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“Asia 2010-2020: The Decade of Sustainable Transport in Asia and the Role of the Asian Development Bank”

Keynote Address
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I. Introduction

Excellencies, distinguished guests, ladies and gentlemen

Good morning.

It is a great pleasure for me to be here in Bangkok for the 5th Regional Environmentally Sustainable Transport Forum in Asia. Having attended these Forums in the past, I am always encouraged by the numbers and quality of participants from governments, the development community, academia and other sectors involved in this very important area.

For our part, environmentally sustainable growth is a key development agenda in ADB's Strategy 2020 and an area of significant experience and expertise. The Forum's focus on “A New Decade in Sustainable Transport” for 2010-2020 is quite timely as it fits with the time horizon of our Strategy 2020. Therefore, I would like to share my thoughts on what is needed in the long term for sustainable transport in Asia and the Pacific, and what ADB has been doing and planning to do to contribute to strengthening the pathways for sustainable transport in the region – for the next decade up to 2020.

II. Asian Economic Growth and Sustainable Transport Challenges

We all know that governments have rightly responded to the recent global economic crisis with stimulus packages, many of which included significant infrastructure and clean energy components. In Asia, this contributed to a rapid turnaround. Developing Asia grew by 5.2% in 2009, and we projecting growth of 7.5% in 2010 and 7.3% in 2011.

However, a recent study by the ADB and the ADB Institute found that, in spite of considerable investments in recent decades, transport improvements have not kept pace with the growth in demand. Consequently, transport remains a critical development bottleneck. There are gaps in every transport subsector and at each level of the transport network. There are also gaps in accessibility, geographical coverage, and interconnectivity between transport modes, particularly in the poor regions in Asia. In the years ahead, the demand for freight and passenger transport will continue to grow faster than the gross domestic product. In a post-crisis environment, developing Asia will need to invest heavily in infrastructure – around \$8 trillion over the next decade – with about \$2.5 trillion for transport alone. All of this provides a huge opportunity to focus on environmentally sustainable transport and shift to a low-carbon economy.

Infrastructure is one of ADB's five core areas of operation, with transport representing a large share of this. Since 1966, ADB has financed \$35.6 billion in transport investments, including \$11.3 billion from the period 2005-2009 alone. We are strengthening our sustainable transport program by the Sustainable Transport Initiative (or STI). Under the STI, we are adapting our operations to the changing context of transport in our developing member countries – in essence, the move to more accessible, safe, environmentally sustainable and affordable systems of transport. ADB is the first multilateral development bank to have such an initiative in place. Under the STI, we expect to provide support of up to \$3.4 billion a year for transport for the period 2010-2012, with a good portion of this going to urban transport and railways. Our approach will focus on using country knowledge and international best practices, catalyzing additional financing, emphasizing partnerships with private sector, and scaling up those methods which have proven to be successful.

Let me now touch on five emerging trends and challenges and how the ADB is helping address these challenges in its operations.

1. The Urban Transport Challenge.

The first is rapid urbanization. We all know that economic growth in the Asia and the Pacific region has come with a price. ADB estimates that 80% of Asia's new economic growth will be generated in its urban economies where most jobs and employment opportunities are located.

The urbanization of Asia has drawn millions of people into its great cities. About 44 million people are being added to Asia's urban population each year – this is equivalent to 120,000 people a day. The region now has 10 of the world's 25 largest mega cities, as defined as having a population of at least 10 million. And despite decades of rapid economic growth, poverty remains one of Asia's defining characteristics. Almost 25% of Asia's urban population is poor.

These trends are placing enormous strain on transport and mobility in urban areas. Road congestion already costs Asian economies an estimated 2%-5% of GDP every year due to lost time and increased transport costs. Uncontrolled growth in urban road traffic and rising congestion are compromising the health and safety of urban dwellers. By the World Health Organization's estimates, this imposes an economic cost of up to 2%-4% of GDP in many countries.

Quite simply, Asia needs to create more livable cities, with multimodal transport systems and high quality urban mass transit systems, including metro rail systems and bus rapid transit. Rail-based transport (in particular bulk cargo) is 6-10 times more energy efficient than private vehicles. Cities also need to find better ways of managing growth in vehicle ownership and use. Further, Asia's lifestyle model of working in downtown, living in suburban areas, and shopping malls does not seem sustainable over time. This can be corrected with proper urban planning – including land-use plans – that reduce travel demand while maintaining convenient access to work and services in the community. And of course, we must also work on adaptation measures to help cities adapt to climate change, or to "climate proof" our cities.

ADB's Sustainable Transport Initiative will draw upon new sources of ideas and expertise to strengthen the sustainability of Asia's cities. This includes support for urban public transport systems which are safe, secure, accessible, rapid, efficient and user-friendly with the aim of reducing pollution, congestion and accidents. We will particularly seek to develop wholistic approaches to urban land use, public transport and nonmotorized transport infrastructures such as pedestrian zones, walkways and cycle paths. ADB will also support new options for demand

and traffic management, such as simple systems for charging vehicle licenses and parking fees, or more advanced computerized road pricing schemes. We will also not lose sight of the importance of rural and provincial roads. Rural roads play an important role in inclusive economic growth by making transport accessible and affordable. ADB will also continue to support rural roads, highways development through public-private-partnerships, and institution building and capacity development in areas such as road asset management and road maintenance. Our recent projects include, among others, the Ho Chi Minh City Urban Mass Rapid Transit Line and the Hanoi Metro Rail System in Viet Nam; the development of multimodal transport in Sri Lanka; a bus rapid transit project in Lanzhou China; and an Interisland Shipping Support Project in Vanuatu. And there are many more.

2. Transport and Climate Change

The second transport challenge I wish to touch on relates to climate change. Asia's emissions from motorized transport have become a major source of environmental pollution and greenhouse gas emissions. Estimates by the International Energy Agency tells us that Asia accounted for 19% of total transport sector carbon dioxide (CO₂) emissions in 2006 and is expected to increase to 31% in 2030. In developing Asia, passenger and freight transport energy consumption is expected to increase more rapidly than in other non-OECD countries. Asia therefore must act with urgency to address transportation concerns and help meet the global climate change challenge. One mode of transport that is promising is the use of hybrid vehicles. We know that these may be costly now, but there is a huge potential. It is estimated that close to 1 billion units of hybrid or plug-in hybrid cars will be in use by 2030. Tax and other incentives could be very effective in promoting the use of biofuels and hybrid vehicles.

ADB is committed to developing effective, efficient solutions that can work on a large scale in the transport sector, particularly through the "avoid-shift-improve" approach. We are currently undertaking a number of case studies and developing analytical tools to systematically integrate adaptation measures into ADB operations. And we are expanding support for competitive long-distance railways, inland waterways, and missing links to reduce distances and therefore energy consumption and emissions. Climate adaptation adjustments to engineering

specifications, alignments, master planning, and associated environmental measures will be increasingly mainstreamed throughout our transport operations.

Environmentally sustainable growth is a key development agenda of ADB's Strategy 2020 and environment and climate change is one of five core operations. ADB's Climate Change Agenda will expand its support for clean energy, including energy efficiency improvements and the development of renewable energy supplies. We are increasing our current \$1 billion annual assistance target for clean energy to \$2 billion by 2013. Attention will be given to removing barriers to supporting low-carbon technology transfer and its development. On the renewable side, ADB launched the Asian Solar Energy Initiative in May 2010, which will provide a comprehensive approach to institutional capacity, policy, technology, and financing for solar energy adoption. The initiative aims to catalyze 3000 megawatts of solar power by 2013. We are also scaling up our wind operations. Through our Quantum Leap in Wind Initiative, we seek to catalyze investments and to deploy an additional 1 gigawatt of wind power in five priority countries. ADB will encourage the adoption of available cleaner technologies, such as fluidized bed combustion, supercritical and ultra-supercritical boilers, and flue gas desulfurization. As new technologies—such as integrated gasification combined cycle (IGCC) and carbon capture and storage (or sequestration)—are shown to be technically feasible and economically viable, we will support their deployment to increase their financial viability. One of our demonstration projects, the IGCC coal power plant in Tianjin China, is the first to use IGCC technology in a developing country. When completed, it will have facilities to enable carbon capture and storage at some point in the future. ADB is also in partnership with the Global Carbon Capture and Storage (CCS) Institute of Australia, and we manage a trust fund of about \$17 million for promoting CCS in developing countries. And, ADB has the Asia-Pacific Carbon Fund and the Future Carbon Fund with total resources of \$350 million and is involved with other multilaterals like the World Bank in the \$6.1 billion Climate Investment Fund.

3. Regional Cooperation in Infrastructure and Transport

The third challenge is to promote intraregional trade through regional cooperation and integration. By 2020, the Asia and the Pacific region could account for one-third of world trade. Intraregional trade has grown tremendously from 43% (in the early 1990s) to what is now

around 55% of the region's total trade. The region's economies are becoming more closely intertwined with each other and the rest of the world, enhancing and harnessing each country's comparative advantage. But growth in trade needs to be further accelerated to support the rebalancing of Asia's economies toward more domestic and regional demand. This will require substantial investments in regional road and railway networks, improvements in the software aspect of cross-border agreements, and stronger institutional capacities. ADB estimates that an integrated Asia and Pacific region, connected by world-class environmentally friendly infrastructure, will generate \$13 trillion in increased income for Asia over the next 10 years. The opportunities are enormous in this area.

Regional cooperation and integration is one of ADB's three strategic agendas. Under our Strategy 2020, we are significantly expanding support for regional road networks, competitive regional railway networks and capacity building to streamline cross-border rules and procedures. We have seen that regional infrastructure has had significant development impacts. The East-West Corridor Project linking the landlocked areas of northeast Thailand with the coast of Viet Nam across the Lao People's Democratic Republic (PDR) reduced travel time from the Lao PDR and Viet Nam borders from around 12 hours in 2001 to less than three hours in 2007. Increased traffic led to expansion of regional trade. Foreign direct investments and joint ventures in Savannakhet province, Lao PDR increased from \$96 million in 1995-2000 to \$250 million in 2001-2005. A significant portion of our pipeline of transport projects have a regional cooperation and integration content and we see this growing in the next decade. For example, in the Greater Mekong Subregion, the Ben Luc-Long Thanh Expressway Project is a 57-kilometer expressway which will increase competitiveness of regional economy in southern Viet Nam and the neighboring GMS countries – providing more efficient and safer movement of goods and people in the region. The Central Asia Regional Economic Cooperation (or CAREC) Corridor 2 Road Investment Program, when completed, will link Uzbekistan to Tajikistan, the Kyrgyz Republic, Turkmenistan, Afghanistan and Kazakhstan – a vital link that will ultimately help the Central Asian countries achieve direct access to the Caspian, and thereafter to South Asia and the Black Sea.

4. Road Safety and Social Issues

The fourth challenge is road safety and emerging social issues associated with the transport sector. Out of an estimated 1.18 million deaths and millions of injuries globally each year due to road accidents – 60% occur in Asia. And we know that the burden of road accidents fall disproportionately on the poor. Among the member countries of the ASEAN alone, road accidents are estimated to cost \$15 billion each year. ADB's Sustainable Transport Initiative seeks to increase the scale, quality, duration and continuity of our support for road safety. We are also expanding our work on the pro-poor dimensions of transport to optimize the balance between accessibility and affordability.

More attention also needs to be given to mitigating the negative impacts of transport such as those associated with HIV/AIDS and human trafficking risks. We are adopting measures to more effectively address the social dimensions of transport. These include participatory approaches to project planning and strategies to mitigate HIV/AIDS and human trafficking risks; complementary development programs and community-based maintenance; improved transport services and facilities such as public toilets, pedestrian and bicycle lanes; the application of core labor standards; and tariff and subsidy options to increase access for vulnerable groups.

5. Infrastructure Financing for Transport

The fifth challenge is to more effectively use financing mechanisms and partnerships for transport. As earlier mentioned, ADB's Sustainable Transport Initiative will focus on leveraging additional financing and acting as a catalyst to bring about more private sector participation in transport. ADB has various financial instruments such as the LIBOR-based loans, the local currency loans, political and partial credit guarantees to help make projects happen. Through our equity investments in private equity funds (such as the Islamic Infrastructure Fund), ADB is able to support infrastructure at the sub project level. Through our Asian Development Fund, less developed member countries can access concessional loans with longer grace periods and softer loan terms. And our Credit Guarantee Investment Facility will provide the guarantee mechanisms for longer-term bond issuances in domestic markets, thus making local financing

more readily available. Our recently launched Water Bond was well received and we are working on a Clean Energy Bond launch this year.

ADB has had some demonstrable successes in using these various instruments and in partnering with private sector sponsors and other multilateral organizations. Some examples are wind farms in China, solar power farms in Thailand, and the Chengdu Build-Operate-Transfer project in China. Indeed, we would like to see more of these applications in our transport projects in the next decade. We have also begun to establish partnerships with development partners and centers of excellence – like the Korea Transport Institute, the Inter-American Development Bank, the Clean Air Initiative for Asian Cities Center, the Global Road Safety Partnership, and the Partnership on Sustainable Low Carbon Transport. Last month, ADB went into partnership with the International Road Safety Assessment Program (iRAP) to promote development and application of road safety assessment programs, and capacity building in ADB's member countries. In the near future, ADB will establish a Sustainable Transport Partnership Facility to provide a mechanism for partners to provide financing and expertise to support our Sustainable Transport Initiative.

III. Conclusion

Ladies and Gentlemen: The challenges of environmentally sustainable transport in Asia and the Pacific are numerous and complex. It is imperative and urgent that we all help to make the change towards a more sustainable transport pathway in the coming decade. I also see great opportunities and hope that indeed actions in the right direction will be undertaken by governments, the private sector and development agencies. Certainly, ADB through our Sustainable Transport Initiative, will assist to make this transition happen. And we look forward to working with the governments, private sector and the development partners.

Thank you.