

ICB/SR1-01  
5 September 2001

**ANNUAL REPORT**

**OF THE**

**INSPECTION COMMITTEE OF THE BOARD**

**2000-2001**

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## I. INTRODUCTION

1. The Board of Directors approved the *Establishment of an Inspection Function* on 5 December 1995 (Doc. R225-95, dated 10 November 1995). The Board paper sets out the inspection policy of the ADB which establishes a formal channel through which local communities, organizations and other groups—and, in special circumstances, members of the ADB's Board of Directors—can also make a request for inspection.
2. The Board paper provided for the appointment by the President, in consultation with the Board, of a six-member standing Committee of the Board, the Inspection Committee (BIC). The terms of three members of the BIC expired on 30 June 2000. On 1 February 2001, in consultation with the Board, the President appointed three new members to replace them — Mr. John Lockhart, Mr. Cahit Akinci and Mr. Erik Johnsson. The President also appointed Mr. Othman Jusoh to replace Mr. Ujjin, who resigned from ADB on 31 July 2000. The new members joined Mr. Barry Holloway and Mr. Kh. Zaheer Ahmed on the BIC. Mr. John Lockhart was appointed Chairman of the BIC.
3. The terms of reference of the BIC, which were derived from the Board paper on *Establishment of an Inspection Function*, are attached as Appendix 1.

## II. COMPOSITION OF THE ROSTER OF INDEPENDENT EXPERTS

4. The roster of 17 independent experts appointed in 1996 continued unchanged (attached as Appendix 2) until 30 June 2001, when their five-year, nonrenewable term expired. A new Roster was appointed on 1 July 2001 (as approved by the Board in document R92-01).

## III. ACTIVITIES OF THE INSPECTION COMMITTEE

5. The BIC had six meetings during 2000-2001, the period under review, to discuss one inspection request and the selection of the new Roster of Experts.

### A. Request For Inspection

6. On 29 November 2000, the President received a complaint about the Samut Prakarn Wastewater Management Project (loan nos. 1410-THA and 1646-THA) (the Project) in Thailand from three residents of the Klong Dan community, including the Mayor. Management responded to the complaint on 11 January 2001, within 45 days of receipt of the complaint, as required under paragraph 26 of the *Inspection Procedures*.
7. On 11 April 2001, the BIC received a request for inspection (the Request) from the same three residents of Klong Dan (the Requesters). The Request alleged that ADB had violated 14 of its operational policies and procedures (see Appendix 3) in processing the Project, particularly in processing the second loan (1646-THA), a supplementary loan, approved on 3 December 1998. The Request claimed that the alleged policy violations would harm residents in the Klong Dan subdistrict, where the wastewater treatment plant is being constructed under the Project.

8. In accordance with paragraph 37 of the *Inspection Procedures*, the BIC considered the Request at a formal meeting, and determined that, *prima facie*, the Request was neither clearly frivolous nor clearly ineligible. Accordingly, the BIC forwarded the Request to ADB's Management with a request for a response to the BIC within 30 days. Management's response (the Response) was received by the BIC on 24 May 2001. It responded to each of the alleged policy violations cited in the Request and to claims that ADB did not adequately consult communities in the Project area.

9. On 29 May 2001, the BIC met to consider the Request and the Response, and determined that the Request satisfied the requirements of the *Inspection Policy* and *Inspection Procedures*. The BIC unanimously concluded that there was a sufficient basis for it to recommend that the Board authorize an inspection of the Project. However, the BIC also determined that, according to the definition of "operational policies and procedures" in paragraphs 4 and 17<sup>1</sup> of the *Inspection Procedures*, not all of the policies cited in the Request are eligible for inspection under the Samut Prakarn Project. A list of policies and the BIC's decision on their eligibility for such inspection is provided in Appendix 3. The recommendation of the BIC to the Board (Sec.M35-01) was circulated to the Board on 20 June 2001 for consideration on 10 July 2001.

9a. In reviewing the Request for Inspection, the Committee noted that there were several instances in which policies had been approved by the Board but not yet incorporated into the *Operations Manual*, thereby excluding them from the scope of the Inspection Policy. The Committee expressed concern about this issue, and in its recommendation to the Board, urged Management to examine the issue as a matter of urgency. Subsequently, the President has informed the Board that he has established an interdepartmental group to review the coverage, format and areas that need updating in the *Operations Manual*.

## **B. Selection of Roster Members**

10. After consultation with member Governments, NGOs and others, the President received 65 nominations for the Roster of Experts under the Inspection Function, and accepted the BIC's offer to help initially review the candidates for the Roster. The BIC reviewed the candidates and prepared an initial list of 40 possible Roster members for the President's consideration. The President concurred with the BIC's proposed list, and with the expanded Roster of 40 experts, and recommended that the Board approve the proposed Roster. Appointment of the new Roster of Experts was approved on 2 July 2001. Subject to the proposed Roster members' confirmation of their appointments to the Roster, their five-year terms will expire on 30 June 2006.

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<sup>1</sup> **Paragraph 4 states as follows:** "For purposes of the Policy, "operational policies and procedures" are defined as the Bank Policies and Operational Procedures set forth in the Bank's Operations Manual (the OM) and, to the extent applicable, corresponding sections in earlier editions of the OM. They also include Staff Instructions that relate to the formulation, processing of implementation of Bank projects (but that have not yet been incorporated in the OM)."

**Paragraph 17 states as follows:** "The operational policies and procedures that apply to a project for purposes of the Policy are those that were in effect on the date the project was approved (or, in the case of a proposed project, those that were in effect on the date the inspection request was submitted to the Committee)."

### C. Dissemination of Information on Inspection Function

11. As part of strengthening the Inspection Function, seminars on the Inspection Function were conducted by the BIC Secretary in Cambodia in September 2000, in Thailand in December 2000, in Lao PDR in January 2001 and in Nepal in April 2001. The Inspection Committee Chairman and Secretary conducted a briefing for NGOs on the Inspection Function on 11 May 2001, in conjunction with ADB's Annual Meeting. The **ADB's Inspection Policy: A Guidebook** and the leaflet **You Have a Voice: ADB's Inspection Process for Communities Affected by ADB Projects** (Appendix 4) have been translated into Hindi, Khmer, Russian, Sinhala, Thai and Vietnamese.

### IV. BUDGET

12. An allocation of \$290,000 is budgeted for both 2000 and 2001 to cover the cost of an inspection and an amount of \$65,000 to cover the cost of seminars and translations of the *Inspection Procedures*.

## **INSPECTION COMMITTEE OF THE BOARD OF DIRECTORS TERMS OF REFERENCE**

The Board paper on Establishment of an Inspection Function (R225-95, dated 10 November 1995), approved by the Board of Directors on 5 December 1995, provides for the establishment of an Inspection Committee of the Board to assume certain duties relating to the Bank's inspection function.

### **Composition**

As provided in Board paper R225-95, the Committee shall consist of six members of the Board of Directors, including four regional members (at least three of whom must be from borrowing member countries) and two non-regional members. The President shall appoint the members of the Committee, in consultation with the Board, and shall designate the Chairman of the Committee.

Each member of the Committee shall be appointed for a term of two years, except that three members of the initial Committee shall serve for one-year terms. Their names were chosen by lot by the President shortly after the initial appointments were made.

If a member of the Committee ceases to be a member of the Board of Directors before the completion of the member's term on the Committee, the President, in consultation with the Board, shall appoint a replacement.<sup>2</sup>

### **Terms of Reference**

In accordance with Board paper R225-95, the terms of reference of the Committee shall be:

#### **A. Preliminary Review of Inspection Requests**

- (i) to receive and consider inspection requests (Requests) submitted by or on behalf of communities, organizations or other groups in the Bank's developing member countries (DMCs), or by one or more Directors;
- (ii) to refer Requests to Management for a written response, if appropriate or necessary;
- (iii) to obtain additional information relating to a Request from the applicant and/or Management, if appropriate or necessary;
- (iv) to consult with a member of the standing roster (Roster) of independent experts concerning the Request, if appropriate or necessary;

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<sup>2</sup> The general principles to be followed in making future appointments to the Committee were confirmed by the President to the Board at its meeting on 14 March 1996.

- (v) on the basis of its review of the Request, Management's response and/or any supplemental information or materials, to make a written recommendation to the Board of Directors as to whether an inspection of the relevant project is warranted;
- (vi) upon the Board's consideration of the matter, to notify the applicant in writing of the Board's decision to authorize (or not authorize) an inspection based on the Request.

**B. Inspections**

- (vii) if the Board authorizes the inspection (Inspection) of a project, to select a panel (Panel) of three or more independent experts from the Roster to carry out the Inspection;
- (viii) to provide the Panel with appropriate terms of reference and a suggested time period within which to conduct the Inspection;
- (ix) to request the consent of the relevant DMC government to the Panel's conduct of Inspection activities in the DMC; and to consult on an ongoing basis with the Director representing the DMC concerning the Inspection;
- (x) to review the Panel's workplan; to respond to the Panel's requests for clarification of its terms of reference and other matters; to make appropriate arrangements for the hiring of one or more consultants to assist the Panel, if necessary; and to generally supervise and facilitate the work of the Panel;
- (xi) to review the Panel's report on the Inspection and Management's written response, and to consult as appropriate with the Panel, Management, the applicant and/or the Director representing the relevant DMC concerning the Panel's findings and Management's response;
- (xii) to submit the Panel's report and Management's response to the Board of Directors together with a written recommendation on the matter;
- (xiii) upon the Board's consideration of the matter, to provide the applicant with copies of the Panel's report, Management's response and any Board decision thereon, and to make these materials publicly available;

**C. General**

- (xiv) to prepare an annual report concerning Requests received, Inspections undertaken and their results; and
- (xv) to take such other actions as may be necessary or appropriate to perform the duties outlined above.

### **Meetings**

The quorum for meetings of the Committee shall be three of its members. If the Chairman of the Committee is unable to be present in person at a meeting, the Committee shall select another member to preside.

The Committee shall meet as often as it considers necessary.

### **Administrative Arrangements**

As provided in Board paper R225-95, the Office of the Secretary shall provide the necessary administrative services for the function of the Committee and such other assistance as the Committee may require.

11/11/98

**INSPECTION OF SAMUT PRAKARN WASTEWATER MANAGEMENT PROJECT:  
POLICIES ELIGIBLE FOR INSPECTION**

<b>Policy Cited in Request</b>	<b>Eligibility</b>	<b>Reason for Ineligibility; Scope of Eligibility</b>
OM 13: Supplementary Financing of cost Overruns of Bank Financed Projects 12 December 1995	Yes	Eligible for second loan only
OM 20: Environmental Considerations in Bank Operations 7 January 1997	Yes	Eligible for second loan only
OM 21: Environmental Considerations in Bank Operations 1 December 1992	Yes	Eligible for first loan only
OM 32: Bank's Operational Missions 13 January 1997	Yes	Eligible for second loan only
OM 36: Economic Analysis 12 November 1997	Yes	Eligible for second loan only
OM 47: Incorporation of Social Dimensions in Bank Operations 7 January 1997	Yes	Eligible for second loan only
OM 48 (Under Preparation) Poverty Reduction Strategy (R179-99)	No	Approved in 1999, after approval of both loans
OM 50: Involuntary Resettlement 7 January 1997	Yes	Eligible for second loan only
OM 51: Internal Audit Policy	Yes	Eligible for second loan only
OM 52 (Under Preparation) Policy on Confidentiality and Disclosure of Information (R134-94 and Staff Instructions, 22 November 1994)	Yes	Eligible for both loans
OM 54: Governance 13 January 1997	Yes	Eligible for second loan only
OM 55: Anticorruption Policy 20 July 2000	No	Included in Operations Manual after approval of both loans
Policy on Fisheries (R197-97)	No	Not in the Operations Manual
Urban Sector Strategy	No	Dated July 1999 and not a Board-approved policy

**YOU HAVE A VOICE**