

Consultations with DMC Government Officials from Central and West Asia Region on LTSF Review in Tashkent on 13 August 2007- A Summary of Proceedings

A. Introduction

1. ADB conducted consultations with DMC Governments from the Central and West Asian region in Tashkent, Uzbekistan on 13 August 2007. Senior Officials from 11 DMCs in the region participated in consultations (List of participants at Attachment 1). The consultations covered four key areas (i) risks and challenges of the Asia Pacific Region, (ii) strategic options and operational priorities for ADB and the relevance of the Eminent Persons Group (EPG) recommendations, (iii) Role of ADB and its own strengths and weaknesses, and (iv) ADB's Vision and Mission. The consultation agenda is at Attachment 2.

B. Risks and Challenges of the Asia and Pacific Region

2. DMC participants generally endorsed EPG's diagnosis of the risks and key challenges of the Asia and Pacific region and drew the attention of ADB to the following additional challenges as relevant to them:

- a. Poor security situation in some of the countries of the region and its national and regional impact.
- b. Optimal use of water and electrical energy from common river-systems taking note of the interdependence of the countries and also the nexus between water and electricity generation.
- c. Rehabilitation of the existing regional road corridors.
- d. Examining environmental issues in a regional perspective and bringing international best practices to mitigate adverse impact.
- e. Adverse impact of drug trafficking on the countries of origin, transit, and destination.

C. Strategic Focus

3. *Three pronged strategy:* Participants generally supported EPG's recommendation for a three pronged strategic focus—inclusive growth, environmentally sustainable growth, and regional cooperation and integration. However, the DMCs sought clear articulation of the meaning of inclusive growth and its operational implications. Some countries suggested ADB adopt differentiated poverty benchmarks to take into account enormous inter-country differences in the costs of living. To remain useful and relevant to DMCs, ADB should follow a "critical mass" approach and increase the level of assistance to ensure adequate positive net resource transfers. While ADB's emphasis on regional cooperation is fully supported, participants suggested that all operations should be firmly rooted in national programs.

4. *Selectivity and Focus:* Participants' views on selectivity and focus are not uniform. Those who opposed selectivity indicated that the binding constraints on, and the drivers of growth differ across countries depending on their stage of development and local circumstances. Accordingly, the DMC needs for development assistance would be diverse and cannot be met effectively if ADB were to adopt selectivity in its strategic approach. The diverse needs of DMCs and fast changing operational environment would require ADB to become a "networked-organization" to identify and

tap into the best expertise available according to needs. However, some participants supported the need for selectivity and suggested that Country Partnership Strategies should focus on a few sectors. But even these DMCs expected ADB to be flexible in meeting country level priorities.

5. **Operational Priorities:** There is broad support for the six priority operational sectors identified by the EPG¹. However, some participants stated that ADB currently does not have operational experience and capacity to operate in the areas of technology and innovation, and knowledge management. Some suggested that ADB should continue to support agriculture, rural development, and social infrastructure sectors, particularly education due to the pervasiveness of poverty in the region. Health sector is not considered to be ADB's strength. The following have been identified as special needs of DMCs in Central and West Asia:

- a. All participants reiterated the importance of **regional cooperation and integration**. ADB's focus should be on improving access to regional resources—particularly clean energy, promotion and facilitation of trade, and regional infrastructure—particularly trans-regional transport corridors. In fostering regional cooperation, ADB would also have to complement the efforts undertaken by DMCs through other bilateral and multilateral initiatives such as the Eurasian Economic Community, and the Shanghai Cooperation Organization.
- b. Fight **drug trafficking** by adopting a holistic approach to rural development in Afghanistan.
- c. Build capacity through support to knowledge development and management. In particular, develop DMC capacity in project development and project implementation.
- d. In the case of **environment** the focus should be on transferring best international environmental management practices to the region and promoting compliance with international agreements such as the Kyoto treaty. The approach to environmental management should be regional.
- e. Enhance the focus on private sector development, and build local capacity in such operations.
- f. Promote **tourism** as a core operational area or a thematic priority in ADB's operations in the region.
- g. Facilitate the transfer of knowledge and good practice to DMCs for creating free-trade areas/free-economic zones, and build local capacity in these areas.

D. Role of ADB and Operational Strengths and Weaknesses

6. ADB must continue its current focus on project financing but gradually adopt sector wide approaches and enhance the use of innovative instruments such as the multi-tranche financing facility. Increase policy based operations but with (i) greater

¹These six sectors are: infrastructure development; financial sector development and intermediation; energy and environment; technology development and innovation; regional integration; and knowledge management.

country ownership, (ii) realistic and better design of policy conditionality, (iii) reduced compliance costs, and (iv) improved predictability of resource transfers. ADB should pay particular attention to promoting greater government ownership and the use of local knowledge and resources. In particular, the Government would need to have a greater say in the selection of consultants for preparing projects and on the project design itself. ADB should gradually adopt country systems in the area of fiduciary management where adequate capacities exist.

7. ADB should enhance its technical assistance operations to transfer knowledge in the following areas: infrastructure development, regional cooperation and trade facilitation, environmental management, capacity building in government, private sector development, and the creation of free-trade zones. Technical assistance must have strong country ownership and be in response to DMC requests.

8. Participants also strongly urged ADB to enhance its private sector operations in the region. ADB should develop a separate private sector development strategy for the region with special focus on creating an enabling environment, and the development of small and medium enterprises—including promotion of private sector funded small scale infrastructure projects.

9. Participants were quite candid in identifying the following operational **weaknesses** of ADB:

- a. Excessive, often inconsistent conditionality. High compliance costs particularly in the case of safeguards policies with little commensurate benefits.
- b. Weak supervision of project preparation and poor country ownership, and inadequate stakeholder consultation for project design.
- c. Unpredictability of resource transfer particularly in the case of policy based loans.
- d. Excessive reliance on unilaterally selected international consultants who often do not have adequate knowledge of local practices, conditions and peculiarities resulting in poor project design.
- e. Bureaucratic, department-centric approach to decision making, causing considerable delays.
- f. High cost of lending and long processing time.

Participants did not express any views on what should be ADB's vision and mission statements.

**Consultations with DMC Governments on the Review of ADB's Long-Term Strategic Framework
held on 13-14 August 2007 in Tashkent: The List of Participants**

No	Country	Name	Position
1	Tajikistan	Mr. A.O. Husainov	Adviser to the President on Economic Policy, Republic of Tajikistan
2	Tajikistan	Mr. Alamhon Naimi	Deputy Head, Chief State Budget Division, Ministry of Finance, Republic of Tajikistan
3	Tajikistan	Mr. H. A. Abdurahimov	Deputy Head, Division of Macroeconomic Analysis, Ministry of Economic Development and Trade, Republic of Tajikistan
4	Afghanistan	Dr. Wali Mohammad Rassoli	Deputy Minister for Public Works
5	Afghanistan	Mr. Raz Mohammad Alami	Technical Deputy Minister for Transport and Civil Aviation
6	Kyrgyzstan	Mr. Kurman Kadyrov	Head, PIP Monitoring Division, Ministry of Economic Development and Trade
7	Kyrgyzstan	Ms. Nazgul Asanalieva	Head of Monitoring and Planning Foreign Financial Assistance Division of the Foreign Financial Assistance Department of the Ministry of Finance
8	Kyrgyzstan	Mr. Maksatbek Dyikanov	Head of Financial-Economic Development and Control Department of the Ministry of Transport and Communication
9	Kazakhstan	Mr. Bekzhan Kalibekov	Deputy Director, Department of Investment Policy and Planning, Ministry of Economy and Budget Planning
10	Kazakhstan	Mr. Bekmurat Talipov	Chief Specialist, State Borrowing Department, Ministry of Finance
11	Georgia	Mr. Dimitri Gvindadze	Deputy Minister, Ministry of Finance
12	Georgia	Mr. David Amaglobeli	Vice President, National Bank of Georgia
13	Georgia	Mr. Noshrevan Lomtadze	Head of the International Fiscal Relations Section, Ministry of Finance
14	Armenia	Mr. Arthur Sargsyan	Deputy Head of Foreign Relation Department, Ministry of Transport and Communications
15	Mongolia	Mr. Radnaa Bandii	Project Manager, Ministry of Education, Science and Culture
16	Mongolia	Mr. Enkhbat Erdenee	Officer of Public Administration and Management Department, Ministry of Road Transport and Tourism
17	Pakistan	Mr. Mohammad Yousuf Memon	Additional Secretary, Ministry of Water and Power, Islamabad
18	Pakistan	Mr. Ahmad Umair	Public-private partnership Cell
19	Pakistan	Mrs. Nazrat Bashir	Joint Secretary, Ministry of Finance
20	Pakistan	Mrs. Sabina Qureshi	Economic Affairs Division
21	Azerbaijan	Mr. Fakhri Mammadov	Leading Specialist, Ministry of Economic Development
22	Azerbaijan	Mr. Elchin Ismayilov	Leading Specialist, National Fund for SME development, Ministry of Economic Development

23	Azerbaijan	Mr. Sanar Taptigov	Head of Corporate Governance Division, Ministry of Economic Development
24	Uzbekistan	Mr. Batir Mirbabayev	Director of Dept of External Debt and Appraisal of Investment Projects, Ministry of Finance
25	Uzbekistan	Mr. Jamol Shukurov	Head of Main Department for Structural Economic Reforms and Formation of Investment Programs, MOE
26	Uzbekistan	Mr. Zokhid Ishmukhamedov	Leading Specialist, United Information-Analytical Department for Economy and Foreign Economic Relations, COM
27	Uzbekistan	Mr. Makhmudjon Askarov	Deputy Head, United Information-Analytical Department for Economy and Foreign Economic Relations, COM
28	Uzbekistan	Mr. Nodir Safaev	United Information-Analytical Department for Economy and Foreign Economic Relations, COM
29	ADB HQ	Mr. Kazu Sakai	Director General, Strategy and Policy Department
30	ADB HQ	Mr. Sudipto Mundle	Director, Department for Strategy and Policy
31	ADB HQ	Mr. Robert Siy	Director, Country Coordination and Regional Cooperation
32	ADB HQ	Mr. Bhavani Tulasidhar Vankina	Senior Economist, East Asia Department
33	ADB HQ	Ms. Manju Senapaty	Senior Planning and Policy Economist, Strategy and Policy Department
34	ADB URM	Mr. Hong Wei	Country Director
35	ADB URM	Mr. Kiyoshi Taniguchi	Economist
36	ADB URM	Mr. Bekhzod Rakhmatov	Senior Assistant on External Relations

**LTSF Review Consultation Meeting
Central and West Asian Countries**

Monday, 13 August 2007
Tashkent, Uzbekistan

Agenda

8:30 –	Registration
9:00 – 9:30	Introductory Remarks, <ul style="list-style-type: none"> ▪ Kazu Sakai, Director General, Strategy and Policy Department (SPD) ▪ Government Participants
9:30 – 10:00	Presentation <ul style="list-style-type: none"> ▪ Mr. V. B. Tulasidhar, Senior Economist
10:00 – 10:45	Preliminary Discussion <i>“Risks and Challenges of the Region”</i> <ul style="list-style-type: none"> ▪ Moderator: Mr. Robert Y. Siy, Director, CWRD
10:45 – 11:00	Tea Break
11:00 – 12:00	Group Breakout Session 1 <i>“ADB’s Strategic Directions and Operational Priorities”</i>
12:00 – 12:30	Group Presentations and Discussion <ul style="list-style-type: none"> ▪ Moderator: Mr. Hong Wei, Country Director
12:30 – 2:00	Lunch
2:00 – 2:45	Group Breakout Session 2 <i>“ADB’s Role and Operational Effectiveness”</i>
2:45 – 3:15	Group Presentations and Discussion <ul style="list-style-type: none"> ▪ Moderator: Mr. Hong Wei, Country Director
3:15 – 3:30	Tea Break
3:30 – 4:00	Concluding Discussions <i>“ADB’s Vision and Mission to 2020”</i> <ul style="list-style-type: none"> ▪ Moderator: Mr. Kazu Sakai, Director General, SPD
4:00 -	Summary and Closing Remarks <ul style="list-style-type: none"> ▪ Kazu Sakai, Director General, SPD