ASIAN DEVELOPMENT BANK:
(MIS)SHAPING DEVELOPMENT COOPERATION AND EFFECTIVENESS IN ASIA PACIFIC

A CSO REVIEW OF ADB'S DEVELOPMENT EFFECTIVENESS

The Reality of Aid Network
A Pre-eminent Southern-led North/South Network on Reforming Aid Policies and Practices

CSO Partnership for Development Effectiveness

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The Reality of Aid – Asia Pacific

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List of Acronyms

AM	Accountability Mechanism
AAAA	Addis Ababa Action Agenda
ADB	Asian Development Bank
ADF	Asian Development Fund
AER	Annual Evaluation Report
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BCIM-EC	Bangladesh-China-India-Myanmar Economic Corridor
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
CAREC	Central Asia Regional Economic Cooperation
CSO	Civil Society Organizations
CA	Concessional Assistance
CIMC	Consultative Implementation and Monitoring Council
CSS	Country Safeguards Systems
DCM	Developing Country Member
DE	Development Effectiveness
DLI	Disbursement Linked Indicators
EDC	Effective Development Cooperation
FCAs	Fragile and Conflict Areas
FTAs	Free Trade Agreements
GPEDC	Global Partnership for Effective Development Cooperation
GVCs	Global Value Chains
GMS	Greater Mekong Subregion
GDP	Gross Domestic Product

List of Acronyms

IED	Independent Evaluation Department
IMT-FT	Indonesia-Malaysia-Thailand Growth Triangle
IL	Investment Lending
INGO	International NGO
LDC	Least Developed Countries
MFI	Microfinance Institutions
MDB	Multilateral Development Banks
MSP	Multi-Stakeholder Partnerships
ODA	Official Development Assistance
OCR	Ordinary Capital Resources
OECD-DAC	Organization for Economic Cooperation and Development - Development Assistance Committee
PBL	Policy-Based Lending
PRSP	Poverty Reduction Strategy Paper
PCP	Public Communications Policy
RCI	Regional Cooperation and Integration
REDD++	Reducing emissions from deforestation and forest degradation
RBL	Results-Based Lending
SME	Small and Medium Enterprises
SAPs	Strategies and Action Plans
SASEC	South Asia Subregional Economic Cooperation
SDG	Sustainable Development Goals
TA	Technical Assistance
UMIC	Upper Middle Income Countries

Foreword

Having mobilized immense resources for and intervened significantly in most aspects of its developing member countries' (DMCs) economies and policies, the Asian Development Bank (ADB) has been purported to be the region's leading development financial institution for poverty eradication. In its recent public perception survey, it takes pride for being perceived as an institution that "continues to have a positive impact on the lives of the poor in the Asia and Pacific region" as it "helps countries meet their development goals..."

At the end of the day, however, the ultimate measure of its effectiveness in bringing about development will be its impact on people and the planet. While claiming that poverty reduction has continued, ADB itself acknowledges in its 2017 Development Effectiveness Review that "326 million of the region's people still lived below the extreme poverty line...and nearly 1 billion others were positioned only slightly above it. Inequality declined slightly in some ADB DMCs, but the gap between rich and poor remains substantial."

And what speaks more than these figures is the actual living conditions of people and the state of the environment - people living primitively in the hinterlands or cramped in indescribably blighted slums slowly dying of starvation, illnesses, disasters, conflicts, and so on.

There is no doubt that the ADB has aligned its policies, strategies, and operations with the principles of effective development cooperation – but only to some extent compatible within its mandates, the set of interventions and objectives outlines in its corporate strategy and the reigning interests of corporations and its governing board. Without taking human rights fully into account, development interventions will only be effective in so far as its own parameters and measures are concerned with little bearing on the region's poor.

As such, in reclaiming their rightful position at the heart of the development process, the people and their organizations, as well as development workers at large, need to be equipped with tools that clearly narrate their situation, positions, and alternatives. This book is one of the many knowledge products that The Reality of Aid - Asia Pacific generates to support civil society organizations (CSOs), policymakers, academics, media and other stakeholders in their development work; one of the many that the network will be producing to ensure that people's voices are well-documented, widely propagated, and effectively used in policy advocacy, development work, and mass campaigns towards greater push for reforms and understanding and shedding light on the real development agenda.

Lyn Angelica Pano
Global Coordinator

Introduction

Present-day Multilateral Development Banks (MDBs) command vast resources, expertise, and well-placed evaluation systems. These qualities make them the preferred channels for Official Development Assistance (ODA) of donor countries. With the scale of development challenges, MDBs are poised to transform available resources to long-term investments. Indeed, the expansive resources required to implement the 2030 Agenda make MDBs indispensable development actors.

In the Asia-Pacific Region, ADB ranks as the highest provider of ODA. This places ADB in a unique position to influence development practices of countries in the region. Its status as the leading development investor, however, comes with great accountability in the face of ever-widening development challenges.

These challenges fermented in the midst of ADB's sophistication in delivering for development: greater policy coherence with global institutions, new funding modalities and financial instruments, and greater innovations when it comes to partnerships. This disparity gives rise to one important question—if the ADB is indeed making headways in delivering results, then there must be a fundamental problem in the way it is holding business in the region stemming from a flawed theory of change.

This paper evaluates the development effectiveness of ADB policies. In particular, ADB policies are assessed through the four principles of Effective Development Cooperation (EDC): (1) Ownership of Development Priorities by Developing Countries; (2) Focus on Results; (3) Inclusive Development Partnerships; and (4) Transparency and Accountability to each other (see sidebox).

An examination of these four principles will be the overall guide in evaluating the Bank's effectiveness in development cooperation.

The paper is structured as follows: Part I provides an account of ADB's rise as the leading development cooperation actor in the region; Part II outlines ADB's participation in the aid and development effectiveness agenda; Part III narrates the fundamental shifts in ADB's policy; Part IV measures ADB's development effectiveness, specifically in regard to the principles of effective development cooperation; finally, Part V highlights recommendations from the perspective of civil society and affected communities on how ADB can advance effective development cooperation in the region.

BOX 1

Monitoring effective development cooperation principles

Country ownership and focus on results

- Use of country results frameworks (indicator 1)
- Aid on budget (indicator 6)
- Quality and use of country systems (indicator 9)
- Untying aid (indicator 10)

Inclusive partnerships

- Enabling environment for civil society organizations (indicator 2)
- Private sector engagement (indicator 3)
- Gender equality (indicator 8)

Transparency and accountability

- Transparency (indicator 4)
- Predictability (indicator 5)
- Mutual accountability (indicator 7)

Source: ADB

ADB's Significant Role in Development Cooperation and Effectiveness in the Region

ADB was conceived during the post-war rehabilitation and reconstruction of the early 1960s. The founders envisioned a financial institution that will promote economic growth and cooperation in Asia. At that time, Asia was home to the poorest countries in the world. Thus, ADB was established as a multilateral development bank with a mandate to reduce poverty and improve the lives of the poor in the region by fostering economic growth and regional cooperation.

From 31 member states, the Bank now has 67 members—with 48 from Asia and the Pacific and 19 from outside the region. A cursory look into the Bank's shareholdings reveals the dominance of developed countries. These countries have higher shares but rarely borrow from the Bank. By contrast, developing member-countries have smaller shares but comprise the main borrower of the Bank (See figures 1 and 2). This lender and client status creates another layer of relationship based on power inside the multilateral institution.

Figure 2
Borrowing shareholders of ADB

Borrowing Shareholders	Shareholdings (2016)*
People's Republic of China	6.4%
India	6.3%
Indonesia	5.4%
Malaysia	2.7%
Philippines	2.4%
Pakistan	2.2%
Thailand	1.4%
Bangladesh	1.0%
Others	5.4%
40 Countries	**33.2%**

Figure 1
Non-borrowing shareholders of ADB

Non-borrowing Shareholders	Shareholdings (2016)*
Japan	15.6%
United States	15.6%
Canada	5.2%
Republic of Korea	5.0%
Germany	4.3%
France	2.3%
United Kingdom	2.0
Italy	1.8
Others	8.9%
27 Countries	**66.8%**

Unlike other multilateral organizations such as the United Nations (UN), voting rights of member-countries in ADB do not follow the rule of one vote per country based on the principle of equality among sovereign nations. In place is a weighted voting system based on capital shares giving more rights to powerful and mostly non-regional countries (see Figure 3 on capital stocks and voting powers of ADB's non-regional members).

To ensure that member-countries with small capital shares can still influence development outcomes, members' voting rights are clustered to voting groups. In general, directions in development financing in the region is under the command vote of the 19 non-Asian and developed countries. These dominant countries command nearly 35% of the voting power within the Bank. Among this group, a handful of members, including the United States and Japan, effectively control the financing policies inside the Bank compared with other countries with large shares, such as Korea, Canada, Australia, and the European bloc. Japan, being a founding member and the largest contributor, always holds the Presidency of the Bank.

ADB is the largest provider of ODA in the region. The Bank provides loans and grants in the following forms: (1) ordinary capital resources (OCRs); (2) special funds, and (3) co-financing.

Figure 3
Capital stocks and voting powers of ADB's non-regional members

	Year of Membership	Subscribed Capital[a] (% of total)	Voting Power[b] (% of total)
NON-REGIONAL			
Austria	1966	0.340	0.571
Belgium	1966	0.340	0.571
Canada	1966	5.231	4.483
Denmark	1966	0.340	0.571
Finland	1966	0.340	0.571
France	1970	2.328	2.161
Germany	1966	4.326	3.759
Ireland	2006	0.340	0.571
Italy	1966	1.807	1.744
Luxembourg	2003	0.340	0.571
The Netherlands	1966	1.026	1.119
Norway	1966	0.340	0.571
Portugal	2002	0.113	0.389
Spain	1986	0.340	0.571
Sweden	1966	0.340	0.571
Switzerland	1967	0.584	0.765
Turkey	1991	0.340	0.571
United Kingdom	1966	2.042	1.932
United States	1966	15.607	12.784
Subtotal		36.467	34.854
TOTAL		100.00	100.00

Note: Numbers may not sum precisely because of rounding.

Most of ADB's lending comes from OCRs. ADB offers these OCRs at near-market terms to lower and middle income countries. In addition, ADB provides loans and grants from its special funds, the most important of which for developing countries is the Asian Development Fund (ADF). The ADF offers concessional loans at low interest rates and grants to help reduce poverty in the poorest member-countries.

ADB and its supporters argue that the Bank's influence in the region's development landscape is dwarfed by the overall available finance, especially at the country-level. New development financing has come to dominate the landscape. These financing modalities include domestic resources, remittances, foreign direct investment, and other non-government financing. This may be true for middle-income countries, especially for capital-producing countries, such as China and India. However, for low-income countries, concessional finance from ADB can have a pivotal role in development outcomes in the region.

In the larger economic and political context, ADB indeed fundamentally shapes the future of Asia. Loans from ADB come with policy conditionalities, such as requiring an enabling environment for the private sector, deregulation of vital services and the liberalization of basic and key financial and industrial sectors. What is more, other MDBs often follow ADB conditionalities. This web of identical conditionalities leaves countries with no room for negotiation and options for development assistance.

Over the years, ADB has also positioned itself as the region's leading development knowledge provider. ADB has strategically employed its resources to aggregate information, to carry information, to produce knowledge, to use that knowledge for economic modelling, and to dominate the discussion on what growth and inclusive development is through their technical advisories, policy products, and capacity building activities.

Consequently, ADB's role in the region's development goes beyond mere financial disbursements. It now has an overarching influence in the policies of member states. Hence, whether ADB can fulfil its mandate to eliminate poverty in the region will depend largely on how it will use its development finance, knowledge, and leadership.

ADB's Participation in the Aid and Development Effectiveness Agenda

ADB actively participated in aid and development effectiveness policy-making processes from the First High-Level Forum on Harmonization (HLF-1) in Rome in February 2003; the HLF-2 on Aid Effectiveness in Paris, which led to the Paris Declaration in March 2005; and the HLF-3 on Aid Effectiveness in Accra in September 2008, from which the Accra Agenda for Action emerged. Moreover, ADB organized and participated in a number of key events and post-Paris consultations and monitoring surveys.

Later in 2011, it has endorsed the Busan Partnership Document establishing the Global Partnership for Effective Development Cooperation (GPEDC) at the HLF-4 on Aid Effectiveness in Busan. Overall, ADB took part in the journey from delivering "effective aid" to achieving "effective development cooperation" (EDC). More than just a play on words, this change in policy discourse underscores the role of multi-stakeholder partnerships and mutual accountability based on shared principles for achieving development results.

The concept of EDC has been echoed in the Agenda 2030, to which ADB has pledged commitment, and the Nairobi Outcome Document from GPEDC's High Level Meeting in 2016.

In support of the development effectiveness agenda, ADB conducts regular independent evaluations to measure its effectiveness. Through the Independent Evaluation Department (IED), it publishes annual development effectiveness reviews. These reviews span four levels of ADB's performance: (1) how it is achieving development objectives in Asia and the Pacific; (2) how its operations is contributing to sector outputs and outcomes; (3) operational effectiveness; and (4) organizational effectiveness.

To this end, ADB has published development effectiveness reviews on private sector operations. In addition, the Bank has also published a development effectiveness review of its partnerships, the 2016 Development Effectiveness Review that also serves as the 10th annual performance report covering its performance appraisal from 2013-2016.[1]

ADB's evaluation process purportedly meets internationally accepted principles set by the Organization for Economic Cooperation and Development - Development Assistance Committee (OECD-DAC). Moreover, there is allegedly a strong practice of reporting achievements based on evidence gathered on evaluation.

The Bank also conducts an independent but internal evaluation as part of its development effectiveness agenda led by the IED. These evaluations cover country and sector assistance programs, special evaluations of different forms of development assistance, and evaluations of different policy initiatives and strategies within ADB (gender equality, conforming to the 2005 Paris Declaration on Aid Effectiveness, and partnering and harmonization).

Although robust and revealing, IED reports assess more of whether the Bank's development finance is doing things right more than in ascertaining whether they are doing the right things. Even in cases when IED reports reveal stunning findings and forward recommendations to rectify operational gaps, priorities, and politics between management vis-à-vis the board and among the board members determine whether critical recommendations from evaluations figure into policy and development programming.

OECD's peer review of the development effectiveness of donor member-countries and multilateral institutions is one of the important external evaluations conducted on ADB. It is, however, framed from the donor's perspective, collegial, and irregular in terms of providing timely inputs to strategy development.

1 *Development Effectiveness Review of the Asian Development Bank (ADB) 2006-2010. OECD, May 2013.*

Having the capacity to (i) bring international finance and expertise together in support of country-owned and -led development plans, (ii) operate at country, regional and global levels, and (iii) collaborate with all development partners, is at the core of realizing the goals of global consensus on development cooperation and effectiveness in the region.

However, like any other multilateral organization, ADB reflects the strategic interests of its powerful shareholding member states in its Board. Although horizontal accountability mechanisms exist to ensure that development effectiveness agenda is a foundation of its operational strategies, these are not sufficient to ensure that human rights obligations remain to be the objective of development.

Thus, this civil society organization (CSO) review covering the period from 2011, when ADB committed to the Busan Partnership Document, comes relevant as the Bank goes into several strategy and review processes, including its Strategy 2030, safeguards policies, gender policy, and transparency review processes that determine the achievement of sustainable development and human rights through effective development cooperation in the region.

The Shifts "Fundamentally Transforming" ADB

Amid the consensus on aid and development effectiveness (of which ADB was an active participant) and its changing regional context, ADB approved Strategy 2020 in April 2008 as the paramount strategic document guiding ADB operations, organization, and business processes until 2020. Strategy 2020 enumerates new directions for ADB's main operations. These new operational focal points include: (I) infrastructure; (ii) environment, including climate change; (iii) regional cooperation and integration; (iv) financial sector development; and (v) education.

ADB's targets in Strategy 2020 include: (i) have 80% of its operations in these core operational areas by 2012; (ii) scale up private sector development and private sector operations in all operational areas, reaching 50% of annual operations by 2020; (iii) scale up co-financing of operations to a level where it will match ADB's own financing by 2020; and (iv) increase its regional operations to at least 30% of total activities by 2020.

CSOs criticised the blueprint for being a development investment strategy to aid the private sector and recreate poverty, instead of providing genuine aid to poor countries. CSOs also warned of massive dilution of safeguards requirements to reduce project costs and minimize potential risks to make projects attractive to the private sector.

Financing the increasingly complex development challenges in the region is set against the crises in donor-countries and the heightened development ambitions of the world. The economic and political crises in donor countries have changed the aid architecture and have been redefining funding sources for development. Funding from the private sector has increasingly been more centrally expansive and now includes innovative financing and non-aid sources, such as remittances and foreign direct investments. In the Bank, the crises were the reasons behind the declining contributions of donor-members to the ADF, the source of concessional loans for developing member-countries.

Threatening the beleaguered donor-countries is the rise of surplus producing countries in Asia. China and India have established their own MDBs "competing" with ADB in the region—for instance, the BRICS-led (Brazil, Russia, India, China and South Africa) New Development Bank and the China-led Asian Infrastructure Investment Bank (AIIB). With these new players employing the same strategies and nurturing the same appetite in infrastructure investments, ADB finds itself in a precarious position of proving its continued relevance to its shareholding member-countries. To add to ADB's dilemma, some of its member-countries eventually decided to join the AIIB too in order to be in the ambit of China's economic allies.

These developments come in the light of the ambitious 2030 Agenda, which governments and MDBs cannot finance on their own. While public finance, particularly ODA, remains to be a critical source of funds, they now have to be used to minimise risk posed to private sector investments and create billions of financing for development. It is in this context that ADB's policies, strategies, programs and partnerships have been and are being shaped.

ADB'S Road to Effective Development Cooperation

Various external assessments on ADB's development effectiveness have shown consistent positive and improving performance over time. The Quality of Official Development Assistance 2014 report ranks the Bank 5th in maximizing efficiency in providing effective aid among 31 OECD-DAC member countries and multilateral agencies. In the same year, the Aid Transparency Index ranked ADB 5th among 68 donor organizations. ADB also got the highest possible rating of "very good" based on the Multilateral Aid Review for 2013–2014 in the United Kingdom's Aid Committee for overall value for money. Similarly, the 2013 report of the Multilateral Organisation Performance Assessment Network "praised the clarity of ADB's development strategy, its commitment to managing for development results, and its ability to use performance information to revise policies and plan new interventions."[2]

These rosy assessments say little about the impacts of ADB's interventions on people's quality of life, human rights, and sustainable development. It is critical to understand too that the policy discourse on aid and how it must be delivered has been beset with contending views on sustainable development and human rights, on the one hand, and market-driven agenda, on the other. From the beginning, the Paris Declaration already failed to recognize human rights as the heart of development policy.[3] The market-based approach has also been the primal means of achieving development since Paris until Nairobi. Nevertheless, the effective development cooperation agenda gives leverage for CSOs to contest the compatibility of the market-driven approach with the principles of country ownership, focus on poverty-reduction, inclusive partnership, and mutual accountability. The crucial duty of CSOs therefore is to bring experiences and analysis and to engage States and communities at the level of principles rather than on reporting on the progress per indicator.

After all, these indicators are, by their nature, not only limiting and compromising but also biased to market-based means of achieving development (for example, private sector engagement). A strategy confined at the level of indicators can constrict stakeholders in developing global discourse in aligning policies and practices of international development cooperation actors to effective development cooperation principles.

With a grasp of the principles and bias toward empowerment of the poor, CSOs can better decipher elements in development effectiveness consensus documents and understand monitoring indicators that can benefit or harm the interests of people and the environment. A global monitoring framework, consisting of 10 indicators, has been in place to track progress on the implementation by State members and MDBs of their effective development cooperation commitments since Paris, Accra, Busan, and Nairobi. Operationalisation of the effective development cooperation principles can be seen on the impacts of ADB's Strategy 2020 as its main corporate-wide strategy and planning document.

2 *The Role of Concessional Assistance and ADB's Strategic Priorities for Inclusive and Sustainable Development in Asia and the Pacific. ASIAN DEVELOPMENT FUND (ADF) ADF 12 REPLENISHMENT MEETING 28–30 October 2015 Manila, Philippines*

3 *http://www.realityofaid.org/wp-content/uploads/2013/02/RoAReports2008_Chapter3.pdf*

Focus on Results

Focus on results as a principle of effective development cooperation in the Busan Partnership means that having a sustainable impact should be the driving force behind investments and efforts in development policy making.

Based on ADB's comparative advantages in light of existing and emerging challenges, Strategy 2020 promotes three strategic development agendas to achieve the Bank's mandate of eradicating poverty in the region: (1) inclusive economic growth; (2) environmentally sustainable growth; and (3) regional integration.

At present, two years before the culmination of this market-driven Strategy 2020, the Asia and the Pacific region accounts for 40% of the global gross domestic product (GDP), 60% of global GDP, and one-third of global trade. The fast growth in the region is, however, fraught with income and wealth inequalities within and among countries arising from the disproportionate flow of wealth captured by the elites in select Asian countries.[4]

This fast growth has also made the region more fragile and vulnerable to the impacts of climate change. These impacts will likely be aggravated with the same market-driven growth. The energy consumption of Asia's developing countries is projected to contribute to an increased share in energy-related carbon dioxide (CO_2) emissions from 31% in 2007 to 45% of the world's total emissions by 2030.[5]

The number of Asians living on less than US$1.25 per day has decreased from 1.7 billion in 1981 to 700 million today. The poverty metric of US$1.25 a day as poverty threshold, however, is challenged even by ADB itself, which claimed that it is not enough to maintain minimum welfare in many parts of the region. While income inequality has improved in aggregate levels, other forms of inequities remain prevalent. Child malnutrition remains high. Almost two billion people in the region do not have access to basic sanitation.

ADB is one of the MDBs clearly expressing alignment and operationalization of the Sustainable Development Goals (SDGs) and development effectiveness agenda. While growth has undoubtedly been seen in some parts of the region, poverty, inequality, fragility and vulnerability has worsened. In the Bank's three strategic agenda, how was the principle of focus on results of poverty-reduction operationalized and what were the results?

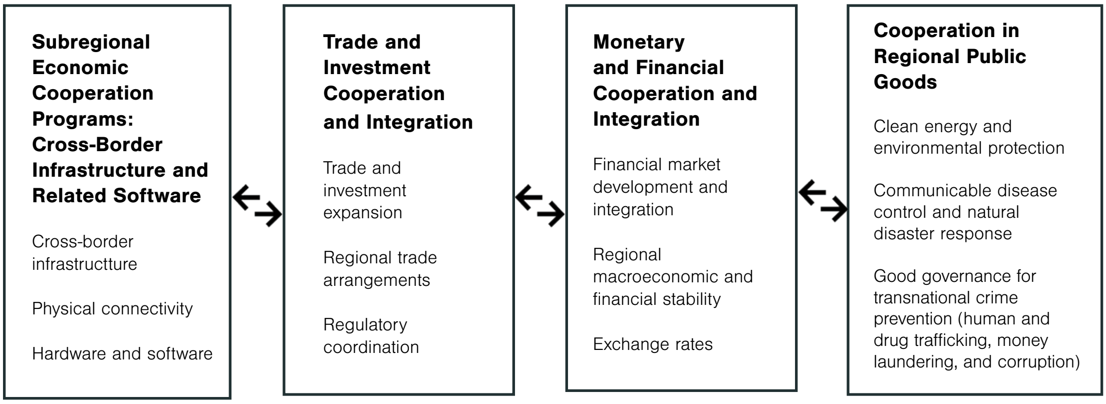
a. **Regional cooperation and integration (RCI) strategies integrated capital with markets but the poor remain at the margins of development.** The ADB Charter mandates the Bank to support regional cooperation among its countries. However, since its establishment in 1966, it was only in 1994 that this mandate became a formal policy when the Regional Cooperation Policy (RCP) was enforced. Two years later, ADB adopted the regional cooperation and integration (RCI) agenda with four pillars: (1) regional and subregional economic cooperation; (2) trade and investment cooperation and integration; (3) monetary and financial cooperation and integration; and (4) cooperation in regional public goods (See Figure 4. Four Pillars of ADB's Regional Cooperation and Integration Strategy).

ADB has funded a number of RCIs but later focused on three: Greater Mekong Subregion (GMS), South Asia Subregional Economic Cooperation (SASEC), and the Central Asia Regional Economic Cooperation (CAREC), where ADB serves as the Secretariat. (See Features of ADB's Main RCIs).

For other RCIs, ADB plays a secondary role, such as in the Association of Southeast Asian Nations (ASEAN); Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA); the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); and the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. Other RCIs take the form of regional cooperation, such as the Pacific Islands Forum and the South Asian Association for Regional Cooperation.

4 *http://www.straitstimes.com/opinion/asias-problem-with-wealth-inequality*
5 *http://www.congrex-switzerland.com/fileadmin/files/2012/FIDIC2012/Presentations/FIDIC_PlenarySessionII_Ismakova.pdf*

Figure 4
Four Pillars of ADB's Regional Cooperation and Integration Strategy



Source: ADB. 2006. Regional Cooperation and Integration Strategy. Manila.

Regional integration for the Bank meant only one thing in the past 30 years: pouring of its investments and knowledge capital on the road to the same growth-centred paradigm pushed by the market-based agenda of multinational corporations (MNCs) and shareholding developed member-countries sitting in the Bank's board. Following a corporate level strategic agenda strongly pursuant of the market-based prescriptions to poverty-reduction, ADB made it a goal to ensure that 30 percent of its operations will be allocated to RCIs by year 2020.

Regional integration per se is not a bad idea altogether. With a paradigm owned by Asia's poor, an EDC-aligned development finance could bring desirable outcomes particularly at the country level. ADB, however, executes and finances the market-based approach to development. Its rationale in pursuing RCIs is clear: "behind the RCI theme lies the benefits that can accrue from operating in larger markets due to economies of scale."[6]

ADB continues to peddle the promise that creating a single market, integrated production base requiring massive extractive economic activities, and open economies would generate positive economic impacts through the trickling effect to the poor from the proliferation of jobs, opportunities, and better social services.

While Asia Pacific has emerged as the most important driver of global economic growth, accounting for 70% of total global growth, the differences among countries fall under the same narrative of rich and poor countries. Asian countries have different levels of development in terms of political, social, cultural, and economic contexts. There is no single formula for eradicating poverty for each of the sovereign countries. However, a common path taken by citizens is the path of struggle for self-determination.

RCIs only integrated a few Asian economies regionally and globally. According to ADB's evaluation of RCIs, East Asia and Southeast Asia have much higher levels of integration than other Asian subregions (and also most non-Asian subregions). By contrast, the Pacific, South Asia, and Central Asia regions are among the least integrated subregions in the world. The main driver behind Asia's regional integration has been the growth of trade and investment instead of monetary and financial integration, which has characterized mature models of regional integration.

Given the elevated political uncertainties, the consistent weakening of growth than income growth, lack of economic regime exemplifying the promise of regional economic integration with the fall-out of the European Union and America First policy, and the overall decline in adoption of free trade agreements (FTAs), and performance of global value chains (GVCs) in Asia—continued peddling of RCI's can be seen as a rigidity even by mainstream economists.

In ADB's operations, economic corridors can either be *transport corridors* along which people, raw materials, and finished goods move; or *integrated economic networks*, which connect regional and GVCs and production networks.

6 *Asian Development Bank Support for Regional Cooperation and Integration. 2015 October, ADB*

Figure 5
Features of ADB's Main RCIs

Features of ADB's Main RCIs		
Program	*Year est.*	*Member countries*
Greater Mekong Subregion	1992	Cambodia, the People's Republic of China (PRC), focusing on Yunnan Province; the Lao People's Democratic Republic (Lao PDR); Myanmar; Thailand; and Viet Nam. Guangxi Zhuang Autonomous Region of the PRC joined the program in 2004.
Central Asia Regional Economic Cooperation	1997	Afghanistan, Azerbaijan, the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan
South Asia Subregional Economic Cooperation	2001	Original member countries: Bangladesh, Bhutan, India and Nepal. Sri Lanka and Maldives joined in May 2014. Myanmar has observer status.

Of the four pillars identified to make RCI approach successful, only the pillar on economic corridor development received greater attention from ADB. Complemented by software support (FTAs, policies and institutional coherence) and hardware support (cross-border infrastructure), economic corridors are seen to connect economic agents along a defined geographic area. These economic corridors link the supply and demand sides of productions and markets.

FTAs provide the governance with economic corridors to ensure that space is eliminated for profit maximization by bringing production centres closer to each other and breaking barriers for the efficient distribution of goods to the market. The proliferation of FTAs is meant to remove trade and investment barriers to enhance GVCs— a sequence of all functional activities required in the process of value creation involving more than one country. As of July 2017, 147 FTAs were in effect with another 168 under negotiation or proposed in ADB's 48 regional member economies.

For small economies, GVC participation improves the chances for access to new types of production and to upgrade towards higher value-added activities. It is assumed that participation of developing economies in the international production networks of MNCs will unlock the development disadvantages arising from being a small domestic market as well as from insufficient capital and the lack of experience in meeting international standards.[7]

The differentiated benefits of GVC participation enhanced by ADB's RCI strategy is often clouded by large economies, such as China and India, that influence how regional performance is depicted. Moreover, the focus on RCIs made countries outside their ambit less attractive for funding. For instance, fragile and island countries have received proportionately less RCI support from ADB. In particular, island countries received only 1% of loan or grant approvals by number and 0.1% by amount. The rest of RCI support went to low-income countries, middle-income countries, and landlocked countries from the period of 2003-2014.[8]

While growth contributions have been evident, it is concentrated to a few countries. Only ten countries in the region, according to UN Educational, Scientific and Cultural Organization (UNESCO) are benefiting from GVC participation: Australia, China, Japan, India, Indonesia, Malaysia, the Republic of Korea, Singapore, Thailand and Turkey.[9] This suggests that the Bank's strong focus on RCIs magnifies inequities among countries.

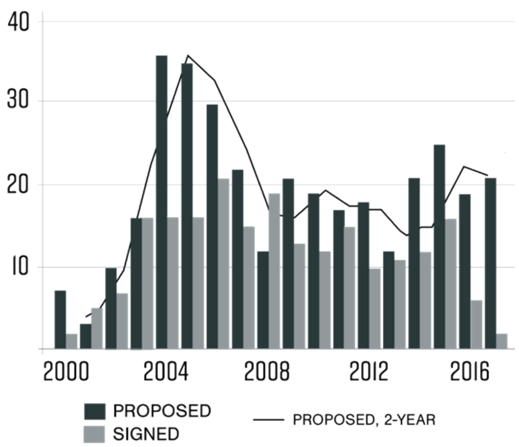
RCIs impinge on country's autonomy. Harmonisation of trade and investments laws is not necessarily geared towards the needs of a developing country. Indeed, such harmonisation often caters solely to the efficiency needs of GVCs. FTAs usually come at the cost of directing domestic policy instruments away from promotion of industrial development, environmental protection, and social reform agenda. FTAs also ignore the broad development needs or changing economic and political contexts of countries.

RCIs ignore social and environmental pillars. Nothing in RCI strategy mentions the need to protect biodiversity. There is simply no provision requiring states to apply biodiversity management standards and ensure human rights. Considering that RCI projects run along shared and fragile

7 *Global Value Chains and Interconnectedness of Asia-Pacific Economies. Chapter 7, Asia-Pacific Trade And Investment Report 2015.*
8 *Asian Development Bank Support for Regional Cooperation and Integration. Thematic Evaluation Study. 2015 October, ADB. https://www.adb.org/sites/default/files/evaluation-document/110946/files/adb-support-rci.pdf.*
9 *Global Value Chains and Interconnectedness of Asia-Pacific Economies. Chapter 7, Asia-Pacific Trade And Investment Report 2015. http://www.unescap.org/sites/default/files/Chapter%207%20-%20GVCs%20in%20the%20Asia-Pacific.pdf*

ecosystems, ancestral lands of indigenous peoples, as well as urban settlements, they usually entail enormous social and environmental repercussions occasioned by massive infrastructure development.

Figure 6
Number of FTAs proposed and signed by year - Asia



FTA = free trade agreement.
Note: Includes bilateral and plurilateral FTAs with at least one of ADB's 48 regional members as signatory. 2017 covers FTAs that came into effect from January to July. "Signed" includes FTAs that are signed but not yet in effect, and those signed and in effect. "Proposed" includes FTAs that are: (i) proposed (the parties consider an FTA, governments or ministries issue a joint statement on the FTA's desirability, or establish a joint study group and joint task force to conduct feasibility studies); (ii) framework agreements signed and under negotiation (the parties, through ministries, negotiate the contents of a framework agreement that serves as a framework for future negotiations); and (iii) under negotiation (the parties, through ministries, declare the official launch of negotiations, or start the first round of negotiations).

Source: ADB. Asia Regional Integration Center FTA Database

For instance, CAREC and SASEC countries are either new democracies or countries with democratic deficits. These countries' institutional, legal, and political systems are yet to be aligned to human rights standards. As a result, ADB funded projects in these RCIs led to human rights violations in project implementation, such as displacements, and the lack of free and prior informed consent. In the ASEAN, one of ADB's RCIs, an International Labor Organization study posits that the region's economic integration will create opportunities, but risks leaving some behind and aggravating inequalities. New jobs could grow in sectors that are prone to be informal and vulnerable, women will gain less from new jobs than men, and the demand for high skill workers will increase faster, potentially creating wage inequality between skilled and unskilled workers. Migration of medium and low-skilled workers will continue within the region and thus protecting their rights will be key in containing inequalities in the region.[10]

Indeed, these examples show how RCIs have and can become centres for inequalities and human rights violations.

b. Inclusive economic growth: economy growing but excluded the rest of Asia's poor.

The debate on whether economic growth does really contribute to poverty reduction has already been refuted. The new directions set by Agenda 2030 for leaders to shift from a growth-centred agenda to an integrated economic, environment, and social planning sets the tenor for all MDBs pushing for the argument that the benefits of economic growth have "spillover effects" to the poor in terms of job generation and income. This paradigm is evident in ADB when one looks at its financing for operational areas.

ADB continues to allocate most of its assistance for infrastructure development (transport, energy, water, and urban services) under Strategy 2020. Infrastructure operations accounted for 72% of ADB operations during 2008–2012, up from 67% during 2003–2007 (see Figure 7).

There is no doubt on the role of infrastructure development on the economic growth of developing countries. However, there is little evidence that would conclusively draw a direct link between infrastructure and poverty. On the contrary, research shows that the extent to which infrastructure leads to poverty reduction through economic growth depends on the quality of governance and the institutional setting.[11] Further, infrastructure development can only be meaningful for the growth of developing countries when they are aligned with the countries' industrial and social needs.

Much of the infrastructure investments, however, go to the physical infrastructure required for regional corridor integration, such as transportation, energy for economic corridors

10 *Single market 'may aggravate inequalities' in ASEAN. http://www.dw.com/en/single-market-may-aggravate-inequalities-in-asean/a-17869056*

11 *Infrastructure and Poverty Reduction Implications for Urban Development in Nigeria T. P. Ogun. Working Paper No. 2010/43, United Nations University. World Institute for Economic Development Research.*

and communications. These investments are not based on rigorous country-level consultations with poor communities. Indeed, only a paltry portion go to social infrastructure, particularly in rural areas for health, potable water, and education. The consistent preference for infrastructure development has been shown to facilitate exclusion of poor populations and encourage systematic extractive economic activities. Moreover, huge infrastructure investments also carry with it human rights violations, corruption, and environmental degradation.

This inordinate focus on infrastructure development reflects a common strategy in various consensus documents and strategy on achieving economic growth. However, mounting evidence shows just the opposite. Infrastructure development generates inequities between regions and households in terms of opportunities and income. Indeed, infrastructure development centred around economic corridor development in the aim of linking areas to regional and global value chains contributes to worsening development disparities between economic hubs and far-flung rural areas.[12]

What this implies is that despite growth in the region, it remains home to 60% of the world's population and half of the world's poorest people.

Figure 7
ADB Financing for Operation Areas

Item	2003-2007 Amount ($ million)	2003-2007 Share of Total ADB Financing (%)	2008-2012 Amount ($ million)	2008-2012 Share of Total ADB Financing (%)
Core Areas of Operations	**31,574**	**85**	**53,499**	**82**
A. Infrastructure	24, 935	67	46,666	72
i. Energy	5,818	16	16,840	26
ii. Transport and Communications	12,382	33	18,873	29
iii. Water	3,552	10	6,013	9
iv. Other Infrastructure	3,184	9	4,941	8
B. Finance	5,001	13	4,991	8
C. Education	1,446	4	1,758	3
D. Others (Multisector)	191	1	84	0
Other Areas of Operations	**2,022**	**5**	**3,283**	**5**
A. Agriculture	924	2	1,822	3
B. Health	1,097	3	1,415	2
Additional Areas	**3,529**	**10**	**8,363**	**13**
A. Industry	418	1	711	1
B. Public Sector management	3,111	8	7,652	12
C. Non-core operations that support environment or RCI				
Total ADB Financing	**37, 125**	**100**	**65,100**	**100**
Total Financing for Core Areas	**31,925**	**86**	**55,180**	**85**

ADB = Asian Development Bank, RCI = regional cooperation and integration.

Notes: (i) The figures for disaster-risk management, which is considered as part of "other areas of operation" under Strategy 2020, are not reported separately in this table because most of the operations in this area are already classified as part of infrastructure operations.
(ii) The shares of operational areas in total ADB financing include components of a given operational area in multisector operations. For this reason these shares may not match those reported in ADB's work program and budget framework documents.

Source: ADB Strategy and Policy Department

12 *The impact of infrastructure provisioning on inequality: evidence from India. Bajar and Rajeev. 2015, International Labour Organization. http://www.global-labour-university.org/fileadmin/GLU_Working_Papers/GLU_WP_No.35.pdf*

The poor have been systematically excluded from the benefits of economic growth. The "trickle down" approach miserably failed to bring down the effects of economic growth to those who need it the most.

For instance, energy investments have so far responded only to the needs of economic corridors. This left 700 million people with no access to electricity and almost 2 billion people still dependent on burning wood, dung, and crop waste to cook food and heat their homes.[13]

Inadequate investments for social infrastructure left 1.7 billion people in the region without access to sanitation services. Around 60% of households live without safe, piped water supply and improved sanitation. Nearly 780 million people still practice open defecation and 80% of wastewater is discharged with little or no treatment. Almost 75% of countries in the region are experiencing serious water insecurity leading to serious health and economic implications.[14]

Water for agriculture continues to consume 80% of the region's resources yet most investments go to transportation, communication, and energy to provide for the needs of regional cooperation integration instead of spending for rural infrastructure, such as community irrigations and farm-to-market roads for the needs of small farm holdings.[15]

Despite the inequities resulting from infrastructure investments, ADB does not intend to shift its investments to social services. On the contrary, ADB has put more emphasis on private sector participation in infrastructure development. It has been aggressively pursuing co-financing partnerships on infrastructure projects with AIIB and other international financial institutions.

c. environmental sustainability and climate change

The future generation will not be able to enjoy quality life if economic growth continues to destroy our already degraded environment. Our natural capital should therefore be replenished and conserved for the needs of future generations. Asia's market-based system resulted in growth but has also increased the vulnerabilities of poor people to climate change due to extractive economic activities. These activities require massive land conversion, deforestation, and increased reliance on fossil fuels. Critical resources are reaching its tipping point. And yet, ADB has not only underinvested in environmental sustainability, it has also harmed critical ecosystems and natural capital in many of its large-scale infrastructure projects.

ADB reports that in 2016, "54% of [approved] infrastructure operations lacked the detailed engineering designs."[16] This quality of documents at approval stage has implications on the credibility and exactness of environmental impact assessments as a basis for ascertaining the scope of potential social and environmental harm. For example, a gas pipeline in Myanmar which lacks angular position may fail to identify the extent of rice fields that could be exposed to health and food security risks. In Mongolia, the absence of a specific location for a landfill in a coal plant's final design does not assist affected communities to decide and inform the government and the Bank early on to prevent harm. With such haste to disburse funds, communities are unable to inform and put project holders to account because of the incompleteness of the documents.

ADB's investments for large dams increased amid the stinging report of the World Commission on Dams that large dams have not provided the benefits that their promoters had predicted. In Nepal, ADB has been funding large dams meant to deliver rural electrification in a sustainable manner but communities struggle with ADB to act on multiple violations of its own safeguard rules and national laws. The same is true for large dams built in GMS, Indonesia, and Malaysia. Vital aquatic life has been damaged, hundreds of indigenous peoples displaced, and communities inundated to build large dams operated and owned by the private sector in the name of energy security.

Numerous projects ostensibly contribute to environmental sustainability in their project documents. However, upon closer scrutiny, these projects actually inflict harmful environmental and social implications. Whether a result of political motivations, profiteering, lack of technical and contextual understanding of project holders, or pure negligence of safeguards staff, these lapses only show the need for greater participatory processes. Stakeholders, especially project-affected communities, must be involved in

13, 14 *ADB website*
15 *Asian Water Development Outlook 2016. Strengthening Water Security in Asia and The Pacific. 2016, ADB. https://www.adb.org/sites/default/files/publication/189411/awdo-2016.pdf*
16 *ADB Development Effectiveness Review 2016*

the discussions to ensure transparency and accountability, especially at the project level.

A proposed combined heat and power plant in Mongolia will be built on a UNESCO protected site. A proposed large hydropower dam in Nepal will inundate large farming communities and critical ecosystem sites. Reforestation projects in Indonesia were implemented for private sector-run mono-cropping plantations. A clean energy coal plant in the Philippines spews harmful coal ash to surrounding areas.

These kinds of projects would have been redesigned or halted if participatory consultations were in place in every stage of the project cycle and in program development. Its importance is clear in ADB's Strategy 2020 yet it is hardly practiced in implementation.

Reinforcing Asia's climate vulnerabilities. One of the fundamental unities in the formation of the SDGs was the recognition of the need for the world to be aware of its ecological footprints. Climate change impacts poor and vulnerable countries the most even if they produce the least greenhouse gases. This challenge was taken in the 2015 21st Conference of Parties (COP21) Paris climate agreement by member-states, civil society, businesses, and other stakeholders. The conference led to the much-debated commitment to hold global temperature below 2°C and to even pursue a maximum of 1.5°C. Indeed, 2.0°C is the highest temperature increase we can afford to prevent the worst effects of climate change. Key to achieving this is increased climate financing for the needs of developing countries.

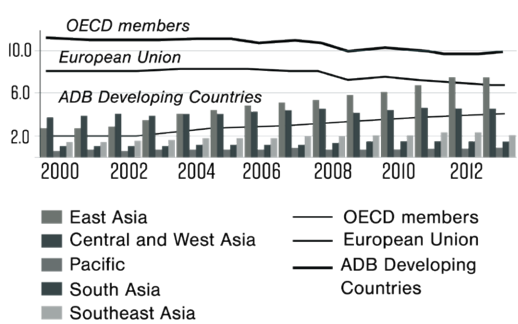
COP21 legally binds MDBs including ADB to increase its pledge for climate finance. COP21 also mandates MDBs to ensure that investments do not support economic strategies that promote a 2°C rise in global temperatures from pre-industrial levels. Thus, the effectiveness of ADB's climate financing must be seen within the greater strategies where it employs its resources.

Climate finance is defined as the transfer of public funds from developed countries to developing countries generally to support mitigation or avoidance of greenhouse gas emissions and adaptation of steps to respond to adverse climate impacts.

Mitigation efforts which work around the root cause of increased greenhouse gas emissions are less relevant for low CO2-emitting developing countries in the Asia Pacific region (see Figure 8). The region's majority rely on climate-sensitive resources and have low adaptive capacity. Thus, greater investments to minimise the consequences of actual and expected changes in the climate or adaptation measures are more relevant to ADB's developing member countries (DMCs). Interventions aimed at reducing vulnerabilities by interventions such as lowering sensitivity, supporting governance systems, or building adaptive capacity as well as allowing sectors to adapt and benefit from opportunities of climactic changes are recurring demands of CSOs, particularly in the Global South. It is the area in climate financing where public money should go especially when working in climate-vulnerable developing countries.

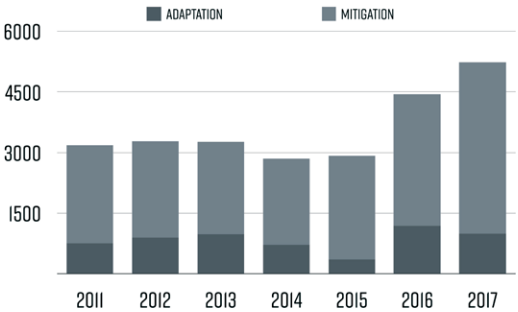
Adaptation measures however do not receive enough attention from most MDBs because It is seen to be a long-term investment area. Adaptation measures are also less profitable and far more expensive than reducing poverty itself. Although 45% of ADB's overall operations and 44% of ADF (concessional window) go to climate change,[17] nearly 80% are invested in mitigation strategies and mostly with the private sector (see Figure 9).

Figure 8
Per Capita Carbon Dioxide Emissions by Global Regions, 2000-2013 (metric tons)



ADB = Asian Development Bank
OECD = Organisation for Economic Co-operation and Development
Source: World Bank. World Development Indicators online database

Figure 9
ADB's Historical Climate Finance from 2011-2014



As a justification for its bias to profit-generating and private sector-compatible strategies, ADB has gone to great ends in producing a convoluted financing needs assessment bias to mitigation efforts:

> "[N]ecessary investments in all developing countries for mitigation are estimated to be between $140 billion to $175 billion per year by 2030, while adaptation cost estimates for Asia and the Pacific are in the order of $40 billion per year between now and 2050."[18]

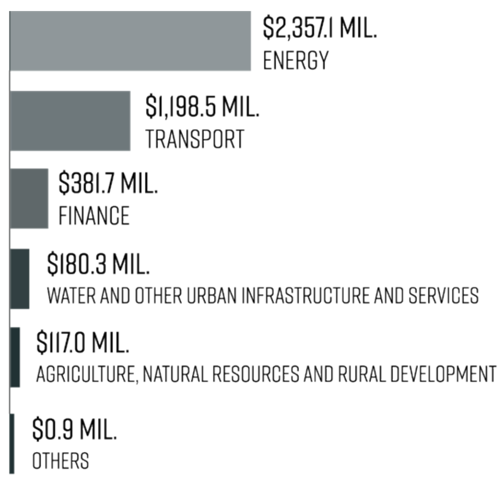
Aside from asserting greater focus on adaptation, CSOs push for a predictable and grants-funded strategies instead of loans. Unfortunately, these calls have little prospects in the Bank's climate financing plans. ADB intends to double its climate financing to $6 billion by 2020 in the form of loans for middle-income counties aimed at driving private finance into green infrastructure projects, whether directly at project level or through capital markets, such as ADB's recent $1.3 billion green bonds issuance.[19]

Greater scrutiny is also needed to assess whether greater investments in mitigation strategies do contribute to a more resilient Asia. Support for "clean coal" remains to be a popular mitigation project in ADB. However, as unmasked by CSOs, clean coal is no cleaner than coal as a source of clean energy. Clean coal still needs the extraction of coal from the ground and actually requires more water and energy input than ordinary coal.

ADB's adaptation projects also require rigorous assessments on safeguards compliance as most projects turn out to be highly-contested energy projects, such as dams in Nepal and the Greater Mekong Sub-region. These projects come with consequences to human rights and ecological sustainability.

Climate change projects may be packaged as clean energy in the form of biofuel production with massive implications to food, human, and environmental security. This has been seen in REDD++ (reducing emissions from deforestation and forest degradation) projects in Indonesia that paved the way for mono-cropping of private sector-owned palm plantations.

Figure 10
ADB's Mitigation Finance by Sector, 2011-2014, in millions (MIL.)



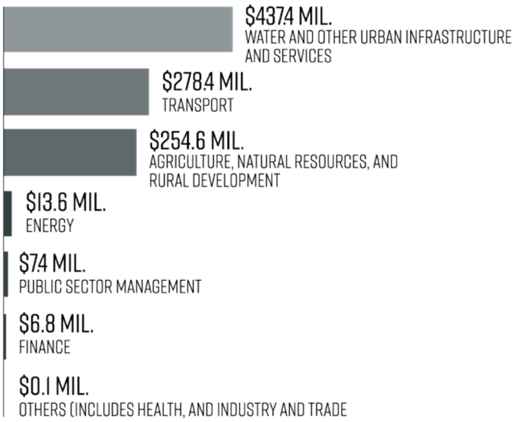
Increased climate financing is not always a positive fix when it is meant to offer false solutions. Accessible and "clean" electricity, such as energy efficiency technologies and "clean coal", remains to be the main solution for the Bank that sees private sector as its main partner. Meanwhile, lending for off-grid and mini-grid renewable energy is only at 7.5 percent of its total energy portfolio.

ADB's sophisticated and greater focus on climate financing seems unlikely to lead to decreased vulnerabilities for the poor. The pre-eminence of its market-driven model of growth requires massive extraction of resources and deployment of goods through mega infrastructure development. By reinforcing this same market-driven approach to development and poverty-reduction, ADB is complicit to the increasing overall share of global emissions of greenhouse gases, harming not only the world but the region itself. The Bank

18 *ADB website*
19 *https://www.adb.org/sites/default/files/publication/357156/catalyzing-green-finance.pdf*

must therefore realign its overall investment and partnership strategies for climate finance to achieve effective and just results.

Figure 11
ADB's Adaptation Finance by Sector, 2011-2014, in millions (MIL.)



ADB finance not targeted to the most poor

The Paris Declaration was somehow a reaction to the failures of Structural Adjustment Programs which imposed key policy prescriptions on DMCs. As a replacement, the Poverty Reduction Strategy Paper (PRSP) approach was adopted to poverty reduction programs. PRSP sets out to evaluate the role, impact, and effectiveness of official development assistance. In particular, it includes issues surrounding conditionality, ownership, projects and programs, public expenditure management, and donor coordination. Through standardized public budgets, accountability, and reporting arrangements, PRSP is connected to most affairs of state—from social sector expenditure and local area development to larger frameworks of trade and tariffs, foreign direct investments and ownership, and international borrowings.

At the dawn of the new millennium, the UN committed to halve poverty by 2015 and adopted the Millenium Development Goals (MDGs). ADB's Strategy 2020 responded to that call but the formula revolved around market-based approaches, which it does continue to employ when it committed to the SDGs. Through the decades, there have been no transformative changes when it comes to direct poverty-reduction strategies such as education, health, and agriculture. In terms of sector investments, around 58% of concessional finance were directed to infrastructure development from 2013-2016 and is set to increase further under new Strategy 2030.

Critical views have been raised as to how the allocation of funds serves the political and economic interests of ADB's huge shareholders, particularly Japan and the US, instead of DMC needs for concessional finance. In terms of country allocation, the bulk of concessional loans goes to Indonesia, Thailand, South Korea, and the Philippines. All these countries are of particular trade and investment interest to Japan. China, Pakistan, Philippines, India, and Vietnam bears important economic and security interests to the US. Though ADB strategies are in place to guide lending directions, powerful voices in ADB's boardroom remain to direct the flow of important concessional loans for poverty-reduction in the region.

Figure 12
ADB's Concessional Finance by Sector

Concessional Assistance Program by Sector				
	2013-20016		2008-2012	
Sector	$ million	%	$ million	%
Infrastructure	1,763	58	2,172	54.7
Energy	746	24.5	751	18.9
Transportation	631	20.8	847	21.3
Water	302	9.9	466	11.7
ICT	7	0.2	10	0.3
Other infrastructure	76	2.5	98	2.5
Education	321	10.6	451	11.4
Finance	127	4.2	66	1.7
Agriculture	336	11.0	613	15.4
Health	73	2.4	197	5.0
Others	420	13.8	472	11.9
Total	**3,041**	**100**	**3,972**	**100**

Source: Asian Development Bank

Figure 13
Approved Loans by Borrower

Includes concessional loans that were transferred from ADF to OCR effective 1 January 2017. OCR sovereign regular ($184.5 mn), OCR sovereign concessional ($56.6 mn), and Nonsovereign (16.0 mn).

Country Ownership

ADB is a signatory to global declarations on aid effectiveness from Paris, Accra, Busan, Mexico to Nairobi. This commitment strongly builds a case for the use of country systems as a way for building country ownership. This is seen as an essential process in clipping the powers of the sources of financing in the direction of development initiative.

The global consensus to respect and support country ownership began in 2005 Paris Declaration calling donors to respect the direction of the recipient country, listen to the priorities of governments, assist governments to achieve those priorities, and allow governments to learn from their mistakes. What began as an empowering concept has morphed into a dangerous concept for violating human rights in the name of project efficiency among MDBs.

Across development cooperation actors, there is no single definition of country ownership. Since it is common for MDBs to harmonize rules and practices, it will be useful to look into the World Bank's definition of country ownership: the presence of sufficient political support within a country to implement its developmental strategy, including the projects, programs, and policies for which external partners provide assistance. Further, it states outright that country ownership has nothing to do with consensus but more on the ability of the project holder (government) to pursue development initiatives in the face of opposition.[20] Thus, while the original intent for the concept was to respect the sovereign rights of countries as a lesson from the destructive mistakes of structural adjustment programs as a package of policy prescriptions of MDBs, it has come to mean as the ability of governments to sustain a development project despite public resistance or grievances from communities. Country ownership has meant government ownership–not democratic ownership.

There are two major ADB thrusts meant to strengthen country ownership. First, is the use of national laws in three areas of country systems considered central to achieving sustainable development impact, namely,(1) procurement, (2) public financial management (PFM), and (3) environmental and social, including involuntary resettlement and indigenous peoples) safeguards. In 2013, 67% of ADB's sovereign operations used developing member countries' public financial management systems, while 33% used country procurement systems. For country safeguards systems (CSS), a laddered and systematic approach is in place. CSS exists to ensure that the same social and environmental protection under the ADB Safeguards Policy Statement is attained when they are used in project development.[21] The second thrust is a Results-Based Lending (RBL) modality piloted from 2013-2019 that uniquely links financing explicitly to pre-agreed and achieved intermediate and final outputs and outcomes, and likewise with the use of country systems. These practices are often presented as ways to improve country ownership, and to build capable institutions and effective systems necessary for better service delivery, reduce transaction costs due to delays.

However, in reality, these practices carry with them detrimental social, economic, and environmental implications. While CSOs have gained in-roads in policy texts, the intent has been usurped by the seething donor-client power relations in the context of a market-based agenda.

Country ownership as practiced by ADB has been government ownership of processes and private sector ownership of the entire project leaving citizens—the main object of development—out of the process. As a result, government's accountability is geared towards fulfilling the requirements of ADB rather than that of the project participants, potentially affected communities, and other stakeholders. In the face of preponderance and rootedness of market-based policy prescriptions in Asian economies, country ownership can be used to protect the status quo instead of advancing sustainable development through inclusive, transparent, and participatory development decision-making.

20 *http://web.worldbank.org/archive/website01013/WEB/0__CON-5.HTM*

21 *Promoting the Use of Country Systems in ADB's Operations: A Systematic Approach. ADB February 2015.*

A. Use of country systems are hounded with economic interests of donor countries and the private sector

The use of national procurement systems does not fulfil the objectives behind the call for untying aid. Untying aid to least developed countries (LDC) was a recommendation in 2001 by OECD-DAC and was reaffirmed in the Paris Declaration. These instruments state that untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. Untying aid also increases the use of local expertise that are better equipped to understand local contexts. In terms of procurement, preventing the use of goods and services from businesses originating from the donor country prevents aid from returning to the source of money and instead helps stimulate the local economy of recipient countries. It also allows donors to strengthen the alignment of their aid programs with country-owned goals and financial management systems of recipient countries.

Many developing member countries prefer to purchase locally available or produced materials in public-funded projects to ensure that money goes back to benefit local industries. Though strengthening internal capacities is the bottom line of using country systems, preference for local procurement does not go well with the other PD commitments aimed at promoting expansion in global economic trade between development partners and developing member countries. Any form of local preference and restriction is not consistent with the open market access and national treatment provisions of the World Trade Organization Agreement on Government Procurement (GPA). Thus, these are prohibited even with a long-standing untying of aid agenda in place.

From January 2003 to October 2011, the ADB Board of Directors received 30 requests for waivers of the procurement restrictions, all of which have been approved.[23] In this sense, the untying of aid agenda is nearly a dead cause.

Thus, the use of national procurement systems in the selection of goods is taken seriously to prevent business losses from corruption, but not to fulfil the full intent of capacitating countries to determine their own course by untying aid.

On the other hand, the procurement of services delivered by technical assistance for the purpose of (1) project preparation, (2) capacity development, (3) policy advice, and (4) research and development has not contributed to building country ownership. When ADB conducted an evaluation covering the years of 2007–2012, the results revealed the following:

> *"DMC ownership of advisory TA was insufficient. In Fiji, the Kyrgyz Republic, and the Philippines, for example, the governments had little input into TA strategic programming and implementation. Government officials said that ADB TA addressed priority needs, although the study pointed out the range of needs was broad and increased government participation would have better focused the use of TA. For TAs on policy preparation, ADB procedures were found to be fairly rigid. They had not adapted to the growing capacity in the DMCs and the TAs had not been used enough as a tool for building DMC ownership and capabilities."* [23]

It was also revealed that in areas where technical assistance requires local expertise for the application of a continuing fragility analysis in fragile and conflict situations, TAs did not employ local expertise.

Use of national financial management systems can lead to operational efficiency but does not prevent indebtedness. ADB's independent evaluation report shows that 94% of ADB financed operations used DMC financial management systems in 2010, exceeding the Paris Declaration target of 78%. ADB has fully used the financial management systems and practices of DMCs in such areas as accounting, auditing, and financial reporting. However, this does not resolve potential indebtedness resulting from bad project designs, changing economic and political contexts of DMCs, and lack of flexibility given to DMCs in delivering contractual obligations cited as a risk in Results-Based Lending Programs.

Employment of country safeguards systems takes advantage of weak national and environmental and social safeguards to expedite project approvals and reduce risks for private sector.

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22 *Asian Development Fund (ADF) ADF Replenishment Meeting 5–6 December 2011 Dhaka, Bangladesh. Review of Member Country Procurement Eligibility Restrictions at the Asian Development Bank.*

23 *Corporate Evaluation Study. Role of Technical Assistance in ADB Operations. IED ADB, 2014 September.*

Safeguard systems are in place in recognition that growth and development have adverse risks and impacts resulting from development projects but can be avoided, minimized or mitigated through various environmental and social policies and practices. MDBs, including ADB, developed their own safeguard policies in response to intensified, protracted, and multilevel assertion of CSOs and project-affected communities to halt rights-violating development projects.

ADB's safeguard policy was developed through revision and implementation until it adopted a comprehensive 2009 Safeguard Policy Statement (SPS) covering three areas: (1) environment, (2) involuntary resettlement, and (3) Indigenous Peoples. ADB's safeguard requirements apply to all ADB-financed projects. Noncompliant projects will not be financed by ADB. Often, ADB project managers, governments, and especially the private sector, consider basic safeguard requirements conducting environmental impact assessments, compensation for displacement, project redesign to avoid environmental damage and consultations with communities as costly. But for people and the environment, safeguards have been utilized as lifelines for defending assets, ecosystems, and livelihoods. They have also been invoked to receive just compensation.

The inroads and level of protection provided by the SPS, however, are threatened to be eroded by a provision stating that ADB adopts the use of CSS. This move means that ADB shall use the country's systems and frameworks rather than its own environmental and social safeguard requirements and accountability mechanisms in addressing problems emanating from its interventions. CSS refer to policies, practices, legal frameworks, and institutions that a country puts in place to avoid, minimize, or mitigate potentially harmful environmental and social impacts of development activities.[24]

It is important to note that the use of CSS has little to do with allowing countries to exercise their sovereign rights in social and environmental protection to achieve sustainable development but more of the need to reduce the cost of business transactions in development projects:

> *"In the early 2000s it became apparent to Multilateral Financial Institutions that there was an urgent need to harmonize their safeguard efforts. The number and variety of safeguard policies, requirements, and approaches were causing confusion and overlaps as well as increased transaction costs; countries in the meantime were becoming concerned about duplication of effort in complying with multiple safeguard requirements. In order to make development financing more accessible, they began working together to harmonize their policies, while countries made efforts toward improving their own safeguard systems. There was a widespread recognition of the need for harmonization and alignment with country systems, especially in the wake of the 2005 Paris Declaration on Aid Effectiveness; later, in 2008, the Accra Agenda for Action further emphasized the importance of country systems."* [25]

CSOs have already raised reservations on the CSS approach during the SPS policy review. These are based on their experience that national laws are weaker than or lacking the important requirements of ADB's safeguard. In the few cases when CSS assesses the level of equivalence between SPS and CSS, the results show that implementation is subject to political, budgetary and technical contexts of the project. Nevertheless, ADB insisted on adopting the new safeguard approach and in pursuit of that objective, had provided technical assistance of over $25 million for strengthened environmental assessment and social safeguard systems to more than 29 member countries across the region from 2010- 2014 alone.[26] This value is indicative of the tremendous amount of work needed to put CSS at par with ADBs safeguards rules for indigenous peoples, involuntary resettlement, and environment.[27]

For example, Mongolia has no law requiring compensation for displaced communities when the State appropriates land for private use. By contrast, the right to compensation is supposedly protected by SPS. Pakistan does not have a law recognizing the rights of women to property but SPS specifically recognizes such rights and

24 *ADB website*
25 *Building Country Safeguard Systems, Briefing Note No. 1 Country Safeguard Systems- An Overview. ADB*
26 *Country Safeguard Systems: Second Regional Workshop Proceedings - Towards Common Approaches and Better Results. 2015 December, ADB. https://www.adb.org/publications/country-safeguard-systems-second-regional-workshop-proceedings*
27 *This website shows ADB technical assistance to undertake gap-filling measures to undertake country-safeguards systems. https://countrysafeguardsystems.net/thematic-and-analytical-work?page=1*

therefore, are subject to compensation. Several countries, due to political reasons, do not have laws recognizing indigenous peoples' rights and therefore in the absence of SPS, they will have difficulties in putting project holders to account for encroachment in their ancestral domains.

ADB requires countries to ensure gap-filling measures should CSS score lower against SPS. There are inherent problems to this approach according to the Center for International Environmental Law:

- It will be difficult to understand the whole gamut of national policies that can be violated in a project.
- ADB does not specify whether the gap-filling measures should be performed across the project cycle to address potential environmental and social safeguards violations.
- It also does not say whether this is systematic, permanent, and mandatory.
- The equivalency scoring systems are not also transparent to communities for them to understand whether they are indeed acceptable.
- The level of use is also not clear, that is, whether ADB must use the gap-filling measures in the subnational or national levels.

In the quest to bring in more private sector investments, ADB takes a phased approach to the use of CSS. From 2015-2017, ADB shall systematically explore the use of country systems in six selected DMCs: People's Republic of China, Fiji, India, Indonesia, Kazakhstan, and Sri Lanka. All of these are Upper Middle Income Countries (UMIC). The use of CSS in these countries is based on the assumption that they have mature systems in place and are better equipped to respond to the safeguard. ADB's own explorative study on the potential use of CSS in these six UMIC reveals that on environmental safeguard alone, it is evident "that a universal approach to the use of country safeguard systems, and for all UMICs as a group, is not possible in the short term." Similarly, there were significant gaps in the six UMICs' national laws and respective principles of ADB policy on involuntary resettlement and indigenous peoples. Thus, the paper concluded that "ADB will not explore the use of these systems in ADB's investment lending operations in the short term." [28]

Apart from weaker national laws and systems, communities will find it difficult or even life-threatening to air complaints and feedback to national governments in a region home to democratically deficient countries. In a study of political systems in 165 independent states with 60 indicators measuring electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture, the Economist Intelligence Unit's 2017 Democracy Index reveals that there is no single country in the region that is fully democratic.[29] As a result, violations of economic and political rights in the face of constricted spaces to assert democratic rights and state privileging of the private sector have been on the rise.

CSS also frees ADB from its accountability as source of funds. Further, the CSS shields ADB from its legal responsibilities under human rights laws and international consensus requiring MDBs to do no harm.

B. Results-Based Lending (RBL) heightens the tension between development objectives and local capacities.

One of the responses to the Paris Declaration is the stronger link of aid to the desired results and the increase use of information to improve decision-making. Partner countries committed to improve links between their strategies and budgets have introduced performance indicators and progress reports. Donors committed to link their programs and resources to results which were previously identified in their national development strategies and reporting frameworks.

With the strong emphasis on managing for results in Paris, ADB embarked on a 6-year pilot phase implementation (2013-2019) of the RBL program. This program aims to: (1) increase accountability and incentives for delivering and sustaining results; (2) improve effectiveness and efficiency of government-owned programs; (3) promote institutional development; and (4) enhance development effectiveness.[30]

Unlike other lending modalities of the Bank, RBL programs finance a pre-identified share of the government's program at national or subnational, sector, or subsector level making it a more country-driven initiative. ADB's contribution is mixed with government and/or other development partners' funds. The results framework and the

28 *Promoting the Use of Country Systems in ADB's Operations: A Systematic Approach. February 2015. https://www.adb.org/sites/default/files/institutional-document/155296/promoting-country-systems-adb-operations.pdf*
29 *https://asiancorrespondent.com/2018/02/democracy-index-2017/#bR3fp2lUcLc68j4G.97*
30 *ADB Corporate Evaluation. Results-Based Lending at the Asian Development Bank: An Early Assessment. November 2017.*

Disbursement Linked Indicators (DLIs) cover the entire RBL program defined by the program boundary, and not just limited to ADB financing.

In a sense, this kind of approach embodies country ownership and development partnerships because ideally no single funder can dictate the course of the program and design is authored by governments. The most important feature of RBL, however, is that payments are made to governments, unless disbursement-linked indicators are achieved.

Although evaluations are few, critical lessons can already be learned in its early implementation:

- This modality reinforces the assumption that financial incentives are key to aligning donor and recipient goals
- How interventions are undertaken receives less attention. Payments will be made regardless if they do not follow safeguard procedures and requirements, wrong assumptions were made in the project design,[31] there is rampant violations of human rights norms, including the absence of participatory processes.
- RBL programs exacerbate the tying of conditionalities to aid disbursements.
- RBL programs can put implementing partners, governments or independent parties including service-oriented CSOs in a dangerous financial and reputational predicament when they face delivery problems in the implementation due to changes in project context or unavoidable circumstances. For governments, this could lead to indebtedness and inability to change agreed DLIs based on continuing dialogue with stakeholders.
- RBL programs are not for all. ADB's independent evaluation of the pilot phase reveals that "RBL programs are likely to work best when there is already deep ADB involvement in the sector and agency; and strong systems for monitoring and evaluation, safeguards, and fiduciary control."[32] Countries were unprepared for the fiscal repercussions since RBL is sourced from OCR and not thru ADF, the Bank's concessional window.

One dangerous application of RBL is in fragile and conflicted areas where ADB's operations are relatively new. Areas in the FCAS list have greater access to grants, more systems flexibility, and relaxed ADB requirements. ADB resource allocation to FCAS countries, however, follows ADB policies on the same principle of performance-based allocation (PBA) for ADF-eligible countries. This could entail fiscal harm as FCAS are fraught with lack of transparency and disclosure, weak institutional capacities in almost all technical areas, including procurement, safeguards, and project management. Corruption may be more ubiquitous in these setups due to the stated lack of experience and mechanisms in engaging in international procurement systems. This incapacity typically includes lack or even absence of meaningful consultations with CSOs or project-affected communities.

The quest for results is timely and appropriate but the processes are equally important. Results-driven aid must be an empowering process, participatory, and respectful of specific contexts, and improves human rights situation. The local ownership agenda must extend from design to evaluation of policies, programs and projects, to the process of deciding what should be done and how it should be done, since these are critically important for effectiveness and sustainability. These cannot be artificially grown by financial disbursements.

C. ADB's policy-based lending harms sovereign rights of peoples to self-determined growth

In the palette of modalities for development lending, Policy-Based Lending (PBL) had changed the economic, environmental, and political governance of Asian governments. Defined as budget support in conjunction with structural reforms and development programs of a DMC, PBL can potentially disable countries permanently in mapping its own development course. It is widely practiced by MDBs and reiterated in the Paris Declaration, which called for the consolidation of development partnerships through the use of program-based or sector-wide approaches. Figure 12 shows the differences of PBL with other modalities.

Like any other MDBs, ADB believes that reforms cannot be done incrementally. Hence, for the past years, it has prescribed comprehensive reform packages to DMCs changing the entire governance and direction of countries' economies and development path. The set of policy prescriptions include changing domestic policies based on international best practices in deregulation, liberalization and privatization of the economy. These policies, however, have lasting and profound effects on peoples' rights, governance, and environmental sustainability.

31 *http://unesdoc.unesco.org/images/0026/002611/261149E.pdf*
32 *https://www.adb.org/sites/default/files/evaluation-document/317151/files/ce-rbl.pdf*

Figure 14
Comparison of ADB's Major Lending Modalities

Dimensions	Investment Lending	Policy-Based Lending	Results- Based Lending
Primary focus on:	Transactions, project implementation and delivery	Policy, institutions, reform	Support to government sector programs
Disbursements linked to:	Investments, project inputs (goods, works, services)	Budget Support	Results
Implementation focused on:	Contracts and procurement supervision	Policy, institutional capacity	Improving country systems for service deliver

Source: Modified based on ADB. 2013. Policy Paper: Piloting Results-Based Lending for Programs. Manila

Inclusive Partnerships

Effective development cooperation requires inclusive partnerships. Throughout the development effectiveness discourse, CSOs have made important inroads in developing the concept of inclusive partnerships. In Paris (2005), CSOs were observers. In Accra (2008), CSOs were recognized as "development actors in their own right." In Busan (2011), governments promised to create an "enabling environment" for civil society.

The role of partnerships is reaffirmed in the 2030 Agenda designating it an important "means of implementation" for the 17 SDGs. Specifically, SDG 17 requires the establishment of Multi-Stakeholder Partnerships (MSPs) defined as lasting cooperation between various stakeholders—state actors (governments or international organizations) and non-state actors (from businesses, trade associations, foundations or NGOs) – with the stated aim of providing common good. MSPs are expected to complement the Global Partnership and shall "mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the SDGs in all countries, in particular developing countries."

Despite this progress introduced in the SDGs, ADB's partnerships have been increasingly inclusive of the private sector and remains exclusionary to CSOs and project-affected communities. In the process, ADB is inoculated from much needed insights, skills and expertise, which are grounded on development contexts. This makes it difficult to influence ADB's policies and practices.

Corporate ownership of Asia. Expansion of investments and partnerships in Asia is a mandate in Strategy 2020. The focus of PSOD's operations on infrastructure (60% of total approved commitments) and finance (34%) is seen as contributing to growth and poverty reduction. Attention given to this sector rests on the market-based assumption that "profit-seeking and competition among private firms encourage innovation and economic development."[33] As seen in ADB's SAPs and PRSPs, private sector partnerships contributed to corporate ownership of public sector utilities and natural resources with grave environmental, economic, and social consequences.

ADB's evaluation of finance sector transactions in private sector operations did not contribute to sustainable growth or inclusion. Eleven of the 25 transactions with available evaluation reports are rated less than satisfactory or unsatisfactory for development impact. The evaluations also show slightly lower component ratings for business success and contributions to economic development than for their contributions to private sector development.

Within the finance sector, development impacts of small and medium-sized enterprises (SMEs) were also less than successful when looking at job

33 *Comparative Institutional Review of ADB's Private Sector Operations.*

generation—the rationale for the assistance. Behind the quantity of jobs generated by SMEs, the quality of jobs that comes with recognition of labour rights, such as social protection, job security, among others, are poorly achieved.

ADB's SME financing aimed to expand access to finance for underserved market segments. Observations reveal however that SME-related private sector operations did not facilitate access to finance for the poor and their entrepreneurial endeavours, but mainly financed non-poor groups with small businesses.[34] ADB's SME interventions are dismal and dwarfed by the overall support it provides in terms of money and policy support to a more powerful cohort from the private sector—MNCs and TNCs.

ADB has in fact, shifted its finance sector from supporting SMEs to increasing investments in microfinance institutions (MFIs) as an inclusionary method in providing financial access to the poor. Microfinance is often defined as financial services for the poor and low-income clients by different types of service providers. Historically, MFIs are propelled by grants to NGOs whose development approach is to apply market solutions in addressing poverty.

It appears, however, that ADB has a weak understanding of the industry's historical persuasions that made microfinance relevant to the poor. The growth of MFIs rests on their dual nature as financial and developmental institutions for underserved communities through accessible finance. Unlike a pure bank, MFIs recognize that for the poor to succeed in entrepreneurship, access to finance requires complementary support in business and market training, values formation, marketing support, literacy, social mobilization, policy advocacy, and other financial services, such as savings.

ADB's independent evaluation reveals that the Bank, like most of the purportedly impact investors of MFIs,[35] has profitability as its primordial objective and has difficulty in valuing non-financial impacts, such as social and environmental objectives that the industry could potentially yield. Further, it also states that, "in general, despite their expertise and experience, fund managers had difficulty finding suitable MFIs to invest in, given the funds' dual commercial and development objectives."[36]

In addition, ADB's efforts parallel to its support to MFIs affect the growth of the industry, such as loans with policy conditionalities that required raising domestic resource mobilization. Pressured to expand the tax base, Asian governments have aggressively waged tax collection efforts, which affected MFIs due to stricter regulatory environments with consequences on the industry's operations and potential impact.

While the role of microfinance in the development agenda is undeniable particularly in serving as lifelines for the poor, it has marginal contribution in lifting them out of abject poverty in a sustainable and meaningful manner. In some cases where MFI narratives show stunning success, only a handful of individuals reach those levels. Majority of borrowers realize only immediate gains. The poorest borrowers benefit the least. Moreover, the narrative of success in MFIs strongly resonates with MDB's market-based dogma that poverty is simply problems of individual behaviour and access to market. This view puts the responsibility of poverty-reduction on the individual and away from governments and international development cooperation actors.

Other independent MFIs work in the solidarity economy. ADB's support to MFIs rest on the market assumptions that the poor possess capital and that they can fend for themselves. Empowered by microcredit debt, they are to accept one possible type of economy and that is the free market[37] in a time of strengthened monopolies.

Bias for MNCs and TNCs and shifting resources to MFIs instead of SMEs are anathema to the SDG goal of building sustainable industries through the development of SMEs—particularly manufacturing, a critical bridge for rural-based economies in most poor Asian countries and a sector with demonstrated capacity of absorbing massive labour in developing countries.

34 *ADB Private Sector Operations: Contributions to Inclusive and Environmentally Sustainable Growth. Thematic Evaluation Study, ADB Independent Evaluation Group, 2013 August.*

35 *The most recent JPMorgan-Global Impact Investing Network survey released this past May noted that of the 125 impact investors surveyed – which together reported impact investments exceeding $10 billion in 2013 – 54 percent expect "competitive market rate" financial returns. Twenty-three percent target below but near market returns and another 23 percent seek capital preservation. https://www.devex.com/news/is-microfinance-true-impact-investment-85526*

36 *ADB Private Sector Operations: Contributions to Inclusive and Environmentally Sustainable Growth. Thematic Evaluation Study, ADB Independent Evaluation Group, 2013 August.*

37 *The Political Economy of Microfinance: Financializing Poverty, Philip Mader. 2015 Institute for Development Studies, United Kingdom. Palgrave Macmillan*

Job produced through private sector investments benefitted the non-poor but increased wage and gender inequities. A more detailed analysis was undertaken for the PRC and India, which accounted for 80% of investments received from ADB-supported private equity funds. In India, almost half of the investments were made in infrastructure-related companies, which, with the exception of the transport sector, do not employ the poor. Only 11% of investments were in labour-intensive industries, while 19% were for capital-intensive industries.

Even its support for the microfinance sector creates harmful consequence to labour, especially women. Most economic activities produced by MFIs are considered to be in the informal sector, which is known for its lack of social protection and application of core labour standards. Workers in the informal sector comprise a vast majority of individuals from the low-skilled and low-income strata, most of them women. MFIs may also increase the dual burden of women for market and unpaid household labour. The question of control of household income from MFI activities may also be a source of conflict between men and women.

Private sector bias reduces needed ODA for poor countries

Even more, behind the CA countries are countries in fragile and conflict-affected situations, making development goals more difficult to achieve. FCAS countries especially lag on their governance and institutional capacities. Under ADB's ADF 12, concessional assistance will rise by 39% (and market-based assistance by 12%) during the ADF 12th period.

It is ironic that instead of responding to the specific poverty and fragility contexts of CA and FCAS countries, ADB forwards interventions addressing regional public goods and highlights its limited financial options as a gateway to welcome private sector, among other things. Further, despite the immense challenge in these countries, infrastructure development remains to be a permanent solution to poverty:

> *"[S]ustainable infrastructure development will continue to be a mainstay of ADB's operations, encompassing investments in clean energy, sustainable transport, water, and urban development."*

As such, while there will be more available development assistance for CA and FCAS countries, this will only favour specific sectors and solutions that fit into the market-based paradigm peddled by ADB.

Increasing importance of private sector as a development partner reduces concessional funds for poor developing member countries

In 2015, ADB announced the merger of the Asian Development Fund (ADF) and its Ordinary Capital Resources (OCR), which took effect on January 1, 2017. ADR, on the one hand, serves as ADB's funding window for concessional loans. OCR, on the other hand, is allocated for developing countries with better capacities to pay. While the ADB claimed that this initiative will boost its total annual lending and grant approvals, in reality, this merger reduces available low-interest financing for the development needs of poor countries. Indeed, the ADF-OCR merger was designed to attract private investors, which are risk-averse in investing in poor countries.

According to ADB, the merger increases the Bank's lending capacity for middle-income borrowers, like the Philippines and Indonesia, and in turn, generates more resources available to low-income ADF countries, like Vietnam and Bangladesh. However, low-income ADF countries now have to rely on the capital base, and not on direct unleveraged contributions of donors. Donor

Figure 15
Classification of ADB's Developing Member Countries for the ADF 12 Period

Concessional Assistance		**Market-based OCR-only**	**Fragile and Conflict Affected Situation**
Concessional Assistance -only	OCR blend		
Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Marshall Islands, Myanmar, Nauru, Nepal, Samoa, Solomon Islands, Tajikistan, Tonga, Tuvalu, Vanuatu	Bangladesh, Federated States of Micronesia, Mongolia, Pakistan, Palau Papua New Guinea, Sri Lanka, Timor-Leste, Uzbekistan, Viet Nam	Armenia, Azerbaijan, China, People's Republic of Cook Islands, Fiji, Georgia, India, Indonesia, Kazakhstan, Malaysia, Philippines, Thailand, Turkmenistan	Afghanistan, Kiribati Marshall Islands, Federated States of Micronesia, Myanmar Nauru, Solomon Islands, Timor-Leste, Tuvalu

Source: ADF Replenishment Meeting ADB, 2015 contributions during periodic replenishments will still be needed to provide grants to some low-income countries, but in truth, they are reduced by up to 50%. By providing ostensible benefits to each ADB borrower, ADF recipient, and ADF donor, the ADB packages the proposal to be a "win-win-win" for all.

Even if the merger promises for increased allocations, concessional funds for the ADF recipients will be leveraged to cover the risks incurred by private investors. In truth, since additional contributions appear unlikely to rise due to competing MDBs in the region and internal crises in donor countries, greater allocation for middle-income countries means less for low-income countries.

Partnership with civil society confined to contractual relations

ADB's policy of cooperation with CSOs dates back to 1987 and was substantially broadened in 1998. The policy expanded ADB's cooperation with NGOs and other civil society groups to strengthen the effectiveness, sustainability, and quality of the products and services ADB provides to its DMCs. The objective of ADB's cooperation with CSOs is to infuse CSO experience, knowledge, and expertise into ADB's operations. In effect, ADB-supported development activities will more effectively address the issues, priorities, and needs of the marginalized populations in the region. To facilitate ADB's partnership with CSOs, an NGO Center was established in 2011, acting as facilitator between CSOs and ADB.[38] However, while CSO participation in ADB activities has grown in recent years, the Bank engages CSOs mostly as contractors. Public sector projects with CSO participation reached 98% in 2016 from a target of 90% in 2012. While this figure seems positive, the quality of such engagements deserves scrutiny. Engagement with CSOs as project implementers or as consultants may bear advantages but can also be harmful for development, given the power-relations between a contracting party and its clients.

In some instances, ADB required CSOs to follow the Bank's inputs to project design or evaluation findings even if the results prove to be contrary or devastating for ADB. For example, corruption charges were reportedly removed from an NGO report. Indeed, an independent study of ADB's partnerships revealed that "CSOs ... engaged as consultants, constrain their engagement as knowledge partners." Hence, this inclination to reduce CSO partnership to a mere contractual relation restricts real debate that can stimulate institutional learning and transformative policy shifts in ADB.

Aside from the NGO Center, there is little space for institutionalised CSO participation that allows for meaningful exchange of views on ADB policies and projects.

Transparency and Mutual Accountability

Transparency, mutual accountability, and participation of citizens in development processes are closely linked and mutually reinforcing factors that enhance the impacts of development cooperation.

Transparency refers to the availability of information to the general public and clarity about government rules, regulations, and decisions and how these affect both public and private sector functioning. The more citizens know, the more they are empowered in decision-making that leads to better program and project designs, timely feedback, and expeditious communication of potential social and environmental harms at project proposal stage. Aside from the operational efficiency, access to information also ensures people's participation in development. It is an integral part of the right to freedom of opinion and expression, enshrined in the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights. As such, multilateral organizations, including ADB, must ensure that their institutions respect, protect, and fulfil the right to information.

38 *ADB website . https://www.adb.org/site/ngos/overview*

The ADB also commits to the Addis Ababa Action Agenda (AAAA), a consensus document that lays down steps for the international community in funding Agenda 2030. The AAAA requires "projects involving blended finance, including public-private partnerships, should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards." In addition, the AAAA mandates "holding inclusive, open, and transparent discussion when developing and adopting guidelines and documentation for the use of public-private partnerships, and to build a knowledge base and share lessons learned through regional and global forums."[39]

Pursuant to the right to information, development partners have committed to publishing aid information using an open and common standard by the end of 2015 as promised in the International Aid Transparency Initiative. Along with other MDBs, ADB committed to share timely, comprehensive, comparable, accessible, and forward-looking information to enhance mutual accountability and ensure that the global gains made in transparency translate into real benefits for countries.

Gaps in transparency rules and weak implementation harm human rights

The Bank's 2005 Public Communications Policy (PCP) is now under review. This assessment is expected to improve the Bank's strategy or mechanisms to better seek the views of stakeholders. The PCP has evolved from the lessons learned in the implementation of the ADB's 1994 Policy on Confidentiality and Disclosure of Information (Disclosure Policy) and its 1994 Information Policy and Strategy.

With the rigorous involvement of civil society in the development of the PCP, ADB came out with positive commitments resonating with international best practices on the implementation of the right to information. One of these practices is the "presumption in favour of disclosure of information" which mandates units of ADB to release more documents rather than keep them away from public access.

The PCP also ensures two-way information with project-affected communities and stakeholders. This means project-affected communities will have access to timely, relevant, and understandable information and be provided with platforms to ask more information and express their views and concerns to project holders.

After more than a decade of implementation, CSOs documented and raised serious issues emanating from policy gaps and policy implementation. First, the Bank failed to reveal important information for citizens to scrutinize development projects that affect their country and human rights. Around 20 types of current and historical documents remain hidden from public access categorized according to classes of documents.

BOX 2

ADB's List of exemptions from the principle of presumption of disclosure

- Deliberative and Decision-Making Process - board proceedings, candid exchanges on how decisions were made.
- Information Provided in Confidence – information provided that could harm a party's commercial interests, financial interests, and/ or competitive, or any confidential business information covered by a confidentiality agreement or nondisclosure. Citizens are unable to see the presence or potentials of monopoly or history of the private sector involved in terms of compliance with human rights and national regulations.
- Personal information of ADB staff – citizens find it difficult to request and receive information directly from project staff without the basic information on email addresses and hold specific staff to account for negligence to respond to communication.
- Financial information – citizens do not have access to the financial standing of companies.
- Security and safety
- Legal or investigative matters – citizens are kept in the dark regarding questionable projects or current corruption cases filed related to a project.
- Internal audit reports and trust fund audit reports - citizens are not informed of interlocking directorates or public officials sitting in partnering corporations nor can citizens see how spending was made and how much a private partner has earned from the project
- Historical information - citizens do not have access to project documents, such as environmental and social assessments for more than 20 years. Given that infrastructure projects, especially large ones, have continuing and accumulated impacts that can only be seen for a long period of time, such documents are vital for researchers, policymakers and project-affected communities for project development and accountability.[40]

39 *Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda), 2015 July.*
40 *2011 ADB Public Communications Policy https://www.adb.org/sites/default/files/institutional-document/32904/files/pcp-2011.pdf*

Second, important documents have not been timely released. Most are published late, violating rules requiring publication before a project may be approved by the Board. Worse, reports on environmental and social impact assessments remained unpublished.

Third, most policies and environmental and social impact assessments are not translated in local languages of project-affected communities or related in a manner that are too technical.

Fourth, most consultations do not encourage meaningful discussions on issues because documents are not disseminated prior to consultations. In some instances, documents are released on the date itself. This practice effectively makes it difficult for civil society to weigh in their experiences and insights from robust community consultations. Consultations for policy reviews and project presentations are merely ceremonial in nature. They are not designed to gather meaningful feedback that will lead to informed consent.

Fifth, even in cases where the request is related to a potential threat requested by project-affected communities, the Bank has chosen to invoke various exemptions instead of promoting public interest.

It is not surprising that these gaps in policy and practice have resulted in a number of complaints. A study by the ADB's Office of the Compliance Review Panel reveals that ADB's performance on information disclosure has worsened through time. Information-related complaints increased from 12.4% of total complaints in the 2003-2011 period to 21.2% in the 2012-2016 period. Problems related to consultation and participation, which is related to lack of information, also increased from 12.4% of total complaints in the 2003-2011 period to 21.2% in the 2012-2016 period. (See Table below).

The proposed Access to Information Policy that will replace the PCP still does not fully correct the situation. The need persists for accessible, timely, relevant and understandable information. The set of documents exempted from public access has not been reduced. The first level of project accountability remains unlikely to be achieved due to the absence of a focal point of contact needed by CSOs to gather policy-informed, timely and relevant set of information. The proposed policy merely points stakeholders to various units for access to project-related information. It has also embarked from a policy-based to principles-based approach to information disclosure. This new approach affords the Bank flexibility in applying the disclosure rules. In turn, the new approach lacks the predictability of transparency rules. Looking at the Bank's poor performance in information disclosure, continued secrecy in crucial documents, and bias for private sector projects, the new principles-based approach will likely prioritise the interest of the private sector rather than the public.

Figure 16
ADB's performance on information disclosure 2003-2011

	2003 Accountability Mechanism Policy		**2012 Accountability Mechanism Policy**		**Total**	
Subject of Complaints	Number of Times Raised	Share of Total (%)	Number of Times Raised	Share of Total (%)	Number of Times Raised	Share of Total (%)
Resettlement, compensation, and land acquisition	33	37.1	11	30.3	44	35.5
Information	15	16.9	7	21.2	22	17.7
Consultation and participation	11	12.4	7	21.2	18	14.5
Agriculture, natural resources, and environment	11	12.4	4	12.1	15	12.1
Village infrastructure	8	9.0	4	9.1	12	9.7
Community and social issues	5	5.6	2	6.1	7	5.6
Livelihood	2	2.2	0	0.0	2	1.6
Others	4	4.5	0	0.0	4	3.2
Total	89	100	35	100	124	100

Source: Office of the Special Project Facilitator

Accountability and ADB's privilege

Accountability means making public officials answerable for government behaviour and responsive to the people from which they derive their authority. In development cooperation, accountability is an important element in arriving at results and ensuring that both recipient and donors honour their commitments to poverty reduction, environmental sustainability, and human rights.

The concept of accountability has now evolved to mutual accountability. Mutual accountability refers to the accountability between the providers and recipients of development cooperation, for the effectiveness of that cooperation in producing development results. This evolution arose from the 2002 Monterrey Consensus on Financing for Development to the 2011 Busan Partnership Agreement, which recognized the importance of ODA in complementing other domestic and international sources of finance. The concept of mutual accountability expanded to include a wider set of development cooperation actors including civil society and parliaments at the national and local levels in 2011 as adopted in Busan. In this process, recipients and providers agree to be held accountable for their respective commitments. As mutually accountable actors, this principle of effective development cooperation seeks to redress the unequal partnership between recipient countries and providers of development cooperation.[41]

The ability of the Bank to be accountable in its policies and operations is fundamentally limited and challenging from its foundations. Since its establishment, ADB has enjoyed the privilege of immunity accorded by the UN Convention on the Privileges and Immunities of the Specialized Agencies and Vienna Convention to international organizations. ADB also claims through its own charter and its headquarters agreements with borrowing governments. These privileges protect the Bank from suits by governments or any of its agencies or instrumentalities, or by any entity or person seeking claims outside of ADB's internal grievance mechanisms. These immunities effectively free the Bank from full accountability for its actions. This means that no individual or government can file a complaint against ADB. With these immunities in place, there is a vacuum in fairness and justice that allows ADB to act with impunity.

As such, ADB has not been liable for the detrimental impacts of its policies, programs and projects. Its SAP and later, PRSP interventions, pave the way for systematic human rights violations, environmental degradation, and loss of sovereign control of states to their natural assets and public utilities. At the project level, ADB, government, and private sector partners have gotten away scot-free from any liabilities to project-affected communities. The Nam Theun 2 Dam project in Laos, Marcopper Mining in the Philippines, Tata Mundra Coal Plant in India and Sustainable Urban Development Investment Program in Armenia are all cautionary tales of ADB's lack of accountability.

ADB's transparency and accountability rules and mechanisms need to align to SDGs and human rights instruments.

To respond to growing tensions emanating from ADB interventions, the Bank instituted an internal grievance mechanism known as the ADB's Accountability Mechanism (AM) to complement the SPS. Over time, civil society's experience and current research show that engaging the Bank's internal mechanism remains tedious, resource-heavy, procedurally defective, and unable to provide immediate response for project-affected communities. These challenges persist despite reforms introduced in the 2012 Accountability Mechanism Policy. Safeguards are developed from community struggles but translation to real protection on the ground remains to be seen. Indeed, resolution of cases is negligible at most. Safeguards are also limited to potential and direct harm from ADB projects and to three areas of concerns, namely, resettlement, indigenous peoples and environment. Other important areas, such as indebtedness, economic impunity, labour rights, among others, are excluded within ADB's internal grievance mechanisms.

A study conducted by the Accountability Counsel reveals the low success rate in engaging the AM. Of the 89 cases filed since 2012, only 16 cases were found eligible to be processed, and only 12 cases have reached substantive phase.[42]

The Bank's proposed rules of ensuring transparency and accountability and their execution must be aligned to meet the demands of the SDGs, in particular, SDG 16:

41 *Mutual Accountability: A Guidance Note for national policy-makers and practitioners*
42 *Annex 6: The Accountability Mechanism of the Asian Development Bank. Glass Half Full? The State of Accountability in Development Finance, 2016 Accountability Counsel. https://www.grievancemechanisms.org/attachments/annex-6-the-accountability-mechanism-of-the-asian-development-bank/at_download/file*

SDG 16. Promote Peace, Inclusive and Accountable Institutions
Target 16.5 *Substantially reduce corruption and bribery in all their forms*
Target 16.6 *Develop effective, accountable and transparent institutions at all levels*
Target 16.7 *Ensure responsive, inclusive, participatory and representative decision- making at all levels*

Meeting the requirements of SDG 16 appears bleak in the Bank's Strategy 2030 as it bears no transformative shifts from its market-driven approaches. Instead, ADB has reinforced the same strategies it employed in Strategy 2020: (1) more investments in private sector operations; (2) more partnerships through co-financing agreements with the private sector; (3) priority for development investments to infrastructure projects even in FCAS; and (4) use of controversial country safeguard systems.

In the SDG era, the Bank must be more transparent in its policy and project development processes, institutionalize spaces for meaningful CSO participation, and provide wider access to information especially in the light of increasing investments and partnership with the private sector.

In the region's context where people face risk of reprisal for commenting on development projects or exposing the misuse of funds or harmful projects, improved transparency and mutual accountability rules and mechanisms will improve the capacity of CSOs and citizens to perform their roles in development cooperation supported by ADB and achieve the desired results of development programs and projects.

More importantly, the Bank must make concrete steps to respond to the calls of removing its privilege of immunity to make its development impacts respond to human rights obligations that are in conflict with standing development effectiveness rules as a result of negotiations with donor-countries.

Recommendations

ADB remains the most significant development investor in the region. Using its resources and leadership, it can move development partners to harmonise their practices to better align to effective development cooperation principles. Key recommendations for ADB are:

- Governance in ADB needs to meet the challenges of the present. Despite progress in development effectiveness agenda rectifying imbalances in the donor-recipient relationship, ADB's governance structure has remained the same. Reforms must include more voting rights for least developing countries, low-income countries, FCAS, and island-states to make ADB's investment decisions more relevant for eliminating poverty and inequality;

- ADB must rethink its regional corridor development strategy. Instead, the Bank must invest in country-driven initiatives that empower citizens, lead to sustainable development, recognise people's democratic rights. In this regard, ADB must reassess reforms that negatively impact human rights, sovereignty, environmental sustainability;

- The Bank must increase its investments on environmental sustainability, including climate change adaptation. Of the three operational areas identified in Strategy 2020 namely, infrastructure, regional integration and environmental sustainability, the latter of which has received the least attention. The SDGs era will require greater integration of economic, social, and environmental considerations in development planning and investments;

- The Bank must move its investments (1) from mega infrastructure development and regional integration, which have little evidence of eliminating poverty across Asia, to investments for social infrastructure, social protection, gender equality, and climate adaptation strategies required for closing inequality gap; and (2) from middle-income countries to low-income countries, particularly in the allocation of concessional loans;

- ADB must carry out further comparative analyses of PPP frameworks and laws, model contracts and contractual clauses, international investment agreements, and PPP standards and guidance documents to strengthen the sustainability and human rights dimensions in infrastructure projects;

- The Bank must plan and design development cooperation programmes with government partners, engaging with a broad base of stakeholders, including CSOs. This will enhance country ownership based on inclusive, transparent, and accountable governance. Country systems have to be purposively used in fulfilment of human rights obligations and advancing poverty elimination and sustainable development instead of violating these rights. The use of country safeguard systems must be stopped in light of Asia's shrinking democratic spaces and poor environmental and social safeguards. At the same time, ADB must uphold country preference for procuring local content in procurement in respect of a country's development assertions;

- The Bank must strengthen its transparency and accountability rules and mechanisms and take serious steps to strip itself of its immunities as a demonstration of its willingness to abide to human rights obligations, the development effectiveness agenda, and Agenda 2030. The Bank must immediately reduce the list of exempted documents from public disclosure in light of increasing investments from the private sector. This will ensure that States' human rights obligations and the right to regulate for public policy purposes, and to protect the population in relation to investments are not compromised under market-driven and FTA regimes. The rise of despotic states in Asia poses challenges for transparency, public discussion, and participation or accountability, which privileges investors' interests over the human rights of its citizens; and

- ADB must improve the space for genuine participation of CSOs at all levels of ADB's operations. ADB has to create the same favourable environment for CSOs as it does for private sector in terms of providing platforms for engagement and investments to run independent and owned projects, to be effective knowledge partners, and to be strong voices for evaluating ADB's development effectiveness.

Reviewing the EDC Principles on ADB's Land Acquisition and Involuntary Resettlement through the Country Safeguard Systems (CSS) in Southeast Asia

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Introduction

The Asian Development Bank (ADB) is one of the Multilateral Development Banks (MDBs) that provide loans, technical assistance, and grants to borrowing countries in Asia. Since its inception in 1966, ADB has provided loans to their developing member countries (DMCs) in Asia, mainly for the development of large-scale infrastructure projects like power, big dams, roads, railways, airports, and ports. ADB-financed Infrastructure projects are always related to large-scale land acquisitions, which are often effected by forced evictions of indigenous peoples from their ancestral lands. Moreover, these large-scale land acquisitions also adversely affect the environment.

To mitigate these adverse effects, the ADB instituted a safeguard mechanism embedded in its financed infrastructure projects. In general, the safeguard mandates borrowing countries to ensure and accord protection to affected communities and the environment. The ADB safeguard system was put in place because of perceived incomplete and insufficient safeguard systems in several borrowing countries.

Initially, MDBs, including the ADB, lacked these safeguard systems in their financing policy. However, due to protests and resistance from communities, whose livelihoods were affected and threatened during the so-called development in the 1980s, MDBs started to introduce safeguards as a prerequisite in their lending policy.

The operational policies of the ADB consist of three safeguard systems: safeguard policy for Involuntary Resettlement (1995), Policy on Indigenous Peoples (1998), and Environment Policy (2002). According to the ADB, these three safeguard systems should be revised, in addressing the environmental and social challenges in the development which emerged from its DMCs. In 2009, all these three safeguard systems were merged into one—the ADB Safeguard Policy Statement (SPS).

All three safeguard policies involve a structured process of impact assessment, planning, and mitigation to address the adverse effects of projects throughout the project cycle. The policies apply to all ADB-financed projects, including private sector operations, as well as to all project components (ADB SPS, 2009, para. 15).

ADB's Strategy 2020 therefore emphasizes assisting DMCs to pursue environmentally sustainable and inclusive economic growth. In addition, ADB is committed to ensuring the social and environmental sustainability of the projects it supports. In this context, the goal of the SPS is to promote sustainability of project outcomes by protecting the environment and people from projects' potential adverse impacts (SPS, para. 42).

Since the approval of the SPS in 2009, the ADB has been providing technical assistance to help strengthen the legal and institutional framework to efficiently employ safeguard systems (ADB, *Country Safeguard Systems*, 2016). The ADB helps DMCs strengthen their safeguard systems and develop their capacity to address environmental and social issues in development projects. Country safeguard systems (CSS) refer to laws, regulations, rules, and procedures on policy areas involving the environment, involuntary resettlement, and indigenous peoples and their implementing institutions.

This paper reflects on ADB SPS and CSS and assesses whether ADB-financed projects in Southeast Asian countries, particularly in Indonesia, Myanmar, and the Philippines adhere to principles of *Effective Development Cooperation* (EDC). The four EDC principles include: (1) ownership of development priorities by developing countries; (2) focus on results; (3) inclusive development partnership; and (4) transparency and accountability.

The formulation and the usage of the CSS of the borrowing countries should refer to the ADB SPS. Projects that do not comply with the SPS will not be financed by the ADB. Therefore, it is important for all stakeholders, particularly policy decision-makers, CSOs, and the people to understand more deeply the ADB SPS and CSS in the implementation of ADB-financed development projects.

Urgency of CSS in the ADB Policy

The Policy states that the ADB is committed to strengthening and using country safeguard systems (CSS). This means that a borrowing country's legal and institutional framework shall be applied in regard to the social and environmental impacts of a project instead of the ADB's safeguard policy requirements. The Policy also states that the ADB will move towards the country safeguard systems in a phased approach.

The approach taken by the ADB to using country safeguard systems has two key components. First, in order to apply the country system, the ADB must conduct an "equivalency assessment" which juxtaposes the CSS against the ADB safeguard requirements. Only if the CSS are found to be equivalent to that of the ADB can the country system be applied. Second, the borrowing country must be found to have the implementation practice, track record, and the capacity and commitment to implement the applicable regulations. This provision is referred to as the "acceptability assessment" (Oxfam Australia, 2010: 16).

However, the implementation of CSS provides an exception. CSS will not be applied to highly complex and sensitive projects financed by the ADB. The use of CSS will also not alter the role of the ADB accountability mechanism (SPS, para. 68).

According to the ADB SPS, to the extent possible, the proposal for the strengthening and use of CSS, together with its justification, shall be presented in the country partnership strategy or in the country partnership strategy progress reports. In addition, the ADB commits to hold in-country consultations with stakeholders, including governments and NGOs, on the equivalency and acceptability assessments. The final equivalency and acceptability assessments must be disclosed on the ADB's website upon completion (SPS, Appendix 6, para. 14).

Issues on the equivalence of CSS to the ADB SPS, particularly on the Land Acquisition and the Involuntary Resettlement Policies

The CSS, which covers the legal framework and the institutions of the borrowing country, shall be used in lieu of the ADB's safeguard policy requirements only if the CSS is equivalent to the ADB SPS. Moreover, the borrowing county is assessed if it has the capacity and enough track record to apply its own CSS.

In Indonesia, the ADB conducted the CSS assessments on policies involving the environment and involuntary resettlement in four priority sectors: (1) water; (2) road and transportation; (3) energy; and (4) urban planning/settlement.

Land acquisition for big infrastructure projects in Indonesia is regulated by two laws: (1) Law No. 2 of 2012 on the Land Acquisition for Development in the Public Interest and its implementation regulation; and (2) Presidential Regulation No. 148 of 2015 on the Management of Land Acquisition for Development by the Public Interest. These laws and regulations address the preparation and acquisition of land for infrastructure development projects, such as the development of big dams, ports, airports, toll roads, roads, railways, power projects, defense and national security projects, oil infrastructure, and government telecommunication networks.

Under Presidential Regulation No. 148 of 2015, the process of land acquisition requires only 66 working days (shortened from the previous regulation which requires 131 working days). This expedited processing of land acquisition threatens the protection of displaced people and the environment (Koalisi, 2017: 27-28). As for compensation, **the government decided to deposit it with the Office of the Regional or Sub-district Court. Compensation is also deemed paid, despite the absence of an agreement as to its amount or the fact that it has not been received by those affected. This process ensures the eviction of those residing in the acquired lands so that the project can commence.**

The ADB SPS, however, states that **compensation for peasants should be in the form of land and not in the form of money.** The SPS also requires that the compensation be received by those displaced before the eviction can be effected (Koalisi, 2017: 28).

None of these requirements are complied with by the said Law and Presidential Regulation. Therefore, the Indonesian CSS on land acquisition is not equivalent to the ADB SPS.

In Myanmar, ADB supported efforts by the government to develop a national safeguard system to balance rapid economic growth and environmental sustainability. Environmental and social safeguards were the cornerstone of ADB's support for inclusive economic growth and environmentally sustainable development in Myanmar (ADB, *Safeguarding Myanmar's Environment*, 2017).

The ADB started providing support to Myanmar in 2012 with the Greater Mekong Subregion (GMS) Core Environment Program (CEP) — a regional technical assistance program involving the six GMS countries to strengthen their environmental management. One outcome was the development of policy framework and implementation of Myanmar's Environmental Conservation Law of 2012. The law provides guidance on the type and scope of environmental assessments required for all investment projects that could cause environmental and social harm.

According to the ADB, the requirements under Myanmar's Environmental Conservation Law are equivalent to those in the ADB SPS. However, the ADB views that the capacity of related government bodies to apply the safeguard requirements are far from the expected.

Considering the lack of capacity of related government bodies in relation to the implementation of country safeguard systems in Myanmar, theferefore, the ADB puts the assistance to strengthen the capacity of Myanmar bodies on the issue of CSS as a priority program. This cooperation can be seen in the Myanmar's Country Partnership Strategy (2017-2021).

The ADB's Involuntary Resettlement Safeguards (IRS) set out the following principles to be applied to all areas of involuntary resettlement that arises from ADB-financed projects:

1. Screen the project early on to identify past, present, and future involuntary resettlement impacts and risks. Determine the scope of resettlement planning through a survey and/or census of displaced persons, including a gender analysis, specifically related to resettlement impacts and risks.

2. Carry out meaningful consultations with affected persons, host communities, and concerned NGOs. Ensure their participation in planning, implementation, and monitoring and evaluation of resettlement programs.

3. Improve, or at least restore, the livelihoods of all displaced persons through (i) land-based resettlement strategies affected livelihoods are land based where possible or cash compensation at replacement value for land when the loss of land does not undermine livelihoods, (ii) prompt replacement of assets with access to assets of equal or higher value, (iii) prompt compensation at full replacement cost for assets that cannot be restored, and (iv) additional revenues and services through benefit sharing schemes where possible.

4. Provide physically and economically displaced persons with needed assistance, including the following: (i) if there is relocation, secured tenure to relocation land, better housing at resettlement sites with comparable access to employment and production opportunities, integration of resettled persons economically and socially into their host communities, and extension of project benefits to host communities; (ii) transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities; and (iii) civic infrastructure and community services, as required.

5. Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards. In rural areas provide them with legal and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.

6. Develop procedures in a transparent, consistent, and equitable manner if land acquisition is through negotiated settlement to ensure that those people who enter into negotiated settlements will maintain the same or better income and livelihood status.

7. Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of nonland assets.

8. Prepare a resettlement plan elaborating on displaced persons' entitlements, the income and livelihood restoration strategy, institutional arrangements, monitoring and reporting framework, budget, and time-bound implementation schedule.

9. Disclose a draft resettlement plan, including documentation of the consultation process in a timely manner, before project appraisal, in an accessible place and a form and language(s) understandable to affected persons and other stakeholders. Disclose the final resettlement plan and its updates to affected persons and other stakeholders.

10. Conceive and execute involuntary resettlement as part of a development project or program. Include the full costs of resettlement in the presentation of project's costs and benefits. For a project with significant involuntary resettlement impacts, consider implementing the involuntary resettlement component of the project as a stand-alone operation.

11. Pay compensation and provide other resettlement entitlements before physical or economic displacement. Implement the resettlement plan under close supervision throughout project implementation.

12. Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons, and whether the objectives of the resettlement plan have been achieved by taking into account the baseline conditions and the results of resettlement monitoring. Disclose monitoring reports. (SPS, p. 17)

In relation to policy principle no. 1, Myanmar has no clear law on involuntary resettlement whether related to land tenure or non-land assets. Thus, no mechanism is in place to evaluate the possible impact of projects that could harm women and the community. The assessment of project social impact is only regulated in the Environmental Conservation Law of 2012.

With regard to policy principle no. 2 on meaningful consultation on the project and its impact, Myanmar law, as provided in the Rangoon Development Trust Act (1920), only recognizes the dissemination of information and not consultation. The Constitution of Myanmar is only partially equivalent to policy principle no. 3 which is to enhance the livelihood level of displaced persons.

Myanmar's Constitution is also partially equivalent to policy principle no. 7, which ensures resettlement assistance and compensation for loss of non-land assets for displaced persons without titles to land or any recognizable legal rights to land.

The Land Acquisition Act (1894) of Myanmar is partially equivalent to policy principle no. 9, which requires disclosure of a draft resettlement plan to displaced persons and other stakeholders in the language that they understand and in a timely manner.

The Land Acquisition (Mines) Act (1885) Myanmar is partially equivalent to policy principle no. 11, which requires payment of compensation and provides other resettlement entitlements before physical or economic displacement (Myanmar: Involuntary Resettlement Equivalence Assessment, 2015).

What about the legal framework of the Philippines in relation to Involuntary Resettlement Safeguards?

In the Philippines, there are some laws that are analogous to the Involuntary Resettlement Safeguards as well as land acquisition safeguards, such as the Constitution of the Philippines, Executive Order No. 1035, series of 1985 (EO 1035), Republic Act No. 6389 or the Agrarian Reform Code of 1971, Republic Act No. 8371 or the Indigenous People's Rights Act (RA 8371 IPRA 1997), and Republic Act No. 6657, Comprehensive Agrarian Reform Law, 1988.

Based on our assessment, the Constitution of the Philippines is fully equivalent to objective (1) of the Involuntary Resettlement Safeguards which requires avoidance of involuntary resettlement wherever possible. RA 8371 IPRA 1997 is partially equivalent to objective (3) of the Involuntary Resettlement Safeguards in that it aims to enhance, or least restore, the livelihoods of all displaced persons in real terms relative to pre-project levels.

The Agrarian Reform Code of 1971 is considered partially equivalent to objective (4) of the Involuntary Resettlement Safeguards which intends to enhance the livelihood of displaced persons and vulnerable groups. Because this law only deals with landless peasants, it does not address the problems of the displaced rural poor.

EO 1035 Acquisition 1985 is considered partially equivalent to policy principle no.1because there is no legal requirement on project screening at the outset to inquire into the possible impact of a project on the community and women (*Philippines: Involuntary Resettlement Equivalence Assessment,* 2016).

What about the Indonesia CSS in relation to the Involuntary Resettlement Safeguards?

Indonesia's CSS on Involuntary Resettlement policy fails to show equivalence to the ADB SPS. The Indonesian legal framework that addresses the Involuntary Resettlement Safeguards of the ADB SPS is Presidential Regulation No. 148 of 2015. Through this regulation, actors from the private sector can act on behalf of the State to acquire lands. This presidential regulation makes land acquisition easier for the State and the private sector. In this regulation, the State provides three days for the community to issue a complaint towards the project development plan (from the previous 14 working days). This presidential regulation shows the arbitrariness of the State towards the citizens (Koalisi, 2017: 55-56).

Presidential Regulation No. 148 of 2015 states that compensation will be paid within 7 working days (there is no limitation in the previous regulation) reckoned from the determination of compensation by the land acquisition implementer. This regulation also emphasizes that land acquisition for development by the private sector can be done directly through buying and selling, land swaps, or other ways as agreed upon between landholders and the private entity.

Meanwhile, Law No. 2 of 2012 on the Land Acquisition for Development in the Public Interest implements the Involuntary Resettlement Safeguards. However, it does not guarantee better livelihood to displaced persons. Moreover, this law does not guarantee that the livelihood of the vulnerable people, women, and the people who do not have legal titles to lands (land certificate) will be improved after the eviction. The law also does not provide for a resettlement strategy which should be based on land. The compensation according to this law can be in the form of stocks or money.

ADB Safeguards on Involuntary Resettlement requires avoidance of resettlement as much as possible. If it becomes unavoidable, then better quality of life should be accorded, as much as possible, to those who have been displaced (SPS, p. 17). ADB Safeguards classify displaced peoples into three categories: (1) people with formal legal rights; (2) people who stand to lose their land but do not have any formal legal rights over land, but have land claims as recognized in the existing land law; (3) people who stands to lose land that they have already occupied or managed, but do not have both formal legal rights and land claims. According to the ADB Safeguards, these three categories should be included in involuntary resettlement protection provisions (SPS, Appendix 2, para. 7). Regarding compensation, SPS states that the borrowing country should guarantee prompt payment before the relocation process may be commenced (SPS, Appendix 2, para. 8). ADB SPS insists that the compensation provided be land-based (SPS, Appendix 2, para. 9).

Reviewing EDC Principles in the ADB-CSS Policy on Land Acquisition and Involuntary Resettlement

This section analyzes whether ADB-CSS policies are in line with the four principles of Effective Development Cooperation (EDC) and inquires into how people have responded to ADB's policies.

The four principles of EDC include ownership of development priorities by developing countries, focus on results to eradicate poverty and reduce inequality, inclusive development partnerships, transparency and accountability.

Ownership of Development Priorities

This principle emphasizes the importance of involvement of vulnerable groups in decision-making processes related to development priorities by developing countries.
Looking at current development practices in several Southeast Asian countries, including Indonesia, it seems that the involvement of vulnerable groups in the process of setting development priorities is limited, sometimes even absent. Although the government has expressed openness to community participation in development, in reality, active, meaningful, and free participation is absent.

Indonesia's development priorities, which mostly focus on infrastructure development projects, are certainly not a development priority for vulnerable group and poor people. In essence, almost all of these projects are “hungry for land”. In other words, they require large-scale land acquisition. This is what lies behind the issuance of Law No. 2 of 2012 on Land Procurement for Development for Public Interest, followed by the issuance of Presidential Regulation No. 148 of 2015 on the Implementation of Land Procurement for Development for Public Interest. In the view of ADB, these two legal frameworks comprise Indonesia’s CSS.

As earlier adverted to, the Indonesian CSS on Land Acquisition and Involuntary Resettlement policy is insufficient to protect vulnerable groups and the poor. However, according to the ADB, this CSS complies with ADB SPS. Indeed, the ADB has sanctioned its use in Indonesia.

In the Philippines, laws relating to Land Acquisition and Involuntary Resettlement include the Law on Indigenous Peoples and the Law on Agrarian Reform. Both of these Laws are considered partially equivalent to the provisions of the ADB SPS.

Similarly in Myanmar, most of the laws and other rules governing resettlement and land acquisition are only partially equivalent to the ADB SPS. Some principles of ADB SPS are even glaringly absent in Myanmar's national legal framework on land acquisition and resettlement.

Focus on Result

For decades, ADB's operations in Indonesia through grants, aid, and debt have mostly focused on physical infrastructure development, such as the construction of large dams, railway, ports and energy infrastructure. These programs and projects in Indonesia are of little benefit to the poor and vulnerable groups and women. The construction of mega-dams and transmigration programs are widely recognized to have displaced the poor and farmers from their lands and forests.

Recently, ADB has approved US$ 32.7 billion of loans with or without government guarantees (excluding co-financing), and $ 894.02 million in technical assistance and grants to Indonesia, as of December 31, 2016, since it supported Indonesia (ADB, Asian Development Bank Member Fact Sheet: Indonesia, 2016). ADB's 2016-2019 Country Partnership Strategy (CPS) for Indonesia focuses on inclusive growth and environmental sustainability, through improved infrastructure services, economic governance, and human resource development.

Furthermore, ADB’s Member Fact Sheet on Indonesia shows that in February 2016, ADB disbursed US$ 120 million under a revenue-based loan program of US$ 600 million to strengthen the electric grid in Sumatra, after PT PLN (SOE) met various requirements for fund disbursement. In June 2016, ADB approved a policy-based loan of US$ 500 million for the Investment Improvement Program for Growth Acceleration, Phase 2. This loan funds reforms to reduce investment barriers and encourage more public-private partnerships in Indonesia, which are needed to spur growth in the private sector and increase private participation in infrastructure projects.

As for the Philippines, as of December 31, 2016, ADB has provided US$ 3.27 billion in loan. This loan is allotted as follows: 45% for the education sector; 17% for public sector management, and 12% for the energy sector (12%). The focus of ADB's assistance to the Philippines under the Country Partnership Strategy Philippines 2017-2022 includes four priority areas, namely infrastructure development for climate resilience, governance and finance, employment and education, and regional integration. The strategic plan aims to promote inclusive growth by supporting development in Visayas and Mindanao. In addition to building and rehabilitating national roads, as well as modernizing the public transportation system in Davao City, the investment will be centered on the Central South Mindanao Growth Corridor.

ADB's cumulative assistance to the Philippines has reached 210 public sector loans totaling US$ 16.15 billion and 29 grants totalling US$ 82.6 million. Most of these projects were allotted to education; public sector management; industry and trade; energy; agriculture, natural resources and rural development; and transportation (ADB, Asian Development Bank Member Fact Sheet: Philippines, 2016).

ADB's operations in Myanmar emphasize capacity building and human resources; creating a friendly environment for the economy; and expanding access and connectivity. ADB has worked in Myanmar since 1973. The ADB program in Myanmar aims to promote inclusive and sustainable economic growth. The ADB’s projects include infrastructure (transportation, energy, and urban development), education and training, and agriculture and rural development. The ADB’s main transport project in Myanmar is the East-West Economic Corridor road rehabilitation project, approved towards the end of 2015. Meanwhile, rural development projects to rehabilitate irrigation and strengthen agriculture were approved in 2016.

The ADB also assists Myanmar in developing institutional capacity, which includes capacity building in the social and environmental protection sectors. Since 1973, Myanmar has received loans and grants from the ADB of US$ 1.17 billion (ADB, Asian Development Bank Fact Sheet: Myanmar, 2016).

Inclusive Development Partnership

At present, there has been a surging global awareness that economic growth does not always lead to effective development and sustainability. The failure of development projects has exacerbated inequality and incidence of poverty. What is needed now is leadership and political commitment both at the global and national levels to accept and implement alternative and sustainable approaches to development (CPDE, Building a CSO Partnership for Development Effectiveness, 2012).

This new awareness is driven by new players emerging in global, regional, and national platforms, namely CSOs. CSOs are known for providing a fundamental critique of development aspects that do not respect human rights, cause environmental damage, and discriminate against vulnerable groups, such as women, peasants, and ethnic minorities or indigenous peoples.

CSOs have been struggling for decades to highlight the need for alternative and human rights approaches to development, culminating in the acceptance of the Paris Principles on the Aid Effectiveness (2005), the Accra Agenda for Action, and the Busan Principles (2011).

Under these frameworks, the most important outcome is respect for human rights, women's rights and gender equality, decent work, environmental sustainability, and democratic ownership of development priorities. These are a number of new approaches to development that should spark a new agenda in development cooperation. These new approaches recognize the role CSOs play as independent development actors. In this light, the concerns raised by CSOs should be considered primarily by governments, the international donor community, and Multilateral Development Banks (MDBs).

MDBs, such as the ADB, appear not to wholeheartedly accept the voice and participation of CSOs as independent development actors. ADB consultations and policy dialogue often do not achieve meaningful consultation, as time is limited and information is often kept secret. This is evident in the recent consultations on Indonesia's CSS and SPS ADB.

On the contrary, governments in various countries in Southeast Asia, including Indonesia, often see CSOs as extensions or servants of foreign parties. In an effort to stem criticism from CSOs, the Indonesian government in 2017 issued a new law, called the Ormas Law or Law No. 16 of 2017 on Civil Society Organizations, which in essence further limits freedom of association, assembly, and expression for Indonesians.
The Ormas Law evidently restricts the participation of Indonesian CSOs in the new development agenda of development justice. Of course, this further hinders the realization of the EDC principle on inclusive development partnerships.

In the Philippines, the extension of martial law and the government’s "war on drugs" continue to target citizens and CSOs who are critical of the government. This, in turn, obstructs the participation of the Filipino people on meaningful development.

Transparency and Accountability

In the process of reviewing Indonesia's CSS and its alignment with ADB's SPS, the principle of transparency and accountability is not entirely implemented. See "Letters of Objection and Rejection by CSOs against "Public Consultation" and Results of "Review" of ADB Consultants on the Environmental Protection System and Land Acquisition/Resettlement," April 30, 2017, described below.

The Indonesian CSOs’ (including INDIES) objection letter to SPS ADB and CSS Indonesia, addressed to the Director of Multilateral Foreign Funding of the Ministry of PPN/Bappenas and ADB Country Director of Indonesia Resident Mission, submitted the following points:

1. The review and evaluation process of CSS Indonesia violated the ADB's own Safeguard, i.e., there is no meaningful public consultation since its drafting process during 2013-2017.
2. Documents are not fully available to the public before the consultation.
3. Prior to the consultation, the study on the implementation of CSS Indonesia was kept secret from the public.
4. ADB is not responsible to Indonesia’s CSS review, because of the lack of its analysis

to the Indonesian legal and institutional framework related to the policies on environmental, land acquisition, and displacement in Indonesia.

5. Consultations do not involve victims or CSOs that provide legal assistance to the victims of environmental damage and forced displacement.
6. No gender analysis of the policies studied or in the CSS studies results.
7. The results of the CSS and matrix studies of "equivalency" do not reflect the extent of environmental damage and pollution, and evictions occurring in Indonesia.
8. There is no analysis of the major role of security forces (military and police) in evictions. The ADB study did not mention the role of enormous security forces in the process of demolition of people's lands (involuntary resettlement) in Indonesia.

Peoples’ Response to the ADB SPS

The Civil Society Coalition for Infrastructure Monitoring has objected to and rejected the use of Indonesia’s CSS on the environment, land acquisition, and evictions. It considers Indonesia’s CSS at variance with ADB SPS. Hence, it should not be used as a country safeguard mechanism for ADB projects that cause severe environmental impacts, evictions, or displacements of indigenous people.

In addition, the Coalition believes that Indonesia lacks adequate capacity and track record to run the country's safeguard systems for the following reasons:

- Indonesian Government does not comply with its own court ruling
- There is often criminalization of environmental activists and anti-corruption
- The level of corruption in Indonesia is still considered high

ADB cannot turn a blind eye to the social problems faced by the Indonesians caused by its financed projects.

The situation in the Philippines is actually not much different from Indonesia. ADB-financed projects have also inflicted many casualties on indigenous peoples and peasant communities, as well as women. The shooting and killing of peasants and indigenous people struggling to maintain their land persists. Similarly, eviction in the city without proper compensation continues to be a daily reality for Filipinos. Consequently, the Philippine government also lacks capacity to apply ADB's safeguard principles.

Conclusion and Recommendation

The four principles of Effective Development Cooperation (EDC)–(1) democratic ownership of development priorities; (2) focus on results; (3) inclusive development partnerships; and (4) transparency and accountability– and their implementation are not clearly reflected in ADB's safeguard systems. This disparity is especially evident for issues involving the environment, land acquisition, and resettlement through the CSS.

We can see clearly that the use of safeguard provisions in land acquisition and resettlement is an arbitrary safeguard policy. The ADB washed its hands clean from the adverse impacts of infrastructure projects financed in Asia, particularly Southeast Asia. The use of CSS is entirely within the domain of the legal and institutional framework of borrowing countries. By contrast, ADB is deemed to be adherent to its Charter of Establishment, which prohibits ADB from interfering in domestic affairs of borrowing countries.

In the case of Indonesia, ADB SPS proved to be a mere façade of a binding protection policy for borrowing countries. Although the CSS of Indonesia, Myanmar, and the Philippines failed to comply with ADB's safeguard policy, no sanctions were imposed nor warnings were given to these countries. For other Southeast Asian countries, we can expect similar outcomes. The ADB's own commitment to ensuring the equivalence of SPS with the CSS of borrowing countries is still very weak.

Based on the above conclusions, we submit the following recommendations:

1. ADB should stop lending to countries whose CSS is problematic and not equivalent to ADB SPS. ADB should ensure that the CSS of borrowing countries can provide stronger protection of human rights of the poor, farmers, workers, and vulnerable groups, and promote women's rights and gender equality. For ongoing projects, ADB should re-apply the SPS entirely to the borrowing countries.
2. For ADB and governments of borrowing countries to treat CSOs as independent and equal development actors that can fully participate in development freely, actively and meaningfully in accordance with international human rights norms which are contained in the International Covenant on Economic, Social and Cultural Rights, as well as the UN Declaration on the Right to Development, and the Paris Declaration on the Aid Effectiveness.
3. ADB should discontinue its funding focus on high-risk projects that would seize more of people's land and displace indigenous people from ancestral domains.
4. Specifically, the Government of Indonesia should immediately revoke the enactment of the Ormas Law or Law No. 16 of 2017 on Civil Society Organizations, which limits the freedom of association, assembly, and expression. This revocation will ensure that Indonesian CSOs have a democratic space that can bolster participation in and accountability for development in general and ADB-funded development projects in particular, especially for projects that require the taking of lands and displacement of their original inhabitants.

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Assessing the Development Effectiveness of the South Asia Subregional Economic Cooperation (SASEC) program of the Asian Development Bank (ADB)

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Coastal Development Partnership

Introduction

Sub-regional cooperation focuses on building economic corridors along the border regions of member countries. Unlike regional cooperation, which links countries as a whole, sub-regional cooperation links adjacent areas of separate countries to form a subregion of economic growth.

According to the Asian Development Bank (ADB), the South Asia Subregional Economic Cooperation (SASEC) program brings together Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka in a project-based partnership to promote regional prosperity. Since 2001, ADB has been supporting the SASEC as its secretariat, advisor, and lead financial supporter.

Although the SASEC program has been running for the last 18 years, only a few evaluations or reviews exist. Published CSO reviews or monitoring reports dealt with the development effectiveness of individual SASEC project. However, evaluation of the SASEC program as a whole is almost non-existent. Indeed, we found only one independent evaluation of ADB support for regional cooperation and integration (RCI).

This evaluation assessed 58 projects spanning the three main subregional programs, Greater Mekong Subregion (GMS), Central Asia Regional Economic Cooperation (CAREC) and SASEC as a whole. However, among the 58 projects evaluated, only 3% of the RCI projects are from the SASEC, whereas 31% are from GMS and 22% are from CAREC (IED, 2015a). We also found a validation report of SASEC Trade Facilitation Program by the ADB Independent Evaluation Department (IED, 2017). Aside from these two documents, no other reports exist on the SASEC projects, as a whole.

For this reason, we are all kept in the dark regarding the overall development effectiveness of SASEC projects. In this study, we attempt to fill this gap. We aim to present a complete picture of the development effectiveness of the SASEC, as a whole. Using the principles of effective development cooperation, we assess ongoing and future ADB operations. Our goal is to provide policy recommendations to empower communities marginalized by these projects. In particular, we address our recommendations to CSO networks to help them empower people to participate in the development effectiveness processes of the ADB.

A complete picture of the ADB's performance and contribution to development effectiveness requires a full understanding of performance at the project, sectoral, and country level (AER, 2017). We started our development effectiveness assessment with a review of related publications, policy papers, technical reports, and Annual Evaluation Review (AER) reports. The last one particularly provides an independent perspective on the ADB's performance based on the systematic assessment of the Bank's strategies, sectors, and operations. We also critically engaged with the annual ADB Development Effectiveness Review reports that assessed ADB's progress in implementing its long-term strategic framework. In addition, we reviewed the Development Effectiveness Country Briefs to understand how ADB's operations impact people's lives in developing member countries. A desktop research was done to compile data from the SASEC website, ADB policies, project completion reports (PCRs), case studies, evaluation documents and other related CSO reports.
Our study used five evaluation criteria, namely, relevance, effectiveness, efficiency, development impact and sustainability, to assess development effectiveness of the ADB's SASEC program.

Overview of the South Asia Subregional Economic Cooperation (SASEC) Program

In 1996, four of the South Asian Association for Regional Cooperation (SAARC) members formed the Bangladesh, Bhutan, India, and Nepal - Growth Quadrangle (BBIN-GQ) to accelerate economic development. The SAARC Summit held in Malé in 1997 endorsed BBIN-GQ. Since its endorsement, however, no significant progress transpired. This all changed in 2001 when ADB stepped in as a response to the request of the four countries of South Asia (Bangladesh, Bhutan, India and Nepal).

Thus, with the assistance of ADB, the South Asia Subregional Economic Cooperation (SASEC) program was born. The SASEC program joins Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka into a project-based partnership. The program aims to "promote regional prosperity, improve economic opportunities, and build a better quality of life for the people of the subregion." The goal is to boost "intraregional trade and cooperation in South Asia, while also developing connectivity and trade with Southeast Asia through Myanmar, to the People's Republic of China, and the global market." (SASEC Website)

Ministers of the SASEC countries direct the SASEC Nodal Officials to implement SASEC projects. Finance Secretaries and Joint Secretaries of SASEC countries meet annually at the Nodal Officials Meeting, often held on the sidelines of ADB's Annual General Meeting. Nodal officials review and provide strategic direction for cooperation under SASEC. Four SASEC technical working groups (transport, trade facilitation, energy, and ICT) represented by the Joint Secretary or Director General of each SASEC country, meet regularly to review strategic priorities and progress or projects.

To carry out the agreed actions of the technical working groups, SASEC sectors can establish separate technical sub-committees, if necessary. For example, the SASEC Customs Subgroup (SCS) was established in 2013 by the trade facilitation working group to promote subregional trade facilitation initiatives and also to enhance partnerships with the private sector in order to eliminate non-tariff barriers. The SASEC Electricity Transmission Utility Forum (SETUF) was established in 2013 as a technical sub-committee of the energy working group to develop cross-border power transmission connectivity, and promote power trade between the SASEC countries.

From its formation, SASEC made great strides. Significant developments include:

- In 2005, the SASEC countries agreed on three priority sectors (transport, trade facilitation, and energy) for investment and coordinated action.
- In May 2014, the SASEC countries adopted the SASEC Trade Facilitation Strategic Framework (STFSF) 2014–2018.
- In May 2016, the SASEC countries approved the SASEC Operational Plan 2016-2025, a 10-year strategic roadmap, which introduced Economic Corridor Development as a fourth sectoral area of focus, to promote synergies and linkages between economic corridors across SASEC countries.

SASEC projects including Technical Assistance projects from 2001-2017

Country	SASEC loans and grants projects				Number of technical assistance (TA) projects			
	Number	% of Total Projects	Total Cost (US$ billion)	% of Total cost	Number	% of Total TA	Total Cost (US$ million)	% of Total cost
Bangladesh	14	28.57	3.84	35.74	11	15.07	8.98	12.51
Bhutan	9	18.37	0.567	5.28	10	13.70	10.70	14.90
India	12	24.49	4.78	44.49	8	10.96	8.23	11.46
Nepal	12	24.49	1.49	13.87	10	13.70	6.47	9.01
Regional	2	4.08	0.066	0.61	34	46.58	37.43	52.12
	49	100.00	10.743	100.00	73	100.00	71.81	100.00

Compiled by the Author using the Source data from https://www.sasec.asia/index.php?page=projects

Distribution of loans and grants for projects is fairly equal among SASEC countries: (1) Bangladesh-28.6%; (2) India-24.6%; (3) Nepal-24.5% ; and (4) Bhutan 18.4%).

However, in terms of utilization, the trend is skewed in favor of India and Bangladesh. 80.5% of the total SASEC loans and grants have used by India (44.5%) and Bangladesh (36%).

Sectoral dimension of SASEC Projects (2001-2017)	Total		loans and grants projects				technical assistance projects			
	Number	% of Total	Number	% of Total	Total Cost (US$ billion)	% of Total Cost	Number	% of Total	Total Cost (US$ million)	% of Total Cost
Energy	26	21.31	11	22.45	1.48	13.77	15	20.55	10.51	14.64
Transport	61	50.01	32	65,3	8.4843	78.93	29	39.73	26.37	36.73
Public Sector Management	14	11.48					14	19.18	9.44	13.15
Economic Corridors	3	2.46	3	6.12	0.698	6.49				
Trade Facilitation	7	5.74	2	4.08	0.069	0.64	5	6.85	7.53	10.49
Finance	1	0.82					1	1.37	0.15	0.21
ICT	4	3.28	1	2.04	0.018	0.17	3	4.11	5.35	7.45
Industry and Trade	3	2.46					3	4.11	2	2.79
Multisector	3	2.46					3	4.11	10.48	14.59
	122	100.00	49	100.00	10.7493	100.00	23	100.00	71.81	100.00

Compiled by the Author using the Source data from https://www.sasec.asia/index.php?page=projects

Since 2001, SASEC member countries have approved and implemented 49 projects in the transport, trade facilitation, energy, and economic corridor sectors worth $10.75 billion, distributed as follows:

- The transport sector accounts for the highest share at 32 projects worth a cumulative $8.48 billion.
- The energy sector follows suit and accounts for 11 projects worth $1.48 billion.

- The economic corridor development sector accounts for 3 projects worth $698 million.
- The trade facilitation sector accounts for only 2 projects worth $69 million.
- The ICT sector has the lowest share at $18.0 million.

Of the 73 technical assistance (TA) projects (cumulatively worth $71.81 million) implemented, 53.4% are national and 46.6% are regional TA projects.

SASEC Transport Sector Projects (2001-2017)	Total		loans and grants projects				technical assistance projects			
	Number	% of Total	Number	% of Total	Total Cost (US$ billion)	% of Total Cost	Number	% of Total	Total Cost (US$ million)	% of Total Cost
Overall Transport	61	50.01	32	65,3	8.4843	78.93	29	39.73	26.37	36.73
Transport Management	3	2.46					3	4.11	1.81	2.52
Transport	3	2.46	2	4.08	0.059	0.55	1	1.37	2.03	2.83
Transport/ Road	36	29.51	20	40.82	5.62	52.28	16	21.92	13.82	19.25
Transport/Air	5	4.10	3	6.12	0.104	0.97	2	2.74	1.59	2.21
Transport/ Ports	3	2.46	1	2.04	0.0413	0.38	2	2.74	1.50	2.09
Transport/Rail	11	9.02	6	12.24	2.66	24.75	5	6.85	5.62	7.83
	122	100.00	49	100.00	10.7493	100.00	23	100.00	71.81	100.00

Compiled by the Author using the Source data from https://www.sasec.asia/index.php?page=projects

Nearly four-fifths (79%) of the SASEC loans and grants were spent on transport sector projects. More than one-third (37%) of the technical assistance funds were also spent on transport sector projects. All the seven big[1] SASEC projects are in the transport sectors of two countries—three in Bangladesh and four in India. From the nine projects that costs more than $200 million but less than $500 million, five are in the transport sectors. From the 12 projects that cost more than $100 million but less than $200 million, six projects are in the transport sectors. However, this premium on funding transport project does not end there. The SASEC Operational Plan, 2016–2025 identified 128 priority regional cooperation and integration transport projects worth about $63 billion (ADB, 2016).

Reflections on the SASEC: Impact on the Ground

To understand the impact of these projects, we have reviewed their impacts on the ground. All these projects were developed under the framework of the Regional Cooperation and Integration Project (RCIP) designed to develop Sub-Regional and Trans-Asian Railway (TAR) connectivity as well as improving the communication system between and among the South Asian and other Asian countries with SASEC countries. The following cases provide a concise description of the projects based on the project documents.

1 *A big project refers to an independent project that costs more than $500 million.*

Case Study on SASEC Dhaka-Northwest Corridor Road Project (Phase 2, Tranche 1)

ADB has been a partner of the Bangladeshi government in improving the Dhaka–Northwest international trade corridor since 1994 (ADB. 1994). In 2017, ADB approved the phase 2 of the SASEC Dhaka Northwest Corridor Road Project for upgrading the 190.40-kilometer Elenga-Hatikamrul-Rangpur highway (part of the national highway N-5) into four-lane highway, by August 2021 to facilitate sub-regional road connectivity with India, Bhutan and Nepal. The project's key activities include around 13 million cubic meters of earthwork; construction of 190 kilometers of new pavement and new separate lane for the slow-moving vehicles; construction of 32 bridges and 3 flyovers; one railway overpass; 161 culverts; 39 underpasses; 11 pedestrian overpasses; one interchange; and establishment of Roads and Highways Department (RHD) centre of excellence and road operation unit. The project will require the acquisition of 199 hectares of private land. According to the Project Resettlement Plan, the project is expected to affect 17,200 households (around 48,000 persons), among whom 6,383 (40%) will be physically displaced. The project will also affect 390 community structures. Among the physically displaced households, 78% are small-scale shop owners. These shop owners and 4,265 employees are expected to temporarily lose their wages due to the relocation or disruption of businesses. Given the significant resettlement impacts, the project is expected to be categorized as "A" for Involuntary Resettlement. Roads and Highways Department under the Roads and Highways Division of Bangladeshi government will implement the land acquisition and resettlement (LAR) activities with the support of an implementation NGO (INGO). In April 2017, the INGO selection process was completed. The cost of LAR activities is estimated at USD 256.56 million and USD 1.1 million for the INGO costs. The LAR budget will be entirely financed by the Government of Bangladesh.

Case Study on SASEC Chittagong-Cox's Bazaar Railway Project

In September 2016, the ADB approved the SASEC Chittagong-Cox's Bazaar Railway Project, a $1.5-billion (Phase 1, Tranche 1 will cost around 0.8 billion) railway project to promote trade and boost regional connectivity in Bangladesh by extending the Dhaka–Chittagong corridor near the Myanmar border. The Government of Bangladesh will select two companies to construct a single-line dual-gauge 102 km railway track from Chittagong to Cox's Bazar via Ramu to Gundam border in Myanmar. The new rail link will form part of the Trans-Asian Rail Route (TAR) connecting Bangladesh and its neighbors, including China, Myanmar and Thailand. This fast-track project is scheduled to be completed by 2022. The project will require the acquisition of at least 338 hectares of private land. This comprises 60% of the total land required (563 hectares) for the project. The project is expected to affect 1,984 households and 9,946 people. Among the affected households, 79.08% (1,569 households) will be physically displaced. This indicates that at least 7,866 people will be physically displaced. The project is categorized as "A" as per ADB's Safeguards Policy Statement (2009). Given that this is a sensitive project where involuntary resettlement impacts are significant, an independent (third-party) monitor will be recruited by ADB as part of the capacity-development technical assistance (CDTA) attached to the loan agreement. The total estimated budget for implementation of the Resettlement Plan represents around 30% of the entire project cost. Resettlement activities will be entirely financed by the Government of Bangladesh.

Case Study on SASEC Railway Connectivity: Akhaura-Laksam Double Track Project

In 2014, the ADB approved the SASEC Railway Connectivity Double Track Project for 72 km of double-track railway lines in the Dhaka–Chittagong corridor. Project is jointly financed by the ADB, the European Investment Bank (EIB), and the Government of Bangladesh (GOB). In addition to construction of the double line, the project includes the construction of 59 new bridges and culverts; 11 new stations by replacing existing stations within the same station complex; and construction of foot-over-bridges (FOB) and ramps at 2 existing stations (Comilla and Akhaura). The project requires the acquisition of 58.43 hectares of private land, which is 20% of the total require land (303 hectares). Overall, a total of 2,180 households and 10,408 people will be physically and economically impacted by the project. 30% of affected households (701 households) will lose their land. Moreover, 64% or 1,358 households will have to relocate their homesteads or business structure. 721 employees will lose their jobs due to impacts associated with the relocation of businesses. The project will also require the removal of trees of various sizes and species. Project interventions will also affect schools, mosques, clubhouses, shrines, and age-old temples.

Case Study on SASEC Bangladesh–India Electrical Grid Interconnection Project

The loan for the first Bangladesh–India Electrical Grid Interconnection Project was approved in August 2010. A power purchase agreement (PPA) for 250 MW was entered into between the trading arm of India's National Thermal Power Corporation (NTPC) and the Bangladesh Power Development Board (BPDB) in 2012. The cost of power was set based on the terms and conditions for the power generation plants as determined by the Central Electricity Regulatory Commission of India. The first competitively bid cross-border PPA for 250 MW was signed in 2013 between Power Trading Corporation (PTC) India and the BPDB, and was supported with technical assistance (TA) from the ADB (ADB, 2010). The power grid of Bangladesh at Bheramara and the eastern power grid of India at Baharampur were successfully interconnected in 2013, financed by an ADB loan. Based on the success of the first interconnection, the Second SASEC Bangladesh-India Electrical Grid Interconnection Project, which was approved in 2015, will upgrade the power transmission capacity of existing Bangladesh and India grid interconnection from 500 megawatt (MW) to 1000 MW. Bangladesh now procures an additional 500 MW of power over the upgraded interconnection from India.

Case Study on SASEC electronic cargo tracking system (ECTS) pilot project

In June 2017, India and Nepal signed a memorandum of intent to pilot the tracking system to ease transit of cargo by road and rail from Kolkata to four major customs points of Nepal. The ECTS is an important initiative under the SASEC program. ECTS uses satellite positioning systems, cellular communications, radio frequency identification, and other web-based software to ensure the security of cargo. It will be operated by a managed service provider, which will offer an integrated end-to-end system for transit facilitation through a web application covering the filing and processing of the transit declarations as well as tracking. The ECTS will provide a tracking facility to customs officials, which should help ensure cargo security, making it possible for them to extend higher levels of trade facilitation. Results of this pilot run will inform decision and next steps in using ECTS in other SASEC transport and economic corridors, as well as for inland movement of cargo. The ADB, as SASEC secretariat, is supporting the piloting of the ECTS.

Case Study on India's engagement in SASEC program

With ADB support, India is planning to develop regional connectivity projects worth almost $5 billion through the SASEC program. In addition, India is presently developing two priority road corridors. The first will connect India with Bangladesh, Nepal, and Bhutan through the 'chicken neck' area of North Bengal. The second road corridor will establish India-Myanmar connectivity in Manipur. India is also planning to establish Integrated Check Posts (ICPs) and improved Land Customs Stations (LCS) at key border points with Bangladesh, Nepal, and Bhutan to ease the movement of goods and people within the subregion. India is also developing the East Coast Economic Corridor (ECEC), with ADB as lead partner. In March 2015, India has signed agreement with the ADB to develop 500 km of roads along the North Bengal-Northeastern Region under a $500-million multi-tranche SASEC road connectivity investment program. The project is expected to be completed by 31 December 2021. India is also developing a bus service between Imphal in Manipur and Mandalay in Myanmar, and another road connection linking Mizoram with Myanmar.

Analysis of the Development Effectiveness of the SASEC

Although there exists a few IED evaluations and validations concerning the SASEC program, assessment on the development effectiveness of the overall SASEC program has yet to be done. Before evaluating development effectiveness of the SASEC, the study has tried to understand the overall development effectiveness of the ADB as the baseline for SASEC because of the ADB's role as SASEC secretariat, advisor, and lead financier. The study used the relevance, efficiency, effectiveness, development impacts and sustainability as the criteria for assessing SASEC development effectiveness.

Baseline Data for Development Effectiveness of the ADB SASEC Program

Criteria for understanding the Development Effectiveness of the Asian Development Bank (ADB)	CIDA's Review	ADB Annual Evaluation Review 2017
Average success rate for Sovereign Projects (% of projects were assessed successful)		77%
Average success rate for non-sovereign Projects (% of projects were assessed successful)		69%
Average success rate for infrastructure sectors (% of projects were assessed successful)		75%
Average success rate for non-infrastructure sectors (% of projects were assessed successful)		81%
Average success rate for transport sectors (% of projects were assessed successful)		66%
Average success rate for health sectors (% of projects were assessed successful)		79%
Relevance (% projects rated highly relevant or relevant with country needs and ADB's strategies)		92%
Successful Country Partnership Strategy (% of CPS rated successful)		71%
Effective partnerships with government (% reported satisfactory)	55%	
Effectiveness of the project (% projects achieved intended outcomes or rated effective)		76%
Effectiveness of the Policy Based Loans (% PBLs achieved intended outcomes or rated effective)		74%
Sustainability of Infrastructure Projects (% of projects rated likely sustainable)		62%
Sustainability of Non-Infrastructure Projects (% of projects rated likely sustainable)		80%
Sustainability of results from ADB operations (% reported satisfactory)	47%	
Cost Efficiency (% reported satisfactory)	46%	
Implemented in a timely manner (% reported satisfactory)	19%	
Gender equality (% reported satisfactory)	80%	74%
Environmental sustainability (% reported satisfactory)	64%	
Effectiveness of independent evaluation at the ADB (% reported satisfactory)	82%	80%

Baseline Data for Development Effectiveness of the ADB SASEC Program

Local monitoring and results reporting systems (% reported satisfactory)	20%
Results-based management systems (% reported satisfactory)	8%

Notes:
- CIDA's Review of the ADB Development Effectiveness 2006–2010 was based on 38 reviewed evaluations
- ADB Annual Evaluation Review (AER) 2017 is based on reviewed evaluations in 2014–2016

Development Effectiveness of the Asian Development Bank (ADB)

According to the 2016 Development Effectiveness Review report, the ADB failed to reach 38% of its targets. Of the 14 country strategies and assistance programs evaluated by IED in 2014–2016, 10 were rated successful (71%), which is lower than the 80% target of ADB for 2016. The 70% of country partnership strategies (CPSs) were rated successful from 2010–2016 period. Most CPSs were assessed positively for relevance and effectiveness, but less satisfactory for efficiency, likely sustainability, and development impacts.

The percentage of projects rated relevant are much higher than their ratings for effectiveness, efficiency, and sustainability in 2014–2016 (AER 2017). AER 2017 has recognized that nearly one-fourth (24%) of the ADB projects still remain ineffective (failed to achieve intended outcomes) and one-third of the ADB projects are still inefficient and unsustainable.

Success Rates of ADB Sovereign Projects by Sector, 2011–2016

Sector	2011–2013		2012–2014		2013–2015		2014–2016	
	Projects (number)	Successful (% of total)	Projects (number)	Successful (% of total)	Projects (number)	Successful (% of total)	Projects (number)	Successful (% of total)
Agriculture, natural resources, & rural development	41	76	29	79	27	74	21	71
Education	18	50	17	65	14	86	14	100
Energy	18	67	14	79	13	85	14	93
Finance	14	43	13	54	8	50	8	50
Health	6	100	9	89	12	83	12	83
Information and Communication Technology	3	100	2	100	1	100		
Industry and trade	6	67	7	86	5	100	4	100
Public sector management	9	56	7	71	7	86	4	100
Transport	44	75	42	71	38	58	40	70
Water and urban infrastructure & services	26	58	16	69	13	77	12	67
Total	**161**	**68**	**136**	**74**	**121**	**74**	**116**	**78**

From 2014 to 2016, 75% infrastructure sector projects and 81% non-infrastructure sector projects were rated successful. However, this success rate depended greatly on the success rate of ADB's infrastructure program in China and India. Without the high success rates from these two countries, the overall success rate for the ADB's infrastructure program would be much lower.

The finance sector remains the lowest performing sector of the ADB with a success rate of 61%. Education projects have improved effectiveness from 40% in 2010–2012 to 100% in 2014–2016.

In 2015, ADB approved 28 non-sovereign operations (NSOs) or private sector projects worth of $2.63 billion in comparison to 17 approvals in 2005 ($821.5 million). However, the project performance of non-sovereign operations (NSOs) has remained at 69% over the 2008–2016 period and only 46% private equity funds were successful. The relatively high success rate (81%) of RCI projects than the ADB's average success rate (61%), is derived mainly from the Greater Mekong Subregion (GMS) projects (94%). Moreover, the performance of RCI projects has declined since 2000 (IED, 2015a).

Development Effectiveness of the Asian Development Bank (ADB) in South Asia

Among the major countries in South Asia (Bangladesh, India, Pakistan and Sri Lanka), relevance of project operations has been moderate (77% relevant), while efficiency (53% efficient), effectiveness (59%), and sustainability (52%) had been very weak. Overall, 14 projects were successful (72%) in 2014–2016 with 3-year moving averages of 57%-79% over the period. The success rate of the ADB projects for Pakistan fell from 36% in 2012-14 to 0% percent in 2014-16. The performance of projects in Bangladesh fell from a high 100% in 2011–2014 to 85% in 2014–2016. The performance in India fell from a high 91% in 2012–2014 to a below average success rate of 70% in 2014–2016. The performance of Sri Lanka projects has been improving from a 50% success rate in 2011–2013 to 75% in 2014–2016, although this still remains below the overall ADB average. Nepal has shown an improved performance with 100% success rates for 2014–2016. Among the sovereign projects completed in Bangladesh, India, Nepal, and Sri Lanka over 2008–2016, 50% projects are infrastructure projects with 77% success rate. Nearly 50% of projects assessed less than efficient since 2014 are from large borrowers from South Asia (India, Pakistan, and Sri Lanka).

In the context of private sector performance in South Asia, none of the private equity funds over 2008–2016 were successful.

Country Program Assessments, 2010-2016 (South Asia)

Country	Evaluation Publication Year	Overall Assessment	Strategic Positioning	Relevance	Efficiency	Effectiveness	Sustainability	Development Impacts	ADB Performance	Period of ADB Support
Bangladesh	2016	Successful	Satisfactory	Relevant	Less than efficient	Effective	Likely sustainable	Less than satisfactory	Satisfactory	2011-2015
Sri Lanka	2016	Successful		Relevant	Efficient	Effective	Less than likely sustainable	Satisfactory	Satisfactory	2006-2015
	2011	Successful	Satisfactory	Relevant	Less than efficient	Likely effective	Less than likely sustainable	Satisfactory	Satisfactory	2009-2011

Country Program Assessments, 2010-2016 (South Asia)

Country	Evaluation Publication Year	Overall Assessment	Strategic Positioning	Relevance	Efficiency	Effectiveness	Sustainability	Development Impacts	ADB Performance	Period of ADB Support
Maldives	2015	Successful	Satisfactory	Relevant	Efficient	Effective	Likely sustainable	Satisfactory	Satisfactory	2007-2013
	2011	Less than successful	Satisfactory	Relevant	Less than efficient	Effective	Less than likely sustainable	Less than satisfactory	Less than satisfactory	1978-2010
Bhutan	2013	Successful	Satisfactory	Relevant	Efficient	Likely effective	Likely sustainable	Satisfactory	Satisfactory	2010-2013
	2010	Successful	Satisfactory	Relevant	Efficient	Effective	Less than likely sustainable	Modest-Substantial	Satisfactory	2001-2009
India	2013	Successful	Satisfactory	Relevant	Efficient	Effective	Likely sustainable	Satisfactory	Satisfactory	2009-2012
Nepal	2013	Successful	Satisfactory	Relevant	Less than efficient	Effective	Less than likely sustainable	Satisfactory	Satisfactory	2010-2012
Pakistan	2013	Less than successful	Satisfactory	Less than relevant	Less than efficient	Less than effective	Less than likely sustainable	Less than satisfactory	Less than satisfactory	2002-2012
Afghanistan	2012	Less than successful	Satisfactory	Relevant	Less than efficient	Effective	Less than likely sustainable	Satisfactory	Less than satisfactory	2002-2011

Sources: 2017 Annual Evaluation Review Supplementary Linked Document A. Country Assistance Program Evaluations and CPS Final Review Validation, 2010-2016.

Relevance and Country Ownership of the SASEC

The ADB considers a project regional when it requires the joint action of two or more countries to address cross-border issues or when a national project has significant regional implications (ADB, 2008a). Strategies and priorities of the regional projects have to align with the ADB Regional Cooperation and Integration (RCI) Strategy. The ADB Strategy 2020 endorsed the relevance of RCI to ADB's core operations, with the long-term target of increasing RCI-related lending to at least 30% of ADB operations by 2020 (ADB. 2008b). Since 2006, the ADB has been advocating for building integrated transport infrastructure within the context of greater political harmony in South Asia (ADB 2007). ADB's Operational Plan for RCI, 2016-2020 which was launched in November 2016, provides directional guidance to implement the SASEC Operational Plan 2016–2025, incorporating the vision document "SASEC: Powering Asia in the 21st Century"(ADB 2017). The overarching goal of SASEC (ADB 2016) is to increase trade and economic cooperation within South Asia, create links to East Asia and Southeast Asia. This makes it more relevant for ADB Operational Plan for RCI 2016-2020 than for a SASEC country. The ADB is enticing the SASEC countries that they can add an estimated $70 billion in incremental gross domestic product and 20 million jobs to the South Asian economy by 2025. All these facts unmask ADB's own interest in accelerating regional programs like SASEC that are highly relevant to the ADB's regional strategies and priorities.

By analyzing relevance across country programs, AER 2017 confirmed that there is weak alignment between ADB corporate priorities and the countries' national and sectoral priorities. Due to the mismatch of priorities between the ADB and country, more than one-fourth (29%) of ADB Country Partnership Strategy (CPS) was rated unsuccessful in 2014-2016.

The relevance of projects in South Asia (77% projects rated relevant) is much lower than the ADB's overall relevance (92% projects rated relevant) with country needs and ADB's strategies. However, considering the CPS success rate and project relevance, the study considers that more than one-fourth (29%) SASEC projects are not properly aligned with country needs. This shows lack of country ownership.

Relevance of the SASEC in the context of South-South Cooperation (SSC)

South-South Cooperation (SSC) is a bilateral or multilateral cooperation framework for mutually supportive developing countries of the South. SSC emphasizes principles of equality, solidarity, mutual development, and complementarity. Considering the SSC definition, methods, and emphasis, SASEC may be considered as multilateral SSC. Nevertheless, the study does not consider SASEC as SSC because it does not promote people to people contact in SASEC countries. People to people contact is one of the major areas of SSC interest (Chaturvedi et. al., 2012). Moreover, SASEC does not follow the financing approach that SSC usually follow. SSC excludes non-concessional loans and commercial transactions in trade and investment. Besides, SASEC does not follow the way SSC replicate development experiences of one country in other co-developing countries.

Effectiveness of the SASEC Program in managing for sustainable development outcomes

The ADB mission is to help its developing member countries (DMCs) to reduce poverty and improve the quality of life of their people and also to accelerate economic and social development in Asia and Pacific region. Nevertheless, the ADB implementation strategy and project interventions primarily focus on accelerating economic development with an assumption that poverty reduction will be a by-product.

Over the 2008–2016 period, the Independent Evaluation Department (IED) of ADB has evaluated 495 projects and found that 322 (65%) were assessed highly successful or successful. Based on the IED findings, the study considers that the success rate of the SASEC projects should be within 65% in 2008–2016. The effectiveness of projects in South Asia (59% achieved intended outcomes or rated effective) is much lower than the ADB's overall effectiveness (76% achieved intended outcomes or rated effective). Based on the effectiveness of the projects in South Asia, the study considers that effectiveness of SASEC projects will not be more than South Asian Average (59%).

Effectiveness on Adopting the Human Rights Based Approach (HRBA) in SASEC interventions

To promote and protect human rights, development practitioners have been trying to institutionalize a human rights-based approach (HRBA) to development since the adoption of the UN Common Understanding of HRBA to Development Cooperation in 2003. By strengthening the social contract between citizens and their governments, HRBA is expected to contribute to partner countries' ownership (OHCHR, 2013). HRBA offers a 'strategic vision' on 'outward change' (Gready, 2012), and a 'strategic' way of rethinking partnerships and prioritizing issues (Hickey & Mitlin, 2009) by taking into account human rights principles in every phase of the development cycle. The 2008 Accra Agenda for Action (Accra Declaration, 2008) call to both donors and recipient governments to ensure that development policies and programs are designed and implemented in ways consistent with their agreed international commitments on gender equality and human rights. The ADB's External Forum on Gender and Development, has been advising the ADB to use rights-based frameworks to address gender equality. However, the ADB is still reluctant in adopting HRBA into regional development cooperation practices. Historically, ADB has been unwilling to adopt the human rights based approach in its policies and programs (Eisuke and Suresh, 2005), in order to safeguard the ADB Charter (Andrew, 2006). The ADB makes no mention of the human rights on involuntary resettlement, which is a major issue in most of the SASEC infrastructure projects. Although human right standards are relevant to education and health sector loans, the ADB does not use the right to education and the right to health frameworks. The ADB has not yet managed to incorporate disability perspectives systematically in its work. The SASEC likewise has not adopted HRBA following ADB's reluctance to do so.

Physical displacement of people is the main social issue for many SASEC projects. Due to the SASEC Railway Connectivity Double Track Project in Bangladesh, nearly 1,400 households (7,000 people) will have to relocate their homesteads or business structure. Around 1,600 households (8,000 people) will be physically displaced by the SASEC Chittagong-Cox's Bazaar Railway Project. SASEC Dhaka-Northwest Corridor Road Project is expected to physically displace nearly 7,000 households (35,000 people). Nevertheless, none of the SASEC projects have contextualized the human rights of displaced people in the project design. Many SASEC projects that require acquisition of land resettle local communities prior to project implementation. The resettled people mostly find themselves to be the biggest losers in the process of development (Kumar, 2013). Local community concerns over timely and fair compensation from the project show that the rights of displaced people are not properly addressed by the SASEC projects. In many cases, compensation for resettlement is slow. People often demand that acquired land should be compensated by land as much as possible and affected infrastructure should be reconstructed by authority. The Resettlement Plans (RPs) of the SASEC projects, have not explored the causes why many people were unwilling to sell homestead/ lands for the project. The consequent sufferings of the displaced people generally aggravate due to lack of transparency and accountability of agencies responsible for resettlement. A study in the Bangladeshi context showed that after resettlement, overall income of the project affected persons have decreased and their economic status declined (Atahar, 2013).

Government decisions about SASEC infrastructure projects are mainly focused on national context and project design fails to align with local development context. As SASEC projects are undertaken by governments and implemented in the name of national priority, the affected people have ultimately no voice during the project design. Generally SASEC projects after the approval, inform people about the project but leaves no room for people to provide input for redesigning the project. The human rights violation against local community by the SASEC projects remains hidden because government implement and entirely finances the land acquisition and resettlement (LAR) activities as well as lack of ADB monitoring for compliance with its safeguard policy. An assessment of country safeguard systems (CSS) shows that concerning involuntary resettlement, there are legal and regulatory differences with the ADB policy and CSS are not compatible with meeting human rights obligations, particularly relate to non-titled affected persons, restoring the livelihood of displaced persons and consent during project planning and implementation. It has been found that beyond actual need, excess land is acquired for many projects.

Effectiveness of the SASEC as a framework for Regional Cooperation Arrangement (RCA)

The term Regional Cooperation Arrangement (RCA) is used to include all forms of cooperation structures between two or more nations that are usually from a common geographic region. The study considers the SASEC as an RCA because the SASEC operational plan and vision document have incorporated most of the economic and non-economic objectives of the RCA, such as trade liberalization and economic integration, regional economic corridor, and development of shared infrastructure and facilities. Regional cooperation arrangements (RCAs) have not always lived up to expectations (V. V. Desai, 2010). The success of SASEC as RCA depends on India. However, India has not been sensitive to human rights concerns when it comes to regional domination (Menon, 2016). India favors bilateral deals, whereas Nepal and Bangladesh prefer the regional approach. The SASEC Bangladesh–India Electrical Grid Interconnection Project reveals that India aims to create economic momentum with the help of sub-regionalism mechanisms like SASEC to establish the Indian business sector as an integral part of the ongoing energy sector cooperation in South Asia. The ADB through the SASEC program creates opportunities for the development of the public-private partnership, as well as direct involvement of private sector. According to the ADB, the participation and involvement of private stakeholders will be critical to the effective implementation of SASEC trade facilitation initiatives (ADB, 2014).

Effectiveness of the SASEC in the Cross-Border Electricity Trade Facilitations and Economic Corridor Sectors

The ADB, in cooperation with the SAARC, has been playing a significant role in fostering regional cooperation in the energy sector in the South Asia. In 2007, ADB commissioned the SAARC Regional Energy Trade Study (SRETS) jointly with the SAARC secretariat. As a follow-up activity in 2010, the ADB, jointly with SAARC, commissioned the South Asia Regional Power Exchange Study (SARPES). In 2014, the ADB commissioned a study to develop a regional cross-border electricity transmission master plan to identify the possible options for transmission interconnections within the SAARC region. The ADB also initiated a study in 2014 to examine the feasibility of establishing separate entities for cross-border power trading in Bangladesh and Nepal. Despite all these efforts, most South Asian countries are still dependent on a single source to provide more than 50% of total electricity generation—in Bangladesh (natural gas-91.5%), India (coal-67.9%), Nepal (hydropower-99.9%), and Sri Lanka (oil-50.2%). The demand for energy and the price of electricity for household consumption are both rising rapidly in South Asia, while SASEC is only focusing on power interconnection opportunities, and not on people's access to clean, reliable, and affordable power.

Both project completion report (PCR) and the IED validation report identified that the SASEC Trade Facilitation Program as "less than effective" in achieving its intended outcome and outputs (IED, 2017). The study considers that the SASEC approach on cross-border electricity trade fails to achieve an equitable outcome. Rather, it has increased Indian hegemony in the region. For example, India recently issued a directive "Guidelines on Cross Border Trade of Electricity" for Nepal, Bhutan, Bangladesh, and Myanmar that India would only buy electricity if it were produced by Indian investments and only on Indian terms. These guidelines may prevent Bangladesh from cheaply importing electricity from Nepal directly, through Indian Territory, as the guidelines do not allow electricity transit. Rather, India may buy electricity from Nepal through its own agencies and then sell it to Bangladesh under separate bilateral agreements. As per the 2014 SAARC framework agreement, member states would try to waive export/import duties, fees and other charges for cross-border trade of electricity. This agreement contradicts with the Indian guidelines because the latter provide for tariff and transmission charges on cross-border trade of electricity through Indian Territory. The guidelines also contravene the SASEC operational plan 2016–2025 to reduce the cost of electricity through intra-regional power trade. For example, Adani Power Ltd. India will supply 1,600 MW of power from its proposed $2 billion coal-fired plant in Jharkhand dedicated for exporting power to Bangladesh at a rate of 8.7 US cents per unit for the next 20 years. The purchase rates of electricity from other private sector (US Cents 7.8 per unit) is lower than Adani Power. This points out that the SASEC approach on cross-border electricity trade may benefit significantly the Indian business sector. Bangladesh has signed with India to import 250,000 tons of diesel per year at a price higher than the international market. According to the ADB, nontariff barriers (NTBs) are obstructing the trade facilitation in South Asia. Due to different tariff rates, trading of energy on purely commercial terms is not viable in South Asia (ADB, 2014). India buys electricity cheaply from Bhutan and then sells the same to Bangladesh at double price.

Economic corridors have been viewed as major determinants (Vickerman 2002) or important building blocks of regional economic integration (Kuroda et al. 2007). The ADB opines that greater interaction among the SASEC countries can enhance trade and investment (ADB 2008c). The SASEC program's study on subregional corridor operational efficiency reveals that seamless transit transport through the economic corridor will allow SASEC traders easier access to the ports in SASEC countries. This interconnectedness is seen to promote competition among transshipment ports such as Kolkata, Mongla, and Haldia, and help lower logistics costs (ADB 2006). In reality, however, Nepal does not enjoy the hassle-free transit Bhutan does from India (Kharel, 2009). Since 2015, the Nepal Electricity Authority (NEA) buys power from India at high price (8.4 Nepalese rupees per kilowatt-hour) and sells to India at low price (7.98 Nepalese rupees per kilowatt-hour). Very recently, the Indian government imposed a 4.5-percent service tax on ocean freight making importation of goods to Nepal very costly. Besides, according to WTO provisions, any such taxes on transit cargo are illegal, but due to complicated bilateral negotiation mechanisms, Nepali traders are paying the extra service tax. This imbalance ultimately forces the Nepali people to pay more for imported products.

The Doing Business Report[2] ranks countries on the strength of trading across borders which can be used as indicator for measuring the effectiveness of the SASEC trade facilitation. South Asia's rank went down to 126 in 2018 from 124 in 2017. These cases indicate that the SASEC is not effective for cross-border trade facilitation. The lack of attention within the SASEC on the impact of trade policies of big countries like India on the internal economy of the small countries like Nepal could be a key reason for the ineffectiveness of the SASEC Trade Facilitation approach.

2 *http://www.doingbusiness.org/data/exploretopics/trading-across-borders (2018)*

Efficiency of the SASEC Program

ADB independent evaluations and validations have consistently been giving low ratings to efficiency and sustainability of ADB country operations. According to AER 2017, over a third of ADB projects could be counted as inefficient, which implies that a huge amount of ADB investment fails to perform as expected. Since only 53% projects are rated efficient in South Asia, the study considers that more or less half of the SASEC projects would be rated efficient. A large number of projects are assessed inefficient because their completion reports did not conduct a proper recalculation of the economic costs and benefits of the expected outcomes and outputs (AER 2017). Some projects did not even undertake analysis in accordance with the ADB methodology.

ADB was rated “less than responsive” in supporting the implementation of the regional cooperation and integration (RCI) agenda (IED, 2015a) due to the fragility of existing institutional arrangements to coordinate regional integration, as these arrangements are (Capannelli and Tan. 2012).

The consultant-driven project design indicates that the ADB and SASEC countries are not yet efficient enough in designing the SASEC projects. A consortium of consultants led the detail design of the project. The lead consultant is selected according to the nature of the project. The main Environmental Impact Assessment (EIA) consultant often subcontract the social assessment part of the EIA. Besides, the reports prepared by the consultants often try to highlight positive impacts.

The ADB Development Effectiveness Review 2015 Report reveals that about 80% of the sovereign projects are carried out within their original budgets over the 2012-2014 period. About 94% of the operations approved during 2009–2011 were completed on budget. The phase 1 of the SASEC Dhaka Northwest Corridor Road Project had faced a cost overrun of about $150 million on the components financed by ADB and the actual contract prices are about $82.4 million higher than the engineer’s estimates. Nearly two-fifths (38%) of the projects approved in 2008–2011 were finished more than 1 year late. During the 2013-2015 period, ADB operational efficiency was evaluated downward because implementation delays affected 90% of the sovereign projects. While the design of ADB project outcomes is improving, based on the criterion of relevance, the efficiency (ability to implement the project) remains weak. For example, the SASEC Chittagong-Cox's Bazaar Railway Project is scheduled to be completed by 2022. However, only 2.2% of the project has been implemented during the last 15 months. Although both PCR and IED validation report viewed the SASEC Trade Facilitation Program efficient, the study considers it “less than efficient”. This is because a time release study, which was designed to be completed in 2013 to establish the baseline for measuring the intended outcome and impact, remained uncompleted until 2016.

Managing for sustainable development outcomes throughout the project management cycle requires effective leadership. The study has recognized that the SASEC project executing agencies continues to ignore appropriate project leadership. Regular reporting to stakeholders, which not only helps to effectively manage development results but also improve accountability, is virtually absent. According to the ADB Development Effectiveness Committee, there were discrepancies in the governments’ and the consultants’ monitoring reports. There had been consistent underperformances in the areas of disclosure arrangements for involuntary resettlement plans and in the grievance redress mechanism. These implementation gaps were due to insufficient consultations, time, and resources. Implementation of safeguards has not been allocated adequate time and resources.

In 2007, IED showed that the characteristics of successful projects included the ability to learn from past lessons and incorporate these lessons in project design (IED, 2007). AER 2017 has also pointed out that documented lessons are not a significant input to new project design or implementation. The ADB Management places little emphasis on the importance of learning from lessons. Further, there exists an inherent reluctance by the ADB Management to discuss project failures. Consequently, the same lessons are often repeated from one project to the next. Documenting lessons is considered more of a compliance measure to fill a PCR requirement than a reflection of what was learned.

Results-based financing (RBF) has been identified as an important means of improving development effectiveness (Pearson 2011). However, for RBF to succeed, rigorous monitoring and appropriate evaluation frameworks are required (World Bank 2010). The ADB operations that have incorporated RBF features have shown considerable promise, but have suffered from high transaction costs arising from policy and operational inconsistencies (Sarah et. al., 2013). This indicates the inefficiency of the ADB in using RBF.

Development Impact of the SASEC Program

The 2010 Development Effectiveness Review showed a declining trend in the delivery of development outcomes from recently completed operations. The average ADB project completion delay has increased in 2013-2015 (averaged almost 2 years) than 2008–2011 (1.8 years). Delayed completions mean delayed benefits or development impacts and reduced development effectiveness. Delayed completions are common in the finance, transport, and water and urban infrastructure projects. None of the Asian subregions have experienced significant increases in intraregional trade shares over the last decade and the outcome for “harmonized cross-border regulations” was only partly achieved (IED, 2015a). The ADB has actively pursued and supported harmonization efforts with regional and subregional institutions, through TA-financed capacity building support. However, such harmonization process has not been satisfactory in South Asia.

Acknowledging that human rights violations are both a cause and a consequence of poverty, a Human Rights-Based Approach (HRBA) could be an essential tool in designing poverty-reduction strategies, which is the mission of the ADB. The poor need to be able to exercise their human rights and to influence state institutions and social processes that affect their lives’ (OECD- DAC, 2011). By neglecting the HRBA, the ADB is still counting its beneficiaries as passive ‘needs-fulfilling’ individuals, not an active ‘agents of change’ (Sen, 2013). According to a study (Gilbert and Banik 2010), all SASEC economies would benefit from the SASEC transportation infrastructure projects in terms of aggregate welfare, but the picture was not pro-poor in terms of household level distribution. A reduction in SASEC transportation margins would be pro-poor in Nepal and Bangladesh in an absolute sense. However, the changes would not lower relative poverty (i.e., income inequality). Rather, it would likely aggravate income inequality in Bangladesh. The largest gains are estimated for India. Large farmers, who are middle income, will gain the most but the poorest groups in society will be disadvantaged. In Pakistan, the group that gains the most is the urban rich, increasing relative poverty. Changes in transportation costs increase or decrease the costs of final goods. The biggest beneficiary of the reduction in transport margins among the SASEC economies is India, followed by Nepal, then Bangladesh. However, the gains to India paled in comparison when expressed as a percentage of GDP. The biggest beneficiary as a percentage of GDP is Nepal, with a cumulative gain of over 12% of GDP.

The case studies reveal that the resettlement plans of the SASEC project tries to hide the real impact on the ground. For example, the SASEC Dhaka-Northwest Corridor Road Project (Phase 2, Tranche 1) was reported to affect 17,200 households and around 48,000 persons. Assuming there are 4 members in a household, which is a conservative estimate, the total number of affected persons should be at least 68,800.

Similarly, the case studies show that 40% or 6,383 households will be physically displaced. However, a straightforward calculation shows that 40% of the 17,200 households should be 6,880 and not 6,383. Moreover, the project did not mention the exact number of shop owners (5,336) that will be displaced.

In the SASEC road projects in Manipur, affected communities objected to the survey due to unilateral nature of the survey process, lack of consultation, limited impact assessment, and the prospect of undervaluing their assets. The SASEC projects failed to fully comply with ADB's public communications and involuntary resettlement policies, particularly to fully identify all persons to be affected by the project. The Independent Evaluation Department (IED) examined several projects, and found that all projects with resettlement impacted some people through loss of housing or loss of more than 10% of their productive assets, or impacted upon the poor and vulnerable (IED, 2016). Most of the projects have not taken measures in line with the relevant SPS policy principles. Not one reported back on implementing these principles. The monitoring reports paid no attention to livelihood restoration programs. Moreover, the plight of the poor and vulnerable has been glossed over by the monitoring reports. Worse, these concerns were not even considered during IED field visits.

Gender perspectives, moreover, have not been properly incorporated into the design and implementation of the SASEC projects. The project design, which involves physical displacement, often excludes land of the rich or local power elites. In some cases, infrastructure projects try to privilege the local power elites by linking their areas even if it entails increase in project costs.

The Independent Evaluation Department in 2016 shows that the use of country safeguard systems in ADB-supported projects should be more strategic and systematic. The previous evaluations (IED, 2014 and IED, 2015) had also strongly recommended that strong caution must continue to be exercised in moving to the use of country safeguard systems for ADB-supported projects. For example, evident gaps remain in the Land Acquisition Law of Bangladesh to address ADB Safeguards requirements. The Government of Bangladesh (GoB) enacted on 21 September 2017 a new land acquisition law titled The Acquisition and Requisition of Immovable Property Act (2017) replacing the 1982 Ordinance II. Unfortunately, the Act of 2017 still fails to consider the plight of project-affected persons and retains the same weaknesses. This failure evidences ADB's shortcomings in persuading governments to improve country safeguard system.

Sustainability of the SASEC Program

In South Asia, nearly half (48%) of ADB projects fail to be sustainable. Indeed, over a third of the projects are considered unsustainable due to problems in operations and maintenance (AER 2017). More than one-third (38%) of ADB infrastructure projects consistently fail to be likely sustainable. Only 55% transport projects and 54% WUS projects were rated likely sustainable in 2014–2016. The Country Assistance Program Evaluation (CAPE) sector assessments also found sustainability problems in transport, agriculture, natural resources, and rural development (ANR), public sector management (PSM), and energy sectors. Nearly two-thirds of the transport, ANS, and PMS programs were not rated as sustainable. In fact, only 36% of transport programs, 38% of ANR programs, and 38% of PSM programs attained sustainability. Moreover, only 44% of energy programs are rated sustainable.

Based on the sustainability rating of the projects in South Asia and CAPE assessment on transport, ANS, PMS and energy programs, we conclude that less than half (42%) of the SASEC projects can be rated as sustainable.

The success rate of the ADB projects does not automatically correlate with their sustainability. In other words, a project can be successful and yet be unsustainable. For example, in the infrastructure sector, 83% of the water and urban infrastructure and services (WUS) and 73% of transport sector projects were rated successful. However, nearly half of these projects failed to attain a rating of “likely sustainable.” By comparison, the likely sustainability of non-infrastructure projects has steadily improved in 2014–2016 at 80% relative to 62% for infrastructure.

Performance of the SASEC in Engaging Civil Society Organizations

Within the ADB, it is possible for civil society to participate at the policy level, at the country strategy level, and at project level. ADB's 1987 policy paper recognizes the special capabilities and expertise of CSOs that could help the Bank in enhancing the effectiveness of its operations. This was reiterated in April 1998 through the adoption of a policy of cooperation with NGOs. Indeed, ADB’s project preparatory technical assistance (PPTA) requires civil society participation. By attending the ADB Annual Meeting, CSOs can engage with the Bank on a variety of issues, contribute to policy discussions, and network with many other CSO participants from across the region.

For instance, the ADB’s NGO and Civil Society Center (NGOC) organizes a yearly Civil Society Program which has become an integral part of ADB’s Annual Meetings. ADB seeks the participation of its shareholders and other interested stakeholders during the development and/or review of its safeguard, sector, and thematic policies and strategies. The importance of civil society participation in formulating strategies and managing natural resources is also stressed throughout the Bank's water and energy policies. Moreover, the ADB Operations Manual explicitly states that participatory development processes will be adopted to allow stakeholders to influence decision-making throughout project development cycles.

However, despite these commitments, communities and civil society members have been excluded from participation in ADB-supported developments. For SASEC in particular, discussion and meetings have largely been restricted to government and ADB officials. Most of the consultations have been with government officials, private investors, and a few NGO representatives.

The Bangladesh cases show that the SASEC projects employ a non-governmental organization (NGO) to assist the RU in the implementation of the Resettlement Plan (RP). The implementation NGO (INGO) will assist the RU in disbursing compensation and resettlement benefits to the project-affected persons, conducting the livelihood restoration program, and activities related to the implementation of the gender action plan of the project. The INGO will conduct regular group meetings with affected families to explain the process and assist them in the relocation and rehabilitation processes. However, the project documents contain no information regarding the selected implementing INGO to support the day-to-day implementation of resettlement activities.

Since the Government of Bangladesh involves an NGO as a standard practice, CSOs often do not closely monitor the Resettlement Plan (RP) of the projects. However, only big NGOs with established working relationship with ADB are usually selected for the LAR implementation. By involving INGOs, ADB and government both can hide behind the INGO to implement a faulty resettlement plan and justify a faulty involuntary resettlement safeguards compliance. Worse, the implementing NGO often fail to recognize that any forced displacement constitutes violation of Article

11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR). To remedy this problem, trusted local NGOs with track records of engagement with local communities should also be involved, especially since local communities prefer NGO involvement in the LAR activities, instead of the private sector or elected local representatives.

The Future of SASEC: the next 10 years of SASEC

SASEC road connectivity projects in Bangladesh, Bhutan, India, and Nepal are underway. In addition to transmission interconnection, India and Bangladesh are also working to enhance rail and road connectivity. These projects are likewise supported by ADB under the SASEC Program.

Similarly, the ADB has recently shown interest in supporting a cross-border power grid running between Bhutan to Bangladesh. As stated earlier, Bangladesh has already started importing electricity from India through cross-border transmission. The ADB is already working closely with South Asian Association for Regional Cooperation on a South Asia Electricity Grid allowing regional transfer of power and optimal usage of regional energy resources.

The SASEC Operation Plan identifies over 200 potential transport, trade facilitation, and energy projects, which will require more than $120 billion in investments over the next five years. Out of 200 projects, India will implement 74 projects (37%) with an estimated project cost of over $60 billion. A majority of these projects are located in the Northeast or Eastern part of India. These are areas that share borders with Bangladesh, Nepal, Bhutan, and Myanmar.

Partnership opportunities for the private sectors in the upcoming SASEC projects in the next 10 years

Country	Funding of Potential SASEC Transport Projects	Estimated Cost ($ million)
Bangladesh	No Funding Identified or PPP will be used	8045
Nepal	No Funding Identified or PPP will be used	1670
Bhutan	No Funding Identified	160
Maldives	No Funding Identified	910
Sri Lanka	No Funding Identified	2590
India	No Funding Identified or PPP or private finance will be used	4450
SASEC	Grand total cost for SASEC Transport sector projects in the next 10 years (US$ 63.02 billion)	63020
	Total opportunities for Private sector in SASEC Transport projects (US$ 17.825 billion)	17825
	% for Private sector investment opportunities in SASEC Transport projects in the next 10 years	28.3%

In the next 10 years, SASEC will secure greater involvement of the private sector. SASEC will identify areas where synergies and complementarities from national economic corridors between SASEC member countries could be further developed. Transport infrastructure will remain the centerpiece of the SASEC program, in line with connectivity initiatives in SAARC and BIMSTEC.

For the transport sector, the operational priorities will primarily focus on enhancing multimodal linkages for land-based transport through enhanced road conditions and additional capacity along the major trade routes and better rail connectivity. For maritime transport, operational priorities include the construction of deep sea ports and reduction of container dwell times at SASEC ports. These initiatives align with the trade facilitation objective in the SASEC operational plan to make cross-border trade and transport in the subregion faster, cheaper, and more predictable, while maintaining the security of the supply chain and ensuring the effectiveness and efficiency of the institutions involved.

To meet the anticipated increase in electricity demand and diversify the energy mix for each of the countries, the SASEC energy sector will focus on the development of a regional power market and intra-SASEC electricity trade.

Seven national corridors have been initially identified as having potential synergies with other in-country corridors in SASEC, based on spatial proximity and complementarities between them. Among them, Bangladesh, India, and Nepal will each have 2 corridors whereas Sri Lanka will have one.

Key Learnings of the Study

- ADB drives the SASEC, not the countries. Institutional weaknesses of the ADB are affecting the sustainability of project outcomes. The SASEC projects are designed in such a way that it provides opportunity for ADB interventions in the name of project synchronization on both sides of the shared border. ADB is more interested in accelerating the SASEC than the member countries because SASEC is highly relevant with ADB's regional strategies and core operational priorities. In South Asia, both the country operations business plan (COBP) and the country partnership strategy (CPS) are strongly aligned with the RCI strategy and the SASEC Operational Plan. Although ADB states that CPS and COBP are based on the governments' vision, strategies and plans, in reality, ADB has been playing a key role in aligning the SASEC program with CSP and CBOP to foster private investment. The inclusion of vulnerable groups remains a neglected issue at the early stages of the Country Partnership Strategy (CPS) process. ADB uses its Technical Assistance (TA) in identifying, studying, promoting, and financing SASEC projects. Most of the TAs are contracted to the ADB favored consultants to keep up the ADB model of economic-integration in the SASEC. Although devolving some aspects of ADB's secretariat function could enhance country ownership of subregional cooperation programs (IED, 2015a), the ADB management is unwilling to do it.

- Since 2012, the performance of ADB projects is decreasing in major South Asian countries (Bangladesh, India, and Pakistan). One-fourth of the SASEC projects are not properly aligned with country needs. More than one-third of the SASEC projects failed. More than two-fifth SASEC projects are ineffective or failed to achieve the intended development outcomes. Nearly half of the SASEC projects are inefficient. More than half of the SASEC projects can be rated as unsustainable. In the context of success, effectiveness, efficiency, and sustainability, the SASEC performance is much lower than the ADB's average performance. What all these outcomes indicate is that the development effectiveness of the SASEC is much lower than ADB's development effectiveness.

- The success, efficiency, effectiveness, sustainability, and development impacts of the country programs are closely linked with ADB performance. Since ADB performance is "less than satisfactory", then this applies with equal force to country programs. Indeed, country programs have been assessed to be "less than successful", "less than efficient", and "less than likely sustainable" as well as less than satisfactory in development impact". Thus, for the efficiency of these projects to increase, there should be heightened focus on the development impacts as well as sustainability of the country programs.

- SASEC also lacks a Human Rights-Based Approach (HRBA) for inclusive development partnership. Government involvement in choosing the implementing NGO for the resettlement process has ensured that human rights violations committed in the context of SASEC projects remains hidden. The resettlement plans of the SASEC projects often tries to gloss over the real impact on the ground. SASEC projects failed to fully identify all persons to be affected by the project. The SASEC projects do not respect human rights of the project-affected people. In particular, the rights of the displaced persons are not properly addressed. Affected individuals lack platform to participate in the design of SASEC projects. In most cases, communities and civil society members have been excluded from meaningful participation. The only exception is the case of Bangladesh, but is nonetheless plagued with problems of government intervention in the process of choosing the implementing NGO. The ADB has not done any assessment to identify the cumulative impacts of planned projects in the SASEC, including impacts on communities and plant and animal biodiversity and natural resources.

- Project prioritization also leaves much to be desired. Although ADB transport sector has been performing consistently below the average success rate for infrastructure since 2012, transport infrastructure ironically remains the core of the SASEC program.

- For the power sector, the SASEC approach on cross-border electricity trade fails to achieve an equitable outcome. It does not focus on people's access to clean, reliable, and affordable power. Indeed, the SASEC approach has so far benefited only the private sector.

- In terms of trade facilitation, the SASEC fails to account for the impact of trade policies of big countries like India over the internal economy of small countries like Nepal. In this regard, SASEC falls short of being considered as an example of South-South Cooperation (SSC). Rather, SASEC should be considered a regional cooperation arrangement (RCA). Hence, the success of SASEC as RCA depends largely on India.

- ADB does not promote a culture of documentation. The concomitant outcome is that ADB keeps on repeating past mistakes. As evidence of this issue, failed projects are rarely discussed by the Bank. ADB receive subsidies from its shareholders in the form of subsidized capital and tax exemptions. The employees of ADB are largely exempt from income tax on their salaries and ADB is also exempt from indirect taxes on the goods and services that they procure. Hence, if the Bank allows this to continue, it would be tantamount to misappropriation of public funds.

- The non-sovereign operations (NSOs) guided by profitability remains a key focus of the ADB in the future, even though the project performance of non-NSOs is 8% lower than the sovereign projects. Private equity funds (46% success rate) consistently remains well below the average for non-sovereign operations (69% success rate). Since 2008, none of the private equity funds were successful in South Asia. The South Asia Regional Apex Fund, which aims to provide venture capital financing for SMEs and innovative projects at the start-up stage, are rated less than successful (IED, 2012). Since 2013, non-infrastructure sectors have been outperforming the infrastructure sectors. Nevertheless, the Infrastructure sector dominate the ADB private sector finance.

Conclusions and Recommendations

The SASEC program is a classic example of how ADB's financing has been largely promoting economic growth through mega infrastructure projects, such as cross-border roads, railways, ports, and energy infrastructure. It also unveils the lack of civil society and public participation in SASEC projects. Moreover, the SASEC unmasks how ADB multilateral programs have been promoting trade liberalization, deregulation, and privatization of social and economic services in the South Asia. In the future, SASEC will proactively support public–private partnerships (PPPs) through ADB’s transaction advisory services.

CSOs in the SASEC region should develop a common platform to ensure that governments, ADB, and the private sector involved in the SASEC program should comply with human rights due diligence. Collectively, CSOs can explore the potential of using the UN Global Compact 2000, a voluntary initiative and a non-regulatory instrument. The UN Global Compact 2000 is considered as the benchmark for responsible business at global level (Claude et. al., 2004). Among the ten principles of the UN Global Compact 2000, the first two principles both address human rights directly. Principle 1 requires businesses to support and respect the protection of internationally proclaimed human rights. Principle 2 mandates business to ensure that they are not complicit in human rights abuses. The other 8 principles relate to the Labor (Principles 3-6), Environment (Principles 7-9), and Corruption (Principle 10). CSOs should also explore the UN Guiding Principles on Business and Human Rights (UNGP), which aim to ensure that businesses implement the 2011 UN ‘Protect, Respect and Remedy’ Framework. The UNGP is the first authoritative guidance the UN had ever issued on how to meet the complex global challenges of business and human rights.

The ADB SASEC program shall use ADB influence and power as financier to drive both government and private sector to act responsibly on human rights. All the IED evaluations during the 2014-2016 had strongly recommended that serious cautiousness must be exercised in moving to the use of country safeguard systems for ADB supported projects because the country safeguard systems are not yet compatible with meeting human rights obligations to project affected persons during project planning and implementation. ADB shall persuade SASEC government to improve country safeguard system and meanwhile use ADB’s safeguards policy. SASEC shall ensure that its activities do not cause or contribute to human rights violations using international standards and guidelines on human rights. The SDGs reflect the shift from infrastructure-related project loans to financing for human development. SDG does not allow to finance only on economic considerations, rather SDG emphasize to consider human rights in financing for development. ADB needs to take up more projects for poverty reduction to uphold its own mission. ADB should improve the transparency and responsiveness of the Accountability Mechanism as a positive tool for development effectiveness.

SASEC shall empower the marginalized people using the principles of effective development cooperation in the ongoing and future operations. SASEC must provide communities, which are likely to be affected by a project, with effective platforms to initiate accountability and grievance mechanisms. The affected community must be relocated near their original habitat so that they can continue their local business/work/farming. The compensation should consider alternative options (e.g. land, livelihood etc.) besides cash money. There should not be no manipulation regarding the compensation of the affected persons, especially the women and vulnerable groups. Necessary consultation and disclosure should be arranged for disseminating all updated information to the local people. APs have demanded to arrange training facilities to enable displaced people to adapt to the alternative livelihood/occupations. The compensation for land and other assets should be at replacement costs and without any delays.

CSOs shall hold their respective SASEC governments and ADB member countries accountable in incorporating international human rights obligations into ADB operations with reference to the Maastricht Guidelines and Principles. According to the Maastricht Guidelines on Violations of Economic, Social and Cultural Rights (Human Rights Quarterly 20), "the obligations of States to protect economic, social and cultural rights extend also to their participation in international organizations, where they act collectively. It is particularly important for States to use their influence to ensure that violations do not result from the programmes and policies of the organizations of which they are members. It is crucial for the elimination of violations of economic, social and cultural rights for international organizations, including international financial institutions, to correct their policies and practices so that they do not result in deprivation of economic, social and cultural rights". The 2011 Maastricht Principles on Extraterritorial Obligations of States in the area of Economic, Social and Cultural Rights make it clear that "as a member of an international organization, the State remains responsible for its own conduct in relation to its human rights obligations within its territory and extraterritorially. A State that transfers competences to, or participates in, an international organization must take all reasonable steps to ensure that the relevant organization acts consistently with the international human rights obligations of that State". In line with these principles, ADB member countries are obliged to ensure that their participation in the activities of and their dealings with the ADB do not involve violations of their human rights treaty obligations. Ultimately, countries remain responsible as the owner for deciding the nature, operation modalities, and even immunity of the ADB.

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ADB and Central Asia

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Introduction

Central Asia is one of the most dynamically developing regions today. Its natural resources attract many governments, corporations, and investors. Central Asia’s strategic geopolitical position makes it a potential hub between East and West as well as North and South.

Globalisation is increasingly pushing Central Asian countries to prioritise economic cooperation and strengthen trade and industry ties. In response, in 2001, the Central Asia Regional Economic Cooperation (CAREC) Program was established to promote regional integration and cooperation among 11 countries (Afghanistan, Azerbaijan, People's Republic of China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan). CAREC is supported by 6 multilateral institutions, including the Bank.

CAREC’s priority areas are in transport, trade facilitation, energy, and trade policy. To date, CAREC investments have amounted to around $31.5 billion for 185 projects.

In 2017, the Bank launched CAREC 2030 which provides the long-term strategic framework for CAREC leading to 2030. CAREC 2030 purports to align its activities with national strategies and development plans, and with the new international development framework embodied in Agenda 2030 and the 21st Conference of the Parties to the UN Framework Convention on Climate Change (COP 21) global climate agreement. CAREC 2030 focuses on five operational clusters: 1) economic and financial stability, 2) trade, tourism, and economic corridors, 3) infrastructure and economic connectivity, 4) agriculture and water, and 5) human development.

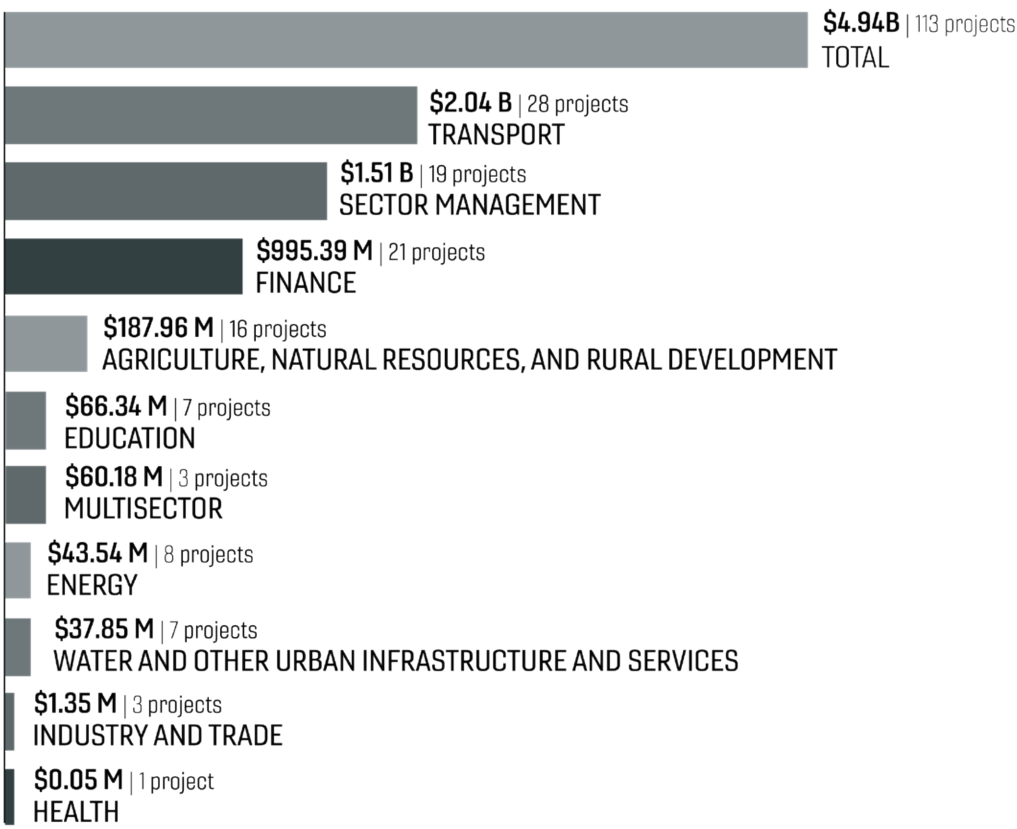
This section will probe into the ADB-assisted projects in two countries in the region, namely, Kazakhstan and Uzbekistan, and will be reviewed according to the four development cooperation principles of ownership of development priorities, focus on results, inclusive development partnerships, and transparency and accountability.

Kazakhstan

The Bank started its operation in Kazakhstan in 1994 and has since approved over $5 billion sovereign and non-sovereign loans and guarantees for the country. The Bank also assists Kazakhstan's participation in the CAREC program. Below is the graphic presentation on the Bank's assistance and projects in Kazakhstan as of December 2017.

In recent years, Kazakhstan has adopted a number of national initiatives to achieve the SDGs, such as Strategy Kazakhstan 2050, the State Program for Infrastructural Development 2015-2019, and the Strategic Development Plan 2025. The Bank assists Kazakhstan in achieving its medium-term development targets and fulfilling its SDG commitments by financing projects and providing technical assistance in the areas of regional transport infrastructures, primary health care services, energy, irrigation, and utilities. Among its diverse portfolios, transport figures as the largest sector to have received the Bank's assistance in Kazakhstan.

ADB Projects Kazakhstan
Cumulative as of 31 December 2017



Source: Asian Development Bank: ADB and Kazakhstan: Fact Sheet

A fall in crude oil prices in 2015 pushed Kazakhstan to launch new state programs, including Nurly Zhol (Bright Path), which formed part of China's "One Belt, One Road" (OBOR) initiative that was set to become the world's largest global trade network. The Nurly Zhol program aimed to establish a "hub-and-spoke" connectivity between Astana and regional centers via a road network of 6,700 kilometers by 2020. Within the framework of bilateral road transport agreements with main trading partners, transportation of goods will be allowed under the TIR Carnets without stops at national borders.

Kazakhstan is important for China's energy security as it absorbs 15 percent of Kazakhstan's exports, including oil and oil-based products, coal and gas. Furthermore, the geographical location and security of transport routes passing through Kazakhstan benefits China which is currently aiming at reviving the Silk Road trade route.

Long before signing an agreement to link Nurly Zhol to OBOR, Kazakhstan and China launched mega-construction projects. In 2013, the two countries laid down nearly 1,500 kilometers of railway lines that connected western China with the Caspian Sea and Europe, as well 3,000 kilometers of highways. In June, Beijing and Astana signed another agreement to strengthen cooperation in the realms of energy, construction machinery, the automotive industry, as well as food and textiles. The Bank aligns its country operations business plan in Kazakhstan with the Nurly Zhol state program with a view to facilitate access to transport services and improve transport infrastructure and traffic flows. In 2016, The Bank approved a $240.3 million for Kazakhstan's transport. The project will help improve the trade links between Kazakhstan and the markets in East Asia, the Caspian Sea region, and further to Europe.

Road projects within the framework of "Nurly Zhol"

In 2016 work on **construction and reconstruction** was carried out on **46 sites** with stretching of **1111 km**

In 2016 - **294 km** of road were introduced in operation by the State Commission, open traffic for **597 km**

In 2015 - **399 km** of road were introduced in operation by the State Commission, open traffic for **646 km**

Works on overhauling and average repairing were carried out on 85 sited with stretching of **1,086 km**

The road covered **21,900 km**

The project will reconstruct and upgrade about 299 km of the Aktobe–Makat road in the western part of the country, and introduce a modern transport information system to increase road traffic safety and logistics effectiveness. It will also establish transportation links connecting Astana and Aktobe with the major oil and mineral–rich city of Atyrau, and the country's only international commercial seaport in Aktau.

The road is part of the Trans-Caspian Sea Transit Corridor Baku–Astrakhan–Atyrau–Aktobe–Aktau–Turkmen border, which connects Kazakhstan with Azerbaijan and Europe in the West, with the Russian Federation in the North, and with Turkmenistan in the South. It also links to the CAREC Corridor 1b at Aktobe and Corridor 6a at Makat, providing further access to China and Southeast Asia.

The private sector agenda behind megaproject hype

There is a disjoint in the projects funded by ADB and the urgent development needs of Kazakhstan's most vulnerable. The inordinate focus on infrastructure projects has diverted resources from environmental and social programs that could have had the greatest impact on the quality of life of its citizens.

Currently, Kazakhstan is quickly drifting towards public-private partnerships to finance the public delivery of services. In October 2015, Kazakhstan signed a new public-private partnership law to offer fiscal incentives and provide the legal framework to encourage private investments in public assets, of which transport was a declared priority. The Bank for its part, as stated in its Country Partnership Strategy 2017-2021 will promote a business-enabling environment and support PPPs and help with the development of banks' risk-bearing and pricing capacity, and assist Kazakhstan's capital markets.

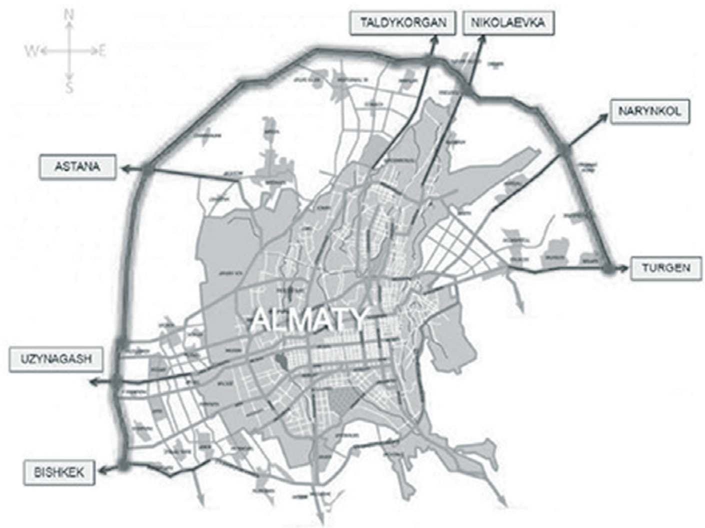
An example of a mega-infrastructure in the pipeline is the Almaty Ring Road (BAKAD) PPP Project. Investor-operators that have sent their bidding for the project include consortiums from Turkey, South Korea, Italy, France, Spain, and Netherlands. International financial institutions including the Bank have expressed interest in supporting the project.

Some analysts have pointed out that the 20-year BAKAD PPP Project will actually cost the government more because of the excessive guarantees given to the private sector. Toll revenues will be collected by the concessionary and transferred to the government straight away but the government will pay a front-loaded availability payment to cover the capital expenditures, plus interest within the first 10 years of operation. At the same time, operation expenses, replacement capital expenditure, taxes, cost of capital and other costs will be covered throughout the whole operation period.

The government will also mitigate currency fluctuation risks and compensate for any devaluation-depreciation of the Kazakhstan Tenge (local currency) against the US dollar above 5 per cent.

PPPs distort policy priorities in the sense that the commercial interest of fund managers and rich investors determines which project gets financed. PPP projects have to be commercially viable or private companies will not invest in them. The requirement for sure profitable returns results in investors favoring megaprojects while facilities that will benefit the poor the most are left to deteriorate.

Implementing PPPs poses capacity constraints on Kazakhstan where systems are not well prepared, and so most urgent services will be unmet for some period. Although the Bank has pledged to enhance Kazakhstan's capacity in setting up PPP projects, this will not result in immediate



improvement. Monitoring will also be a challenge since it often does not cover the project lifetime.

Kazakhstan continues to experience high levels of pollution. In 2016, emissions reached 2.3 million tons of harmful substance. The state has established permanent environmental monitoring but problems such as high level of carbon monoxide caused by traffic congestion, improper disposal of industrial wastes, and poor ventilation of settlements persist. Air pollution has a detrimental effect on people's health, and significantly increases risks in transport, energy, and water projects.

And yet, Kazakhstan and the Bank's push for mega-corridors would mean locking in the country in the prevailing unsustainable and extractivist development path and increasing peoples' vulnerabilities to the impacts of climate change. Mega-corridors pose climate hazards since they heavily depend on fossil fuels, mining, and large-scale agribusiness. In this sense, the Bank's funding for Nurly Zhol does not align with its pledge to mitigate the consequences of climate change and support Kazakhstan's transition to a more sustainable development model of growth.

Mega-corridors encourage the fierce scramble for resources and strengthen corporate stranglehold over food production systems. They fuel the global oil and gas markets, and, as a result, further deepen Kazakhstan's continued dependence on fossil fuels. Kazakhstan's plans to further expand its mega-road projects and the Bank's continued funding for them stand in contradiction with their avowed commitment to achieve a Paris Agreement compatible emission pathway.

At the ground level, the public has not been explicitly consulted regarding megaprojects and have been implemented using a top-down approach. Moreover, there is lack of clarity on how displaced communities will be compensated for loss of property and livelihood.

The procedures for compensation by Kazakhstan and the Bank, however, are significantly different from each other. In particular, Kazakhstan's Land Acquisition Practice does not explicitly include restoration of livelihood and standards of living, whereas the Bank's position is to restore "livelihood and standards of living for affected persons, regardless of tenure or legal status."

This is problematic in the light of the Bank's push to use country safeguards systems as substitute to the Bank's safeguard policy, especially in contexts where countries' capacity or governance is limited. The relatively higher safeguard policies which have been the product of civil society efforts to demand for the Bank to increase its transparency and accountability risk being diluted by "partially equivalent" country requirements, to the detriment of marginalized communities, the environment, and democratic governance.

Uzbekistan

Uzbekistan is a doubly landlocked country where 51% of the population lives in urban settlements. The agriculture-rich Fergana Valley, in which Uzbekistan's eastern borders are situated, has been counted among the most densely populated parts of Central Asia.

Since joining the Bank in 1995, Uzbekistan has received 69 loans totaling $6.8 billion, including two private sector loans totaling $225 million, and $81.93 million in technical assistance grants.

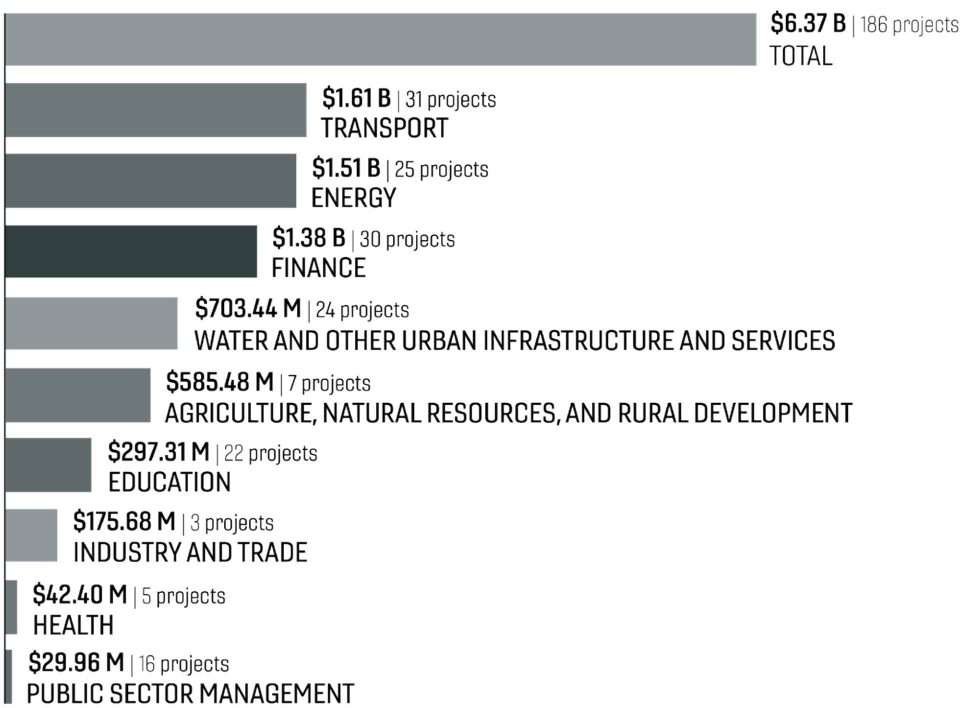
The following is the graphic presentation on the Bank's assistance and projects in Uzbekistan as of December 2017.

Uzbekistan is the world's fifth-largest cotton exporter and seventh-largest producer. Its growth has been driven primarily by export and cotton provides an estimated $1 billion annual share of foreign exchange earnings.

Irrigated agriculture accounts for 90% of the country's agricultural production which employs about 27% of country's total labor force, and is the primary source of livelihood in rural communities. More than 48% of the country's people live in rural areas and rely on irrigated agriculture for their livelihood. Improving irrigation and drainage is important to increase agriculture productivity.

However, funds for operation and maintenance and rehabilitation and the technical adequacy of the government to operate the systems at acceptable standards have become increasingly deficient. The poor state of agricultural support services, which continued to constrain the growth of smallholder farms, also needed attention.

ADB Projects Uzbekistan
Cumulative as of 31 December 2017



Source: Asian Development Bank: ADB and Uzbekistan: Fact Sheet

Funding child labour and slavery: The case of Amu-Bukhara Irrigation System Rehabilitation Project

The Amu-Bukhara Irrigation System (ABIS) was commissioned in 1965, and over the years, its main pump stations have exceeded their design life spans. The system's canals have deteriorated. Several major failures of ABIS pumping equipment have made the supply of irrigation water undependable. Expenditures on operations and maintenance have been high.

In 2013, ADB approved the $220 million loan for the ABIS Rehabilitation Project. Co-financed by Japan International Cooperation Agency, the project aimed to secure reliable irrigation for 6,500 farms and provide drinking water access to 725,000 consumers.

The Bank's $220 million loan for the modernization of ABIS have come under severe criticism from human rights organizations for abetting and funding the government's practice of forced labor during annual harvests of cotton.

According to the 2013 Tripartite Committee of the Application Standards of the International Labour Organization (ILO), the government in 2012 systematically compelled around one million of its own citizens, including children, through threats of punishment to harvest cotton under abusive conditions. Authorities oversaw the transportation of children and adults to the cotton fields. Those living in far-flung areas were assigned temporary housing. The workers picked cotton for weeks at a time and violated their freedom of movement.

The workers lived in unsafe conditions, worked from early morning until evening with little or no pay. Children and youth were not able to go to school. They were required to harvest a minimum of 60 kilograms a day.

Farmers are routinely punished for not meeting the state-assigned production targets. Penalties for farmers include confiscation of land, crops, and livestock. Students, teachers, nurses, doctors, employees of other public-sector institutions, and businesses required to work in the cotton fields face expulsion from school and job loss.

The Bank has committed to not support activities involving harmful or exploitative forms of forced labor or child labor and to help in eliminating all forms of forced or compulsory labor. But ADB has limited its consideration of labor risks related to this project to employees in the water sector.

The climate of repression and impunity in Uzbekistan presents a deterrent to any meaningful civic consultation and participation with communities affected by ADB projects. Authorities regularly threaten, imprison, and torture rights defenders and civil society activists, and prevent international rights groups and media outlets from doing their work in the country. Many human rights defenders, independent journalists, and opposition activists are imprisoned for criticizing the government.

The Abu Bukhara Irrigation System was linked to forced disappearances of and illegal detention of critics, including journalists. In September 2012, authorities arrested and tortured rights activist Uktam Pardaev for reporting on police abuses, torture, and forced labor.

The Bank has repeatedly mentioned the importance of community participation, transparency and accountability in development projects, but has failed to translate these policy pronouncements into practice in Uzbekistan, particularly in the case of the modernization project of the Abu Bukhara Irrigation System. For instance, income from cotton sales disappeared into the extra-budgetary mechanism called Fund for Payments for Agricultural Production Purchased for Public Use or Selkhozfond about which only the highest authorities have access and over which there is no public oversight.

Conclusion and Recommendations

Multilateral financial institutions such as the Bank will continue to play an important role in Central Asia, given the vast financing requirements of the countries in the region for their most urgent development needs. However, financing is only one of the many crucial responsibilities of the Bank; it also needs to ensure that its initiatives and practice are in line with the highest standards and instruments to promote rights, sustainable development, and effective development cooperation. In concrete,

- The Bank must shift its priority from mega-infrastructures to programs that promote all-round social and environmental development outcomes, such as social protection, climate mitigation and adaptation, workers' rights, and gender equality
- The Bank must reassess its push towards private-sector development agenda, as embodied in PPPs. Development actors such as multilateral financial institutions should agree on outcomes that are explicitly linked to sustainable development, poverty eradication and inequalities, and ensure that the private sector significantly contribute to such outcomes without being bogged down by considerations of profitability and risk
- Projects should be aligned with nationally determined and democratically driven development strategies, and must be designed and implemented with a view of ensuring the public's right to access services, and avoiding negative impacts on the environment
- The Bank must ensure that its projects observe internationally agreed standards and frameworks on human rights, labour, climate, gender, sustainable development, and others. It must take into account how its funding or technical assistance could possibly contribute in the abuses or diminution of rights in other sectors or industries that benefit directly or indirectly them
- The Bank must guarantee that its partnerships and operations in countries engage a broad range of actors, including affected communities and their CSOs and ensure that the Bank and its government partners provide the enabling environment for such democratic participation

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Asian Development Bank's Development Effectiveness in the Pacific: the Case of Papua New Guinea and Samoa

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Summary

Papua New Guinea (PNG) is experiencing complex developmental challenges. Despite substantial wealth, the gains in its human development index remains minimal. Governance has deteriorated significantly. This is an area which development actors, such as the Asian Development Bank (ADB), could play an essential role in addressing. The case studies in public sector management and health services in rural areas reveal that performance was limited, largely due to issues of capacity in the government. In order to improve effectiveness of ADB and government programs, it is recommended that a more multi-stakeholder consultative approach be designed and projects implemented through collaborative strategies. In addition, emphasis should be placed on strengthening accountability among internal and external stakeholders in PNG.

The case study from Samoa briefly examines the aid effectiveness principles to the Public Sector Financial Management Program (PSFMP). The programme had a successful performance rating with strong ownership by government at a high level, and positive economic growth outcome, along with very strong performance in accountability, and political stability. There were however, some slight decline in the final year of the programme in control of corruption, regulatory quality, and government effectiveness. This may signal that positive public sector reform outcomes are dependent on foreign aid assistance.

1 *Officers of the Institute of National Affairs. This does not represent the views of the INA, but those of the authors alone.*

Case Study: Papua New Guinea

PNG is one of the most diverse countries in the world. Its abundant natural resources, however, have not yet translated to economic prosperity for most citizens. PNG is still categorized as a 'Low Human Development' country. In 2015, the United Nations Development Programme (UNDP) rated PNG's Human Development Index at 0.516. While this rating is an improvement from 0.494 in 2010,[2] the country failed to meet its 2015 Millennium Development Goals, and progress has remained "off-track".

According to the World Bank, PNG received a total of USD 589 million in official development assistance (ODA) in 2015. This figure comprised 3.51% of PNG's Gross National Income, which is the average for Low Human Development countries. Net ODA received (% of national government expense) was 13.3%.[3] Australia contributed 70% of PNG's total ODA.

In 2007, PNG has been included in ADB's list of countries identified as fragile and conflict-affected situation (FCAS) but has been delisted as of 2013.[4] However, attention is still required to ensure development effectiveness of ADB's approaches to supporting PNG's efforts in addressing concerns regarding conflict and fragility. The PNG Government itself also recognizes these challenges, signing up as a founding member of the G7+ group of fragile countries. It encourages good governance through public sector reforms, financial management reforms, and public-private partnership.

Official aid received, a little over 13% of total government expense, is often channeled to key policy areas and essential services, and therefore can have an effect on government operations. This brings to the fore several questions: (1) how can aid be better utilized to improve government effectiveness; (2) how can waste of public funds be avoided; (3) what comparative advantage can aid donors bring to a country like PNG; and (4) how can the aid investments be sustained?

In this case study, we examine compliance with principles for effective development cooperation focusing on two donor-funded programme areas—Public Sector Management and the Health Sector. We analyse evaluation documents published by the ADB and other relevant publications. In particular, we focused on the Public Sector Management (PSM) project and the Financial Management Project (FMP), as well as the Rural Health Services Delivery Project (HSDP).

Our assessment is based on evaluation reports made public by the ADB, using the following indicators: (1) Country Ownership of Development Priorities; (2) Focus on Results; (3) Inclusive Partnerships; (4) Transparency and Accountability; and (5) Support for Fragile and Conflicted-Affected States.

Public Sector Management and Financial Management Project

ADB's support for PSM in PNG aims to reduce poverty through improved service delivery. Specifically, ADB aims to strengthen PFM and development planning in key government agencies with a view to continue broader public sector reforms and improving service delivery. Building on the work of the Financial Management Improvement Program (FMIP), ADB also plans, through a separate project programmed for 2002, to strengthen provincial and local level government management capacities.

ADB loans and Technical Assistance (TA) projects aim to strengthen governance and public administration (through the Public Service Loan) and enhance public sector financial management (through the Financial Management Project or FMP). The FMP's goal is to develop and implement a new budget and government accounting information technology systems. By contrast, the Public Service Program Loan (PSPL) supports the reform agenda of government in four areas: (1) building a performance-orientated public service; (2) re-orientating personnel management systems and processes; (3) strengthening probity and oversight agencies; and (4) improving delivery of major services.[5]

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2 *UNDP Human Development Report 2016*
3 *https://tradingeconomics.com/papua-new-guinea*
4 *ADB 'Fragile situations assessment', Country Partnership Strategy: Papua New Guinea, 2016–2020.*
5 *ADB, 'Public Sector management assessment', CAPE Papua New Guinea, Linked Document 8.*

In October 1999, the ADB approved a loan of USD 25.8 million for FMP. In 2001, the ADB also approved the Public Service Program loan of USD 70 million. The PNG Government was to absorb a total of USD 95 million over a period of four to eight years.

Rural Health Services Delivery Project (HSDP)

The HSDP, funded by the ADB and implemented by the PNG National Department of Health (NDOH), aims to strengthen rural health system by increasing the coverage of quality primary health care. The project was designed to address devolution issues and in particular, to support the testing of innovations, including new approaches to health care financing and health systems management.

The project also engages in innovative partnerships with private sector organizations and foundations, as well as with the church. This resulted in the development of Public-Private Partnerships (PPPs) to support the delivery of HIV/AIDS and family planning services. The HSDP loan was approved in 1997 and followed by another loan in 2011. The ADB health sector program was dominated by three loan projects with a combined value of USD 100 million, one of which is the HSDP.

Democratic Country Ownership

The PNG Government has long emphasized the value of public sector reform and has been a key strategy focus by the Government of PNG. Its Vision 2050, launched in 2009, includes a 'simple' statement to "continue public sector reforms" (Number 1.17.7.2.1).

This commitment to public sector reform is reiterated in the Papua New Guinea Strategic Development Plan (2010-2030), PNG's national planning document. This document supplies more details compared to Vision 2050 and aspires to integrate public sector management in all levels and institutions of government; strengthen public financial management; and improve accountability and transparency. Measures to strengthen public sector reform include improving the accounting systems of government, boosting auditing and enforcement capabilities, and institutionalizing integrated financial management between central, provincial and local levels of government. However, it came with disclaimers regarding the high cost of public service; small size of public service by international standards; and 'right-sizing,' and not down-sizing, of the public service as the right approach. Furthermore, the plan requires measures to improve political stability and democratic processes as part of public sector management.[6]

The PNG Medium-Term Development Plan 2, 2016-2017 (MTDP 2) continues to include public sector reforms as a key strategy. The MTDP2 further emphasizes the 'Rightsizing Initiative and the Service Improvement Program' to restructure the public sector and to improve administrative processes. MTDP 2 also announced an Efficiency Review with the aim of controlling public sector expenditure and improve savings.[7]

ADB's support was considered relevant in its strategic positioning as it aimed to improve financial management, transparency and accountability, and addressed service delivery by improving integrated financial management at all levels. These were seen as being aligned with the GOPNG national planning strategies.

Based on the evaluation of the ADB *Public Sector Management Assessment – CAPE Papua New Guinea*[8] for public sector management between 2003 and 2015, ADB support for public sector reform in PNG was found to be "less than successful". The designs of the individual programs were rated as "less relevant". The evaluation further states that ADB did not adequately incorporate measures to address the risks arising from political changes and weak governance, the borrower's weak human resource capacity, low absorptive capacity, and efforts to address specific and critical concerns, as well as mindsets, at the local level were weak and "ownership of such reforms was therefore often weak or non-existent."

Public sector reform was and is a high priority of the PNG government. The government produced the Medium-Term Plan of Action for Public Sector Report in Papua New Guinea 2000-2003, which was one of the most comprehensive reform plans prepared in PNG, adopting strategies to advance organizational and institutional reforms concurrently. Following this, the 2003-2007

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6 *Department of National Planning and Monitoring (2010). Papua New Guinea Strategic Development Plan (2010-2030). P.122-123*
7 *Department of National Planning and Monitoring (2016). PNG Medium Term Development Plans 2 (2016-2017). P. 43*
8 *ADB, 'Public Sector Management Assessment' CAPE Papua New Guinea, Linked Document 8.*

public sector reform strategies set up the Central Agencies Coordinating Committee (CACC). CACC comprises the Chief Secretary and the central agency heads. CACC is tasked to provide leadership and direction of many areas including public sector reform.[9]

Analysis of the public-sector reforms reveals that there was poor implementation of the reform initiatives. According to Kavanamur and Okole (2004), five problems plagued the attempted reforms in PNG connote four types of explanation. First, the reform decisions that were adopted "lacked appreciation for or deliberately ignored the socio-political reality of PNG. The political landscape of PNG is changing all the time." Second, the success or failure of reform programs depended largely on the extent of commitment and perseverance of those charged with their implementation. Third, state capacity and reforms and the heavy politicization of the public service caused low morale over time, and endemic corruption affected performance. Fourth, there is lack of political will and resources – including qualified manpower – to assist them in the decision-making process. Fifth, the timing leaves much to be desired so much so that the authors cautioned that "...what the PNG public needs to be vigilant over are reforms that are done in haste without proper consultation. Homegrown initiatives should be the solutions that have full public acknowledgement and backing." Some of the reform programs were controversial and difficult to confront, such as privatization of state-owned enterprises, land reform, and the retrenchment of public servants.[10]

Every year, the Consultative Implementation Monitoring Council convenes the annual National Development Forums. Reports from 2002–2016 from these forums show that the ADB adopted several recommendations to the GOPNG, especially for the FMP and the PSPL. Despite this, accountability remains weak because of the minimal engagement with civil society stakeholders. These engagements would have strengthened accountability by having more institutions to monitor the projects.

Accounting for historical context, there were two major legislative changes that affected public service performance and service delivery—the Organic Law on Provincial and Local Level Government (OLPLLG) in 1995 and the Public Services (Management) Act in 1998. These two laws have propelled political instability and weaker accountability for decision-making in PNG. These laws transferred decision-making powers away from the Public Service Commission to department heads, especially the power to hire, fire, discipline, and promote staff. As a result, appointments of departmental heads and provincial administrators became political. The capacity of the Department of Personnel Management and the Office of the Chief Secretary to monitor and manage the performance of these appointees diminished. The OLPLLG not only introduced a decentralized system of government, but also instituted means of political control and interference at the sub-national levels of government. Discipline, accountability, and control of finance and staff performance weakened overall. In this broad policy environment, the objectives of the ADB Public Sector Management loans appeared too ambitious, and the loans for public service reforms and financial management ended in November 2002.[11]

As to the HSDP, the project is in line with the governments long-term Vision 2050; Development Strategic Plan, 2010–2030; Medium Term Development Plan, 2011–2015 and Millennium Development Goals 4, 5 and 6 related to health. It is similarly aligned with ADB's country partnership strategy for PNG, 2011–2015, which stated health as a priority area.

The question of ownership of the HSDP is well received by communities in the districts, their respective districts health managements, Provincial Health Authorities (PHA) and the NDOH. The establishment of Ward Development and CHP Committees were indications of people taking ownership of the project in their respective localities. Health promotion is important to the project. Village Health Volunteers (VHV) were recruited and trained in each CHW. Ownership by the VHV is instrumental in supporting access to health care by linking health consumers with providers and delivering localized health promotion messages in their respective CHP catchment populations. Community Health Workers are the front line for the national health system and are a high priority in the National

9 *Bill Kua. 'Public Sector Reform in Papua New Guinea'. State, Society and Governance in Melanesia, Public Policy in Papua New Guinea – Discussion Paper Series, 2006 Number 1.*

10 *David Kavanamur and Henry Okole. Understanding Reporm in Papua New Guinea: An Analytical Evaluation. Institute of National Affairs. 2004, p 62-66*

11 *Ibid p.6*

Health Plan. Village Health Volunteers are making a big difference for children in villages, for pregnant mothers, and those receiving TB treatment. Child Fund organisation is operating effectively and has an extensive volunteer base in selected provinces.[12]

However, formally establishing partnerships with international and local NGOs in the delivery of services such as family planning, and malaria programmes, are spread thinly throughout the provinces. There is high demand for the services, but as to whether the provincial health authorities can sustain funding support to these partners after the project expires, is questionable. In terms of inclusiveness in decision-making processes, the Provincial Health Authority has representatives on its board for the private sector and community representatives such as church and women.

Focus on Results

The Worldwide Governance Indicators (WGI) ranking[13] for PNG shows that between 2002 and 2016, there was a definite positive change in the economy, as well as improvement in some of the governance indicators. Between years 2002 and 2006, the real growth rate for Gross Domestic Product moved between 2.00% and 4.30%. However, with sustained efforts in public sector reform, the growth rate for real GDP rose sharply to 7.15% in 2007 and progressively increased to 10.67% in 2011. Over the following years, the economic growth rate lowered to 8.0 to 8.9 % from 2012 to 2015. This growth rate plunged to 3.12% in 2016.

During this ten year period, the governance indicator for Regulatory Quality – which captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development – improved by 3%, from 29 in 2002 to 30 in 2016. The Rule of Law indicator significantly increased by 32% from 19 in 2002 to 25 in 2016. Unfortunately, Government Effectiveness dramatically declined by 37% from 38 in 2002 to 24 in 2016. Control of Corruption indicator also declined sharply by 20% from 20 in 2002 and 16 in 2016. These development results may suggest that while the economy was growing very fast, governance effectiveness was deteriorating, affecting the quality of the civil service and implementation, resulting in poor service delivery (slow improvement in Human Development Index), and eventually affecting economic performance.

Civil society actors are concerned about the state of development and eager to see improvements across all the human development and WGI indicators. These improvements foster an environment conducive for social and economic development. It is paradoxical that in a resource-rich country, no matter how much money is available for public expenditure, the socio-economic indicators have only slightly improved, remaining in the low human development category of the Human Development Index 2016. The international agencies have expressed concern that too much money is spent on development with poor outcomes. Development expenditures should be more efficient.

The degree to which the implementation was designed determines the success of the support given by the ADB. The effectiveness, efficiency, and sustainability of the program and results depended on how well the design and implementation were tailored to meet specific and unique country context. The reports stated that ADB could have benefited more if project designs were tailored to situations on the ground. Macroeconomic management remains a major challenge and sustained growth continues to be an elusive goal for PNG in the face of financial mismanagement and political instability.

The PSM and FMP were not fully owned by the GOPNG to ensure successful implementation, although some elements of the integrated financial management system have continued to be implemented at a slower pace and funded by the current government.

TA projects to improve parliamentary capacity, subnational support, civil society strengthening, debt management, and legal and justice sector reforms were generally one-off initiatives. These one-off initiatives are problematic in that in countries classified as failed states, a targeted area of change is also affected by so many other dynamic and ever-changing complexities within the context of the “failed state” operational context.

The ADB evaluation pointed out that more effective projects were those that were supported over

12 *https://www.childfund.org.au/health-volunteers-bridge-gap-remote-png*
13 *Department of National Planning and Monitoring, (2010) p. 123*

an extended period of time, were less complex, and that incorporated in their design nuances of the cultural and political economy context. Achievement of objectives was facilitated by thematic or sectoral diagnostics, dissemination of information, and two or more TA projects that build on earlier efforts.

The government plans emphasized ‘right-sizing’. If the ADB had focused on assisting the government to ‘right-size’, it may have found ways to improve savings and identify capacity issues at each level of government.

As to the HSDP, progress reports showed marginal improvements in the areas of family planning, antenatal clinic and supervised delivery, gender issues/family and sexual violence, HIV/AIDS, and sanitation. The improvements also included community health facility upgrades, human resources development, and health promotion in the districts. For example, in the area of contraception cover, Couple Years of Protection (CYP) target is 125/1000 women of reproductive age. Using the 2016 data from the NHIS, 3 out of 16 project districts successfully met the target. The current national average CYP is 85/1000. By contrast, 4 out of 16 project districts are equal to or above the national average, leaving 12 out of 16 project districts below the national average. For these underperforming project districts, building and commissioning more CHPs operating at Level 2 will improve access to contraceptive choices especially to women in underserved populations.

The project also failed to attain gender equity in all Health Committees at the CHP level. Although all projects employ a women’s representative with some sites even achieving an equal number of men and women in their staff, the participation of women leaves much to be desired. Indeed, having a women’s representative and achieving gender parity is insufficient if the level of female participation in meetings and decision-making is minimal or absent.

At the provincial level, concerns were raised regarding the lack of funds for operation, essential medicines, and funds for supportive clinical supervision, patient follow-ups, home visits, and adherence support, especially for HIV/AIDS cases. Family and sexual violence also remains a significant public health issue. Contemporary cultural and religious barriers to open and factual discussions on sexual relationships remain challenging.

Human resources development by providing more training on management and leadership skills is needed for managers in the health system.

Inclusive Development Partnerships

The ADB aims to strengthen its focus on enhancing multi-stakeholder dialogue and cooperation to enhance broader ownership of the development agenda. ADB also partners with government and CSOs to ensure the quality, effectiveness, and sustainability of its operations.

For both project areas, the ADB partnered with development partners, such as the UNDP, DFAT, World Bank, European Union, as well as with the government of PNG. The FMP and PSPL had to be implemented at almost all levels of government, down to rural and remote districts offices. This should provide the impetus for collaboration and partnerships. The reports failed to state this.

Civil society also had limited engagement with the ADB. The Consultative Implementation and Monitoring Council (CIMC) has been the default highest body of the civil society in the last 17 years. CIMC reports reveal, however, that ADB failed to adequately engage with civil society. Engagement with civil society remains an effective accountability tool in ADB-support projects. For PNG in particular, civil society, on the one hand, can advocate for the GOPNG to adhere to its agreements. ADB, on the other hand, can influence development through the civil society voice.

In the case of the HSDP, the project is classified as Gender Category 1 by the ADB because;
(i) gender equity is a theme throughout project design, implementation, monitoring, performance;
(ii) output indicators and the project outcome directly address gender equity; and (iii) the design and monitoring framework explicitly measures gender indicators. The reports show progress on activities in eight pilot provinces and respective project districts, where 32 Community Health Posts (CHP) are established from the project.

There is evidence of a much wider partnerships with the communities at the ward level and district administration, the PHA, NDOH, NGOs, churches, education institutions and the private sector in the implementation of HSDP. Sustainable partnerships are fostered at the provincial level with the creation of the Provincial Health Partnership Committees composed of government and non-government health service providers in the province. Ward Development and CHP Committees are established at the community level as a communication conduit between health consumers and the health system in terms of governance and use. The committee also acts as a communication channel between building contractors and the community to minimize misunderstanding and to mitigate any security and safety challenges that may arise.

Other collaborations mentioned in the HSDP progress reports include activities with Marie Stopes International, World Vision, Child Fund, Safe Motherhood Alliance, and Water Aid. The project also funds one community health worker in each CHP to attend the Certificate in Health Promotion program at the Pacific Adventist University.

Health promotion is a critical aspect of the project. Over the years, village health volunteers were recruited and trained to promote messages of good health. In each CHP, building contractors, mostly male, have benefited from a men's health session at the commencement of building site mobilization.

The degree of partnerships fostered under the health project shows positive outcomes. This result should be sustained even after the project comes to an end.

Transparency and Accountability

The ADB regularly publishes investigative studies on important development issues affecting PNG. Transparency and accountability, however, was absent in at least two different instances:

1. In the case of PSPL, the Acting NFA General Manager was appointed arbitrarily without a fully transparent procedure the NFA was appointed.
2. In the case of FM Project, the government's insistence on immediately shifting to an integrated Financial Management Systems and abandonment of the two-phased approaches recommended by ADB resulted in ADB not financing the second phase.

Verbal reports also indicate loopholes in the Integrated Financial Management System (IFMS) that make it vulnerable to theft of public funds by the users. This may have delayed the implementation of the IFMS to all departments and provinces. The government has not been transparent about this issue.

Capacity building is an area where there is ongoing need for financial management, transparency, and accountability. These issues remain high on the list of requests made by civil society.

Donors, like the ADB, can assist by providing advice on policy coherence and stability in policy direction to stifle frequent changes in policy. Often, these changes are largely political and led by the executive. Hence, capacity building is needed to help technical bureaucrats analyze and advise government to limit policy changes. Stability in policy direction can help institute predictability and ownership of policies and plans by all stakeholders. By contrast, uncertainty in policy and leadership makes investors hesitate. It also overwhelms public servants, who are tasked to implement multiple policy changes every year.

There is little mention of mismanagement or related issues in the case studies. However, good governance and improved health management competency is identified as an area of need. The project continues to deliver health management training to managers as part of its commitment to human resource development in the health system.

The CAPE study identified confusions between the Department of Finance and NDOH to coordinate in the timely disbursement of funds as an obstacle contributing to project delays.

Support for Fragile and Conflict-Affected States (FCAS)

Despite the growing per capita income in PNG, development progress remains sluggish. The WGI indicators reveal a worsening trend. The commitment by the ADB to provide additional support to fragile states is welcomed by civil society. In the future operations, the ADB should aim for better analysis and understanding of the drivers of fragility and conflict in DMCs categorized as FCAS.

The Papua New Guinea Constitution, in its Preamble, includes National Goals and Directive Principles, which are reproduced in Box 1. These principles are a vision that the founding leaders drew up at the time of PNG's independence. When designing any public program for PNG, we should ask if the program objectives and approach are aligned with these high-level goals and principles.

The National Goals and Directive Principles of the PNG Constitution

- **Integral human development (IHD):** For the development of the whole person and for all citizens to be free from all forms of domination and oppression.
- **Equality and participation:** For all citizens to participate in and benefit from development and the political, economic, social and religious life of the country, to be fairly represented in government and official bodies, for women and men to enjoy mutual respect and equality I rights and duties, especially as marriage partners and as parents –equally responsible for raising and guiding children to true understanding of their basic rights and obligations and the NGDPs
- **National sovereignty and self-reliance:** political and economic independence, a self-reliant economy, interdependence and solidarity among all citizens -respecting the rights of others and cooperating with them, maximum use of local skills and resource and limiting dependence on aid funding.
- **Conservation of natural resources and environment** for long-term health and wealth of the nation and for those who live from the land and their next generations for the benefit of all citizens and future generations,
- **Papua New Guinea ways;** guiding social, political and economic organization and, participation, through consultation and consensus of all citizens, with continuous renewal of the responsiveness of these institutions to changing needs and attitudes, recognition and support for small scale enterprise and informal economy and cultural diversity and removal of repugnant customary practices including cruel and inhuman treatment and torture of any person.

Summarized from the preamble of the PNG Constitution

The government's attempts to implement the Constitutional Goals and Directive Principles have been insufficient. These goals should be addressed more fully. For instance, the fifth goal concerning Papua New Guinea ways, is as important as the other four goals, but receives the least attention.

That is, for government to ensure that those who are to be involved in implementing policies and programs are consulted, including recipients of the services and those who are affected. This would prepare for better 'responsiveness' in institutions, and among the people. Design of a new budget and accounting system for the government should have adopted a 'whole of government' approach. Hence, consultation should have been not just within the Department of Finance, but all departments, agencies, and provinces.

Lessons Learned

The evaluation found significant challenges to sustaining target outcomes and outputs in most of the loans and TA projects. To address these challenges, this study proposes the following recommendations:

- To design and implement an approach more appropriate for weakly performing countries, such as PNG, which was characterized to be in a fragile situation.
- Preparation of multi-stakeholder dialogue, analysis of policy environment and political context could help in determining ownership.
- Involving internal as well as external stakeholders in the design and implementation of the program may help accountability, ownership and effectiveness.
- To design more realistic expectations about what could be achieved within a particular timeframe. The public sector management project and the FMP were very ambitious for PNG, experiencing weak government effectiveness.
- To account for institutional capacity constraints at national and subnational levels so that projects responding to reforms and TA interventions are carefully sequenced in future.
- Future project design to build on areas of success, such as in the area of 'Regulatory Quality', and relating to strengthening the 'Rule of Law', while attempting to improve areas under 'Government Effectiveness'.

Case Study: Samoa

The ADB's support for Public Sector Financial Management Program (PSFMP) in Samoa aims to contribute to and assist Samoa achieve long-term fiscal stability and improve its resilience to exogenous shocks. ADB specifically aims to contribute to support key elements of the government's Public Financial Management Reform Plan (PFMRP) and more effective public spending and inclusive, private sector-led growth.[14]

In March 2013, the Samoan Government developed the medium-term fiscal framework. Its aim was to bring the governments' fiscal position to more sustainable levels over a 3-5 year period. It was linked to a Joint Policy Action Matrix (JPAM) supported by ADB, Australia's Department of Foreign Affairs and Trade (DFAT), the European Union (EU), the International Monetary Fund (IMF), New Zealand Aid Programme and the World Bank. The JPAM prioritized policy reform in five areas-strengthening planning, enhancing contribution to SOEs, improving public financial management systems, maintaining overall macroeconomic stability, and deepening consultation on the SDS 2012- 2016.[15]

In August 2013, the Government of the Independent state of Samoa requested financial assistance from the ADB to implement its PSFMP. A month later in September 2013, the ADB approved a US$14 million grant for the PSFMP. The grant was released in two tranches: $10 million in 2013 and $4 million in 2015.[16]

Country Ownership

The Government of the Independent State of Samoa has long emphasized the value of public sector reform and has been a key strategic focus by the Government of Samoa.

The Strategy for the Development of Samoa (SDS) 2012 – 2016 is the national planning document for the Government of Samoa. This document reiterates the continued commitment of the Samoan Government to public sector reform. The SDS continues to include public sector reform as a key strategy. The first priority area in the SDS is the Economic Sector. Within the Economic Sector two of the five key outcomes directly relate to public sector reform; key outcome 1 – Macroeconomic Stability and key outcome 5 – Enabling Environment for Business Development.

The key outcome 1 – Macroeconomic Stability has four strategic areas; (i) fiscal sustainability and economic resilience (ii) Accommodative Monetary Policy (iii) Develop and implement an appropriate institutional framework for the finance sector and (iv) Develop transition strategy for graduation out of LDC status. Under strategic area (i) fiscal sustainability and economic resilience there are three strategies (i) continue to strengthen public finance management, (ii) implement and monitor the Debt Management Strategy, (iii) implement and review the Aid Policy.[17]

The ADB support for the PSFMP was considered relevant as it aimed to support the public financial management reform plan and government's post-cyclone reconstruction plans. It was also aligned with the JPAM and the SDS 2012-2016.

The PSFMP is a high development priority for Samoa. Since the 1990s the Samoan Government has demonstrated a strong commitment to doing what is necessary to generate sustainable economic growth. It has made considerable progress in developing and implementing policy, legal and structural reforms designed to strengthen institutions; strengthen budget development processes; and tightened expenditure control. Important reforms included (i) passing two new acts in 2001 (on public financial management, and management and supervision of public bodies); (ii) steering budgeting, accounting, and reporting away from input-focused approaches to greater reliance on outputs; and (iii) starting to computerise the treasury and accounting, and initiating a financial management information system.[18]

14 *ADB. 2013. 'Proposed Policy-Based Grant Samoa: Public Sector Financial Management Program,' Concept Paper. Manila*
15 *ADB. 2017. 'Samoa: Public Sector Financial Management Program,' Validation Report. Manila*
16 *ADB. 2016. 'Samoa. Public Sector Financial Management Program,' Completion Report. Manila*
17 *Ministry of Finance. 2012. 'Strategy for the Development of Samoa 2012-2016.'Apia*

The Cabinet Development Committee (CDC) in the Samoan government reports to the Samoan Parliament on the progress of all development projects in Samoa. The PSFMP is part of Samoa's Public Financial Management Reform Plan (PFMRP) Phase II 2011 – 2013. The Ministry of Finance is responsible for the implementation of the PFMRP. It also reports to the CDC on a regular basis on the progress of the PFMRP.[19] Hence, the Samoan Government directed the project, even reporting to the Parliament on its progress.

Focus on Development Results

The degree to which the implementation was designed determines the success of the support given by the ADB. The effectiveness, efficiency, and sustainability of the program and results depended on how well the design and implementation were tailored to meet specific and unique country context.

The Public Expenditure and Financial Accountability (PEFA) ratings and most of the programs outputs and policy actions were achieved (footnote 3). Between 2010 and 2013 there was a significant improvement in PEFA ratings. None of the PEFA ratings were below the expected ratings of C+. There were improvements noted in the 2014 PEFA ratings for all the assessment criteria listed: composition of expenditure (B+); classification of budget (B); timeliness (C+); value for money and controls in procurement (C+); regularity of accounts reconciliation (C+); oversight of aggregate fiscal risk from other public sector entities (B). Between 2012 and 2016 Samoa generally maintained its position in the World Bank's Worldwide Governance Indicators Assessment. Table 1 below presents the indicators over the period of the programme.[20]

Indicator	2012	2013	2014	2015	2016
Government Effectiveness	0.60	0.60	0.60	0.60	0.57
Regulatory Quality	0.65	0.65	0.65	0.65	0.60
Voice and Accountability	0.79	0.79	0.79	0.79	0.79
Rule of Law	0.60	0.60	0.60	0.60	0.60
Control of Corruption	0.60	0.60	0.60	0.60	0.50
Political Stability & Absence of Violence	0.88	0.88	1.0	1.0	1.0

Note: All indicators scaled from zero to one, with higher values indicating better outcomes

Source: Worldwide Governance Indicators, World Bank

Samoa's government effectiveness remained constant at 0.60, with a decline of 3 points in 2016. Although Samoa's regulatory quality measures and implementation were rated at 0.65 throughout the programme period, it also dropped by 5 points in 2016. Similarly, control of corruption remained at 0.60 over the same period and declined by 10 points to 0.50 in 2016. It is unsure whether the slight deterioration in the ratings occurred as a result of the end of the ADB's programme assistance.

The PSFM program has been assessed as successful. It supported long-term fiscal stability for Samoa through improvements to public financial management, SOE performance, and debt management, and through climate-proofing infrastructure and homes.

18 *With ADB support, in 2010 and 2011, the government implemented the public financial management reform plan, made progress in liberalising telecommunications and privatized SamoaTel, revised foreign investment regulations, and drafted the Personal Property Security Act.*

19 *Ministry of Finance. 2012. 'Public Financial Management Reform Plan, Phase 2-Progress Report, December 2011-November 2012.'*

20 *Ministry of Finance. 2014. ' Samoa Public Financial Management Performance Report.'*

Inclusive Development Partnerships

The ADB aims to strengthen its focus on enhancing multi-stakeholder dialogue and cooperation to enhance broader ownership of the development agenda. ADB also partners with government and CSOs to ensure the quality, effectiveness, and sustainability of its operations.

The PSFMP grant of $14 million by ADB's Asian Development Fund (ADF) did not involve co-financing. However, the ADB partnered with development partners, such as Australian Government DFAT, World Bank, European Union, New Zealand Aid Programme (NZ Aid) as well as with the government of Samoa. The grant was part of a joint undertaking with other development partners to support reforms under the government's medium-term fiscal framework (MTFF). Each development partner provided policy –based budget support.

Apart from the Samoan Government and other (international) development partners, there was little mention of ADBs partnership with CSOs for the PSFMP. The program did support the most vulnerable and engaged key stakeholders in consultations. The Samoan Government in partnership with international development partners consulted with other stakeholders, CSOs, and NGOs to prepare the SDS 2012 – 2016. The reports, however, failed to state explicitly the identity of the key stakeholders. Furthermore, it was not clearly indicated whether the outcomes of these consultations were seriously taken into account and incorporated in the implementation phase of the program.

Transparency and Accountability

There is no mention of mismanagement or related issues in this case study. There is indication that the Samoan Government through the Ministry of Finance complied with the ADBs effective development cooperation indicator-transparency and accountability. The Samoan Government complied with the covenants under the grant agreement it signed with the ADB. During the program period, no covenants were modified, suspended or waived.

The government made specific assurances to (i) adopt and maintain policy actions contained in the policy matrix; (ii) inform the ADB of any changes in relevant policies and of policy discussions with other multilateral or bilateral agencies that would affect the program; adequately resource the program; (iv) create and sustain a corruption-free environment and ensure that its anticorruption law and regulations and ADBs Anticorruption Policy (1988) were strictly followed during the program implementation; (v) monitor and biannually report to ADB on implementation of policy actions and their impact on budget outcomes; (vi) continue program monitoring and evaluation for at least 1 year after the program completion; and (vii) produce a program completion report (footnote 2, pp 5-6).

Table 1 above, shows that Samoa's other indicators remained strong over the programme period: Voice and accountability remained constant at 0.79 each year, while political stability and absence of violence achieved best case at 1.0 from 2014 to 2016. These trends contribute to creating a more conducive environment for investment.

Lessons Learned

1. The government-owned and led the implementation of the program, and drove the reform.
2. The design of the project enabled a supportive political and public service to implement it successfully. The results were achievable and sustainable.
3. Need more involvement of CSOs in the planning and implementation of (development) programs.
4. Need to promote more accountability and transparency of project reports to other stakeholders such as CSOs.
5. The Samoan Government complied with all contract agreements with ADB. It however does not show its level of commitment with CSOs.

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