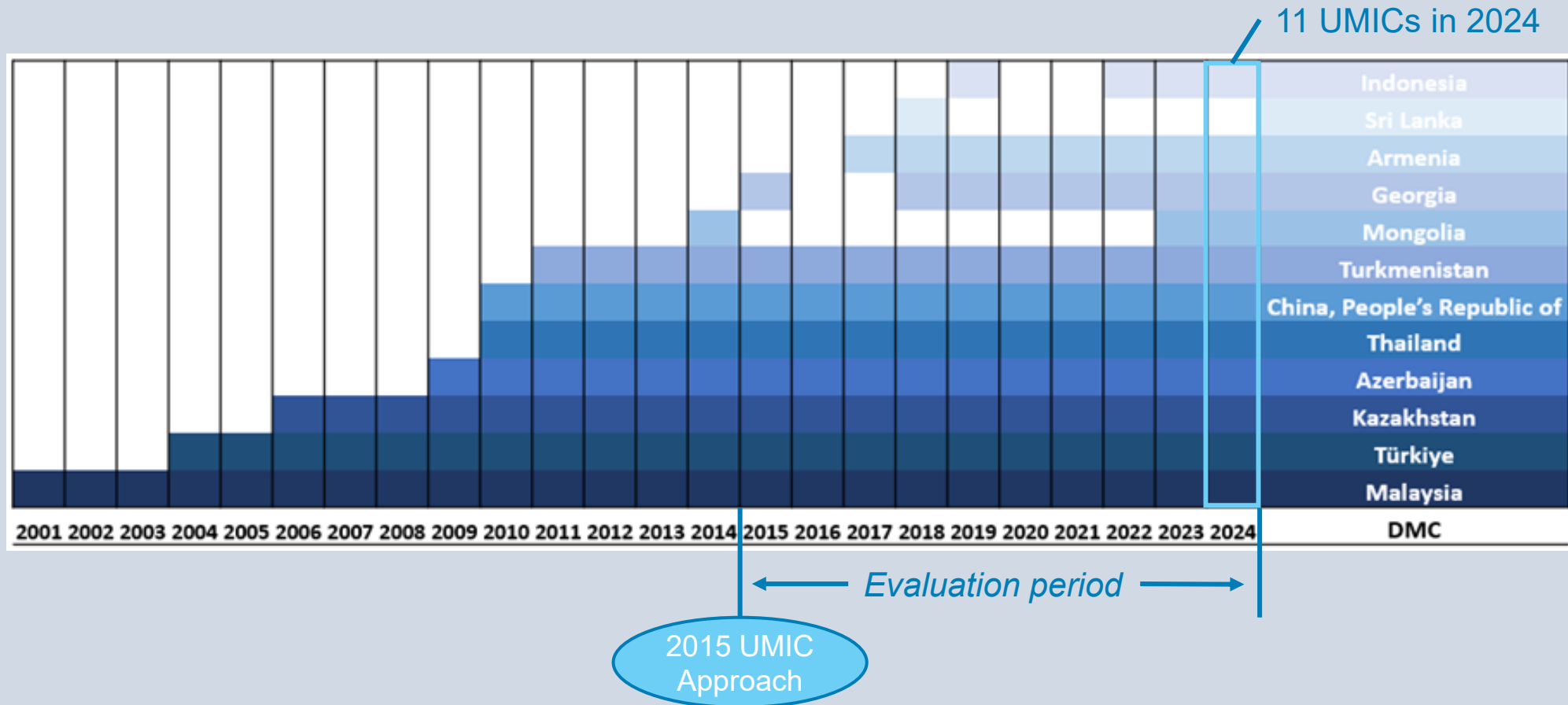


Evaluation of ADB's Engagement in Upper Middle-Income Countries

Michael Florian, Principal Evaluation Specialist

Substantial Increase in ADB's Upper Middle-Income Developing Member Countries



ADB Aspires to Adapt to the Rise of Its Upper Middle-Income Country Members



AUGUST 2024

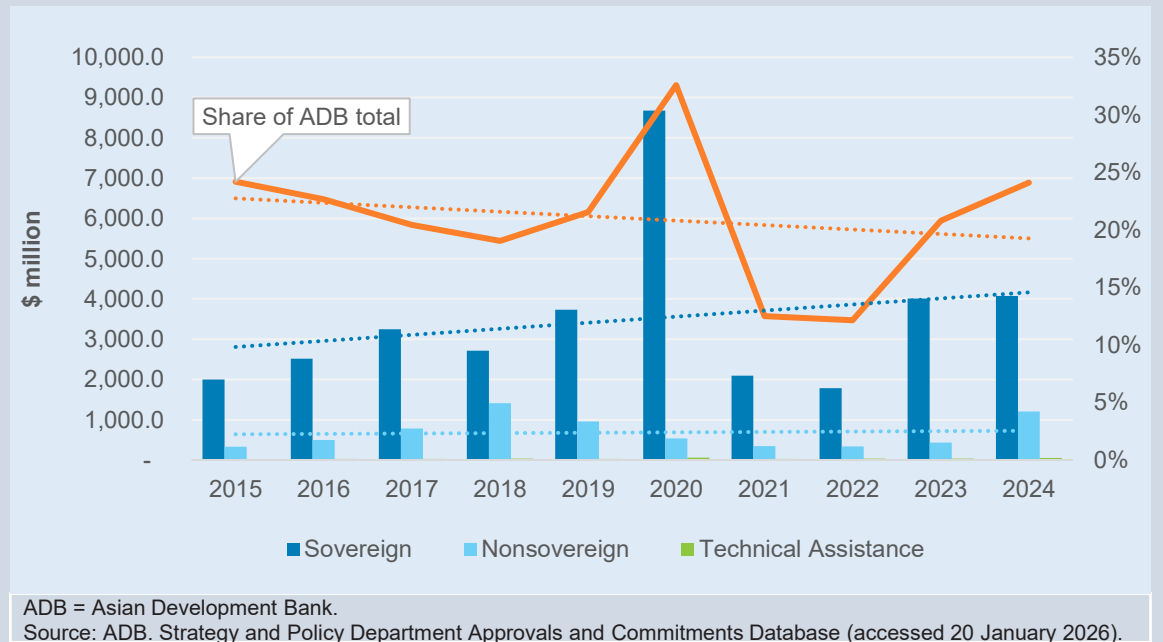
STRATEGY2030 MIDTERM REVIEW

AN EVOLUTION APPROACH FOR THE ASIAN DEVELOPMENT BANK

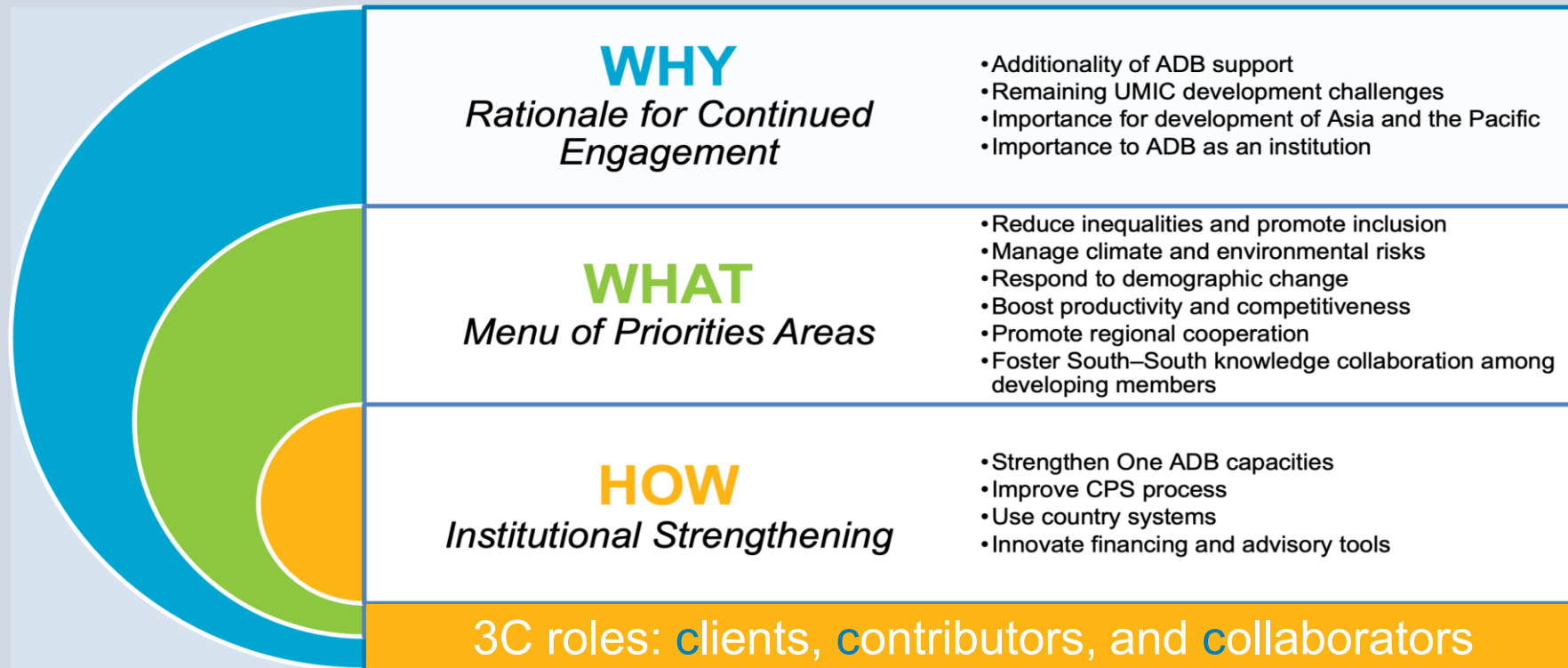
“(...) ADB’s **2015 UMIC strategy is outdated**. Many UMICs at the higher range of the income spectrum have **only modest engagement** with ADB, and several UMICs and near-UMICs have stopped borrowing, despite not having yet graduated. The **only clear differentiated approach** in ADB’s engagement with UMICs and near-UMICs is the diversified **financing terms** (...)”



Stagnant Share of Upper Middle-Income Country Lending



ADB Envisioned UMICs in Three Roles: as Clients, Contributors, and Collaborators



Four Strategic Objectives for A Distinct Engagement with UMIC

ADB ENGAGEMENT IN UMICs:

FOUR STRATEGIC OBJECTIVES

	CLIENTS	DEMONSTRATING CLEAR VALUE ADDITION that countries cannot get elsewhere
	COLLABORATORS	DRIVING REGIONAL PROSPERITY and the provision of regional and global public goods
	COLLABORATORS	CO-PRODUCING OPERATIONAL KNOWLEDGE to solve development challenges
	CONTRIBUTORS	CO-MOBILIZING FINANCE to scale up solutions and maximize development impact

Relevance and achievability of four strategic objectives highlighted by:

- ADB corporate guidance
- Peer multilateral development banks
- Literature
- Positive examples at ADB



They are yet to be consistently embedded in ADB's UMIC engagements

Five Ways to Tailor ADB's Corporate System to Better Deliver on Its Strategic Objectives



- 1 The updated UMIC approach should institutionalize a clearly articulated strategic rationale for UMIC engagement and provide guidance for embedding it through corporate incentives, country programming, and operational processes.
- 2 To demonstrate consistent value addition in UMIC operations, establish progressive ex ante benchmarks anchored in robust country and sector diagnostics systematically structured for this purpose.
- 3 Strengthen ADB's knowledge ecosystem to more systematically capture and scale innovation and lessons from UMIC operations and foster peer learning across DMCs.
- 4 Better leverage ADB's full suite of instruments for private capital mobilization in UMICs, recognizing it as an elevated strategic priority for ADB's differentiated engagement in these contexts.
- 5 Differentiate ADB's skills mix, incentives, and staff deployment for UMICs to better support value-adding, innovative, and impact-oriented engagement in contexts where financing alone is no longer sufficient.

Demonstrate Consistent Value Addition

WHY CHANGE?



THE CONTEXT

Transition challenges become more complex



THE DELIVERY GAP

Interventions are not consistently targeted or sophisticated



THE SYSTEM GAP

Current tagging cannot assure value addition at entry

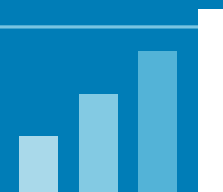


THE RECOMMENDATION

Establish progressive ex ante benchmarks

anchored in robust country and sector diagnostics

The benchmark rises as development gaps narrow



WHAT CHANGES IN PRACTICE?



Clearer expectations

Impact + additionality at entry



One framework

Sovereign + nonsovereign



Stronger diagnostics

Consistent development dimensions



Learn from peers

Review MDB and PSOD frameworks

Strengthen ADB's Knowledge Ecosystem

WHY CHANGE?



THE OPPORTUNITY

UMICs generate knowledge relevant across ADB



THE REPLICATION GAP

Most demonstration remains within-country



THE SYSTEM GAP

Broader learning is not yet a routine priority

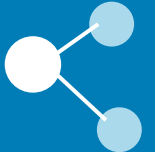


THE RECOMMENDATION

Strengthen ADB's knowledge ecosystem

to capture and scale innovation and lessons from UMIC operations

UMICs members become knowledge partners for the region



WHAT CHANGES IN PRACTICE?



Capture both forms

Explicit + tacit knowledge



Design for replication

Demonstration beyond one country



Connect people

Rotation + exchange platforms



Reward knowledge use

Incentives + digital and regional platforms

Thank you.