

CALL FOR EVIDENCE FOR THE BALANCE OF COMPETENCES REVIEW: DEVELOPMENT COOPERATION AND HUMANITARIAN AID REPORT

ADB's Response to Survey Questions

1 March 2013

Impact on the national interest

1. What are the comparative advantages or disadvantages in these areas of the UK working through the EU, rather than working independently or through other international organizations?
 - In **Cambodia**, coordination with the EU is reasonable, with no duplication and good complementarities in the areas of mutual support. DFID ceased new operations when it closed its office in January 2011. The European representation was upgraded in November 2011 from a satellite of the Regional Office located in Bangkok headed by a Chargé d' Affaires, to a full-fledged EU delegation headed by an Ambassador. The only remaining ongoing DFID project, in the health sector, is being managed by the Viet Nam office and is scheduled to be completed in 2013. The EU's current assistance to Cambodia, summarized in the Country Strategy Paper, 2007-13, is focused on supporting the implementation of the Government's National Strategic Development Plan (NSDP) 2011-13, in the areas of public financial management (PFM); livestock and fisheries development; basic education (budget support); food security; environment, trade reform (participation in the Trade Swap arrangement and Trust Fund managed by the World Bank); and governance and human rights (support to the Extraordinary Chambers in the Courts of Cambodia (Khmer Rouge tribunal), and Sub-National Democratic Development (SNDD). ADB is also supporting Government reforms in the areas of public financial management (PFM), secondary education, food security, the environment, trade, and governance (deconcentration and decentralization (D&D)/SNDD, as well as PFM).
 - In the **People's Republic of China (PRC)**, DFID closed its bilateral aid program in 2011 and is winding down their operations. As we understand, DFID is focusing mainly on South-South cooperation in the PRC. The EU has ongoing operations in the PRC which appear to focus on urbanization, environmental protection, climate change, water resources, and civil society. It would make sense for the UK to work through the EU (and ADB) to provide a consistent approach to assist the PRC. More broadly, the advantages of UK working with EU (from perspective of our PRC staff) include the capacity to (i) pool and leverage resources; and (ii) access network and expertise of EU and other international organizations
 - DFID does not operate in **Georgia**. The EU has active programs of support ranging from environment to governance and matters relating to EU cooperation and integration. Activities supported include governance, local government reform, decentralization, renewable energy and energy policy reform and capacity development, environment (including biodiversity, air quality, governance, waste management, forestry), and trade policy and facilitation. The EU is active in donor coordination and plays a prominent role in working with the Government to promote policies and practices consistent with those in the EU. They appear to work well with other IFIs. The projects they support appear relevant to Government needs, particularly given Georgia's interest in European integration.
 - Experience in **India** is limited to working with DFID (as opposed to working with both DFID and EU; in particular, ADB's India program does not include any on-going projects with EU -

although consultations are undertaken for preparing our country partnership strategy in order to coordinate development efforts). Given the importance and usefulness of our work with DFID, our experience indicates that DFID's independent work with international organizations is a positive. More specifically, ADB has very fruitfully partnered with DFID in India through the DFID-ADB Partnership since 2001. The partnership has enabled the two agencies, in line with their visions, to work together and effectively support lagging states in India to achieve inclusive growth and poverty reduction. In particular, DFID's support has enabled ADB to undertake much needed capacity development and project preparatory work for infrastructure projects in lagging states (especially in transport, energy, urban infrastructure). DFID's support has also enabled ADB to enhance its gender focus in projects.

- For work in **Mongolia**, the UK has a long-established permanent representation, through its Embassy. The EU, however, handles Mongolian matters from its Delegation in Beijing, PRC. For most effective engagement with policy and decision makers, as well as development partners, there is significant advantage to having an in-country presence, allowing greater local knowledge and better contacts/networking. As such, without a permanent presence in Mongolia, working through bilateral channels seems preferable. With regard to other international organizations, ADB, EBRD and the World Bank all have substantial offices in Ulaanbaatar with wide-ranging capacities in a variety of sectors and themes and with coverage across the country. The UN also has several of its agencies permanently represented including UNDP, WHO, UNICEF, UNFPA.
- In **Nepal**, advantages of the UK working through the EU, as viewed by our staff, include (i) less transaction costs for Nepal, given its limited institutional capacity to coordinate and deal with a large number of donors, (ii) leveraging and deepening EU's operation in the country, and (iii) possibility of pooling of resources, i.e., secondment of staff to EU can further strengthen collaboration and gain synergies and efficiencies in both DFID and EU operations. On the other hand, the UK/DFID is relatively better established in Nepal with wider and deeper engagement in policy dialogue with the government and other development partners and supports important policy reforms, in addition to other development activities, in different sectors. One disadvantage of DFID working through EU is that EU's processes are relatively more cumbersome and time consuming because of the review/endorsement/approval requirements by all EU member countries. In some cases, for example where EU is under-resourced and depends on the secondment of staff from DFID to EU in the sector, there is less possibility that EU will be able to deeply remain engaged in the sector although the sector is of high priority for DFID.
- Our office in **South Pacific** shared few observations in relation to EU assistance to the South Pacific: (i) EU has considerable grant resources for this region which are possibly only second to those of Australia (at least for the small island states); (ii) EU has aggressively moved towards budget support (or sectoral budget support) and this is very much welcomed by the countries; (iii) budget support has allowed the EU to expand their program as they do not have the capacity to design and implement technically complex projects; (iv) on budget support, EU relies heavily on the policy work undertaken by ADB and the World Bank. They have limited capacity to contribute in a significant way to policy formulation. Nevertheless, the resources they provide are important incentives for policy reform under the joint reform matrixes we pursue with partners in the region; (v) EU is potentially a significant source of co-financing for ADB. There are 2 obstacles related to: (a) procurement issues for countries that are not member countries of ADB; and (b) complex and cumbersome internal procedures.

- DFID's bilateral program closed in 2006 when **Sri Lanka** graduated to middle income status. While DFID still contributes to Sri Lanka through the Conflict Prevention Fund (£2 million in 2010/11), which supports IOM, UNOPS UNHCR, FAO and British NGOs, major support is provided through the EU. EU currently focuses its support on humanitarian projects in the North and East Provinces through UN agencies, following cessation of the civil conflict in 2009. EU is able to support much needed UN activities targeting humanitarian assistance (€40M project) as many other donors have pulled out of Sri Lanka. The disadvantage is that this is a narrow area of intervention, which if, channeled through other IFIs, could possibly target a broader range of beneficiaries.
- In the context of **Tajikistan**, it appears that EU and UK complement each others' assistance programs and amplify their joint impacts. They are both part of the Development Coordination Council (DCC). The EU chairs the human development and regional cooperation and integration into global economy groups, and co-chairs public finance group of the DCC. The DFID/UK co-chairs governance and economic and private sector development groups of the DCC. EU is working in areas where ADB has no operations (i.e. education, health) due to the focus of the current country program and strategy (CPS) for Tajikistan (transport, energy, and private sector development). Working through EU enables DFID/UK to ensure the coverage of other sectors and an adequate level of coordination with other countries represented by EU which are not ADB-member countries. This is not to say that UK should not work other international organizations. For example, working through ADB provides additional advantages as the ADB's country membership is much broader and involves other countries from other regions. ADB also has very transparent and clear procurement procedures and safeguards. In Central Asia, ADB maintains extensive and well staffed resident missions. Sector divisions are working under the joint venture which enables the use of staff resources (qualifications) more flexibly and efficiently. This technical expertise and staff resources could complement DFID/UK field offices which may or may not have the same level of resources available.
- For **Vietnam**, staff viewed advantages arising from a common, stronger view on complex policy issues. Disadvantages could arise from additional time required for consensus building between EU and UK.

Policy making and implementation through parallel competences

2. What is the impact of the current system of parallel competences on policy making and implementation in these areas, especially in terms of:
 - a. efficiency, effectiveness and value for money;
 - b. transparency (including checks against fraud and corruption)
 - c. working with other international partner organizations (e.g. UN, World Bank, etc.)
- Although there are no longer parallel competences between DFID and the EU in **Cambodia**, the fact that the EU representation has been upgraded to a full-fledged delegation has enabled EU development partners in Cambodia to develop a common assistance strategy with joint programming. This has enabled the EU to interact more coherently and effectively with other development partners, including ADB, and perhaps also with Government. With respect to the ADB, this common strategy and joint programming have helped avoid duplication of assistance and improved complementarities. (e.g. in the areas of PFM, D&D, education, and trade, knowledge-related work and cooperation with the government on

strategy and policy activities at the national and sector levels where the EU represents the views of all EU development partners.

- Our staff in **India** reported a positive experience on each of these items -- efficiency, effectiveness, value for money, and transparency – and suggests that no conflicts arising from any parallel competencies appear to exist. Though once again, it should be noted that ADB's country office in India actively engages only with DFID and not both DFID and EU. In this context, it may be noted that the Value for Money (VFM) concept is fully consistent with the Government of India's Finance-Plus approach that emphasizes the need for external assistance to leverage international experience, knowledge base, and familiarity with global best practices to yield systemic transformations. ADB's engagement in India is based on this approach and the DFID-India Partnership has provided strong support in this direction. It may also be noted that the projects in the program are monitored through ADB's strong and effective results framework consistent with DFID's SMART indicators.
- Without the necessary information/data, our staff from **Mongolia** cannot comment on transparency of the EU, efficiency, effectiveness and value for money. With regard to working with other international partners, ADB coordinates regularly and frequently with the British Embassy in Mongolia, especially on issues related to (i) economic development, (ii) governance; (iii) health; (iv) education. In comparison, ADB regularly, but less frequently, coordinates with the EU (given the lack of a permanent presence in Mongolia), with a particular focus on coordination in the Technical and Vocational Education and Training sub-sector. As such, ADB coordination with the UK and EU, respectively, is quite complementary. ADB is also communicating with the European Investment Bank (directly to their Luxemburg HQ) on co-financing opportunities in Mongolia. As yet, however, EIB has not been active in Mongolia.
- Our **Nepal** staff views the impact is less efficient and effective due to weak government capacity to coordinate the activities of a large number of donors and high transaction costs. Parallel EU and UK operations are also relatively less effective in terms of working with other development partners because of difficulties in coordination and relatively lesser 'weight' in leveraging and effecting policy dialogue and reforms.
- Staff from our country office in **Vietnam** shared that parallel competencies may have positive impact on effectiveness, value for money, and transparency as EU and UK can benefit from collective wisdom, experiences, and lessons learned, but not so prominently on efficiency as the process of agreeing on policy making and implementation becomes more challenging when more parties are involved. No particular impact is observed on working with other partner organizations, as many follow flexible approaches depending on the need on the ground.

Relationships between development cooperation/humanitarian aid and other policy areas

3. How far do EU development policies complement and reinforce policies in areas such as trade, security, stability, human rights, environment, climate change etc., and vice versa?

- Policy coherence for development is facilitated in **Cambodia** at two levels. First, internally, the elaboration of an EU common assistance strategy in Cambodia presents an opportunity for a more integrated approach of assistance across sectors and thematic priorities, while helping to reduce the transactions costs for Government in managing development assistance. Second, externally, most development partner assistance is anchored on the

strategic and sector- and thematic-specific priority policy reforms specified by the Government in its policy documents and processes, including most notably the Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase II, and the NSDP, 2011-13. Implementation of these priorities, and development partners' assistance, are monitored (a series of joint monitoring indicators have been agreed) and regularly reviewed by Government and development partners in joint meetings. This "aid architecture", has helped foster greater "support" coherence among traditional development partners, including the EU as a group and for individual EU development partners. While the emphasis of "policy" and "support" coherence has been mostly on "inputs" and "outputs", looking forward more attention should be paid to what is happening to "outcomes" and "impacts" as a better gauge of policy priorities and how they are being articulated and implemented (including on the institutional side) and the coherence and targeting of the support given by development partners, including the EU. Finally, although DFID no longer operates in Cambodia, in other countries where it operates and where there is a similar or comparable aid architecture, one can imagine how individual development partner support could meet a specific need more quickly, easily and effectively than a group of development partners, while remaining consistent with overall development priorities.

- In the **People's Republic of China**, EU launched their EU-China Urbanization Partnership in 2012 to support the PRC in addressing challenges in adapting to the PRC's urban century. ADB sees scope for further collaboration with the EU on this Program, and in environment and climate change
- EU's development policies appear to be fully consistent with ADB's engagement in **India**. The latter is guided by a Country Partnership Strategy that is developed in close consultation with the Government and development partners. The strategic pillars of ADB's forthcoming CPS (2013-2017), which guide ADB's operation in India are promoting: (i) Inclusive Growth; (ii) Environmentally Sustainable growth; and (iii) Regional Cooperation and Integration. Close attention is paid to incorporating five drivers of change in the design of projects: (i) Private Sector Development and Public-Private Partnerships; (ii) Institution Building and Capacity Development; (iii) Innovations and Knowledge Solutions; (iv) Gender Equity; and (v) Close partnerships with stakeholders and development partners. All of these are consistent with both DFID as well as EU priorities.
- For **Mongolia**, EU-wide engagement is quite limited, not least because of the lack of a permanent representation in Ulaanbaatar. Only a few EU member states have embassies in Mongolia, namely Bulgaria, Czech Republic, France, Germany, and the UK. As such, the most active discussions on development policies (and their interactions with other policies) tend not be on an EU basis, but more on a bilateral basis (e.g. cooperation with PRC on desertification, or carbon offsetting with Japan) or multilateral basis (e.g. climate change through the UN, or trade through the Central Asia Regional Economic Cooperation Program).
- In **Nepal**, EU is more engaged and active in the area of public financial management (PFM) reforms at the national level through the PFM Multi-donor Trust Fund. Until recently, EU was also the co-chair of the PFM donor coordination group. It is also seeking to collaborate with ADB to leverage such reforms at the local government level. Through these collaborative efforts, EU in Nepal has been complementing policy reforms in the PFM area. In the context of the education sector in Nepal, EU has been playing a key role under the joint financing arrangement where there are nine pooling partners for implementation of School Sector Reform Plan(2010-2015). DFID has provided secondment of staff to EU. Further, EU has

been playing an effective role in strengthening the public financial management within the education sector and is the key member in the PFM thematic working group. The EU PFM expert provides key advisory and technical inputs on PFM aspects. The arrangement is highly valued by the government as well as the DPs.

- As EU's support for **Sri Lanka** focuses on humanitarian projects in the conflict affected areas, it has an impact on security and stability.
- In **Tajikistan**, the EU chairs the human development and regional cooperation and integration into global economy groups, and co-chairs the public finance group. It also collaborates very closely with ADB under the energy, agriculture, water resources and regional cooperation groups of the DCC, complementing work of and coordinating with other development partners. ADB is currently processing the Regional Improvement of Border Services project (regional) which will complement and augment initial investments in Tajikistan's single window funded by EU. In comparison, UK's assistance program in Tajikistan focuses on rural development, stimulating private sector investment, gender development, etc.
- For **Vietnam**, EU's clear directions in these policy areas seem to help design effective and feasible development cooperation/humanitarian aid programs.

Future options and challenges

4. Bearing in mind the UK's policy objectives and international commitments, how might the UK benefit from the EU taking more or less action in these areas, or from more action being taken at the regional, national or international (e.g. UN, OECD, G20) level – either in addition or as an alternative to action at EU level?
- The key challenge in the **Mongolia** context is how to manage stability in the context of a resource-driven economic boom, and to prevent widening societal inequities as the 'Dutch Disease' takes hold. To be effective, close constant engagement with policy/decision makers is necessary, as is close liaison with foreign companies/multinationals active in Mongolia. While the EU can play a role, currently, with established presence and programs in place, the IFIs offer an immediate channel to engage on these matters as does the UK's embassy.
 - Our staff in **Vietnam** noted that since different partners have different experiences in development issues and policy areas, there may be merit to UK's certain independence. Actions at the regional and international levels help developing countries participate in and benefit from the global commitment.
 - In **Sri Lanka**, currently, ADB and EU (through the UN) are implementing post conflict assistance separately. ADB focuses on infrastructure rehabilitation such as roads, power and water supply, with small grant financed piggy-backed livelihood projects (with JFPR and RETA resources), while EU focuses on livelihood restoration. These efforts are well coordinated through development partner meetings. ADB staff recognizes that EU financing of UN projects is monitored closely and is well received by local communities. As experienced in the Tsunami project (Tsunami Affected Area Rebuilding Project or TAARP), there is an opportunity for the development assistance to target a broader range of beneficiaries by channeling resources thorough IFIs such as ADB, which have the capacity to manage large scale projects with greater impact.

5. Are there ways in which the EU could use its existing competence in these areas differently, or in which the competence could be divided differently, that would improve policy making and implementation, especially in terms of:
 - a. efficiency, effectiveness and value for money;
 - b. transparency (including checks against fraud and corruption)
 - c. working with other international partner organizations (e.g. UN, World Bank, etc.)?
 - There exists significant potential for the EU office in **Cambodia** to strengthen its relationship with other major donors through more proactive participation in joint development partner activities. However, this will require the recruitment of officers that possess special skills in the area of coordination and communication, and the establishment of dedicated positions in these areas
 - Feedback from the field noted strong and productive partnership in **India**.
 - Without the necessary information/data, our staff in **Mongolia** cannot comment on transparency of the EU, efficiency, effectiveness and value for money. To enhance workings with other international partner organizations, an in-country presence is necessary. This will also ensure that Mongolian counterparts are fully in the loop at all times. Currently ADB does not have any co-financing with the UK in Mongolia, although with the recent agreement between ADB and the EU this may be facilitated.
 - In **Sri Lanka**, ADB implemented the Tsunami Affected Area Rebuilding Project (TAARP) with €52 million co-financing from EU to rehabilitate the Matara-Wellawaya road and Simbalanduwa-Akkaeraipatty road pass through less-developed areas in the Southern Uva and Eastern Provinces. This was so far the largest EC co-financing with the ADB, and the cooperation between ADB and EU was very successful. ADB staff experienced a minor issue arising from the fact that EU reporting requirements were not clear, but this issue was solved during the implementation period.
 - For **Vietnam**, EU's presence as a group of countries is appreciated and respected. Some international partnership organizations may maintain bilateral relationships, particularly for sector and project specific cooperation and collaboration such as project cofinancing. As developing countries' needs are being increasingly diversified and available resources continue to be limited, closer coordination and efficient division of labor is necessary for all partners, bilateral and multilateral alike, to ensure greater synergy and minimize duplication between our respective initiatives.
6. What future challenges or opportunities might the UK face in the areas of development cooperation and humanitarian aid, and what impact might these have on questions of competence and the national interest?
 - A major challenge for the UK in pressing for the UK agenda in development cooperation and humanitarian aid that become evident in Cambodia towards the end of the DFIP term in **Cambodia** occurred when the UK agenda differed from the EU consensus in the respective areas. When this occurs in a critical area, such as for example the issue of the use of subsidies in development aid, or adherence to agreements or understandings with the Government, serious disagreements could arise in the context of specific projects.

- In **People's Republic of China**, the following challenges and opportunities were identified: (i) diminishing funds for development aid; (ii) support for urbanization and environmental protection; and (iii) PRC's role as a development partner. DFID has cofinanced ADB PRC technical assistance during the period of their in-country operations from 2002 to 2011. The £5.5 million China ADB Poverty Reduction Trust Fund was a significant contribution by DFID to promote poverty reduction in the PRC through ADB's portfolio and policy work. DFID's relationship with PRC now identifies ways in which both countries can work together as partners on shared global development objectives on global public goods and poverty reduction. Priority topics include agriculture and food security, disaster risk reduction, and global health. Other possible areas of cooperation include climate change, sustainable natural resource management, water resources and outward investment and economic growth. ADB would be interested to hear more about ongoing and future activities in these areas to identify possible synergies. ADB's PRCM is engaging with the British Embassy in their work on urbanization and low-carbon development and formed a donor roundtable group on low-carbon urbanization in December 2012. The roundtable hopes to initiate a more coordinated approach to the policy advice by different bilateral and international agencies on urbanization and low-carbon development.
- As DFID changes its **India** country strategy and/or focus of operations, the modalities of working with other development agencies or through multilaterals may be affected. The outcome is not known at this time. If direct work in the country is narrowed but continues to be routed through multilateral agencies, then our strong partnership should continue.
- The system of humanitarian aid has proven to be quite effective in **Mongolia**, based on previous disasters, and which features close cooperation between government, IFIs, the UN, and some specialized NGOs (e.g. Red Cross). As such humanitarian aid may not be a priority from a bilateral standpoint. With Mongolia now having access to the international capital markets, the focus on development cooperation is switching to the need for capacity development and technical know-how. An example is the Government's reform of curricula for general education, to introduce Cambridge standards. In health, the President of Mongolia is interested in exploring the UK system of health services. Both sectors see the involvement of multilateral organizations (ADB, UN) as well as ongoing participation by the UK on a bilateral front.
- **Sri Lanka** staff viewed that the development process does not stop when the country reaches middle income level, with significant inclusive growth challenges in all areas except the Western Province. As well known, countries are often caught by the middle income trap, and external assistance is needed. The cooperation should focus on private sector development, sophisticated infrastructure, and soft infrastructure such as governance and rule of law. Unless UK continues support, it may lose opportunities to participate in the important development process. UK may therefore explore ways to assist development cooperation for middle income countries.
- Our staff in **Vietnam** shared the view that as UK is wrapping up its development cooperation programs in some developing countries, its contributions through certain grouping such as EU, or international partner organizations as their shareholder will become more important. It is advisable for UK to maintain certain expertise in development cooperation/humanitarian aid to ensure constructive engagement with these partner agencies and provide necessary checks and balances for their operations.

General

7. Are there any general points on competence you wish to make which are not captured above?
- We have no further comments.