

**Chair's Summary of the Development Effectiveness Committee**

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24 May 2016

**I. Topical Paper - ADB's Environmentally Sustainable Growth: A Strategic Review**

1. The Development Effectiveness Committee (DEC) discussed the key messages and recommendations of the Topical Paper - ADB's Environmentally Sustainable Growth (ESG): A Strategic Review. Along with inclusive growth and regional cooperation and integrity, former President Kuroda included ESG as part of the three strategic agendas for Strategy 2020. Due to the extensive amount of field work required to evaluate the ESG agenda, DEC members agreed to have a limited review to help management prepare the Strategy 2030. The more comprehensive evaluation of the ESG will be delivered in 2018.

**Need for a clear definition and framework.** All DEC members agreed that there needs to be a clear definition of what ESG is in order to have a common understanding among staff of what ADB's ESG targets are. On top of this, DEC members also agreed that ADB also needs a framework within which ADB's ESG operations can be categorized. Deputy Director General (DDG) of the Sustainable Development and Climate Change Department (SDCC), pointed out that it would be optimal to develop this framework, if necessary, after approval of the new ADB Strategy 2030 and the corresponding corporate results framework.

2. **Collaboration with other organizations, private sector and formation of partnerships.** Some DEC members suggested collaborating with other multilateral development banks to see how they organize their ESG projects, learn from their experiences and explore the possibility of establishing a common criteria. According to DDG SDCC, the Working Group on Environment of the Multilateral Development Banks has already been established exactly for this purpose. Majority of the DEC members also want to see increased private sector participation in the ESG discussion as it is also an important source of funds and knowledge and especially since ADB is aiming to ramp up its private sector operations. Most DEC members also believe that forming partnerships with similar organizations and playing a lead role in these will also be beneficial in delivering the ESG agenda. SDCC further cited ADB's partnership with World Wildlife Fund as a model for future partnerships.

3. **Updating ADB's policy documents, operational plans and climate change strategy.** A DEC member highlighted the fact that ADB's support for coal and hydro powered electricity generation has declined while several developing member countries (DMCs) are actually still increasing their capacities in this area. He suggested that ADB should also actively encourage DMCs to move towards cleaner energy sources. Although SDCC believes that ADB's current energy policy is appropriate and ADB has in fact been very selective in approving coal-fired power plant projects, a DEC member proposed for the establishment of guidelines on what coal and hydro projects ADB will support in order for it to be consistent with its implementation. With the recent developments such as sustainable development goals, COP21 and ADB's commitment to double climate finance, DEC members also noted that some policy documents, sectors and thematic operational plans may have to be updated to align them with the strategy and the said developments. The DEC chair also inquired when the climate change strategy will be completed. SDCC mentioned that they are already coordinating with the operations departments and sector groups for it to be completed in mid-2017.

4. **Next steps.** The discussion of this topical report on ESG, being the last pillar of the strategic agenda of Strategy 2020, will form part of the inputs to be considered by Management in preparing Strategy 2030. IED is expected to produce the full version of the ESG report in 2018.