

**LTSF Review Consultation Meeting  
Non-borrowing Regional Member Countries  
Civil Society/Private Sector**

30 August 2007  
Tokyo, Japan

**Summary of Discussions**

**A. Introduction**

1. A consultation meeting on the review of ADB's Long Term Strategic Framework (LTSF) with members of the civil society and private sector from non-borrowing regional member countries was held on 30 August 2007 at the ADB Institute in Tokyo, Japan (see Attachment for List of Participants). The consultations covered the following areas: (i) challenges of the region and ADB's vision to 2020; (ii) role of ADB; and, (iii) ADB's competencies and operational focus.
2. Participants had active discussions on ADB's long-term strategic directions and its role within a region of diverse needs and requirements for development. The key points of discussions and conclusions are summarized below.

**B. Challenges of the Region and ADB's Vision to 2020**

3. The following questions on the future challenges of the region and ADB's vision to 2020 were posed to the participants.
  - Do you agree with the risks and challenges of the region?<sup>1</sup>
  - Given these challenges, what should be ADB's vision to 2020? – should it continue to be “an Asia and Pacific Region free of poverty?”
4. Among the challenges of the region, some participants felt that the specific needs of the Pacific region should be taken into account in developing ADB's long-term strategy. Focused attention to the small developing nations of the Pacific is warranted since the needs of these islands are very different from those of Asia. The Pacific region was not explicitly covered in the Eminent Persons Group (EPG) report and it was suggested that ADB should have separate strategic frameworks for various regional groupings.
5. Climate change, for example, would be a major challenge for the Pacific developing member countries. Climate change brings about new problems such as environmental refugees which could trigger abrupt increase in poverty of a region. Moreover, ADB should have a measurable target in its operations to address the climate issues related to the Kyoto protocol. ADB should also participate in global efforts to reduce environmental degradation. In this regard, a suggestion was made to use peer pressure within the region for energy conservation, putting energy efficiency as an

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<sup>1</sup> ADB presentation listed as future risks and challenges the following: rising disparities, unresolved poverty issue, environmental degradation, infrastructure bottlenecks, underdeveloped financial system, regional and global integration, and innovation and technological development.

agenda in the GMS summit and promotion of green jobs for sustainable industrial development, for example.

6. Natural calamities, such as cyclones, tsunamis, and earthquakes were regarded as another prominent risk in the region. Such calamities will cause many to fall below the poverty line and though emergency support after such catastrophes would be important, ADB's effort should increasingly focus on disaster prevention, developing the early warning systems for example.

7. In relation to climate change, energy sources were discussed. Some suggested that analysis should start with the demand for energy. A right mix of sources of energy will need to be determined but with an understanding and recognition that no power source is without environmental impact. This is a dilemma that ADB must always face – to balance infrastructure development with environmental sustainability. Small hydro power projects would be very effective in this regard, however, they will not be without tradeoffs. ADB should promote renewable energy as well as projects that are practical and financially, operationally, and environmentally sustainable. Also, ADB's criteria for planning energy and natural resource use must specifically address issues of biodiversity, which was not included in the EPG report.

8. In developing projects, it is no longer an "either-or" issue. There are always tradeoffs in development projects but ADB must be able to find convergence and make these projects sustainable. ADB can promote projects that have high environmental standards (such as implementing a system that benefits biodiversity) and this can be one of the bank's core competencies. Moreover, environmental and climate change issues should be made explicit in ADB projects.

9. In promoting eco friendly sources of power, the question of financial costs, stability, and environmental sustainability will need to be considered. It may not be fair to the developing member countries to solely promote these types of energy given their limited financial resources and greater need for energy in further pursuing development. Donors would have responsibilities to aid the DMCs in this area. To provide renewable energy, for instance, the governments will need to provide subsidies as incentives, requiring careful deliberation.

10. Some participants felt that inclusive growth would mean ADB moving away from poverty reduction and if this was the case, they would be strongly opposed to it. ADB's core principle should remain with poverty reduction. In the concept of inclusive growth, providing social safety net would be of critical importance. Also, for people to be included in growth, governments must provide basic health services and opportunities for education. Others found it disturbing that the EPG report did not give more focus on the often disadvantaged groups of society, such as women. To ensure inclusive growth, gender and human rights would be important elements and in the Pacific region lack of leadership from women remains a critical issue.

11. There is a need for ADB to mainstream gender and governance in its operations. The growth of economies can be further enhanced by ensuring gender equity and good governance. Development projects should never be supported by ADB when there is gross violation of human rights, and in cases where displacements occur, persons affected should be adequately compensated. Moreover, projects should always be

participatory and ADB must assure that benefits are maximized while minimizing the harm.

12. In terms of future challenges, there is also a need for ADB to analyze the labor market. Unemployment among youth, women, and migrated workers in the midst of high economic growth is clearly an issue for inclusive growth. Building capacity of the local labor would be a means to promote growth. Training part-time workers, members of the informal sector, and migrant workers would drastically reduce unemployment in the region and move the informal sector into the formal sector.

### **C. Role of ADB**

13. The following questions on the role of ADB were posed to the participants.

- Should ADB's business model remain centered around project financing?
- How could ADB support knowledge development of the region?
- What other value added products/services should ADB provide?

14. Project financing should remain ADB's main role. Dealing with issues on the ground through financing specific projects will provide ADB with opportunities for reality check. Also ADB would, in large part, be accountable for the outcomes of these projects, which may not always be the case for policy-based loans. Giving due consideration to software development in conjunction with hardware construction would be important for effective implementation of the financed projects.

15. Program lending would be an alternative, but caution on its extensive use is warranted. Also conditionalities placed on such loans can have negative impact, when lacking in sound analysis and full understanding of the specific circumstances of the country being supported. Some participants questioned the use of loans to DMCs, except those where the project was likely to result in sufficient profit to repay the loan over a reasonable period of time. There was strong objection voiced against use of most forms of conditionality, especially those relating to restructuring the workforce.

16. The sector-wide project financing, which would reduce duplication among donors and waste of scarce resource would be an important alternative. Finding the right balance of sector-wide project financing is an issue ADB will need to grapple with in its future operations. In any case ADB should not focus narrowly on aiding the governments. There is a significant role that civil society could play in partnership with ADB.

17. The emerging donors may not fully abide by the requirements on governance, safeguards, environmental sustainability, etc., adopted by ADB and other multilateral and bilateral donors. It would be important for ADB to share and promote the safeguard policies and other requisite elements for sustainable development with the emerging donor countries. Here ADB would have an important role to play.

18. ADB also has a role to play in promoting aid effectiveness, specifically its commitments to the Paris Declaration and harmonization of aid with other donor agencies. ADB will need to track its progress in this regard and report its findings.

19. The total amount of debt being accumulated by the developing countries is also an important issue. Traditionally multilateral banks do not provide debt relief but the

situation might change. It was reported that a few of ADB's developing member countries had initially considered debt relief but most have subsequently withdrawn their request. ADB currently does provide concessional or soft-term loans as well as grants in view of debt sustainability and the requirements of weaker and smaller economies of the region.

#### **D. ADB's Competencies and Operational Focus**

20. The following questions on ADB's competencies and operational focus were posed to the participants as part of the discussion.

- What are ADB's competencies?
- What should be ADB's core operational priorities to meet the future challenges of the region?
- How can ADB be selective in its operations and be responsive to a range of client needs?

21. Although there has been considerable reduction in the number of people living in absolute poverty, many still remain poor and with the limited achievements on non-income MDGs, ADB's vision should remain an Asia and Pacific region free of poverty. Given the rising inequalities, however, ADB's vision could be an Asia and Pacific region of equality and free of poverty. As a leader of development in the region, ADB should always be cognizant of the message it will be sending to its developing member countries and other donor agencies if it intends to change its vision and its overarching goal. From this perspective, it was felt that ADB should not be abandoning poverty reduction as a core development objective. ADB should not be a bank for the middle-income but a bank for the poor.

22. In pursuing inclusive growth, which would be a means to further reducing poverty in the region, social safety net cannot be forgotten. Also vocational training would be highly relevant for reducing unemployment and including the poor within the growth process. It was noted that taxation is an important issue that will need to be addressed to reduce inequality and promote inclusive growth. If ADB is to shift its operational focus to inclusive growth including distributive aspects of economic growth, ADB's strategy will need to match the concept of inclusive growth, supporting higher levels of growth with employment opportunities on one hand but ensuring social inclusion by providing opportunities for all on the other.

23. While there was general agreement on the areas of ADB's operational focus (infrastructure development, financial sector development, energy and environment, and regional integration), several participants felt that agriculture would be important since majority of the poor were dependent on this sector. For the Pacific region, agriculture would be the mainstay. Although the success rate of ADB projects in agriculture projects has only been around 50%, it was pointed out that the low success rate may be attributable to factors outside of ADB.

24. ADB should look at the problems of the agriculture sector on a worldwide scale and learn from them. There are some dynamic changes taking place within the agriculture sector which should be looked into and future emphasis on this sector could be on innovation and technological development. The sector would also be important from the perspective of sustainable environment. Moreover, given the expected tighter

demand supply conditions for food, food security still remains an important issue for the region. These arguments would similarly apply for fisheries, which would be an important sector for the island economies of the Pacific region.

25. In considering the issue of selectivity and focus and exclusion of some sectors from ADB's future operations, it was noted that ADB has been quite successful with its educational programs but not so in health. Due to an increase in the number of foundations focusing on health (Bill and Melinda Gates Foundation, for instance), it was suggested that ADB could possibly move out of this sector in order to avoid duplication with other organizations which may have higher comparative advantage.

26. Good governance, however, is an integral part of ADB's operation and should remain at the core. A big issue in Asia is corruption and ADB must continue its fight against corruption and further promote good governance. Civil society can play an important role in fostering good governance and reducing corruption, and ADB should strengthen its working relationship with them.

27. It was generally agreed that ADB has the background and comparative advantage to support regional cooperation and integration. GMS would be a good example, but to claim progress with regional integration, ADB will need to conduct cumulative impact assessments, for example on GMS infrastructure development. Given the unique needs of the Pacific countries, this sub-region should be considered separately from Asia as a whole. Regional integration has clear benefits but should be substantiated and better defined. There is also a need to take account of the weaker countries in a particular sub-region and ADB's efforts should focus more on reducing disparities among the countries within sub-regions.

**List of Participants****A. Civil Society**

<b>Country</b>	<b>Participant</b>	<b>Remarks</b>
Japan	Mr. Yuki Tanabe Japan Center for a Sustainable Environment and Society (JACSES)	
Japan	Mr. Yasuko Muramatsu Chair, Japan Research Center for Gender and Development	
Japan	Mr. Yasuaki Nagaishi Director, International Cooperation Division, OISCA	
New Zealand	Ms. Rae Julian Executive Director, Council for International Development	
Singapore	Mr. Noriyuki Suzuki General Secretary, ICFTU-APRO	
Laos	Ms. Dekila Chungyalpa Director, WWF-US Greater Mekong	

**B. Private Sector**

<b>Country</b>	<b>Participant</b>	<b>Remarks</b>
Japan	Mr. Fumio Kojima Head of Trade – Japan, Australia and New Zealand Banking Group Limited	
Japan	Mr. Yasushi Iida Deputy Manager, Consultancy Services Group, International Affairs Department, Tokyo Electric Power Company	
Japan	Mr. Toshiya Sano Head, Power Generator Plant Funding Marubeni Corporation	