

**North-East Asia Development Cooperation Forum 2019:
Reinventing Multilateral Cooperation and Roles of Northeast
Asian Countries to Achieve SDGs**

27–28 September 2019, JICA Research Institute, Tokyo, Japan

**Session 1. Reinventing the Role of Multilateral Cooperation
of North East Asian Countries**

KEYNOTE SPEECH

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Ladies and Gentlemen,

I am pleased to be at this year's North-East Asia Development Cooperation Forum.

Thank you. organizers—ESCAP East and North-East Asia Office, Japan Society for International Development, and JICA Research Institute—for always recognizing ADB's contribution to the forum.

Today, I would like to speak about collaboration and coordination of development partners in Asia and the Pacific, particularly on

complementarity between multilateral and bilateral assistance. I have four points to highlight.

First, Asia and the Pacific is growing fast, but serious challenges remain.

Development across the region has been impressive. According to ADB's recently-launched [Key Indicators for 2019](#), the number of people living in extreme poverty in the region declined from 1.1 billion in 2002 to 264 million in 2015. Between 2000 and 2015, the maternal mortality ratio was halved. About 90% of children were enrolled in primary school in 2017. The region's share of global GDP (in current USD) surpassed one-third in 2018, while international trade has become a growing source of regional integration.

However, alongside economic growth, many development challenges remain. These include increasing greenhouse gas emissions; worsening pollution; a growing proportion of elderly people; gender disparity issues; and persisting extreme poverty even in fast growing urban areas, where more than half the population live in slums or informal settlements.

Countries in the region need to accelerate progress towards the Sustainable Development Goals. Indicators show the need to expand access to safe water and sanitation, and ensure safe, nutritious, and sufficient food for all, while making progress on critical goals including gender equality and climate action.

The region also needs significant investments, particularly in infrastructure. A [2017 ADB study](#) shows that infrastructure needs in developing Asia and the Pacific will exceed \$22.6 trillion through 2030, or \$1.5 trillion per year, for the region to maintain its growth momentum. When climate change mitigation and adaptation costs are incorporated, the estimate rises to over \$26 trillion, or \$1.7 trillion per year.

[G20](#) emphasizes that quality infrastructure is essential in closing the infrastructure gap, and that it is important to maximize the positive impact of infrastructure in sustainable growth and development.

Second point: the huge, complex development needs of the region leave the stakeholders no choice but to collaborate.

No single institution can provide enough financial resources or expertise to solve the region's challenges. To address the issues, it is critical that all development actors complement each other's skills, knowledge, and resources.

The good news is—the number of regional and global development actors operating in Asia and the Pacific has risen over the past decade. This includes civil society organizations and nontraditional donors like philanthropic organizations; and new multilateral development banks like the Asian Infrastructure Investment Bank and the New Development Bank. With the increasing importance of private capital inflows, the private sector is also encouraged to play a bigger role in development.

The flip side of this is greater complexity. Managing partnerships with very diverse development actors with different priorities could be a huge challenge.

Political discussions at home, like on fiscal deficit, or national security and geopolitical considerations, affect the tone of the development coordination on the ground. For example, we are observing an increasing focus in bilateral ODA by European donors to the refugee issue.

Strong partnerships with diverse institutions, both public and private, is a major focus area of ADB's new long-term corporate strategy, Strategy 2030.

My third point: it is particularly important for bilateral and multilateral agencies to build on each other's strengths.

Bilateral and multilateral agencies are often a country's largest development financiers. In my view, having worked in both bilateral and multilateral agencies, MDBs have three key strengths: standards setting, strong financial position, and common platforms.

A standard set in one MDB tends to be adopted by other MDBs, since we often have the same shareholders. We also discuss actively in technical working groups on subjects like blended concessional finance, climate change, environmental and social safeguards, gender, and mobilization and catalyzation of private financing just to list a few. These many working groups help MDBs function as part of a bigger system with shared standards that are widely applicable.

MDBs' strong financial positions, as evidenced by our AAA ratings, provide us with a large risk-bearing capacity to fill the viability gaps of innovative solutions.

ADB can use its balance sheet to bring private financing to developing countries. We offer a full suite of risk mitigation products, including credit and political risk guarantees to mobilize more resources for development needs.

We are mobilizing more resources for both sovereign and nonsovereign operations. We are targeting a substantial increase in long-term cofinancing for private sector operations. By 2030, we aim to have every dollar in private sector operations financing matched by \$2.50 of long-term cofinancing.

We also administer LEAP, or Leading Asia's Private Sector Infrastructure Fund, established in March 2016 in partnership with Japan International Cooperation Agency. It is an infrastructure co-investment fund, expected to leverage and complement ADB's existing nonsovereign platform to fill financing gaps and increase access to finance for infrastructure projects in the region. We are now actively seeking to work with institutional investors for a similar business model.

Our third strength is common platforms on which diverse stakeholders can gather to discuss, collaborate, share knowledge, and disseminate good practices.

Our governing bodies are represented by many countries. We do not serve the interests of any single one. Our mandate is to advance general development agendas through technocratic means. This neutral setting offers a forum to build consensus.

The replenishment process for the Asian Development Fund or ADF is a good example. ADF provides grant support to ADB's poorest and most vulnerable members. ADF relies on replenishment from donors who reach an agreement on the principles under which support is provided. The combined donor contributions, leveraged with ADB's expertise, achieve greater impact than otherwise possible through bilateral assistance.

Regional cooperation and integration (or RCI) initiatives are another example. ADB facilitates the flagship Central Asia Regional Economic Cooperation and Greater Mekong Subregion programs, which provide a place for dialogue on projects and

systems that cross national borders and generate regional public goods.

The multilateral platform can forward the achievement of global commitments like SDGs. It can bring together both developed and developing countries, as well as private sector players, to develop shared solutions and discuss opportunities for innovations.

For example, we have worked with our partners in the UN system, developing countries, and bilateral donors such as Australia to support development finance assessments that map sources of available financing for the SDGs, as well as the development of integrated national financing frameworks. These investments in knowledge work are helping countries understand their options for financing the SDGs.

Governments can also use the strength of MDBs strategically. The People's Republic of China (PRC) leverages ADB's experience through the PRC Poverty Reduction and Regional Cooperation Fund, which provides technical assistance and grants in poverty reduction, regional cooperation, and knowledge sharing.

The Republic of Korea has established the “e-Asia and Knowledge Partnership Fund,” which aims to reduce the digital divide and promote full access to information and communication technology in Asia and the Pacific. This fund also helps disseminate Korea’s experience and knowledge in ICT. ADB gains from this arrangement as well by tapping into Korea’s resources and expertise.

ADB and Japan have worked together on several initiatives. A recent one is the High-Level Technology Fund (HLTF), which provides grant financing to promote the integration of high-level technology and innovative solutions into ADB-financed and administered projects. As with the e-Asia Knowledge Partnership Fund, the HLTF helps Japan share its knowledge and allows ADB to tap into Japan’s resources. The HLTF also helps promote the quality infrastructure agenda endorsed by Japan, of which high technology is an important aspect.

My fourth and final point: together with other MDBs, ADB is closely monitoring the discussion on country platforms recommended by the G20 Eminent Persons Group, or EPG.

The G20 Finance Ministers and Central Bank Governors established the EPG in April 2017. It comprises 15 individuals with deep knowledge and experience in global financial architecture and governance, contributing in their personal capacities. It was chaired by Mr. Tharman Shanmugaratnam, Deputy Prime Minister (DPM) of Singapore at the time. It has 15 members contributing in their personal capacities, including one from PRC and Japan respectively.

Its 2018 report recommends establishing country platforms to maximize contributions of development actors and other key partners as a group, and scale up private investments. The report envisages a country platform that allows participants to converge around core standards and develop approaches to enhance private sector investment, while increasing transparency of activities. Core standards could include: debt sustainability; environmental, social, and governance; coherent pricing policies; local capacity building; procurement; and transparency and anti-corruption.

G20 discussions on key principles for country platform implementation are ongoing. ADB, guided by Strategy 2030's emphasis on partnerships and country focused approach, shares this aspiration and is actively providing its inputs.

Based on our experience, we think there are four principles to bear in mind when implementing this concept.

- **First, strong country ownership is key.** As a former ADB Country Director in Viet Nam, I have seen various development collaboration efforts. Countries need to be on the driver's seat, enjoining all partners to collaborate systematically, ensuring that coordination is done at all levels—strategy, program or portfolio, and project—in a way that suits their development needs.
- **Second, learning from experience is crucial.** The international community has made several attempts for effective collaboration: the Paris Declaration; Accra Agenda for Action; and Busan Partnership for Effective Development Co-operation. We must learn from these. Stocktaking efforts—possibly by academics and researchers like those here today—could be valuable.
- **Third, implementation is critical.** After agreement on broad principles, implementation is vital, and the transaction costs of coordination cannot be underestimated. Agreement on more detailed procedures and rules may be necessary, and this discussion needs to be led by the countries themselves.

- **Fourth, broad participation must be ensured.** We think country platforms cannot be effective unless all the key stakeholders are actively participating.

I have so far covered the current landscape, the need for collaboration, particularly between multilateral and bilateral agencies, and the discourse on country platforms.

As the final segment of my remarks, I would like to touch on the possible ways forward for effective engagement between bilateral and multilateral agencies.

With the increase in development players around the globe, bilaterals and multilaterals have more opportunities to benefit from partnerships and seek complementarity to effectively meet their objectives. We need to maximize each one's specific areas of expertise and contributions to build the knowledge and skills of our clients.

Bilateral agencies have strong networks with their country's industries and intimate knowledge of their capabilities. Bilaterals can leverage the best of their countries for development. Their

channels also demonstrate the country's commitment to clearly contribute to the global agenda.

Multilateral partners excel in contributing to standard-setting, mitigating risks to mobilize financing, and providing platforms for multi-stakeholder discussions and decision making. Amidst the rising prominence of geopolitical rhetoric in international relations, the multilateral agencies' role to serve as honest brokers in addressing global and regional issues may grow.

Multilateral platforms are also effective tools for disseminating the unique knowledge and experiences of donor countries, with multilaterals serving to gain from the engagement, too.

Japan and ADB have been in discussions to promote universal health coverage in Asia and the Pacific. This is a critical concern in our region and Japan has unique experience and knowledge to offer.

However, the most important players here are the developing countries. They must lead the collaboration of development institutions toward addressing and providing solutions to pressing development challenges. Going forward, there should be capacity

development support for such an undertaking. The emerging discussion on country platforms could provide the impetus.

ADB believes that regular and frequent consultations with stakeholders, including key government and bilateral partners, helps to keep us engaged and on track. We are committed to further enhancing our efforts at dialogue.

Now, let me stop here to give way to the panel discussion on this important topic. I am eager to hear the views of our distinguished panelists and look forward to a candid, fruitful exchange.

Thank you very much.