



Joint Submission of Comments on ADB's Draft Strategy 2030

9 May 2018

The NGO Forum on ADB ("Forum") strongly remains as an Asian – led independent network of civil society organizations, grassroots organizations and social movements in Asia. Over the years, the Forum maintains its constructive engagement with the Asian Development Bank (ADB) in the course of amplifying the voices of local communities adversely affected by the Bank's policies and projects. As ADB struggles to remain relevant, adapt to the pressing issues of the region and build on its current Strategy 2020, ADB is redrafting its long – term corporate strategy from here on until 2030. Accordingly, the Strategy 2030's vision is "to achieve a prosperous, inclusive, resilient and sustainable Asia and Pacific." First off, this grand vision should be viewed and later on implemented to strongly reflect ADB's commitment to also ensure stringent enforcement of its safeguards while attempting to address the stark realities and challenges in the region. The Forum flawed consultation design that also transpired on 2 May 2018 failed to deliver adequate opportunity for CSOs to provide substantive inputs into the draft Strategy 2030. The said draft Strategy 2030 was also not translated into other key languages that would enable for a more robust meaningful consultation.

This submission will focus on the following key issues:

1. The changing landscape and challenges: concerns on data and basic assumptions
2. The Strategy 2030 provides ambiguous and inadequate stronger commitment to fully support global agreements.
3. Disconnect on the language on energy and climate change in the draft Strategy 2030 alongside with the portfolio and other relevant policy and/or strategic documents of ADB.
4. Inadequate language on how the ADB and its Strategy 2030 implement its own policies vis-à-vis the emergence of new development partners particularly of the Asian Infrastructure Investment Bank (AIIB).
5. What are the types and modalities of infrastructure investments as well safeguard mechanisms particularly for private sector - operations?
6. Caution and critique on using country – focused approach.
7. The draft Strategy 2030 also fails to include labor and other issues missing.
8. The document is also not gender – sensitive neither gender inclusive.
9. ADB should promote small – holder family farms.

General Comments:

The changing landscape and challenges: concerns on data and basic assumptions

1. According to World Bank indicator data on water, sanitation and access to electricity 28.4% of lower income population have access to electricity (WB 2014), with 28.3% lower income population with access to sanitation. Whereas middle income and high income people have most of the secured access to these basic services. This leads to the assumption that infrastructure investments are not targeting the poorest of the poor rather it targets those who can afford it. The data provided in the changing landscape and challenges section are not up – to date. The indicators provided do not have a baseline information on what constitutes as quality access to water, sanitation, electricity, food security, air quality, health care and education. How is ADB Strategy 2030 ensuring that the Sustainable Development Goals (SDGs) is incorporated into the

bank's planning based on the data set provided? This requires a careful look at the needs of the region from the lens of poorest and the marginalized through representation of accurate poverty and inequality data sets.

2. The narrative also being promoted by ADB in the draft Strategy 2030 is that the infrastructure deficit is the main culprit in the region's state of poverty. In addition, that this "problem" can only be addressed by the private sector. It can be assumed that overarching narrative is the 'billions to trillions' in infrastructure demand, this assumption is based on the 2006 ADB Institutes study that there is a 27 trillion dollar need for infrastructure in Asia, yet a detailed breakdown of this 27 trillion dollar infrastructure and its relationship to achieving the SDGs is not described anywhere in Strategy 2030. . The Strategy 2030 should also not be read upon as a response on the increasing competition for development financing in the region.
3. The Strategy 2030 document neither recognizes nor provides a holistic picture on ADB's development effectiveness in the past 50 years of its operations in Asia. What did ADB actually contribute to should be the basis of its direction in the next decade.

The Strategy 2030 provides ambiguous and inadequate stronger commitment to fully support global agreements.

4. In the earlier draft Strategy 2030 which was presented during the November 2016 consultation in the ADB Headquarters, the said draft cited of the Paris Agreement and the Sustainable Development Goals as the overarching objectives of the Strategy 2030. These historic agreements alongside with the Addis Ababa Action Agenda and Sendai Framework for Disaster Risk Reduction, while being mentioned in the revised draft Strategy 2030 are now reduced as a preface and context – setting for the operational and strategic priorities of ADB.
5. However as what the Forum have pointed out the Strategy 2030 still lacks adequate guidance on how will ADB help contribute in achieving the targets set forth in these key global commitments. Specifically, the draft Strategy 2030 lacks any indicators to gauge progress in attaining SDGs or clear phase out plans on its energy portfolio of fossil fuel - driven to renewable energy investments. The ADB can play a critical role in contributing and ensuring its borrowers reach the targets set forth in these landmark agreements in order to keep the global temperature significantly low to correct the inequalities in the region.
6. In regards to the Paris Agreement and keeping global temperature below 2 degrees, borrowing governments have their NDCs, ADB Strategy 2030 does not address how it will support the NDCs. Nor does it rule out lending in fossil fuels and committing to zero emissions. This lack of clear guidance to achieving the Paris Agreement shows ADBs lack of commitment to the Agreement and the urgency to respond to the Climate crisis.

Disconnect on the language on energy and climate change in the draft Strategy 2030 alongside with the portfolio and other relevant policy and/or strategic documents of ADB.

7. The draft Strategy 2030 provides that "recent technological advances have made renewables more competitive than fossil – fuel derived energy and localized renewable energy mini – grids have expanded access to electricity (page 4)."¹ This provides disconnect on the current energy portfolio and almost a decade old Energy Policy of

¹ This was referenced from the Asian Development Outlook 2018.

ADB. The Energy Outlook for Asia and the Pacific on ADB's Energy Sector Plan indicates that in terms of energy security, the region must continue to rely upon fossil fuels such as oil and gas up to 2035.² Furthermore it states that the demand for coal will grow by 50% for economic and technical needs with a caveat that it will be on a slower pace due to energy efficiency and renewable energy development in PRC.

8. Lastly despite the changing energy landscape and as previously mentioned on global agreements to address the impacts of climate change that will increase risks on poverty and vulnerability, ADB's 2009 Energy Policy have not been reviewed. It still adopts that renewable energy sources include large hydropower in addition to solar, wind, ocean and geothermal energy (para. 46). The devastating impacts of dams on fisheries, water flows and on the livelihoods of project affected communities have been established. This classification to include hydropower on the renewables sub – sector is also reflected under the energy portfolio of ADB. In effect, this provides a false illustration on the Bank's general objectives under the sector and its commitment to support SDG 7 on ensuring access to affordable, reliable, sustainable and modern energy for all.
9. On climate change and disaster risk, in the case of ADB's emergency assistance loan (EAL) provided to the Philippines in the aftermath of typhoon Yolanda (Haiyan) in 2013, it was also just another business as usual for the Bank. The USD 500M EAL then did not trigger the safeguard policies, as accordingly the loan proceeds were not earmarked for "physical projects" despite one of the objectives that it was supposed to finance rehabilitation of Tacloban. In addition, due to the nature of the loan it went directly into the General Appropriations Act (GAA) or the government budget financing. Since the loan was co - mingled with the rest of the government's general fund, attribution of specific items of the said loan proceeds were also not feasible. Tracking how the loan was translated into actual rehabilitation or livelihood restoration was difficult. ADB is required to apply safeguards for budget support, multi – tranche financing facility (MFF) and policy loans.
10. There was lack of transparency about the disbursement of loan proceeds, to determine actual projects funded by the loan and to exact accountability on its prudent utilization. Years after the super typhoon, the victims have not yet fully recovered. Issues such as substandard housing projects in the relocation sites, no electricity or safe drinking water facilities left some families to actually go back to the danger zones. Nonetheless the loan was still linked with Yolanda recovery and rehabilitation efforts as these were budget items included in the GAA. The ADB however has still maintained that its Yolanda reconstruction efforts rebuild critical infrastructure in the affected areas and supported on livelihood restoration.

Inadequate language on how the ADB and its Strategy 2030 implement its own policies vis-à-vis the emergence of new development partners particularly of the Asian Infrastructure Investment Bank.

11. The Strategy 2030 recognizes the emergence of new development partners such as non – traditional donors and establishments like the Asian Infrastructure Investment Bank and New Development Bank. The draft further provides that “coordination and leveraging through partnerships across national, institutional and public – private boundaries has become critical (para. 13).” Similarly there is inadequate language by which how will the ADB foster these new levels of coordination and leveraging of partnerships.

² ADB. *Energy Outlook for Asia and Pacific*. October 2013.

12. This should also reinforce the Bank's commitment that in any co – financing project particularly to new institutions should meet ADB's own safeguards requirements and how will it be implemented vis-à-vis the other institutions' standards. There should be clarity on how these co – financed projects particularly with AIIB will be implemented. CSOs monitoring the Myingyan Natural Gas Project raised a simple question to all the financiers involved on who is the lead financier for the said project. As this has later on repercussions on how AIIB's Project Peoples Mechanism (PPM) will be possibly triggered. In the response made by the ADB on 5 February 2018, accordingly "the bank cannot speak for other institutions but where ADB provides finance, the Bank has its own policies, standards and mechanisms that are applicable. These will be applicable irrespective of whether ADB is the lead financier or otherwise." As for AIIB, accordingly it is the IFC who is the lead financier for the said project. This simple clarification in principle should be easily answered by ADB as it has implications not only on the implementation of the co – financed project at the ground but also on the available redress mechanisms for potentially affected households.
13. On ADB SPS 2010, there are milestone-binding requirements set on Environment, Involuntary Resettlement and Indigenous Peoples for various risk categorizations of ADB Projects. The ADB SPS 2010 remains one of the higher standards among Safeguard policies among all IFIs. The Strategy 2030 does not commit to 'No Dilution' of the Safeguards and does not ensure its relevance and applicability to the directions of Strategy 2030 Operational Pillars.
14. In addition during the review of the current Public Communications Policy (PCP), the Forum advocated that co – financing agreements and relevant safeguard documents should be disclosed in a timely manner in the ADB website rather than making them available only upon request. The rationale provided by the Bank that as of to date there is no much demand for these types of documents be disclosed runs inconsistent with the principle of proactive disclosure. This is also short – sighted considering the likelihood of increased co – financed projects particularly with these new actors in the next decade. Since 2016 when AIIB started approving projects, it has co – financed with ADB on 5 projects or 20% of AIIB's total approved projects as of 2018.³ The other project in the pipeline includes the Georgia: 280 Nenskra Hydropower Plant.
15. The Forum is not asking for an extensive discussion of how co – financing with AIIB be operationalized in a strategy document. However by citing these two illustrations with Myingyan and with the review on the PCP illustrates the intricacies of forging into new partnerships. It is not enough to merely acknowledge these new institutions existence. ADB's Strategy, Policy and Review Department should ensure that while crafting the Strategy 2030 it remains consistent both in the policy aspirations and implementation of the Bank's own safeguards, accountability mechanism and information disclosure policy.

What are the types and modalities of infrastructure investments as well safeguard mechanisms particularly for private sector - operations?

16. The narrative of meeting the infrastructure deficits of about USD 26.2 trillion (2016 – 2030) or USD 1.7 trillion in a year has been the dominant tale to fill in the insurmountable investment needs in the region. In addition, this is always followed by

³ These ADB – AIIB co - financed projects are as follows: 1) Pakistan National Motorway M4 Project; 2) Myanmar: Myingyan Power Plant Project; 3) Azerbaijan: Trans Anatolian Natural Gas Pipeline Project; 4) Bangladesh: Natural Gas Infrastructure and Efficiency Improvement Project; and 5) Georgia: Batumi Bypass Road Project.

the premise that the private sector will be a critical source of financing (para. 15). However leveraging trillions in private investment to finance mega – projects raises questions on accountability and safeguard mechanisms to ensure that the private sector can serve the public good. What are these types and modalities of infrastructure investments?

17. We recognize at one hand the rationale for massive infrastructure projects on energy, water and municipal services; and transport in the context of “enabling access” to social services. However, we robustly do not reconcile this at the expense of inexpedient implementation of the safeguards. While the Private Sector lending of ADB focuses on infrastructure and financial markets, there is no mention of strengthening the PSODs Corporate Governance Framework to ensure compliance of private sector project developers and FIs towards ensuring Strategy 2030 goals and compliance to all ADB standards and policies.
18. Furthermore it is not enough to just to build infrastructure. “Quality infrastructure” should apply safeguards upstream especially in project selection, design and construction where greater weight should be given to the social and environmental impacts of the projects.⁴ When the norms and standards are clear, implemented and monitored rigorously, only then that potentially project affected households can hold their respective government and lending institutions such as the ADB accountable.
19. The ADB historically had also taken significant advisory role in the restructuring the power and water sectors of countries in the region since early 1990s. Experiences in the past demonstrate the role ADB played in the privatization of the power sector e.g. ADB TA on corporatization of Dhaka Electric Supply Authority (1992), ADB supported power sector reforms in Gujarat and Madhya Pradesh that led to corporatization and commercialization principles in their power sector (2000); and USD 300 million for reconstructing the power for the Philippines that led to the Power Industry Restructuring Act (EPIRA)⁵.
20. However, privatization had failed to deliver the public benefits it had promised. Power and water sector reforms should not entail the public vulnerable to higher electricity and water rates, loss of adequate regulation mechanisms by the government and transfer of corporate debt. Without stretching the argument and the alarm bells on the direction to which ADB is gearing towards, these are legitimate concerns and the hard lessons that the ADB should not duplicate as it heads on to the next decade.
21. The proposed strategy emphasizes the need to unlock private capital into development projects but fails to elaborate on any need for transparency and accountability of private sector including financial intermediaries. This undisclosed risk guarantee of private capital is a clear threat to communities who will be facing the aftermath of various projects under financial intermediaries and Public-Private Partnerships.
22. In a 2013 Development Effectiveness Committee (DEC) Report it identified a breakdown of the number of projects by safeguard classification from 2002 - 2013.⁶ 58 projects or 93% for the Environment projects for capital markets are classified under financial intermediaries (FIs). This reechoes the Forum’s position calling for stronger oversight

⁴ Alexander, N. *The Big Gamble: How Sustainable are Global Efforts to Leverage Private Investment in Infrastructure*. April 2018.

⁵ A Handbook on the Asian Development Bank: The ADB and its Operations in Asia

⁶ ADB, Development Effectiveness Committee Report (DEC) 2013, Private Sector Operations

and exercise of due diligence of the Bank. We raise the question and the onus to ADB to ensure that Environmental and Social Management Systems (ESMS) are responsibly undertaken. Private sector operations should mitigate if not totally avoid potential environmental and social risks.

23. It needs to be mentioned that Strategy 2030 does not emphasize the need for Transparency, Accountability and Due Diligence anywhere in the document as core principles under which the Strategy 2030 will be implemented.

Caution and critique on using country – focused approach.

24. One of the Guiding Principles for ADB’s Operations is to use a country – focused approach. Accordingly under the Strategy 2030, “ADB will enhance its policy dialogue and analytical work including on efforts to achieve the country – level targets of the SDGs and the Paris Agreement (para. 23).” Furthermore, the Country Partnership Strategy (CPS) will continue to be the primary platform for defining ADB’s operational focus in a country. Most of the CPS is either outdated, in the process of redrafting or would expire by 2020. It is only Sri Lanka, which has the recent, updated approved CPS with a coverage period for 2018 – 2022.
25. The CPS serves as ADB’s mechanism to design operations to deliver development results at the country level. It is also where key strategic areas of development and sectoral assessment are also identified which will be factors in determining the projects in the pipeline that will be supported by ADB. It is critical then at this juncture, civil society participation is included in shaping the said CPS. However CSO experience in the past shows that either there is lack of information dissemination on the schedule of consultations for CPS or that draft CPS were not adequately disclosed in a timely manner to facilitate a more meaningful consultation process.
26. On an equally relevant point when country systems will be used in environmental and social safeguards delivery, the Forum reiterates its demand that the Bank should clearly uphold the provisions set forth as per the 2009. Safeguard Policy Statement (SPS). The SPS provides the need for “equivalency” and “assessment” to ADB standards before using any form of country system. This is also consistent with the call of the Forum on no dilution and stringent enforcement of the Bank’s safeguard policies among others.
27. NGO Forum on ADB demands ADB to clearly uphold the provisions on country systems as per the ADB SPS 2010 in the Strategy 2030 approach paper, and clearly, state the need for “equivalency” and “assessment” to ADB standards before using any form of country systems. Consequently, the Forum remains steadfast on its call for no dilution of the ADB SPS 2009.
28. Lastly, it has long been underscored by civil society observers that the use of “borrower systems” for IFI - supported projects should not occur in countries with military governments, or those with a track record of human rights violations or high levels of corruption - all of which make the implementation and monitoring of safeguards difficult, if not impossible.

On labor and other issues missing

29. The staggering condition of the region is also attributed to the outcome of the failure of the labor market. Generating quality jobs (para. 33) is important particularly the Bank’s support for small and medium – enterprise. However labor balance should also be

considered. The World Bank - International Labor Organization adheres to balancing regulation mechanisms to promote productivity. Labor market institutions and the role of women into the formal economy should also be reviewed by the ADB.

30. On its 51st year of operations in the region, the non-recognition of core labor standards in Strategy 2030 clearly shows its lack of respect and commitment toward labor rights and the recent global agreement to provide decent work (SDG 8). The proposed Strategy 2030 is also designed without due recognition to the rights of persons with disabilities, indigenous peoples, and the youth. It is even treading the path of multiplying the vulnerabilities of poor peoples in Fragile and Conflict-Affected Situations by investing in areas with high social, political, economic, cultural and resource-ownership tensions that needs to be settled locally before the influx of any assistance complicates their situation.
31. The strategy has to pay attention to a trend of project militarization. Bank-financed projects, for example in infrastructure such as mining, hire security personnel who are usually armed to protect sites. Women and girls sometimes experience sexual assaults by these security personnel. Some destitute poor women and girls, tempted by small payments, engage in transactional sex with the militaries that can result in unwanted pregnancies and unaffordable single-parenthood. Project militarization epitomizes imbalanced power dynamics by security personnel protecting projects, and women and girls who lack power to protect themselves from assaults.
32. Last July 2017 a faulty gas cylinder exploded in the construction site of Nam Ngiep 1 Hydropower Project in Lao PDR killing 6 Vietnamese workers. The Forum demanded that the Bank should uphold its strictest accountability measures to take immediate action over those responsible in this gross negligence. According to ADB's own Independent Evaluation Department's (IED) thematic evaluation on ADB private sector operations, it noted that "the PSOD does not appear to have systematically collected safeguard monitoring reports that can alert ADB to any emerging compliance issue."⁷
33. The lack of due diligence by the Bank in ensuring that there are appropriate safety standards for equipment use is unacceptable. As such emerging labor issues should also be adequately emphasized in the draft Strategy 2030. Has this been the case otherwise such an accident could have been prevented. The explosion at Nam Ngiep 1 is also a clear illustration of exposing the risks of inadequate coordination among ADB's Private Sector Operations Department (PSOD), borrower, implementing agency and its sub – contractor/s. The ADB has to enforce strict regulation to ensure full applicability of all provisions of the safeguards policy; and ensure the prevention of future incidents like this from happening.

The document is also not gender – sensitive neither gender inclusive.

34. Integrating gender consideration issues does not only pertain to mainstreaming. It is also about protection particularly of women through safeguard implementation. If gender elements are being neglected at the project level, the situation of women can therefore not improve. If safeguards are not being diligently implemented, full benefits including protection for women cannot be warranted.

⁷ ADB's Independent Evaluation Department. *ADB Private Sector Operations: Contributions to Inclusive and Environmentally Sustainable Growth*. Thematic Evaluation Study. 2013.

ADB should promote small - holder family farms.

35. On agriculture and food security, the concept of sustainable agriculture process is also striking to be missing in the document. ADB should explore the viability of promoting small - holder family farms which are more productive as compared to big holder farms. Small producers and fisher folks should also be mentioned in the draft Strategy 2030. While the Bank is purportedly enhancing food security and food safety issues were articulated, this is still inadequate, as the nutritional aspects of these should also be considered. The ADB Strategy 2030 should indicate the importance of sustaining indigenous agricultural seed, local and traditional agricultural practices and subsistence farming demands as core objectives in their agricultural investments.

Concluding Thoughts:

36. The draft Strategy 2030 should develop indicators or parameters to meaningfully track its progress on its global commitments on the SDGs, Addis Ababa Action Agenda, Paris Agreement and Sendai Framework on Disaster Risk Reduction, over the next 10 years. When redrafting Country Partnership Strategies, ADB and borrowing governments should also reflect these global commitments in identifying the projects in the pipeline, sectoral focus and technical assistance provided on key issues of policy development.
37. Similarly in order for the Strategy 2030 to be fully implemented, the current language on energy, climate change and disaster risk and the ambitious development goals should all be viewed and enforced alongside with the relevant policy and/or strategic documents of the ADB. Outdated documents such as ADB's Energy Policy should be revisited to ensure consistency on these changing realities and landscape of development financing on energy. The ADB should ensure that the objectives set forth in the Strategy 2030 are coherent and cascaded into the relevant accompanying policies, strategies and investment portfolios.

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