



Clingendael

Netherlands Institute of International Relations

The Asian Development Bank:

What's in it for Europe?

Economic Diplomacy and Geostrategic Interests in an Asian Context

Maike Okano-Heijmans
Duncan Waardenburg

Clingendael Report | February 2014



Clingendael

Netherlands Institute of International Relations

The Asian Development Bank: What's in it for Europe?

Economic Diplomacy and Geostrategic Interests in an Asian Context

Maaïke Okano-Heijmans
Duncan Waardenburg



Netherlands Institute of International Relations 'Clingendael'
Clingendael 7
2597 VH The Hague
Phone number: +31 (0)70 3245384
Telefax: +31 (0)70 3282002
Email: info@clingendael.nl
Website: <http://www.clingendael.nl>

© Netherlands Institute of International Relations 'Clingendael'. All rights reserved. No part of this report may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the copyright holders. Clingendael Institute, P.O. Box 93080, 2509 AB The Hague, The Netherlands.

Table of Contents

- Executive Summary 1
- Policy Recommendations 3
- Abbreviations..... 4
- Tables and Figures..... 5
- I. Introduction: Whither the ADB? 6
- II. Setting the Scene 7
 - About the ADB..... 7
 - Key Players and their Strategies16
- III. European Roles and Interests19
 - Between Ambivalence and Disengagement.....19
 - Value-oriented Approach versus Pragmatism20
 - The Netherlands: Preacher and Salesman23
- IV. Trends and Future Trends26
 - Trend 1: Economization of the Bank’s Development Approach – Return to its Original Mandate.....26
 - Trend 2: Aiming for Sustainable, Green Development – Climate as a Spearhead, with Climate Funding as an Option27
 - Trend 3: Scope of Operations Shifting – Towards More Regional Cooperation29
 - Trend 4: Increasing Politicization against the Context of a Rising China31
- V. Implications for Europe, the Netherlands34
 - The Economic Angle34
 - Political Interests: Link to Bilateral, European Development Assistance.....36
 - Strategic Relevance.....37
- VI. Conclusion39
- Literature41

Executive Summary

This report assesses the operations of the Asian Development Bank (ADB) and provides analysis of the Bank's relevance for its European member countries today and tomorrow. Based on this analysis, the report offers a set of policy recommendations to the Dutch and other European governments that have to adapt to the shifting regional and global power balances of which the ADB is, in a sense, symptomatic. The report focuses not so much on the day-to-day management of the Bank or on projects that it (co-)finances, but rather on the economic, political and geostrategic importance of this multilateral institution. The authors call upon European governments to strengthen their engagement with the ADB, both on practical matters as well as for strategic purposes.

One of the report's findings is that the Asian Development Bank holds considerable significance for its seventeen European member countries, including the Netherlands. It is therefore surprising that the Bank and its activities remain largely under the radar of most policy-makers, scholars and outside observers. European countries have an interest in a prosperous and stable Asia-Pacific area and stand to benefit from deeper cooperation and integration in the region. Ever since its establishment in 1966, the ADB has made significant contributions on both fronts. The context in which the Bank is operating is evolving rapidly, but its role in maintaining and furthering development, stability and regional cooperation will only grow more important in the years to come.

Several trends in the ADB's activities and operations stand out. One concerns the economization of the Bank's development approach. This return to the ADB's original mandate resonates well with the growing acceptance in European countries that development impact and commercial profit can go hand in hand. A second trend is the Bank's growing attention to sustainable, green development. Climate change has become a spearhead and climate funding is increasingly on the agenda, while water projects make up one-quarter of the Bank's investment portfolio. Third, the ADB is stepping up its activism in the field of regional cooperation and integration. Enhanced connectivity and improved sub-regional coordination contribute to economic activity and to stability, and thereby also benefit European actors that are active in the region. A fourth trend discussed here is the increased politicization of the Bank against the context of the rising economic power of certain regional member states, particularly China.

Clearly, one important reason for European governments to engage with the ADB lies in the Bank's contributions to prosperity and security in the Asia-Pacific region. Yet the Bank also provides more direct benefits in the economic and political-strategic sense. The ADB positively contributes to European countries' economic diplomacy – not just in terms of procurement opportunities but, more importantly, also by assisting the creation of more rules-based, transparent and stable markets and governments in the Asia-Pacific

region. For the Netherlands, the ADB's activities in the increasingly relevant Asian water sector are of particular interest. On the political-strategic front, the ADB's relevance should be considered in the wider context of its geography and global power shifts. Membership of the ADB offers European countries valuable opportunities to reinforce ties with players that are quickly strengthening their role and influence in the changing world of international politics and economics. Furthermore, the Bank's non-Western diplomatic style – which is discernible in both normative and practical terms – provides valuable lessons on how to operate successfully in tomorrow's world, wherein European countries will be less influential.

Policy Recommendations

European member states of the ADB in general, and the Netherlands in particular, are advised to take note of the following when considering their future strategy and tactics in the Bank.

Recommendation 1: Recognize the ADB's importance in diminishing the impact of disruptions in emerging countries in Asia, and thereby its role in protecting, maintaining and even expanding commercial activity in the region.

Recommendation 2: Assist the Bank's push for contributions to sustainable development, particularly where this also benefits Dutch economic diplomacy, such as in the field of water.

Recommendation 3: Improve coordination between stakeholders involved at the domestic level, particularly among several departments at the Dutch Ministry of Foreign Affairs but also with the Ministry of Finance, the representative at ADB headquarters, embassies in the Asia-Pacific region, and executive agencies including *AgentschapNL* and knowledge institutions.

Recommendation 4: Further strengthen relationships with regional and non-regional ADB member states that are relatively more like-minded, so as to push back on the loosening of existing rules of the game.

Recommendation 5: Accept that the rising economic power of certain regional member states, including China and India, should and must be reflected in the ADB.

Recommendation 6: Resist when individual member states put forward national interests that do not contribute to the Bank's purposes and activities more broadly.

Recommendation 7: Contribute to the ADB's search for a new mission to maintain its relevance beyond 2020.

Recommendation 8: Support and assist the ADB's role in regional cooperation and integration as one of the key areas for the Bank's future added value.

Abbreviations

ABMI	Asian Bond Market Initiative
ADB	Asian Development Bank
ADB I	ADB Institute
ADF	Asian Development Fund
AfDB	African Development Bank
AIF	ASEAN Infrastructure Fund
APT	ASEAN Plus Three (China, Japan and South Korea)
ASEAN	Association of South-East Asian Nations
BRICS	Brazil–Russia–India–China–South Africa
CAREC	Central Asia Regional Economic Cooperation
CMI(M)	Chiang Mai Initiative (Multilateralization)
DAC	Development Assistance Committee of the OECD
DMC	Developing Member Countries
EAGA	East Asian Growth Area
EBRD	European Bank for Reconstruction and Development
EU	European Union
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GMS	Greater Mekong Sub-region
IBRD	International Bank of Reconstruction and Development (of the World Bank)
IDA	International Development Association (of the World Bank)
IDB	Inter-American Development Bank
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MFA	Ministry of Foreign Affairs
OCR	Ordinary Capital Resources
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OOF	Other Official Flows
OREI	Office of Regional Economic Integration (of the ADB)
PPP	Public–Private Partnerships
PRC	People's Republic of China
RCI	Regional Cooperation and Integration
SASEC	South Asia Sub-regional Economic Cooperation
UK	United Kingdom
UNESCO–IHE	United Nations Educational, Scientific and Cultural Organization – Institute for Hydraulic Engineering (Institute for Water Education)
US	United States
WFP	Water Financing Programme
WFPF	Water Financing Partners Facility

Tables and Figures

Figure 1: ADB Developing Member Countries' Graduation Stages 9

Figure 2: ODA and OOF in Far East Asia in 2000–2011.....13

Figure 3: ODA and OOF in South and Central Asia in 2000–2011.....13

Figure 4a: Asian Development Bank Scorecard – Institutional Characteristics23

Figure 4b: Asian Development Bank Scorecard – Relevance to Dutch Development
Policy24

Table 1: Voting Power versus Contributions in the ADB (by Key Members)11

Table 2: Procurements and Consultancy Services in the ADB (of Selected Members). .22

I. Introduction: Whither the ADB?

As economic and geopolitical power shifts from the transatlantic area to the Asia–Pacific, the dearth of political engagement by Europe with the East Asian region is often lamented. What commonly goes unnoticed, however, is the fact that the Netherlands and sixteen other European countries¹ have unique access to the oldest regional institution in East Asia: the Asian Development Bank (ADB). Founded in 1966 and famous for its 'Asian characteristics and Japanese face', the ADB is the only Asian institution of which more than a few European countries enjoy full membership. The ADB is thereby a unique 'gateway' for European governments and businesses to the fast-growing Asian region, which will account for more than half of global GDP by 2050. It provides a platform for multilateral discussions that complements bilateral ties with countries in the region. At the same time, the Bank's Asian style of operation provides a glimpse of a future for multilateral engagement and policy-making wherein Asian countries are relatively more influential.

Goals and structure of the report. This report aims to shed some new light on the relevance of the ADB for European countries today and tomorrow. It focuses not so much on the Bank's day-to-day management or the projects that it (co-)finances, but rather on the geostrategic and political–economic importance of this multilateral institution. The report starts out by briefly detailing the purposes and characteristics of the Bank. This includes an overview of several key players within the institution: Japan; China; and the United States. It next outlines European roles and interests within the Bank, pointing to commonalities and differences between (groups of) European countries. The third section discusses several trends within the ADB and likely future trends over the next ten to twenty years. An assessment can then be made of the implications of these developments for European member states in the ADB and in East Asia,² including the Bank's relevance for European countries in the context of shifting regional and global power balances. The Netherlands is singled out for more detailed discussion. The set of policy recommendations presented at the opening of this report follow from the analysis, and is addressed to the Dutch and other European governments that are struggling to adapt to the changing international environment, of which the ADB is in many ways symptomatic. The report makes the case for more engagement with the ADB, both on practical matters as well as for strategic purposes.

1 Other than the Netherlands, the ADB's European members are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

2 While ADB membership covers countries in the Asia–Pacific region, the focus of analysis in this report is on European countries' relations with countries in East Asia, which are of relatively more strategic importance to the Netherlands and other European countries.

II. Setting the Scene

About the ADB

Relatively unknown by the general public, the Asian Development Bank is one of four major regional development banks that operate alongside the World Bank.³ With a capital base of US\$ 165 billion, the Bank's financing totalled US\$ 21.57 billion in 2012. Its membership covers countries in East, South-East and Central Asia, as well as in the Pacific and several non-regional countries. In practice, however, the ADB's activities have tended to focus on countries in East and South-East Asia.⁴ The Bank is generally held in high esteem by its client countries and regarded as a 'family doctor'.⁵ Headquartered in Manila, the Philippines, the Bank has over 3,000 employees, working in 26 country offices in the region and in representative offices in Tokyo, Frankfurt and Washington DC.

Asian characteristics. The ADB is distinct from other international institutions, which are mostly dominated by Western countries. More specifically, the ADB may be described as a regional-multilateral institution with Japanese organizational characteristics and organizational culture.⁶ For example, the ADB remains imbued with Japanese developmentalist thinking and ideology, characteristics that distinguish its style from the market-liberal reformist approach of the World Bank. Furthermore, the ADB tends to be administered in a style that respects consensus and harmony. It has a strong bureaucracy and strict hierarchy that are reminiscent of Japanese culture, especially in the Ministry of Finance. That being said, attempts have reportedly been made to reduce bureaucracy since Kuroda took office in 2005.⁷ Responding to Western donor criticism of the Bank's approach to staff evaluation, the closed character of its employment system is being altered.

Reducing poverty by furthering growth. As stipulated in Article 1 of the ADB Charter, the purpose of the ADB 'shall be to foster economic growth and cooperation in the region of Asia and the Far East and to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually'. Poverty reduction became the Bank's overarching goal in the new millennium, as per the Poverty Reduction Strategy of November 1999. This was

3 The other banks are the African Development Bank (AfDB), the Inter-American Development Bank (IDB), and the European Bank for Reconstruction and Development (EBRD). The latest general capital increase of 2009 tripled the ADB's capital base from US\$ 55 billion to US\$ 165 billion. By comparison, the capital of other multilateral development banks amount to the following: the World Bank US\$ 270 billion; IDB US\$ 170 billion; AfDB US\$ 104 billion; and the EBRD 30 billion euros.

4 At the moment, over 80 per cent of the ADB's outstanding loans go to five countries: China; India; Indonesia; Pakistan; and the Philippines.

5 Interviews with several ADB staff members and individuals familiar with the ADB. More on this follows later in this section.

6 Interviews with several (former) ADB executive directors, staff members and consultants. See also Dent, 2008: 768–769; Kappagoda, 1995; Wan, 1995; Wesley, 2003; and Fujita, 2013.

7 Fujita, 2013. Haruhiko Kuroda was President of the ADB from 2005 until March 2013, when he became Governor of the Bank of Japan.

reiterated in the ADB's most recent long-term strategic framework, Strategy 2020, which was formulated in 2008 and is currently undergoing a mid-term review. As will be outlined below, the more recent trend appears to be a return to the economic approach. This is undoubtedly related to the emergence of new players in the field of economic cooperation and the ensuing economization of bilateral development assistance efforts of a growing group of traditional donors in the West.⁸

Shareholders, directors and management. The ADB is made up of three institutional layers. It has 67 shareholders, or members, who are represented in the Board of Governors. Governors – or their representatives, an Alternate Governor or a bureaucrat – meet once every year at the Annual Meeting somewhere in the world. The Board of Governors elects the twelve members that make up the Board of Directors, eight of whom represent countries from the Asia-Pacific region and four represent non-regional members. The President of the ADB chairs this group, which resides at the ADB headquarters. The Directors manage financial statements, approve the Bank's administrative budget, and review and approve all policy documents and loans, equity and technical assistance operations. The third institutional layer is the management and its staff. The President also heads the management team, comprising six Vice-Presidents and the Managing Director-General. Together, they manage the work of the ADB's operational, administrative and knowledge departments.

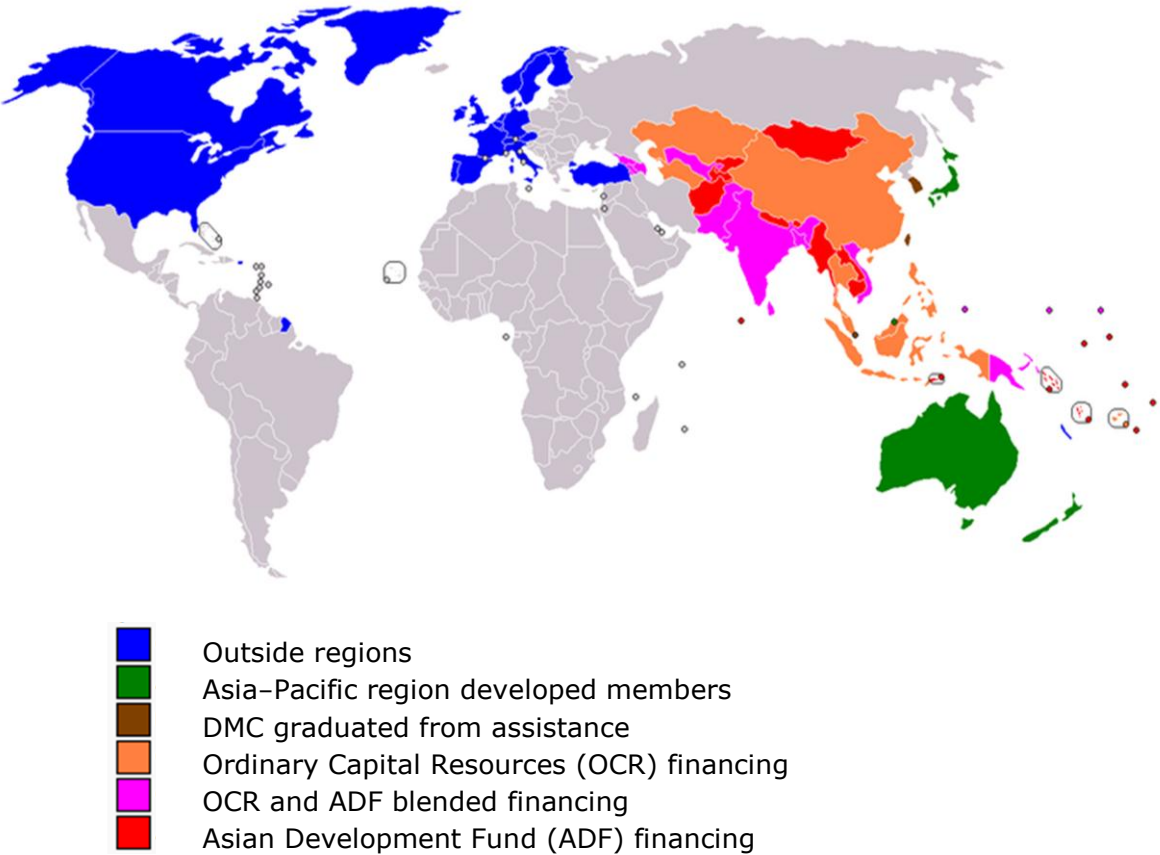
Regional and non-regional membership. At present the ADB has 67 members. This comprises 48 countries from the Asia-Pacific region and nineteen non-regional members, including fourteen European Union member states as well as Norway, Switzerland, Turkey, the United States and Canada. Japan and the United States have the largest share of voting power, each holding 12.78 per cent. Next in terms of voting power and corresponding capital share are the People's Republic of China (PRC, hereafter China) and India, with 5.45 and 5.36 per cent, respectively. Non-regional members currently hold 35 per cent of voting power, while ADB members who are also members of the Organization for Economic Cooperation and Development (OECD) hold 58 per cent. Non-borrowers traditionally make up more than 50 per cent of total voting rights. With a share of 1.12 per cent of voting power, the Netherlands ranks seventh among the non-regionals.

Loans, concessional loans and grants. Most of the ADB's lending – roughly US\$ 10 billion in 2012 – comes from its ordinary capital resources (OCR), which are offered at near-market terms to lower- and middle-income countries. In addition to this, the ADB also provides loans and grants from its so-called Special Funds. The largest of these special funds by far, the Asian Development Fund (ADF) offers concessional loans at very low-interest rates and grants that help to reduce poverty in the ADB's poorest borrowing countries. Japan is by far the largest contributor to the ADF, and provided 40 per cent of its latest replenishment in 2012. Notably, China's contribution remained modest during the latest ADF replenishment, much to the disappointment of other donors, many of which were facing a difficult fiscal situation at the time. Separately, however, Beijing did establish a poverty reduction fund of its own in 2005.⁹

8 This is elaborated upon in section four. Also see, for example, Woods 2008 and the summary of discussions during the expert seminar 'Economic Diplomacy for Development', held at the Clingendael Institute, The Hague, on 30 August 2012, available online at: www.clingendael.nl (in Dutch).

9 Interview with an ADB Executive Director, 18 October 2013.

Figure 1: ADB Developing Member Countries' Graduation Stages



Source: ADB website

Triple A-rating. The total of subscribed capital (OCR) of the 67 ADB shareholders amounted to US\$ 163 billion in 2012. The Bank owes its status as a triple A-rated borrower to this sizeable capital subscription, which in turn gives it access to cheap finance. Of the total subscribed capital, US\$ 8.2 billion consists of paid-in capital, while nearly US\$ 155 billion represents financial assurance provided by the 'callable capital' in the unlikely event of large-scale default by ADB's borrowers.¹⁰ It is in this context that the ADB construction has been called 'the cheapest kind of donorship possible'.¹¹

Financial position – ADB and ADF. Under former President Haruhiko Kuroda, who led the Bank from 2005–2013, the ADB achieved a record tripling of its OCR in order to help cope with the aftermath of the global financial crisis and to confront the Asia–Pacific region's huge developmental challenges. The ADB's financial position is sound at the moment, but is constrained. The prevailing low-interest environment has resulted in low investment income and has limited the amount that can be ploughed back into equity for the Bank. The ADB needs to find additional sources of funding if it is to maintain recent annual lending levels of around US\$ 10 billion from its subscribed capital. The challenges facing the Bank's OCR financing stand in stark contrast with the financial vitality of the ADF. In recent replenishment periods, the availability of ADF resources has increased because of growing reflows – that is, repayments – which now make up more than half of ADF resources. Donors' contributions have increased only marginally in real terms since 1991.¹² However, the increasing use of ADF grants rather than loans may cause a gradual depletion of ADF capital after 2013 in the absence of growing donor contributions.¹³ Whether the Fund can become self-sustaining, as expected by some, thus depends on the relative share of grants.

10 Note that no call has ever been made on the ADB's callable capital.

11 Comment by former ADB Vice-President John Lintjer at the seminar 'The Asian Development Bank: What's in it for Europe?', held at the Clingendael Institute, The Hague, on 21 November 2013.

12 ADB, 2012a.

13 ADB, 2012b.

Table 1: Voting Power versus Contributions* in the ADB (by Key Members)															
	(A)	(B)	(C)	(A)	(B)	(C)	(A)	(B)	(C)	(A)	(B)	(C)	(A)	(B)	(C)
	Voting Share	Contrib Share	A/B	Voting Share	Contrib Share	A/B	Voting Share	Contrib Share	A/B	Voting Share	Contrib Share	A/B	Voting Share	Contrib Share	A/B
	By end of 1972			By end of 1982			By end of 1992			By end of 2002			By end of 2012		
Japan	20.2	30.4	0.7	13.6	35.0	0.4	13.5	46.4	0.3	13.0	46.5	0.3	12.8	45.0	0.3
United States	8.4	11.3	0.7	13.6	20.1	0.7	13.1	11.6	1.1	13.0	14.3	0.9	12.8	11.6	1.1
China	2.1	1.4	1.5	1.5	0.4	3.8	5.8	1.0	6.1	5.6	0.9	6.2	5.5	1.3	4.1
European ADB Members	15.0	14.2	1.1	17.2	20.9	0.8	17.9	23.1	0.8	17.2	24.0	0.7	17.6	23.8	0.7
The Netherlands	1.0	0.9	1.1	1.2	1.7	0.7	1.2	1.9	0.7	1.2	2.1	0.5	1.1	2.1	0.5

* Contributions here include paid-in portions of subscriptions for Ordinary Capital and cumulative donations to the Asian Development Fund and Technical Assistance Special Fund. Other funds are excluded.

Note: Voting shares and contribution shares are reported as percentages of total voting rights and total contributions.

Source: Calculated from ADB Annual Reports, various years.

Voting share and contributions... As per the ADB Charter, voting rights are largely determined by the number of shares of the Bank's capital stock that a member holds. The power of influence in this respect thus depends on a country's capital subscription rather than on the total sum of contributions to the Bank's operations, including also to special funds. Taken together, this means that the distribution of voting power within the ADB does not accurately represent the countries' engagement with the Bank. Take, for example, Japan and the United States. They are the largest contributors to the ADB's capital stock, with respectively 15.61 and 15.60 per cent of the total subscribed capital and 12.78 per cent of voting power. What these numbers do not show, however, is that Japan's total contributions far outweigh those of the United States. As the main financier of the Asian Development Fund as well as several other funds, Tokyo has provided 45 per cent of all contributions to the ADB, while Washington DC's total contributions represent a share of less than 12 per cent.

...as a measurement of influential power. Clearly, and as illustrated in more detail in Table 1, ADB regulation is more favourable for some members than for others. At the same time, it is evident that change will only happen very gradually. This stems from the fact that – as per the ADB Charter – a majority of 75 per cent is needed for a country to increase its authorized capital stock.¹⁴ While such impediments to change pose a challenge to emerging countries that seek a larger share of voting rights, it should be emphasized that seen from this perspective, China appears today to be one of the biggest beneficiaries of the system. It is Japan and European members whose influential power – calculated as the voting share divided by contribution share – is the smallest.

Focus areas. The operational priorities of the ADB are fivefold and include: infrastructure; the environment; regional cooperation and integration (RCI); finance sector development; and education. Under Strategy 2020, the ADB's infrastructure operations emphasize public-private partnerships and private sector engagement. Economic diplomacy for development has played an important role herein. The ADB has been active in Aid for Trade since 2006 and tried to optimize this approach in three ways: first, through regional approaches that support national development strategies; second, by establishing cross-border economic corridors; and third, by building strong partnerships linking governments, the private sector and the donor community to ensure sustainability of benefits.¹⁵

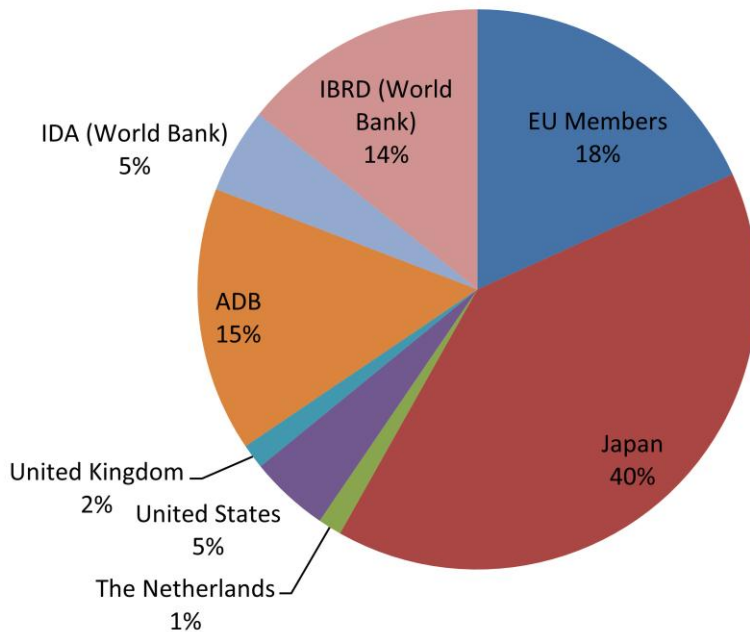
A drop in the bucket... In 2012, the ADB's operations totalled US\$ 21.57 billion, of which US\$ 13.3 billion was financed by OCR and Special Funds and US\$ 8.27 billion by co-financing partners. While these are significant numbers, ADB employees commonly emphasize that the ADB's activities represent 'just a small drop in the bucket' of development and economic growth in the region. Indeed, according to the ADB's own estimates, between 2010 and 2020 the region needs to invest US\$ 8 trillion in overall national infrastructure and an additional US\$ 287 billion in specific regional infrastructure projects to sustain growth.¹⁶

14 Article 4(3) of the ADB Charter states that 'The authorized capital stock of the Bank may be increased by the Board of Governors, at such time and under such terms and conditions as it may deem advisable, by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members'. Also relevant in this regard is Article 5, Subscription of Shares.

15 Kuroda, 2009.

16 ADB and ADB Institute 2009, pp. 4 and 10.

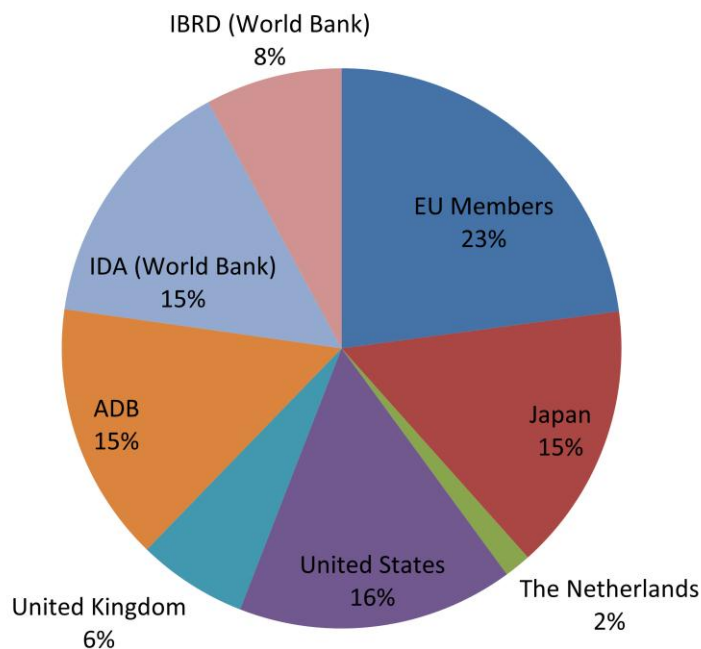
Figure 2: ODA and OOF in Far East Asia by a Select Group of Donors in 2000–2011 (% of group total)



Source: OECD-DAC (2013)

Note: The Netherlands and the United Kingdom are included twice, both as an 'EU Member' and separately.

Figure 3: ODA and OOF in South and Central Asia by a Select Group of Donors in 2000–2011 (% of group total)



Source: OECD-DAC (2013)

Note: The Netherlands and the United Kingdom are included twice, both as an 'EU Member' and separately.

...but a significant force for development. These observations lead some to conclude that 'the ADB has never been the primary financier of development in the region'.¹⁷ While not untrue, this appears to downplay the fact that the Bank is one of the biggest public actors in the field of development cooperation in Far East Asia and in South and Central Asia.¹⁸ As illustrated in Figures 2 and 3, its activities are clearly substantial when compared with other actors in these two regions.¹⁹ In Far East Asia, projects undertaken under the ADB flag comprise 15 per cent of Official Development Assistance (ODA) and other financial flows of the group total in the period 2000–2011. Only Japan and EU members of the OECD's Development Assistance Committee (DAC) together outperform the Bank in this region, representing 40 and 18 per cent of flows respectively. In South and Central Asia, the ADB's share also comprises 15 per cent of the group total. In addition to financial flows, the ADB also plays an important role as a knowledge centre that shares information, expertise and provides policy advice to client countries in these regions. Here, the Bank distinguishes itself from other actors that engage in development assistance.

Low profile. The ADB's long track record as a multilateral organization is unique in East Asia, where institutionalized regionalization has generally lagged behind other regions. Considering also the breadth, depth and impact of the ADB's activities, it is remarkable that the Bank remains largely under the radar of most scholars and practitioners, who generally consider it as 'low politics'. It is no exaggeration to say that the ADB's role in specific projects or in regional cooperation commonly goes unnoticed. News reporting about the Greater Mekong Sub-region (GMS), for example, generally fails to note the ADB as a financier and facilitator of this cross-border infrastructure initiative. Political analysis, as well as academic books and articles about the ADB in the English language, are similarly scarce. Rare exceptions are a book dating back to 1983 and less than a handful of articles published since 1995. More recently, a book-length volume was published on the ADB and human rights.²⁰

Faltering public diplomacy... This lack of attention for the ADB both at the political level and in academia is regarded with mixed feelings by many involved. On the one hand, the Bank's invisibility can be regarded as a failure of its public diplomacy, or its inability to communicate its activities to the outside world. This may be important, as faltering public diplomacy is sometimes associated with sub-optimal policy outcomes and accountability deficits. The latter does not seem to be the case here, however, although the ADB may indeed benefit from more visibility in the eyes of the Board and its shareholders. The upside or the motivation of the Bank's low-profile strategy are indeed worthy of attention.

...or deliberate strategy? The ADB's relative invisibility – as well as its officially apolitical character – is considered by many stakeholders, at least in part, as a source of

17 This statement by Joel Rathus appears to be based on statistics of grant flows only, while setting aside all loans, other official flows and co-financed projects (Rathus, 2008: 88). Clearly, grant aid represents only a small part of ODA and Rathus's calculations thereby present only a limited part of the full picture.

18 In OECD statistics, on which the figures for these statements are based, the region of Far East Asia includes Brunei, Cambodia, China, Chinese Taipei, Hong Kong, China, Indonesia, South Korea, North Korea (DPRK), Laos, Macao, Malaysia, the Mekong Delta Project, Mongolia, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam. The region of South and Central Asia includes Afghanistan, Armenia, Azerbaijan, Bangladesh, Bhutan, Georgia, India, the Indus Basin, Kazakhstan, the Kyrgyz Republic, the Maldives, Myanmar, Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan and Uzbekistan.

19 Other Official Flows (OOF) are transactions by the official sector whose main objective is other than development motivated, or – if development motivated – whose grant element is below the 25 per cent threshold that would make them eligible to be recorded as ODA. Together, ODA and OOF represent the total gross disbursements by the official sector at large to the recipient country.

20 Yasutomo, 1983; Wan, 1995; Rathus, 2010; Dent, 2008; and Fujita, 2013.

its success. Keeping a low profile and refraining from ‘blaming and shaming’ in public, the ADB has been able to develop relationships of trust with its clients. Through this nuanced approach, the Bank built a reputation as the region’s ‘family doctor’. Being apolitical is formally stipulated in the ADB Charter, which holds that the Bank will not interfere in the political affairs of any member, nor should it be influenced in its decisions by the political character of the member concerned.²¹ Interestingly, this principle is echoed in the foreign policies of Asian states more generally. It is probably most explicitly expressed in China’s well-known ‘non-interference policy’, which states that China does not meddle in the internal affairs of nations and respects the sovereignty of others. But the goal to be apolitical is equally recognizable in the ‘ASEAN Way’²² and in the hesitation of countries such as Japan and South Korea to support multilateral sanctions on third countries, imposed for example by the United Nations Security Council.

Non-Western diplomatic style. Notwithstanding the differences in the degree to which ‘non-interference’ is adhered to by Asian countries, this principle may then be regarded as a shared characteristic of the diplomatic style of most countries in Asia. This also means that it is highly unlikely that the ADB’s objective of being apolitical will be set aside any time soon. That being said, politics has obviously featured to some extent in the ADB’s operations in the past – the suspension of loans to Myanmar being one such example.²³ There can also be little doubt that the Bank will become increasingly challenged in upholding this principle as the number of countries with diverging views of history and dissimilar political–economic interests grows, and differences between the stakeholders thereby grow. This is indeed exactly what is happening.

Improving local rules and regulations. The ADB’s goal to be apolitical does not keep the Bank from attempting to improve poor governance in recipient countries. Governance was identified as a primary concern in 1995, and good practice in this field as well as capacity development are considered as key drivers of change. Moreover, the ongoing mid-term review of Strategy 2020 calls for an increase in the ADB’s support for the broadening and deepening of policy, regulatory, and tariff-related and other governance reforms. The ADB’s Office of the General Counsel, which is commonly led by a US citizen, acts as the ADB’s legal department. This office sends local experts to particular countries to discuss, monitor and facilitate projects and progress.²⁴ The ADB’s approach to its governance policies is, however, more subtle than for example the World Bank. While the ADB does have specific governance projects, such as the Pakistan Access to Justice Project, it shifted emphasis in 2006,²⁵ and has since then incorporated governance and capacity-development considerations within the priority sectors of its country programmes. The ADB includes elements of advice and capacity-development support for

21 Article 36(2) of the ADB Charter also states that ‘only economic considerations shall be relevant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the purpose and functions of the Bank’.

22 For more on this, see Goh, 2003: 113–118.

23 While the ADB until 2012 officially maintained that loans to Myanmar were suspended because of a lack of solvency, Myanmar’s political situation also featured in the decision. Non-regional members may have played an important part in this, as US Executive Directors, for example, were subject to a legislative mandate and would therefore always oppose projects planned for Myanmar.

24 This paragraph draws on a review of official documents as well as on interviews with several former and current ADB representatives, including John Lintjer, former Vice President of the ADB (1999–2004), and Kazu Sakai, Director-General of the ADB’s Strategy and Policy Department.

25 This is detailed in the ADB’s Second Governance and Anticorruption Action Plan, which was adopted in 2006. Under this approach, the ADB first undertakes governance and corruption risk assessments at country and sector levels, and uses these diagnostics to identify areas where the Bank can best support countries’ governance reforms and capacity development. The focus is on sector-related legal and regulatory frameworks in sectors where the ADB has sizeable operations, and on assisting governments in undertaking reforms through policy dialogue and technical assistance.

strengthening policy, regulatory and institutional frameworks in most of the projects. Local projects are typically used as an opportunity to engage with local or national governments and to discuss the setting of rules or standards in specific industries or areas. This goes for infrastructural projects such as road-building, as well as for training projects, for example for local judges. It may also take the form of support for civil organizations, including those that fight against involuntary resettlement.

Human rights with an eye on preserving human dignity. As the above examples show, the ADB's governance and human rights agendas are implemented largely behind the scenes, aiming to achieve progress by engaging client countries positively. Although the ADB is not without its critics, the Bank's positive image in client countries clearly adds to its purposes – even if changes may take time. The Bank's involvement in human rights discussions should also be seen in the context of other multilateral development banks' policies. These institutions are sensitive to other sister agencies and tend to emulate each other's standards. It has been said, for example, that ADB management or other staff are more likely to accept higher policy standards if the World Bank or other multilateral development banks (MDBs) meet these standards. The process works in two directions: the ADB's revision of its information disclosure policy in 2005 made it the most progressive among all the MDBs, and the World Bank followed the ADB's lead with its own revision in 2009.²⁶

Key Players and their Strategies

Japan has enjoyed a dominant position in the ADB, which is different from any other international organizations of which it is a member. The Japanese government has been a major donor and Japanese representatives – mostly from Japan's Ministry of Finance – have assumed top managerial positions since the Bank was founded in 1966. In April 2013, Takehiko Nakao succeeded Haruhiko Kuroda as ADB President and Chairperson of its Board of Directors.

The ADB's Japanese face. The clearest expression of Japan's influential power in the Bank is the fact that the President of the ADB has always been a Japanese national. This is, of course, reminiscent of World Bank and International Monetary Fund (IMF) practices, where US and European nationals, respectively, have commonly held the chief position. While the intransparency of the process of appointing the ADB President is under increasing scrutiny, it has been said that the ADB is unlikely to change before its sister organizations do. The reason for this is obvious: Tokyo remains by far the biggest contributor to the ADB, including the ADF and other special funds. This stands in stark contrast to the share of Washington's contributions to the World Bank, which has fallen steadily from 22 per cent in 1960 to just over 12 per cent in the replenishment of 2010.²⁷

Linking multilateral and bilateral diplomacy. Tokyo has always attempted to link multilateralism in the ADB with bilateral diplomacy in the Asian region. In the years following the Bank's creation, Japan established its leadership by providing a solid financial basis for the ADB through generous contributions. This was intended to symbolize its willingness to make greater international contributions at a time when Japan's economy started to grow, and at the same time served Japan's economic interests. For example, the ADB provided loans to countries with which Japan had crucial trading ties and contributions to special funds were tied to Japan's preferred sectors and

26 Fujita, 2013.

27 The United States lost its status as the World Bank's largest donor in 2007. In the latest funding round of the World Bank's International Development Association (IDA), the United Kingdom was the largest donor, followed by the United States, Japan and Germany.

regions, while the Japanese private sector received a large share of total procurements.²⁸ Another case in point is the Japan Fund for Poverty Reduction, which was established in 2000. This Fund is well placed in the ADB, and operates in areas where Japan's own (bilateral) international cooperation agency is less strong but where the ADB has expertise, for example in conflict areas such as in Assam, India.²⁹

From economics to politics. In the 1970s and 1980s, Japan increased its contributions to the ADB, yet also became less concerned about tangible and immediate economic gains from the Bank, both in terms of procurement and in loan direction.³⁰ This low-profile stance was at least partly to avoid criticisms from a hostile coalition that was alarmed by Japan's growing power. That being the case, Japan obviously benefited from the fact that its institutional ties with the ADB had become routine, which allowed Tokyo to influence the Bank's policies in more indirect ways, such as setting policy agendas and initiating programmes. Japan is also said to leverage its power at the ADB to buy influence over elected Asian members of the United Nations Security Council when Tokyo itself is not represented in the Council.³¹ While this does not necessarily contradict Japan's development agenda at the ADB, it helps to explain the timing of a few particular loans. Interestingly, this effect declined after 2005, when China started to gain more influence in the ADB.

China became a member of the ADB only in 1986 and not without significant struggle. Taiwan had been a founding member of the ADB and it soon became clear that Chinese requests to expel Taiwan were not going to be successful. In the end, China reached a Memorandum of Understanding with the ADB's authorities, stipulating that the People's Republic of China become a member of the ADB as the sole legal representative of China and that Taiwan remain in the ADB with the altered designation of 'Taipei, China'. As well as the World Trade Organization, the ADB is thus one of the very few international institutions of which both mainland China and Taiwan are members.

Engaging the giant. Because the ADB is considered by Japan as 'its' organization, moves by China in and towards the organization hold particular significance for Japan.³² Tokyo used Chinese membership of the ADB as a tool to engage the regional giant and to socialize it into the world order. The Japanese government considered Chinese membership as an opportunity to bring China into its economic orbit, while China could use the ADB to practise multilateral diplomacy without the potential of causing itself much damage in the international arena.³³ China was then still highly suspicious of international organizations and tended to view regional cooperation – including within the ADB – as part of a capitalistic US and Japanese strategy to dominate developing countries.³⁴ While being open to welcoming China as a new member, Tokyo recognized the strategic importance of maintaining Taiwan's membership, manoeuvring skilfully to facilitate a solution that was acceptable to all.

Growing Chinese influence. The consequences of China's economic rise are having significant effects in the region, both in bilateral relationships and in multilateral institutions, including the ADB. While China is still a borrowing member, it also increasingly provides financial contributions to the Bank.³⁵ Importantly, the ADB established a representative office in China, in Beijing, in 2000. The ADB and other multilateral institutions provide China with a high-profile stage on which to make

28 Between 1967 and 1972, Indonesia, the Philippines, Thailand, Malaysia and South Korea accounted for 74.8 per cent of the total ADB loans. See Wan, 1995: 514.

29 Interview with officials from the Ministry of Finance, Tokyo, 25 June 2013.

30 Wan, 1995: 517.

31 Lim and Vreeland, 2013: 65.

32 Rathus, 2008: 87.

33 Rathus, 2010: 195.

34 Rathus, 2010: 247.

35 In 2005, China committed US\$ 30 million to the ADF, the first time for a DMC to do so.

symbolic power-play. For example, China consistently and immediately requests a correction to the record whenever a delegate in a Board meeting makes an erroneous reference to Taiwan. This illustrates how Beijing subtly but effectively lays down strategic markers, flexes its muscles, and gains tacit, if not explicit, acceptance of its viewpoints.³⁶

The United States has displayed a rather dual approach towards the ADB. While on the one hand it has not played a significant role in daily operations, Washington has at the same time resisted a dominant role by any one member. Its opposition towards Japan's increasing influence, for example, hampered Japan's earlier efforts to obtain a larger voting share than Washington. Two factors have been said to strengthen the bargaining position of the United States.³⁷ First, regional members as well as the United States do not want Japan to monopolize the ADB and are eager to keep the United States in Asia. Second, Japan for its own part does not want to challenge Washington too much because it cherishes its relationship with the United States. Japan has, for example, avoided confronting the Americans over politically sensitive issues, such as aid to Vietnam in the 1990s and the resumption of loans to China after the 1989 Tiananmen incident. Japan does not want to confront the United States in multilateral contexts when it is engaged in a set of complex issues spanning the fields of economic, politics and security with its chief ally. The tables appear to be turning now, however, with the rising economic power of other Asian countries. The growing economic and political footprint of China in the Asia-Pacific region, for example, has induced a more positive US stance towards the ADB's role in spurring (sub-)regional cooperation on the Asian continent in recent years.³⁸

36 Olson and Prestowitz, 2011: 70. More recently, it appears that Chinese opposition is institutionalized in ADB meetings. Rather than China itself, the Secretary responds to any erroneous mention of 'Taipei, China' and automatically includes the erroneous reference in the meeting minutes. Correspondence with an MFA official, January 2014.

37 Wan, 1995: 523.

38 For more on this, see section IV, trend 3.

III. European Roles and Interests

Between Ambivalence and Disengagement

European countries also display certain ambivalence towards the ADB, but in ways that differ substantially from Washington's mixed approach. The European nations' engagement with the ADB has commonly been largely limited to financial matters – contributions and the financial soundness of the Bank – and the social, normative context of the ADB's undertakings. This is illustrated by the fact that the vice-president responsible for financial matters traditionally comes from Europe. The normative approach is apparent from the critical stance that is adopted towards upholding social standards and issues in ADB projects, especially in Board meetings. This includes attention for human rights and labour conditions, as well as for 'soft' social projects – in contrast to 'hard' infrastructural projects – more generally.

Creating coalitions. EU members plus Canada, Norway, Switzerland and Turkey account for 23 per cent of the voting power and three of the twelve seats in the ADB Board. Representatives of these countries gather every Monday morning for an informal meeting, and aim to enlarge their influence by way of forming coalitions. Their combined influential power is said to be big enough at least to limit the room for manoeuvre of the ADB Board and the President.³⁹

Generous but disengaged. It has been noted that while European countries had become a more crucial source of financial contributions than the United States by the mid-1980s, they were less interested in the region and were divided among themselves. This is partly explained by the fact that these European countries generally lack the profound engagement that the US holds with more than a few countries in East Asia, especially in the security sphere.⁴⁰ That being said, the fact that European countries have fewer tools to engage countries in the East Asian region in the first place constitutes a strong incentive for them to make more of their ADB membership.

Emphasis on social issues. Since the 1990s, the Japanese and the ADB's management have adjusted the ADB's policies and institutional management in exchange for support from the United States and European countries, which have become less willing to offer foreign aid.⁴¹ This resulted in a 10 per cent increase in loans for social issues such as education, health and population, urban development and the environment, to 40 per cent of the ADB's total loans. While this was a victory for developed, non-regional members, the new emphasis on social issues caused much resentment among the developing nations, led by China and India, as the chief request on the part of developing members was for loans for their infrastructure.

39 Interview with an ADB Executive Director, 18 October 2013.

40 Wan, 1995: 519.

41 Wan, 1995: 524.

Value-oriented Approach versus Pragmatism

'European' values... Some European countries – including the Nordic nations, the United Kingdom and the Netherlands – have primarily engaged with the ADB from a value-oriented mindset. The United States has at times adopted a similar role, for example when voting against the adoption of Strategy 2020 in 2008.⁴² Concerns were raised about the excessive focus on middle-income countries that are reducing their reliance on donors, at the expense of the region's poorest nations.⁴³ This 'outside force' has generally been welcomed by the ADB – not least by the Japanese, as it solidifies some of Tokyo's preferences without direct Japanese involvement. At the same time, the value-oriented mindset serves as a counterweight to countries that hold opposing views. That being the case, an analysis of the effectiveness of the UK aid agency's engagement with the ADB took a rather critical stance of the sometimes disproportionate emphasis on (European) values. It was noted that the United Kingdom 'has sometimes been overambitious and shown insufficient evidence of taking political risks into account in project design'.⁴⁴

...and pragmatism. Other European countries – including Spain and Portugal – have taken a more pragmatic approach, focusing on making the most of the direct economic opportunities provided by the Bank. Contrary to the general downward trend in the number of procurement contracts awarded to European countries, Spain has experienced an increase. In 2012, Spain received 7.1 per cent of the value of all ADB procurement contracts and 4.45 per cent of all consulting services.

Focus on consultancy services. Since the supply of goods and civil works is left largely to local companies in the ADB's client countries, the broadest opportunity area for many European companies is the provision of consultancy services.⁴⁵ Since its establishment, the ADB has sourced most of its expertise from the private sector through consultancies. This continues to be the case today, and the Bank has recognized Europe's added value in transferring knowledge to the region through investments.⁴⁶ The share of European consulting services has decreased dramatically over time, however. This is illustrated in Table 2 below. Taking the Netherlands as an example, during the period 1987–1996 Dutch businesses captured 5.45 per cent of all consultancy services' contracts. This can be considered a significant share, considering the Netherlands' 1.2 per cent stake in the Bank. In 2009 and 2012, however, Dutch consulting services constituted a mere 0.08 and 1.5 per cent respectively. The Netherlands is not alone in facing this decline, as other European countries have experienced a similar downward trend.

Declining competitiveness. One aspect that contributed to the decrease of European success in procurement is the relative rise of regional Asian (and Pacific) members and the subsequent deterioration of European competitiveness. Years of substantial economic growth in Asia, combined with knowledge gained from their European counterparts, enabled local Asian firms to enter increasingly competitive bids on projects. Outsourcing most of their work to freelancers – in order to minimize staff size and overhead costs – allows these local companies to undercut the prices of European firms.⁴⁷ Non-regional firms are challenged to compensate for their higher prices with higher-quality services.

42 The United States stood alone in its flat rejection of the document, while others – including the United Kingdom – abstained, and representatives from several countries that voted for Strategy 2020 expressed some reservations, even if in muted diplomatic tones.

43 Fujita, 2013.

44 Independent Commission for Aid Impact, 2012: 1.

45 The ADB uses consultants for technical assistance work, sector studies, economic research studies, project preparation/feasibility studies, procurement assistance, construction supervision, project management, and the evaluation of completed projects.

46 Comment by ADB President Nakao during his visit to the ADB European Representative Office in Frankfurt, Germany, on 2 July 2013.

47 Interview with Ian Makin, ADB Senior Water Resources Management Specialist, 19 November 2013.

This is a significant challenge, however, as the price/quality ratio used by the ADB in ordinary projects usually lies anywhere between 20/80 and 30/70. To the benefit of non-regional companies, this ratio is adjusted upwards to 10/90 for more knowledge-intensive technical assistance projects. Table 2 illustrates this in more detail.

Governance issues and corruption. Another reason why non-regional firms have become increasingly cautious about bidding for ADB projects that involve government loans are governance issues. The risk of getting involved in corruption in the client country, even if not directly responsible, has led many firms to opt out of procurements. Clearly, corruption can be a challenge to delivering a project properly and on time, while at the same time posing a severe risk to a firm's brand name and public relations. Governance issues and corruption often originate in the fact that a recipient government is in charge of the recruitment process. Local bureaucrats favour domestic firms by lowering the price-quality ratio, even when it concerns more demanding projects. This is not the case with technical assistance projects, as the ADB itself is responsible here for recruitment. A business representative indicated that firms feel more secure knowing that they can work 'in a region rife with corruption without having to deal directly with fraudulent governments'.⁴⁸ A representative from the Dutch private sector went as far as saying that 'merely the association with development banks is enough for our business partners to assume that we must engage in fraudulent activities'.⁴⁹ Allegations of this sort clearly pose a challenge to MDBs, including the ADB, even if they represent a simplified picture of reality. They provide further stimulus for the ADB to strengthen guidelines, as well as to toughen its anti-corruption measures and to reinforce governance policies. This is exactly what happened in 2012, as complaints of fraud and corruption – the majority of which came from ADB staff – reached a new high.⁵⁰

Change on the horizon? The distinction between the more value-oriented European countries versus the pragmatists is bound to change in the years ahead. The development policies of a number of European countries are undergoing significant change and are largely overcoming the taboo of openly linking assistance policies and business interests.⁵¹ Growing financial constraints and the criticism of the 'aid industry' that has emerged over the past decade are contributing to renewed attention for economic diplomacy.⁵² Change is also evident in the international context, mainly driven by the growing importance of a number of Asian and other emerging countries in international politics and economics. This group of players is strengthening its role and influence, and is not inclined to adhere to more traditional approaches to development assistance that have been adopted by European countries and members of the OECD Development Assistance Committee more broadly. Taken together, these developments spur the on-going 'economization' of development cooperation at the bilateral, regional and multilateral levels. They also provide fresh impetus for European countries to take another look at the ADB.

48 Interview with a representative from the Dutch private sector, 30 October 2013.

49 Comment by a participant in the seminar 'The Asian Development Bank: What's in it for Europe?', held at the Clingendael Institute, The Hague, on 21 November 2013.

50 ADB, 2013a.

51 The Netherlands is a case in point. For an outline of new policies, for example, see MFA of the Netherlands, 2013a and 2011a.

52 For example, see Polman, 2008.

Table 2: Procurements* and Consultancy Services in the ADB (of Selected Members)
(in % of Total)**

	1967–1976		1977–1986		1987–1996		1997–2002		2006			2009			2012			Cumulative Distribution (as of 31/12/12)	
	Goods	Consulting	Goods	Consulting	Goods	Consulting	Goods	Consulting	Goods	Consulting	TA	Goods	Consulting	TA	Goods	Consulting	TA	\$ million	%
Japan	41.67	11.44	23.65	13.42	9.52	5.78	5.95	6.16	0.31	4.68	1.56	0.86	2.20	5.28	0.95	5.57	1.58	8831.93	6.85
United States	6.27	31.13	7.66	19.55	6.46	10.54	6.26	10.99	4.76	7.62	16.03	0.42	2.53	8.28	0.13	5.36	8.89	7952.39	6.17
China	0.00	0.00	0.00	0.00	8.12	0.00	16.02	0.19	21.35	0.60	2.82	26.06	0.11	4.74	28.29	1.49	3.57	23104.89	17.91
Indonesia	0.00	0.00	6.11	7.09	12.60	19.14	10.91	10.55	3.81	10.48	2.45	3.62	8.90	1.49	2.54	1.93	2.43	9173.08	7.11
Germany	8.87	14.00	4.89	3.48	4.98	5.86	2.61	3.78	0.22	5.36	2.75	0.79	3.39	2.03	0.93	2.46	3.88	3647.37	2.83
United Kingdom	4.57	3.38	3.97	14.31	1.70	11.35	1.33	11.59	0.14	4.65	8.03	0.07	2.35	9.78	3.19	2.31	9.81	2609.79	2.02
The Netherlands	2.08	3.20	1.01	2.48	0.95	5.45	0.37	2.97	0.05	0.67	1.76	0.01	0.08	4.73	0.00	1.50	2.91	890.89	0.69
Spain	0.00	0.00	0.00	0.00	0.15	0.00	0.21	0.00	0.08	0.00	0.87	0.17	8.70	1.34	7.07	4.45	1.89	758.86	0.59
Denmark	0.11	1.64	0.45	1.97	0.21	1.80	0.25	1.84	0.07	0.00	1.76	0.00	3.69	0.34	0.00	0.00	1.85	372.60	0.29
Total Value of Contracts (\$ millions)	1412.6	93.3	7454.3	482.8	27069.0	1393.8	25687.2	952.8	3949.8	202.9	155.7	5558.71	256.03	183.40	5591.6	306.4	177.3	128983.1543	

* Goods, related services and civil works.

** TA (technical assistance) is included in consulting in the years prior to 2006.

Note: Voting shares and contribution shares are reported as percentages of total voting rights and total contributions.

Source: Calculated from ADB Annual Report, various years.

The Netherlands: Preacher and Salesman

The Netherlands is, in a sense, a typical example of European countries that are undergoing change in the field of development cooperation. Confronted with financial constraints and domestic pressure to improve efficiency of its assistance policies, Dutch economic interests now also feature high in the Netherlands' development assistance policies.⁵³ In addition, multilateralism is increasingly preferred over the bilateral channel, provided that international agencies work effectively and efficiently.⁵⁴

The Dutch government's engagement with multilateral organizations is nothing new, but it is entering a new phase. The Netherlands generously provided funds to the ADB from the day of its establishment. It has contributed and committed US\$ 861 million to special funds' resources since 1966, complemented by an annual paid-in capital subscription that amounted to US\$ 83.7 million in 2012. This budget forms part of total Dutch development assistance expenditures. These significant contributions notwithstanding, the ADB has hardly been on the agenda of Dutch politicians and policy-makers alike – either at the Ministry of Foreign Affairs or the Ministry of Finance.

Evaluation and relevance. Despite its invisibility, the ADB has scored well in the Dutch government's evaluations of multilateral institutions to which it contributes funds, both in absolute and relative terms.⁵⁵ As illustrated in Figure 4, the ADB's importance is valued positively in the fields of water and private sector development in particular. Also relevant to the Netherlands are the ADB's activities in the fields of security and justice (particularly in Afghanistan) and good governance (of smaller island states), as well as climate change. The ADB's added value is again found in infrastructural projects (especially water), regional integration, and good governance in post-conflict countries and small island states. Remarkably, the ADB's geographical relevance is deemed only of limited importance. This is surprising considering the economic dynamism of the Asian region and the fact that a significant number of emerging players in the field of development assistance are from Asia.

Figure 4a: Asian Development Bank Scorecard - Institutional Characteristics



*Multi-bi financing refers to the practice of donors choosing to route funding – earmarked for specific sectors, themes, countries, or regions – through multilateral agencies such as the World Health Organization and the World Bank.

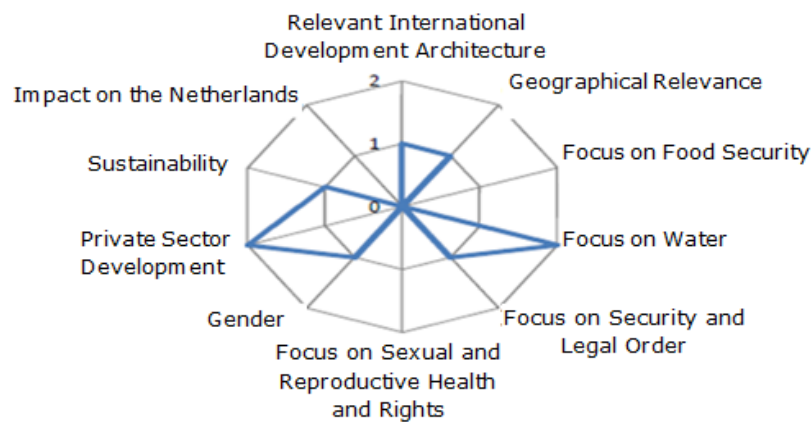
Source: Ministry of Foreign Affairs of the Netherlands, Scorecards 2013 - Summary.

53 See also ADB, 2013a, and interview with Marianne Birch-van Male, Adviser on Development Banks, *AgentschapNL*, The Hague, 29 October 2013.

54 This is most explicitly outlined in MFA of the Netherlands, 2011b and 2009.

55 MFA of the Netherlands, 2013b (in Dutch, summary available in English).

Figure 4b: Asian Development Bank Scorecard - Relevance to Dutch Development Policy



Source: Ministry of Foreign Affairs of the Netherlands, *Scorecards 2013 - Summary*.

Relevant actors and (semi-)public stakeholders. A variety of actors within the Dutch government and other (semi-)public agencies engage with the ADB, even if the Bank commonly represents little more than a small element of their work. First among these actors is the Minister for Foreign Trade and Development Cooperation at the Dutch Ministry of Foreign Affairs (MFA), who is the Governor or formal representative of the Netherlands to the ADB. The MFA's Director-General for International Cooperation is the Alternate Governor. Interestingly, the Dutch Ministry of Finance is no longer formally involved, despite having provided the Dutch ADB Governor until 2008. At the ADB headquarters in Manila in the Philippines, a Dutch MFA official advises the Canadian Executive Director of the constituency of seven countries, of which the Netherlands is a member.⁵⁶ At the Dutch MFA headquarters in The Hague, one senior policy official works on ADB-related matters on a day-to-day basis. Operating from within the Multilateral Organizations and Human Rights Directorate, this official acts as the general contact person and watches over financial matters. In addition, an official based at the Climate, Energy, Environment and Water Department oversees the Netherlands' water trust fund at the ADB and water-related issues more generally. The Department for Asia and Oceania is hardly involved. Dutch Embassies in the region – especially in the Philippines, Vietnam, Thailand, Indonesia and Bangladesh – are expected to provide links with the Dutch trade-promotion agency and the ADB water trust fund, and to steer co-financing. Other than the Dutch MFA, the trade-promotion agency *AgentschapNL* assists the Dutch private sector by providing information as well as practical assistance on procurement opportunities. Finally, several non-governmental water-related agencies and knowledge institutions are involved, including the United Nations Educational, Scientific and Cultural Organization – Institute for Hydraulic Engineering (UNESCO-IHE).

Economic activism and the focus on water. While largely maintaining a low profile within the ADB, the Dutch government has in recent years played a leading role in the establishment of the Water Financing Partners Facility (WFPF). The Netherlands has provided a cumulative commitment of almost US\$ 20 million to the trust fund that was established for the purposes of this facility in 2007, and in November 2013 pledged another US\$ 15 million to the fund. The facility has mobilized financing and knowledge resources to address the pressing needs for water in the region. It targets countries that are also the focus of attention of Dutch bilateral development assistance in Asia. The

56 This individual is commonly stationed in Manila for four years, the first two years as adviser to the Canadian Executive Director and the subsequent two years as Alternate Director.

WFPF supports the ADB's Water Financing Programme (WFP) and aims to provide access to a supply of safe drinking water and improved sanitation, more efficient and productive irrigation and drainage services, and reduced risk of flooding.

Labour standards. While showing itself to be a fine salesman, the Netherlands has traditionally also been a vocal spokesman for the value-oriented approach. Human rights have long been at the centre of Dutch foreign policy and development cooperation policies, even if more so perhaps in rhetoric than in practice. This is illustrated by the fact that on those few occasions when the ADB has generated any attention in the Dutch media throughout the years, the debate was about labour standards and human rights. Most recently, in May 2013, Dutch Members of Parliament raised questions and concerns about ADB-financed projects in India that supposedly violated child labour standards.⁵⁷ Minister Lilianne Ploumen for International Trade and Development responded by saying that the Netherlands regularly raises this issue with the ADB, and that the ADB responds that it is fully committed to upholding the international labour norms. Political attention for the ADB is extremely rare, however. Much different from the IMF or the World Bank, the ADB largely remains below the radar of Dutch politicians and policy-makers.

57 *'Nederlands hulpgeld naar kinderarbeid in India'*, *NRC Handelsblad*, 1 May 2013, available online at <http://www.nrc.nl>.

IV. Trends and Future Trends

This section provides an overview of four relevant trends within the ADB and the potential of these developments to alter the Bank in the next ten to twenty years. The question of what these trends mean for Europe and for European member states will be addressed in the next section.

Trend 1: Economization of the Bank's Development Approach – Return to the Original Mandate

As outlined earlier, the ADB's main goal shifted at the end of the 1990s from economic growth to poverty reduction. While this objective may not change in the coming decade, it appears likely that the approach by which it is to be achieved will be more – and more explicitly – economic. This trend is spurred by the perceived limits of so-called 'targeted intervention' that is supposed to benefit the poor directly, and facilitated by an 'economization' of development assistance that is also prevalent in a growing group of Western countries. The changing nature of poverty undoubtedly also contributes to this trend. Last but not least, economic inequality has increased in many developing countries in the past decade. Without steps to address these disparities, the risks posed by this trend – including social instability – will continue to grow. The ADB's move away from targeted poverty reduction initiatives to a broader inclusive growth approach is meant to ensure that more members of society can participate and benefit from economic growth.⁵⁸

The economic approach to development. The differences between the development philosophies and priorities of Japan on the one hand and Western countries on the other hand have been discussed in much detail throughout recent decades.⁵⁹ The Japanese have long been criticized by other OECD countries for taking a 'mercantilist approach' and, to a certain degree, have adjusted their ways to accommodate such disapproval. That being said, there can be little doubt that the Japanese and other Asian countries consider the Anglo-Saxon approach to development – with its traditional emphasis on targeted intervention and long-standing taboo towards involving the private sector – to be inappropriate for Asia.⁶⁰ Back in the 1980s, then ADB President Masao Fujioka argued that there should not be 'an arbitrary difference between the public and private sectors'. This sort of thinking, as well as the idea that development impact and (private sector) profit can go hand in hand, is only very recently becoming more acceptable again in European countries, including in the Netherlands. Further contributing to this trend is the fact that the style of new players in the field of development assistance has generally been similar to Japan's policies of the past. The group of countries that is taking an 'economic approach' is thereby likely to grow in the years to come.

58 ADB website: <http://www.adb.org/themes/poverty/topics/inclusive-growth>.

59 For example, see Söderberg, 1996; and Yasutomo, 1995.

60 See Wan, 1995: 526–527.

The changing nature of poverty. In stark contrast to the early years of the ADB's operations, most of the ADB's clients are now middle-income countries rather than low-income countries. Indeed, only seven of the 45 active borrowing countries are characterized as low-income countries. This change is having significant effects on the projects and activities that are requested by the ADB's clients, which have relatively better institutional capacity than used to be the case. Seen in this context, the ADB is adapting its approach to assisting client countries' own development path rather than to intervening through targeted assistance. Rather than mere financial support, the governments of these countries ask for intellectual support in dealing with challenges such as growing inequality, climate change and other 'non-income parts of poverty', including health, education and gender equality. The ADB is also asked to assist countries in evading the so-called 'middle-income trap', which so far only South Korea has been able to avoid. Towards this end, the think-tank function played by the ADB Institute in Tokyo plays an increasingly important role, both in delivering studies and in providing training to representatives from client countries.

A focus on public-private partnerships. In 2011, the ADB set itself the goal of shifting its focus from so-called sovereign projects to public-private partnerships (PPPs). Co-financing with public-sector institutions, such as the Japan Bank for International Cooperation (JBIC) and similar institutions in Korea and elsewhere, as well as with the private sector, is considered to be the only way by which the ADB can leverage its available funds to meet the vast amount of capital required to spur economic growth in Asia over the next decade. As an ADB-commissioned report of 2012 put it: 'public financiers like ADB must undergo a complete change of mindset and shift their focus from sovereign projects to PPPs'.⁶¹ This may be overstating the case, however, as change in this direction has been gradual and is thus hardly new for the Bank. Furthermore, even if sovereign projects will decline from the current figure of about 85 per cent, they are still expected to make up 75 per cent of the ADB's ordinary resources' operations in 2020.⁶² It should also be noted that formal and informal links between economics and politics have traditionally been much closer in many Asian countries compared to the West. The strong message should then primarily be regarded as a call for a larger weight for non-sovereign participation compared to the ADB's own lending, or as a call to mobilize resources from others, in particular private-sector investments, commercial financing, technology and operational know-how and efficiency. In other words, the change in mindset should move from the ADB as project financier and project operator to a 'project developer' and enabler.⁶³ In addition, the call appears to be for client countries to have more effective public-sector oversight agencies, and in some instances for more political will.

Trend 2: Aiming for Sustainable, Green Development – Climate as a Spearhead, with Climate Funding as an Option

The staggering economic expansion in Asia over recent decades has come at a high cost to the environment and – as a consequence – to human development. The region has become a main driver of the climate change crisis that now jeopardizes its development. Decreasing availability of fresh water, rising sea levels, increasing risk of flooding, declining crop yields and pressures for large-scale migration are threatening the lives of people and adding to the challenges of water, energy and food security.

61 ADB-commissioned research by the Economic Intelligence Unit, 2012.

62 Authors' correspondence with Kazu Sakai, Director-General of the ADB's Strategy and Policy Department, December 2013.

63 Interview with Kazu Sakai, 13 November 2013.

Stepping up the effort. As per Strategy 2020, the ADB has in recent years integrated climate change into its work to ensure continued economic growth and a sustainable future. The Bank integrates both the mitigation of greenhouse gas emissions and climate change adaptation measures into development planning and investments. From 2009 to 2010, more than US\$ 8 billion was invested in 227 loans, grants and technical assistance, for which climate change mitigation and/or adaptation comprised a substantial component of the entire project. The ADB thereby contributes to leading the region to a path for green growth through financing and innovative technologies.

Leveraging funding. Recognizing that massive financing is required to combat climate change, the ADB uses public-sector funds to leverage significant amounts of private capital. In doing so, it aims to deliver the right technologies to the hands of as many partners as possible, and as quickly as possible. The ADB pursues its strategic priorities for climate change through three modalities: (1) mobilizing and innovating to meet financing needs; (2) generating and disseminating knowledge; and (3) cultivating and fostering partnerships.⁶⁴ Limited public funds thereby facilitate significant increases in flows of private capital into low-carbon and climate-resilient investments.

Climate change versus water? Many of the challenges related to environmental sustainability and climate change have a water dimension. The clearest examples are, of course, the availability of fresh water, rising sea levels and flooding. In this context, it has been said that 'water is the first casualty of climate change'⁶⁵ – that is to say, the increase in allocation to combat climate change often comes at the expense of the water budget, at least on paper. This is noteworthy for countries with an interest in water issues, both on the recipient side and on the supply side, because the interest in climate change in general may hamper their efforts to focus attention on the water business. At the same time, it means that funds should be sought not only for water funds but also for climate change facilities.

From development assistance to climate finance? While the ADB has been quick to expand activities in the field of climate change, it lags behind in the field of climate finance. This relatively new trend in development cooperation originates from the Copenhagen Accord of 2009, which outlined significant funding commitments from developed countries to the developing world in order to support efforts to reduce emissions and adapt to the impacts of climate change.⁶⁶ It has been argued that climate finance provides a big potential for the ADB to maintain its relevance beyond 2025, when traditional ODA flows will have lost much of their relevance in East Asia.⁶⁷ Despite the fact that climate issues have featured high on the ADB's operational agenda, the Bank has not been successful in tapping climate funds on a large scale. This is remarkable for a number of reasons. First, the ADB is one of ten implementing agencies of the Global Environmental Facility (GEF). Second, it has vast experience as a project financier and implementer. Third, the ADB has extensive expertise in the field of energy efficiency, renewable energy, adaptation to climate change and natural resources' management. It thus appears only natural that the ongoing mid-term review of Strategy 2020 identifies assistance to the ADB's developing member countries in using various climate funds as one of the Bank's future priorities.⁶⁸

64 For example, ADB official website: <http://www.adb.org/themes/climate-change/overview>.

65 Interview with Ian Makin, ADB Senior Water Resources Management Specialist, 19 November 2013.

66 The first funding commitment concerned a 'fast start' investment of US\$ 30 billion over three years; the second constituted a long-term commitment of US\$ 100 billion per year by 2020.

67 Interview with Aart van der Horst, Dutch Ministry of Foreign Affairs, The Hague, 24 October 2013.

68 Authors' correspondence with Kazu Sakai, Director General of the ADB's Strategy and Policy Department, December 2013.

Trend 3: Scope of Operations Shifting – Towards More Regional Cooperation

While regional cooperation is one of the key mandates stipulated in the ADB's Charter,⁶⁹ the Bank articulated its approach to promoting regional cooperation only in 1994. Progress was slow in the early years because of fragmented efforts across departments and offices and the varied quality of lending and non-lending services for regional cooperation and integration. More generally, the ADB lacked a coherent strategy for regional cooperation. In addition, support for trade and investment integration was scant because of the proliferation of bilateral and regional free-trade agreements in the region.

ADB activism gaining momentum. This situation changed when Haruhiko Kuroda became ADB President in February 2005. Tellingly, Kuroda established an Office of Regional Economic Integration (OREI) just two months after having taken office. The ADB then became more of a player in East Asia's new regionalism. In 2006, the ADB adopted a strategy for regional cooperation and integration that aims to support the Bank's overarching goal of poverty reduction through regional collective actions. Under Strategy 2020, the ADB vowed to scale up its support for regional cooperation and integration, increasing the volume of operations and the share of regional cooperation and integration (RCI) in total operations.

Four pillars for regional cooperation. The ADB's strategy for RCI emphasizes the Bank's active role as the catalyst, coordinator and knowledge leader of RCI in Asia and the Pacific. It is anchored on four pillars: (1) regional and sub-regional economic cooperation programmes on cross-border infrastructure and related software; (2) trade and investment cooperation and integration; (3) monetary and financial cooperation and integration; and (4) cooperation in regional public goods, such as clean air, control of communicable diseases and the management of natural disasters. Contrary to trends in other regions, cooperation among East Asian countries has initially advanced in the area of finance rather than trade.⁷⁰ While individual governments thus engaged themselves largely with trade diplomacy, the ADB took a role in finance.

Neutral facilitator, cooperating with other frameworks. The ADB works closely with the Association of South-East Asian Nations (ASEAN) and the ASEAN Plus Three (APT) framework, particularly on regional cooperation and integration.⁷¹ The ADB largely plays the role of a neutral facilitator. The APT Ministerial Meeting, for example, is commonly held on the sidelines of the annual ADB Governors Meeting. In 2000, the APT meeting led to the creation of the Chiang Mai Initiative (CMI), for which the ADB until recently provided the *de facto* secretariat. It was decided at the 2012 APT meeting that the ADB would be in charge of disbursing the newly created ASEAN Infrastructure Fund (AIF), as well as providing 70 per cent of co-financing.⁷²

Sub-regional programmes. The ADB has provided financial and practical support for regional cooperation and integration in various fields. This includes regional financial governance mechanisms, including the CMI (and its multilateralization, CMI(M)) and the Asian Bond Market Initiative (ABMI). The ADB has also contributed to micro-level regionalized linkages such as the Greater Mekong Sub-region (GMS), the East Asian Growth Area (EAGA), the Central Asia Regional Economic Cooperation (CAREC) and the South Asia Sub-regional Economic Cooperation (SASEC). Furthermore, the opening up of Myanmar since 2011 has created new possibilities for improving regional links in South and South-East Asia. While the number of projects has steadily grown throughout the

69 'The purpose of the Bank shall be to foster economic growth and cooperation in the region [...] and contribute to the acceleration of the process of economic development of the developing countries in the region, collectively and individually'; ADB Charter, Article 1.

70 Dent, 2008: 772; and ADB, 2004.

71 Dent, 2008: 769-770.

72 'Chiang Mai Fund Doubled to \$240 Billion', *Jakarta Post*, 9 May 2012.

past decade, news reporting and scholarly articles written on these topics generally fail to note the instrumental role that is played by the ADB. Attention – and credit – is generally given to the countries and governments involved.

Developmental regionalism. The ADB has been said to advocate for so-called 'developmental regionalism' in East Asia, whereby RCI activities are particularly oriented to closing development gaps within the region. This Japanese-style approach is revealed in the particular modes of regional integration that the ADB has promoted – namely the proactive integration of policy cooperation, coordination and harmonization rather than the passive integration of economic liberalization and deregulation – most notably free-trade agreements. This is at least partly based on the belief that passive integration can 'exacerbate the development divide between the region's poorer and richer countries'.⁷³ If left uncontrolled, liberated market forces allow stronger-capacity economies to get richer, while weak-capacity economies continue to wither through a cumulative causation process. The Japanese style is also evident in the type of free-trade agreements that the ADB is promoting – namely the particular (East) Asian brand of 'economic partnership agreement', where development cooperation is combined with trade and investment liberalization.⁷⁴

The politics of regional integration. Local governments appreciate the ADB's low-key profile and the – generally positive – attention that comes with regional cooperative projects. This is certainly one important reason why the ADB refrains from putting itself at the forefront. Another explanation for the ADB's low profile may be found in the politics of regional integration in East Asia. Japan and ASEAN countries in particular stand to benefit from enhanced links and cooperation among South-East Asian countries, where China is quickly strengthening its presence and influence. Speaking with more of a single voice clearly helps these countries to stand up against their strong neighbour in times of conflict. As tensions in the region have risen in recent years, the ADB's contributions to this end thereby serve the interests of more than a few countries in East Asia. This goes both for strengthening intra-regional cooperation and for adding to a more single voice in intra-regional cooperation.

Towards a more supportive role by the United States. In this context, it is furthermore unsurprising that the United States attaches increased importance to the ADB's regional integration efforts in South-East, South and Central Asia. This is a break with the past, when wariness of purely Asian initiatives or a dominant role by Japan led Washington to oppose regional cooperative efforts undertaken by the ADB. In recent years, Washington has shown itself to be more positive about the ADB's role in spurring (sub-)regional cooperation on the Asian continent. The United States has been more active in regional cooperation itself since the latter half of the 2000s, while also pursuing collaboration with the ADB. For example, the Lower Mekong Initiative – initiated by the United States in 2008 – largely overlaps with the ADB's GMS programme. An important difference, however, is the fact that the US initiative includes Cambodia, Laos, Thailand, Vietnam and more recently Myanmar, but excludes China – which is included in the ADB's programme. The United States also attaches importance to the CAREC programme. This reflects its changing strategy towards Afghanistan and the related US vision of the so-called 'New Silk Road'. Similar to the ADB's style and operations, the latter involves both physical connectivity and the 'soft' element of practices, regulations, legislative bases, and international agreements in the areas of trade and transit that allow goods and services to flow efficiently from country to country across this infrastructure.⁷⁵

73 Dent, 2008: 780–781 and 783.

74 Dent, 2008: 781.

75 US Department of State, 2013.

Trend 4: Increasing Politicization against the Context of a Rising China

As a growing group of ADB member states moves up the development ladder and asks for a stronger voice within the Bank, politics can be expected to move to the forefront in the years to come. This goes not only for the ADB's internal operations, but also for deliberations on its external strategy and for practical undertakings. The most important trigger for such change is China's growing influence in the region and within the ADB. This is reminiscent of the early 1980s, when the Bank became more politicized with the rise of the Japanese economy. Back then, US pressure to change the ADB's strategy to its own benefit – that is, to promote the private sector and the market mechanism – contributed to the ADB's politicization.⁷⁶

Chinese activism within the ADB. There are several ways in which China has been seen to deepen its engagement and to strengthen its role and influence within the ADB in recent years, even if it remains one of the Bank's largest borrowers. For example, Chinese nationals are taking up an increasingly large number of strategic positions in the organization, especially in the operations departments. Moreover, even if China is still a recipient of funds, it is also a provider. Beijing is trying to enlarge its capital share – which will accordingly give it a greater voice – and in 2005 contributed US\$ 20 million to its own China Poverty Reduction and Regional Cooperation Fund. So far, however, Beijing refuses to contribute much the ADF. China is also extremely effective in tapping into the ADB's technical expertise.⁷⁷ The bulk of publications by the ADB's East Asia section results from Chinese requests, and the Chinese Ministry of Finance has requested knowledge products on issues ranging from property markets to the formation of asset bubbles. Taken together, there can be little doubt that the moment when China graduates as a recipient of ADB loans in the near future will be a turning point for the organization.

Reinforcing sensitivity to Chinese positions. Mainland Chinese customary practice can be expected to gain sway as the Chinese economy grows, as will Beijing's potential to use economic levers to influence or intimidate others. Opposition to countries that do not adhere to the One China policy is one such example. As mentioned earlier, erroneous reference to 'Taiwan' at Board meetings is formally opposed on every occasion. Furthermore, China usually abstains from voting on every project for the Solomon Islands, which continues to recognize Taiwan, without making any further comment at the Board. In 2009, China used its power as Board Member to block approval of the country plan for India because it included funding for a project in Arunachal Pradesh, the disputed border region that China refers to as South Tibet. In various ways, China succeeds in creating awareness of its positions and in instilling extreme sensitivity on others. This clearly contributes to its ability to influence and steer the ADB, as well as more than a few of its members, in subtle but significant ways.

Chinese activism outside the ADB. While increasingly impacting on the Bank's operations, China is at the same time providing alternatives. This is exemplified by its proposals in 2013 for a BRICS Bank (namely, for Brazil, Russia, India, China and South Africa) and an Asian infrastructure investment bank funded predominantly by China itself.⁷⁸ The Chinese Communist Party has also recently expressed its desire to set up regional development banks to 'accelerate infrastructure construction to improve its

76 Wan, 1995: 519.

77 Olson and Prestowitz, 2011: 68 and 70.

78 The proposed establishment of a development bank of the BRICS nations was agreed upon by BRICS leaders at the 2013 BRICS summit in South Africa in March 2013. Russia, Brazil and India will contribute US\$ 18 billion to the BRICS currency reserve pool, while China and South Africa will fund US\$ 41 billion and US\$ 5 billion respectively. On the Asian infrastructure investment bank, see, for example, 'New "Infrastructure Bank" for Asia on the Cards', *Emerging Markets*, 4 May 2013, available online at <http://www.emergingmarkets.org/>.

connection with neighbouring countries and regions and pave way for construction of two "Silk Roads".⁷⁹ While China is in dispute with Japan over sovereignty of the Diaoyu/Senkaku Islands and South China Sea, a westbound road from China to Central Asia, the Middle East and Eastern European countries – akin to the Silk Road of about 2,100 years ago – would reduce Japanese influence and facilitate trade and investment. In this way, China is putting increasing pressure on the ADB to reform in order to maintain legitimacy and influence.

Welcome initiatives... Most ADB officials argue that the mooted BRICS Bank and Asian infrastructure investment bank will complement, rather than compete, with the ADB.⁸⁰ In a region where excess savings tend to be invested in US treasury bonds against relatively low interest rates, all means that keep savings within the region should be welcomed. This links directly to the ADB's own assessment of the huge infrastructure deficit confronting the Asian region, as well as its call for more investment, which is needed to spur development and economic growth in the region. Any initiative that contributes to this end should thus be welcomed, as the ADB alone can only cover a fraction of the investment required.

...new competition... This welcoming attitude, however, clearly represents only one side of the coin. Chinese proposals for a BRICS Bank and a Chinese Investment Bank also pose 'direct competition for the ADB', as many outside and some within the ADB point out.⁸¹ There can be little doubt that the Bank's activities and strategy will be affected if other development banks that represent more or less different mindsets become active in the same region. The extent to which the ADB succeeds in reforming itself and in maintaining legitimacy will determine the likeliness that alternative organizations will constitute competition. Chinese activism is thus interesting, because it can provide an indication of the shape and the direction in which the ADB is heading, even if the proposed organizations fail to materialize.

...or mere symbolism? Interestingly, some ADB mandarins also consider the propositions for alternative banks as a political tool on the part of the Chinese government. Beijing is seen as ventilating its displeasure at not getting its own way within the Bretton-Woods system of the World Bank, the IMF and – as an extension of these – the Asian Development Bank. In the eyes of more than a few governments and individuals involved, the establishment of a BRICS Bank may be a price worth paying to maintain the status quo in the existing system.⁸²

Keeping the Chinese in. Within the ADB, as in many countries that provide bilateral development assistance, the desirability of continuing loans to China is fiercely debated. This is unsurprising considering the country's vast excess savings, combined with a spiralling development gap between the coastal and inland regions. China's own financial capabilities notwithstanding, the ADB regards the continuation of loans and engagement through its knowledge functions as important tools for maintaining a foot in the door. Having projects in place facilitates discussion with local and national governments, and thereby contributes to attempts to improve rules and regulation and to address corruption. Engaging the Chinese in the ADB – as well as in other multilateral cooperative

79 'China Pushes Regional Development Banks', 2 December 2013, available online at <http://www.scmp.com/business/economy/article/1370538/china-pushes-regional-development-banks>.

80 Interview with Iwan Azis, Head of the ADB's Office of Regional Economic Integration, 8 October 2013.

81 Interview with Erik Famaey, Senior Associate at the European Institute for Asian Studies, 9 October 2013; and with Kazu Sakai, Director-General of the ADB's Strategy and Policy Department, 13 November 2013.

82 Interview with Jacob A. Roomans, former Alternate Executive Director of the ADB (2010–2012) for the Constituency of Canada, Denmark, Finland, Ireland, the Netherlands, Norway and Sweden, 25 October 2013.

organs – is also a way of addressing regional stability, particularly at a time when regional tensions are running high against the backdrop of China's growing economic power.

Pushing back? Unsurprisingly, tensions have emerged between the ADB's agenda and China's. Tokyo worries about Japan's declining influence in the region and, in the eyes of some, sees any rising Chinese influence in the organization in 'zero-sum terms'.⁸³ Interested in defending the status quo, Japan and non-regional members have much to gain from existing regional institutions, including the ADB. A question that is becoming increasingly pertinent is whether China will want and be able to leverage its economic strength to overtake Japan's level of influence in the ADB. Or, if the ADB is merely a function of the balance of power, could the decline of Japan as a regional hegemon and the consequent power transition signal the end of the organization as a whole? These important questions require a strategic vision on the part of both regional and non-regional members of the ADB.

83 Rathus, 2008.

V. Implications for Europe and the Netherlands

The importance of the ADB for European member states may be considered in three ways – that is, in economic, political and geostrategic terms. In the economic sense, the fact that the ADB's regional member states represent an ever-growing share of the world's economic market is obviously significant. It is not without reason that the ADB has been referred to as the 'Bank for half of the world'.⁸⁴ Politically, the ADB's activities in specific Asian countries serve as a complement to the bilateral assistance of European nations with those countries. Creating linkages between bilateral development ties and ADB priorities is likely to reinforce outcomes. Finally, from a geostrategic perspective, what stands out is that membership of the ADB provides access and opportunities to engage with fast-growing countries in the Asia-Pacific region – both multilaterally and bilaterally. Each of these aspects is worthy of closer scrutiny.

The Economic Angle

European economic interests in the ADB manifest themselves in several ways. The most tangible economic benefit lies in the involvement of European businesses in projects that are financed or co-financed by the ADB. The more indirect and – in the eyes of many within the Bank – more important way by which the ADB adds economic value is that it uses public investments to 'leverage' additional investments from private actors. By providing public goods and services, the ADB is also instrumental in improving the investment climate and, quite literally, in paving the way for European companies to invest in these markets.

New rules, new strategies. As Table 2 demonstrates, the direct gains that European firms get from the ADB through procurement contracts have steadily decreased. Today, they are merely a fraction of the level of the 1970s and 1980s. Declining competitiveness has forced many large non-regional consulting firms to reconsider their strategies. The companies that remain active operate mostly through local offices, allowing them to enter cheaper bids under the flag of a developing member country. The challenge is to stay up to date, to determine and demonstrate comparative advantage. Firms also need to develop, maintain and innovate a network of relationships and non-technical expertise of working in the region. While some European businesses have been forced or have opted out of this more competitive environment, others have still proven themselves to be successful.⁸⁵ Interestingly, some firms that left the region earlier have returned in recent years, recognizing the value of creating networks through procurement projects for their long-term engagement in the region. In other words, while ADB projects themselves may not be particularly profitable, they provide a chance for future operations on a commercial basis.

Changing procurement guidelines. While firms are adapting to the changing environment, the ADB is also working to improve the tendering process. Recognizing the

84 Wilson, 1987.

85 Interview with a former ADB employee, 12 November 2013.

long-term limitations of overly focusing on price versus the quality of undertakings, the World Bank is currently undertaking a revision of procurement guidelines. The ADB is likely to follow these new policy recommendations when they are published. That being the case, there can be little doubt that it will be difficult for Dutch and European companies to regain their footing as regional members continue to grow and as local Asian companies continue to acquire more technical expertise.

Enlarging the pie... Overly focusing discussion about the ADB's economic merits on procurement contracts, however, is to overlook what is perhaps the most important point about the ADB's purpose. By engaging in policy-based loans, the ADB is creating a more favourable investment climate, thereby paving the way for companies to invest in those countries. In the eyes of most people that are directly involved with the Bank, this is the most significant value that the ADB's undertakings offer – not just to client states but also to any private-sector party that wishes to operate in the region. A focus on procurement may be understandable from a political perspective, since procurement is an easier selling tool than a target such as private-sector development. After all, the gains of procurement contracts are immediate and measurable, while the added value of transparent, healthy, political-economic systems that further private-sector activities for years to come is largely indirect. To take this narrow view, however, is to overlook the real added value of the ADB's undertakings, which is to create new markets by sharing knowledge and to improve infrastructure and governance.

Big Potential: The ADB and the Water Sector

A promising partnership. One overlapping area of interest with the potential also to deepen ties between the Netherlands and the ADB is the Asian water sector. In a region of rapid economic growth and a diversity of water challenges – including competing demand, misuse and pollution – water resources' management is of vital importance. This challenge matches well with Dutch expertise in the field of water and the goal articulated in 2011 by the Dutch government to double the added value of its water industry by 2020.⁸⁶ Exports from the water sector currently constitute 1.85 per cent of total Dutch exports and it is believed that the vast majority of the required growth can be, and needs to be, realized by exporting knowledge and innovation through international partnerships.⁸⁷

The ADB's increased investment in water. Until ten years ago, ADB investments in water projects were 'modest and unpredictable'.⁸⁸ They averaged US\$ 790 million a year between 1990 and 2005, ranging from US\$ 330 million in 2004 to US\$ 1.4 billion in 2005. This started to change with the launch of the Water Financing Programme (WFP) in 2006, which aimed to remedy historical under-investment in the Asian water sector.⁸⁹ Since then, the WFP's target investments increased to US\$ 2.0 to \$ 2.5 billion annually, or a total of US\$ 20 to \$ 25 billion by the end of 2020. The ADB now devotes 25 per cent of its investment portfolio to water projects, making the Bank one of the most important actors in this sector.

Partners in water. The Netherlands is recognized by the ADB as a 'very strong and valuable partner' in water.⁹⁰ Collaboration in this field was formalized through the

86 Ministry of Economic Affairs of the Netherlands – Topteam Water, 2011, p.2.

87 Netherlands Water Partnership, 2011.

88 ADB website: <http://www.adb.org/sectors/water/overview>.

89 The study *Asia Water Watch 2015* (ADB, 2005) pegged the water investments for Asia and the Pacific needed to achieve the MDGs by their deadline at US\$ 8 billion annually. More recently, the ADB estimated that Asia needs around US\$ 59 billion in infrastructure investments to improve water supplies and sanitation (ADB, 2013b).

90 Interview with Ian Makin, ADB Senior Water Resources Management Specialist, 19 November 2013.

establishment in 2006 of the Water Financing Partnership Facility (WFPF), which aims to pool finance and knowledge from development partners to support improvements in the sector. The Dutch government has contributed nearly US\$ 20 million through its own trust fund.⁹¹ Although this number pales in comparison to the investments that are required to meet the Millennium Development Goals (MDGs), the Facility's resources play a strategic role herein. Rather than simply funding water projects, relatively small inputs from the WFPF are used to leverage considerable investments that are necessary to bridge the gaps in the region's water situation. Roughly one-quarter of the ADB's total lending on water projects – that is, nearly US\$ 4 billion – comprised investments that benefited from WFPF support.⁹²

A strategic perspective? The Netherlands Trust Fund can be seen to complement Dutch bilateral development assistance in Asia. After all, half of the Fund's contributions benefited projects in Dutch partner countries – namely Afghanistan, Bangladesh, Indonesia and Vietnam. Surprisingly, however, the Dutch government, the private sector and knowledge institutes have scarcely been involved in the projects in the years since the Fund's establishment. The Netherlands grew increasingly disconnected with the Fund, as exemplified by the fact that the Dutch MFA has for several years in the recent past been absent from the annual meeting of financing partners in the WFPF. This absence has puzzled partners in Asian countries and in the ADB itself. Many have observed a declining interest from the Dutch government for engaging with Asia and the ADB, with the Netherlands' development interest increasingly focused instead on Africa.

Towards more activism? This trend may be turning, however. Illustrative of what seems to be renewed attention for the ADB, a Dutch government official joined the WFPF's annual meeting in 2013. With Dutch funding, the ADB also established a new partnership between the ADB and UNESCO-IHE. This initiative was proposed by stakeholders involved in stemming the tide and exploring new ways of partnering.⁹³ Moreover, pressure from within the Dutch water sector succeeded in securing new funds for the water fund, despite rumours that the Dutch government was to stop the programme in its existing form.⁹⁴ In conclusion, it appears that the Dutch government – and the private sector – has not been making the most of its relationship with the ADB. The time may be ripe for a more coherent and synergetic approach involving bilateral, multilateral and private-sector cooperation, including knowledge networks.

Political Interests: Link to Bilateral, European Development Assistance

The ADB's expertise about Asian countries and regions, as well as its presence throughout the region, are two of the Bank's important strategic assets. These knowledge and access functions are also of interest for European members, especially in Asian countries with which bilateral ties also run deep and in countries where bilateral ties are scaled back. More generally, the ADB's activities are of political interest where they contribute to regional stability, both by managing potential conflict and in addressing environmental challenges. Also of concern are potential spill-over effects of an economic set-back in Asia, which would have profound consequences in the fields of trade, investment and finance for any country that has business interests in the region.

91 As of December 2013, WFPF-committed contributions stand at nearly US\$ 90 million, divided into three trust funds: the Multi-Donor Trust Fund (US\$ 55 million); the Netherlands Trust Fund (US\$ 19.75 million); and the Sanitation Financing Partnership Trust Fund (US\$ 15 million).

92 ADB, 2013c.

93 Interview with a former ADB staff member, 12 November 2012.

94 Interview with Jan Luijendijk, UNESCO-IHE, Delft, 3 December 2013.

Phasing out assistance: Vietnam, Indonesia and Bangladesh. In recent years the Dutch government has singled out several countries as particularly interesting markets for Dutch companies.⁹⁵ In Asia, this includes Vietnam, as well as Indonesia and Bangladesh. Even though Indonesia and Bangladesh remain on the list of 'partner countries' that still qualify for development assistance, development assistance to these countries will decrease. Funding is, however, still focused on the Dutch ODA spearheads of water, sexual and reproductive health and rights, food security and security, and the legal order. This is not the case for Vietnam, which is regarded as a transition country with which the relationship is to turn from 'aid to investment'.⁹⁶ 'Donor money' is making way for a more mature, market-based bilateral relationship, and remaining public funds are used to support trade and investment, to improve the business climate and to increase the size of (sustainable) trade, investment and services by Dutch companies. This approach in many ways resembles that of the ADB, which has a long track record in Vietnam, as well as in Indonesia and Bangladesh. The potential benefits of partnering – or, at the very least, exchanging information – are evident, all the more since water and the water business are major concerns for all stakeholders.

An integrated approach to development: Afghanistan. The Netherlands' focus in Afghanistan is on working simultaneously to achieve security, legitimate governance and socioeconomic development – the so-called integrated approach. The Dutch government has deployed financial and military resources since 2001 and now contributes through a police training mission for the 2011–2014 period, among others. The withdrawal of Western troops in 2014 can also be expected to spur a reconsideration of the Dutch contribution to Afghanistan's development in the years to come. In this context, it is important to realize that the ADB has been an important player in the reconstruction of Afghanistan. In terms of overall donor pledges from 2002–2013, the ADB ranks as Afghanistan's fourth largest donor after the United States, the United Kingdom and the World Bank.⁹⁷ The ADB implements the Afghanistan Reconstruction Trust Fund in cooperation with the World Bank, which could form the basis of a future multilateral forum for assistance to Afghanistan.

New donor darling: Myanmar. After a suspension of fifteen years, the ADB resumed operations in Myanmar in 2013 with an assistance package for social and economic development. The opening up of Myanmar since 2011 has created new possibilities for improving regional links, also in South and South-East Asia. Connectivity with neighbouring countries is one of the priority areas of the ADB's short-term focus in Myanmar. The Bank aims to assist Myanmar in taking advantage of its abundant natural resources and its strategic location between China and India, as well as of its long Indian Ocean coastline. To this end, the ADB is also assisting in the creation of a development vision and goals, which aim to accelerate inclusive and sustainable economic growth and reduce poverty. The sudden inflow of large numbers of donors and actors that want to be active in Myanmar, combined with the limited institutional capacity of Myanmar's government, is posing both challenges and opportunities for the impoverished country. There is a need for a more coordinated response and – for good reasons – questions have been raised as to whether the ADB should play a facilitating role in this regard.

Strategic Relevance

For a continent that is famous for successful regional integration and known to be eager to showcase this experience in other parts of the world, Europe has shown surprisingly little interest in the ADB and the role that this institution plays in fostering regional integration in East Asia. Questions about the ADB's relevance and the Europeans' lack of

95 A first step in this new direction is elaborated upon in MFA of the Netherlands, 2007.

96 MFA of the Netherlands, 2011a.

97 See ADB, 2010.

attention are becoming more immediate today. The reasons are diverse and obvious, and include the rise of new players in the field of development assistance, the growing challenge of non-traditional security challenges in Asia, and the challenge to established rules of the game and the issue of the ADB's legitimacy and relevance.

Towards a new development paradigm. One interest of European members in the ADB relates to the emergence of new players, many from Asia, that are challenging the 'OECD/Western consensus' on development cooperation. The ADB sheds interesting new light on the evolving strategy and style of a group of Asian countries in this field, whose practice is quickly gaining attention. Also of interest is the ADB's long-term practice of linking development assistance with trade and investment. While this was largely criticized until relatively recently, European countries are now increasingly willing to admit that commercial activities and development cooperation can, or indeed should, go hand in hand on many occasions.

Non-traditional security and stability in the region. ADB projects are of relevance in the context of non-traditional security challenges that are increasingly on the agenda in East Asia. First and foremost, this includes water and food security. While there can be little doubt that individual countries within and outside East Asia play an important role in these fields, the ADB's role can be of particular significance. As already noted, the ADB regularly operates as a co-financer of projects that cross borders. Such projects thereby not only target one specific country, but also contribute to regional stability.

Contributing to legitimacy and relevance. European and other non-regional countries have reason to nurture the ADB, since they will most likely not be as vocal in any future multilateral initiative. Moreover, alternatives to the ADB are likely to undermine the Bank's legitimacy and operation, at least to some extent, thereby indirectly reducing the voice of Japan and most non-regional members in Asia. At the same time, taking a more proactive stance in making other countries – most notably China – feel sufficiently welcome is a necessary step in ensuring that the ADB remains relevant and that European countries maintain access and influence. Even as the regional balance shifts, to the extent that the existing powers commit to the ADB, the institution should continue to function.

A welcome outside voice. Increased European activism is likely to be welcomed by more than a few countries in the region, which are wary of growing Chinese assertiveness and generally appreciate the counter-balance provided by the ADB. This is in a sense reminiscent of the early 1990s, when regional members were critical of US policy and sympathetic to Japan, but did not want Japan to monopolize the ADB and were eager to keep the United States in Asia.⁹⁸ This strengthened the bargaining position of the United States. Similarly, European members today are likely to have their voices heard, if and when they take a more strategic view to issues confronting the region and dare to make their voices heard.

Dutch leadership to engage? European countries are welcomed by many in the region to continue to play a significant and key role. The Japanese clearly welcome the value-oriented agenda that is promoted by the Europeans, if anything because this strengthens Japan's own position as a middle player. There is room for Dutch expertise in water management, provided that the public and private sectors bind forces in a smart strategy that includes continuous engagement at multiple levels. It all boils down to the Dutch leadership's willingness to engage with Asia and the ADB. The Netherlands has a long and esteemed track record of presence in Asia that goes back more than 400 years. It is time to realize, however, that yesterday's experience and knowledge do not suffice today and tomorrow, and that a strategic vision and continuous investment of effort are needed to be successful in this continuously changing region.

98 Wan, 1995: 523.

VI. Conclusion

European countries have a clear interest in furthering prosperity and stability in Asia. They stand to benefit greatly from deeper cooperation and integration in the region. Seen in this context, the ADB and its activities hold considerable significance. In addition, the Bank provides more direct benefits in the economic and political-strategic sense. The ADB's relevance becomes all the more evident when considering the fact that European countries have only limited tools to engage countries in the Asia-Pacific region. On this front, Europe is challenged, particularly in comparison with the United States and Australia, which have deep security ties with the region and participate in many of the existing regional forums. The ADB is thus unique in providing an additional channel to interact with the region multilaterally, both within the institution itself and through the many local projects that it supports.

Like-mindedness and access to the region. Not adapted quite yet to the fact that Asia has changed, European countries still regard the ADB mostly as a development organization. There is a need for greater involvement of stakeholders other than at the technical level, and a need to develop a strategic vision as well as practical tactics on how to make more of ADB membership. As non-regional members of the ADB, the transatlantic powers in particular have an interest in sustaining the relevance of the ADB for at least two reasons. First, there is the fact that the ADB conforms relatively well to the strategies, norms and values of Western countries in the field of development. In addition, the unique access and opportunities that the ADB offers for engaging with an increasingly important group of Asian countries – both multilaterally and bilaterally – should not be underestimated.

Untapped potential. European governments hardly seem to be aware of the ADB's potential to strengthen ties with countries in the Asia-Pacific region. They have generally neglected the ADB's political and geostrategic relevance, while trying to gain seats in other regional organizations. As succinctly noted by Kunihiro Miyake, a former Japanese diplomat and close aide of Japanese Prime Minister Shinzo Abe, 'membership of [East Asian] institutions ought not to be a goal in itself but, rather, follows from continued commitment and engagement with the region'.⁹⁹ This should serve as a lesson for European countries that have in recent years been looking for ways to engage the East Asian region. In this regard, the ADB's practice of not putting the limelight on contributing countries has clearly worked to its disadvantage with European members, but this apparent disadvantage is also at the foundations of the Bank's success. The ADB is certainly not a 'talk club' – a characteristic sometimes attached to the United Nations and various Asian institutions. To conclude, it appears hardly justifiable that an organization in the fast-growing Asian region, whose operations totalled more than US\$ 21 billion in 2012, is getting hardly any attention in European policy-making environments.¹⁰⁰

99 Interview with Kunihiro Miyake at the Canon Institute for Global Studies in Tokyo, 1 July 2013.

100 The comparison with ASEAN is stark: the ASEAN Secretariat currently functions with an annual budget of only US\$ 16 million, complemented by several hundred million dollars provided by third parties, including the European Union. Although starting from a low base, recent years have seen a strengthening of EU-ASEAN relations.

Economic diplomacy and power shifts. European governments are well advised to seize the opportunities that the ADB offers, mainly for three reasons. First, the ADB's activities contribute to economic diplomacy interests – not just in terms of procurement but, more importantly, also by facilitating the creation of rules-based, transparent and fair markets in the region. Given Dutch and European commercial interests in the ADB, European governments should continue to monitor opportunities for bidding in ADB projects and at the same time communicate the future benefits of ADB projects for businesses that do, or aspire to do, business in the region. After all, stability within countries and in the region as a whole paves the way for increased private-sector activities. Second, the ADB's relevance should be seen in the wider context of its geography and global power shifts – that is, as an environment wherein a non-Western diplomatic style is the norm in both normative and practical terms. Membership of this institution provides valuable opportunities to engage with players that are quickly strengthening their role and influence in the changing world of international politics and economics. This requires an open stance to the call from certain regional member states, including China and India, that their rising economic power must be reflected in the ADB. At the same time, this involves recognition that the ADB is an important venue for engaging these countries in the existing system with specific norms on governance, transparency and rule of law. On the economic front, as well as in the political and strategic sense, there may be a convergence of interests between the ADB and European countries, as the basic interest of the ADB in contributing to poverty reduction matches Europe's search for new markets and improved ties.

Creating new markets, improving stability. Rather than spending time, energy and resources on getting a bigger share of procurements, European public and private sectors should refocus attention on increasing the pie as a whole and on strengthening ties with countries in the Asia-Pacific region. The ADB's chief added value is its contribution to good governance, addressing corruption and preparing countries for foreign direct investment and private-sector development. Seen from this perspective, the current mismatch between the Dutch private sector and the ADB is unfortunate. The region's economic potential is undisputed and ever-growing, and with corruption still very much a widespread problem, doing business with the ADB is a relatively safe way of developing links with Asia and strengthening the position and presence of the Netherlands in the region.

Maintaining legitimacy. One challenge facing the ADB for the future is how to maintain legitimacy at a time of shifting power balances in the Asia-Pacific region and globally. This has a practical-institutional dimension as well as a strategic dimension. On the practical front, it is important that the ADB listens to its members and remains open to change – for example, when it comes to accepting changes in voting rights and the appointment of high-level officials. At the same time, the Bank needs to reconsider its niches and refocus on new areas of interest. Addressing non-traditional security challenges and protecting the established rules of the game, while not being afraid to adjust to the changing environment, may well be the two overarching issues in this respect. The emphases on intellectual support, the fight against corruption, inequality and climate change, and contributions to stability by furthering regional cooperation prove that the ADB is well on its way in this direction. More active support from the Europeans could help to stimulate this process further, if only because European member states, including the Netherlands, stand to lose if the ADB's role in fostering regional prosperity and stability diminishes.

Literature

Asian Development Bank, 2013a, *Report to the President: Office of Anticorruption and Integrity: Annual Report 2012*, Manila: ADB, available online at <http://www.adb.org/documents/series/office-anticorruption-integrity-annual-report>.

—, 2013b, *Asian Water Development Outlook 2013: Measuring Water Security in Asia and the Pacific*, Manila: ADB, available online at <http://www.adb.org/publications/asian-water-development-outlook-2013>.

—, 2013c, *Water Financing Partnership Facility: Annual Report 2012*, Manila: ADB, available online at <http://www.adb.org/documents/water-financing-partnership-facility-annual-report-2012>.

—, 2012a, *Asian Development Fund XI Donors' Report: Empowering Asia's Most Vulnerable*, Manila: ADB, available online at <http://www.adb.org/documents/adf-xi-donors-report-empowering-asias-most-vulnerable-0?ref=site/adf/publications>.

—, 2012b, *The Asian Development Fund Operations: A Decade of Supporting Poverty Reduction in the Asia and Pacific Region*, Manila: ADB, available online at <http://www.adb.org/publications/asian-development-fund-operations-supporting-poverty-reduction-asia-and-pacific>.

—, 2010, *Asian Development Bank & Afghanistan: Factsheet (As of 31 December 2009)*, Manila: ADB, available online at <https://www.cimicweb.org/cmo/Afghanistan/Crisis%20Documents/Economic%20Stabilization/PDFs%20for%20Weekly%20Inputs%20or%20Monthly%20Reports/ADB%20Afghanistan%20Fact%20Sheet.pdf>.

—, 2005, *Asia Water Watch 2015: Are Countries in Asia on Track to Meet Target 10 of the Millennium Development Goals?*, Manila: ADB, available online at <http://www.adb.org/publications/asia-water-watch-2015-are-countries-asia-track-meet-target-10-millennium-development-go>.

—, 2004, *Monetary and Financial Integration in East Asia: The Way Ahead*, New York, NY: Palgrave Macmillan.

Asian Development Bank and ADB Institute, 2009, *Infrastructure for a Seamless Asia*, Manila and Tokyo: ABD and ADBI.

Dent, Christopher M., 2008, 'The Asian Development Bank and Developmental Regionalism in East Asia', *Third World Quarterly*, vol. 29, no. 4, pp. 767–786.

Economist Intelligence Unit, 2012, *Evaluating the Environment for Public–Private Partnerships in Asia–Pacific: The 2011 Infrascop*, Manila: ADB, available online at <http://www.adb.org/publications/evaluating-environment-public-private-partnerships-asia-pacific-2011-infrascop>.

- Fujita, Sanae, 2013, *The World Bank, Asian Development Bank and Human Rights: Developing Standards of Transparency, Participation and Accountability*, Cheltenham: Edward Elgar Publishing Ltd.
- Goh, Evelyn, 2003, 'The "ASEAN Way": Non-Intervention and ASEAN's Role in Conflict Management', *Stanford Journal of East Asian Affairs*, vol. 3, no. 1, pp. 113–118.
- Independent Commission for Aid Impact, 2012, *The Effectiveness of DFID's Engagement with the Asian Development Bank*, Report, 13 July.
- Kappagoda, Nihal, 1995, *The Multilateral Development Banks, Volume 2: The Asian Development Bank*, Rugby: Practical Action Publishing.
- Kuroda, Haruhiko, 2009, 'Statement at the Second Global Review of Aid for Trade: Maintaining Momentum', Geneva, Switzerland, 6 July 2009.
- Lim, D.Y.M, and J.R. Vreeland, 2013, 'Regional Organizations and International Politics: Japanese Influence over the Asian Development Bank and the UN Security Council', *World Politics*, vol. 65, no. 1, pp. 34–72.
- Ministry of Economic Affairs of the Netherlands – Topteam Water, 2011, *Water verdient het: Advies Topsector Water*, The Hague: MEA, 17 June, available online at <http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2011/06/17/water-verdient-het.html>.
- Ministry of Foreign Affairs of the Netherlands (MFA), 2013a, *Wat de wereld verdient: Een nieuwe agenda voor hulp, handel en investeringen* [What the world earns: A new agenda for assistance, trade and investment], The Hague: MFA, 5 April, available online at <http://www.rijksoverheid.nl/documenten-en-publicaties/notas/2013/04/05/wat-de-wereld-verdient-een-nieuwe-agenda-voor-hulp-handel-en-investeringen.html>.
- , 2013b, *Scorecard Asian Development Bank – Samenvatting* [Scorecard ADB – Summary], The Hague: MFA, 26 June, available online at <http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2013/08/30/scorecard-asian-development-bank.html>.
- , 2011a, *Focusbrief Ontwikkelingssamenwerking* [Letter to the House of Representatives presenting the spearheads of development policy], The Hague: MFA, 18 March, available online at <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/03/18/aanbiedingsbrief-focusbrief-ontwikkelingssamenwerking.html>.
- , 2011b, *Beleid ten aanzien van Ontwikkelingssamenwerking* [Letter to the House of Representatives presenting the spearheads of development policy], The Hague: MFA, 7 October, available online at <https://zoek.officielebekendmakingen.nl/kst-32605-114.html>.
- , 2009, *Samen werken aan mondiale uitdagingen – Nederland en multilaterale ontwikkelingssamenwerking* [Jointly working for global challenges – The Netherlands and multilateral ODA], The Hague: MFA, available online at <http://www.rijksoverheid.nl/documenten-en-publicaties/toespraken/2010/02/10/samen-werken-aan-mondiale-uitdagingen-nederland-en-multilaterale-ontwikkelingssamenwerking.html>.
- , 2007, *Our Common Concern: Investing in Development in a Changing World*, The Hague: MFA, 16 October, available online at

http://www.minbuza.nl/binaries/content/assets/minbuza/de/import/de/das_ministerium/entwicklungszusammenarbeit/our-common-concern.pdf.

Netherlands Water Partnership, 2011, *Water 2020: Wereldleiders in water* [Water 2020: World leaders in water], The Hague: NWP, January, available online at http://www.nwp.nl/_docs/Watervisie-NL-drukwerkversie.pdf.

Organization for Economic Cooperation and Development (OECD) – Development Assistance Committee (DAC), 2013, *Geographical Flows to Developing Countries*, retrieved 1 December 2013 from <http://stats.oecd.org>.

Olson, Stephen and Clyde Prestowitz, 2011, *The Evolving Role of China in International Institutions*, report prepared for the US–China Economic and Security Review Commission, Washington, DC: Economic Strategy Institute, available online at <http://origin.www.uscc.gov/sites/default/files/Research/TheEvolvingRoleofChinainInternationalInstitutions.pdf>.

Polman, Linda, 2008, *De Crisis Karavaan: Achter de schermen van de noodhulpindustrie* [The Crisis Show: Behind the scenes of the humanitarian aid industry], Amsterdam: Balans.

Rathus, Joel, 2010, *Japan's Response to the Rise of China: Implications for Regional Institutions*, Ph.D. thesis submitted to the University of Adelaide, School of Social Sciences and Humanities.

—, 2008, 'China, Japan and Regional Organizations: The Case of the Asian Development Bank', *Japanese Studies*, vol. 28, issue 1, pp. 87–99.

Söderberg, Marie (ed.), 1996, *The Business of Japanese Foreign Aid: Five Case Studies from Asia*, London and New York, NY: Routledge.

United States Department of State, 2013, 'The United States and the New Silk Road', address by Lynne M. Tracy, Deputy Assistant Secretary at the Bureau of South and Central Asian Affairs to the Jamestown Foundation, Washington DC, 25 October, available online at <http://www.state.gov/p/sca/rls/rmks/2013/215906.htm>.

Wan, Ming, 1995, 'Japan and the Asian Development Bank', *Pacific Affairs*, vol. 68, no. 4, pp. 509–528.

Wesley, Michael, 2003, *The Regional Organizations of the Asia Pacific: Exploring Institutional Change*, New York, NY: Palgrave Macmillan.

Wilson, Dick, 1987, *A Bank for Half of the World: The Story of the Asian Development Bank, 1966–1986*, Manila: ADB.

Woods, Ngaire, 2008, 'Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance', *International Affairs*, vol. 84, no. 6, pp. 1205–1221.

Yasutomo, Dennis T., 1995, *The New Multilateralism in Japan's Foreign Policy*, New York, NY: St Martin's Press.

—, 1983, *Japan and the Asian Development Bank*, New York: Praeger.

The Asian Development Bank: What's in it for Europe?

This report assesses the operations of the Asian Development Bank (ADB) and provides analysis of the Bank's relevance for its European member countries today and tomorrow. Based on this analysis, the report offers a set of policy recommendations to the Dutch and other European governments that have to adapt to the shifting regional and global power balances of which the ADB is, in a sense, symptomatic. The report focuses on the economic, political and geostrategic importance of the ADB.

The authors argue for more engagement with this multilateral institution, both on practical matters as well as for strategic purposes. European countries have an interest in a prosperous and stable Asia-Pacific region and stand to benefit from deeper cooperation and integration. The ADB has made significant contributions on both fronts since its establishment in 1966. The Bank is now facing the challenge of adapting to a rapidly evolving environment in order to maintain legitimacy. Its role in sustaining and furthering development, stability and regional cooperation will only increase in importance in the years to come.

About the authors

Maike Okano-Heijmans is a senior research fellow at the Clingendael Institute.
Duncan Waardenburg is a former research assistant at the Clingendael Institute.

The Netherlands Institute of International Relations 'Clingendael' is an independent institute for research, training and public information on international affairs. It publishes the results of its own research projects and the monthly *Internationale Spectator* and offers a broad range of courses and conferences covering a wide variety of international issues.



Clingendael

Netherlands Institute of International Relations