

ICB/SR1-98
7 August 1998

ANNUAL REPORT

OF THE

INSPECTION COMMITTEE OF THE BOARD

1997-98

CONTENTS

	Page
INTRODUCTION	1
COMPOSITION OF ROSTER OF EXPERTS	1
ACTIVITIES OF THE INSPECTION COMMITTEE	1
BUDGET	3
APPENDIXES	
Appendix 1 – Terms of Reference of Inspection Committee	
Appendix 2 – Roster of Experts	
Appendix 3 – Privileges and Immunities Accorded to Experts Performing Bank Missions	
Appendix 4 – Inspection Requests Registered by the World Bank Inspection Panel	

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 first BIC expired on 30 June 1997. In consultation with the Board, the President appointed three new members—Mr. Vicente Jayme, Mr. Li Ruogu, and Mr. Faizur Razzaque—to join the three continuing members—Mr. Makoto Hosomi, Mr. Hans-Jürgen Stryk, and Mrs. Linda Tsao Yang. Upon the resignation from the Board of Mr. Jayme and Mr. Hosomi¹, the President appointed Mr. Romeo L. Bernardo and Mr. Naoyuki Shinohara for the remaining period of Mr. Jayme’s and Mr. Hosomi’s terms. Mr. Stryk 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. The Inspection Committee had four formal meetings during 1997/98 the period under review.

6. At its meeting of 26 February 1998, the Committee discussed the status of points raised during the Board discussions of 17 July 1997 when the Board discussed the previous Committee’s Annual Report. The points raised by some Directors and the action taken is indicated below.

Points Raised at the 17 July 1997 Board Meeting	Status
The Inspection Procedures, para. 46 states that “An expert from the Roster may not serve on a Panel if the inspection to be conducted relates to the country of which he/she is a citizen, or as to which the expert might otherwise appear to have a conflict of interest”. However, there did not	This was replied to at the meeting by Director Venkatesan, as Chairman of the Committee. He said that the Committee would follow guidelines as laid out in the Informal Guidelines which covered the procedures and the issues of conflict of interest.

¹ Messrs. Jayme and Hosomi resigned from the Board on 31 October 1997 and 5 June 1998, respectively.

<p>seem to be an equivalent statement covering Board members who happened to be on the Inspection Committee</p>	
<p>The Inspection Procedures, para. 51 states that "... a Panel will have access to all concerned Bank staff and pertinent Bank documents...". It was not clear what was a pertinent document, nor whether the Bank documents included consultants reports prepared for the Bank.</p>	<p>The Committee decided "while internal documents of the Bank generally are not provided to Board members in order to protect the integrity of the Bank's deliberative and decision-making process, in exceptional circumstances such as the Inspection Function, however, disclosure of such documents may be necessary to enable the Board to carry out its responsibility. The determination of what is a 'pertinent document', which could include a consultants' report, (i) would be made by the Panel (with assistance, as required, of OSEC), and (ii) would rely primarily on application of the test of relevance as well as on the test of confidentiality. Although confidentiality would not be used to bar release of relevant documents to the Panel, procedures prescribed under the Bank's policy on confidentiality and disclosure of information would be followed, including, where necessary, obtaining the views of the member country concerned to release confidential information that may be contained in such documents (including consultants' reports). The Inspection Committee, in order to make an intelligent assessment of the Panel's recommendation, would be provided access to those pertinent documents to which the Panel had access."</p>
<p>The Inspection Procedures, para. 53 states that Panel members and their consultants would enjoy the privileges and immunities accorded to experts performing missions for the Bank under the <i>Articles of Agreement Establishing the Asian Development Bank</i>. It would be useful to spell out the privileges and immunities in the Annex.</p>	<p>See Appendix 3.</p>
<p>The Inspection Function did not include coverage of private sector operations and, when this function would be reviewed.</p>	<p>In accordance with the Board Paper on <i>Establishment of an Inspection Function</i>, this matter is to be reconsidered as part of Management's general review to be undertaken after two years of the appointment of the roster of experts. Since the experts were appointed 9 October</p>

	1996, the next review is due by 9 October 1998.
Request for brief update on the area of Inspection Function for all IFIs—the World Bank, the Bank, IDB, etc.	Latest update – Appendix 4.

7. During the year, the Committee received a letter from the Citizens Alliance in Reforms for Efficient and Equitable Development (CREED) on the Korangi Wastewater Management Project (Pakistan) (Loan No. 1539-PAK) requesting a review of the Project. The Committee discussed this request in detail over a number of meetings. After seeking clarifications from CREED and from Management, the Committee in its meeting on 29 June 1998, unanimously concluded that CREED was not able to demonstrate that it was an affected group or a group representing affected persons. Therefore they are clearly ineligible to file a request for this Project.¹ In view of this, the Committee concluded that CREED's request for a review could not be entertained further. The Committee also noted that, based on Management's response, the Project did not in any way violate any of the Bank's guidelines or procedures. In accordance with paragraph 42 of the Inspection Procedures, the Committee has recommended no further action on this request to the Board in the form of a no-objection paper.

Budget

8. An amount of \$250,000 was budgeted for both 1997 and 1998, to cover expenses related to the review of Inspection requests and undertaking of inspections. Since no inspection was approved by the Committee during the period under review, no expenditure was incurred during 1997, or during the first six months of 1998 for this purpose.

¹ One Committee member was not present at the meeting. This member subsequently indicated non-agreement with the Committee on the questions of CREED's clear ineligibility to file the request.

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.¹

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 recommendation to the Board of Directors as to whether an inspection of the relevant project is warranted;

¹

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.

- (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

**Composition of Inspection Committee
(as of 1 July 1997)**

Hans-Jürgen Stryk (Chairman)	(14 March 1996 – 30 June 1998)
Naoyuki Shinohara ¹	(14 March 1996 – 30 June 1998)
Linda Tsao Yang	(14 March 1996 – 30 June 1998)
Li Ruogu	(1 July 1997 – 30 June 1999)
Romeo L. Bernardo ²	(1 July 1997 – 30 June 1999)
M. Faizur Razzaque	(1 July 1997 – 30 June 1999)

¹ Replaced Mr. Makoto Hosomi on 11 June 1998.

² Replaced Mr. Vicente Jayme on 13 November 1997.

ROSTER OF EXPERTS

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
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

Name	Nationality	Current/Past Positions	Area(s) of Expertise
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
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

Name	Nationality	Current/Past Positions	Area(s) of Expertise
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)
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)

**PRIVILEGES AND IMMUNITIES ACCORDED TO EXPERTS
PERFORMING BANK MISSIONS***

Article 55

IMMUNITIES AND PRIVILEGES OF BANK PERSONNEL

All Governors, Directors, alternates, officers and employees of the Bank, including experts performing missions for the Bank:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity, except when the Bank waives the immunity;
- (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by members to the representatives, officials and employees of comparable rank of other members; and
- (iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Article 56

EXEMPTION FROM TAXATION

1. The Bank, its assets, property, income and its operations and transactions, shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.

2. No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to Directors, alternates, officers, or employees of the Bank, including experts performing missions for the Bank, except where a member deposits with its instrument of ratification or acceptance a declaration that such member retains for itself and its political subdivisions the right to tax salaries and emoluments paid by the Bank to citizens or nationals of such member.

* Articles taken from *Articles of Agreement Establishing the Bank*.

3. No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because it is issued by the Bank; or
- (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

4. No tax of any kind shall be levied on any obligation or security guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held:

- (i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or
- (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

INSPECTION REQUESTS REGISTERED BY THE WORLD BANK INSPECTION PANEL

Project Name	Project Status when Inspection Request was Received	Party(ies) Requesting Inspection	Policies/Procedures Alleged to Have Been Violated	Status of Inspection Request	Comments
Nepal: Arun III Hydroelectric Project	Project not yet submitted to Board for approval	Four Nepali citizens	Economic Evaluation of Investment Operations Disclosure of Information Environmental Assessment Involuntary Resettlement Indigenous Peoples	Inspection Panel registered request in October 1994. Panel recommended inspection of claims relating to environmental assessment, involuntary resettlement and indigenous peoples; Board authorized inspection of these claims. Panel submitted its report in June 1995, concluding that "specific remedial measures proposed by management of the Bank appear to be adequate as long as they continue to be consistent with the specific operational directives and appropriate follow-up mechanisms are introduced." Management reassessed the project as proposed and decided to withdraw its support.	In August 1995, World Bank Management informed the Board that it had decided not to proceed with the project (which was to have been cofinanced by ADB and others).
Tanzania: Power VI Project	Project already in implementation	Owners and employees of a private sector firm	IDA's Articles of Agreement Environmental Policies	Inspection Panel registered request in June 1995. Panel recommended that an inspection was not warranted because availability of private sector financing for project had been adequately considered and reported to World Bank Board, and requesters could not be directly harmed by alleged violation of World Bank's environmental policies.	
Brazil: Rondonia Natural Resources Management Project	Project already in implementation	Several Brazilian NGOs, on behalf of intended beneficiaries in project area	Indigenous Peoples Forestry Wildlands Investment Lending Accounting Financial Reporting and Auditing Project Monitoring and Evaluation Project Supervision Procurement Use of Consultants Suspension of Disbursements Involvement of NGOs	Inspection Panel registered request in June 1995. Panel recommended inspection of several aspects of the project. Board instead directed World Bank management to submit a progress report on remedial actions already underway and invited the Panel to assist in reviewing this report. Management submitted progress reports in March, August and December 1996. Panel reported on its review in April 1997, finding that significant improvements had been made in project administration, but that illegal logging and settlement in protected areas continued, and that little progress had been made in addressing health needs of indigenous people in the project area. The Board has not requested further action on the part of the Panel.	
Bangladesh: Jamuna Bridge Project	Project already in implementation	Bangladeshi NGO, on behalf of about 3,000 inhabitants of sandbars in Jamuna River	Environmental Assessment Involuntary Resettlement Involvement of NGOs	Inspection Panel registered request in August 1996. Panel recommended in December 1996 that an inspection was not warranted at that time in light of remedial actions already being taken.	Project is being co-financed by ADB and OECF.

Project Name	Project Status when Inspection Request was Received	Party(ies) Requesting Inspection	Policies/Procedures Alleged to Have Been Violated	Status of Inspection Request	Comments
Argentina/Paraguay: Yacyreta Hydroelectric Project	Project already in implementation	Paraguayan NGO, on behalf of people living in project area	Environmental Policy for Dam and Reservoir Projects Environmental Assessment Involuntary Resettlement Indigenous Peoples Wildlands Project Supervision Project Monitoring and Evaluation Suspension of Disbursements Cultural Property Environmental Aspects of Bank Work	Inspection Panel registered request in October 1996. Panel recommended full inspection of claims. Board instead invited Panel to review problems relating to environment and resettlement, and to assess the adequacy of an Action Plan agreed by the World Bank and governments involved. Panel has completed its review and submitted its report to the Board, which is scheduled to consider it in early December 1997. No decision was reached when the Board considered the report in June 1998.	
Bangladesh: Jute Sector Adjustment Credit	First tranche of sector adjustment loan already released	Association of private jute mill owners in Bangladesh	Adjustment Lending Project Supervision Suspension of Disbursement	Inspection Panel registered request in November 1996; Panel recommended in March 1997 that an inspection would serve no useful purpose.	
Brazil: Itaparica Resettlement and Irrigation Project	Project already in implementation	Brazilian NGO, on behalf of about 120 people living in project area	Environmental Policy for Dam and Reservoir Projects Environmental Assessment Involuntary Resettlement Indigenous Peoples Project Supervision	Inspection Panel registered request in March 1997. The Panel recommended an inspection which in September 1997 was not approved by the Bank's Executive Directors. But given the action plan presented by Government to complete the Project and its approval of continuing Bank supervision for two more years—the Board decided to review progress on the action plan in 12 months time with the assistance of the Panel.	
India: NTPC Thermal Power Generation Project	Project already in implementation	Resident of Singrauli, India, on behalf of herself and other residents	Economic Evaluation Environmental Assessment Involuntary Resettlement Indigenous Peoples Project Supervision	Inspection Panel registered request in May 1997. Panel recommended that there should be an inspection. Board approved an investigation conducted at the World Bank's headquarters, including a review of "corrective actions" proposed by Management. The Panel submitted its report to the Board in December 1997. The Board has not yet considered the report.	

Project Name	Project Status when Inspection Request was Received	Party(ies) Requesting Inspection	Policies/Procedures Alleged to Have Been Violated	Status of Inspection Request	Comments
India: Ecodevelopment Project		Local NGO representing inhabitants of Rajive Gandhi National Park, Nagarahole, Karnataka	Project Design Indigenous Peoples Global Environment Facility	Inspection Panel registered request in March 1997. Management response received and the Panel's recommendation to the Board is pending.	
South Africa: Lesotho Highlands Water Project	Loan was approved in June 1998	Group of residents living in the Gauteng province of South Africa.	Higher water costs for poor communities in Guateng and cost of debt servicing will squeeze out the ability to finance projects to provide water, or make badly needed repairs to the existing water supply infrastructure to poor communities.	Inspection Panel registered request in May 1998. Management response received in June 1998 and the Panel is currently preparing its recommendation to the Board.	
Nigeria: Lagos Drainage and Sanitation Project	Project already in implementation	Local organization, the Social and Economic Right Action Center (SERAC)	Eviction from Homes Resettlement	Inspection Panel registered request in May 1998. Management is yet to respond to the request.	