

ICB/SR1-99  
14 July 1999

**ANNUAL REPORT**

**OF THE**

**INSPECTION COMMITTEE OF THE BOARD**

**1998-99**

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## **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 Bank which establishes a formal channel through which local communities, organizations and other groups—and, in special circumstances, members of the Bank'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 second BIC expired on 30 June 1998. In consultation with the Board, the President appointed three new members—Mr. Francesco Pittore, Mr. Julian Payne and Mr. John Austin—who joined Mr. Romeo L. Bernardo, Mr. Li Ruogu and Mr. Faizur Razaque on the Committee. Upon the resignation from the Board of Mr. Romeo L. Bernardo, the President appointed Ms. Ma. Patricia Z. Riingen for the remaining period of Mr. Bernardo's term. Mr. Pittore was appointed Chairman of the Committee.
3. The terms of reference of the Committee, which were derived from the Board paper on Establishment of an Inspection Function, are attached as Appendix 1.

## **Composition of the Roster of Independent Experts**

4. The roster of 17 independent experts continues unchanged (attached as Appendix 2). The experts have been appointed for a five-year, nonrenewable term.

## **Activities of the Inspection Committee**

5. No requests for inspection were received during 1998/99.
6. The Inspection Committee had one formal meeting during 1998/99, the period under review, on Thursday, 27 May 1999, to discuss the preliminary draft Review of the Inspection Function, prepared by staff.
7. The need for a Review is stipulated in the Board paper Establishment of an Inspection Function, paragraph 51(d) "The operation of the Board Inspection Committee and related inspection procedures, and consideration of the application of these inspection procedures to the Bank's private sector operations, should be reviewed by Management within two years after the Board's approval of the initial Roster, and the results of this review together with any proposals for improvements in the operation of the Committee or in the related inspection procedures, should be submitted to the Board."
8. The Committee suggested that, since the primary objective of the Review was to consider the application of the inspection procedures to the Bank's private sector operations, the Review paper should analyze the advantages and disadvantages of such application to the private sector operations. The Committee emphasized that any mechanism established to review private sector operations should be independent and transparent.

9. The Committee suggested that the Review be circulated to the Board for consideration as a Working Paper.

10. As for the proposal to actively disseminate information on the Inspection Function, the Committee agreed that more proactive dissemination was a good idea, but felt that it should be integrated with the overall dissemination efforts of the Bank, with due consideration to the resource implications. The Committee's suggestions were noted for inclusion in the revised draft of the Review.

### **Budget**

11. An amount of \$250,000 was budgeted for both 1998 and 1999, to cover expenses related to the review of inspection requests and undertaking of inspections. Since no inspections were approved during the period under review, no expenditure was incurred in 1998, or during the first six months of 1999 for this purpose.

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

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>1</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;
  - (v) on the basis of its review of the Request, Management's response and/or any supplemental information or materials, to make a written

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<sup>1</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.

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.



## ASIAN DEVELOPMENT BANK

July 1998

### Inspection Policy Roster of Independent Experts

The following individuals have been appointed by the Board of Directors of the Asian Development Bank to serve on a roster of independent experts in connection with the Bank's inspection policy. Experts from the roster may be called on from time to time to review or "inspect" the Bank's role in particular development projects, if so authorized by the Board of Directors. Appointments to the roster are for five years. Roster members may not be employed or engaged by the Bank for a period of five years after completion of their service on the roster.

Name	Nationality	Current/Past Positions	Area(s) of Expertise
Jose V. Abueva	Philippines	Professor (and former President) of University of the Philippines; former Ford Foundation advisor in Nepal and Thailand; Secretary and Director of Planning/Evaluation of UN University; and Secretary of Philippine Constitutional Convention (1971-73)	Law; public administration
Robert M. Ainscow	UK	Retired; former Deputy Permanent Secretary, Overseas Development Administration (ODA); member of the Development Committee Task Force on MDBs; and Chairman, OECD Working Party on Financial Aspects of Development Assistance	Economics
Heinz Bühler	Germany	Director General, German Foundation for International Development (DSE); former Executive Director of ADB and external expert to the ADB Task Force on Improving Project Quality	Law; development cooperation

<b>Name</b>	<b>Nationality</b>	<b>Current/Past Positions</b>	<b>Area(s) of Expertise</b>
Earl G. Drake	Canada	Adjunct Professor, Simon Fraser University; former Ambassador to China and Indonesia; Executive Director of World Bank; Assistant Deputy Minister, Asia Pacific Branch, Department of External Affairs and International Trade; and Vice President for Multilateral Programmes, Canada International Development Agency (CIDA)	History; international cooperation
Yuichi Ezawa	Japan	Group Senior Advisor in Japan for J.P. Morgan Guaranty Trust Co. of New York; former Director General of International Finance Bureau, Ministry of Finance; and Senior Executive Director, Export-Import Bank of Japan	Law; public administration
Damodar P. Gautam	Nepal	Retired; former Chief Secretary, Tourism Secretary, Commerce Secretary and technical advisor to UNIDO and UNDP on public management and policy issues	Law; public administration; economic development and trade
Sayuti Hasibuan	Indonesia	President-Director, Institute for National Development Studies (LPNN-INDES); former Deputy Chairman for Economic Affairs, for Human and Natural Resources Development, for Manpower and Population, and for Regional Affairs, BAPPENAS	Economics; business administration
Kong Fannong	PRC	Retired; former Director of Technical Cooperation Policy Division, UN Secretariat; Member of the ADB Board of Directors; and Deputy Director General, International Department, People's Bank of China	Economics; foreign studies
Parandur Bhashyam Krishnaswamy	India	Retired; former Secretary of National Planning Commission; Coordinator of UN Interagency Programme on Integrated Rural Development; and Executive Director of National Foundation for India	Economics

<b>Name</b>	<b>Nationality</b>	<b>Current/Past Positions</b>	<b>Area(s) of Expertise</b>
Olavi Luukkanen	Finland	Professor, Department of Forest Ecology, University of Helsinki; former advisor to Thai Ministry of Agriculture and Royal Forest Department; Finnish representative to FAO Committee on Forest Development in the Tropics	Tropical silviculture; tropical ecology; forest management
Tunku Abdul Malek	Malaysia	Retired; former CEO of Kewangan Usahasama Bersatu Berhad (finance company); Chairman of Association of Finance Companies of Malaysia; Member of the ADB Board of Directors; and Secretary, Finance Division, Malaysian Treasury	Economics; economic development
Donald Mentz	Australia	Managing Director, Mentz International Trading and Investment Limited; former Director-General of Commonwealth Agricultural Bureaux/ CAB International and Country Department Director of ADB	Agronomy; economics
Michel Rougé	France	Executive Director, Common Fund for Commodities (international organization involved in stabilizing world commodity prices); former Financial Counselor for East Asia, French Treasury; Member of the ADB Board of Directors; and Minister-Counselor, French Mission to the UN	International financial relations; development cooperation; public administration
Fritz R. Staehelin	Switzerland	President, Swiss Peace Foundation; former Director of Swiss Development Cooperation and Humanitarian Aid and Ambassador to Japan	Foreign affairs; international development
Alexandra Stephens	New Zealand	Independent consultant and lecturer; former Senior Sociologist, FAO Regional Office for Asia and the Pacific	Rural sociology (specializing in social impact and gender analysis, participatory monitoring and evaluation, and human settlements)

<b>Name</b>	<b>Nationality</b>	<b>Current/Past Positions</b>	<b>Area(s) of Expertise</b>
Chang-Lin Tien	US	Former Chancellor, University of California at Berkeley; Trustee of Asia Foundation and U.S. Committee on Economic Development	Mechanical engineering (specializing in heat transfer technology; related energy and environmental issues)
Ilho Yoo	Korea	Vice President, Korea Institute of Public Finance	Economics (specializing in welfare economics and social insurance)