



Technical Assistance Report

Project Number: 39346
July 2006

External Forums for Selected Sectors and Thematic Priorities at the Asian Development Bank

Asian Development Bank

ABBREVIATIONS

| | | |
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| ADB | – | Asian Development Bank |
| DMC | – | developing member country |
| EFG | – | External Forum on Gender |
| MTS | – | medium-term strategy |
| NGO | – | nongovernment organization |
| PSP | – | private sector participation |
| RSDD | – | Regional and Sustainable Development Department |
| RSOD | – | Office of Director General, RSDD |
| SARS | – | severe acute respiratory syndrome |
| TA | – | technical assistance |

TECHNICAL ASSISTANCE CLASSIFICATION

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|---------------------------------|---|--|
| Targeting Classification | – | General intervention |
| Sector | – | Multisector (energy, transport and communications, health, nutrition, and social protection) |
| Subsector | – | Energy sector development; health systems; integrated water supply, sanitation and waste management |
| Themes | – | Sustainable economic growth, environmental sustainability, governance, private sector development |
| Subthemes | – | Promoting economic efficiency and enabling markets, cleaner production, public governance, private sector investment |

NOTE

In this report, “\$” refers to US dollars.

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I. INTRODUCTION

1. Given the rapidly changing social, economic and institutional circumstances of its developing member countries (DMCs), the Asian Development Bank (ADB) needs to ensure that it remains relevant and responsive to the DMCs in its policies, operations, and institutional structures. The ADB needs to draw on knowledge and lessons of experience across the globe to remain current in its development approaches. The establishment of external forums—at which distinguished experts in ADB's priority sectors and thematic areas can gather to exchange ideas and provide directions—is a valuable way for the institution to improve its development effectiveness.

2. The scope and direction of the proposed ADB technical assistance (TA) grant for External Forums for Selected Sector and Thematic Priorities at the Asian Development Bank were defined in the concept paper approved by ADB's Management on 16 June 2005. The TA is included as a firm activity in the work program of ADB's Regional and Sustainable Development Department (RSDD).¹ The design and monitoring framework is presented in Appendix 1.

II. ISSUES

3. Given the region's very rapid and accelerating transformation, ADB's medium- and long-term strategies need to respond flexibly and creatively. The challenge is to improve ADB's development effectiveness with relevance and adaptability. There have been several recent initiatives to harmonize practices and procedures, improve business processes, and develop new financial products. These have been accompanied by a renewed focus on regional cooperation and integration.

4. The need for ADB to draw on lessons and experiences of current international thinking was recognized in the establishment of the External Forum on Gender (EFG). The EFG is ADB's first standing advisory group on a thematic priority, and is one of the institutional mechanisms under the Gender and Development Policy² to facilitate regular dialogue between ADB and key gender experts from governments, nongovernment organizations (NGOs), academia, and other segments of civil society. The EFG has played an important role in (i) raising the profile of gender issues within ADB, (ii) sharing knowledge and experience on regional gender concerns relevant to ADB operations, and (iii) providing independent feedback and guidance on ADB performance under the Gender and Development Policy. For 2006, ADB will continue its support for the EFG under an ongoing TA.³

5. With the success of the EFG, RSDD plans to replicate the model and apply it to ADB's other cross-cutting and thematic priorities. This will occur on a trial basis in two phases, the first during 2006, and the second during 2007–2009. The themes have been drawn from those most relevant to ADB's emerging challenges and within the context of ADB's strategic interventions for the second Medium-Term Strategy and the directions of ADB's Reform Agenda.⁴ RSDD has identified six operationally relevant areas for 2006 that could benefit from guidance by internationally recognized practitioners and policy makers: clean energy, environmental

¹ The TA first appeared in *ADB Business Opportunities* on 31 March 2006.

² ADB. 2003. *Gender and Development*. Manila.

³ ADB. 2003. *Technical Assistance for the External Forum on Gender and Development – Phase 2*. Manila (TA 6104-REG, approved on 6 May).

⁴ Available at: <http://www.adb.org/ReformAgenda/adb.asp>

investments, health emergencies, knowledge management, governance initiatives, and private sector participation (PSP) in urban water.

6. **Exploiting Clean Energy.** Energy use in Asia and the Pacific is characterized by rapid growth and the dominant use of fossil fuels. In 2003, the total primary energy supply for Asia was 2.6 billion tons of oil equivalent, representing 25% of the world's total energy supply. Ten years earlier, Asia's total primary energy supply was only 13.3% of the world's total. This trend is neither economically nor environmentally sustainable. ADB's Energy Policy⁵ emphasizes the need to accelerate widespread adoption of renewable energy and energy efficiency in its DMCs. This focus has been further strengthened in the ADB Energy Policy Review,⁶ which shifted the emphasis toward renewable energy and energy efficiency project preparation and policy reforms through specific priorities, such as promoting private sector involvement and addressing regional and global environmental impacts in energy sector operations. ADB now has several initiatives intended to assess and strengthen the effectiveness of energy sector interventions.⁷ Given that many DMCs currently face major energy security issues, especially with high energy prices and increased competition for supply, it is opportune for ADB to explore innovative approaches to assist DMCs exploit clean energy options and develop policy instruments such as taxes and market-based incentives.

7. **Investing in the Environment.** The theme of the 2005 Asian Environment Outlook⁸ is that all those involved in development—governments, civil society, and business interests—should come together in creating a sustainable future with innovation and creativity. The Asian Environment Outlook points out that there are considerable business opportunities in the provision of (i) environmental infrastructure, such as water supply and wastewater systems, (ii) renewable energy, (iii) environmentally preferable products, (iv) environmentally sound primary production, and (v) environmental services, including design, engineering, laboratory analysis, monitoring, auditing and reporting. The global market for environmental goods and services has been estimated at about \$600 billion, and is likely to increase to over \$830 billion by 2015. While the majority of the revenue is still generated in western countries and Japan, intense competition in those countries, combined with increasing customer sophistication, decelerating growth and reduced profitability means that sizable new market opportunities are located in the developing world, primarily the Asia and Pacific region.⁹ The potential for enhancing the effectiveness of ADB's catalytic role in exploiting those opportunities through private sector partnerships is an area of significant contemporary importance.

8. **Coping with Health Emergencies.** Recent history has shown the significant humanitarian, social, political, and economic implications of new and emerging communicable diseases. According to the World Health Organization, more than 30 new diseases have emerged since the mid-1970s, such as severe acute respiratory syndrome (SARS), HIV/AIDS, and avian influenza. SARS emerged in the southern People's Republic of China in late 2002 and spread quickly across Asia and North America, with cases eventually reported in 32 countries and areas. By the end of 2004, almost 8,500 cases and more than 900 deaths had

⁵ ADB. 1995. *The Bank's Policy Initiatives for the Energy Sector*. Manila.

⁶ ADB. 2000. *Energy 2000 – Review of the Energy Sector Policy of the Asian Development Bank*. Manila.

⁷ The Operations Evaluation Department is undertaking a sector assistance program evaluation for the entire energy program at ADB, RSDD is revising and updating the energy sector policy, and Management has instituted the energy efficiency initiative, which includes renewable energy, to find ways for ADB to increase its lending program for clean energy to \$1 billion a year.

⁸ ADB. 2005. *Asian Environment Outlook 2005 – Making Profits, Protecting Our Planet: Corporate Responsibility for Environmental Performance in Asia and the Pacific*. Manila.

⁹ Investment opportunities in specific DMCs are being analyzed under TA 6292 (ADB. 2005. *Technical Assistance for Promoting Environmental Investment in Asia and the Pacific*. Manila [approved on 19 December]).

been reported. Estimates of the global cost of SARS have varied from \$30 billion–150 billion; the cost in East Asia is estimated at about \$18 billion, representing 0.6% of gross domestic product.¹⁰

9. Avian influenza (H5N1) was first detected in humans in late 2003, about a year after SARS, and has generated major concern about a new global pandemic. The implications of an influenza pandemic in Asia are enormous. ADB estimates that an outbreak of avian influenza could cost \$99 billion under a short-term impact scenario, and over \$280 billion in a long-term impact scenario.¹¹ HIV/AIDS is a continuing global epidemic that is spreading rapidly in the region. The Joint United Nations Programme on HIV/AIDS (UNAIDS) estimates that 40.3 million people were affected globally at the end of 2005, with 8.3 million people living with HIV in Asia,¹² including 2.1 million women. There were 4.9 million newly infected people in this region in 2005, and 3.1 million adults and children died due to AIDS.¹³ The effects and implications of emerging diseases, together with the public health challenges of more frequent natural catastrophes caused by climate change, make it imperative that globally coordinated programs are discussed, developed and implemented, especially for the Asia and Pacific region, where ADB has played a major role in tackling those diseases through awareness and capacity building.

10. **Knowledge Management for Development–Asia.** In fighting poverty, development practitioners have recognized the critical role of information in being able to “improve incomes and living standards at a much faster pace than previously imagined”¹⁴ and the need for the development community to “take on new tasks related to the creation, transfer and management of knowledge”.¹⁵ This recognition has led to the widespread adoption of knowledge-based strategies by those active in the development sector, including aid agencies, NGOs and other civil society organizations, and research institutes. Various organizations have launched knowledge sharing initiatives with interconnected goals: improving internal knowledge sharing; sharing knowledge with and learning from partners and clients; and building the capacity of clients to more effectively access, adapt, and apply knowledge to local conditions. To continue progress in knowledge management, practitioners in development organizations in the region need to (i) share experiences in implementing and applying knowledge management and learning approaches; (ii) better understand how private and public sector organizations approach knowledge sharing and learning; (iii) deepen leadership and management roles; (iv) present new information and communication technology tools and techniques for knowledge sharing; (v) share experiences in managing communities of practice; and (vi) discuss knowledge management assessment methodologies for development organizations.

11. **Governance Initiatives–Adapting the Role of Government in the Transition to a Market Economy.** Developing sound governance principles has been one of the top issues for governments as they implement policies and introduce reforms in the move to market-led economies. Economic growth alone will not solve the problems of social exclusion and poverty. Despite considerable achievements in liberalization and privatization during the transition

¹⁰ Fan, E. 2003. SARS: Economic Impact and Implications. *ERD Policy Brief No. 15*. Economics and Research Department. Manila: ADB.

¹¹ E. Bloom, V. de Wit, and M.J. Carangal-San Jose. 2005. Potential Economic Impact of an Avian Flu Pandemic on Asia. *ERD Policy Brief No. 42*. Economics and Research Department. Manila: ADB

¹² A total of 1.6 million in Eastern Europe and Central Asia.

¹³ Joint United Nations Programme on HIV/AIDS and World Health Organization. 2005. *AIDS Epidemic Update 2005*. Geneva.

¹⁴ World Bank. 1999. *World Development Report 1998/99*. Washington, DC (page 14).

¹⁵ Footnote 15, page 143.

process, the quality of economic governance varies widely across the region.¹⁶ Most governments need to undertake comprehensive institutional reform programs to define the role of the state, improve management of public spending and make public services more efficient and effective. In addition, the transition of ownership and the changing role of the state requires sound processes for building new institutions and governance mechanisms. Adequate checks and balances are needed for market-led economies to grow and flourish. Some of the key issues that need to be explored for DMCs include: (i) measures to constrain state capture, (ii) the extent to which enforcement is the key to creating an effective business environment, (iii) political factors that shape development outcomes and the extent to which analysis of the political economy improves development effectiveness, and (iv) lessons learned and good practices in establishing sound governance principles as governments move to market-led economies.

12. Promoting Private Sector Participation in Urban Water. ADB will significantly increase water investments between 2006 and 2010, making water a core area of its operations under ADB's second Medium-Term Strategy.¹⁷ Private sector participation (PSP) in the urban water sector has been generally confined to private companies (i) tendering for construction contracts, (ii) selling meters to utilities, and (iii) providing, in the informal sector, water vending in areas lacking network connections. The past several years have ushered in a greater role for PSP in infrastructure development in Asia, including in the water sector. Across the region, governments are beginning to look more closely at various PSP models, weighing advantages and disadvantages, and learning from Asia's experiences with those models. Three models are most relevant to ADB's work: management contracts, build-operate-transfer projects, and concessions. Asia's experience with PSP in water and sanitation offers mixed results, often because the arrangements depend on having an optimal balance between an equitable tariff structure, a credible regulator, and involvement of community groups and users. ADB does not support water privatization, but advocates improved efficiency in the delivery of sustainable water services, through various reforms, including through increased PSP.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

13. The TA will support ADB in conducting external forums to exchange views on development issues in selected sector and/or thematic areas, in order to provide feedback and guidance to ADB regarding (i) its strategic planning processes, (ii) the implementation of its development objectives, and (iii) improvement of its development effectiveness. Under the TA, which will be the first phase of a continuing series, an external forum will be set up for each of the sector and thematic priorities identified for 2006: clean energy, environmental investments, knowledge management, health emergencies, governance, and PSP in the water sector. The TA will be used to provide opportunities to draw upon the knowledge of internationally recognized experts and practitioners in these fields, in order to create greater understanding of

¹⁶It was generally believed that the disposal of state assets through privatization programs would create the foundation for improved governance. However, a business environment and enterprise performance survey, conducted in 20 countries, showed that the initial hope that privatization would create the foundation for improved governance, and transform the ties between the state and the private sector, had not been fully realized. European Bank for Reconstruction and Development. 1999. *Transition Report 1999: Ten Years of Transition*. London.

¹⁷ADB's Water Financing Program, which was announced at the World Water Forum, Mexico City, 16–22 March 2006, includes water investments, knowledge and awareness products, and regional cooperation services. The focus of the program will be on combining increased investments in water infrastructure with capacity building and private sector participation.

how ADB can contribute to development in Asia within the context of its policies and operations. The outcomes of the forums will provide direction to ADB's Management, staff and DMC stakeholders in improving the development effectiveness of ADB operations.

B. Methodology and Key Activities

14. The TA provides the overall framework for key activities under each forum, which will include (i) preparing technical papers by internationally recognized experts in each selected field that explore the current state of knowledge and developing country applications for each sector or theme, including innovative approaches, best practices and lessons learned; (ii) conducting forums at ADB headquarters at which approaches will be presented to and debated by sector and/or thematic specialists from across the region and ADB staff; and (iii) recommendations by forum members to ADB on future directions in the sectors and/or thematic areas, and actions that should be taken by ADB in order to maintain its relevance, leadership and role as the premier development institution in Asia and the Pacific.

C. Cost and Financing

15. The total cost of the TA is estimated at \$400,000. The TA will be financed on a grant basis by ADB's TA funding program. Details of the cost estimates and financing plan are given in Appendix 3.

D. Implementation Arrangements

16. ADB will be the executing agency for the TA, with the Office of the Director General RSDD (RSOD) responsible for the overall implementation of the TA, and each RSDD division concerned responsible for carrying out day-to-day activities for individual forums. The TA is expected to start in July 2006 and be completed by December 2006.

17. The RSDD divisions responsible for the themes¹⁸ will submit requests to RSOD for drawdowns on TA funds when they initiate each activity. The requests will set out details of individual forums, identify specific costs associated with each forum, and liquidate all expenditures in accordance with customary ADB requirements. The divisions may request support to engage facilitators for individual forums, and resource persons who may contribute to the discussions at each forum. General terms of reference for the forums are given in Appendix 2. All consultants will be engaged on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants*. The expertise and duration of assignments of any consultants will be determined by the RSDD Division in setting out the structure of each forum.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis for External Forums for Selected Sector and Thematic Priorities at the Asian Development Bank, and hereby reports this action to the Board.

¹⁸ Health emergencies, Gender, Social Development and Civil Society Division; environmental investment, Environment and Social Safeguard Division; knowledge management, Knowledge Management Center; governance, Capacity Development and Governance Division; clean energy and private sector participation in urban water, Energy Transport and Water Division.

DESIGN AND MONITORING FRAMEWORK

| Design Summary | Performance Targets/Indicators | Data Sources/Reporting Mechanisms | Assumptions and Risks |
|--|---|---|---|
| <p>Impact Improved quality and effectiveness of ADB operations in DMCs</p> | <p>Incorporation of recommendations of external forums in policy applications and operational programs at ADB</p> | <p>Project design and monitoring frameworks</p> <p>Recommendations provided by ADB incorporated into, and where possible, institutionalized under, ADB-financed projects and programs in DMCs</p> | <p>Assumption</p> <ul style="list-style-type: none"> • Approaches consistent with country strategies and programs, and operational directions <p>Risk</p> <ul style="list-style-type: none"> • Country strategies and programs agree on usefulness and appropriateness of recommendations |
| <p>Outcome Greater understanding of issues in each sector and thematic area: clean energy; environmental investment; health emergencies; knowledge management; governance initiatives; and PSP in urban water sector investments</p> | <p>External forum recommendations reflected in ADB operations and policy applications</p> | <p>Feedback from ADB staff on conduct of forums, content and quality of documentation, and practical application of recommendations</p> <p>Feedback from DMCs and development partners on improvements in the quality of ADB projects and programs based on recommendations made at individual forums</p> <p>Comments from development partners on usefulness of recommendations made at each forum, and degree of harmonization that may be reflected in partners' development interventions</p> | <p>Assumption</p> <ul style="list-style-type: none"> • ADB operational staff adopt approaches suggested at the forum <p>Risks</p> <ul style="list-style-type: none"> • Awareness and receptivity to forum recommendations low, thereby not improving quality and effectiveness of ADB operations in DMCs • Development partners do not adopt approaches as part of global harmonization efforts, thereby diluting impact in DMCs |
| <p>Outputs External forums held for the following sectors and /or themes: (i) Clean Energy (ii) Environmental Investment (iii) Knowledge Management (iv) Health Emergencies (v) Governance Initiatives (vi) PSP in Urban Water Sector</p> <p>Technical papers for each forum</p> <p>Forum documentation</p> | <p>Preparation of technical papers by selected members of each forum</p> <p>Presentation of technical papers at each forum</p> <p>Dissemination of forum outputs in each of the sectors and/or themes</p> <p>Action plans prepared for each sector and theme covered by the forums</p> <p>Enhancement of ADB's profile globally, and of ADB projects and programs in DMCs</p> | <p>External forum highlights, summaries of discussions and technical papers</p> | <p>Assumption</p> <ul style="list-style-type: none"> • Technical papers and forum outputs of high quality and relevant to ADB operations <p>Risks</p> <ul style="list-style-type: none"> • Poor participation in forums by ADB staff and development partners • Outputs of forums not operationally applicable • Outreach and dissemination inadequate globally and in DMCs |

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| <p>Activities</p> <ol style="list-style-type: none"> 1. Conduct one meeting in 2006 for each external forum with identified experts and participation of ADB staff, development partners, and selected DMC officials: <ol style="list-style-type: none"> 1.1 Clean Energy – third quarter 1.2 Environmental Investment – third quarter 1.3 Health Emergencies – third quarter 1.4 PSP in Urban Water Sector – third quarter 1.5 Knowledge Management for Development - Asia – fourth quarter 1.6 Governance Initiatives: Adapting the Role of Government in the Transition to the Market Economy – fourth quarter 2. Forum documentation <ol style="list-style-type: none"> 2.1 Preparation of forum summaries and highlights 2.2 Action plans prepared for each forum outcome 3. Dissemination activities <ol style="list-style-type: none"> 3.1 Website notices 3.2 Dissemination of documents to governments, executing agencies and development partners | <p>Inputs</p> <ul style="list-style-type: none"> • ADB: \$400,000 provided to cover the cost of all forums and supporting expenses |
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ADB = Asian Development Bank, PSP = private sector participation, TA = technical assistance, DMC = developing member country.

GENERAL TERMS OF REFERENCE FOR EXTERNAL FORUM

1. The external forums have the following primary functions:
 - (i) Advise the Asian Development Bank (ADB) on issues relating to the theme and/or sector in Asia and the Pacific, and related research, policy developments and advocacy that may be relevant to ADB.
 - (ii) Provide a forum for dialogue between ADB and distinguished experts on approaches and directions that ADB may follow to improve the effectiveness of its programs and operations.
 - (iii) Produce outcomes in the form of recommendations and operationally relevant documentation for ADB.
 - (iv) Advise ADB on innovative and comparative approaches, good practices and lessons related to the theme and/or sector that may be incorporated in ADB financing, strategies, programs and projects.
 - (iv) Provide general guidance to ADB on ways to achieve its medium- and long-term strategic objectives.
2. Membership of each external forum will comprise 5–6 experts on the theme and/or sector who have an international reputation in the field and experience with theme- and/or sector-related projects and programs in developing member countries (DMCs).
3. ADB will support each forum by
 - (i) facilitating the forum meeting, including logistics, documentation, secretariat services, dissemination of information and materials, and related support.
 - (ii) reimbursing forum members for travel, hotel and per diem, and incidentals; and
 - (iii) ensuring that forum recommendations are shared with ADB Management and relevant staff.
4. External forum members will
 - (i) present, at each forum meeting, any technical papers and background documentation that may be required as the basis of discussion, debate and analyses by participants;
 - (ii) advise ADB on specific sector and/or thematic issues in Asia and the Pacific, and provide feedback on ADB activities related to the sector and/or theme; and
 - (iii) provide guidance to ADB in the specific sectors and/or themes, based on best practices and policies adopted by other countries, national and international institutions, and development agencies.

5. Each external forum will meet at ADB headquarters once during 2006, with arrangements being finalized by the Regional and Sustainable Development Department (RSDD) Divisions concerned: (i) Clean Energy – Energy, Transport, and Water Division; (ii) Environmental Investment – Environment and Social Safeguard Division; (iii) Health Emergencies – Gender, Social Development, and Civil Society Division; (iv) Knowledge Management – Knowledge Management Center; (v) Governance Initiatives – Capacity Development and Governance Division; and (vi) PSP in Urban Water – Energy, Transport, and Water Division.

6. The format of each external forum will be determined by the individual RSDD divisions, but will generally adhere to the following:

- (i) Each division will prepare a detailed structure and costing, including terms of reference of any resource speakers and/or consultants who may be engaged for the forum for which the division is responsible, and submit this to Office of the Director General RSDD (RSOD) as justification for the external forum drawdown.
- (ii) In detailing the forum, the RSDD division will consult, as appropriate, with the communities of practice and relevant regional departments to ensure that the subtopics and outcomes reflect both policy and operational linkages.
- (ii) The budget for individual forums is estimated at \$50,000; the budget for the health emergencies and knowledge management forums will be about \$75,000.
- (iii) Meetings are expected to be conducted over a period of 2 days.
- (iv) If required, a facilitator (domestic consultant) may be engaged for each forum, with the period of engagement not more than 0.5 person-months.
- (v) As it is expected that outcomes emerging from forum proceedings will be disseminated and published, arrangements should be made for proper editing of documentation, domestic consulting services for which, funds permitting, may be financed under the TA.
- (vi) Logistical arrangements for each forum will be the responsibility of the RSDD division concerned.

7. A final report on the conduct of the external forums will be coordinated by RSOD after the conclusion of the 2006 program. The report will summarize highlights and achievements of the 2006 external forum program, the successful implementation of which will form the basis of the second phase of the program (2007–2009), which will be recommended for financing under a subsequent TA.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

| Item | Total Cost |
|--|-----------------------|
| Asian Development Bank (ADB) Financing ^a | |
| 1. Consultants | |
| a. Remuneration and Per Diem | |
| i. International Consultants | 57.0 |
| ii. Domestic Consultants | 23.0 |
| 2. International and Local Travel | 134.8 |
| 3. Reports and Communications | 28.0 |
| 4. Training, Seminars, and Conferences | 31.4 |
| 5. Miscellaneous Administration and Support Costs | 75.8 |
| 6. Contingencies | 50.0 |
| Total | 400.0 |

^a Financed by ADB's technical assistance funding program.
Source: ADB estimates.