

Part 1



# ADB and How It Works

# Who We Are and How We Operate

ADB is a multilateral development financial institution focusing on Asia and the Pacific. Our mission is to help countries of our region that are still developing their economies and social infrastructure to reduce their poverty and to improve the quality of life for their citizens.

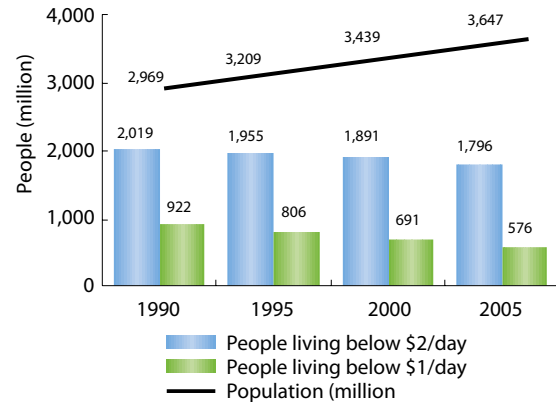
ADB's continuing purpose is to help realize the vision of an Asia and Pacific region that is free of poverty (Box 1.1). Our primary customers in our work are the national governments of our developing member countries, or client countries.

In recent years, the countries of our region have made remarkable progress in poverty reduction. But Asia must continue to grow to pull hundreds of millions of people out of poverty. About 300 million people have been lifted above the \$1-per-day poverty line since 1990. (Figure 1.1). While this is impressive, much remains to be done. Not only did 620 million people of our region still subsist on less than \$1 per day as of 2006, but a further 1.9 billion got by on less than \$2 a day. Our work is far from complete.

To help maintain the broad-based and sustainable economic growth that is contributing to poverty reduction, ADB develops and disseminates relevant information on effective policies and investment approaches; builds partnerships with other development agencies, the private sector, and the public; invests in development projects, such as those providing new infrastructure; carries out policy dialogue to support appropriate reforms; strengthens key institutions; and encourages self-help initiatives across a wide range of sectors.

In 2006, ADB investments totaled \$8.6 billion across Asia and the Pacific. Our staff worked on

**Figure 1.1. Number of Asians in poverty**



Note: Population estimates are for Asia and the Pacific. Poverty estimates assume minimal poverty in Hong Kong, China; Japan; Macau, China; and New Zealand.

Source of data: Key indicators 2005 data; Asian Development Bank staff estimates.

developing clean energy sources for the region, enhancing sustainable agriculture, expanding educational opportunities, establishing effective financial institutions, building water supply and sanitation systems, and much more.

Like most other international development banks, we support our client countries in three primary ways:

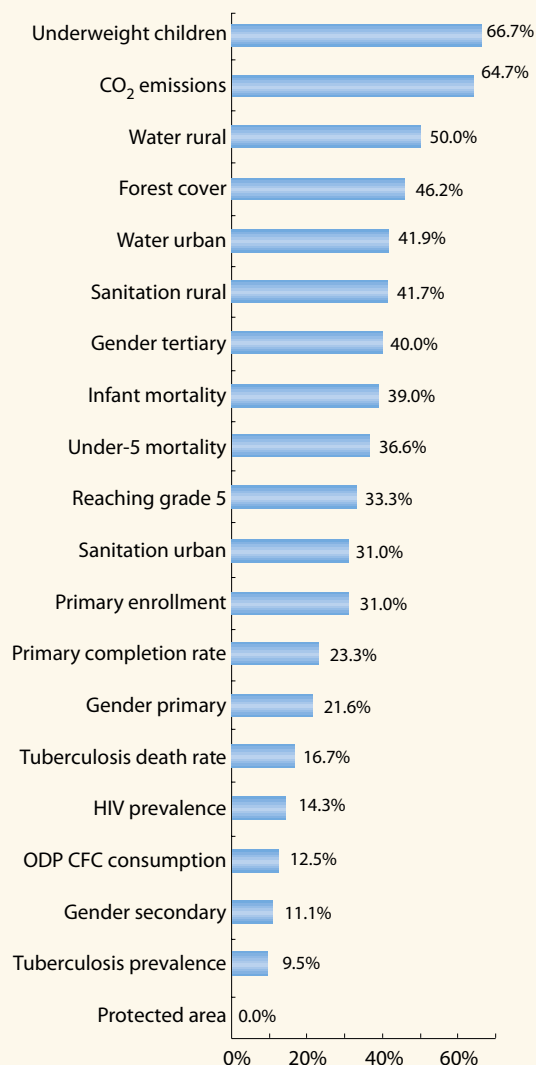
- ♦ providing grants and loans to help our client countries meet their major economic and social development goals;
- ♦ providing grants for technical assistance to strengthen policies, build institutional capacity, and support specific development projects; and
- ♦ helping to mobilize public and private capital for development projects.<sup>4</sup>

In all of this, our own policies, strategies, and processes guide us.<sup>5</sup> These and all related project documents are publicly available.<sup>6</sup>

## Box 1.1. Progress in Asia and the Pacific toward achieving the Millennium Development Goals

The Millennium Development Goals and their targets are as follows:

### Percentage of ADB client countries considered off-track in meeting nonincome MDGs



ADB = Asian Development Bank; CO<sub>2</sub> = carbon dioxide; Gender primary, secondary primary, or tertiary primary=gender ratio in primary, secondary, or tertiary school enrolment; HIV = human immunodeficiency virus; MDG = Millennium Development Goal; ODP CFC= ozone depletion potential chlorofluorcarbon.

<http://www.adb.org/Documents/Reports/Poverty-Reduction-Report/prs-2005.pdf>

### 1. Eradicate extreme poverty and hunger

Halve, between 1990 and 2015, the proportion of people

- ♦ whose income is less than \$1 a day, and
- ♦ who suffer from hunger.

### 2. Achieve universal primary education

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

### 3. Promote gender equality and empower women

Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

### 4. Reduce child mortality

Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate.

### 5. Improve maternal health

Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

### 6. Combat HIV/AIDS, malaria, and other diseases

Have halted by 2015 and begun to reverse

- ♦ the spread of HIV/AIDS, and
- ♦ the incidence of malaria and other major diseases.

### 7. Ensure environmental sustainability

- ♦ Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
- ♦ Halve, by 2015, the proportion of people without sustainable access to safe drinking water.
- ♦ By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers.

### 8. Develop a global partnership for development

# Strategic Framework

ADB has a long-term strategic framework that defines directions for a 15-year period. The current long-term framework was formulated in 2001, when Asia had just recovered from the financial crisis of the late 1990s.

As the region has moved beyond most of the causes and consequences of that crisis, ADB recently convened a panel of eminent global and regional development experts to provide fresh perspectives on Asia's emerging challenges and opportunities. The current long-term framework will be reviewed in light of the panel's guidance.

Every 3–5 years, ADB also formulates a medium-term strategy that identifies effective and timely priorities for ADB's programs based on an assessment of current needs in the region, the resources available to ADB, and our comparative advantage relative to other investors and partners. The current medium-term strategy covers 2006–2008 and identifies five "strategic

priorities" to guide ADB's operations:

- ◆ catalyzing investment,
- ◆ strengthening inclusiveness,
- ◆ promoting regional cooperation and integration,
- ◆ managing the environment, and
- ◆ enhancing governance and combating corruption (Box 1.2).

As we move forward with responses to the region's current development demands, our President has convened a panel of eminent persons to help us better anticipate the needs of the future, and adjust our programs and organizational structures accordingly. The panel's task is to provide insights and new thinking that advises ADB of key trends and development challenges ahead in the Asia and Pacific region and thus to inform the institution's long-term direction in the context of the rapidly changing region. The panel is issuing its recommendations in March 2007.

# Organizational Structure

Since its founding in 1966, ADB's headquarters have been in Manila, the Philippines. At the end of 2006, ADB had 66 member countries (shareholders), with 47 from Asia and the Pacific ("regional members") and 19 from Europe and North America ("nonregional members").<sup>7</sup> The largest shareholders are Japan and the United States, which each hold 15.6% shares in the organization.

ADB has offices in 24 of its client countries, and in 4 other sites around the world (the map on pages 2–3 shows our members and office locations).

Each member country nominates a governor to vote on its behalf. ADB's Board of Governors meets annually to review development progress in our region, and to assess how ADB can best contribute to helping the countries of the region meet their economic development goals.<sup>8</sup> The organization's Charter vests all the institution's powers in its governors,<sup>9</sup> who delegate most of these to the Board of Directors.<sup>10</sup>

The governors elect the directors, who hold office at ADB's headquarters<sup>11</sup> and meet regularly. Of the 12 directors, 8 are from regional member

### Box 1.2. Strategic priorities of the medium-term strategy

Priority	Interventions
Catalyzing investment	<ul style="list-style-type: none"> <li>◆ Identify priorities for improving the investment climate: (1) address policy and institutional impediments to private investment, (2) support infrastructure projects, and (3) invest in human resource development.</li> <li>◆ Expand private sector operations and risk mitigation products.</li> </ul>
Strengthening inclusiveness	<ul style="list-style-type: none"> <li>◆ Support rural development.</li> <li>◆ Implement key social development interventions to improve education and health outcomes.</li> </ul>
Promoting regional cooperation and integration	<ul style="list-style-type: none"> <li>◆ Support cross-border infrastructure to strengthen connectivity and regional integration.</li> <li>◆ Promote monetary and financial cooperation.</li> <li>◆ Develop technical and policy advisory capacity in integration of trade and investment.</li> <li>◆ Play an increased role in providing regional public goods.</li> </ul>
Managing the environment	<ul style="list-style-type: none"> <li>◆ Help promote clean and efficient energy.</li> <li>◆ Help develop urban environmental infrastructure.</li> </ul>
Improving governance and preventing corruption	<ul style="list-style-type: none"> <li>◆ Support public financial management reform and capacity building in selected subsectors and sectors.</li> <li>◆ Work in harmony with other multilateral development banks on fighting corruption.</li> <li>◆ Finalize and implement a governance and anticorruption action plan.</li> </ul>

countries and 4 from nonregional members. The Board of Directors

- ◆ supervises ADB's financial statements;
- ◆ approves its administrative budget; and
- ◆ reviews and approves policies, loans, guarantees, equity investments, and technical assistance projects.

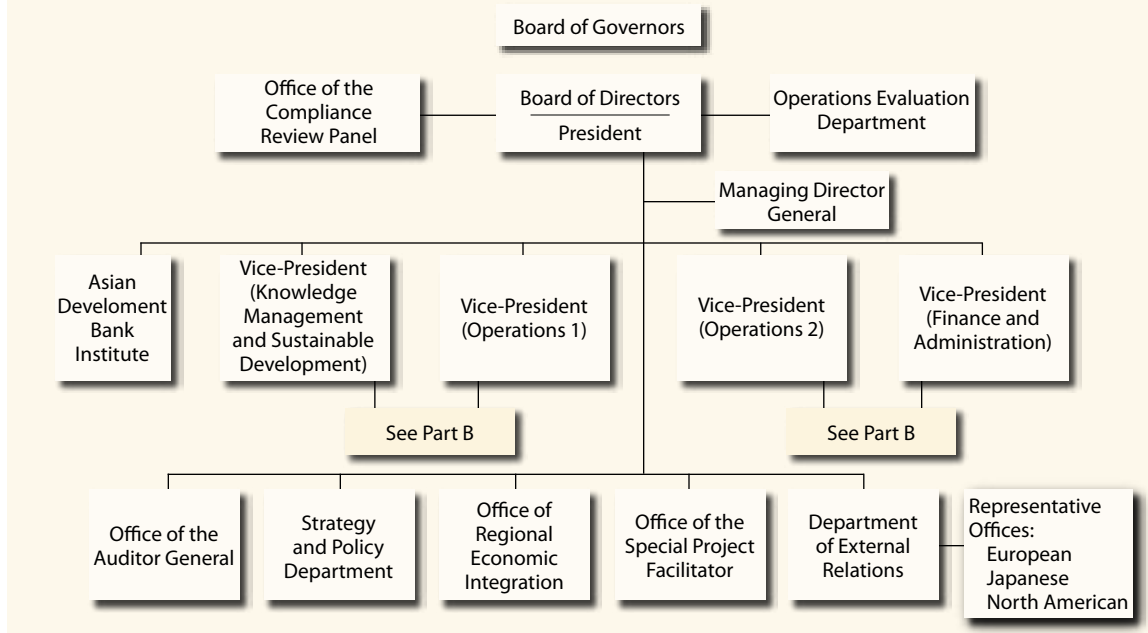
The Board of Directors also oversees two functional units that operate independently—the Operations Evaluation Department and the Compliance Review Panel.

ADB's President, the organization's chief executive, is elected by the Board of Governors

and chairs the Board of Directors. The President is responsible for the day-to-day management of all aspects of the organization, including the appointment and dismissal of staff. The President's term is 5 years, with the possibility of reelection. ADB's "Management" comprises the President and four vice presidents.<sup>12</sup> The organization chart presents ADB's structure (Box 1.3).

ADB's work is carried out by its geographically organized regional departments and its private sector department with the aid of other, crosscutting departments that provide technical and logistical support. ADB's resident missions

### Box 1.3. Organization chart



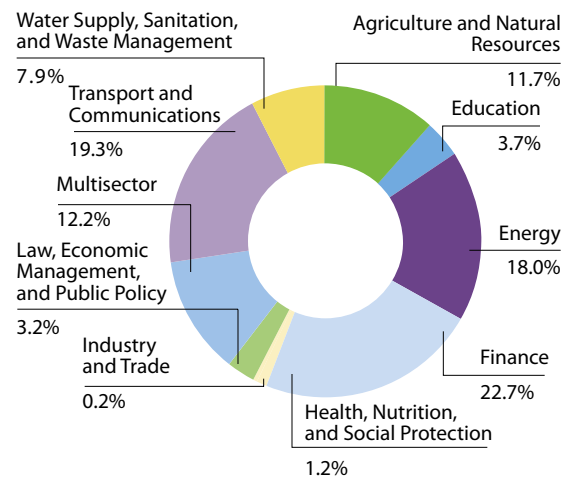
provide the primary contact between ADB and the client country, and supply relevant and timely country advice to staff based at headquarters.<sup>13</sup> Regional missions work with more than one

country, and representative offices liaise with nonborrowing members. ADB’s annual report provides more detail on our organizational structures.<sup>14</sup>

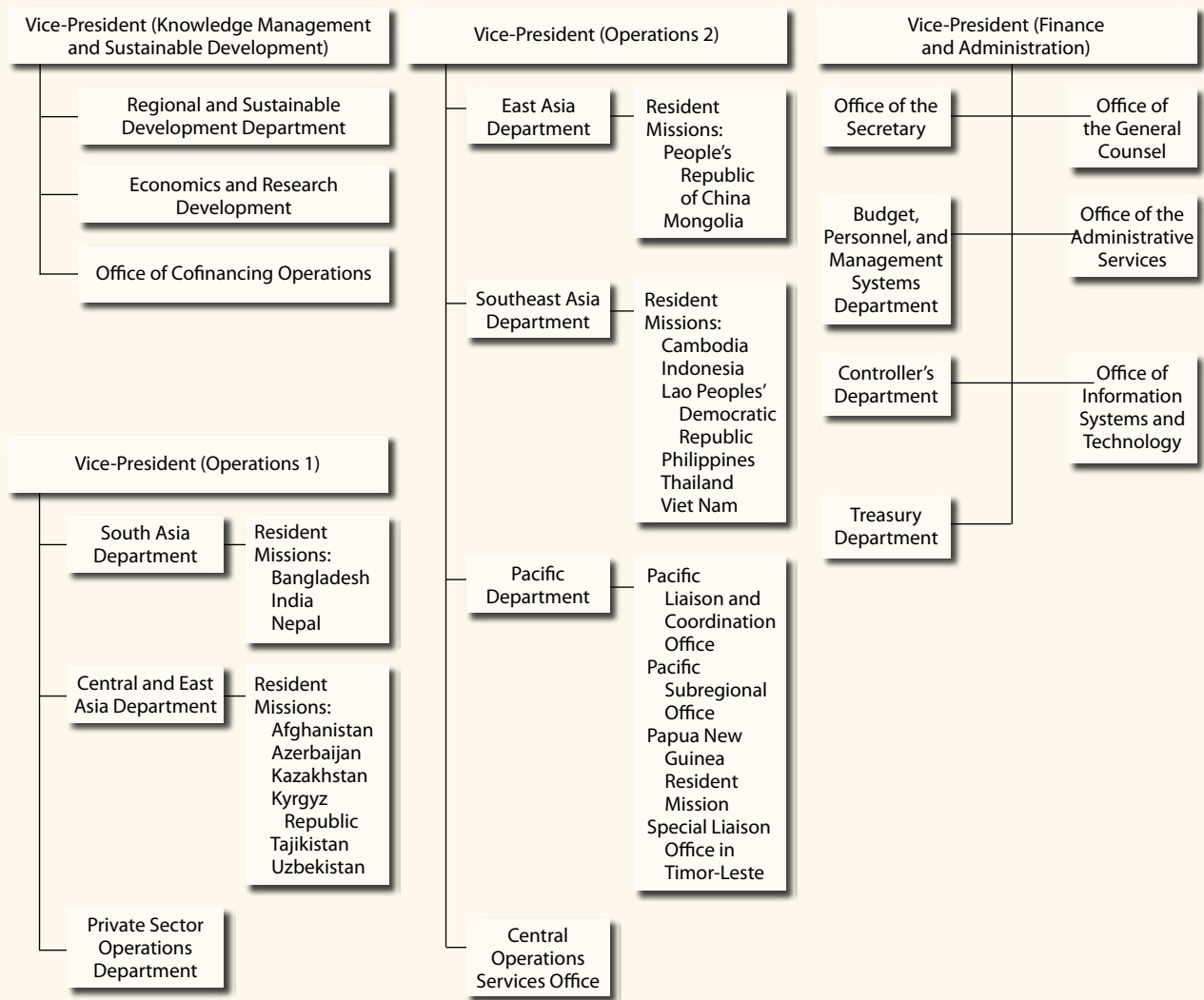
## What We Do

ADB provides funding for projects that can catalyze economic growth and contribute to the goal of eliminating poverty in Asia and the Pacific. We also engage in policy dialogue with our client countries to help them shape the incentives needed to encourage environmentally and socially sustainable economic growth. When key institutions need strengthening, we often extend assistance to build capacity and provide the information needed for sound decisions—whether at the local, national, subregional, or regional levels. The main ways we support our member countries are through loans, technical assistance projects, grants, guarantees, and equity investments.

**Figure 1.2. Financing by sector**



**Box 1.3. continued, Part B**



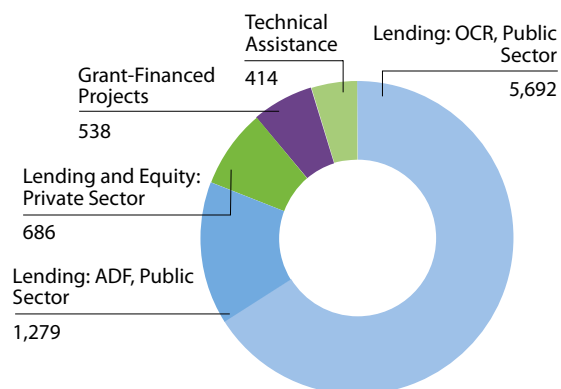
<http://www.adb.org/About/orgchart.asp>

During 2002–2006, about 60% of our support to client countries has gone to building the public infrastructure deemed essential to poverty reduction. Such projects have supported roads to bring products to markets and link economies; communications to enhance the flow of information vital to commerce and well-being; energy to run factories and light homes and schools; and water or waste management systems to meet basic needs, irrigate fields, and enhance environmental quality. Figure 1.2 shows the proportional distribution of our financing by sector for 2006.<sup>15</sup>

## Where Does ADB Get the Funds to Support Its Work?

About 73% of ADB’s cumulative lending has come from its ordinary capital resources (OCR), with 27% from special funds. OCR consists primarily of paid-in capital provided by its member countries, proceeds from borrowings, and funds derived from its operations.

**Figure 1.3. Funding of 2006 Operations**  
(\$ million)



ADF = Asian Development Fund, OCR = ordinary capital resources

The largest of our special funds is the Asian Development Fund (ADF), which provides concessional financing (at rates below those available through the OCR) for projects in client countries with low per capita income. Since its inception in 1973, the ADF has been a major instrument of concessional financing in the Asia and Pacific region.<sup>16</sup> ADF funds are used for investments at low interest and for grants to client countries with low per capita income and limited debt repayment capacity. The poorest countries are entitled to receive a large portion of their ADF project funding as grants. The ADF grants program allocates funding to high-priority technical assistance projects and activities in poor countries that are debt-stressed or in post-conflict situations, and to combat HIV/AIDS and other infectious diseases (see the Health section).

The ADF is financed by periodic voluntary contributions from donor members. Thirty member countries have pledged \$24 billion through 2008. The ninth ADF replenishment became effective in 2005, providing ADB with \$7 billion for allocation to ADF-eligible countries during 2005–2008.

The Japan Fund for Poverty Reduction and ADB's Cooperation Fund for the Water Sector are two other examples of ADB special funds.

The Japan fund provides grants to support innovative poverty reduction and related social development activities that can add value to ADB-financed projects.<sup>17</sup> Several donor members finance the water fund, which was established to help catalyze the implementation of ADB's Water Policy.<sup>18</sup> This policy emphasizes promotion of effective water management policies and practices.<sup>19</sup>

Figure 1.3 shows the type and sources of funding for the \$8.6 billion ADB committed in its 2006 operations. ADB also administers some cofinancing grants provided by member countries to support our projects (see Part 2, Figure 2.7). In 2006, member countries provided almost \$1.5 billion of such cofinancing for more than 100 projects.<sup>20</sup> Figure 1.4 shows how the \$8.6 billion was invested by sector from the OCR and ADF, reflecting differing country requirements.

In 2006, ADB raised \$5.4 billion in medium- and long-term funds—\$2.9 billion through global public offerings and \$2.5 billion through private placements. An additional \$1.6 billion was raised in short-term funds.

At the end of 2006, ADB had more than \$53 billion in capital stock, comprising

- ◆ \$3.7 billion in capital available for OCR lending; and
- ◆ almost \$50 billion in reserves available to protect ADB's creditors in the event of a large-scale default by borrowers.

Because of ADB's strong fiduciary responsibility, and since most of our borrowers are sovereign governments, ADB has a triple-A credit rating in the international capital market. This allows it to borrow at favorable rates and then pass on this low interest financing to our OCR borrowers. ADB invests its capital primarily in bonds issued by governments and government-sponsored entities of ADB members—further encouraging the development of Asia's capital markets.

In September 2006, ADB also established the \$10 billion Asian Currency Note Program. The program is the first regional platform dedicated to issuing bonds in regional currencies. ADB will use it to launch larger bond issues—simultaneously tapping capital markets in several countries and strengthening the regionalization of capital markets.

## Country Partnership Strategies

In addition to our organization-wide strategies, we also have processes in place to ensure that ADB remains responsive to the needs of our client countries. The government of each client country routinely prepares national economic development and poverty reduction plans and strategies—sometimes with ADB’s assistance. Every 3–5 years, ADB examines its role in supporting these national plans through macroeconomic, poverty, thematic (Box 1.4), and sector analyses. ADB consults with key stakeholders at every stage of this process. The government then requests ADB’s support based on this analysis and their priorities.

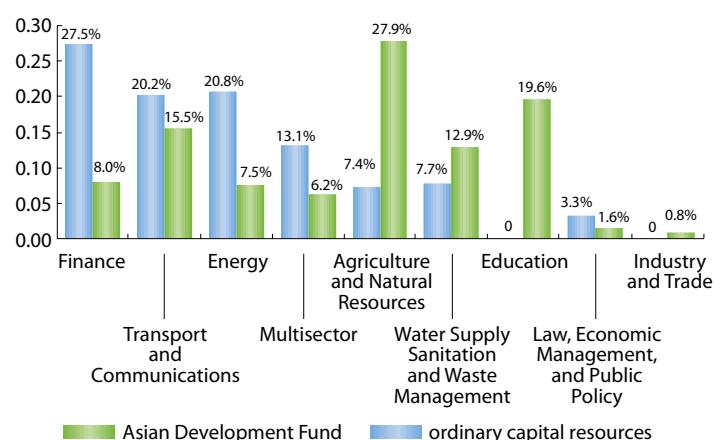
After consultation with other development partners to ensure good coordination and to determine synergies, the government and ADB reach agreement on the priorities and ADB’s contributions. The result is a country partnership strategy (CPS) and an accompanying business

### Box 1.4. ADB’s crosscutting themes

Across all its operations, the Asian Development Bank takes into account the need to promote, in poverty reduction efforts,

- ◆ environmental sustainability,
- ◆ gender and development,
- ◆ private sector development,
- ◆ regional cooperation and integration, and
- ◆ capacity development.

**Figure 1.4. Lending by sector and source** (in percent, 2006)



plan for ADB’s operations in the country that is usually prepared for a 3-year period (Box 1.5). The CPS is submitted for approval by ADB’s Board of Directors, while the business plan—updated annually—is approved by ADB’s Management. Once the client country and ADB agree on the CPS, the technical staff of ADB’s six operational

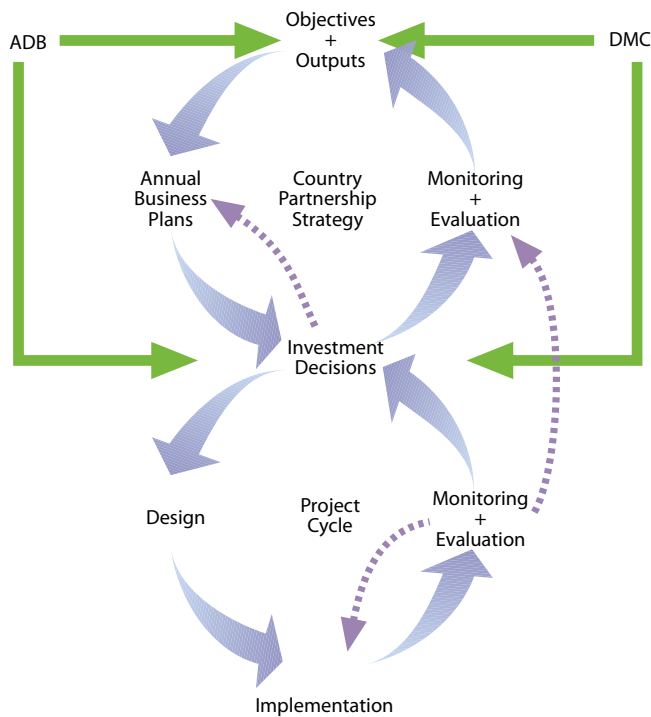
### Box 1.5. Elements of a country partnership strategy

A country partnership strategy is based on

- ◆ government development plans and targets, and
  - ◆ the government’s public investment program and financing plan;
- and includes
- ◆ Asian Development Bank (ADB) priorities, performance indicators, and targets;
  - ◆ sector plans, including for private sector operations;
  - ◆ a risk management plan;
  - ◆ a results framework; and
  - ◆ a program of ADB lending and nonlending activities.

The process of developing the country partnership strategies involves consultations with stakeholders, including civil society.

**Figure 1.5. Country partnership strategy and the project cycle**



ADB = Asian Development Bank, DMC = developing member country

departments begins to design the projects it identifies and organize complementary technical assistance for policy development and institutional strengthening.

Geographically defined departments, covering East Asia, West and Central Asia, South Asia, Southeast Asia, and the Pacific, plus our Private Sector Operations Department, carry out ADB's operations. Project design and implementation lies at the core of our work, and the preparation of a successful development project will involve strong engagement with the proponent organization, community support, and sound governance structures. All of this can only be achieved through committed attention to public consultation, and we continue to actively seek such participation.

Figure 1.5 shows our project cycle.<sup>21</sup> The major modalities for ADB's financing are

- ◆ project loans;
- ◆ sector loans (for a sector or subsector as a whole, and often working through financial intermediaries);
- ◆ program loans (to improve a sector's performance by covering immediate costs of policy adjustments);
- ◆ sector development program loans (combining investment and policy-based lending); and
- ◆ private sector loans and equity investments.

At the close of a project, the implementing department assesses its results in a completion report. Within a few years of completion, the Operations Evaluation Department also reviews many of our projects to check whether results matched expectations. Evaluation findings feed back into ongoing and future planning to improve performance and outcomes.

In addition to our country-specific projects, we also support a wide range of efforts to enhance regional cooperation and economic integration. This is a central function of ADB, based on its Charter, and we have successfully organized programs of cooperation and information exchange in environment, health, disaster management, infrastructure planning, and financial integration. Part 2 provides examples of such programs in environment, social development, and governance.

## Streamlining Our Work

In an effort to improve ADB's effectiveness as a development partner, deliver results better, and respond faster to the development challenges facing our region, ADB launched the Innovation and Efficiency Initiative in 2003. It focuses primarily on

- ◆ producing results-based CPSs,
- ◆ simplifying lending processes,

- ◆ enhancing guidelines for consulting and procurement, and
- ◆ providing new and flexible cost-sharing and other financing arrangements.

Four new financing modalities have recently been made available: multitranche financing, nonsovereign lending, local currency loans, and refinancing (Box 1.6). The new modalities are being pilot tested, and will be made permanent if successful.

Like other international development finance institutions, in recent years ADB has been striving to align its programming, monitoring, and evaluation more closely with the achievement of concrete development and poverty reduction results, rather than tracking inputs such as financial expenditures. As part of its continuing efforts to improve the effectiveness of its poverty reduction and economic growth promotion activities in the Asia and Pacific region, ADB is cooperating with the broader international development community to increase attention to managing for development results (MfDR) in our policies and practices. The three pillars of our MfDR efforts are

- ◆ improving awareness and building the capacity of our clients to apply MfDR principles,
- ◆ moving fully to a results orientation within ADB and encouraging our clients to do the same, and
- ◆ establishing effective partnerships for improved understanding and implementation of MfDR approaches.

ADB's increased emphasis on establishing a clear results framework as the foundation of each country partnership strategy is perhaps the most significant recent development in our ongoing MfDR efforts. We also recently joined with other multilateral development banks to jointly publish guidelines for assessing performance in the application of MfDR principles. (Box 1.7).<sup>22</sup>

### Box 1.6. New financing modes

ADB is introducing four new financing modalities that are intended to facilitate lending to clients.

- ◆ **The Multitranche Financing Facility** targets (1) discrete, sequential components of large, stand-alone projects; (2) slices (or tranches) of sector investments programs for longer time frames; (3) financial intermediary credit lines; and (4) guarantees.
- ◆ **The Nonsovereign Lending to Public Sector Entities Facility** provides financing for public sector borrowers below the national level (such as for municipalities), and without central government guarantee.
- ◆ **The Refinancing Facility** is intended to selectively assist projects that may need restructuring or expanding to become financially viable.
- ◆ **Local Currency Loans** are being provided to help borrowers mitigate potential losses due to changes in currency values and are currently available to three client countries.

## Engaging With the Private Sector

Asia's requirements for investment in public infrastructure and services to combat poverty and achieve sustainable development are far beyond what the public sector and development institutions such as ADB can provide. Fortunately, the transition toward private-sector-led economies is well under way in Asia, including the provision of public infrastructure. Some private financiers still might hesitate to engage in some projects and countries where risks are deemed high and yields uncertain. To help reduce such remaining barriers, ADB supports and encourages the formation of public-private

### Box 1.7. Managing for development results

More than 500 participants attended the Third International Roundtable on Managing for Development Results, held in Viet Nam in February of 2006, including 40 participants from ADB client countries. Discussions centered on how best to build capacities to produce more effective development outcomes, and focused on five key themes



ADB's Vice-President Greenwood (left) introduced the Keynote speaker at the Third International Roundtable on Managing for Development Results

- ◆ leadership and accountability,
- ◆ monitoring and evaluation,
- ◆ mutual accountability and partnerships,
- ◆ planning and budgeting, and
- ◆ information management/statistics.

The roundtable reaffirmed the importance of the Paris Declaration on Aid Effectiveness to improve and harmonize the procedures of international development agencies and to emphasize outputs and outcomes rather than inputs in measuring results.

<http://www.adb.org/MfDR/>

### Box 1.8. Supporting clean energy and equitable development through private sector financing

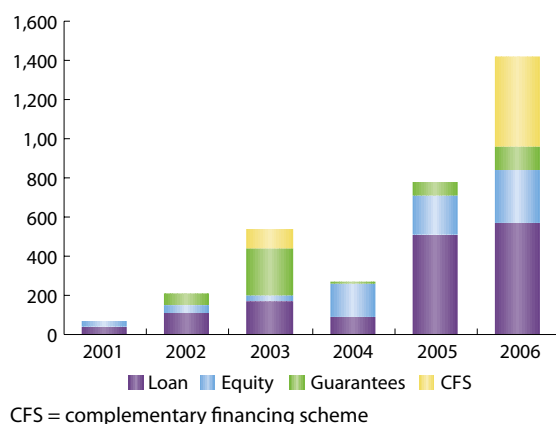


FE Global/Asia Clean Energy (FEGACE) Services Fund supports energy services companies in India, Malaysia, the Philippines, and Thailand. The Asian Development Bank (ADB) encourages development of the fund and holds an equity share. The fund's aim is to increase energy efficiency for operations especially of small and medium industries.

ShoreCap International is a private equity fund for microfinance institutions and banks serving small and medium enterprises. The fund's goal is to increase financial support to these enterprises in developing Asian markets. ADB's shareholding in ShoreCap supports its efforts.

<http://www.adb.org/Documents/PIDs/37908014.asp>;  
<http://www.adb.org/Documents/PIDs/38906014.asp>

**Figure 1.6. Private Sector Approvals, 2001–2006 (\$ million)**



partnerships, and offers expertise and risk-mitigation services. We seek to provide a bridge between the public and private sectors to help satisfy the investment needs of our region, while ensuring that private capital is channeled to meet the public interest (Box 1.8). Reflecting our commitment to facilitate private sector financing for development, ADB's private sector operations have expanded significantly in recent years (Figure 1.6).

## Sharing Information and Knowledge

As we look ahead, we see ADB's role increasingly as a "knowledge bank" to help our clients stay abreast of the best available technologies, policy approaches, institutional arrangements, and financing innovations.

ADB promotes the generation and widespread sharing of our accumulated knowledge with and among our clients. We are developing regional "knowledge hubs" to support and strengthen research and disseminate new development concepts and technologies.

- ◆ In June 2006, we signed an agreement to establish a knowledge hub on clean energy at India's Energy and Resources Institute (TERI).<sup>23</sup>
- ◆ In July, we signed an agreement to establish a knowledge hub on public finance at the Asian Institute of Management<sup>24</sup> in the Philippines.
- ◆ In August, ADB, the Asian Institute of Technology in Bangkok, UNEP, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) jointly established a knowledge hub on the 3Rs—"reduce, reuse, and recycle"—with special support from the UNEP Regional Resource Centre for Asia and the Pacific.<sup>25</sup>
- ◆ In October, ADB and Beijing's Tsinghua University launched a regional knowledge hub on climate change, under an agreement signed in Beijing.<sup>26</sup>
- ◆ In December, ADB and the Emerging Markets Forum jointly established a knowledge hub on public-private partnership.

Knowledge management—organizing and sharing the information our client countries and we need to be effective—is also supported through ADB's operations. ADB provides, on a grant basis, technical and advisory assistance for

- ◆ project preparation work related to knowledge management;
- ◆ economic, thematic, and/or sector analyses; and

### Box 1.9. Clean energy knowledge hub



Bindu N. Lohani of the Asian Development Bank and R.K. Pachauri of The Energy Resources Institute sign a letter of intent to establish a knowledge hub on clean energy.

The Asian Development Bank (ADB) and India's The Energy and Resources Institute (TERI) have jointly established a knowledge hub on clean energy based at TERI. The hub is providing a gateway for disseminating knowledge and information on clean energy, energy efficiency, and issues related to mitigation of and adaptation to climate change.

TERI hosts the Secretariat for the Asian Energy Institute, which is a network of 15 research and academic institutions spread across Asia and working on energy and environment issues.

ADB is supporting establishment of the clean energy hub through a \$1 million grant-financed technical assistance project that is working with academic and other partners to create a network of such hubs dealing with a range of high priority development concerns in Asia and the Pacific.

<http://www.adb.org/Media/Articles/2006/10102-India-knowledge-hub/>

**Box 1.10. Smart investment planning to promote sustainable development**

The Regional and Sustainable Development Department of the Asian Development Bank (ADB) promotes quality, knowledge, and innovation for sustainable development in our region. The department's role is to assist ADB's client countries in their efforts to more effectively reduce poverty and improve the quality of their citizens' lives. It does so by

- ◆ catalyzing quality and excellence in ADB's operations, and
- ◆ providing a knowledge center and source of innovative approaches for development.

- ◆ institutional capacity development. These can have country-specific, subregional, or interregional significance.

Internally, we encourage knowledge management as a bankwide activity that requires commitment and engagement from all staff. The Knowledge Management Center in the Regional and Sustainable Development Department facilitates this process (Box 1.10).

ADB's internal knowledge management approach centers on computer-based technology that facilitates knowledge sharing and provides a repository where staff can keep documents and information. "Communities of practice" are groups of ADB staff practitioners in various fields,

established to facilitate information sharing. In 2006, the Knowledge Management Center launched "C-Cube," a set of tools that helps members of the communities exchange ideas and insights, coordinate tasks and events, and collaborate through document sharing and online meetings.

In addition to the Knowledge Management Center, we generate and share information vital to our client countries through other channels.

- ◆ The Asian Development Bank Institute was established in 1997 in Tokyo to help build capacity, skills, and knowledge related to poverty reduction and other areas that help support long-term growth and competitiveness in our region. Highlights of its programs are available on the institute's web site.<sup>27</sup>
- ◆ The Economics and Research Department contributes to economic knowledge through research; helps determine, through macroeconomic forecasting, the development needs for Asia; and disseminates the results through literature, in hard and soft copy. Publications include the widely read *Asian Development Review*, *Asian Development Outlook*, and *Key Indicators*.<sup>28</sup>
- ◆ The Office of Regional Economic Integration helps client countries to harness the full benefits of global financial integration and disseminate the results to promote prudent economic management.<sup>29</sup>

# Transparency and Accountability

## Seeking External Input

ADB invites, and is committed to obtaining, public scrutiny of its operations, recognizing the value and positive impact of external review. We organize this through our Public Communications Policy,<sup>30</sup> which provides for

- ◆ accountability and transparency in our operations;
- ◆ awareness and understanding of ADB and our work;
- ◆ sharing and exchange of development knowledge and lessons learned; and
- ◆ participatory development, enhancing the two-way flow of information between ADB and people affected by our projects.

ADB values communications with people who are affected by our projects, and we have procedures in place to get timely information to them through public consultations and other communications. Most of our operational documents are posted on our web site. Relevant project documents are also shared through local means with people who live in project areas (Box 1.11). Publicly available information includes

- ◆ country partnership strategy documents;
- ◆ policies and procedures pertinent to projects; and
- ◆ all documents pertinent to project cycles, including evaluations and impact assessments (except that parts of some private sector documents are withheld to protect proprietary information).

Contacts for our Management and senior staff are also available on the Internet.<sup>31</sup>

### Box 1.11. Disclosure Standards

An independent online network of freedom of information advocates notes: “The Asian Development Bank has pulled markedly ahead of other international financial institutions in its standards for disclosure and civic participation....”

<http://www.freedominfo.org/ifti/20050912.htm>

Our Public Communications Policy specifies norms for the timely placement of ADB documents on the web. Internet users can search ADB’s database for project-related documents, and can sign up for e-mail notification about new documents of interest.

## Being Accountable

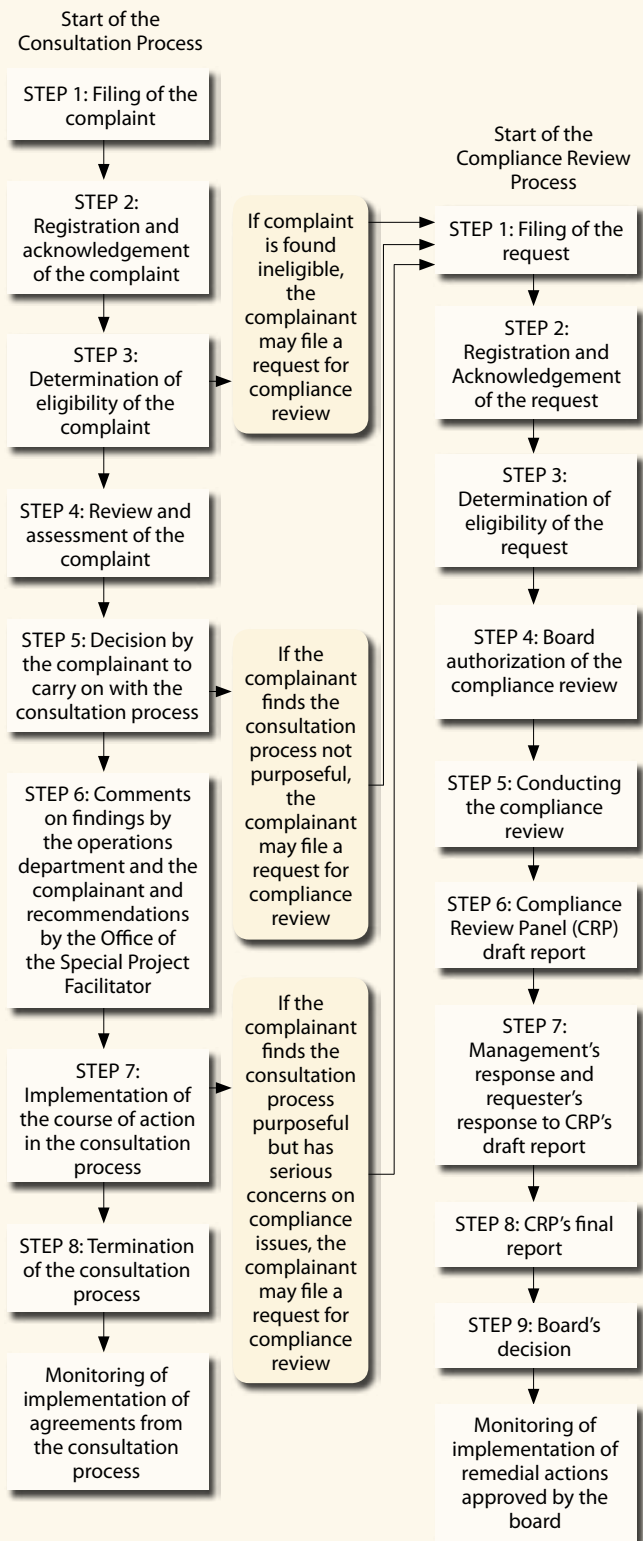
To ensure that our policies are followed, we have established an accountability mechanism with two permanent units:

- ◆ the Special Project Facilitator—who uses informal, consensus-based approaches to problem solving;<sup>32</sup> and
- ◆ the Compliance Review Panel—which independently investigates claims of violations of ADB’s operational policies and procedures.<sup>33</sup>

Box 1.12 shows the steps involved in consultation and compliance review.

The anticorruption policy and procedures are outlined in ADB’s *Operations Manual* and *Integrity*

**Box 1.12. Flow chart of the accountability mechanism**



<http://www.adb.org/Accountability-Mechanism/default.asp>

*Principles and Guidelines.*<sup>34</sup> From July 1998, when ADB adopted its anticorruption policy, to the end of 2006, 361 firms and individuals were debarred from working with ADB and another 23 reprimanded.<sup>35</sup>

The Integrity Division within the Office of the Auditor General is the initial point of contact for any allegations of corrupt and fraudulent practices or conflicts of interest, as defined under ADB’s anticorruption policy. The Integrity Division conducts independent and objective investigations; audits ADB-financed procurement to help prevent and detect fraud, corruption, and other forms of abuse; advances awareness of ADB’s anticorruption policy and procedures through training and information dissemination; supports ADB’s efforts to strengthen the audit and fraud detection capacities of our client countries’ supreme audit institutions; and is accountable to the Audit Committee of our Board of Directors. The ADB web site provides information on the Integrity Division’s protection for “whistle blowers” and witnesses.<sup>36</sup>