ADB: MI(SHAPING) DEVELOPMENT COOPERATION AND EFFECTIVENESS IN ASIA PACIFIC

A CSO REVIEW OF ADB'S DEVELOPMENT EFFECTIVENESS

The Reality of Aid
An Independent Review of Poverty Reduction and Development Assistance
CSO Partnership for Development Effectiveness
IBON INTERNATIONAL

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 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, greater innovations when it comes to partnerships. This disparity gives rise to one important question—if the ADB is indeed making headways in managing for results, then there is obviously 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.

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 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.

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, the ADB was established. It is a multilateral development bank (MDB) 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 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%**

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%**

Unlike other multilateral organizations such as the United Nations, 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 table 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.

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)
NONREGIONAL			
Austria	1966	0.340	0.571
Belgium	1966	0.340	0.571
Cana	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
Luxembuourg	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.

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.

Most of ADB's lending comes from ordinary capital resources (OCRs). ADB offers these OCRs at near-market terms to lower and middle income countries. In addition, the 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 nongovernment 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

The ADB actively participated in aid and development effectiveness policy-making processes from the High-Level Forum on Harmonization (HLF-1) in Rome in February 2003; the Second High-Level Forum on Aid Effectiveness (HLF-2) in Paris, which led to the Paris Declaration in March 2005; and the Third High-Level Forum on Aid Effectiveness (HLF-3) 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 Fourth High-Level Forum on Aid Effectiveness in Busan. Overall, ADB took part in the journey from delivering "effective aid" to achieving "effective development cooperation." 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 (OECD) Development Assistance Committee (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 Independent Evaluation Department (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 the 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 report 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.

As an MDB with the demonstrated capacity to bring international finance and expertise together

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

in support of country-owned and led development plans, experience operating at the country, regional and global levels, the mandate of working in collaboration with all development partners, including governments, the private sector and civil society, ADB is at the core of realizing the goals of global consensus on development cooperation and effectiveness in the region.

The ADB, however, like any other multilateral organization, 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, there are not sufficient to ensure that human rights obligations remain to be the objective of development.

Thus, this 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's 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 which 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.

BOX I

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

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 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, this time, they 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 performance 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 as agreed 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 ADB's 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. This inequality arose from the disproportionate flow of wealth captured by the elites in select Asian countries.[4]

The region's fast growth has made it more 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 CO2 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, 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. 1.9 billion people in the region do not have access to basic sanitation.

In terms of fragility, the region has the greatest number of people exposed to climate change vulnerabilities. Nine DMCs are considered fragile and conflict-affected situations (FCASs), of which seven are MICs in the Pacific. ADB is one of the MDBs clearly expressing alignment and operationalization of the SDGs and development effectiveness agenda. While growth has undoubtedly been seen in some of parts of the region, the state of the poor and vulnerable 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?

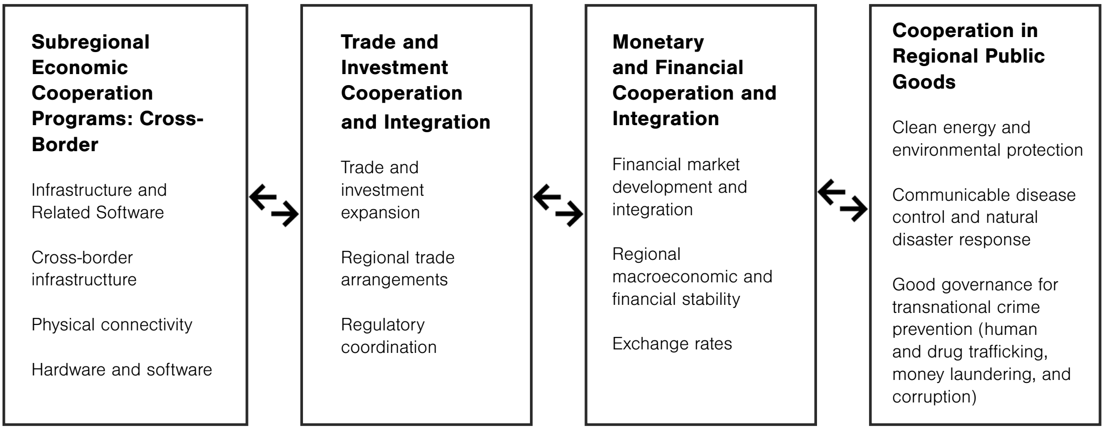
a. **Regional cooperation and integration (RCI) strategies integrated capital with markets but the poor remain at the margins of development.** The ADB Charter mandates the Bank to support regional cooperation among its countries. However, since its establishment in 1966, it was only in 1994 that this mandate became a formal policy when the Regional Cooperation Policy (RCP) was enforced. Two years after, 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 PIF Pacific Islands Forum and the SAARC 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



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

Regional integration for the Bank meant only one thing in the past thirty years. It has poured its investments and knowledge capital on the road to the same single path of growth-centred paradigm pushed by the market-based agenda sponsored by MNCs and shareholding developed member-countries sitting in the Bank's board.

As 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.

Today, Asia and the Pacific region has emerged as the most important driver of global economic growth, accounting for 70% of total global growth. Yet, 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.

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."[1]

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.

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*

6 *Asian Development Bank Support for Regional Cooperation and Integration. 2015 October, ADB* *economic networks*, which connect regional and global value chains and production networks.

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 global value chains (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.

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.

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.[1]

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.[2]

While growth contributions have been evident, it is concentrated to a few countries. Only ten countries in the region, according to UNESCO are benefiting from GVC participation: Australia, China, Japan, India, Indonesia, Malaysia, the Republic of Korea, Singapore, Thailand and Turkey.[3] This suggests that the Bank's strong focus on RCIs magnifies inequities among countries.

RCIs impinges 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.

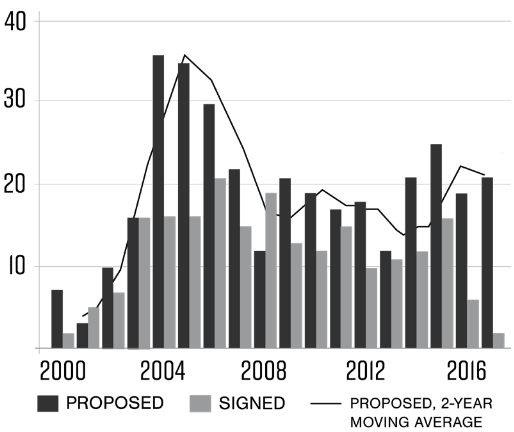
RCIs ignore social and environmental pillars. Nothing in RCI strategy mentions the need to protect biodiversity. There is simply no provision requiring states to apply biodiversity management standards and ensure human rights. Considering

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* that RCI projects run along shared and fragile ecosystems, ancestral lands of indigenous peoples, as well as urban settlements, they usually entail enormous social and environmental repercussions occasioned by massive infrastructure development.

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 ILO 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 5).

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 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

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.*

transportation, energy for economic corridors 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]

Figure 5: ADB Financing for Operational Areas

Table 1: 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: (1) 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*

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. 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 GSM, 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

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*

pure negligence of safeguards staff, these lapses only show the need for greater participatory processes. Stakeholders, especially project-affected communities, must be involved in 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 1.5 °C. Indeed, 2.0 °C is 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.

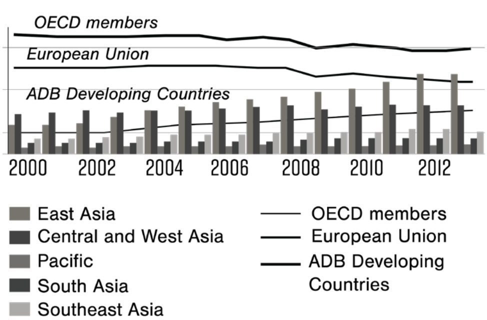
COP 21 legally binds MDBs including ADB to increase its pledge for climate finance. COP 21 also mandates MDBs to ensure that investments do not support economic strategies that promote a 2°C rise in global temperatures from pre-industrial levels. Thus, the effectiveness of ADB's climate financing must 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 the reduction or avoidance of greenhouse gas emissions and adaptation of steps to respond with 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 6). 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.

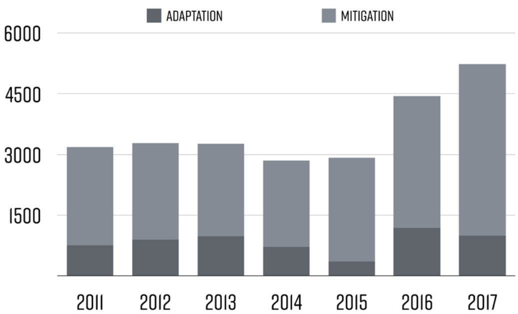
Adaptation measures however do not receive enough attention from most MDBs because It is seen to be a long-term investment area. Adaptation measures are also less profitable and far more expensive than reducing poverty itself. Although 45% of ADB's overall operations and 44% of ADF (concessional window) go to climate change,[17] nearly 80% are invested in mitigation strategies and mostly with the private sector. (See Figure 7).

Figure 6: 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 7: 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:

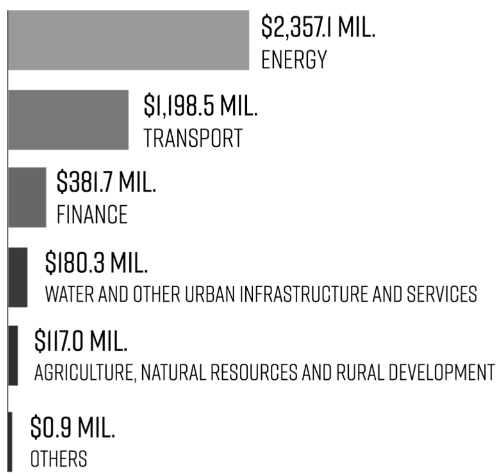
"necessary investments in all developing countries for mitigation are estimated to be between $140 billion to $175 billion per year by 2030, while adaptation cost estimates for Asia and the Pacific are in the order of $40 billion per year between now and 2050."[18]

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++ projects in Indonesia that paved the way for mono-cropping of private sector-owned palm plantations.

Figure 8: ADB's Mitigation Finance by Sector, 2011-2014



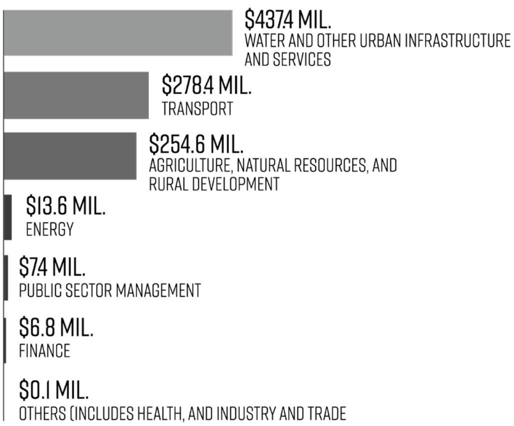
Increased climate financing is not always a positive fix when it is meant to offer false solutions. Accessible and "clean" electricity, such as energy efficiency technologies and "clean coal", remains to be the main solution for the Bank that sees private sector as its main partner. Meanwhile, lending for off-grid and mini-grid renewable energy is only at 7.5 percent of its total energy portfolio. However, these solutions serve last mile communities without the undesirable and grave social and environmental implications.[20]

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

18 *ADB website*
19 *https://www.adb.org/sites/default/files/publication/357156/catalyzing-green-finance.pdf*
20 *"Still Failing to Solve Energy Poverty: International Public Finance for Distributed Clean Energy Access Gets another*

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

Figure 9: ADB's Adaptation Finance by Sector, 2011-2014



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 United Nations committed to halve poverty by 2015 and adopted the Millennium Development Goals. 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 Sustainable Development Goals. 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 the 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 board room remain to direct the flow of important concessional loans for poverty-reduction in the region.

Figure 10: 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

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.[21] 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 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 to fulfilling ADB's requirements rather than to project participants, potentially affected communities, and other stakeholders. In the face of a 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.

There are two major thrusts in the ADB 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 ladderised and systematic approach is in place. CSS exist to ensure that the same social and environmental protection under the ADB Safeguards Policy Statement are attained when they are used in project development.[22]

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.

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

22 *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 (PD). 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 back 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."* [24]

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.

23 *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.*

24 *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 country safeguard systems (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.[25]

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 (MFIs) 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, MFIs 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."* [26]

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.[27] 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.[28]

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 therefore, are subject to compensation. Several

25 *ADB website*
26 *Building Country Safeguard Systems, Briefing Note No. 1 Country Safeguard Systems- An Overview. ADB*
27 *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*
28 *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*

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 CIEL:

- 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." [29]

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 indicator 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.[30] 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 shield the 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.[31]

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 Disbursement Linked Indicators (DLIs) cover

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29 *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*

30 *https://asiancorrespondent.com/2018/02/democracy-index-2017/#bR3fp2lUcLc68j4G.97*

31 *ADB Corporate Evaluation. Results-Based Lending at the Asian Development Bank: An Early Assessment. November 2017.*

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,[32] 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 to 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 M&E, safeguards, and fiduciary control."[33] 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.

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

Figure 12: 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 non-governmental organizations) – 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 sustainable development goals 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."[34] 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 SME were also less than successful when looking at job generation—the rationale for the assistance. Behind the quantity of jobs generated by SMEs, the quality of jobs that comes with recognition

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

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.[35] 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—the multinational and transnational corporations.

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 non-government organisations 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,[36] 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."[37]

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.

Whilst 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.

While 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[38] 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.

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

36 *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*

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

38 *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 the ADB's concessional assistance will rise by 39% (and market-based assistance by 12%) during the ADF 12 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 highlight 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:

> *"sustainable 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, the 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 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

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

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 appears 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.[39]

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, ABD 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.

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

39 *ADB website . https://www.adb.org/site/ngos/overview* 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." [40]

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.

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.

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.

40 *Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda), 2015 July.*

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.

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.

	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

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, nor 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:

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*

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*

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.

The Reality of Aid
An Independent Review of Poverty Reduction and Development Assistance

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