

CONSULTATIONS WITH (DMC) GOVERNMENT REPRESENTATIVES ON ADB'S LONG TERM STRATEGIC FRAMEWORK (LTSF) REVIEW IN NEW DELHI ON 5 SEPTEMBER 2007: A RECORD OF PROCEEDINGS

A. Introduction

1. ADB conducted consultations on the review of the LTSF with Government representatives of DMCs from the South Asia region on 5th September 2007 in New Delhi. (Please refer to Annex I for the list of persons present and Annex II for the session programme). The consultations covered three key issues (i) Risks and Challenges of the South Asia region (ii) Strategic options, operational and thematic priorities for ADB and the relevance of the EPG recommendations, and (iii) ADB's own strengths and weaknesses.

B. Risks and Challenges of the South Asia Region

2. The participants were of the view that Eminent Person's Group (EPG) has made a good assessment of the region's risks and challenges, and agreed that economic growth was accompanied with widening inequalities both within and among DMCs but without significant decreases in the absolute number of poor people in South Asia. They felt that this could undermine development goals and was a matter of concern. The participants suggested that ADB should continue to focus on poverty reduction with inclusion and sustainable development for South Asia. Some of the identified risks and challenges were that:

- Sustainable economic growth cannot happen without addressing other basic needs, services and entitlements
- Serious livelihoods and employment challenges exist in South Asian DMCs, especially in the agriculture and informal sectors.
- Many DMCs are experiencing ongoing transitions with serious security concerns making the social and political environment detrimental to economic growth
- Many DMCs have weak governance and institutional capacities
- All DMCs face huge infrastructure bottlenecks especially in rural connectivity, market access and in the delivery of public services (e.g. water and power).
- Energy security constraints exist for all DMCs
- Environmental challenges, natural hazards and the increasing frequency of natural disasters are matters of grave concern
- Some DMCs reported serious constraints of both financial and knowledge resources
- Financial sector and capital market development have not kept pace with other sectors.

C. Strategic Focus

3. The participants were of the view that while the vision of a 'Poverty-free Asia Pacific region by 2020' was a good long-term goal - it seemed unrealistic for South Asia, given current levels of poverty. They were of the view that the goal ought to be broadened to address vulnerability and inequity in the short run, and to improve the overall quality of life and prosperity in the long run. Many participants also wanted ADB to develop greater clarity on inclusive growth. In addition, they suggested the following factors to guide ADB's future strategic thrust areas:

- While ADB should assist DMCs who require strengthening of their governance capacities, the assistance has to be within the frame of national systems rather than imposing institutional arrangements, conditionalities or safeguards from the outside.

- Using governance as an instrument of lending will have serious consequences for DMCs, and could defeat ADB's objective to promote good governance. Good governance is a function of level of economic and social development and promoting it is the responsibility of DMC governments. This has to be nurtured carefully and with patience taking into account local social conditions and circumstances, and institutional arrangements and their strengths..
- While environmental degradation is a serious concern and also linked to energy security, the participants cautioned that ADB environmental safeguard policies should be framed within existing national systems and standards.
- Environment sustainability cannot be at the cost of development. ADB should facilitate transfer of super-critical environmental technologies to DMCs by setting up a technology development fund to provide concessional assistance for accessing super-critical environmental technologies at an affordable cost. ADB will need to be careful in its approach to environmental promotion and should serve the interests of DMCs rather than developed countries.

4. **Operational Priorities:** The participants broadly supported the six priority operational sectors identified by the EPG. They suggested the following specific operational priorities based on DMC needs:

- Infrastructure, energy, education and health
- Strengthening the PPP modality in infrastructure and extending it to the education and health sectors and accord high priority for supporting infrastructure elements in all sectors including health, education and agriculture.
- Technology development and innovation, especially in the energy sector to develop more affordable and environment-friendly technologies
- Developing institutional capacities and knowledge resources to improve governance
- Development of regional infrastructure and enabling greater economic integration
- Focus operations in five or six core areas. But at the same time the strategy should accord adequate flexibility to ADB to provide assistance to new emerging areas the needs of which cannot be predicted now. There has to be a review of strategic priority areas once in 3 to 5 years to bring such flexibility.

5. **Role of ADB:** The participants suggested that the ADB's main role should be to:

- Address infrastructure development and investment bottlenecks
- Be more active in the education and health sectors
- Focus on building capacity for risk mitigation, environmental protection and management
- Develop the potential to influence good governance, via capacity building and strengthening provision of financial and knowledge resources
- Invest in reducing vulnerability of people who have moved out of poverty but are in the danger of slipping back because of external shocks
- Complement the efforts of other institutions in achieving regional and global integration especially in financial markets and trade sectors
- differentiated in DMCs so that it can be responsive to country needs. Adopt a balanced and country specific approach to programming and while designing conditionality.
- Build DMC capacities to reduce their vulnerability to natural calamities and climate change.
- ADB has to take greater accountability for project failures. PPTAs generally fail to provide good outcomes when the consultants are selected and fielded without adequate consultations with the Government. ADB will also have to carefully look at how TA outcomes are managed and disseminated.

- Build DMC national knowledge and innovation systems to give a fillip to innovation and technology development and thereby strengthen regional and global integration and competitiveness

D. Operational Strengths and Weaknesses

6. **Strengths:** DMCs were appreciative of ADB's support. ADB is broadly seen as responsive and having considerable cross-national and cross-sectoral knowledge. DMCs specifically appreciated ADB's:

- Entry into new areas like agriculture and tourism
- Innovation and Efficiency Initiatives
- Project Preparatory TAs

7. **Weaknesses:** DMCs highlighted the following weaknesses of ADB, and suggested that these should be overcome in order to improve its effectiveness:

- All the DMCs felt that the operational functioning of ADB is highly centralized, with inflexible procedures that cause extensive delays and result in high transaction costs. A number of specific suggestions were made to address these challenges
- The group felt that ADB's procedures become cumbersome, in part, due to the staff's eagerness to mitigate various risks, many of which tend to be perceived rather than real. They were of the view that as a development bank, ADB will have to develop a greater appetite for risk.
- Greater flexibility in ADB procurement policies is necessary especially the development of more sector and national system-relevant guidelines, raising of ceilings for international bidding, and the removal of restriction on suppliers' nationality
- Realignment of ADB safeguard policies in order to be more flexible, responsive and in consonance with national systems
- Introduction of flexible and fast-track ADB disbursement systems with modified commitment charges, improved PPTA design, consultant selection and accountability to DMCs

ANNEX- I: LIST OF PARTICIPANTS

DMC Government Participants

Bangladesh

1. Mr. Md. Aminul Islam Bhuiyan, Secretary, Economic Relations Division, Ministry of Finance.
2. Dr. M. Fouzul Kabir Khan, Secretary, Power Division.
3. Mr. Khondker M. Asaduzzaman, Director General, Directorate of Primary Education.

Bhutan

4. Mr. Choiten Wangchuk, Chief Planning Officer, Ministry of Finance.
5. Mr. Thinley Namgyel, Chief Planning Officer, Development Cooperative Division.
6. Mr. Tshewang Norbu, Deputy Chief Program Officer, Development Cooperative Division.

India

7. Mr. Arvind Mayaram, Joint Secretary, Department of Economic Affairs, Ministry of Finance.
8. Mr. Sanjay Garg, AGM, Ministry of Power.
9. Ms. Ravneet Kaur, Director, Ministry of Finance.
10. Mr. Punya Srivastava, Director, Ministry of Shipping.
11. Mr. Savitur Prasad, Director, Government of India.
12. Mr. M. Dhinadhayalan, Assistant Adviser, Government of India.
13. Ms. Kavita Prasad, Deputy Secretary, Ministry of Finance.
14. Mr. D. P. Dutta, Sr. Manager, BIMSTEC, Ministry of Tourism.
15. Mr. Sanjay Kothari, Additional Director General, Ministry of Tourism.

Maldives

16. Honorable Hamdun Hameed, Minister, Ministry of Planning and Development.
17. Honorable Riluan Shareef, Minister of State, Ministry of Finance and Treasury/

Nepal

18. Mr. Rameshore Khanal, Secretary, Revenue, Ministry of Finance.
19. Mr. Purna Kadariya, Acting Secretary, Ministry of Physical Planning and Works.
20. Mr. Madhu Marasini, Under Secretary, Ministry of Finance.

Sri Lanka

21. Mr. S. Amarasekara, Secretary, Ministry of Highways and Road Development.
22. Mr. Mapa Pathirana, Director, Department of External Resources.
23. Ms. M Gangadaran, Deputy Director, Department of National Budget.

ADB Participants

24. Mr. Kunio Senga, Director General, South Asia Department, ADB, Manila
25. Mr. Kazu Sakai, Director General, SPD, ADB, Manila
26. Mr. Seethapathy Chander, Deputy Director General, PSOD, ADB, Manila
27. Mr. Sudipto Mundle, Director, SPD, ADB, Manila
28. Ms. Hua Du, Country Director, Bangladesh Resident Mission, ADB
29. Mr. Narhari Rao, Chief Economist, ADB, India Resident Mission, New Delhi
30. Mr. Werner Liepach, Principal Director, ADB, Manila
31. Mr. V. B Tulasidhar, Sr. Economist, Regional Cooperation, ADB, Manila
32. Ms. Manju Senapaty, Sr. Planning and Policy Economist, SPD, ADB, Manila
33. Mr. Geoff Crooks, Evaluation Specialist, OED2, ADB, Manila

ANNEX- II: SESSION PROGRAMME

AGENDA

Day 1: 5 September, Wednesday Consultations with the DMC Government Officials

TIME	ACTIVITY
9:30 – 9:50	Introductory Remarks Mr. Kazu Sakai, Director General Strategy and Policy Department (SPD), ADB Mr. Arvind Mayaram, Joint Secretary, Department of Economic Affairs, Government of India
9:50 – 10:10	Presentation on LTSF Review and Key Issues Ms. Manju Senapaty, Senior Planning and Policy Economist Strategy and Policy Department (SPD), ADB
10:10 – 11:00	Discussion Session 1: Views from DMC participants <i>“Risks and Challenges of the Region and the Role of ADB”</i> Moderator: Mr. Kunio Senga, Director General South Asia Regional Department (SARD), ADB
11:15 – 12:30	Discussion Session 2: Views from DMC Participants <i>“ADB’s Vision and Strategic Mission to 2020”</i> Moderator: Mr. Kazu Sakai, Director General Strategy and Policy Department (SPD), ADB
1:30 – 2:45	Discussion Session 3: Views from DMC Participants <i>“ADB’s Operational Focus”</i> Moderator: Mr. Kunio Senga, Director General South Asia Regional Department (SARD), ADB
3:00 – 4:00	Final Discussion Session: Views from DMC participants <i>“ADB’s Competencies and Services”</i> Moderator: Mr. Narhari Rao, Chief Economist India Resident Mission, ADB
4:00 – 4:30	Closing Remarks Mr. Kazu Sakai, Director General Strategy and Policy Department (SPD), ADB