assistance. ADB will also consider additional support for countries graduating from concessional assistance. The efficient use of ADF grants in the future will be reviewed in close consultation with ADF donors. ADB will also continue to mobilize external concessional resources through ADB-managed trust funds and cofinancing with bilateral and multilateral partners (paras. 87 and 89).

³⁰ ADB. 1998. *A Graduation Policy for the Bank's DMCs*. Manila; and ADB. 2008. *Review of the 1998 Graduation Policy of the Asian Development Bank*. Manila. The graduation policy provides a framework for country classification based on income, availability of commercial capital flows on reasonable terms, and levels of development of key economic and social institutions.

VI. OPERATIONAL PRIORITIES



34. To achieve Strategy 2030’s vision, ADB will focus on seven operational priority areas described in paras. 35–67. These areas will either be pursued as stand-alone priorities or be combined with other priorities. For example, poverty reduction, greater inclusion, gender equality, and governance will be integrated across ADB operations, as appropriate. ADB’s support in these areas will be delivered through both public and private sector operations, advisory services, and knowledge support.

A. Addressing Remaining Poverty and Reducing Inequalities

35. **Increasing the emphasis on human development and social inclusion.** Poverty is a multifaceted challenge. While Asia and the Pacific has made tremendous progress in reducing income poverty, much more needs to be done to address the non-income dimensions of poverty and vulnerability in urban and rural areas; promote social inclusion and development, particularly for vulnerable groups; and build resilience. To ensure that all members of society can participate in and benefit from growth, ADB will help (i) reduce inequality in access to opportunities; (ii) facilitate quality job creation; and (iii) expand its support for education, health care, and social protection programs.

36. **Generating quality jobs.** ADB will help generate decent and productive jobs to support inclusive growth for all. Given that jobs are created primarily by the private sector, ADB will support countries in improving the business environment for entrepreneurs and companies, including small and medium-sized enterprises (SMEs) and inclusive businesses. ADB will continue to help enhance business development services and strengthen the financial sector, including inclusive finance. ADB will also help enhance the work environment by supporting core labor standards.

37. **Improving education and training.** ADB will continue to support education as a basic need of people. ADB will help DMCs improve learning outcomes for all, enhance the employability and job readiness of graduates, and support lifelong learning and training opportunities. It will assist in using ICT solutions to provide quality education and training to anyone, anywhere, and anytime. ADB will help strengthen students’ foundational skills, including digital literacy and soft skills, and technical and vocational education and training. It will help improve secondary and tertiary education with a greater focus on science, technology, engineering, and mathematics, especially for female students. ADB will promote stronger links with industry and support lifelong learning and re-skilling programs

STRATEGY 2030’S SEVEN 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

to ensure that mid-career and older workers can stay productively engaged.

38. Achieving better health for all. ADB will continue to support DMCs in pursuing universal health coverage by improving the quality and coverage of government and private health-care services. It will support reforms in health financing, including health insurance systems, to improve access to quality health-care services and reduce out-of-pocket expenses incurred by the poor. ADB will seek to optimize indirect health benefits by tapping synergies with its portfolio in transport (road safety), urban (healthy cities), water (water safety), sanitation (communicable diseases), and energy (low carbon and reduced pollution). ADB will assist DMCs in managing the growing burden of noncommunicable diseases and elderly care in a cost-effective and sustainable manner. It will also promote the greater use of innovative and smart health service delivery systems.

39. Ensuring social protection for those in need. ADB will continue to work with DMCs to strengthen social protection systems and service delivery. It will focus on social assistance by improving the design and delivery of social transfer programs such as conditional cash transfers, social insurance such as pension and health insurance, and labor market programs to support the development of job-relevant skills and worker retraining. Social protection elements will be integrated into projects in the education (scholarships, including for girls; school feeding; and skills training); finance and public management (social insurance and pensions); health (health insurance); and urban (age, gender, and disability-friendly infrastructure) sectors.



B. Accelerating Progress in Gender Equality

40. Scaling up support for gender equality. ADB will help accelerate progress in gender equality in DMCs through (i) targeted operations to empower women and girls in areas such as education, health, financial inclusion, and job creation; (ii) gender mainstreaming that directly narrows gender gaps or benefits women and girls, for example, a community road project that

provides women with access to income-generating opportunities combined with a capacity building component to help women improve their skills; and (iii) operations with some gender elements that incorporate a few actions in the design and implementation of ADB projects and programs, for instance, to increase employment opportunities for women during construction, operation, and maintenance. ADB recognizes that even projects not classified as (i)–(iii) may also have positive effects on the lives of women and girls. For example, a power plant project may not specifically target narrowing gender gaps as it feeds electricity into the grid; however, women will benefit from the use of electricity in terms of reduced time poverty and better access to work opportunities.

41. Gender target. By 2030, at least 75% of the number of ADB's committed operations (on a 3-year rolling average, including both sovereign and nonsovereign operations) will promote gender equality.³¹

42. Areas of focus. ADB support will focus on five areas: women's economic empowerment, gender equality in human development, gender equality in decision-making and leadership, reduced time poverty of women, and women's resilience to external shocks.

43. Promoting women's economic empowerment. ADB will pay increased attention to generating employment and entrepreneurship opportunities for women. Infrastructure projects will maximize women's access to markets and opportunities for skilled jobs. Through enhanced technical and vocational education and training programs, ADB will enable women's access to quality jobs in nontraditional, higher-paying sectors. ADB will expand integrated support for women entrepreneurs and women-led SMEs through better access to finance, the adoption of new technologies, and policy and institutional reforms.

44. Pursuing gender equality in human development. Education projects will be designed to improve gender equality in completion rates, learning outcomes, and school-to-work transitions. ADB will support girls in pursuing science, technology, engineering, and math-

³¹ Operations classified as (i) and (ii) in para. 40 will reach at least 55% of the total number of ADB's committed operations (on a 3-year rolling average, including both sovereign and nonsovereign operations).

ematics education. Health and social protection operations will address the unmet reproductive and other health needs of women and girls and gender-based violence. Elderly care services will be designed to ease women's family care duties and meet the diverse needs of elderly women.

45. Enhancing gender equality in decision-making and leadership. ADB operations in support of legal, institutional, and governance reforms will explore measures to remove gender discriminatory provisions, enhance women's participation in public resource allocation and decision-making, and support leadership at all levels.

46. Reducing time poverty of women. ADB will undertake investments in infrastructure services such as water and sanitation, rural electrification, rural roads, clean cookstoves and biogas, and crop and food production technology to help reduce the burden and time involved in the management of livelihoods and unpaid domestic and care work. Safety and mobility for women will be considered in designing urban and rural infrastructure.

47. Strengthening women's resilience to external shocks. ADB will support DMCs in mainstreaming gender into climate change and disaster risk management operations and harness women's access to green jobs, climate-smart technologies, and participation in climate-related decision-making. To protect women in low-income and vulnerable households against economic, food, and other crises, ADB will pursue targeted social assistance and gender-responsive public budgeting.



C. Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability

48. Scaling up support to address climate change, disaster risks, and environmental degradation. ADB will ensure that climate change, disaster risk, and environment considerations are fully mainstreamed

in its operational strategies; country programming; and project design, implementation, monitoring, and evaluation documents. It will facilitate DMCs' access to cleaner and smarter technologies, foster green economic growth, and continue to screen its projects rigorously for climate and disaster-related risks.

49. Climate operations target. Building on its strong performance in integrating climate change mitigation and adaptation into project design, 75% of the number of ADB's committed operations (on a 3-year rolling average, including both sovereign and nonsovereign operations) will be supporting climate change mitigation and adaptation by 2030. Climate finance from ADB's own resources will reach \$80 billion cumulatively from 2019 to 2030.³²

50. Accelerating low greenhouse gas emissions development. ADB will scale up its support for climate change mitigation by prioritizing investments for low GHG emission energy, implementing sustainable transport and urban transportation strategies, and encouraging DMCs to shift to a low GHG emission development path in line with their nationally determined contributions under the Paris Agreement. ADB will pursue this through the selective use of concessional financing, greater engagement with the private sector, and support for innovative PPPs. ADB will also facilitate access to carbon finance through domestic and/or international carbon markets to incentivize mitigation investments.

51. Ensuring a comprehensive approach to build climate and disaster resilience. ADB will support DMCs in developing integrated approaches to adapt to climate change and improve climate and disaster resilience. Measures will include risk-sensitive land use management, integrated flood risk management, climate- and disaster-resilient infrastructure design, the diversification of livelihoods to factor in long-term climate change, and the strengthening of early warning systems. ADB will provide assistance for disaster response, including support to build back better. It will strengthen DMCs' financial preparedness for disaster response through such instruments as policy-based

³² These targets are based on agreed definitions and methodologies among multilateral development banks.

contingent financing and disaster insurance.³³ It will also support the integration of climate adaptation and disaster risk management into DMCs' development plans and budgets, related capacity development, and access to knowledge.

52. Ensuring environmental sustainability. ADB will (i) assist DMCs in improving their environmental management, including efforts to improve air and water quality; and (ii) invest in the conservation and restoration of natural capital. It will strengthen eco-sensitive project planning and design to prevent ecosystem degradation and mitigate pollution impacts. ADB will pursue this through a variety of approaches, including the use of payments for ecosystem services, nature-based solutions (e.g., mangrove plantations to combat storm surges and rising sea levels), and community-led approaches.

53. Increasing focus on the water–food–energy security nexus. ADB will support DMCs in ensuring overall water security by deepening the understanding of the linkages and trade-offs between food and energy security needs at the project, sector, and country levels. ADB will increase support for integrated water resources management to meet competing water needs in an equitable, sustainable, and efficient manner. ADB will also help (i) improve agricultural practices, including the use of reliable climate modeling and weather forecasting technologies; (ii) promote less water-intensive energy, such as solar and wind; and (iii) foster energy-efficient water supply and sanitation.



D. Making Cities More Livable

54. Providing integrated solutions. To help build livable cities that are green, competitive, resilient, and inclusive, ADB will pursue crosscutting projects to promote urban health, urban mobility, gender equality, and environmental sustainability. ADB projects will focus on addressing water security and environmental conservation to provide affordable, safe, and effective water, sanitation, and waste disposal services. It will support mass public transport such as subways and

bus systems linked to cycle and pedestrian pathways so that people, including the elderly and people with disabilities, can switch easily and safely from one mode of transport to another. ADB will support cities in developing the right institutions, policies, and enabling environment to become more competitive and productive. ADB-financed projects will aim to promote a safe and healthy urban environment for all residents.

55. Supporting funding for cities. ADB will help cities explore new and expand existing sources of funding, including through property taxes, utility charges or administrative fees, and predictable intergovernmental transfers. It will assist local governments and utilities in issuing municipal bonds or project bonds and in exploring PPPs.

56. Enhancing inclusive and participatory urban planning. ADB will support city management in prioritizing investments and developing integrated urban plans based on local demands. ADB will consider the various needs of all those living, working, and studying in cities through participatory processes involving businesses, academia, and CSOs. ADB will partner with stakeholders and service providers to improve sector plans, institutional creditworthiness, project design and delivery, and sustainability of services.

57. Increasing climate resilience and disaster management. To increase the resilience of cities, ADB will promote the integration of climate change and disaster risk considerations into urban planning processes. It will build capacity for effective disaster preparedness by strengthening early warning systems and emergency response plans to avoid loss of life.



E. Promoting Rural Development and Food Security

58. Improving market connectivity and agricultural value chain linkages. ADB will focus on rural roads, market infrastructure, and agri-logistics centers to enable the integration of more producers, agribusinesses, and consumers into national, regional, and global food systems. Reducing postharvest losses

³³ ADB provided disaster contingent financing through policy-based lending to the Cook Islands in 2016 and to Samoa, Tonga, and Tuvalu under a regional disaster resilience program in 2017.

and promoting agricultural value addition will help increase rural incomes and enhance food security. ADB will also help DMCs enhance connectivity and mobility between rural and urban areas.

59. Increasing agricultural productivity and food security. ADB will help DMCs increase agricultural productivity and reduce poverty by boosting farm and nonfarm incomes. It will promote the adoption of advanced technologies such as satellite and drone-assisted applications to increase irrigation efficiency and to ensure the sustainable use of land and water resources. ADB will promote the use of climate-smart agricultural practices, including flood- and drought-resistant crop varieties and drip irrigation. ADB support will improve natural resource management standards by undertaking land reclamation, reforestation, and watershed management projects to reduce soil erosion and improve biodiversity.

60. Enhancing food safety. ADB will help DMCs formulate and implement food safety policies and standards, build quality control laboratories, and use ICT to improve food traceability and tracking. It will support training and education, community outreach programs, and voluntary compliance involving all stakeholders—farmers, industries, and consumers.



F. Strengthening Governance and Institutional Capacity

61. Supporting public management reforms and financial stability. Good governance and strong institutional capacity are the basis for country development. ADB will help DMCs improve governance and create an enabling environment for sustainable growth by strengthening the quality and capacity of public institutions to undertake policy reforms and promote private sector development. Through policy-based lending (PBL), results-based lending, project lending, and TA, ADB will continue to support reforms in public expenditure; revenue collection, including tax system and enforcement; and capital markets. ADB will support government efforts to eradicate corruption and strengthen anti-money-laundering activities. It will also help countries adhere to international initiatives on tax transparency. ADB will help countries build resilience and respond to economic shocks in a timely manner, in

close collaboration with development partners such as the International Monetary Fund.

62. Strengthening service delivery. ADB will promote effective, timely, and corruption-free delivery of public services to support greater accountability for the services provided. It will make greater use of ICT to improve the quality of public service delivery. It will support policy, regulatory, and tariff-related reforms to promote the financial sustainability and effective operation and maintenance of infrastructure and other services. ADB will work with SOEs and subnational entities that are taking on a larger share of public service delivery to improve their financial management capacities and internal governance, enabling them to access financing on commercial terms and conditions.

63. Strengthening capacity and standards. ADB will uphold environmental and social safeguards, adhere to standards for procurement and financial management, and implement anticorruption measures in all ADB projects and programs. It will contribute to maintaining and raising standards in the international development community. ADB will assist DMCs in undertaking reforms and building country systems in these areas. ADB will also continue to help executing and implementing agencies strengthen their capacity to plan, design, finance, and implement ADB projects, including the application of advanced technology, reduction of life-cycle costs, assurance of the financial viability of investments, and the maintenance of infrastructure assets.



G. Fostering Regional Cooperation and Integration

64. Enhancing connectivity and competitiveness. ADB will improve connectivity in the region and enhance the competitiveness of DMCs by addressing cross-border infrastructure needs. It will support policy dialogue and coordination among DMCs to transform transport corridors into trade and economic corridors. Multimodal transport links and energy sector connectivity will be strengthened across subregions. Special attention will be given to the needs of landlocked and small island economies. ADB support will facilitate the participation of DMCs in regional and global value chains. RCI operations will promote agriculture trade and regional tourism.

65. Promoting regional public goods. ADB will increase support for regional public goods and collective actions to mitigate cross-border risks pertaining to climate change, environmental pollution, energy and water security, and communicable and infectious diseases. This will require greater regional cooperation in areas such as disaster risk financing, watershed development, health policies, sanitary and phytosanitary standards, and quarantine.

66. Strengthening cooperation in the financial sector. ADB will strengthen financial sector cooperation by developing regional bond markets, facilitate common frameworks in financial regulations and supervision, and promote measures to harmonize cross-border financial transactions. ADB will support common approaches by DMCs to promote regional financial and economic stability. It will help DMCs participate in

global and regional forums on tax transparency and on anti-money-laundering activities and counterterrorism financing.

67. Strengthening subregional initiatives. Since the early 1990s, ADB has promoted various subregional cooperation platforms such as the Greater Mekong Subregion (GMS) Program, the Central Asia Regional Economic Cooperation (CAREC) Program, and the South Asia Subregional Economic Cooperation (SASEC) Program. ADB has engaged with the Pacific Islands Forum and ASEAN. Through these initiatives, ADB will extend policy dialogue in areas such as agriculture value chains, education, skills development, labor markets, and health services. It will facilitate knowledge sharing and collaboration between subregions, and it will work with emerging international and regional initiatives.

VII. EXPANDING PRIVATE SECTOR OPERATIONS



68. Increasing private sector operations to support seven operational priorities. ADB will expand and broaden its private sector operations to support the seven operational priorities. The private sector mobilizes resources for development; creates jobs; helps drive innovation and efficiency in DMCs; and brings the poor, women, and vulnerable groups into the mainstream economy. The private sector is also critical in addressing the large market gaps that exist across Asia and the Pacific—from short-term trade financing³⁴ to medium-term SME financing.³⁵ Private resources will also be needed to fill the huge long-term financing needs for infrastructure in the region.³⁶

69. Private sector operations target. ADB's private sector operations will reach one-third of ADB operations in number by 2024.

70. ADB's dual mandate. ADB's private sector operations will help fill market gaps in the region and contribute to a more dynamic private sector delivering solid development results. ADB will pursue development impact as the key objective of its private sector operations. It will also seek to ensure profitability and commercial sustainability—noting that commercial success is correlated with development outcomes.

71. Additionality of ADB's private sector operations. Private sector players choose to work with development financial institutions like ADB because these institutions can help improve environmental, social, and governance standards; provide financing that is not available from the market at reasonable terms; improve project design and development outcomes; and mitigate perceived risks.³⁷ ADB will seek to further leverage these advantages. Besides providing its own financing, ADB will crowd in larger amounts of money from the market. Through its private sector operations, ADB will

seek to promote commercial sustainability through high standards of corporate governance, integrity, transparency, and social and environmental safeguards; and address market failures without distorting those markets.

72. Preparing bankable private sector projects. ADB will assist in preparing bankable projects that can attract private sector financing by (i) undertaking project incubation and preparation; (ii) deploying more equity into corporates, projects, and financial institutions; (iii) helping make projects viable through ADB participation, TA, blended finance (with concessional funds and other trust funds), and other instruments such as standby viability gap financing facilities; (iv) pilot testing new approaches, models, and technologies; and (v) improving the risk profile of projects using ADB credit enhancement and risk management products.

73. Expanding infrastructure sector coverage and diversifying into other sectors. ADB will continue to promote private sector participation in infrastructure through corporate and project financing. Private sector

ADB will pursue development impact as the key objective of its private sector operations. It will also seek to ensure profitability and commercial sustainability—noting that commercial success is correlated with development outcomes.

³⁴ A. Di Caprio, K. Kim, and S. Beck. 2017. Trade Finance Gaps, Growth, and Jobs Survey. *ADB Briefs*. No. 83. Manila: ADB.

³⁵ P. Vandenberg, P. Chantapacdepong, and N. Yoshino, eds. 2016. *SMEs in Developing Asia: New Approaches to Overcoming Market Failures*. Tokyo: Asian Development Bank Institute.

³⁶ ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila.

³⁷ International Finance Corporation. 2011. *International Finance Institutions and Development through the Private Sector*. Washington, DC.

operations will expand support for (i) renewable energy and other infrastructure sectors such as transport, particularly urban transport; (ii) water, sanitation, and waste-related financing to support livable cities; and (iii) new communication technologies targeting remote areas and populations. ADB will scale up its financing for agribusiness. It will also support social sectors, such as health and education, through private ventures focusing on new models and affordable solutions.

74. Widening geographic coverage. ADB will expand its private sector operations in new and frontier markets, including challenging markets such as FCAS and SIDS. In the process, ADB will consider smaller deal sizes with potentially higher risk and development impact, including inclusive business models.

75. Supporting greater financial inclusion. ADB's private sector operations will develop the financial sector in DMCs to achieve greater financial inclusion; gender equality; job creation; and access to affordable housing, insurance, and savings. To address shorter-term financing gaps, ADB will increase its support for banks and nonbank financial institutions in DMCs to help increase their capacity, quality, and reach—particularly to low-income populations. ADB will expand the use and reach of its various financial sector programs, such as trade finance, supply chain finance, and microfinance.

76. Strengthening the financial sector and capital markets. To address the gaps in medium-to-longer-term finance, ADB—through private sector operations as well as sovereign PBL, TA, capacity development, and knowledge activities—will help develop bond markets, particularly project bonds, including through direct credit enhancement and underwriting. ADB will

pursue greater collaboration with the ASEAN+3 Asian Bond Markets Initiative and Credit Guarantee and Investment Facility.³⁸

77. Using private equity funds to extend reach. Private equity funds are an important modality for ADB assistance given their enormous leveraging and mobilization effects. ADB will focus on infrastructure, the financial sector, and climate change.

78. Scaling up support for public-private partnerships. ADB will expand its support for PPPs by (i) assisting in policy advocacy and capacity building; (ii) helping establish enabling environments; (iii) providing transaction advisory services; (iv) assisting in project development, structuring, and preparation; and (v) providing project financing through sovereign and nonsovereign lending. As a project developer, ADB will scale up its transaction advisory services to help clients structure PPPs and develop robust project pipelines.

79. Using a One ADB approach. ADB's private sector operations will draw on public sector operations to provide integrated solutions. Public sector operations (both project lending and PBL) can complement private sector operations by creating the upstream conditions for the private sector to prosper or by preparing SOEs for commercial financing. ADB will bring public sector, private sector, and PPP-focused resources to deliver a comprehensive package of solutions to its DMCs.

80. Greater field presence. Considering the increased geographic spread of its private sector operations, ADB will place more private sector operations staff in resident missions and increase training and support for country directors and staff in the field.

ADB private sector operations can help improve environmental, social, and governance standards; provide financing that is not available from the market at reasonable terms; improve project design and development outcomes; and mitigate perceived risks.

³⁸ ASEAN+3 comprises the 10 ASEAN member states plus Japan, the PRC, and the Republic of Korea.

VIII. CATALYZING AND MOBILIZING FINANCIAL RESOURCES FOR DEVELOPMENT



81. Building strong partnerships for resource mobilization. Building strong partnerships with diverse institutions, such as private and public financial institutions and traditional and new development partners, will be a major focus of Strategy 2030 to mobilize more resources for ADB's sovereign and nonsovereign operations. A key measure of ADB's success will be the volume and quality of additional resources it mobilizes on top of its own financing.

Building strong partnerships with diverse institutions, such as private and public financial institutions and traditional and new development partners, will be a major focus of Strategy 2030.

82. Long-term cofinancing target for private sector operations. ADB will target a substantial increase in long-term cofinancing by 2030, with every \$1 in financing for its private sector operations matched by \$2.50 of long-term cofinancing.³⁹

83. Mobilizing finance from commercial sources. ADB will strengthen its efforts to mobilize financing from private cofinanciers and investors and to increase the leverage of its own financing. It will seek cofinancing opportunities, particularly in infrastructure operations where financing needs are high. ADB will proactively

use credit enhancement products, including B loans, partial risk guarantees, partial credit guarantees, risk transfer of ADB exposures to insurance companies, and risk sharing arrangements in trade finance, to crowd in private capital. It will also use its unique blend of private sector finance knowledge and deep sovereign relations to deliver innovative solutions.

84. Underwriting and syndication. ADB will underwrite and subsequently syndicate large projects, including in local currencies, to ensure the availability of finance to project sponsors.

85. Expanding partnerships with institutional investors. To maximize opportunities to mobilize long-term private funds, ADB will expand partnerships with institutional investors, such as insurance and pension companies within and outside Asia. Based on the success of the Leading Asia's Private Sector Infrastructure Fund (currently with equity investment from Japan), ADB will expand platforms to manage third-party funds. Such platforms will cofinance with ADB's private sector operations, based on ADB's deal selection and management.

86. Catalyzing investments through public-private partnerships. Through efforts to scale up support for PPPs (para. 78), ADB will help countries mobilize a broader range of financial resources. ADB's assistance for developing, structuring, and preparing bankable PPP projects will help create more opportunities for private sector investment and participation. ADB will increase the use of the Asia Pacific Project Preparation Facility (currently supported by Australia, Canada, and Japan) and other project development facilities to support PPP project preparation activities.

³⁹ This target is based on the ratio of total long-term cofinancing for private sector operations to total committed OCR for private sector operations in the last 3 years. Long-term cofinancing includes parallel loans and equity linked to ADB financing or advisory activities, B loans, uncovered portions of loans guaranteed by ADB, parallel funds, and headroom relief arising out of risk transfer arrangements. It excludes Trade Finance and Supply Chain Finance. The total committed OCR excludes the headroom relief arising out of risk transfer arrangements.

87. Mobilizing finance from concessional sources. The mobilization of concessional finance from bilateral and multilateral partners, including the Green Climate Fund, Climate Investment Funds, and Global Environment Facility, remains a major component of ADB's resource mobilization effort. Concessional finance is a critical tool for DMCs to finance projects while ensuring debt sustainability. Building on the successful track record of managing blended concessional finance resources from the Clean Technology Fund and the Canadian Climate Fund for the Private Sector in Asia,⁴⁰ ADB will selectively use concessional resources to catalyze private resources to support high development impact projects where there is strong potential for demonstration, replication, scale-up, and commercial sustainability in accordance with agreed principles.⁴¹

88. Expanding collaboration with new and emerging partners. ADB will expand partnerships with corporate and philanthropic foundations. Innovative funding solutions will be explored to increase the availability of resources for projects. ADB will strengthen its collaboration with new multilateral partners such as the Asian Infrastructure Investment Bank and the New Development Bank.

89. Raising more resources for ADB trust funds. ADB will seek more grant resources for its single- or multi-donor trust funds.⁴² It will ensure the effective and efficient deployment of these resources for grant-funded investment projects and TA for capacity development, project preparation, and knowledge work. In close interaction with the fund contributors, ADB will use these resources strategically to promote innovation, enhance project quality, and provide critical support for project implementation.

90. Using innovative instruments for ADB's own funding. As part of its mobilization efforts, ADB will—through its treasury operations—continue to use innovative instruments such as green bonds, water bonds,

and clean energy bonds. It will further explore SDG bonds and Islamic financing to mobilize funds for its operations.

91. Improving the business environment to catalyze private investment. ADB will help DMCs develop an enabling policy environment and quality infrastructure required for attracting private sector investment through policy advice, TA, PBL, and project lending. Updated analyses on critical market constraints gained through private sector operations will inform public sector interventions in these areas.

92. Enhancing domestic resource mobilization. Public investments financed by government budgets are the dominant means of financing infrastructure and public services. To mobilize more domestic resources, ADB will continue to support DMC governments in strengthening their revenue collection and expenditure management systems. ADB will also help strengthen the transparency and management of their debt to ensure debt sustainability in coordination with other development partners. ADB's support for DMCs in developing financial institutions and capital markets will help channel the region's savings more effectively for productive investments. ADB's expansion of local currency operations will help develop local currency markets and reduce risks.

ADB targets a substantial increase in long-term cofinancing by 2030, with every \$1 in financing for its private sector operations matched by \$2.50 of long-term cofinancing.

⁴⁰ This includes both the Canadian Climate Fund for the Private Sector in Asia and the Canadian Climate Fund for the Private Sector in Asia II.

⁴¹ *Development Finance Institutions Working Group on Blended Concessional Finance for Private Sector Projects Summary Report October 2017* was prepared by a group composed of the African Development Bank, the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, European Development Finance Institutions, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Corporation for the Development of the Private Sector, and the International Finance Corporation.

⁴² As of March 2017, ADB manages 49 trust funds, of which 28 are single-partner funds and 21 are multi-partner funds. About 6% of official cofinance flows through ADB's trust funds.

IX. STRENGTHENING KNOWLEDGE SERVICES



93. **ADB's role as a knowledge institution.** Given the rapid changes in Asia and the Pacific and the fact that most DMCs have attained middle-income status, ADB's continued relevance will increasingly depend on its role as a knowledge institution. ADB's tacit knowledge is embedded in its projects and programs. Its explicit knowledge is provided through various products and services such as publications, forums, and TA. Even when DMCs can tap other sources of financing, clients often turn to ADB for high standards in project design and implementation; the transfer of technology and good practices; and, more generally, the sharing of knowledge, skills, and expertise accumulated over more than 50 years of ADB working together with DMCs.

94. **Strengthening ADB's role as knowledge provider.** ADB will work closely with DMCs to identify their needs and produce the most relevant knowledge products and services. ADB will also look ahead to generate, capture, and share knowledge in anticipation of emerging and future DMC needs. It will incentivize staff to integrate the best knowledge available with financing and institutional capacity building throughout the operational cycle. ADB will improve its capture of tacit knowledge, including lessons learned throughout the project cycle, and allocate TA and other resources strategically and adequately to support knowledge services. It will also use evidence and findings from independent and self-evaluations when designing new programs and projects. The use of TA resources to support knowledge generation will be reviewed annually. Sector and thematic groups will be encouraged to pursue trust funds to strengthen their knowledge work.

95. **Ensuring a more proactive role for research.** ADB's knowledge and evidence-based research will raise understanding and awareness about critical areas and sectors for action and support good policies and reforms by DMCs. ADB will further strengthen its research capacity and provide high-quality policy advice to DMCs. ADB's research products will also contribute to global development discussions by offering perspectives from Asia and the Pacific.

96. **Strengthening the institutional capacity of developing member countries.** ADB will continue to work with DMC government officials to enhance their ability to address development issues and deliver projects. It will connect DMC officials, the private sector, civil society, and academia to regional and global knowledge hubs and learning centers; and facilitate cooperation among countries within the region and beyond. In addition to supporting capacity building and policy dialogue in DMCs, ADB will use TA resources to pilot test innovative approaches and solutions in specific areas or sectors with the aim of replicating successful approaches on a larger scale.

97. **Promoting knowledge across the institution.** All departments will be encouraged to generate knowledge products and services and contribute to capacity building efforts in their areas of expertise. Sector and thematic groups will continue to lead and coordinate ADB's knowledge activities. ADB's research function and the ADB Institute will continue providing the analytical base for ADB operations and policy advice. In-house knowledge in areas such as evaluation, results

Given the rapid changes in Asia and the Pacific and the fact that most DMCs have attained middle-income status, ADB's continued relevance will increasingly depend on its role as a knowledge institution.

management, anticorruption and integrity, laws, procurement, audit and internal control, risk management, treasury operations, and information technologies will also support DMCs.

98. Expanding knowledge partnerships. ADB will actively develop and nurture knowledge partnerships with bilateral and multilateral partners, think tanks, universities, CSOs, foundations, and the private sector. Such partnerships will provide platforms for testing ideas, sourcing different ways of thinking about critical development issues, and jointly developing and sharing

knowledge content. These partnerships will support the collection of regional data in key areas such as the SDGs, climate change, urbanization, and research to inform operational work.

99. Disseminating knowledge. ADB will continue to improve the accessibility of knowledge gained from operational activities, research, policy dialogue, and capacity development efforts. It will also enhance its communications function. ADB will use diverse communication channels and digital technologies to disseminate knowledge externally and internally.

ADB will work closely with DMCs to identify their needs and produce the most relevant knowledge products and services.

X. DELIVERING THROUGH A STRONGER, BETTER, AND FASTER ADB



100. **Ensuring a robust resource base.** Following the merger of the ADF lending operations with the OCR balance sheet, ADB has a solid capital base to support the operations envisaged in Strategy 2030. To maintain a favorable capital position, ADB will continue to rationalize internal administrative and operational costs and explore various options to generate organic capital growth. To optimize the use of its capital and promote financial sustainability, ADB will review its capital adequacy framework and pricing on a regular basis; use risk transfer arrangements such as reinsurance, guarantees, and the sell-down of ADB's exposures; and maximize its use of third-party commercial and concessional funds and cofinancing opportunities. A general or special capital increase may be considered at an appropriate time based on financing needs and subject to shareholders' support.

101. **Enhancing human resources.** ADB will expand its talent pool, hire experts in new priority areas, and streamline recruitment processes with the triple objectives of speed, quality, and transparency. It will invest in the training and development of its staff (including operations, leadership, digital technologies, and change management). Training programs will support understanding and collaboration between staff working on public and private sector operations. ADB's performance management system will be further strengthened to motivate staff and enable a high-performing culture. Staff mobility, including short-term assignments and rotations, across departments and between resident missions and headquarters will be enhanced to broaden staff skills, facilitate knowledge sharing, and promote innovations. ADB is committed to diversity in the workforce, including promoting gender balance and a respectful work environment for all.

102. **Maintaining a strong country presence.** Resident missions will be further strengthened to function as the single window for country counterparts for all ADB

products and services. It will enhance the technical capacity of resident missions by ensuring that they have the right mix of skills in sector, thematic, sovereign, and nonsovereign operations based on country needs. ADB's field presence in FCAS and SIDS will be further strengthened. Resident missions will work closely with sector and thematic groups to deepen the quality of dialogue with country counterparts, enable timely responses for advice on policy issues, and facilitate effective project implementation support.

103. **Improving ADB products and instruments.** ADB will further refine and expand its products and instruments to provide tailored support to public and private sector clients. In sovereign operations, ADB will continue to offer a menu of lending instruments to provide DMCs with flexibility in determining how they can achieve development results. While project loans have traditionally been the most common mode of financing and are effective in sharing know-how and expertise in designing and implementing projects, the use of PBL and results-based lending has been on the rise in some DMCs. Given the increasingly diversified and sophisticated client needs, ADB will use these two instruments effectively. In private sector operations, ADB will keep refining and expanding its products and modalities, including equity investments and credit enhancement products. It will provide local currency financing solutions for both sovereign and nonsovereign operations.

104. **Modernizing business processes and improving operational efficiency.** ADB will pursue a dramatic modernization of its business processes by taking advantage of available technology. It will further increase its operational efficiency and reduce the time for preparing and administering loans, grants, and TA without compromising quality and integrity. ADB will streamline business processes for consulting services, pilot testing, and the purchase of equipment and services for operation and maintenance. It will

implement a robust organizational resilience program to strengthen its business continuity and crisis response capabilities.

105. Promoting digital transformation. To complement business process modernization, ADB will make optimal use of secure, modern information technology systems and digital processes to enhance its effectiveness, efficiency, and resilience. ADB's digital transformation will facilitate real-time access to data on all aspects of its operations and administration. It will create digital platforms that facilitate the production of a wide range of knowledge products and services and make them readily accessible to partners and stakeholders. It will also support innovative financial products and facilitate a culture of innovation and responsiveness to changing client needs.

106. Achieving timely and value-for-money procurement. ADB will continue to promote better procurement systems using a principles- and risk-based approach.⁴³ It will continue supporting DMCs to strengthen their procurement capacity. It will also support the procurement of high-level technologies and the greater use of procurement systems of cofinancing parties. Fit-for-purpose procurement modalities will support innovative projects using advanced technologies and a wide range of ADB knowledge products and services.

107. Increasing the use of country systems. ADB will seek to increase the use of country systems in its public sector operations to help reduce delays in project implementation, cut transaction costs, improve country ownership, and strengthen DMCs' institutions and systems. ADB will support the use of country systems in procurement, public financial management, and environmental and social safeguards. Since the strengths of country systems vary among DMCs, a context-specific approach will be used to ensure adherence to ADB standards.

108. Strengthening collaboration with civil society organizations. ADB will work with CSOs to tap their

unique strengths, such as their local presence and specialized knowledge. It will explore opportunities for increasing their involvement in the design and implementation of projects supported by ADB. Particular focus will be on operations that use grassroots participatory approaches to target the poor and vulnerable groups, mobilize women and young people, and monitor project activities and outputs. ADB will also seek their inputs and advice on the review of major ADB policies.

109. Operationalizing the strategy. Management will begin implementing Strategy 2030 immediately after its approval by the Board of Directors.⁴⁴ Given the long horizon of the strategy and the rapidly evolving development needs of DMCs, ADB must be flexible and responsive during the implementation of the new strategy. ADB will systematically plan, implement, and monitor performance through various channels. First, the strategic focus, specific areas of engagement, approaches, and broad skills requirements in each operational priority will be articulated in separate operational plans. Second, CPSs will further refine the priorities and selectivity of ADB operations based on the unique circumstances, challenges, and needs of individual DMCs; and the potential for value addition within ADB's capacity and resource envelope. Third, the work program and budget framework process will be strengthened and used to align the annual work plan and resourcing with operational priorities.

110. Monitoring results. A corporate results framework will be developed to monitor and measure implementation progress. The framework will include results indicators and targets for Strategy 2030 priorities. The first results framework aligned with Strategy 2030 will cover the 6-year period from 2019 to 2024. ADB will update the corporate results framework after the end of the 6-year period. It will continue to report annually on institutional performance using the results framework through the DEfRs.

⁴³ ADB. 2017. *Improving ADB Project Performance through Procurement Reforms*. Manila.

⁴⁴ Strategy 2030 will supersede Strategy 2020 and the Midterm Review of Strategy 2020.

XI. ONE ADB



111. **Instituting a One ADB approach.** To deliver on the directions set in Strategy 2030, ADB will reinforce a One ADB approach, bringing together expertise and knowledge in a range of areas across the institution. Staff working on public and private sector operations will work closely together in planning operations, jointly identifying and working on bottlenecks to development

results, and processing projects. ADB will develop integrated solutions incorporating advanced technologies, with support from sector and thematic groups. Research functions will help enhance the analytical base of operations and policy dialogue with clients. The One ADB approach will be supported by staff mobility and recognition through performance management.

To deliver on the directions set in Strategy 2030, ADB will reinforce a One ADB approach, bringing together expertise and knowledge in a range of areas across the institution.

APPENDIX: STOCKTAKING OF ADB OPERATIONS AND SUMMARY OF CONSULTATIONS

1. The Asian Development Bank (ADB) has been monitoring the implementation progress of Strategy 2020.¹ In 2014, it carried out a midterm review of Strategy 2020 and developed an action plan to address the challenges identified.² Every year, the development effectiveness review takes stock of ADB's performance against its corporate results framework. The Independent Evaluation Department (IED) evaluates ADB's performance at various levels (i.e., projects, sectors, themes, country programs, and corporate policies). In preparation for Strategy 2030, ADB also collected views from numerous stakeholders in its member countries, both regional and nonregional, as well as ADB Board members and staff.

A. Midterm Review of Strategy 2020

2. The midterm review analyzed lessons learned through the implementation of Strategy 2020 and assessed the existing and emerging development challenges of developing member countries (DMCs). The midterm review found that ADB has closely aligned its operations with Strategy 2020's three strategic agendas of inclusive economic growth, environmentally sustainable growth, and regional integration. During 2008–2012, more than 80% of ADB operations were in Strategy 2020's core areas, with a high concentration in the infrastructure sector. The review also found that ADB's institutional effectiveness needs strengthening, including staff skills and business processes. The midterm review concluded that Strategy 2020 remains valid and relevant in its broad strategic directions. However, the region is changing fast—and so must ADB. Building on the analyses and assessment, the midterm review highlighted a 10-point program to sharpen ADB's future strategic directions to 2020 and strengthen ADB's responsiveness.

- i. **Poverty reduction and inclusive economic growth.** ADB should pursue its vision of a region free of poverty—eradicating extreme poverty and reducing vulnerability and inequality—by expanding its support for achieving rapid and inclusive economic growth. ADB will scale up its support for health and education and provide more resources to low-income and fragile and conflict-affected DMCs.
- ii. **Environment and climate change.** With the region facing serious environmental challenges, ADB will scale up its support for climate change adaptation, while maintaining its assistance for mitigation through clean energy and energy efficiency projects and sustainable transport.
- iii. **Regional cooperation and integration.** ADB will expand regional connectivity and extend value chains by supporting cross-border infrastructure investments and connecting economic hubs to increase trade and commercial opportunities.
- iv. **Infrastructure development.** Infrastructure will remain the key focus of ADB operations. ADB will seek to strengthen infrastructure project outcomes by improving sector engagement, technical designs, and implementation. It will promote the sustainability of infrastructure by emphasizing operation and maintenance.
- v. **Middle-income countries.** As a large majority of DMCs will attain middle-income country status by 2020, ADB will need to sharpen its approach to stay relevant and responsive to DMC development needs.

¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

² ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; and ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

- vi. **Private sector development and operations.** ADB will systematically expand assistance for private sector development and operations to 50% of annual operations by 2020, including increasing private sector operations to 25% of annual ordinary capital resources operations. It will strengthen the business environment in DMCs to promote private investment. In addition to being a project financier, ADB will become a more active project developer.
- vii. **Knowledge solutions.** A One ADB approach will be adopted for all ADB departments to work together to provide knowledge solutions. Resident missions will seek knowledge partnerships and dialogue opportunities with DMCs and coordinate ADB support. To ensure that ADB's knowledge work is operationally relevant, ADB's communities of practice will become more actively involved with project processing and related knowledge products.³
- viii. **Financial resources and partnerships.** The region continues to need large-scale development financing. ADB cannot remain relevant without a certain scale of operations backed by adequate financial resources. ADB will enhance its lending capacity, including through the merger of the Asian Development Fund lending operations with the ordinary capital resources balance sheet.
- ix. **Delivering value for money.** ADB will seek to increase its efficiency and effectiveness. To support better project implementation, ADB will reform and rationalize its business processes, particularly its procurement systems. ADB will apply results frameworks more systematically at the corporate, country, and project levels to measure and monitor its performance.
- x. **Organizing to meet new challenges.** ADB will comprehensively strengthen its staff skills,

incentives, and institutional arrangements to become a more dynamic, agile, and innovative institution. Resident missions will be empowered by providing greater authority and mandate.

B. Development Effectiveness Review

3. Recent development effectiveness reviews show that ADB has taken important steps to become stronger, better, and faster. With respect to being stronger and ensuring strategic alignment, ADB is largely on track to achieve its 2020 vision as set out in Strategy 2020 and its midterm review. Operations supporting environmental sustainability have steadily increased, along with support for climate change mitigation and adaptation, private sector development, and governance and capacity development. ADB is on track to meet regional cooperation and integration (RCI) and gender equality mainstreaming targets, but it missed its cofinancing target because of significant increases in commitments.⁴ Performance in education, health, and social protection has been mixed. The effect of introducing targets in the health and education sectors in the midterm review resulted in increased emphasis on these sectors.⁵ However, data show that more emphasis will need to be placed on financing health operations to meet the 2020 target.

4. In terms of being better, quality at entry has improved for the most part. For completed projects, performance has been particularly strong for the delivery of gender equality results and technical assistance projects. Overall success at completion has generally trended upward for sovereign operations, including policy-based lending, but it has been more difficult to increase the sustainability and success rates of nonsovereign operations. ADB still faces challenges in becoming faster. While the time between approval and the award of the first contract has been reduced, key metrics such as project delays, internal processing time, and procurement processing continue to show more work is needed.

³ The communities of practice have since evolved into sector and thematic groups.

⁴ ADB committed to increase its support to RCI, to reach at least 30% of overall operations by 2020. The number of committed sovereign operations that support gender mainstreaming as a percentage of the total number of sovereign operations committed was to reach 50%. Total annual direct cofinancing was to exceed the value of ADB's stand-alone project financing.

⁵ Education and health sectors financing was to reach 6%–10% and 3%–5% of total ADB financing, respectively.

C. Independent Evaluation Department Reviews

5. IED has carried out assessments of Strategy 2020's three strategic agendas (inclusive economic growth, environmentally sustainable growth, and RCI) and five drivers of change (private sector development and private sector operations, good governance and capacity development, gender equity, knowledge solutions, and partnerships).

6. On the strategic agendas, IED found that areas critical for inclusive economic growth but not identified as core operational areas under Strategy 2020—such as health, agriculture, and social protection—were neglected. IED questioned the rationale for defining core and noncore operational areas and suggested that this practice be discontinued. While selectivity in ADB operations is necessary, ADB should adapt to country or geographic circumstances and should not be driven by top-down sector targets. Increased support for social sectors, as well as for agriculture, gender equality, and food security, will strengthen ADB's overall contribution to inclusive economic growth. On environmentally sustainable growth, while the proportion of ADB projects tagged as supporting environmentally sustainable growth increased during 2013–2015, nearly one-third of these projects were found to have only marginal or negligible environmental benefits. ADB's support for climate change and environmentally sustainable growth should be scaled up. On RCI, IED assessed ADB's support as commendable. ADB has mainly focused on physical connectivity through cross-border infrastructure, and it should put further efforts into supporting regional public goods, promoting higher productivity, enhancing the competitiveness of participating economies, mitigating regional vulnerabilities, and addressing subregional inequalities.

7. On the drivers of change, IED found ADB's internal coordination and support mechanisms for private sector development to be weak. More effort is needed to function as One ADB. The links between sovereign and nonsovereign activities in sector strategies, country partnership strategies, and related results frameworks should be strengthened. ADB should focus on reducing cancellation rates, strengthening the volume

and quality of equity investments, and increasing syndications and guarantees. More support for industry, commerce, manufacturing, and agribusiness projects would increase ADB's value addition. On governance, IED highlighted the potentially transformational effects of good governance for development outcomes and suggested that ADB continue its support in this area even though project completion success rates are relatively low.

8. Support for gender equity has grown significantly under Strategy 2020. To build on this achievement, ADB should improve its gender categorization system and collection of sex-disaggregated baseline data. IED also highlighted the need to document gender equality results more systematically at the country and project level. On knowledge and partnerships, ADB should embrace a more thematic and integrated approach to operations, underpinned by a business model that has leveraging of knowledge and finance as its central tenet. It also called for enhanced expertise and stronger cooperation across the regional departments and between private and public sector work. ADB's experience with knowledge partnerships for sector and thematic work has been mixed. Cofinanced projects were significantly more successful than non-cofinanced projects. Changes in organizational responsibilities, systems, and rules to facilitate better partnership management were suggested.

9. For Strategy 2030, IED recommended that ADB adopt the pursuit of better quality growth (instead of its magnitude), including the three mutually reinforcing agendas of social and geographical inclusion, environmental sustainability, and RCI, as its primary strategy interest and its central value proposition. Even though most DMCs have become or will become middle-income countries, they are a diversified group with large differences in income levels, gross domestic product composition, poverty profiles, food security, and institutional capacity. Several factors that facilitated nearly 2 decades of unprecedented growth and poverty reduction in Asia and the Pacific are now receding. Further, the mega trends of climate change, environmental stress, urbanization, aging, and rapid technological advancement will pose further challenges. Hence, ADB should provide customized solutions

by leveraging finance and knowledge and by adopting a more thematic and integrated approach to operations.⁶

D. Stakeholder Consultations

10. Since October 2015, ADB has carried out extensive consultations within and outside the region, as well as internally, to seek the views and perspectives of various stakeholders on Strategy 2030. Representatives from a wide range of fields participated, including central and local governments, civil society organizations, think tanks, academic institutions, and the private sector.

11. Consultations in developing member countries.

Stakeholders in DMCs suggested that ADB's vision statement be expanded to include references to inclusive growth, sustainable development, and resilience to economic and environmental threats. Many regarded infrastructure and RCI as key areas of strength and noted the need to strengthen capacity in the social sectors. Support for public-private partnerships should also be enhanced. ADB lending needs to be scaled up further in view of DMCs' many outstanding development challenges and financing constraints, including in middle-income countries. DMC stakeholders highlighted the need for ADB to maintain a country focus and adopt a flexible and integrated approach. They requested ADB assistance to meet their nationally determined contributions and support climate and disaster risk management, including through innovative financial mechanisms. They urged ADB to streamline business processes to cut transaction costs and improve efficiency and emphasized the need to facilitate the sharing of development experiences and knowledge across countries.

12. **Consultations in developed countries.** Stakeholders in developed countries recognized the need for ADB to tackle the region's new development challenges and adapt to diverse client needs. Stakeholders acknowledged ADB's ability to catalyze finance, spur policy dialogue, and provide knowledge solutions. They recommended that ADB scale up its operations, including private sector work and public-private partnerships, and decentralize by assigning more staff to field offices.

They also suggested that ADB continue to protect vulnerable groups, including children, persons with disabilities, and the urban poor, and stressed that ADB should play a more active role in facilitating the flow of knowledge between less developed member countries and more advanced economies in the region. ADB's engagement in upper middle-income countries (UMICs) should be selective, focusing on areas where ADB can add most value.

13. **Other groups.** Asian Development Fund donors emphasized that ADB should maintain its core focus on poverty reduction and inclusive growth. They would like to see greater support for private sector development, public sector management, and regional cooperation. They support greater client differentiation in the strategy, including the articulation of a clear strategy for UMICs. Stakeholders in graduated members recognized ADB's role as a catalyst and mobilizer of private financing for development and noted ADB's ability to facilitate regional cooperation and knowledge and technology transfer. They also stressed that ADB's catalytic role is important in addressing the huge infrastructure gap in the region. ADB staff highlighted the need to focus on the "how" part of Strategy 2030 to address the "what" effectively. Staff expressed support for cross-sector collaboration, as client countries are facing more complex problems that need cross-sector interventions. They also recognized the need for ADB to re-skill and empower its staff, given the increased emphasis on cross-sector and thematic issues.

14. Roundtable meetings with prominent development thinkers.

In 2017, four roundtable discussions with prominent development thinkers were held in London, Manila, Tokyo, and Washington, DC. The experts shared their insights on ADB's role in Asia and the Pacific in the years leading to 2030. They emphasized the need to address poverty and inequality, combat climate change, strengthen regional cooperation, integrate technology and knowledge solutions in projects, engage with UMICs, and catalyze private sector finance. Several experts suggested that ADB go beyond infrastructure development and focus more on social sectors.

⁶ ADB. 2017. *Knowledge, Finance, and the Quality of Growth: An Evaluative Perspective on Strategy 2030*. Manila.

Experts Consulted during the Roundtable Meetings on Strategy 2030

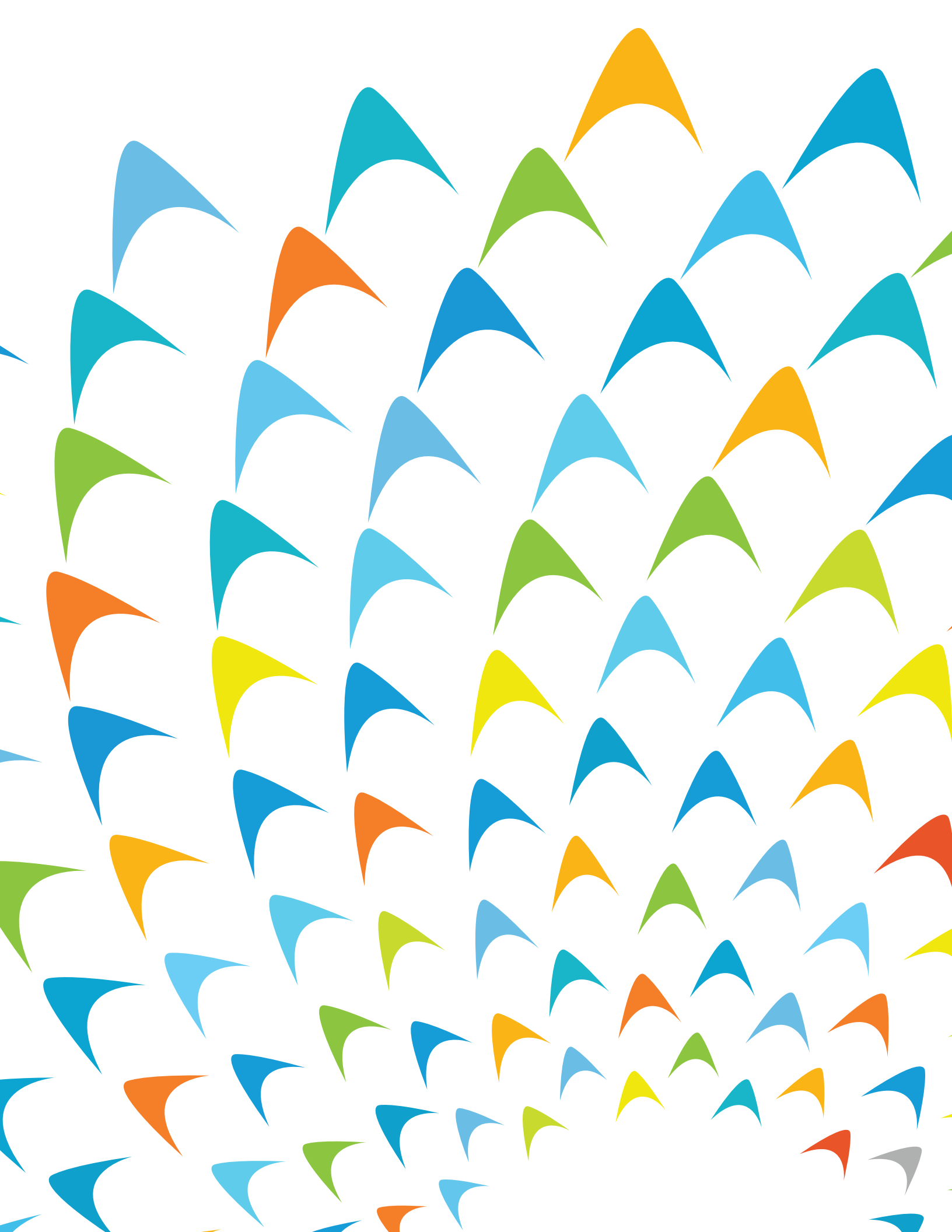
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ASEAN = Association of Southeast Asian Nations, US = United States.
Source: Asian Development Bank.

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Strategy 2030

Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific

Asia and the Pacific has made great strides in poverty reduction and economic growth in the past 50 years. The Asian Development Bank (ADB) has been a key partner in the significant transformation of the region and is committed to continue serving the region in the next phase of its development. Strategy 2030 sets the course for ADB's efforts to respond effectively to the region's changing needs. Under Strategy 2030, ADB will expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 67 members—48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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