

ICB/SR1-03  
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**ANNUAL REPORT**

**OF THE**

**INSPECTION COMMITTEE OF THE BOARD**

**2002-2003**

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## I. INTRODUCTION

1. The Board of Directors approved the Establishment of an Inspection Function on 5 December 1995.<sup>1</sup> The Board paper sets out the inspection policy of the Asian Development Bank (ADB) which establishes a formal channel through which local communities, organizations and other groups—and, in special circumstances, members of ADB's Board of Directors—can 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). As announced by the President at the Board meeting of 14 March 1996, general principles are followed in making appointments to the BIC: (i) the BIC should include, at all times, three individuals from borrowing members of ADB, one from a regional non-borrowing member and two from non-regional members; and (ii) new appointments to the BIC would be made on a rotating basis; and (iii) the terms of the BIC members would be staggered.

3. As of 19 July 2002, the BIC was composed of Mr. Kh. Zaheer Ahmed (Chairperson), Mr. Stephen Sedgwick, Mr. Ram Binod Bhattarai, Mr. Rolf Eckermann, Mr. S.L. Seneviratne, and Mr. Maarten Verwey (members). All their terms were due to expire on 30 June 2003. When Mr. Ahmed resigned from ADB on 8 September 2002, Mr. Sedgwick replaced him as Chairperson of the BIC, and Mr. M. Akram Malik was appointed to the BIC. Mr. Verwey resigned from ADB on 31 August 2002 and was replaced by Mr. Tryggve Gjesdal on the BIC. When Mr. Seneviratne resigned from ADB in December 2002, Mr. M. Saiful Islam replaced him on the BIC on 17 December 2002. Details of the membership of the BIC from 1996 to 2003 are provided in Appendix 1.

4. The terms of reference of the BIC, which were derived from the Board paper on *Establishment of an Inspection Function*, are attached as Appendix 2. The terms of reference were drawn up by the BIC and attached to the BIC's Annual Report 1996-1997, which was noted by the Board.

## II. ACTIVITIES OF THE INSPECTION COMMITTEE

5. The BIC had four formal meetings during July 2002-June 2003, the period under review, to consider one inspection request and various administrative matters, in addition to several informal meetings.

### A. Inspection Request: Chashma Right Bank Irrigation Project (Stage III), Pakistan

6. On 25 November 2002, the BIC received a request for inspection (the Request) of the Chashma Right Bank Irrigation Project (Stage III) (the Project) in Pakistan from Mr. Zafar Iqbal Lund, *Hirak Development Center, Dera Ghazi Khan*; Mr. Mohammad Nauman, *Creed Alliance, Karachi*; Mr. Khadim Hussain, *Action Aid-Pakistan, Islamabad*; Mr. Ahsan Wagha, *Damaan Development Organization, Dera Ghazi Khan*; Mr. Mushtaq Gadi, *SUNGI Development Foundation, Islamabad*; and Mr. Shafi Qiasrani, *CRBIP Affectees Committee, Dera Ghazi Khan* (the Requesters), with an authorization to represent the Project affectees. The Request alleged that ADB had violated some of its operational policies and procedures in processing and administering the Project, which would harm the residents of the Project area.

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<sup>1</sup> DOC.R225-95: *Establishment of an Inspection Function*, 10 November 1995.

7. In December 2002, in accordance with the *Inspection Procedures* dated 9 October 1996, the BIC reviewed the Request and determined its eligibility for inspection. In March 2003, the BIC recommended that the Board authorize an inspection. It also recommended that the inspection should commence in December 2003<sup>2</sup>, and that two reports, one mid-term and the other final, should be provided by the Management to the BIC by end-July and end-November 2003, respectively, on the progress of the grievance redress process established by the Government of Pakistan in consultation with ADB Management. The reason for deferred commencement of the inspection was to give the opportunity for some affectees to have their issues addressed in timely fashion and to minimize the additional risk, which Management had identified, of derailing the grievance redress procedures being carried out by the Grievance Redress and Settlement Committee (GRSC). On the basis of the mid-term progress report on the GRSC the BIC would decide whether to bring forward the proposed timetable for the inspection to commence. The Board approved the BIC's recommendation at its meeting on 2 April 2003.

8. The BIC has also considered, usually informally, a number of pieces of correspondence relating to both the Chashma inspection and the monitoring of developments subsequent to the Samut Prakarn Inspection. These have been responded to by the BIC Secretary, after consulting the BIC, along lines consistent with ADB's established policies regarding inspection or the disclosure of information.

## **B. Administrative Matters**

9. The BIC considered various administrative matters, including issues relating to conflict of interest of BIC members and the time period for responses under the *Inspection Procedures*. It also adopted *Guidelines on External Communications Relating to Inspection*, which are now posted on the Inspection Function web site.

10. To ensure the prompt disclosure of information on past and pending inspection requests, the BIC created a matrix on requests for inspection containing information on key milestones in the inspection process (see Appendix 3), with links to relevant documents. The matrix became operative in January 2003. It is available on the Inspection Function web site, and is updated when a milestone event occurs relating to an inspection request.

11. Following an in-depth review of ADB's Inspection Function, involving extensive internal and external consultation, the Board adopted on 29 May 2003 a new Accountability Policy<sup>3</sup>, which will take effect within six months. The impact of the Accountability Policy on the BIC is set out in paragraph 144 of the Accountability Policy paper:

Upon the effectiveness of the new ADB accountability mechanism, BIC will be restructured as BCRC (the Board Compliance Review Committee) with its operating procedures; the current Inspection Procedures will cease to apply; and the members of the roster will be informed of the termination of their services, subject to the need to satisfy the transition arrangements described in para. 146.

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<sup>2</sup> One member believed that an inspection should commence immediately.

<sup>3</sup> *Review of the Inspection Function: Establishment of a New ADB Accountability Mechanism*, May 2003.

12. Regarding pending inspections, paragraph 146 of the Accountability Policy paper states:  
...when an inspection under the current system has been authorized by the Board, the current inspection mechanism will continue to apply.

Accordingly, the inspection of the Chashma Right Bank Irrigation Project (Stage III) will be carried out under the existing Inspection Policy.

### **III. BUDGET**

13. An allocation of \$250,000 was budgeted for 2002 to cover the cost of inspection, including the fees of the two consultants hired for the Review of the Inspection Function.<sup>4</sup> Total expenses incurred amounted to \$171,400, which is about 69% of the budget, realizing a cost saving of \$78,600 as no inspection request was authorized in 2002.

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<sup>4</sup> The cost of the external consultations conducted under the Review was charged to a separate budget account of the ADB.

**COMPOSITION OF INSPECTION COMMITTEE  
SINCE 1996**

**As of 17 December 2002**

Board Members			Category	Term in BIC
Chairperson:	Stephen Sedgwick*	(Australia)	Regional, non-borrowing	1 Jul 02 – 30 Jun 03
Members:	M. Akram Malik*	(Pakistan)	Borrowing	9 Sep 02 – 30 Jun 03
	Ram Binod Bhattarai	(Nepal)	Borrowing	1 Jul 02 – 30 Jun 03
	Rolf Eckermann	(Germany)	Nonregional	1 Jul 02 – 30 Jun 03
	Tryggve Gjesdal**	(Norway)	Nonregional	1 Sep 02 – 30 Jun 03
	M. Saiful Islam	(Bangladesh)	Borrowing	16 Dec 02- 30 Jun 03

\* When Mr. Ahmed resigned from ADB on 8 Sep 02, Mr. Stephen Sedgwick was appointed Chairperson of the BIC and Mr. M. Akram Malik (Pakistan) replaced him on the BIC.

\*\* When Mr. Verwey resigned from ADB on 31 Aug 02, Mr. Tryggve Gjesdal replaced him on the BIC.

\*\*\* Mr. Seneviratne resigned from ADB on 24 Dec 02 but took a leave of absence from 2 to 23 Dec. Mr. M. Saiful Islam (Bangladesh) replaced him on the BIC on 17 Dec 02.

**As of 19 July 2002**

Board Members			Category	Term in BIC
Chairperson:	Kh. Zaheer Ahmed	(Pakistan)	Borrowing	1 Jul 01 – 30 Jun 03
Members:	Stephen Sedgwick	(Australia)	Regional, non-borrowing	1 Jul 02 – 30 Jun 03
	Ram Binod Bhattarai	(Nepal)	Borrowing	1 Jul 02 – 30 Jun 03
	Rolf Eckermann	(Germany)	Nonregional	1 Jul 02 – 30 Jun 03
	S. L. Seneviratne	(Sri Lanka)	Borrowing	1 Jul 01 – 30 Jun 03
	Maarten Verwey	(The Netherlands)	Nonregional	1 Jul 02 – 30 Jun 03

**As of 10 July 2001**

Board Members			Category	Term in BIC
Chairperson:	John Lockhart*	(Australia)	Regional, non-borrowing	1 Feb 01 – 30 Jun 02
Members:	Kh. Zaheer Ahmed**	(Pakistan)	Borrowing	1 Jul 01 – 30 Jun 03
	Ram Binod Bhattarai***	(Nepal)	Borrowing	10 Jul 01 – 30 Jun 02
	Frank Black****	(UK)	Nonregional	1 Jul 01 – 30 Jun 02
	Erik Johnsson*****	(Sweden)	Nonregional	1 Feb 01 – 30 Jun 02
	S. L. Seneviratne	(Sri Lanka)	Borrowing	1 Jul 01 – 30 Jun 03

\* Mr. Lockhart resigned from ADB on 31 Mar 02 and was replaced by Mr. Stephen Sedgwick (Australia) to finish Mr. Lockhart's term up to 30 Jun 02.

\*\* Mr. Ahmed was reappointed to the BIC on 1 Jul 01. Mr. Ahmed was appointed Chairman of the BIC on 1 Apr 02 to replace Mr. Lockhart.

\*\*\* When Mr. Othman resigned from the BIC on 9 July 2001, Mr. Ram Binod Bhattarai (Nepal) replaced him on the BIC.

\*\*\*\* Mr. Black resigned from the BIC in Apr 02 as an expression of his dissatisfaction with the Management response to outcomes of the inspection of the Samut Prakarn Project.

\*\*\*\*\* Mr. Johnsson resigned from ADB on 31 Aug 01 and was replaced by Mr. Maarten Verwey (The Netherlands) for the remainder of Mr. Johnsson's term.

**As of 1 February 2001**

Board Members			Category	Term in BIC
Chairperson:	John Lockhart	(Australia)	Regional, non-borrowing	1 Feb 01 – 30 Jun 02
Members:	Kh. Zaheer Ahmed	(Pakistan)	Borrowing	1 Sept 99 – 30 Jun 01
	Cahit Akinci*	(Turkey)	Nonregional	1 Feb 01 – 30 Jun 02
	Barry Holloway	(PNG)	Borrowing	1 Jul 99 – 30 Jun 01
	Erik Johnsson	(Sweden)	Nonregional	1 Feb 01 – 30 Jun 02
	Othman Jusoh	(Malaysia)	Borrowing	1 Feb 01 – 30 Jun 02

\* Mr. Akinci resigned from ADB on 30 Jun 01 and was replaced by Mr. Frank Black (UK) to finish Mr. Akinci's term up to 30 Jun 02.

**As of 1 July 1999**

Board Members			Category	Term in BIC
Chairperson:	Francesco Pittore*	(Italy)	Nonregional	1 Jul 98 – 30 Jun 00
Members:	Rafiq Akhund**	(Pakistan)	Borrowing	1 Jul 99 – 30 Jun 01
	John Austin	(New Zealand)	Regional, non-borrowing	1 Jul 98 – 30 Jun 00
	Barry Holloway	(PNG)	Borrowing	1 Jul 99 – 30 Jun 01
	Julian Payne	(Canada)	Nonregional	1 Jul 98 – 30 Jun 00
	Prasit Ujjin**	(Thailand)	Borrowing	1 Jul 99 – 30 Jun 01

\* Mr. Pittore resigned from ADB on 30 Sept 99 and was replaced by Mr. John Millett (UK) as Chairman of the BIC on 19 Oct 99. Mr. Millett finished Mr. Pittore's term up to 30 Jun 00.

\*\* Mr. Rafiq Akhund resigned from ADB on 31 Aug 99 and was replaced by Mr. Kh. Zaheer Ahmed (Pakistan) for the remainder of Mr. Akhund's term.

\*\*\* Mr. Ujjin resigned from ADB on 31 Jul 00.

**As of 1 July 1998**

Board Members			Category	Term in BIC
Chairperson:	Francesco Pittore	(Italy)	Nonregional	1 Jul 98 – 30 Jun 00
Members:	John Austin	(New Zealand)	Regional, non-borrowing	1 Jul 98 – 30 Jun 00
	Li Ruogu	(PRC)	Borrowing	1 Jul 97 – 30 Jun 99
	Julian Payne	(Canada)	Nonregional	1 Jul 98 – 30 Jun 00
	M. Faizur Razzaque	(Bangladesh)	Borrowing	1 Jul 97 – 30 Jun 99
	Ma. Patricia Z. Riingen	(Philippines)	Borrowing	1 Aug 98 – 30 Jun 99

**As of 1 July 1997**

Board Members			Category	Term in BIC
Chairman:	Hans-Jurgen Stryk	(Germany)	Nonregional	14 Mar 96 – 30 Jun 98
Members:	Vicente R. Jayme*	(Philippines)	Borrowing	1 Jul 97 – 30 Jun 99
	Li Ruogu	(PRC)	Borrowing	1 Jul 97 – 30 Jun 99
	M. Faizur Razzaque	(Bangladesh)	Borrowing	1 Jul 97 – 30 Jun 99
	Naoyuki Shinohara**	(Japan)	Regional, non-borrowing	6 Jun 97 – 30 Jun 98
	Linda Tsao Yang	(US)	Nonregional	14 Mar 96 – 30 Jun 98

\* Mr. Jayme resigned from ADB on 31 Oct 97 and was replaced by Mr. Romeo Bernardo (Philippines) to finish Mr. Jayme's term up to 30 Jun 99. Mr. Bernardo subsequently resigned from ADB on 31 Jul 98 and was replaced by Ms. Ma. Patricia Z. Riingen (Philippines).

\*\* When Mr. Hosomi resigned from ADB on 5 Jun 97, he was replaced by Mr. Naoyuki Shinohara (Japan). Mr. Shinohara finished Mr. Hosomi's term up to 30 Jun 98.

**As of 14 March 1996**

Board Members			Category	Term in BIC
Chairperson:	K. Venkatesan	(India)	Borrowing	14 Mar 96 – 30 Jun 97
Members:	Shigeo Kashiwagi*	(Japan)	Regional, non-borrowing	14 Mar 96 – 30 Jun 98
	U. Thein Aung Lwin	(Myanmar)	Borrowing	14 Mar 96 – 30 Jun 97
	Soegito Sastromidjojo	(Indonesia)	Borrowing	14 Mar 96 – 30 Jun 97
	Hans-Jurgen Stryk	(Germany)	Nonregional	14 Mar 96 – 30 Jun 98
	Linda Tsao Yang	(US)	Nonregional	14 Mar 96 – 30 Jun 98

\* Mr. Kashiwagi resigned from ADB on 11 Jul 96 and was replaced by Mr. Makoto Hosomi (Japan) to finish Mr. Kashiwagi's term up to 30 Jun 98.

## **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>5</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>5</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 proposed by the latter; 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.