

LTSF Review
Consultations with European Civil Society Organizations and
representatives of the Private Sector
Frankfurt, Germany, 6th September 2007

Summary of discussions

1. Introduction

A consultation meeting on the review of the LTSF with representatives from European Civil Society Organizations (CSOs) and the Private Sector took place in Frankfurt, Germany on 6th September 2007. A total of 10 organizations participated (see list of attendees attached).

The consultations were structured around two main sessions: i) a first one dealing with the challenges of the region and the role of ADB up to 2020; ii) a second session dedicated to debate ADB's competencies and operational focus.

Participants expressed their appreciation for the opportunity to share their views on the development challenges of the Asia-Pacific region and on the review of ADB's long-term strategy.

2. Challenges of the region and ADB's vision and role to 2020

Although, representatives from European CSOs and Private Sector generally endorsed the Eminent Persons Group's (EPG) diagnosis of the risks and challenges of the Asia and Pacific region, many indicated that the scenario described was over optimistic and that there was a need for greater awareness regarding some key challenges facing the region:

- Compared to other regions, Asia and the Pacific are doing much better; however, although growth is high, gaps between rich and poor are increasing rapidly. In this sense, the region is at a cross-road and it is clear the poverty reduction agenda is far from over.
- There are not just countries which are clearly underperforming but there are also many regions within countries which are lagging behind (in many cases a rural-urban disconnect); these large 'pockets of poverty' clearly represent a potential source of instability for the region.
- More specifically, there are some serious environmental challenges related to the pace of economic growth, to the choices in energy sources and to a rapid and aggressive urbanization process. Related to this, the issue of resources (energy in particular) will represent a source for tensions among certain countries.
- Connected to this, there is also a huge employment challenge, reflected in the 'jobless growth' phenomena.

- There is a striking contrast between a dynamic private sector which in many countries is evolving positively and a public sector with serious problems of governance, corruption being the major obstacle.

In this regard, participants made the following comments regarding ADB's future role in the region:

- Poverty Reduction agenda is far from over and thus it should remain the overarching objective of ADB and this LTSF review process should not water down this mandate. In this regard, the concept of inclusive growth went hand in hand with poverty reduction. What is needed is a two-prong approach in which ADB is not only connecting the 'poor to growth' (participatory process - where ADB has been doing well) but also connecting 'growth to the poor' (sharing the benefits - where ADB should further focus on). However, it was widely agreed that more clarity was urgently needed regarding the exact meaning of the concept of inclusive growth if it is to be used in the revised LTSF.
- Taking into account the high number of players in the aid and development activities than in the region, the ADB should find areas of activity where it can make a difference:
 - Concentrate on the most needed, namely fragile states and ADF countries;
 - Fill in the gap in sectors or countries where the private sector is not willing to take the risks;
 - Provide financial intermediation (and allow capital from other sources to be released);
 - Assume a 'brokerage' role in the region regarding the provision of knowledge management (advisory role).

In addition to these main proposals, other more specific issues were also discussed:

- SMEs were considered to be crucial in providing employment opportunities and thus SMEs development should become a main part of ADB's work agenda;
- The huge negative effects that natural disasters can have on national growth and poverty levels were widely accepted and thus it was considered that ADB should focus more on 'disaster preparedness' in order to provide the correct support to affected countries (with a particular stress on prevention);
- There was also an agreement on the considerable benefits of 'South-South' cooperation and that ADB should further assist in developing these channels;
- Finally, the issue of safeguards was also widely discussed (including political ones) and considered to be crucial for sound development; participants recommended that this should remain a non-negotiable for ADB and that it should continue its efforts towards their improvement;

3. ADB's Competencies and Operational Focus

The overall message in this process of 'operational selectivity' was that ADB should indeed focus on fewer sectors in order to be able to achieve greater efficiency. However, there was a

call for a 'holistic' approach in all programs and projects; one where ADB would make cross-sector links, thus achieving a certain level of 'inclusiveness' and provide clear benefits to the local populations. More specific comments were made on the following:

- There was considerable support for the top four operational priorities: Infrastructure Development; Financial Sector Development and Intermediation; Energy and Environment; and Regional Cooperation (although in the latter case, some participants stressed that there were some significant sidebacks that needed to be taken into account).
- Having said this, some concerns were raised regarding the lack of mentioning of the education and health sectors. Here, the urgent need for an integrated (holistic) approach in ADB's operations was reiterated: for example infrastructure projects needed to have a clear pro-poor purpose, improving levels of sanitation or education of local populations (thus also suggesting for a broad definition of 'infrastructure development').
- Regarding infrastructure, representatives of European Civil Society and Private Sector considered that in order to achieve a higher degree on effectiveness and inclusiveness, ADB should focus mainly on medium scale projects where neither private sector is interested in nor microfinance institutions are capable of dealing with;
- Due to the enormous challenges facing the region, energy was considered to be a crucial sector. However, again it was made clear that these initiatives needed to benefit the populations (and not just large private companies); in addition, delegates urged for an increasing focus on 'renewables' (although they accepted that realistically a mix of energy sources had to be maintained);
- As mentioned in the previous session, delegates note the importance of the Financial Sector Development but again stressed that financial intermediation was perhaps the activity where ADB could make a real difference;
- There was also a strong call for enhanced coordination with other partners when deciding to pull out of sectors: ADB needed to make sure that another organization would fill in the gap in an effective manner; here there was an emphasis on the need for stronger instrumentation of the Paris Declaration;
- Participants also accepted the importance of Knowledge Management, namely in the sectors where ADB will specialize in; here again there was a call for the Bank to have a crucial 'advisory' role vis-à-vis its clients.
- Certain concerns were voiced regarding the definition of Governance as a 'cross cutting' theme, as the implications at the operational level were not clear. Here, there was a call for ADB to focus on Capacity Development in order to allow states to perform their basic 'public' role.

LIST OF PARTICIPANTS

No.	Country	Title	First Name	Last Name	Organization
1.	GERMANY	Mr.	Uwe	Noll	Deutsche Bank
2.	GERMANY	Mr.	Grinthe	Varhan	Dresdner Bank AG
3.	GERMANY	Mr.	Knud	Vöcking	Urgewald (NGO)
4.	GERMANY	Mr.	Martin	Geiger	World Wide Fond International (NGO)
5.	GERMANY	Mr.	Manfred	Hochwald	Deutsche Welthungerhilfe/German Agro Action (NGO)
6.	NETHERLANDS	Mr.	Pieter	Jansen	Both Ends (NGO)
7.	NETHERLANDS	Mr.	Tobias	Schmitz	Both Ends (NGO)
8.	NETHERLANDS	Ms.	Preeti	Sinha	World Economic Forum
9.	NETHERLANDS	Mr.	Reto	Schnarwiler	Swiss Reinsurance Company
10.	NETHERLANDS	Mr.	Oliver	Cumming	WaterAid
11.	NETHERLANDS	Mr.	Aly	Nazerali	Aga Khan Foundation
12.	NETHERLANDS	Ms.	Ute	Schmoock	Aga Khan Foundation
13.	NETHERLANDS	Ms.	Laura	Southerland	Aga Khan Foundation

ADB DELEGATION

Mr. Rajat Nag
Managing Director General
Asian Development Bank

Mr. Juan Miranda
Director General
Central and West Asia Department
Asian Development Bank

Mr. Philippe Benedic
Resident Director General
European Representative Office
Asian Development Bank

Ms. Shigeko Hattori
Principal Planning and Policy Specialist
Asian Development Bank

Mr. Antonio Ressano Garcia
Planning and Policy Specialist
Asian Development Bank