

Unpacking The

The letters 'ADB' are rendered in a large, white, serif font with a 3D effect. The letters are set against a dark blue background. The 'A' and 'B' are white, while the 'D' is a light blue color. The letters have a slight shadow and a beveled edge, giving them a three-dimensional appearance.

A Guide To Understanding
The Asian Development Bank

An NGO Forum and Bank Information Center Publication

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INTRODUCTION TO THE ADB TOOLKITS

Why should we care about the ADB?

Purpose of the toolkits

The ADB Toolkits series is intended to help those unfamiliar with the Asian Development Bank to gain an understanding of the institution, the work it does, and why it is important for civil society groups to be aware of its operations. The Toolkits provide an introduction to the ADB, including information about the ADB's structure, the types of services it provides to developing and transitional country governments in Asia and the Pacific, the kinds of projects and programs it funds, and the support it provides to private sector companies investing in the region. For those monitoring or interested in learning more about ADB activities in their own country, the toolkits explain what resources are available about this institution and provide guidance on how to get and make use of this information.

The Toolkits series also serves as a resource for activists who are already involved in monitoring ADB operations. The Toolkits include information that will assist activists in their advocacy and lobbying of the institution, including a breakdown of the ADB's policy framework, guidance on how to make use of the ADB's new accountability mechanism, and opportunities for lobbying ADB Board of Directors and Management.

Finally, the material contained in the Toolkits can be adapted into workshop or curriculum material to be used as part of trainings on the ADB for those new to the ADB campaign. These trainings can be tailored to the specific needs of a community challenging a particular ADB-financed

operation, or can be structured broadly for more general activist audiences at national or regional level gatherings. The Toolkits can also serve as a general reference guide on the ADB for new and continuing activists.

Why should we be concerned about the ADB?

Multilateral Development Banks (MDBs) are the largest source of development finance in the world, typically lending between US\$30-\$40 billion to low and middle income countries in any given year. The ADB provides billions of US dollars in loans¹ to its Developing Member Countries (DMCs). This allows it to have enormous influence over its DMCs' development objectives. In some cases the ADB may actually have more influence over developing country budgets and operations than a country's own elected officials. The vast majority of the funding provided is in the form of loans. DMCs, and thereby their citizens, are required to pay back this money, regardless of whether the projects are successful or not. At times, not only are the projects unsuccessful, but local communities are left to face new challenges from harm caused by projects and citizens face an increased debt burden.

The MDBs are also a primary source of development 'knowledge' and policies. With large volumes of finance coupled with policy advice, MDBs are central in determining the direction of national level development policy. In addition, MDBs also perform a significant leveraging role, in part precisely because they have a development mandate, which makes

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- Lack of transparency and meaningful participation
- Environmental and social impacts
- Why target the ADB for advocacy?
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them by far the largest source of development finance in the world. The MDBs are also the dominant standard-setters in international finance and investment. Their environmental and social policies, for example, are the single set of standards most followed by other financial institutions. Many Export Credit Agencies, commercial banks and private companies explicitly follow MDB standards as their own benchmark (in part hoping thereby to avoid international criticism). Sustainable development reform efforts targeted at the MDBs thus have a substantial multiplier effect across other development and commercial institutions.

For the Asia-Pacific region, the ADB is the third largest donor (after the Japanese government and the World Bank) lending approximately *\$5 to \$6 billion a year* to its developing member countries. The ADB is increasingly focused on financing private sector operations, supporting structural adjustment programs prescribed by the IMF, and implementing global trade rules. It is startling to note that this agenda is implemented by an institution which is plagued by an inadequate governance structure, using a weak safeguard policy framework, and extending loans to governments that are mostly unaccountable to their citizens. The ADB is able to do this by keeping a low profile and escaping public scrutiny. While the international movement monitoring the international financial institutions has been successful in forcing the MDBs — particularly the World Bank - to increase democratic spaces for citizens and to adopt a framework of policies that protect the environment and promote sustainable development, the *ADB has not featured prominently in this reform agenda.*

It is imperative that Asian civil society focus its attention on the ADB. Having assumed for itself a role as promoter of regional cooperation through its Regional Cooperation Strategies, the ADB is shaping the development agenda of the region's fledgling democracies, communist governments, and military dictatorships. The ADB continues to highlight the potential benefits of its lending while glossing over its adverse environmental and social impacts. ADB lending achieves even greater significance in the context of the understanding reached by MDBs to re-commit themselves to high risk/high reward infrastructure projects in the near future.

Civil Society Organizations (CSOs) involved in the campaign to reform the ADB are particularly concerned about:

- **Public participation** in the design, implementation, monitoring and evaluation of ADB projects
- **The social and environmental impacts** of ADB programs and projects, and the Bank's accountability/willingness to accept responsibility for these impacts and take steps to prevent them
- **The secrecy** of ADB's governing structure and decision-making

Lack of transparency and meaningful participation

The negative impacts caused by development projects are sometimes the result of poor planning and/or poor implementation. ADB activities are often carried out without the informed participation of affected people, civil society, or even the elected officials in the borrowing countries. In most cases governments or companies negotiate decisions with the ADB and do not include local communities in decision-making, yet these communities are the most likely to be seriously affected by the projects. Development-decision making should involve a broad range of stakeholders because countries are responsible for paying back the money that they borrow; ultimately each new approved project increases the debt burden on countries and its citizens.

The ADB is made of up of 64 member governments, and it is financed with taxpayer money from these countries. The fact that it is a publicly-funded institution suggests that it should be open about its decision-making and accountable to the citizens of its member countries for the impacts of its operations. It should also strive to be representative of a wide spectrum of external stakeholders, and should ensure this by allowing for the informed participation of elected officials, civil society groups, the private sector, academics, and most importantly, people who stand to be directly affected by its operations.

Environmental and social impacts

Although the ADB claims to operate in the interest of Asia and the Pacific's poorest citizens,

Samut Prakarn Wastewater Management Project, Thailand

In recent years the ADB provided funding for a wastewater management project in Thailand intended to tackle the heavy water pollution problems in the Samut Prakarn industrial area. However, during project preparation, the location of the treatment plant was moved for its original site on the banks of the polluted Chao Phraya river to Klong Daan, a saltwater area that supports a variety of fisheries-based livelihoods located 20 km away. The ADB and the Government of Thailand failed to proactively provide any information about the project to communities in Klong Daan, who only became aware of the project after construction began. The project was supposed to transport polluted water from the industrial area to be treated in the plant before being discharged into the sea near Klong Daan. However, the plant is not designed to deal with heavy metals and other industrial toxins, so this discharged water will remain polluted. In addition, the discharge of water will affect the salinity of the area, thereby greatly reducing shrimp, fish and shell fish harvested by many of the people of Klong Daan. Therefore, if this project becomes operational, it stands to have severe negative environmental effects on a coastal ecosystem on which a community of 60,000 people depend for their livelihood.

After many years of resistance by the Klong Daan residents (including the filing of an inspection case) and pressure from an international monitoring campaign, the ADB has decided not to continue with its involvement in the Project.

ADB-funded operations are often responsible for causing widespread environmental and social damage, negatively affecting some of the region's poorest and most vulnerable communities. In many cases communities lose their homes and/or source of economic livelihood, their health is damaged, and their traditional ways of life are destroyed. Affected communities rarely get enough compensation for their losses and harm suffered.

The ADB has recently signaled a strong interest in increasing support to large infrastructure projects. This is of great concern because traditionally these projects have produced some

of the most severe impacts on vulnerable communities and the environment. Managing large infrastructure projects is difficult especially in the absence of strong national regulatory frameworks and agencies, which is the case in several ADB borrowing countries. Moreover, the ADB has not demonstrated an ability to effectively enforce its own social and environmental policies in the large infrastructure initiatives it has supported in the past. As a result, the ability of these projects to contribute to poverty reduction, ADB's stated overall objective for the region, is often questionable and at best indirect.

The examples given above are of projects where affected communities have been able to challenge the ADB and have demanded that the Bank be accountable for the impacts of these projects. There are many more instances, too numerous to mention here, where local communities have suffered the negative impacts of ADB projects in silence.

Why target the ADB for advocacy?

Though national governments share responsibility with the ADB on problem proj-

Chashma Right Bank Irrigation Project, Pakistan

The goal of this project is to irrigate a total of 231,000 hectares of land on the right bank of the Indus River in Pakistan. The project has caused widespread environmental and social harm resulting from design failure and inadequate resettlement measures. Design flaws have resulted in damaging floods during the monsoon season, displacing many villagers and destroying homes. The project has negatively affected local communities' access to clean drinking water. In addition, the project is causing deforestation, loss of biodiversity, land degradation and soil erosion. The ADB incorrectly classified the project in terms of its potential environmental impacts and thus never conducted a full environmental impact assessment.

The Chashma project was an inspection case at the ADB; the Final Report of the Inspection Panel found in favour of the claim made by the requesters and concluded that six ADB policies were breached by ADB management during the design and implementation of the Chashma project.

ects, it is important to target the ADB for the following reasons:

- The ADB provides substantial financial resources to borrowing countries, it has a huge influence on the development priorities of these countries.
- A project may not proceed without the ADB's seal of approval, which provides legitimacy and leverages significant counterpart funding from other multilateral, bilateral and private sector sources.²
- The ADB depends in part on donor government contributions, taxpayers of those countries can claim that such transfers require the Bank to be accountable to them. The dynamics of the transnational advocacy process leads campaigners to focus on available pressure points.
- Many of the borrowing governments are less than democratic. Although authoritarian borrowing governments are often the direct perpetrators of socially and environmentally costly projects, advocacy groups argue that the Bank has added responsibility in such cases precisely because citizens lack channels for holding their own government accountable.
- In its own internal evaluations, the ADB has admitted that many of its projects have failed to meet or sustain their objectives.³

- There is evidence that poverty has not been reduced in some countries; it has sometimes worsened, in spite of years — even decades — of ADB assistance.

Civil society role in ADB operations

Civil society groups can have a role in helping to ensure that ADB funding is responding to the poverty alleviation and development needs of their country. Civil society groups can do this by:

- *Monitoring ADB-funded projects and programs in their country.* It is helpful to learn about projects in the “pipeline” (i.e. in the early planning stages) so that civil society has an opportunity to influence projects before they are approved by the Board of Executive Directors. The earlier you learn about a project, the easier it will be to influence its development and implementation. By monitoring ADB projects and programs, civil society organizations can serve as watchdogs to ensure proper use of funds.
- *Being a liaison between the ADB and communities affected by ADB projects.* The ADB, and borrowing countries, are required to consult with communities that stand to be affected by ADB-financed projects and programs. Civil society groups can help local communities better understand the ADB, and can assist them in raising their needs and concerns directly with the ADB.

Endnotes

1. Since 2000 the ADB has lent the following amounts to developing member countries in the Asia Pacific region: 2000 - \$5.6 billion; 2001 - \$ 5.3 billion; 2002- \$5.6 billion; 2003 - \$6.1 billion; 2004 - \$5.3 billion (all values in USD).
2. In 2004, the ADB mobilized US \$2.4 billion in co-financing for projects it supported, totaling about 46 percent of its total lending. 33 projects in 14 involved cofinancing with China, India and Vietnam receiving the highest amounts.
3. An analysis of ADB project performance audit reports for Indonesia, Pakistan and Sri Lanka, found that over 70 percent of ADB projects in these countries are unlikely to provide long-term social and economic benefits. This analysis, conducted by Environmental Defense, can be seen at http://www.environmentaldefense.org/documents/2898_ADBinitownwords.pdf

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ADB GOVERNANCE AND ORGANIZATIONAL STRUCTURE

What is the ADB?

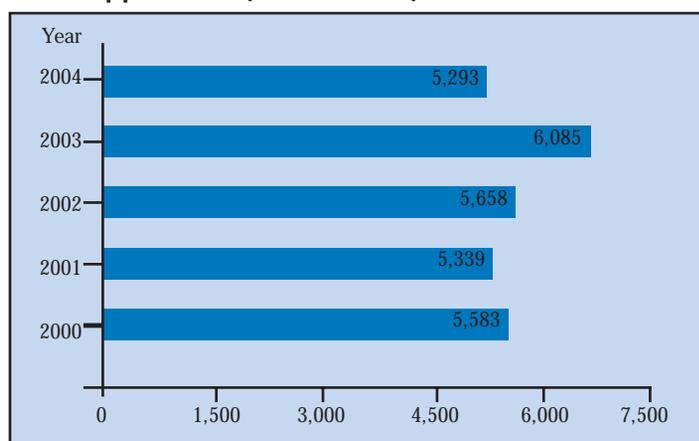
Introduction

The Asian Development Bank (ADB) is a Multilateral Development Bank¹ (MDB) whose mission is to reduce poverty and promote economic development in the Asia-Pacific region. MDBs provide financial support (through low-interest, long-term

- Promotes and facilitates investment of public and private capital for development
- Assists in coordinating development policies and plans of its DMCs

In recent years, the ADB has lent between \$5 to \$6 billion a year to its borrowing countries. Although the money provided by the ADB is similar to bilateral aid (money provided by a particular donor country) in that it is intended for development priorities, the decision-making process for giving financial assistance is much more complex because the ADB is owned by many different countries.

Loan Approvals* (US\$ million)



* Data adjusted to reflect terminated projects.
(Source: <http://www.adb.org/About/glance.asp>)

loans and grants) and professional advice for economic and social development activities to developing countries. The ADB is a multilateral institution in that it is owned by many countries that pay contributions to the Bank in order to be ADB members (shareholders).

The ADB plays the following functions for its Developing Member Countries (DMCs) in the Asia-Pacific region²:

- Provides loans and equity investments to its DMCs³
- Provides technical assistance for the planning and execution of development projects and programs and for advisory services⁴

ADB's decision-making structure

The ADB is comprised of shareholders from 64 member countries, the largest being Japan and the United States. Each member country has a representative serving on the *Board of Governors*, the highest decision-making body within the Bank.⁵ Governors usually hold high-level positions in their country's Ministry of Finance, such as the Minister of Finance or President of the central bank. The Board of Governors meets once a year in the month of May at the ADB's Annual General Meeting. Their duties include passing resolutions approving country memberships, and issuing statements which provide an assessment of areas where the ADB is excelling and areas where the Bank needs to make improvements. The Governors have a limited role in the day-to-day running of the ADB.

The Board of Governors delegates most of its authority to the 12-member

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- ADB's decision-making structure
- Regional departments
- Other key departments
- Where does the ADB get its funding?

<i>Executive director country representation</i>
Japan
USA
China
India; Bangladesh; Bhutan; Lao People's Democratic Republic; Tajikistan; Afghanistan
Australia; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
Germany; United Kingdom; Austria; Luxembourg; Turkey;
Belgium; Italy; France; Portugal; Spain; Switzerland
Canada; Norway; Denmark; Finland; Netherlands; Sweden
Thailand; Myanmar (Burma); Malaysia; Nepal; Singapore;
Pakistan; Philippines; Kazakhstan; Maldives; Marshall Islands; Mongolia;
Indonesia; New Zealand; Cook Islands; Fiji Islands; Kyrgyz Republic; Samoa; Tonga
Korea; Uzbekistan; Papua New Guinea; Sri Lanka; Taipei, China; Vanuatu; Viet Nam
<i>Note: The Executive Directors and Alternate Directors are from the countries highlighted in "bold" above. Some ED and AED positions are held on a rotating basis by different countries in the same constituency.</i>

*Board of Executive Directors.*⁶ Each Executive Director (ED) also appoints an Alternate (Alternate ED) to serve in his or her absence. Generally member governments will appoint EDs and Alternate EDs from within their Ministry of Finance to serve a two-year term. The EDs and Alternate EDs are assisted by Development Advisors and support staff. Their offices are located at the ADB's headquarters in Manila, Philippines.

The US, Japan and China are the three largest shareholders in the ADB and are represented by their own EDs. The other nine EDs represent different groups of countries that are clustered together; thus many countries share one ED office and have to communicate their views via this shared ED.

In recognition of the size of their shareholdings, India and Australia always head up two of these clusters. Two of the offices are principally made up of European donors and are always headed by a Western European ED on a rotating basis. In total, 6 of the 12 Executive Director positions are filled by donor country representatives, (although the Australian ED also represents some borrowers in the Pacific as well as Cambodia).

The EDs and Alternate EDs work full-time at the ADB and meet twice a week to make decisions on all loans, guarantees, and technical assistance grants; loans that are less than \$200 million for public sector projects and \$50 million for private sector projects are approved on a "no-objection basis".⁷ Each ED's vote, and therefore influence, depends on the size of the shareholdings held by the country(ies) he/she represents. The largest donors, the US and Japan, each control about 13 percent of the voting power. This is unlike the United Nations system, for example, of "one nation, one vote" and is commonly referred to as "one dollar, one vote." Richer countries have much greater influence at the ADB because a country's vote is directly related to its wealth and contribution to the Bank. Large borrowers such as China and India have major leverage as well because without their borrowings the Bank would lose significant business.

Citizens of ADB member countries should feel free to contact their ED and Alternate EDs to share their concerns and complaints about ADB operations. The Board members are supposed to be responsive and accountable to the citizens of the countries they represent.

The Board of Executive Directors is chaired by the *President of the ADB* who is appointed for a five-year term. Like at other international financial institutions, some leadership positions at the ADB are traditionally, though not officially, reserved for officials from the Bank's most influential countries. For example, the ADB President has always been from Japan (the ADB's Charter states that the ADB President must be from a regional member country). The three Vice-President positions have traditionally been assigned to Europe, USA, and Asia respectively. The ADB recently established a fourth Vice-President position and a new Managing Director position. Similarly, the Bank's General Counsel has always been a US citizen.

Regional departments

The ADB has organized its country operations into five regional departments. The regions were designed to group countries with similar characteristics in the following areas: geographic proximity; similarities in culture, economic systems, and social organization; stage of development; operational convenience; scope for sub-regional cooperation and linkages within existing sub-regional groups. Each region has a Regional Management Team and Country Teams reporting to the Regional Director General. The regions are:

East and Central Asia

Armenia, Azerbaijan, People's Republic of China, Hong Kong, Kazakhstan, Republic of Korea, Kyrgyz Republic, Mongolia, Taipei, Tajikistan, Turkmenistan, Uzbekistan

Mekong

Cambodia, Lao People's Democratic Republic, Burma (Myanmar), Thailand, Vietnam

Pacific

Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu

South Asia

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

Southeast Asia

Indonesia, Malaysia, Philippines, Singapore

Each regional department generally has several divisions which are organized by the type of projects they develop and implement. Staff within each of these divisions are usually the original authors of specific ADB-financed projects and programs. They are responsible for overseeing specific projects throughout the project cycle and must ensure that projects and programs are designed and implemented according to the ADB's Policies and Procedures.⁸

Staff within these divisions will be most knowledgeable about the specifics of a particular project or program. Each project/program loan is assigned to a "team leader" who is a good starting point for getting information about the status and details of a particular project, and for raising concerns about adverse impacts of a project. The name and contact information of a team leader can be found on a project profile on the ADB's website.⁹

Each sector division is listed below with examples of the types of projects that originate from that division:

<i>Division</i>	<i>Types of projects</i>
Infrastructure ¹⁰	Roads; hydropower plants; power transmission facilities
Agriculture, Environment, and Natural Resources	Irrigation; agriculture, livestock and fisheries for export
Social Sectors	Health and education projects
Governance, Finance and Trade	Financial sector reforms promoting greater market liberalization

Each department is managed by a Director General and his/her team, which is comprised of a Deputy Director General and various senior advisors and economists. When raising concerns about a project, it is a good idea to bring these concerns to the attention of the Director General as well, as s/he is responsible for making sure his/her staff is complying with ADB policies and procedures. Director Generals can also solely be held accountable for the quality of

loans and technical assistance grants conducted by their department.

Other key departments

The following departments conduct work that is cross-cutting and applicable to all the regional departments. Weblinks on the ADB's website for each department are included for additional information.

Accountability Mechanism: The Accountability Mechanism is comprised of two offices: the Office of the Special Project Facilitator (OSPF), and the Office of the Compliance Review Panel (OCRP). For more information on both of these offices, please see BIC's *Asian Development Bank's Policy Framework* Toolkit and the following ADB websites: (i) SPF – <http://www.adb.org/SPF> and (ii) CRP – <http://compliance.adb.org>.

Anticorruption Unit: This Unit investigates allegations of fraud and corruption in ADB operations. The unit is housed within the Office of the General Auditor. The Unit accepts anonymous submissions, though it encourages anyone submitting an allegation or evidence to do so on an identified basis in order to facilitate investigation. <http://www.adb.org/Anticorruption/unit.asp>.

Operations Evaluations Department (OED): The OED is an “independent” department within the ADB and reports to the Board of Directors instead of to the President. It evaluates, on a selective basis, the performance of completed projects, programs, and technical assistance (TA) loans/grants. It also conducts broader evaluations of the effectiveness of ADB's policies, practices, and procedures overall. According to the ADB, the OED evaluates 40 % of all completed ADB projects and produces the following types of reports that can be of use to civil society groups and are publicly available (<http://www.adb.org/OED/>):

- **Project Performance Audit Report (PPAR):** assesses the impacts, effectiveness and sustainability of a project after the project has been in operation for some time.
- **Country Assistance Program Evaluation (CAPE):** assesses the impact of the ADB's overall lending to a particular country for a particular period.

- **Special Evaluation Studies (SES):** assesses the impacts of ADB lending to a particular sector in a range of selected countries.
- **Technical Assistance Performance Audit Report (TAPAR):** assesses effectiveness of ADB technical assistance loans/grants made by the ADB.

Private Sector Operations Department (PSOD): This department works to provide direct assistance to private sector projects focusing primarily on financial sector and infrastructure initiatives. PSOD also formulates and implements ADB policies for direct assistance to the private sector. <http://www.adb.org/PSOD/>

Regional and Sustainable Development Department (RSDD): This department is responsible for monitoring ADB's compliance with its own policies and guidelines. <http://www.adb.org/RSDD/>

Strategy and Policy Department (SPD): This department oversees the development and review of all ADB policies, provides the ADB with a strategic planning perspective and medium and long-term direction, ensures policy and operations coordination, and maintains institutional relations with the international development community, especially on matters relating to resource mobilization. <http://www.adb.org/SPD/default.asp>

Department of External Relations (DER): This office carries out information activities to improve awareness and understanding of ADB's role and operations. It is also responsible for implementing the ADB's *Public Communications Policy* approved in 2005. For more information on this office please see the *ADB Transparency: How to Access Information from the ADB* Toolkit. <http://www.adb.org/OER/>

NGO Center: The NGO Center is responsible for helping the ADB strengthen its cooperation with civil society actors and respond to their concerns. It is located within the Regional and Sustainable Development Department (RSDD). <http://www.adb.org/NGOs/ngocenter.asp>

Where does the ADB get its funding?

The ADB gets funding for its operations by:

- **Issuing bonds (on the market):** ADB has a triple-A rating and typically raises US\$4 bil-

lion-US\$5 billion a year from bond issues.

- **recycling loan repayments from its borrowing members** (which includes taxpayer money from citizens in the borrowing countries)
- **contributions from its donor members** (which includes taxpayer money from citizens in the donor countries)

The ADB also uses co-financing to fund its operations. Co-financing refers to situations when the ADB provides its own resources to fund a project and also arranges funds from

another financial institution. Co-financing is also provided or secured by the borrowing country government. In 2004, the ADB mobilized about US \$2.4 billion in co-financing, which comprised about 46 percent of ADB total lending for 2004. Co-financing mobilized from commercial banks, financial institutions, and other commercial risk-sharing partners totaled about \$1.7 billion. Co-financing arranged with ADB's official development partners and other multilateral institutions amounted to \$713 million in grants and loans.¹¹

Endnotes

1. Besides the Asian Development Bank, other MDBs include the World Bank, the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB) and the African Development Bank (AfDB).
2. These are explained in further detail in BIC's *Basics of ADB Investment Operations* Toolkit.
3. Basic information about proposed and approved project and program loans can be found at <http://www.adb.org/Projects/profiles.asp>.
4. Information about ADB-funded technical assistance can be found at <http://www.adb.org/TA/default.asp>.
5. See appendix I for ADB Organizational Chart.
6. See appendix II for a list and contact information of the Executive Directors and Alternate Executive Directors in office as of November 2005. For a more up to date list see the Bank Information Center's website: www.bicusa.org/bicusa/issues/misc_resources/111.php and the ADB's website: www.adb.org/BOD/.
7. Grants lower than \$ 1 million are approved by the President; TAs between US \$150,000 and \$500,000 are approved by the respective Vice President; TAs of \$150,000 and under are approved by the respective Regional Department Director General.
8. See ADB Toolkit section on the *ADB's Policy Framework and Independent Accountability Mechanism* for more information about ADB policies.
9. Project Profiles can be found at <http://www.adb.org/Projects/profiles.asp>.
10. In the South Asia Regional Department, instead of an infrastructure division the department has two divisions: one for Transport and Communications, and another for Energy.
11. 2004 Cofinancing Activities for Loan Projects at <http://www.adb.org/Documents/Others/Cofinancing/IN94-05.pdf>.

3

THE BASICS OF ADB INVESTMENT OPERATIONS

How does the ADB work?

The ADB provides financial support, through low-interest long-term loans and grants, and professional advice for economic and social development activities to developing and transitional countries in the Asia-Pacific Region. These services are provided to country governments as well as private companies, but they are not available to individuals.

The following are the types of financial assistance the ADB offers to Developing Member Countries (DMCs):

Ordinary Capital Resources: Nearly 75% of ADB's lending is from Ordinary Capital Resources (OCR). OCR loans are usually for 15-25 years, have an interest rate set by the market and are made to DMCs with a higher level of economic development.

Asian Development Fund (ADF): This special fund was started in 1973 as an instrument of concessional lending for lower income members. ADF project

loans give borrowers a longer time to repay the money (they have a 32 year maturity period¹, including an 8 year grace period during which the borrower does not pay any interest), and a very low interest charge (1% to 1.5%). Only the poorest member countries qualify for these loans. Several countries receive a mixture of both OCR and ADF loans.

Money for the ADF is received through pledged donations (covering a 4 year period) from both regional and non-regional donor member countries. The donation cycles are called "Replenishments" and are determined after negotiations between donor countries and the ADB. The negotiations focus on the amount each donor country will contribute and the conditions set by donors in exchange for their contributions. Currently, ADF lending in its 9th Replenishment (covering the January 2005 to December 2008 period) makes up 27% of overall ADB assistance, and 24 countries receive it.

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- How do borrowers make use of ADB funding?
- Project cycle

Loans by sector 2005	US\$ (million)	% of Annual lending
Transport and Communications	1,723.00	30.00
Energy	1,074.00	19.00
Multisector	865.00	15.00
Law, Economic Management, and Public Policy	778.00	13.00
Water Supply, Sanitation, and Waste Management	618.00	11.00
Agriculture and Natural Resources	314.00	5.00
Finance	284.00	5.00
Education	58.00	1.00
Health, Nutrition, and Social Protection	58.00	1.00
Industry and Trade	25.00	0.40
Total	5,797.00	100.00
* Totals may not add due to rounding		

Source: ADB website (<http://www.adb.org/About/glance.asp>).

How do borrowers make use of ADB funding?

The ADB provides loans and grants to DMCs for development activities. The interest rates on these loans are lower than those offered by commercial banks. For all loans, ADB provides a portion of the funding, and the borrower must provide counterpart funding as well. The ADB portion can be, and often is, the substantially larger contribution.

It is important to note that borrowers must always pay back ADB loans, with interest, regardless of whether the project or program is successful in meeting its goals or not. This burden is ultimately paid by the citizens of the country.

Organizations monitoring ADB operations have found that often projects and programs are not successful in that they do not advance the ADB's overall mission of alleviating poverty in the Asia-Pacific region. It is important to note that even the ADB's own Operations Evaluation Department (OED) admits that many of its projects have been unsuccessful or only partially successful.

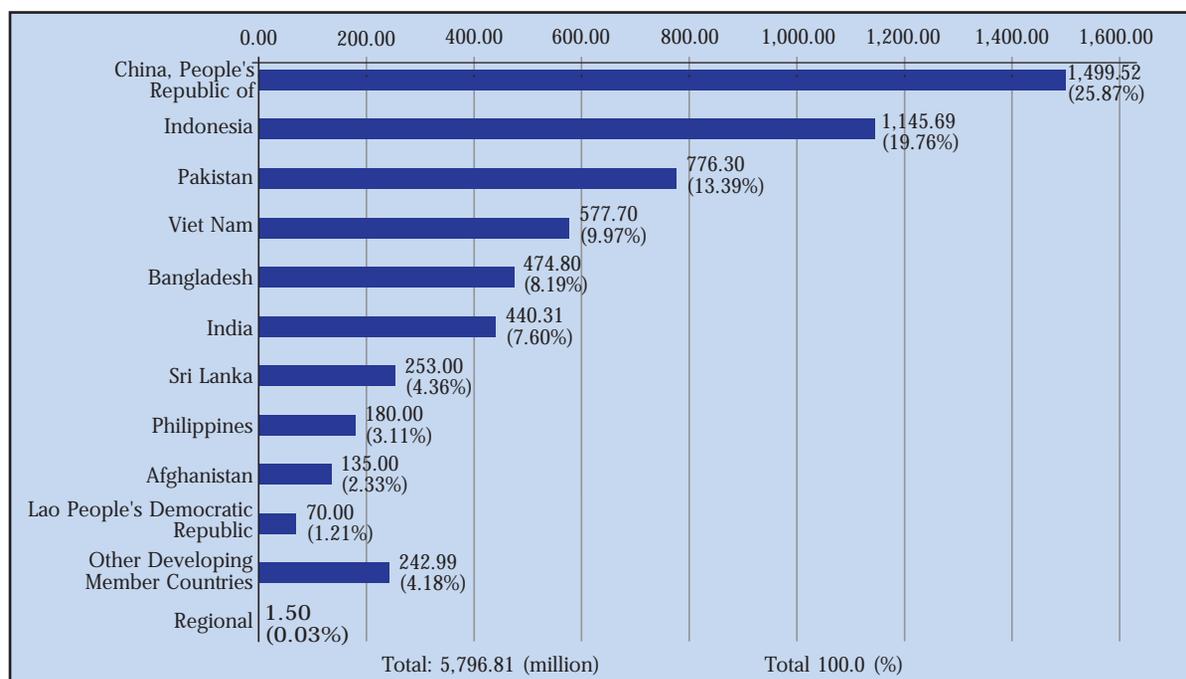
Loans for public sector projects: The ADB's primary focus has been on providing public funds for projects — primarily large-infrastruc-

ture initiatives — in energy, transportation, communication, and agriculture. Examples of these kinds of initiatives include the building of roads and bridges, hydropower dams, power transmission facilities, oil and gas projects, and irrigation programs. These types of projects are generally very likely to have major impacts on the environment and on communities living in the project area.

Program loans: Since the 1990's the ADB has also been providing program loans. In program lending to sectors, borrowing governments are given a lump sum loan for the purpose of helping them implement policy reforms in a particular sector, such as water or power, which are supposed to ensure that the sector is managed more efficiently. Through these loans the ADB is able to promote its market liberalization ideology. Generally, these reforms have paved the way for greater private sector involvement and management of sectors previously run by the central government.

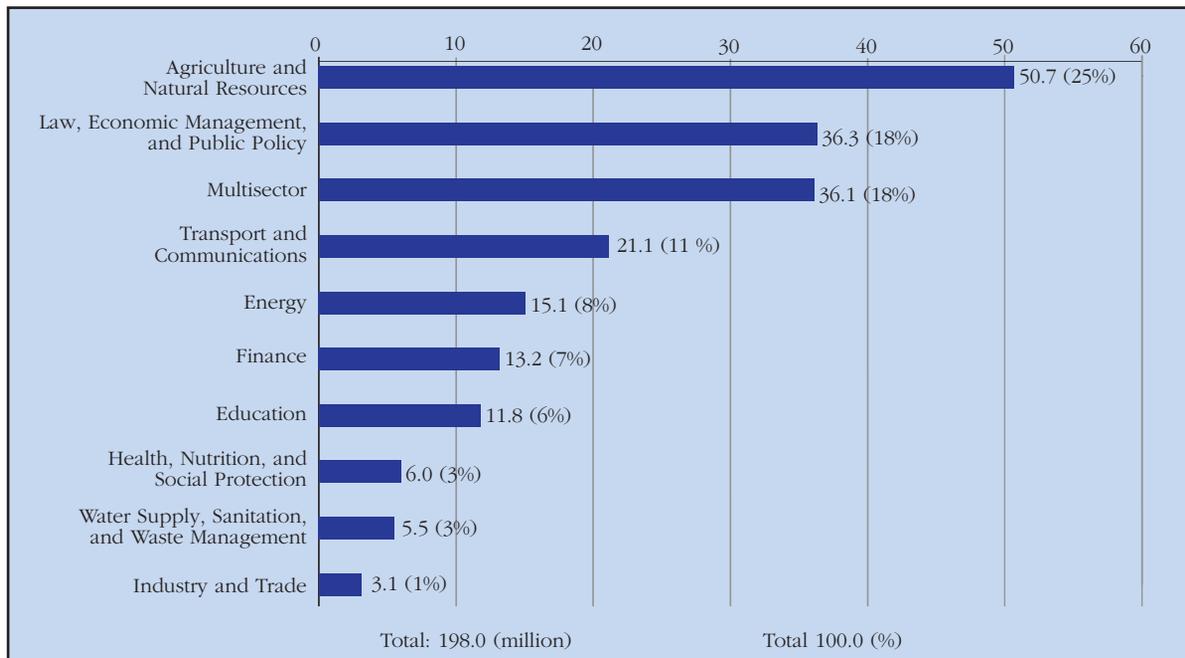
Loans for private sector projects: The ADB provides a small, but increasing, percentage of its loans to private companies for development projects in a DMC. Loans are currently provided primarily for infrastructure and financial sector projects. In 2004, the ADB approved \$807 million for private sector operations, representing a 49% increase over the previous year's assistance.

Top borrowers, 2005



Source: ADB Annual Report 2005.

Technical assistance grants by sector, 2005



Source: ADB Annual Report 2005.

Technical Assistance (TA): The ADB provides technical assistance grants and/or loans to DMCs for the identification or preparation of projects or programs. Technical assistance is provided via the following categories:

- *Project Preparatory Technical Assistance* for the preparation of feasibility studies and other assessments
- *Project implementation technical assistance* covering consulting services for project implementation and initial operation, including the training of project personnel
- *Advisory technical assistance* for institutional strengthening, sector and policy studies, and non-project-related human resource development
- *Regional technical assistance* for addressing issues of interest to the region or a sub-region.

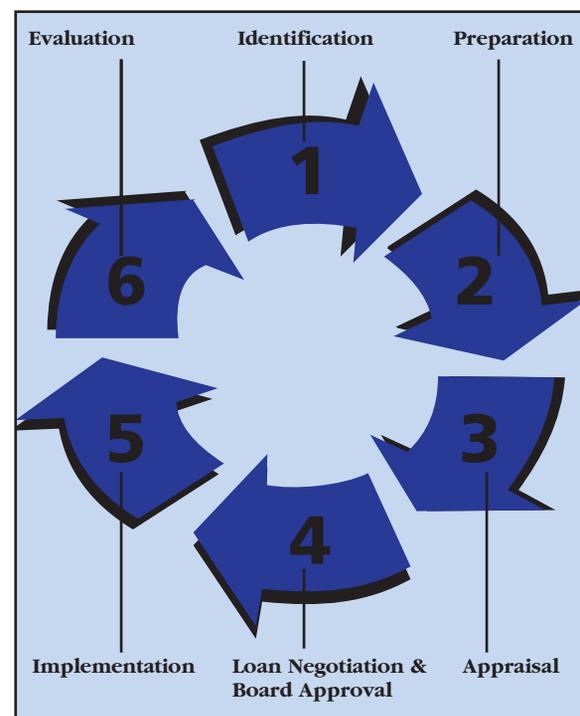
As with other ADB operations, affected communities and other external stakeholders have to be consulted in the development, preparation and implementation of TAs.

Project cycle

In order to understand how the ADB functions and how civil society can influence its operations one has to understand how the ADB initiates and prepares projects. The various

steps from project identification to project completion are known collectively as the ADB's Project Cycle. At various stages throughout the project cycle there are opportunities for civil society to obtain information about a particular project, and to exercise influence over how or whether a project should be developed. Certain

The project cycle



Source: ADB Annual Report 2003.

information is made available through the new ADB Public Communications Policy, which states that “information about a public or private sector project under preparation shall be made available to affected people.” This Policy also “supports the rights of people to seek, receive, and impart information and ideas about ADB-assisted activities”.

The project cycle description below mentions what information becomes available at each stage², and suggests actions Civil Society Organizations (CSOs) can take to find out more, or to influence the outcome of a project. Generally it is easier to influence ADB’s decisions about a project during the earlier stages of the project cycle. After construction of a project begins it is very difficult to influence changes in the project’s design, and even more difficult to lobby for stopping the project altogether.

Stage 1: Project identification

During this stage, the ADB consults with the executive level (e.g. ministries) of a borrowing government to identify potential projects and programs. All project and program ideas must be consistent with the development goals identified in the Country Strategy and Program (CSP) for that country. The ADB may also send a fact-finding mission to obtain information in the field if the ADB plans to provide a *Project Preparatory Technical Assistance* (PPTA) for the project.

What information is available: During the project identification stage, information about a proposed project becomes available on the ADB’s “*Business Opportunities*” Web page at <http://www.adb.org/Business/Opportunities/prprjcs.asp>. CSOs should pay close attention to proposed PPTAs, as the ADB is very likely to provide loans to projects it has supported through this form of technical assistance, and this is the most upstream form of information that is currently provided about a potential ADB-funded project. CSOs should look at both the list of proposed as well as removed PPTAs and projects because this second list explains why a project is no longer in the proposed section; often it is because the project/TA has been approved and is in the implementation phase.

Information about proposed projects and technical assistance is also available online in the form of *Project Profiles*, which provide a brief 1 – 2 page summary of the project. Project Profiles can be viewed at <http://www.adb.org/Projects/profiles.asp>. Information about potential projects can also be found in the annexes of a country’s *CSP* and *CSP update*, which are also available on the ADB’s website at <http://www.adb.org/Documents/CSPs/>. One of the annexes contains concept papers for proposed projects which the respective government has already discussed with the ADB.

What civil society can do: The Business Opportunities or Project Profiles webpage lists the project officer responsible for the project or technical assistance and gives that person’s contact information. If you would like to learn more about the project, or if you have concerns about the project, you can write to or call this person. If the project officer is not responsive you can contact the Director General of the regional department under which your country falls. You can also contact the InfoUnit under the Department of External Relations (DER) anytime you have trouble obtaining a response. The InfoUnit/DER is responsible for making sure that your requests for information are adequately addressed. Contact information for the Regional Departments and for DER is available in Appendix III.

In addition to containing contact information for the officer in charge of the project or technical assistance, *Project Profiles* also have contact information for a representative from the project’s executing agency within the borrowing government. CSOs can use this information to contact the executing agency to obtain information about the project, or to express concerns.

According to ADB policy, the process of identifying potential beneficiaries and people likely to be adversely affected should begin at the stage of project identification. Civil society groups can try to talk with ADB staff in the Resident Mission or in the relevant regional department at ADB headquarters to get a sense of what projects are being proposed in their country.

Stage 2: Project preparation

During this stage the borrowing government, with the support of ADB staff, conducts

technical preparations for the project. The borrower, with ADB support, has to evaluate the environmental impacts of the project. If the project is likely to have severe and irreparable damages on the environment, the borrower must prepare an *Environmental Impact Assessment* (EIA) which documents what the environmental risks are and how they will be addressed. If the environmental impacts are expected to be less severe, the borrower must prepare an *Initial Environmental Examination* (IEE) which also documents the environmental risks and how they will be mitigated, but in a manner less comprehensive than an EIA.

The borrower, with ADB support, must also evaluate the social impacts of the project and identify who stands to benefit, and who may be adversely affected by the project. This includes evaluating how many people will have to be resettled, whether the source of a community's livelihood will be affected by the project, and the specific impact the project may have on vulnerable communities, such as women, indigenous people, and ethnic and religious minorities. This information is documented in an *Initial Poverty and Social Assessment* (IPSA) which also describes how social problems will be addressed.

Depending on the nature of the impacts, some projects may require the borrower to develop a *Resettlement Plan*, which explains how many people will be moved due to a project, where they will be moved to, and what compensation they will receive. Some projects may require an *Indigenous People's Development Plan* (IPDP), which describes the negative effects the project may have on indigenous peoples, how the effects will be mitigated or avoided, how indigenous people will be compensated, and how the project takes into account the desired and preferred options of indigenous peoples.

Although the borrower is responsible for developing the various documents mentioned above, the ADB must ensure that these documents are consistent with ADB policies. In many cases the ADB will provide direct assistance in the form of a PPTA for the preparation of the assessments mentioned above and any other technical preparations that are required. Generally the borrowing government will hire consultants to develop these documents.

What information is available: During the preparation stage the borrower must make available information about the environmental and social impacts of a project, as well as information about how those impacts will be mitigated. The ADB requires borrowers to make EIAs and IEEs available to affected communities and CSOs upon request. Drafts of Resettlement Plans and IPDPs are available at this stage. These must be made available to affected persons in a form and language best suited to them so as to seek their feedback. ADB may also appoint a focal point to keep in regular contact with affected persons, and if needed, can develop project specific communication plans.

In addition, during the project preparation stage the ADB is responsible for updating *Project Profiles* on its website on a quarterly basis to reflect changes in the project.

What civil society can do: ADB policies require that people who will be affected by the project must be consulted when the documents listed above (EIA, IEE, ISA, Resettlement Plans, Indigenous People's Plans) are being developed. The ADB also requires a participatory development process throughout all stages of project design and implementation, thereby obligating

ADB environmental categorization

Category "A" Projects: Projects having severe environmental impacts are categorized as "A". An EIA is required.

Category "B" Projects: Projects having some adverse environmental impacts are categorized as "B". An IEE is required in order to determine whether an EIA also needs to be done. If not, then the IEE is the final environment document.

Category "C" Projects: Projects having no environmental impacts are categorized as "C". No IEE or EIA is required but environmental considerations are still reviewed.

Category "F1" Projects: Projects involving a financial intermediary or equity investment are classified as "F1". The financial intermediary will apply an environmental management system if environmental impacts are expected.

Source: ADB Operations Manual Section F1/OP.

the borrower to inform affected communities about a project and give them a chance to express their opinion about it as early as possible. CSOs can contact the project executing agency and the ADB to find out the status of the environmental and social assessments, and how to go about providing their input on these assessments. If they have already been completed, CSOs should ask for copies of these and should provide their feedback to the project owner and the ADB about these assessments. If CSOs feel that a project's environmental impacts have been wrongly categorized, they should inform the ADB.

CSOs can also familiarize themselves with some key ADB policies which explain what a borrowing government must do with regards to environmental and social impacts, disclosure of information and participation of affected communities, to determine if the government is following the rules set out by ADB. The Toolkit on *ADB Policy Framework and Accountability Mechanism* highlights some of these key policies with which CSOs should familiarize themselves. If CSOs believe the government is not complying with these policies as they are preparing the project, this should be communicated to the ADB. A CSO can strengthen its case by mentioning specifically which policies it believes are being violated, and if possible, quoting the specific sections of the policy that the government is not complying with. A complete list of the ADB's policies is available at <http://www.adb.org/Development/policies.asp>.

Stage 3: Project appraisal

During appraisal the ADB examines project feasibility through fact-finding missions and an appraisal mission. During these missions, the ADB examines the project's technical, financial and economic aspects, and also its expected social and environmental impacts. The ADB is responsible for reviewing all aspects of the project to ensure that it is consistent with ADB policies and guidelines. Information gathered through fact-finding and appraisal missions is used by ADB staff to create a draft *Report and Recommendation of the President* (RRP) and a draft *Loan Agreement*.

ADB staff is required to consult with people who stand to be affected by the project during the appraisal stage.

What Information is available: Final draft resettlement plans, indigenous peoples development plan or framework (or both), and environmental assessments are available at this stage. A Design and Monitoring Framework, which provides time bound targets and monitorable indicators, is also available.

What civil society can do: This stage is usually the last opportunity CSOs have to influence the design of a project before the ADB decides to fund a project since at this time the ADB has not yet signed a Loan Agreement with the borrowing government. Once a Loan Agreement is signed, this becomes a legal contract between the borrowing government and the ADB. If ADB changes its plans regarding the project after the Loan Agreement is signed, this represents a break in the contractual agreement; the ADB will only do this under extraordinary circumstances and after having sought the approval of the borrowing government.

If CSOs have concerns about the project they should raise them with the Director General of the Regional Department under which the project falls. They can also raise their concerns with the relevant Vice-President as well as with the President of the ADB. Contact information for these is available in Appendix III. CSOs can also contact the ADB if they would like to schedule a meeting with ADB staff during one of their fact-finding or appraisal missions.

As mentioned in the preparation stage, CSOs can cite policies that the borrowing government is violating to strengthen their case. If CSOs are supportive of a project, but feel that it needs to better address certain environmental and/or social risks, they can inform ADB staff to include certain conditions in the draft RRP and draft Loan Agreement that they believe will help mitigate these risks.

Stage 4: Loan negotiation and board approval

During this stage the draft loan agreement drawn up by ADB staff is reviewed by the developing member country representatives, and the ADB and both parties provide their feedback. After this has been incorporated into the loan agreement, the government is called for negotiations with the ADB.

After negotiations with the government, the final RRP is submitted to the ADB's Board of Executive Directors (Board) for approval. After Board approval, the document is sent to the borrowing country's government for authorization. Following the authorization, the Loan Agreement is signed by the ADB President and a representative of the government. The Loan Agreement is a legal contract between the borrowing government and the ADB.

What information is available: RRs and Loan Agreements become available to the public after Board approval.

What civil society can do: At this stage, concerns about a Project should be communicated directly to the Board. It is important for CSOs to communicate concerns before the Board meets to discuss the project. The Board's calendar is available on the ADB website and is updated on a rolling basis every three weeks.³

If the Board approves a project and CSOs are still concerned about the environmental and social impacts of the project, a complaint can be filed with the ADB's Accountability Mechanism. For more information on this see BIC's Toolkit on *ADB Policy Framework and Accountability Mechanism*.

Stage 5: Project implementation

The project is implemented by the country's executing agency according to the agreed schedule and procedures. Implementation time generally ranges from two to five years but depends on the type and nature of the project.

During implementation the ADB is responsible for monitoring the project to ensure that the borrower is complying with the terms of the Loan Agreement and ADB Policies. The Executing Agency is responsible for ensuring the project does not cause damage to the environment, or harm communities in the project area. If there are negative impacts that were not accounted for in the environmental and social assessments, the borrower must address the problems by developing plans to mitigate the impacts and compensating communities that suffer any loss.

What information is available: A loan agreement may require that certain social and environmental monitoring reports be prepared dur-

ing project implementation. The ADB is mandated to make these publicly available after these are submitted by the borrower or private sector sponsor. Progress reports on loan tranche releases are also disclosed upon Board or Management approval. Final reports (feasibilities, consultant reports) generated under a TA, any major changes in the scope of the project, and the Project Administration Memorandum are also available.

What civil society can do: CSOs can monitor projects to see if the borrower is following through with commitments made in the Loan Agreement, and to determine whether measures to mitigate against environmental and social risks are being implemented. Sometimes borrowers do not follow through on these commitments, and if this is the case, CSOs should inform the ADB. The ADB can then encourage the borrower to comply with these commitments. If serious non-compliance is occurring, the ADB Board has the power to temporarily suspend disbursements, though this has to be done in accordance with the Loan Agreement, and it is very rare that the ADB will actually take this step. Nonetheless, there is no harm in asking or making other similar types of requests to the ADB.

NGOs that have raised concerns about ADB projects in the past have found that the ADB has a poor track record on monitoring projects throughout implementation. NGOs attribute this to a few factors including a tendency of ADB staff rewards and promotions to be based on the quantity of loans they are able to push through rather than on the quality of projects, as well as a misguided perception that responsibility for compliance with ADB policies is the responsibility of the borrowing government. Plus staff time and resources needed to monitor projects under implementation falls dramatically compared to the attention given during preparation. Nonetheless, ADB policy requires ADB staff to ensure that policies are complied with, and to assist the borrowing government in complying with the policies. If CSOs feel this is not happening, they should complain to ADB decision-makers such as the Board, the President and Vice-President, as well as the Director General of the relevant regional department.

If during implementation CSOs are still concerned about the environmental and social impacts of the project, and feel that their

concerns are not being adequately addressed by the ADB, a complaint can be filed with the ADB's Accountability Mechanism.

Stage 6: Project completion/evaluation

After the project is completed and is operational, the ADB operational department responsible for the Project prepares a Project Completion Report (PCR) to document the implementation experience within 12-24 months of the completion of the project.

ADB's Operations Evaluation Department (OED) evaluates the formulation and implementation of projects on a selective basis and prepares a number of thematic and sectoral reports, including Project Performance Audit Reports (PPAR) which carry an assessment of the project's formulation and implementation, economic, financial, and social benefits, and environmental impact. Reports are typically done about three years after completion of

project implementation or about two years after the PCR has been circulated to the Board.

What information is available: Project Completion Reports are available one to two years after project completion. They are available online at <http://www.adb.org/Projects/reports.asp> or can be requested via the ADB Publications Unit. PPARs and other OED evaluations such as impact assessment and special evaluation studies, reevaluation studies, and country assistance program evaluations are also available online at <http://www.adb.org/Evaluation/reports.asp> and via the Publications Unit.

What civil society can do: Interested organizations can give input into the preparation of the PCR by contacting the ADB Regional Department responsible for the project and for the PPAR and other evaluations by contacting the ADB OED. The OED prepares and posts its annual work-plan on the ADB website at http://www.adb.org/Evaluation/work_prog.asp.

Endnotes

1. ADF Program loans have a 24-year maturity period.
2. For a more detailed description of the documents mentioned in this toolkit, see the *ADB Transparency: How to*
3. The Board calendar is available at: <http://www.adb.org/bod/calendar.asp>.

Access Information from the ADB Toolkit.

4

ADB COUNTRY STRATEGY AND PROGRAM

The ADB's road map for your country

The ADB conducts research on the status of a country's economy and its various sectors. These findings and assessments are used to develop Country Strategy and Program (CSP) plans for each of its borrowers, which serve as the ADB's "5-year master plan" for a country. The CSP lays out the ADB's medium-term development strategy for the particular country and identifies specific poverty reduction strategies, as well as thematic and sector priorities. The ADB also produces CSP Updates (CSP-U) every year which take into account the continued relevance of the CSP and its implementation.

CSPs are supposed to reflect the priorities set out in the ADB's Long Term Strategic Framework¹, Medium Term Strategy, and the Poverty Reduction Strategy.

How are CSPs developed?²

A Country Team comprised of a staff representative from each sector division³ within a regional department, and staff from the country Resident Mission, are responsible for developing a CSP and facilitating its implementation. A senior program officer from the respective Regional Department is designated as Country Team Leader to lead and coordinate the work of the Country Team. The ADB says that a "CSP is prepared with the DMC's active participation through consultation with the government and other stakeholders — civil society, NGOs, the private sector, and other aid agencies." The extent to which civil society is consulted, and whether the pre-requisites of effective consultations (see "Practical Tips" table below) are complied with, is debatable and varies from country to country.

INSIDE ▼

- How are CSPs developed?
- Problems with the CSPs: ownership and participation
- How can civil society participate in the development of a CSP?
- What information does a CSP contain?
- Key annexes in the CSP
- Regional and subregional cooperation strategy and program

<i>Country strategy and program formulation: step-by-step⁴</i>	
Step 1: Pre-CSP analysis and assessments <i>Duration: 18-23 weeks</i>	Preparation of studies and assessments such as Economic Growth Pre-CSP analysis and assessments Analysis, Poverty Analysis, Thematic Analysis (gender, governance, environment, private sector), Sector Performance Assessments, Portfolio Performance Assessments.
Step 2: CSP Preparation – Stock-Taking Meeting <i>Duration: 2 weeks</i>	Status Report prepared, containing: <ul style="list-style-type: none"> • rationale for CSP (if not on 5 year schedule) • Update on studies/assessments and need for additional studies • ToR for evaluation of previous CSP • Resources required for studies/assessments • Names of Country Team and ToR • Decision to prepare a new CSP
Step 3: Updating of Pre-CSP Analysis and Assessments <i>Duration: 4-6 weeks</i>	

<p>Step 4: Preparation of CSP Initiating Paper (CIP)</p> <p><i>Duration: 2 weeks</i></p>	<p>CIP prepared. Discusses:</p> <ul style="list-style-type: none"> • Constraints to growth • Summary of key development issues • Proposed strategic focus of ADB operations • CSP Mission Members, ToRs, and Timeframe for CSP Preparation
<p>Step 5: CSP Initial Consultation</p> <p><i>Duration: 2 weeks</i></p>	<p>Draft CIP disclosed and discussed with DMC stakeholders (government, civil society, private sector, external funding agencies, etc.)</p>
<p>Step 6: CSP Initiating Meeting</p> <p><i>Duration: 1 week</i></p>	<p>Decision taken on the strategic focus of ADB operations (sector/thematic/geographic/regional cooperation) taken.</p>
<p>Step 7: Updating Sector and Thematic Roadmaps</p> <p><i>Duration: 4-6 weeks</i></p>	<p>Updated Roadmaps and Concept papers prepared; co-financing possibilities identified</p>
<p>Step 8: CSP Mission</p> <p><i>Duration: 3-4 weeks</i></p>	<p>Country visited by ADB Country Team to:</p> <ul style="list-style-type: none"> • Hold consultation meetings with Stakeholders (draft CSP is disclosed before consultations) • Sign agreements with government on sector/thematic selection, geographical focus, goals, targets • Discuss agreement with government on the assistance program • Confirm co-financing with other agencies • Ready updated Concept Papers (for initial three years) • Sign Memorandum of Understanding • Endorse Back-to-Office-Report (BTOR) by VP
<p>Step 9: CSP Finalization</p> <p><i>Duration: 13 weeks</i></p>	<ul style="list-style-type: none"> • First draft CSP discussed in Management Review Meeting and revised as per comments • Second draft CSP developed and sent to government for “endorsement” • Edited CSP circulated to Board and Briefing arranged for ADB President • Board approval of CSP • Publication & public dissemination of approved CSP • Translation of CSP into appropriate language within 90 days of Board endorsement

Before a CSP is developed the Country Team conducts the following country-specific analysis to assess:

- economic growth
- level of poverty
- thematic assessments, on issues such as gender, governance, environment and the private sector
- sector assessments on areas such as water and power.

The Team conducts these assessments (or determines whether previous assessments are still applicable in a “stock-taking” meeting chaired by the relevant regional Director

General) to identify key development issues and challenges. Some of these assessments may be financed by technical assistance grants and will generally involve missions to the country.

A country team is given tremendous flexibility in deciding how to work with the Developing Member Country (DMC) in developing the CSP. Generally, teams should consult with a variety of DMC stakeholders, such as civil society and the private sector, in addition to the government. Note that teams are mandated to disclose draft strategies and programs to stakeholders for comment before consultations.

<i>Sample of CSPs & CSP-U's available on ADB website</i>		
Country	Duration	Available at
Afghanistan	CSP: 2002-2004 CSP-U: 2006-2008	http://www.adb.org/Documents/CSPs/AFG/default.asp
Azerbaijan	CSP: Not listed CSP-U: 2005-2006	http://www.adb.org/Documents/CSPs/AZE/default.asp
Sri Lanka	CSP: 2004-2008 CSP-U: 2006-2008	http://www.adb.org/Documents/CSPs/SRI/default.asp
Papua New Guinea	CSP: Not listed CSP-U: 2005-2006	http://www.adb.org/Documents/CSPs/PNG/default.asp
India	CSP: 2004-2006 CSP-U: 2005-2007	http://www.adb.org/Documents/CSPs/IND/default.asp
Philippines	CSP: 2005-2007 CSP-U: 2004-2006	http://www.adb.org/Documents/CSPs/PHI/default.asp

Preparation of the CSP is aligned with the planning cycle of the country so that the CSP can be integrated into the borrowing country's budgeting processes. A CSP Update is prepared every year taking into account the continued relevance of the CSP, its implementation, and its operational program for the next 3 years (*See table next page*).

Problems with the CSPs: ownership and participation

The ADB's claim that the CSP is prepared with active participation of civil society and other stakeholders is questionable in practice. For example, the ADB does not make the CSP available to the public until after it has been approved by its Board of Directors. Even the sovereign government of the respective DMC does not approve the CSP and merely "endorses" it. Civil society and other stakeholders are sometimes invited to "consultations" on a draft CSP that they have not even seen.

CSPs have very few mechanisms to incorporate the needs and concerns of Asia's poor and vulnerable communities. The lack of meaningful stakeholder participation and government and parliamentary approval means there is no country ownership of a document which sets the

stage for future ADB lending, and hence debt, which the citizens of that country have to bear.

How can civil society participate in the development of a CSP?

You can find out when the ADB is planning to develop a new CSP for your country by visiting ADB's CSP website (<http://www.adb.org/Documents/CSPs/>), or by contacting ADB's InfoUnit, the Regional Department under which your country falls, or your country's Resident Mission. Contact information for these is available in Appendices III and IV respectively. Note that based on its 2005 disclosure policy, the ADB is mandated to maintain and disclose on its website a list of new CSPs scheduled for preparation over the course of the year. Civil society is also entitled to have access to draft CSPs for comment before the CSP Initial Consultation (step 5) and prior to the CSP Mission consultations (Step 8).

The ADB has emphasized the primacy of the CSP in guiding its operations. The fact that it contains upstream information about proposed ADB initiatives in a country makes it an important document for civil society groups. Also of importance to note, any ADB private sector operations conducted in a country are

Practical tips for civil society participation in the CSPs

If invited to consult on the CSP, CSOs may wish to propose certain criteria to the ADB and the respective government that must be met in order for the consultation to be effective. The criteria can include demands for:

- 1) Adequate early notification of the process. Ideally, CSOs wishing to provide input into the CSP would be best served if they were to be involved at Step 4-5 of the process (CIP Stage).
- 2) Provision of sufficient documentation so that CSOs can prepare for the meeting. In addition to the draft CSP and all its annexes, groups may want to request in writing the purpose of the consultation, the basic elements of the prior CSP or CSP-U, a list of studies undertaken in preparation for the CSP, and a brief description of the principle themes of the current CSP.
- 3) Provision of translated documentation to audiences unfamiliar with the English language.
- 4) A clear framework for the consultation process. The ADB or government conveners should indicate how the consultation will take place, who will be participating, and what the conveners' expectations are.
- 5) Availability of means to ensure that CSO views and interests will be taken into account in the final document (even in cases where those views are rejected).
- 6) Existence of clear, transparent criteria for selection of NGO representatives.

supposed to be consistent with the CSP. At the concept stage, the ADB must assess whether a proposed private sector project falls in line with the CSP and the country's development priorities.

What information does a CSP contain?

Development trends and issues

A brief description of trends in the country's economic, political and social development, described in the following categories:

- Economic growth
- Poverty
- Political Environment
- Governance and Institutional Capacity

- Gender (and other social issues if appropriate)
- Private Sector
- Environment
- Regional Cooperation

The government's development strategy

This section includes the following:

- The DMC's long-term goals, medium-term objectives, and a summary of the DMC's development program, including issues the DMC has identified as being of high priority
- Explains how the development plan will be financed, the extent of need for external aid, and the DMC's efforts to mobilize resources
- Explains the role and amount of external assistance needed to fund the development program
- Includes ADB's own assessment of the DMC's development strategy and the feasibility of implementing it.

ADB's development experience

- Summarizes the ADB's assistance to the country in the past and assesses its impact.
- Describes the current status of the country's borrowing portfolio, how the ADB feels those projects are performing, and any problems or risks the ADB has identified.
- Describes lessons learned from past ADB assistance to the country, the projects/programs performance, and what these lessons imply for the new CSP.

ADB's strategy

- Identifies the key development challenges faced by the country
- Identifies the long-term goals and medium-term objectives agreed on between ADB and the DMC in the Poverty Partnership Agreement (PPA)
- Discusses the CSP's strategic focus in terms of sectors, thematic issues, geographical areas and (if relevant) regional cooperation.

ADB's assistance program

- Describes the proposed overall assistance level from ADB's Ordinary Capital Resources (OCR)⁵ and Asian Development Fund (ADF) resources⁶
- Describes external funding coordination and partnership agreements
- Indicates the level of ADB internal staff resources required to implement the CSP

Risks and performance monitoring and evaluation

- Describes the possible risks to the success of the CSP, including description of any unstable political situation, shortage of domestic funding, internal or external conflict, etc.
- Briefly describes how implementation of the CSP will be monitored

Key annexes in the CSP

Many of the annexes in a CSP contain useful information about future projects and thematic focus. It is thus always worthwhile to browse through these annexes, some of which are described below.

Roadmaps

The ADB prepares Thematic and Sector Plans, referred to as “Roadmaps” for every major thematic area and sector in a country where the ADB is providing loans. These roadmaps describe ADB plans in those sectors, including planned policy reforms and proposed projects and programs, so they are a good source of upstream information. Inclusion of project/program proposals in these roadmaps is required for providing financing to the country in the particular roadmap theme or sector.

Concept Papers for Proposed Projects and Programs

Each CSP includes an annex of concept papers for proposed ADB projects and programs in a particular country. The concept note generally includes the following information:

- Type of assistance (i.e. whether it is in the form of a loan or a grant)
- General theme of the initiative (such as environmental protection, economic growth, etc.)
- ADB staff person and department responsible for the project
- A brief description of what the project will entail
- The executing agency of project
- A general timeline of when the project will

be submitted for approval and years during which it will be implemented

- Source of ADB funding (such as OCR, ADF, or a grant) and indication of sources of co-financing for the project

Regional and subregional cooperation strategy and program

Regional cooperation is one of three cross-cutting themes highlighted in the *Long-Term Strategic Framework of the Asian Development Bank (2001–2015)* and the *Poverty Reduction Strategy (PRS)*. To ensure coherence and strategic prioritization, sub-regional cooperation strategies and programs (RCSPs) are prepared for the five sub-regions covered by ADB’s regional departments, with annual updates (RCSP-U). On the basis of priorities established, ADB assists DMCs in financing regional cooperation through technical assistance grants and projects loans. ADB’s Regional and Sub-regional Cooperation Strategies and Programs are in different stages of evolution. Thus far, RCSPs are available for the Mekong Region,⁷ Central Asia Region,⁸ and the Pacific,⁹ with others in different stages of preparation.

The ADB tries to facilitate regional cooperation by (i) increasing the DMCs’ understanding and awareness of the potential for regional cooperation and on increasing ADB’s understanding of the nature and extent of existing regional organizations and cooperation arrangements, (ii) identifying projects with potential regional implications by providing technical assistance resources, predominantly on a grant basis, for feasibility studies, and (iii) by financing or mobilizing financing for such regional projects that have a strong economic rationale and contribute to the reduction of poverty in the region. This approach can be revised if the ADB believes another could be more beneficial. The ADB can also, under this approach, fund national projects which have regional importance or facilitate investment by regional governments in a national project.

Endnotes

1. The Long-Term Strategic Framework outlines ADB's poverty reduction agenda over the next 15 years. See <http://www.adb.org/Documents/Policies/LTSF/default.asp>. The LTSF is implemented through a set of Medium Term Strategies (MTS) each covering 5 year periods. The first MTS, which is the connection between the LTSF and the CSP, covers the 2001-2005 period. See <http://www.adb.org/Documents/Policies/MTS/2001/default.asp>.
2. ADB will be revising its CSP formulation process in 2006. This change is being undertaken under the Innovation and Efficiency Initiative (IEI).
3. Sector divisions generally include: infrastructure; agriculture, environment and natural resources; social sectors; governance, finance and trade.
4. Information in this table is taken from Appendix 2 of ADB Business Processes (2001), CSP Operations Manual, and 2005 Public Communications Policy. See http://www.adb.org/Documents/Policies/Reorganized_ADB/in296_01.pdf, http://www.adb.org/Documents/Policies/Review_Business_Process/Business_Process.pdf, http://www.adb.org/Documents/Manuals/Operations/OMA02_29oct03.pdf, and <http://www.adb.org/Documents/Manuals/Operations/OML03-1sept05.pdf>.
5. OCR loans are usually for 15-25 years, have an interest rate set by the market and are made to DMCs with a higher level of economic development
6. ADF loans give borrowers a long time to repay the money (32 year maturity period for project loans and 24 year maturity period for program loans) including an 8 year grace period during which the borrower does not pay any interest, and a very low interest charge (1 % to 1.5 %).
7. <http://www.adb.org/Documents/CSPs/GMS/2004/default.asp>.
8. <http://www.adb.org/CAREC/default.asp>.
9. <http://www.adb.org/Documents/CSPs/PAC/2003/default.asp>.

5

THE ADB'S POLICY FRAMEWORK AND INDEPENDENT ACCOUNTABILITY MECHANISM

How can you hold the ADB accountable?

The ADB has developed policies and strategies to guide its operations. ADB Board-approved *policies* are translated into an *Operations Manual* by Bank staff which serves as a guide for staff on how to implement the policies. It is important for civil society to be aware of the Policies and Operations Manual because (1) they outline the rights that citizens have when ADB operates in their country, including the right to be informed, consulted, and provide opinions and concerns about projects that may affect them, (2) they include provisions for protecting the environment, and (3) the ADB is obligated to comply with these policies during the preparation and implementation of all projects.

The ADB's Strategy and Policy

Department (SPD) is responsible for overseeing the development of policies and guidelines at the ADB. The Regional and Sustainable Development Department (RSDD) is tasked with monitoring and ensuring ADB's compliance with its own policies and guidelines. Contact information for these departments is available in Appendix III of the Toolkits.

ADB Policies and the Operations Manual can be found on the ADB's website at:

- Policies – <http://www.adb.org/Development/policies.asp>
- Operations Manual – <http://www.adb.org/Documents/Manuals/Operations/default.asp?p=aadb>

INSIDE ▼

- The ADB Accountability Mechanism
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<i>Highlights of some key policies</i>		
Policy (approval date)	Key features	ADB contact ¹
Safeguard policies		
Environment Policy: (November 2002) OM F1/BP: October 2003	<ul style="list-style-type: none"> • Requires borrower to evaluate the environmental impacts of projects and identify mitigation measures • Requires that the public (especially project stakeholders) be involved in this evaluation process and in monitoring implementation of mitigation measures • Requires public disclosure of summary environmental impact assessments to the general public 120 days before the Board votes on a project. Full environmental impact assessments are released upon request. • Requires that project's potential for environmental impact be evaluated and mitigated² 	Director, Environment and Social Safeguard Division, Regional and Sustainable Development Department (RSDD) Chief Compliance Officer, RSDD

Policy (approval date)	Key features	ADB contact
Safeguard policies		
Involuntary Resettlement Policy (August 1995) OM F2/BP: October 2003	<ul style="list-style-type: none"> • Emphasizes that involuntary resettlement should be avoided where possible • Resettlement plans must be developed in consultation with affected people • Project-affected communities must be compensated • Affected people should be fully informed • Absence of legal land title should not be barrier to compensation • Affected communities must be at least as well off economically and socially after the project as they were prior to the project 	Chief Compliance Officer, RSDD
Indigenous Peoples Policy (April 1998) OM F3/BP: May 2004	<ul style="list-style-type: none"> • Says that the Bank should engage with indigenous people directly • Initiatives should be conceived, planned, and implemented, to the maximum extent possible, with the informed consent of affected communities • <i>Indigenous Peoples Plans</i> must be developed • Effective approaches to sharing information with indigenous communities must be used (meaning use of culturally appropriate methods should be used) • In each Developing Member Country (DMC), ADB adopts the national classification of indigenous people as identified in national constitutions 	Director, Environment and Social Safeguard Division, RSDD
Sector policies		
Forestry³ Policy (February 1995) No OM Available	<ul style="list-style-type: none"> • Prohibits ADB from funding projects that contribute significantly, directly or indirectly to deforestation or degradation and depletion of forests • EIA must be conducted on any project that may affect forests 	<ul style="list-style-type: none"> • Deputy DG, RSDD • Chief Compliance Officer, RSDD
Other key policies		
Public Communications Policy (April 2005) OM L3/BP: September 2005	<ul style="list-style-type: none"> • Board minutes, tentative Board schedule, and Chairman's summaries on Board discussion are publicly disclosed • Draft country strategy/policy documents, environmental/social monitoring reports, and draft evaluation (OED) reports are disclosed • Responses to information requests must be provided within 30 days • Summaries of environmental assessments available prior to loan approval 	<ul style="list-style-type: none"> • Director General, Department of External Relations

Policy (approval date)	Key features	ADB contact
Other Key Policies		
Project Performance Management System OM J1/OP: October 2003	<ul style="list-style-type: none"> • Requires the ADB to monitor and evaluate project performance and development impact at various stages of project preparation. • Requires the ADB to develop quantified and time bound targets and measurable indicators, key risks, assumptions which are to be monitored in various ADB reports such as the Project/Program Performance Reports (PPR), Technical Assistance Progress Reports (TPR), Project/Program Completion Reports (PCR), Technical Assistance Completion Reports (TCRs), Project/Program Performance Audit Reports (PPARs), and Technical Assistance Assessment Reports (TPAR). 	<ul style="list-style-type: none"> • Director, Operations Evaluation Department
Incorporation of Social Dimensions in Bank Operations OM 47: January 1997 ⁴	<ul style="list-style-type: none"> • Requires an Initial Social Assessment (ISA) for every project to identify the people who may be beneficially or adversely affected by the project • Requires a participatory development process, including participation in all stages of project design and implementation • States that the ADB will seek to provide social safety nets and compensation mechanisms, particularly for vulnerable groups that may be adversely affected by the project 	<ul style="list-style-type: none"> • Chief Compliance Officer, RSDD
Anticorruption Policy (June 1998) OM C5/BP: October 2003	<ul style="list-style-type: none"> • ADB staff are required to report to the Office of the General Auditor for investigation of any allegations or evidence of corruption that they receive or encounter • Establishes a mechanism and procedures for investigating and taking action on allegations of corruption in Bank projects and programs • Protects the identity of those filing corruption complaints if they would like to remain anonymous • Requires ADB staff to assess corruption risks throughout entire range of ADB operations and in all stages of the project cycle • ADB blacklists firms found guilty of corruption, though this list is not made available to the public 	<ul style="list-style-type: none"> • General Auditor
Gender and Development Policy (May 1998) OM C2/BP: October 2003	<ul style="list-style-type: none"> • Requires an initial poverty and social assessment (IPSA) be conducted as early as possible for all ADB loans and programs, of which gender analysis must be an essential component. This assessment requires participation of groups that stand to be affected by the project. 	<ul style="list-style-type: none"> • Director, Poverty Reduction and Social Development Division, RSDD

Policy (approval date)	Key features	ADB contact
<p>Poverty Reduction Policy (November 1999)</p> <p>OM C1/BP: October 2003</p>	<ul style="list-style-type: none"> • All ADB loans and technical assistance must be geared to contribute to the reduction of poverty • In selecting projects ADB must favor those that promise the biggest return in terms of poverty reduction 	<ul style="list-style-type: none"> • Director, Poverty Reduction and Social Development Division, RSDD
<p>Economic Analysis of Projects</p> <p>OM G1/BP: December 2003)</p>	<ul style="list-style-type: none"> • States that alternatives to proposed projects should be evaluated and considered, as well as what will happen without the proposed project • Reasons for selecting the ultimate design as opposed to other alternatives should be clearly explained • Staff must identify groups that are likely to gain or suffer as a result of the project, and identify the extent of this loss or gain 	<ul style="list-style-type: none"> • Assistant Chief Economist, Economic Analysis and Operations Support, Economics and Research Department

In spite of this policy framework, problem projects are pervasive

Although the policies listed above are supposed to safeguard the environment and vulnerable communities from the negative impacts of ADB lending, environmental and/or social and economic harm resulting from ADB-funded operations is widespread. Over the years, project-specific campaigns conducted by both NGOs and affected communities have revealed a persistent failure on the part of the ADB to enforce its own policies. NGOs involved in the campaign to reform the ADB attribute this failure to a pervasive emphasis on quantity versus quality of projects and programs within the Bank. Rather than being rewarded for strong policy compliance, staff promotions and evaluations at the ADB are heavily influenced by the amount of money that is “pushed out the door.” Staff failure to comply with these policies generally goes unpunished.

As a result, the policy framework alone does not provide guarantees against problem projects. However, having familiarity with these policies will allow CSOs to attribute problems with a particular project to the ADB’s failure to comply with its own policies, thereby strengthening their case. When raising concerns about a project, whenever possible, CSOs should mention the policies they believe the ADB is violating and explain the problems that have resulted from this policy non-compliance. If you would like help in identifying potential policy viola-

tions, several of the organizations listed in Appendix VII can provide assistance.

The ADB Accountability Mechanism

The Accountability Mechanism (approved in 2003) is a tool available for communities adversely affected by ADB projects. Under international law the ADB, like other Multilateral Development Banks (MDBs), has immunity from any legal jurisdiction, meaning that no legal action can be taken in a court against the institution in any of its member countries. As a result, the Accountability Mechanism is the only institutional platform through which project-affected people can raise their concerns with the ADB and have them evaluated by an independent, impartial and neutral body.

The ADB’s Accountability Mechanism consists of *two complementary functions, a consultation phase and a compliance review phase*. The consultation phase is intended to assist project-affected people with specific problems caused by ADB projects through a range of informal methods with the consent and participation of all parties involved. This phase is run by a Special Project Facilitator (SPF) who reports to the ADB President. The policy requires that all complaints must first be filed with this office. However, if the requesters feel that this process is not satisfactory, they can choose to have their case addressed by the Compliance Review Panel (CRP) after certain procedures have been completed.

The compliance review phase determines whether the ADB has violated any of its operational policies and procedures throughout the formulation, processing, or implementation of a project that directly, materially, and adversely affects local people. This phase is run by an independent three-person Compliance Review Panel (CRP) which reports directly to the ADB Board of Directors.

How to file a claim: Office of the Special Project Facilitator⁵

In order to file a claim, complainants must first direct their request to the Office of the Special Project Facilitator. No specific format is required as long as the request contains all the required information.

Who is eligible?

Complaints to the SPF can be filed by:

- (1) Any group of two or more people (such as an organization, an association or a group of individuals) who are being directly affected, or are likely to be affected, by an ADB-assisted public or private sector project located in their borrowing member country, or a member country adjacent to their country.
- (2) A local representative, such as a non-governmental organization (NGO), who files on behalf of a directly affected community, with proof that s/he has been authorized to do so by that community;
- (3) In exceptional cases where local representation is not available, such as in countries where local NGOs are not allowed to operate, or where there is a fear of government retaliation, a non-local representative can file on behalf of a directly affected community, with proof that s/he has been authorized to do so by that community. The SPF must agree to this representative.

Complaints can be filed on both pending projects and those that have already been approved. However, complaints cannot be filed about projects for which a project completion report has already been issued by the ADB; this generally happens between one to two years after the project is completed.

Complaints must be submitted in writing and be specifically addressed to the Special Project Facilitator. They can be sent by mail, facsimile, electronic mail, hand delivery to the SPF at ADB headquarters and to any ADB Resident Mission, representative office, or country office, which will forward the complaint unopened to the SPF. Complaints can be submitted in any of the official or national languages of the ADB's DMCs. Complainants can request that their identities be kept confidential. In such cases, their identities will be kept secret, even from other Bank staff. The SPF cannot accept anonymous complaints.

What must be said in a complaint to the SPF ?

A complaint must include:

- (1) A statement that the complainant is, or is likely to be directly harmed by an ADB project.
- (2) A statement that the harm is, or will be, caused by the ADB's actions or omissions.
- (3) A description of the harmful effects.
- (4) The identity and contact information of the complainant, and if applicable, of any representative.
- (5) In cases where the complaint is filed by a representative on behalf of a community, proof of the representative's authority. The affected community can either sign the claim itself or provide written authorization designating their representative.
- (6) A brief description of the project, including the name and location if available.
- (7) The ways in which the complainant would like the ADB to help.
- (8) A description of steps taken by the affected community to raise their concerns with Bank Management.

If any of the above information cannot be provided, the complainant should explain why.

What happens after a complaint is filed with the SPF ?

1. SPF Registers and Acknowledges the Complaint

Once the SPF receives the complaint, s/he must let you know within 7 days, in writing, that s/he has received it. The complaint is also registered in the "Complaints Registry", sent to ADB Management, and posted on the SPF's website.

2. SPF Determines if the Complaint is Eligible

The SPF has 21 days from the time s/he receives the complaint to determine if it is eligible (based on the criteria listed above under “Who is Eligible?”). To determine eligibility, the SPF reviews project documents at ADB’s headquarters and may also visit the project area and meet personally with the complainants. If the SPF finds the case is not eligible, s/he will inform the complainants in writing of the reasons why, and will also let the complainants know that they may file a complaint with the CRP.

3. SPF Reviews the Complaint and Proposes a Problem-Solving Method

If the SPF accepts the complaint, s/he will begin to thoroughly review the case by visiting the project site, interviewing all the parties involved (the complainants, the project’s executing agency, the borrowing government and staff from ADB), and reviewing project documents. During this review the SPF will evaluate what the problems are and will suggest ways in which the problems raised by the complainants can be addressed.⁶ S/he will put her/his findings and recommendations into a Review and Assessment Report, which is sent to the complainants, the relevant ADB operations department, and ADB’s President.

At this point the complainants have seven days to decide on the two options. If they are unhappy with the SPF’s recommendation, they can step away from the consultation process and file a complaint with the CRP. If they are happy with the SPF’s proposed course of action, they can continue with the consultation phase.

4. Complainants and ADB staff comment on SPF’s proposal; SPF submits final proposal to ADB President for Approval

If the complainants decide to continue with the consultation phase, both the complainants and the ADB operations department have 14 days to provide comments to the SPF’s proposal. The SPF then takes into account their comments while preparing a final proposal, which s/he then sends to the President of the ADB for approval. If the President approves, implementation of the SPF’s proposal begins.

5. Implementation of Problem-Solving Method

The Course of Action is implemented, which states the agreed steps the parties will take to resolve the complaint. Status reports on the implementation of the course of action are publicly available if parties consent. During implementation, the complainants are free to walk away from the process at any time if they are not satisfied with how things are going, and they can file a complaint with the CRP. It is important to note that any of the other parties involved in the negotiation, with the exception of the SPF, can also walk away from the process at anytime if they are not satisfied.

When implementation of the problem-solving method is complete, the SPF writes a draft report explaining whether the consultation phase was successful, what agreements were reached (if any), including any remedial actions, and makes a recommendation. The SPF submits this report to the President who makes the final decision about what remedial actions will be implemented. A report with the President’s final decision is sent to the complainants and the other parties involved.

Filing a claim with the Compliance Review Panel

Who is eligible ?

Anyone who meets the eligibility requirements for filing a claim with the SPF, and has done so, is eligible to file a claim with the CRP. A requester will be informed of the final ADB decision on his/her request at least 128 days⁷ after the compliant was registered at the ADB.

If the SPF has already found the case to be eligible, the CRP determines whether the harm caused is a result of any ADB violation of its policies and operational procedures. If the SPF has found the case to be ineligible, the CRP determines independently whether in its judgment the request for compliance review meets the CRP’s eligibility criteria.

Why should a claim be filed with the CRP if it has already been filed with the SPF ?

Complainants may want to file a claim with the CRP if one of the following things were to occur during the SPF process:

1. The SPF finds the complaint to be ineligible
2. The complainant is not satisfied with the SPF's assessment of the case and the proposed problem-solving method
3. If during the time in which the problem-solving method is being carried out, the complainant is not satisfied with its results, and wishes to walk away from the consultation phase
4. If during the time in which the problem-solving method is being carried out, the complainant is satisfied with the results, but believes there are serious ADB policy violations that should be addressed, the complainant can file a claim with the CRP while continuing to participate in the problem-solving method.

What must be said in a complaint to the CRP ?

A complaint to the CRP should include the same information that would be submitted in a claim to the SPF. Although complainants are not required to cite specific policies which they believe the ADB has not complied with, they may choose to do so.⁸

What happens after a complaint is filed with the CRP ?

1. CRP receives and Files Request

Complainants file a request at the OCRP after first having undergone the "consultation phase" with the SPF. Complainants can refer cases to the CRP at Step 3 of the SPF process (if the SPF finds the complaint ineligible) or at step 5 (if the complainant finds the SPC process not meaningful).

2. CRP Registers and Acknowledges Complaint

The CRP will register a complaint within 7 days of receiving it. It will also register it on the ADB's website, inform the Board, and issue a press release acknowledging receipt of a complaint.

3. Eligibility of Complaint is Determined

The CRP determines eligibility 14 days after the registration of the complaint. However, if the request was initially deemed ineligible by the SPF, then the CRP will determine eligibility within 21 days. In the event the requester does not

mention any specific policy violations in the complaint, the CRP will determine these as well. The CRP may consult all stakeholders to assist it in determining eligibility, and may also conduct a site visit.

4. Authorization of the Board to conduct Compliance Review

The Board responds on a "no-objection" basis to the CRP report on a particular complaint within 21 days of having received it. Within 7 days of the Board report, the CRP will inform the requester of the Board's decision on authorization and the decision will also be posted on the ADB website.

5. Conducting the Compliance Review

The CRP's review is not time bound. The Terms of Reference of a review and its proposed timeframe have to be "cleared" with the Board Compliance Review Committee (BCRC) and will be publicly posted within 14 days of the Board authorization (mentioned in step 4). All stakeholders will be consulted by the CRP during this period and the CRP will review all background documentation and may also conduct a site visit provided consent of the country concerned (or the private sector sponsor) has already been obtained.

6. CRP Draft Report Issued

The draft report of CRP's findings is shared with ADB Management and the requester once the CRP has completed its review.

7. Response to Draft Report by Management and Requester

The inspection requester (complainant) and ADB Management have 30 days to comment on the CRP's draft report from the day they receive it. The decision to incorporate views rests with the CRP.

8. Final Report of the CRP

Within 14 days of receiving responses from requesters and Management and having incorporated changes as necessary, the CRP issues its final report to the Board. The final report will contain findings of the CRP investigation and recommendations to ensure the project is

brought into compliance with ADB policies. If required, the CRP can also propose changes in the scope of the project. The comments of the Management and requesters submitted earlier will be attached to the final report. The final report will not be shared with Management or requesters.

9. Board Decides on CRP Recommendations

The Board will issue its final decision on the recommendations proposed by the CRP (regarding mitigation of harm or how to bring the project into compliance) within 21 days of receiving the CRP's final report. The requester will receive the Board decision, the CRP final report, and all responses within 7 days of the Board decision. This will also be posted on the ADB website.

10. Monitoring of Recommendations

The CRP will monitor the implementation of the Board's recommendations regarding remedial measures and will report against these to the Board on an annual basis for 5 years.⁹ A participatory approach will be taken during the monitoring stage and all stakeholders will be consulted to determine progress on implementation. Site visits may also be conducted.

What is the board compliance review committee (BCRC) ?

The BCRC is a sub-committee of the ADB Board of Directors. It is required to (i), clear the draft Terms of Reference and Timeframe of a particular complaint as proposed by the CRP, and (ii) review the CRP's draft monitoring reports before these are finalized and forwarded to the full Board. The BCRC is composed of 6 Board members; four are EDs from regional countries (at least three must be from borrowing countries) and two from non-regional countries.

Are there any restrictions to the Accountability Mechanism ?

The Accountability Mechanism does not deal with complaints that are:

1. About actions that are not related to something the ADB did or was supposed to have done
2. About decisions made by the ADB, or the borrower, on procurement of goods and services, including consulting services

3. About allegations of fraud or corruption (as these are addressed by the Anticorruption Unit)
4. About a project for which a project completion report (PCR) has been done (generally 1 to 2 years after the project has been completed)
5. About a complaint already considered by the new Accountability Mechanism or by the previous Inspection Function, unless there is new evidence presented that was not known at the time of the original complaint
6. About the adequacy or suitability of ADB's existing policies and procedures
7. Frivolous, malicious, trivial, or generated to gain competitive advantage
8. About a matter within the jurisdiction of ADB's Appeals Committee or ADB's Administrative Tribunal or related to ADB personnel matters
9. About ADB's non-operational housekeeping matters, such as finance and administration.

Possible Limitations of the Accountability Mechanism

Established in 2003, the Accountability Mechanism has only been in effect for a short time, so it is difficult to predict how effective it will be in addressing the concerns of project-affected communities. However, we can speculate on what the potential limitations will be based on the mechanisms, procedures and the experiences of past inspection cases at the ADB, the World Bank and other MDBs.

It is important to remember that the mandate of the Accountability Mechanism is limited only to the investigation of violations of ADB policies by ADB staff. It cannot judge whether a borrowing government fulfilled its obligations under the loan contract. Also, SPF and the CRP can only make recommendations to the ADB President and Board of Executive Directors, respectively, about what should be done to address a project's problems. Only the President can make a final decision about a course of action recommended by the SPF, and only the Board of Executive Directors can make a final decision about policy violations and remedial measures identified by the CRP. Groups filing complaints with the Accountability Mechanism therefore have no guarantee that they will be compensated for harm suffered, or that a destructive project will be stopped, as a result of going through this

process, even if the SPF's and/or CRP's findings are in their favor. The outcome of a complaint can thus never be certain.

Similarly, implementation of remedial measures is the responsibility of borrowing governments. Thus complainants and the affected community must put sufficient pressure on their government in order to ensure the government implements remedial measures. Site visits by the SPF and/or CRP are also not guaranteed in the new Accountability Mechanism; prior permission must be obtained by the ADB from the borrowing government concerned before a visit can be conducted.

What else can you do once you have filed a complaint?

It is useful to think of using the Accountability Mechanism as just one avenue in the effort to seek redress for harm that a project may have caused. Other institutions, such as one's own government (the different levels of it, and different functions of the legislative, executive and judicial branches), the press/media, and national and international civil society should also be used strategically during the overall accountability effort. Alliances can be built with relevant organizations and institutions which can then be used at the right moment to enhance the weight of one's argument.

Why do some people choose not to file a complaint?¹⁰

It is important to consider what the implications of filing a complaint at the ADB may be. Preparation of a complaint, and the accompanying mobilization (of the affected community, other civil society actors) and the constant monitoring and information sharing that is required to successfully engage in the process, can be time consuming. Thus judging how much time such an effort might take, and then preparing for it, is always a useful exercise to undertake prior

to filing a case.

Also, the issue of possible retaliation (physical or otherwise) must also be considered. For instance, there could be some individuals and/or institutions that may not be happy if a particular project is singled out for greater oversight and scrutiny. Thus the risk of retaliation must be understood and mitigated against. The ADB does allow for submission of anonymous complaints but it may still be possible to determine or guess the complainant's identity.

Taken together, conducting a cost-benefit analysis of filing a complaint is always a useful exercise. It would allow one to see if spending the time, effort, resources and dealing with possible risks of retaliation is worthwhile. The use of other strategies, in coordination with an inspection case or independently, should also be considered to see if the Accountability Mechanism can be part of a broader strategy.

Contact information for ADB Accountability Mechanism

1. Office of the Special Project Facilitator (OSPF)

Special Project Facilitator
Asian Development Bank
6 ADB Avenue, Mandaluyong City
0401 Metro Manila, Philippines

Tel: (63-2) 632-4825

Fax: (63-2) 636-2490

Email: spf@adb.org

2. Office of the Compliance Review Panel (OCRCP)

Secretary, Compliance Review Panel
Asian Development Bank
6 ADB Avenue, Mandaluyong City 1550
Philippines

Tel: +632 632 4149

Fax: +632 636 2088

Email: crp@adb.org

www.compliance.adb.org

Endnotes

1. For the names and contact information of the officers that currently hold these titles see Appendix III.
2. The policy requires that projects be categorized as “A” if they could have significant adverse environmental impacts, and that an Environmental Impact Assessment (EIA) be conducted. Projects are categorized as “B” if they could have some adverse environmental impacts, but of lesser degree than category “A” projects. An initial environmental examination (IEE) is required to determine whether significant environmental impacts warranting an EIA are likely. If an EIA is not needed, the IEE is regarded as the final environmental assessment report. For more information on these and other categorizations see OM on Environmental Considerations in ADB operations (http://www.adb.org/Documents/Manuals/Operations/OMF01_29oct03.pdf).
3. This policy will be under review until the end of 2004. An OM has never been issued for the 1995 policy.
4. An updated OM is under preparation
5. See also ADB Document “A Guide to the Consultation Phase of the ADB Accountability Mechanism” at http://www.adb.org/SPF/Documents/Guide_consul_phase.pdf and http://www.adb.org/SPF/Documents/OSPF_flyer.pdf
6. This can include facilitating dialogue between all the parties involved until a solution agreed upon by all can be reached, or proposing a mediation process.
7. “Days” mentioned in Accountability Mechanism are calendar days.
8. ADB’s operational policies and procedures that apply to the project under compliance review will be (i) in the case of a proposed project, those that were in effect when the complaint was filed with the SPF; and (ii) in the case of an ongoing project, those that were in effect at the time of Board approval with respect to the formulation or processing of the project, and those that were in effect when ADB’s alleged act or omission took place with respect to the implementation of the project. A “proposed project” refers to a project under preparation that has not yet been approved by the Board of Directors or the President (as delegated by the Board), and an “ongoing project” refers to a project that has been approved by the Board of Directors or the President (as delegated by the Board) and is being implemented.
9. The Board can also propose a different monitoring timetable if required.
10. This section borrows heavily from the “*Strategic Guide: Strategic Tips for filing complaints with international financial institutions*” prepared by Friends of the Earth-International and International Accountability Project, 2004. This guide is available at: http://www.foei.org/publications/pdfs/strategic_guide.pdf