

money from europe

MONEY FOR EUROPE

A Primer on Europe's
Involvement in the ADB



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Source document, "Europe Money in Asia, The Art of Asian Development Bank's Cofinancing", prepared by Hemantha Withanage and Arturo C. Nuera

Published by the NGO Forum on ADB, April 2008

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MONEY FROM EUROPE, MONEY FOR EUROPE

I. BACKGROUND – EUROPE IN THE ASIAN DEVELOPMENT BANK

In 2006, the European Union (EU), European Commission (EC) and the 27 member countries of the EU, contributed 49 Mrd USD (54%), the biggest share of Official Development Assistance (ODA) worldwide, followed by the United States (US) and Japan. The European Union plays an important role for development finance and also in influencing the international development agenda.

Part of the ODA goes to multilateral organisations such as the UN agencies, the World Bank (WB) and Regional Development Banks (RDBs). The Asian Development Bank (ADB) is one such Development Bank. Established in 1966, the ADB provides loans and technical assistance to developing and middle-income countries in Asia and the Pacific. Its goal is the promotion of social and economic development in these countries in order to fight poverty.

Countries pay contributions to the ADB in order to become shareholders or members. According to the size of shares, each member has a certain voting power. Japan and the US are the largest single donors to the ADB with 15.571 % of shares and a voting power of 12.756 %, as of February 2007¹.

Out of its current 67 members of the ADB, 17 are from Europe, and 14 of them are members of the European Union. Seventeen (17) European member countries have a combined capital subscription of over \$8.4 billion².

The members of the European Union are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, and United Kingdom.

1 <http://www.adb.org/About/membership.asp>

2 <http://www.adb.org/ERO/members.asp>

Among them are some countries with rather high voting powers such as Germany (3.817%) and France (2.200%). Combined, the EU members would have a voting power of 13.896 % (Europe together: 15.823%), more than Japan and the USA.

EUROPEAN MEMBER COUNTRIES			
ADB Member Country	Year of Membership	Subscribed Capital (% of total)	Voting Power (% of total)
Austria	1966	0.344	0.593
Belgium	1966	0.344	0.593
Denmark	1966	0.344	0.593
Finland	1966	0.344	0.593
France	1970	2.354	2.200
Germany	1966	4.374	3.817
Ireland	2006	0.344	0,57
Italy	1966	1.828	1.780
Luxembourg	2003	0.344	0.593
The Netherlands	1966	1.037	1.147
Norway	1966	0.344	0.593
Portugal	2002	0.344	0.593
Spain	1986	0.344	0.593
Sweden	1966	0.344	0.593
Switzerland	1967	0.590	0.790
Turkey	1991	0.344	0.593
United Kingdom	1966	2.065	1.970
<i>Source: ADB http://www.adb.org/About/membership.asp, as of 2 February 2007</i>			

Each country is represented by a governor. Responsible ministries in the home country are mostly the Ministries of Finances or, as in the case of Germany, the Federal Ministry for Economic Cooperation and Development (BMZ).

The Board of Governors delegates its day-to-day decision making to the 12 member Board of Executive Directors who oversee and decide on the Bank's operations.

Japan, the USA and PRC have one seat in the Board. The other members are clustered in several constituencies. The European countries, together with Canada, are represented in three constituency groups, which is equivalent to three seats in the Board of Directors.

Clusters

Canada	Austria	Belgium
Denmark	Germany	France
Finland	Luxembourg	Italy
Ireland	Turkey	Portugal
The Netherlands	United Kingdom	Spain
Norway		Switzerland
Sweden		

As mentioned earlier, not all members of these constituencies are also members of the EU, in effect, they cannot vote with one EU-voice. Besides, all activities and priorities in multilateral organisations are subject to national development policies and decision making. However, there have been attempts for more coordination among the European countries which would be in line with EU policy of more donor harmonisation and the principles of coordination, coherency and complementation (see Europe and Development Policy chapter).

The ADB has a Representative Office for Europe in Frankfurt/Main, Germany. According to the ADB, this serves to enhance public awareness and support for the ADB in its European member countries, therefore it engages with decision makers in governments, development agencies, the private sector and civil society³.

About 192 professional staff from European countries are working in the ADB⁴.

In addition to European member countries, the ADB works with various Europe-based institutions and organizations including the European Commission (EC) and the Organization for Economic Cooperation and Development (OECD).

II. THE EU DEVELOPMENT POLICY AND ITS ASIA STRATEGY

Since the foundation of the European Community laid down in the “Treaties of Rome” (1957), development policy is part of the policy of the community. The development policy of the European Union is regarded as complementation to

3 <http://www.adb.org/ero>

4 Source: ADB Annual Report 2006

the bilateral development agendas of its respective member countries. However, the European Commission, the executive branch of the European Union, is also implementing development projects in other countries.

The “Maastricht Treaty of the European Union” (1992) failed to define a common development policy for the EU, but defined development cooperation as a “shared competence of the member states and the commission”⁵. However, the treaty defines three principles for EU’s development policy: coordination (the obligation for European Union and its members to coordinate development and aid programmes); coherency (obligation of the EU development policy to be in coherence with other EU policies); and complementarity (development policy of EU is complementary to the development policies of its members).

The EU constitution and its amendment “Treaty of Lisbon” did not state a common EU development policy. It merely states “The Union’s development cooperation policy and that of the member states complement and reinforce each other”. It further states the promotion of sustainable development regarding economy, society and environment with its main goal to eliminate poverty. The development policy of the EU remains complementary to the national development agendas⁶.

Several treaties and declarations strive for a better coordination of the development activities. However, the biggest challenge for the EU seems to be better coordination, not only in principle declarations but also in practice.

The decision-making body regarding development policies is the General Affairs and External Relations Council (GAERC). Development policy is therefore part of the foreign policy of the EU. In 2007, GAERC agreed on the “EU Code of Conduct on Complementarity and Division of Labour in Development Policy” in order to improve donor harmonisation and the effectiveness of aid⁷.

5 Engel, Paul and Niels Keijzer, From Maastricht to the Millennium. In: D+C 2/2008, p. 62f, online: <http://www.inwent.org/ez/articles/065233/index.en.shtml>

6 Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community <http://consilium.europa.eu/uedocs/cmsUpload/cg00014.en07.pdf> and Treaty establishing a Constitution for Europe, <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2004:310:SOM:EN:HTML>

7 “A common code”. In: D+C 2/2008, p. 64, online: <http://www.inwent.org/ez/articles/065233/index.en.shtml>

The EU members are bound by the decisions of GAERC. For example, since 2004 the GAERC declares in its Common Position on Burma/Myanmar the suspension of all non-humanitarian aid or development programmes (with the exception of the areas of health, education, human rights and environmental protection). Therefore, EU members would not be allowed approval in a board meeting in the ADB, in case a project for Burma/Myanmar has to be approved⁸.

A major part of European ODA goes to African, Caribbean and Pacific States, the so-called ACP-countries, mostly former colonies. Asia has no high priority as recipient of ODA. Among the top 10 recipient countries of European money, there's only one in Asia, Afghanistan. Other priority countries are China, Bangladesh and Vietnam⁹.

In 2004, European Commission and the member countries of the European Union contributed 43,264 Mrd USD (52%), the biggest share of ODA worldwide, followed by the US and Japan. Out of this amount, 10 % went into South and Central Asia, 7% to East and Southeast Asia and Oceania. Of the total ODA going to Asia in 2004, EU provided 2.472 Mrd USD (27%) to South and Central Asia, and 1.942 Mrd USD (29%) to Far East Asia and Oceania¹⁰.

European Union Asia Strategy

In 1994, the European Commission produced its first strategy paper for Asia, "Towards a New Asia Strategy." In their own words, "this is the first effort to take an integrated and balanced view of the relations between the European Union (EU) and its Asian partners".

In 2001, the European Commission reviewed its strategy with the objective "to strengthen the Community's political and economic presence in Asia in order to raise it to a level commensurate with the growing global weight of an enlarged

8 See for example Article 3, Council Common Position 2006/318/CFSP
<http://www.europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=OJ:L:2006:116:0077:0097:EN:PDF>

Anyway, at the moment Burma is not eligible for direct lending due to overdue payment, but is involved in regional programmes.

9 EU Donor Atlas 2006, Volume 1, February 2006
http://ec.europa.eu/development/body/publications/docs/eu_donor_atlas_2006.pdf

10 EU Donor Atlas 2006, Volume 1, February 2006
http://ec.europa.eu/development/body/publications/docs/eu_donor_atlas_2006.pdf

EU”. This new “Strategic Framework for Enhanced Partnership” describes six objectives, among them intensified trade relations and mutual investments as well as the effective contribution to combating poverty, and more engagement in the region¹¹.

In its EU-Asia Strategy, the European Commission declares Asia as a crucial partner, politically, economically and culturally. For the EU, the economic and commercial relations with Asia are of great importance for its own prosperity. Asia has recently surpassed North American Free Trade Agreement (FTAs) to become Europe’s main trading partner, accounting for a third of Europe’s total trade flows. Moreover, European foreign direct investment (FDI) in Asia amounts to a third of European investment abroad, and is growing¹².

Recently, the EU is pushing for a variety of bilateral Free Trade Agreements (FTAs) with Asian countries, like India, South Korea and the Association of Southeast Asian Nations (ASEAN). Doing this, the EU is trying to continue the failed World Trade Organization (WTO) negotiations on a bilateral basis.

The EU claims that increased trade if “accompanied by the proper flanking policies and if used correctly can provide opportunities for promoting economic development and tackling poverty reduction”. Therefore, developing Asian countries should gradually be integrated in the world economy and the multilateral trading system. The promotion of economic growth and increased trade and investment is also the ADB’s policy to fight poverty.

However, the FTA negotiations are not without conditionalities. The EU wants the opening of the Asian markets for products from Europe by removal of trade barriers, the liberalisation of investments, government procurement and services and a widening of intellectual property rights. It appears therefore as driven by a corporate agenda for EU corporations.

Whether these FTAs will support sustainable development, as claimed by the EU, and not lead to marginalisation of some local industries and to increased poverty, remains highly questionable.

11 Commission of the European Communities. COM(2001) 469 final, Europe and Asia: A Strategic Framework for Enhanced Partnerships, Brussels, 4.9.2001,

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0469:FIN:EN:PDF>

12 http://ec.europa.eu/external_relations/asia/index.htm

III. FINANCING THE ADB OPERATIONS

The operations of the ADB are financed through Ordinary Capital Resources (OCR), Special Funds, and various trust funds, i.e. special funds that are administered through the ADB.

Special funds where European countries contributed in the past are the Asian Development Fund (ADF), the Technical Assistance Special Fund (TASF) as well as other funds like the Asian Tsunami Fund (ATF) and the Pakistan Earthquake Fund (PEF).

Between January 1967 and December 2007, European countries committed to the ADF an accumulated amount of almost 9.1 billion USD. In the same period, they contributed 152.3 million USD to the TASF¹³.

Commitments to ADF and TASF From 1 January 1967 to 31 December 2007		
European Countries (In Million USD)		
Country	ADF Committed	TASF Contributions
Austria	283.869	3.952
Belgium	245.900	4.601
Denmark	279.408	5.997
Finland	154.962	2.295
France	1423.914	22.667
Germany	2131.461	29.957
Ireland	34.021	0.000
Italy	841.345	10.145
Luxembourg	50.089	0.238
The Netherlands	836.260	13.161
Norway	243.245	7.587
Portugal	98.159	1.344
Spain	402.330	6.379
Sweden	343.011	7.717
Switzerland	418.544	6.498
Turkey	110.520	2.720
United Kingdom	1202.778	27.279
Total	9,099.816	152.299

Source: <http://www.adb.org/Documents/Others/QPS/2007/Q407tb78.pdf>

13 From: Quarterly Procurement Statistics: Comparison between Contribution to ADB Resources and Cumulative Procurement From Member Countries from 1 January 1967 to 31 December 2007, <http://www.adb.org/Documents/Others/QPS/2007/Q407tb78.pdf>

The Asian Tsunami Fund, established in February 2005, received a contribution from Luxembourg of 1.0 million USD to rehabilitate irrigation schemes in the Indonesian provinces of Aceh and North Sumatra¹⁴.

For the Pakistan Earthquake Fund, established in November 2005, Finland committed 12.3 million USD and Norway 5 million USD¹⁵.

Besides, European countries contribute to a variety of other special funds like the Financial Sector Development Partnership Fund, the Gender and Development Fund, the Poverty and Environment Fund or the Cooperation Fund for the Water Sector.

Channel Financing Arrangements

In addition to OCR and the Special Funds, the ADB manages and administers channel financing arrangements of a number of trust funds provided by bilateral donors to support technical assistance (TA) and soft components of loans. Under such an arrangement, the donor enters into a comprehensive agreement with the ADB whereby the donor provides an untied grant fund to be administered by the ADB, but the fund does not become part of the ADB's own resources. The donor indicates its preferred sectors and recipient countries.

Since 1980, eighteen (18) channel financing agreements were made, out of which, 11 are from Europe¹⁶.

IV. COFINANCING

The ADB also mobilizes financial resources through its cofinancing operations, tapping official, commercial and export credit sources to maximize the development impact of its assistance. Cofinancing for the ADB projects can be in the form of loans, technical assistance, grant components of loan projects, or credit enhancement products such as guarantees.

14 Australia contributed 3.7 million USD equivalent for reconstruction work in Sri Lanka, and the ADB initially had a 600 million USD contribution, <http://www.adb.org/tsunami/atf/default.asp>

15 Australia committed 15 million USD, initial ADB contribution was 80 million USD. Source: Annual Report 2006, Vol II, Management's Discussion and Analysis

16 Belgium, Denmark, Finland, France, Ireland, Italy, The Netherlands, Norway, Spain, Sweden, Switzerland; For amounts and projects see country fact sheet.

Cofinancing also increases the attractiveness of an otherwise unbankable project because a Political Risk Guarantee will be provided by the ADB and the government.

Since 1970, the ADB has arranged a total of 49.5 billion USD of cofinancing for 692 projects (official sources 25 billion USD, commercial 24.5 billion USD).

The 49.5 billion USD raised is less than the amount raised by the ADB in the international capital markets for its OCR (OCR 53.2 billion), and is more than double the amount the ADB obtained from ADF donors (24.4 billion)¹⁷.

Of the total, 40.9 billion USD (83%) was for 649 public sector projects, and 8.6 billion USD (17%) was for 43 private sector projects. The energy sector accounted for 21.6 billion USD (44%), followed by transport and communications (12.6 billion USD, or 26%), and industry and trade (3.7 billion USD, or 7%).

Cumulative cofinancing with European countries reached almost 6.5 billion USD between 1970 and 2006¹⁸.

From 1970 to 2005, the ADB had 15 bilateral cofinanciers from Europe (concessional and non-concessional loans)¹⁹, six (6) European-based multilateral agencies (concessional and non-concessional loans)²⁰ and 13 commercial sources²¹. There were six (6) export credit sources²².

17 www.adb.org/cofinancing

18 www.adb.org/ero

19 Germany 1,095.71 million USD, UK 1,069.03 million USD, France 544.14 million USD, The Netherlands 345.53 million USD, Norway 184.09 million USD, Sweden 146.35 million USD, Denmark 111.82 million USD, Switzerland 90.59 million USD, Czechoslovakia 46.00 million USD, Belgium 24.17 million USD, Finland 18.06 million USD, Spain 17.80 million USD, Italy 5.00 million USD, Ireland 1.80 million USD, Bulgaria 0.20 million USD (Source: ADB Cofinancing 2006, <http://www.adb.org/Documents/Others/Cofinancing/IN90-06.pdf>)

20 European Investment Bank 524.76 million USD, European Union 235.94 million USD, European Community 216.0 million USD, Nordic Development Fund 197.97 million USD, Nordic Investment Bank 55.50 million USD, European Bank for Reconstruction and Development 25.00 million USD (Source: ADB Cofinancing April 2006, <http://www.adb.org/Documents/Others/Cofinancing/IN90-06.pdf>)

21 France 924.09 million USD, Germany 435.49 million USD, The Netherlands 168.52 million USD, Belgium 137.38 million USD, Spain 134.71 million USD, Austria 122.38 million USD, Italy 113.60 million USD, Switzerland 71.52 million USD, UK 60.77 million USD, Sweden 16.00 million USD, Luxembourg 14.00 million USD, Portugal 7.50 million USD, Finland 0.68 million USD (Source: ADB Cofinancing April 2006, <http://www.adb.org/Documents/Others/Cofinancing/IN90-06.pdf>)

22 France 337.40 million USD, Germany, 252.75 million USD, Spain 75.65 million USD, Austria 65.88 million USD, Belgium 13.33 million USD, Italy 6.50 million USD (Source: ADB <http://www.adb.org/Documents/Others/Cofinancing/IN94-05.pdf>)

Official cofinancing is an arrangement under which the ADB and other official funding agencies, bilateral as well as multilateral, finance an ADB-assisted project or program.

During 2001-2005, loans from official funding agencies amounted to 3.3 billion USD, and accounted for about 20% of the ADB's total cofinancing for the same period. Japan provided 42% of the ADB's official loan cofinancing during this five-year period, followed by the World Bank (29%), France (13%), Organisation of the Petroleum Exporting Countries (OPEC) Fund (3.2%), and European Investment Bank (3%)²³.

Official Funding Agencies

Bilaterals

Country	Funding Agency
Australia	Australian Agency for International Development (AusAID)
Belgium	Directorate General for International Cooperation (DGIC)
Canada	Canadian International Development Agency (CIDA)
Denmark	Danish International Development Assistance (DANIDA)
Finland	Ministry for Foreign Affairs
France	Ministry for Foreign Affairs – Directorate General for International Cooperation and Development (DGICD)
France	Agence Francaise de Développement (AFD)
Germany	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
Germany	Kreditanstalt für Wiederaufbau (KfW)
Japan	Japan Bank for International Cooperation (JBIC)
Japan	Japan International Cooperation Agency (JICA)
Korea	Economic Development Cooperation Fund (EDCF)
Kuwait	Kuwait Fund for Arab Economic Development (KFAED)
Netherlands	Ministry of Foreign Affairs
New Zealand	New Zealand Agency for International Development (NZAID)
Norway	Royal Ministry of Foreign Affairs
Norway	Norwegian Agency for Development Cooperation (NORAD)
Spain	Ministry of Commerce and Trade
Sweden	Swedish International Development Cooperation Agency (SIDA)
Switzerland	Swiss Agency for Development and Cooperation (SDC)
Switzerland	State Secretariat for Economic Affairs (SECO)
Taipei, China	International Cooperation Development Fund (ICDF)

23 www.adb.org/cofinancing

Country	Funding Agency
United Kingdom	Department for International Development (DFID)
United States	United States Agency for International Development (USAID)
<i>Source: www.adb.org/cofinancing</i>	

Multilaterals

European Investment Bank (EIB)
European Union (EU)
Food & Agriculture Organization (FAO)
Global Environment Facility (GEF)
International Bank for Reconstruction & Development (IBRD)
International Development Association (IDA)
International Finance Corporation (IFC)
International Fund for Agricultural Development (IFAD)
Islamic Development Bank (IsDB)
Nordic Development Fund (NDF)
Nordic Investment Bank (NIB)
The OPEC Fund for International Development (OPEC Fund)
United Nations International Drug Control Programme (UNDCP)
United Nations Development Programme (UNDP)
United Nations Children's Fund (UNICEF)
United Nations Industrial Development Organization (UNIDO)
United Nations Population Fund (UNFPA)
World Health Organization (WHO)
<i>Source: www.adb.org/cofinancing</i>

Grants and loans provided by official funding agencies have been the largest source of funds for the ADB's cofinancing operations. During 1970-2006, the ADB arranged official cofinancing of 8.8 billion USD for 218 projects. Since 2002, on an annual basis, official cofinancing for the ADB the projects has averaged 407 million USD per year.

Major Official Cofinanciers during 2002-2006 (top five)

Japan	562 million	USD (28%)
United Kingdom	280 million	USD (14%)
France	214 million	USD (11%)
Netherlands	211 million	USD (10%)
European Community	188 million	USD (0.9%)

Commercial Cofinancing

Commercial sources of cofinancing include commercial banks, insurance companies, institutional investors and export credit agencies.

The ADB continues to promote commercial cofinancing in order to mobilize private sector resources, and to pursue innovative uses of guarantee products. From 1970 to 2005, commercial cofinancing (including export credit) for both public and private sector projects amounted to 24.5 billion USD for 186 projects and has averaged 2.3 billion USD per year since 2001. This trend is expected to continue in the near term²⁴.

Over the last decade, commercial and export credit cofinancing amounted to 18.1 billion USD for 91 projects or 64% of total cofinancing operations of ADB during the same period. During the last five years, the annual amount of cofinancing averaged about 3.3 billion USD, more than the average annual amount of ADB loans for projects with cofinancing (2.6 billion USD).

In 2006, the ADB has reviewed its cofinancing strategy and guarantee operations. Under its new Financing Partnership Strategy, the Bank is further seeking to increase private sector resources for cofinancing, also from European sources²⁵.

The Greater Mekong Subregion²⁶ (GMS) Programme of the ADB is a regional cooperation project where European donors contribute large sums in cofinancing. The GMS was designed with the purpose of facilitating growth and development of the region. Part of this regional programme is the development of the energy, transportation, telecommunications sector, infrastructure development, the promotion of trade and tourism. Cofinancing for the large infrastructure projects including dams, railways or roads comes from, among others, the Agence Francaise de Développement (AFD), the Nordic Investment Bank, the Nordic Development Fund and the European Investment Bank²⁷. In the controversial Nam Theun II hydropower project in Laos, a European company, Électricité de France (EdF), is the biggest shareholder of NTPC, the Nam Theun II developer. Norconsult, a Norwegian consultant, was hired by the ADB to create a blueprint for electricity, power grids and dam projects for the GMS.

24 www.adb.org/cofinancing

25 ADB Financing Partnerships, April 2007

26 The GMS includes China's Yunnan Province, Thailand, Lao PDR, Burma, Cambodia, and Vietnam

27 ADB Cofinancing April 2006, <http://www.adb.org/Documents/Others/Cofinancing/IN90-06.pdf>

Other projects, cofinanced by European donors, have a track record of failure and violation of the ADB's environmental and resettlement safeguards. In the Chashma Right Bank Irrigation Project in Pakistan, the construction of a 274-kilometer canal along the Indus River with its distribution canals, drainage systems and bridges has caused involuntary displacement of thousands, and loss of livelihood due to land acquisition and flooding. The German Kreditanstalt für Wiederaufbau (KfW) provided a loan of 45.25 million Euro for the project, but later pulled out.

The Melamchi Water Supply Project in Nepal including the construction of the 26-kilometre long Melamchi River diversion tunnel to Kathmandu, was originally financed by the ADB and World Bank with additional sources of the Swedish International Development Agency (SIDA) and Norwegian Agency for Development (NORAD). World Bank, SIDA and NORAD later pulled out of the project citing dissatisfaction with the progress of the project and the ADB, as well as concerns about Nepal's unstable political situation. Currently, the ADB is again looking for private sector partners to revive the project.

The Corporate Connection

Out of the loans for projects and activities in the developing member countries in Asia and the Pacific provided by the ADB every year, billions of dollars are involved for the procurement of goods, related services and civil works.

Since 1967, European companies and consultants have been awarded well over 12.69 billion USD in procurement contracts from ADB-financed projects²⁸.

Some of the big companies regularly awarded contracts from Europe have well-known names like Alstom-Voith-Fuji, Geismar, Electricité de France, Sofregaz, Siemens, MAN or Norplan.

“In the Table (*refer to page 14*),” with the comparison of total contributions to the ADB and procurements, shows that the procurement contracts for the donor countries sometimes are much higher than the contributions. The engagement in the ADB is therefore a huge benefit for the donors.

28 <http://www.adb.org/ero>

Donor Member Country	Total Contribution to ADB Resources (in million USD)		Total Procurement (in million USD equivalent)		Ratio	Rank
	Amount	Per cent	Amount	Per Cent		
Austria	301.128	0.82	315.666	0.33	1.05	33
Belgium	263.808	0.71	374.878	0.40	1.42	29
Denmark	298.712	0.81	343.144	0.36	1.15	31
Finland	170.564	0.46	248.281	0.26	1.46	35
France	1537.628	4.15	1489.805	1.58	0.97	18
Germany	2330.631	6.29	3230.497	3.42	1.39	8
Ireland	47.391	0.13	9.728	0.01	0.21	57
Italy	922.190	2.49	1916.617	2.03	2.08	16
Luxembourg	63.697	0.17	1.008	0.00	0.002	62
Netherlands	889.530	2.40	772.817	0.82	0.87	23
Norway	264.139	0.71	102.729	0.11	0.39	43
Portugal	112.873	0.30	2.413	0.00	0.02	60
Spain	422.016	1.14	186.119	0.20	0.44	39
Sweden	364.035	0.98	510.398	0.54	1.40	26
Switzerland	447.883	1.21	1043.561	1.11	2.33	20
Turkey	126.547	0.34	507.490	0.54	4.01	27
United Kingdom	1309.928	3.54	2293.910	2.43	1.75	12
United States	4444.210	11.99	6616.983	7.01	1.49	5
Japan	14602	39.41	8683.633	9.20	0.59	3
China	283.699	13.43	13162.919	13.95	46.40	1
India	250.676	11.87	9996.702	10.59	39.88	2

Comparison between contribution to the ADB resources and cumulative procurement from member countries, goods, and works and consulting services under project and programme loans and technical assistance operations combined, from 1 January 1967 to 31 December 2007

Source: <http://www.adb.org/Documents/Others/QPS/2007/Q4071b78.pdf>

Procurements

Procurement contracts are awarded through international competitive bidding where only companies from the ADB members are able to participate. Lack of transparency, fraud and corruption are concerns that the ADB frequently has to face, and especially private sector operations seem to be vulnerable to corruption. In 2006, the World Bank debarred German consulting engineer Lahmeyer International – that has also won several consultancy contracts of the ADB in the past - from Bank-financed contracts for seven years because it bribed the chief executive of the Lesotho Highlands Water Project.

V. ADB PROJECTS WITH PARTICIPATION/PROCUREMENTS OF EUROPEAN CONTRACTORS/COMPANIES

*** Phulbari Open Pit Mine, Bangladesh**

Global Coal Management (GCM), a UK-listed company, plans to operate an open-pit mine that would extract 15 million tonnes of coal per year from Phulbari in Bangladesh. This is a key rice-producing area that contributes to the food basket of Bangladesh. Apart from the environmental impacts, the number of anticipated project-affected people was contested. According to an expert Committee Report (September 20, 2006) commissioned by the Government of Bangladesh, it was found that over 129,000 persons would be directly affected and 220,000 persons more would be indirectly affected. GCM, through its Bangladeshi subsidiary, Asia Energy, proposes to mine for over 30 years. Due to massive civil resistance ADB is now considering to pull out of the project.

*** Lafarge Surma Cement Project in Meghalaya, NE India**

In order to meet the growing demands of cement and construction materials, the Lafarge Group of France and Cementos Molins of Spain - Lafarge Surma Cement Pvt. Ltd. (LSC) - decided to set up a cement plant in Bangladesh while the raw materials are sourced from the Khasi area of Meghalaya state in North East India. The Lafarge Surma Cement project is the first project funded by the ADB in North East India as well as in the South Asia Sub-regional Economic Cooperation (SASEC).

Lafarge Surma Cement (LSC) project has led to invasion and occupation of land traditionally owned by the Khasi people of Meghalaya in North East India. The project also has led to destruction of forest areas - used for traditional rice cultivation and also other seasonal vegetations and medical plants, among others. The ADB (and IFC) has acted as the mortgagee of this invasion. The blasting of hills and forests have caused physical damages leading to artificial changes in water flow regimes, subsequently impacting on other aspects of human daily activities. The ADB did not apply any of its safeguard policies concerning involuntary resettlement, on indigenous peoples and the environment. Despite the complaints of those who are affected, the ADB has done little to mitigate the concerns. This project has also signaled the impossibility of the borderless Asia dream.

(Source: Ramananda Wangkeheirakpam, North East Peoples Alliance on Trade Finance and Development, North East India through Panos South Asia)

* **Lafarge Cement Factory in Aceh, Semen Andalas Indonesia , Indonesia**

In 2007, the ADB approved a private sector loan of 45 million USD for the reconstruction of the Lafarge-owned Semen Andalas Indonesia (SAI) cement factory in Aceh, Indonesia, which has been destroyed by the Tsunami in December 2004. When Lafarge/SAI was still operating there, people in the vicinity were experiencing breathing difficulties due to air pollution. As a result of the mining and blasts, crops were also destroyed. Still, considering the track record of the Lafarge/SAI plant, the new loan was approved in violation of the ADB's environmental and social safeguard requirements. No proper public consultation was conducted. As a result of unresolved problems from the past operations and practices of Lafarge / SAI, and the lack of any public discussion regarding the resolution of these problems, and clear steps to prevent future environmental and social damage, conflicts between local people and the company continue.

(Source: Titi Soentoro (Nadi), Devi Puspa and Rism Umar (Solidaritas Perempuan Aceh) Risma Umar (Solidaritas Perempuan) and Stephanie Fried/ Environmental Defense Fund. "Three people and a goat", In: NGO Forum on ADB series: Development Debacles Part II (for publication)

VI. NGO ENGAGEMENT IN THE NORTH AND SOUTH: ROLE OF THE NGO FORUM ON ADB

Considering the ADB's impact in the Asia and the Pacific region, it is important for the NGO Forum on ADB to actively involve in the capacity building of civil society organizations (CSOs) in the region; help both concerned individuals and affected peoples better understand the ADB and its operations; and bring the ADB-related campaigns to the doorstep of the Bank's management.

Being the most radical and controversial International Financial Institution (IFI) in the region²⁹, it is very important for CSOs across Asia-Pacific and Europe with serious stakes on environmental protection and human rights issues to learn about

29 See (a) Hemantha Withanage, Romil Hernandez and Ronald Masayda "Development Debacles: A look into ADB's involvement in environmental degradation, involuntary resettlement and violation of Indigenous peoples' rights." September 2006; and (b) "Changing Advocacy for Changing Business." In: Bankwatch Vol 6, No 1, March 2007

the struggles of peoples and communities against ADB projects, policies and the programs. Likewise, it is imperative for these groups to monitor and track cases wherein the environment and natural resources have been degraded and the social rights of project-affected families, vulnerable individuals and Indigenous Peoples have been violated by the ADB operations. Since 1992, the Forum has led efforts to develop peoples' initiative to become more active and critical participants in ADB-related development processes through the following activities: advocacy and lobbying work, information dissemination, research, publications and capacity-building. In addition, these undertakings have resulted in the establishment of a multidisciplinary albeit dynamic civil society/peoples' network that has served as the venue for robust exchanges of timely information, analytical and divergent views and individual and organizational expertise.

In addition, the Forum has steadfastly dealt with as well as advocated against the marginalization of CSOs in the development and democratization processes, particularly in ADB's Developing Member Countries (DMCs). In some Asian countries, participation in these processes has been limited to the new elites, politicians, bureaucrats and even militaries.

In light of this, there is a continuing need for the Forum and like-minded organisations to build on the capacity and enhance the knowledge of these CSOs on how to best engage with the ADB and their respective governments regarding problematic projects and programs. These CSOs have to know their responsibilities and rights as important development stakeholders as well as the available legal means and non-legal mechanisms that they can use and explore to achieve justice.

Currently, the Forum has a strong base in Southeast Asia and South Asia. It is also active in the Mekong Subregion and Central Asia and the Caucasus. The network has also members and partners in Europe, Australia and the United States. It continues to expand its work in the Pacific Islands.

NGOs in Europe and donor countries

In many European donor countries, CSO and NGO attention, awareness and interest on the ADB is still very low. This is in stark contrast to the rather active NGO-engagement towards World Bank and IMF. These financial institutions even get more public attention in continental Europe. Given the crucial role that the ADB supposedly plays in the economic development and poverty alleviation efforts in its DMCs, coupled with the large aid and funding contributions of European countries to the ADB, it is high time for European CSOs to form linkages and coalitions with those in Asia, the US and Australia to engage with the ADB. The

European civil society is in a best position to help their counterparts in monitoring the ADB operations, a number of which has been documented, and found to have brought harm to the environment and displaced peoples and communities.

Since the European public money is being spent for ADB projects and programs, the responsible ministries of donor governments have to assess whether and to what extent the ADB has accomplished its promised development goals. The "accomplishment of goals" or the "success" of its operations is difficult to measure, since the effects of the ADBs development operations are largely translated in socio-economical and environmental costs and benefits. For assessing the performance of the ADB, donor governments solely rely on the performance evaluations and reports prepared or commissioned by the ADB itself. Ideally, for a more objective and inclusive assessment, governments should also involve independent evaluating entities. There are many NGOs and local stakeholders that report about disastrous project failings, negated interests of local communities, inadequate information disclosure and accountability failures, among others³⁰.

In most cases involving information disclosure on a project, be it in the pipeline or on-going, the anticipated positive and negative impacts provided by ADB is contrary to the information provided by the project affected communities and their allied organisations³¹. And often, the decision makers in the European ministries or the ADB are caught unaware of these critical gaps that could prevent or could have prevented adverse environmental and social impacts.

This is where a collaboration and solidarity between Northern and Southern NGOs (as in the case of the NGO Forum) is very much-needed. The complementarities in their efforts would help amplify the voices of affected peoples as they fight for the protection of their lives and livelihoods against badly conceived and implemented ADB-assisted projects and programs.

By strengthening its cooperation with Southern partners, Northern NGOs can bring the issues of local stakeholders to the decision-making tables of donor governments.

30 See Henneke Brink, On the Asian Development Bank and Donor Countries that Hear and See Little Evil". In: *BanglaPraxis* Vol 2, No 1, June 2004

31 The latest example being the project proposal for the Phulbari Coal Mine in Bangladesh. ADB estimated the number of people subjected to resettlement about 50,000, the Bangladesh government estimates the number of directly project affected about 129,000, that could rise to up to 220,000 due to lowering groundwater, CSOs estimate the numbers even higher.

Given that local stakeholders know best about the actual impacts of ADB operations, their inputs (as carried by European civil society) are crucial for every well-intentioned efforts of any donor countries to properly assess the ADB's operations, and to critically examine their funding and aid contributions to the institution.

Another important role that European NGOs can play is to raise awareness among the European public that their governments are members and donors to the ADB. Further, they can highlight how their respective governments are spending taxpayers' money. It is their right to know how their money is valued (and not wasted) by the ADB in the name of poverty reduction in Asia and the Pacific.

The monitoring of the private sector and European companies that are involved in cofinanced projects with the ADB and those which are getting those lucrative procurement contracts is also a challenging task that should be taken up by European NGOs.

They also have to engage donor governments to make them responsible and accountable to policy guidelines on the environment, social, and labour rights that are valid for their own countries will be respected in the operations of the ADB.

Everyone should feel free to approach the ED of his or her country and the responsible ministry to raise the issues with critical projects and policies. In some donor countries a working relationship with the ministries has been established and in regular meetings policies and projects are discussed.

They can also make use of parliamentary means to make their government accountable. Identify interested and friendly parliamentarians – often in parliamentary caucuses on human rights or development co-operation – who can issue parliamentary requests and parliamentary motions towards the government. This is a strategic approach as the parliament has to adopt the budget and therefore also the money that will be channelled to multilateral organisations.

Below are the groups and organisations in Europe that currently engage in monitoring the ADB (apart from that a variety of individuals who monitor the Bank's operations):

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Urgewald

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The Netherlands

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IFI Watch Network, United Kingdom (now based in Uruguay)

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APPENDIX

Executive Director, Alternate Executive Director and Country Group		
Executive Director	Alternate Executive Director	Members Represented
Howard Brown	Patrick Brandt	Canada; Denmark; Finland; Ireland; The Netherlands; Norway; Sweden
Sebastian Paust	Ugur Salih Ucar	Austria; Germany; Luxembourg; Turkey; United Kingdom
Patrick Pillon	Joao Simoes de Almeida	Belgium; France; Italy; Portugal; Spain; Switzerland

Countries Outside the Asian and Pacific Region			
ADB Member Country	Year of Membership	Subscribed Capital (% of total)	Voting Power (% of total)
Austria	1966	0.344	0.593
Belgium	1966	0.344	0.593
Canada	1966	5.289	4.549
Denmark	1966	0.344	0.593
Finland	1966	0.344	0.593
France	1970	2.354	2.200
Germany	1966	4.374	3.817
Ireland	2006	0,344	0,57
Italy	1966	1.828	1.780
Luxembourg	2003	0.344	0.593
The Netherlands	1966	1.037	1.147
Norway	1966	0.344	0.593
Portugal	2002	0.344	0.593
Spain	1986	0.344	0.593
Sweden	1966	0.344	0.593
Switzerland	1967	0.590	0.790
Turkey	1991	0.344	0.593
United Kingdom	1966	2.065	1.970
United States	1966	15.781	12.942

Source: ADB www.adb.org/members

COFINANCING BY COUNTRY

Belgium

Cofinancing with Belgium from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 4 projects, cofinancing of \$60.27 million

Commercial: 4 projects, cofinancing of \$60.27 million

Technical Assistance: 1 project, cofinancing of \$0.25 million

Denmark

Cofinancing with Denmark from 1 January 2002 to 31 December 2006 comprised the following:

Investment Project: 1 project, cofinancing of \$23.70 million

Grant: 1 project, cofinancing of \$23.70 million

Technical Assistance: 23 projects, cofinancing of \$8.18 million

Finland

Cofinancing with Finland from 1 January 2002 to 31 December 2006 comprised the following:

Investment Project: 1 project, cofinancing of \$4.74 million

Grant: 1 project, cofinancing of \$4.74 million

Technical Assistance: 12 projects, cofinancing of \$6.39 million

France

Cofinancing with France from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 10 projects, cofinancing of \$273.29 million

Official: 6 projects, cofinancing of \$214.50 million

Commercial: 4 projects, cofinancing of \$58.79 million

Technical Assistance: 9 projects, cofinancing of \$6.11 million

Germany

Cofinancing with Germany from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 5 projects, cofinancing of \$281.72 million

Commercial: 3 projects, cofinancing of \$122.35 million

Official: 2 projects, cofinancing of \$159.37 million

Technical Assistance: 1 project, cofinancing of \$0.02 million

Italy

Cofinancing with Italy from 1 January 2002 to 31 December 2006 comprised the following:

Investment Project: 1 project, cofinancing of \$5.00 million

Commercial: 1 project, cofinancing of \$5.00 million

Technical Assistance: 4 projects, cofinancing of \$1.83 million

Netherlands

Cofinancing with the Netherlands from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 14 projects, cofinancing of \$211.42 million

Grants: 14 projects, cofinancing of \$211.42 million

Technical Assistance: 17 projects, cofinancing of \$29.25 million

Norway

Cofinancing with Norway from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 3 projects, cofinancing of \$53.60 million

Grants: 3 projects, cofinancing of \$53.60 million

Technical Assistance: 3 projects, cofinancing of \$1.87 million

Portugal

Cofinancing with Portugal from 1 January 2002 to 31 December 2006 comprised the following:

Investment Project: 1 project, cofinancing of \$3.00 million

Commercial: 1 project, cofinancing of \$3.00 million

Spain

Cofinancing with Spain from 1 January 2002 to 31 December 2006 comprised the following:

Investment Project: 1 project, cofinancing of \$9.00 million

Commercial: 1 project, cofinancing of \$9.00 million

Technical Assistance: 10 projects, cofinancing of \$4.29 million

Sweden

Cofinancing with Sweden from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 6 projects, cofinancing of \$63.75 million

Grants: 6 projects, cofinancing of \$63.75 million

Technical Assistance: 9 projects, cofinancing of \$15.41 million

Switzerland

Cofinancing with Switzerland from 1 January 2002 to 31 December 2006 comprised the following:

Investment Project: 1 project, cofinancing of \$3.50 million

Grant: 1 project, cofinancing of \$3.50 million

Technical Assistance: 3 projects, cofinancing of \$1.0 million

UK

Cofinancing with the United Kingdom from 1 January 2002 to 31 December 2006 comprised the following:

Investment Projects: 7 projects, cofinancing of \$284.06 million

Commercial: 1 project, cofinancing of \$4.50 million

Grants: 6 projects, cofinancing of \$279.56 million

Technical Assistance: 74 projects, cofinancing of \$83.79 million

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The NGO Forum on ADB is an Asian-led network of Civil Society Organizations that support each other to amplify their positions on the Asian Development Bank's policies and projects affecting the environment, natural resources and local communities.

The FORUM neither accepts money from the ADB nor is it in any way part of it.



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April 2008