



BOARD OF DIRECTORS

The Board approved the long-term strategic framework 2008–2020 (Strategy 2020) to achieve greater development effectiveness, and began a review of the ordinary capital resources of the Asian Development Bank (ADB) in preparation for seeking a general capital increase.

The Board of Directors is responsible for the direction of the general operations of ADB, including the approval of policies and project loans. As the representative of ADB's shareholders, the Board plays a vital role in overseeing ADB's implementation of the guidance given by its shareholders.

In 2008, the Board approved Strategy 2020, which reaffirmed ADB's overarching mission of poverty reduction, while comprehensively responding to the fundamental changes in the region. Among the steps outlined in the Strategy 2020 to achieve greater development effectiveness are a sharper focus on lending priorities and the adoption of a comprehensive results framework to be applied across ADB.

In light of the requirements of Strategy 2020 and the need to maintain ADB's leading development role in a rapidly changing region, the Board began a review of ADB's ordinary capital resources in preparation for seeking a general capital increase. The directors also endorsed a dynamic new capital adequacy framework that brings ADB into line with the best practices of other multilateral institutions. In addition, the Board approved a reinterpretation of ADB's lending limitations to increase the funds available for lending.

The Board's meetings covered a broad range of policy, financial, and administrative issues, as well as a wide variety of projects and programs. The Board also endorsed new partnership strategies with several developing member countries. The total loan portfolio approved by the Board in 2008 exceeded \$10 billion (excluding official co-financing).

The Board approved comprehensive reforms to the technical assistance program to increase the impact of operations. Further, it approved mainstreaming the innovative multitranches financing facility in response to rising demand from member countries. Revisions to the 1998 graduation policy, including a shift from debt repayment capacity to creditworthiness as one of the criteria for country classification, were also approved.

By pushing ahead with reforms in several key areas, the Board supported improving ADB's institutional effectiveness. It provided input for the comprehensive review of ADB's human resources strategy through a number of seminars and briefings. It was also directly involved in the review of the independence and effectiveness of the Operations Evaluation Department (OED) through an ad hoc working group chaired by an executive director. Subsequently, the

directors adopted several measures to strengthen OED's credibility as an independent evaluation unit. The name of the department was changed to the Independent Evaluation Department at the start of 2009. The Board also explored ways to improve the operations of ADB's resident missions.

To continue assisting the poorest and most vulnerable countries in the region, the Board participated in the successful replenishment of the Asian Development Fund (ADF), which was completed in Madrid in May. It also endorsed refinements to the performance-based allocation system for ADF resources.

The Board deliberated on ADB's annual financial statements, its budget and borrowing program for 2009, its work program and budget framework for 2009–2011, and the salaries and benefits of staff. It also reviewed the 3-year rolling work program and budget for 2009 of the Asian Development Bank Institute.

In response to soaring food prices, the Board discussed a paper on how ADB can act quickly in coordination with other development partners to meet the immediate needs of the hardest-hit countries, and subsequently approved emergency assistance totaling more than \$200 million.

Country Partnership Strategies

The country partnership strategy maps out the ways that ADB can most effectively work with its developing member countries, given each country's challenges and priorities. It also enables ADB to evaluate a country's development performance over the strategy period.

The Board endorsed five country partnership strategies: the People's Republic of China (2008–2010), Cook Islands (2008–2012), Samoa (2008–2012), Sri Lanka (2009–2011), and Tuvalu (2008–2012). It also endorsed an interim operational strategy (2008–2009) for ADB's newest member, Georgia.

Other Meetings

In October, the Board and management participated in a 1-day retreat covering three topics: recent macroeconomic

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developments and their impact on ADB, the human resources strategy, and the general capital increase.

Board members also attended the donors' meetings on the ninth replenishment of the ADF (ADF X) held in Manila in March and in Madrid in May, contributing to the successful outcome of the ADF negotiations.

Board Group Visits

Members of the Board made three visits around the region to get a firsthand view of ADB projects and their impacts, and to meet with senior government officials, development partners, private sector leaders, and other stakeholders.

On 12–29 February, a team visited Cambodia, Lao People's Democratic Republic, and Viet Nam. Another team visited Bangladesh, Bhutan, and Nepal during 18 June–4 July. On 15–22 September, a third team visited Kiribati. The visits strengthened ADB's relationship with its development partners and generated valuable feedback.

BOARD COMMITTEES

Audit Committee

The committee assists the Board in its oversight of ADB's financial reporting and audits, including internal controls.

Among the topics deliberated on by the committee were the annual report of the Office of the Auditor General's Integrity Division, the audit recommendation and implementation report of the outside auditor, the recommendations of the internal audit division, the expiration of the contract of the outside auditor and selection of an outside auditor for 2009 onward, ADB's annual financial statements, the audit strategy memorandum, and implementation of the information systems and technology strat-

egy II and other information technology-related activities. The committee also reviewed ADB's risk management capability and the monitoring of progress in integrating stronger risk management in ADB, as well as the performance of ADB's nonsovereign portfolio.

The committee monitored and reviewed key issues and actions, including financial management and accounting standards, ordinary capital resources operating income and net income, and travel-related cost-saving measures. The committee also discussed the need to strengthen whistleblower protection and ongoing progress on attestation.

The committee met 11 times.

Budget Review Committee

The committee discussed the President's planning directions for preparing the work program and budget framework (WPBF) for 2009–2011. It noted the efforts to improve project implementation, focus on the Strategy 2020 priority sectors, enhance support for private sector development, implement the technical assistance reform agenda, and mobilize cofinancing. At midyear, the committee reviewed the progress of the 2008 operations, noting that the operations departments had reduced the percentage of at-risk projects. The committee was also briefed on the efforts to lower the number of technical assistance projects without compromising the demand and requests of developing member countries.

The committee met with the vice-presidents on ADB's draft WPBF (2009–2011). The committee noted the importance of sector and thematic alignment of the WPBF with Strategy 2020, and ADB's innovative knowledge and advisory services in the focus areas. With the greater and more varied resource requirements under Strategy 2020, the committee also underscored the need for human resources and skills mix alignment.

The committee discussed the 2009 draft budget and highlighted the need to provide adequate staffing and other budgetary resources to successfully carry out the priorities outlined in the WPBF. The committee also noted the importance of mainstreaming managing for development results, especially in project implementation and portfolio management. The committee confirmed that the 2009 budgets for ADB and the Asian Development Bank Institute are consistent with the work plans, and appropriate for consideration by the Board.

The committee met 10 times.



Executive Director Phil Bowen tries out a new village pump in Tonle Sap, part of an ADB-funded water supply project in Cambodia

Compliance Review Committee

The committee is responsible for clearing the terms of reference of the Compliance Review Panel (CRP) and the time frame for conducting each compliance review authorized by the Board, and reviewing the CRP's draft reports on monitoring the implementation of any remedial actions approved by the Board. The committee is mandated to meet as often as it considers necessary.

The committee met twice, once to discuss the CRP's fourth monitoring report (2007–2008) on implementation of Board-approved remedial actions of the Chashma Right Bank Irrigation Project in Pakistan, and once on the CRP's second annual monitoring report 2007–2008 on implementation of Board-approved remedial actions of the Southern Transport Development Project in Sri Lanka. All such monitoring reports are posted on the CRP website (www.compliance.adb.org). The committee also held several informal discussions with the CRP members on implementation of the accountability mechanism, especially on compliance review practices and procedures.

Development Effectiveness Committee

The committee reviewed 17 independent evaluation reports by OED. Some of the major findings and recommendations were considered in finalizing Strategy 2020 and the Donors' Report for ADFX. The committee also discussed OED's findings and recommendations on issues related

to ADB's institutional effectiveness, such as managing for development results, resident mission operations, and ADB's implementation of the Paris Declaration on Aid Effectiveness. Discussions on development effectiveness covered private sector operations and country assistance programs for Mongolia and the Philippines.

The committee discussed the inaugural Development Effectiveness Review, which was prepared in the context of ADB's new results framework. It also reviewed the work program and budget for OED.

The committee met 11 times in 2008.

Ethics Committee

The Board established the committee to address matters of ethics that may arise under the Code of Conduct adopted by the Board in September 2006. The code provisions apply to all Board members (directors, alternate directors, and temporary alternate directors) and to the President.

The committee is responsible for advising directors, alternate directors, or the President when they request guidance on actual or potential conflicts of interest or other ethical issues concerning themselves. The committee also considers any allegations of misconduct against directors, alternate directors, or the President that relate to the performance of their duties. It recommends appropriate action to the Board.

The committee held one meeting in 2008, and the chair met several times with the Office of the General Counsel to discuss related policies and procedures.

Board of Directors

EXECUTIVE DIRECTORS



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Howard Brown



Curtis S. Chin



Md. Saad Hashim



Kyung-Hoh Kim



Ashok K. Lahiri



Marita
Magpili-Jimenez

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Torben Bellers



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Yasuto Watanabe



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Fangyu Liu

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Ursula
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Bindu N. Lohani



Xiaoyu Zhao



Rajat M. Nag



Shyam P. Bajpai