

## External Consultations to Review the Inspection Function

Phnom Penh Consultation  
13 August 2002

### PRESENTATION OF GROUP FINDINGS

#### GROUP 1

##### Group Members:

- |                                     |                             |
|-------------------------------------|-----------------------------|
| 1. Mr. Vongsey Vissoth              | 14. Mr. Em Haryadi          |
| 2. Mr. Chan Tani                    | 15. Ms. Natalia Susiyanti   |
| 3. Dr. Bambang Hartadi              | 16. Mr. Achmad Daryoko      |
| 4. Mr. Raja Azahar Raja Abdul Manap | 17. Mr. Toshiyuki Doi       |
| 5. Mr. U Maung Wai                  | 18. Ms. Violeta Corral      |
| 6. Mr. Jose Montero                 | 19. Dr. Chaiyod Bunyagidj   |
| 7. Ms. Yuwaree In-na                | 20. Mr. Vanchai Kutket      |
| 8. Ms. Hui-Wen Hsu                  | 21. Ms. Nguyen Thi Hoai Duc |
| 9. Mr. Thai Van Tan                 | 22. Mr. Nyo Myint           |
| 10. Mr. Brad Pettitt                | 23. Mr. Sathis de Mel       |
| 11. Mr. Keo Chamroeun               | 24. Mr. Paul Turner         |
| 12. Mr. Chhith Sam Ath              | 25. Mr. Kazu Sakai          |
| 13. Ms. Min Tithmalis               | 26. Mr. Meckham Silykhoun   |

##### Presenters:

**Dr. Chaiyod Bunyagidj**, Thailand Environment Institute (Thailand),  
**Mr. Brad Pettitt**, OXFAM Mekong (Cambodia) and  
**Ms. Natalia Susiyanti**, Solidarity Center (Indonesia)

##### Presentation of Group 1, Subgroup A

###### 1. Independence of Process

- There may be a need for an independent third party.
- There are concerns about impact of inspection on sovereignty and cost.

###### 2. Governance

- Who bears the cost of process?
- What aspects of private sector operations create difficulties for the government? (This involves in national sensitive issues, policy conflict between the government and ADB).
- Who bears the cost if private sector is involved in decision-making of the project?

##### Presentation of Group 1, Subgroup B

###### 1. Paramount consideration for affected people

- Affected people should be informed or consulted at all stages.
- Site visit should be made possible.
- Documents must be made available to affected people.
- There should be a specific strategy to enlist the affected people.

- Categorization.
- There must be a quick response mechanism for emergencies.
- Local language must be allowed for all documents.
- ADB must achieve a more participatory approach.

## **2. Procedures (simple process)**

- There must be a paramount effort to simplify the procedure.
- Increased efficiency should be practiced and applicable and transparent.
- Parallel and non-sequential process to shorten the process.
- There must be clear and monitorable recommendations.

## **3. Private sector operations**

- Private sector should be covered.
- Cofinancing operations of ADB must be considered and specific mechanisms set up.
- Stronger, clearer language on private sector.
- Identify a focus person specializing on private sector operations in the Panel.

## **4. Other issues**

- Program loans should also be covered by the Inspection Function.
- There must be an institutional learning process with a feedback mechanism to improve project quality.
- Internal practices should be designed to increase contribution to policy development.
- Incentive and sanction mechanisms have to be set up to improve ADB accountability.
- Inspection Function should be automatically included in the loan agreement.

## GROUP 2

### Group Members:

1. Mr. Lonh Ponnara
2. Mr. E. Berland Suhermawan
3. Dr. Saypeth Aphayvanh
4. Mr. Suwatchai Supatanaset
5. Ms. Shao-Hua Huang
6. Ms. Leakhana Kol
7. Mr. Jasson Judd
8. Mr. Luis Corral
9. Dr. Jingjai Hanchanlash
10. Mr. Muhamad Suhud
11. Mr. Fabby Victor Candra Mulia Tumiwa
12. Mr. John Ferchak
13. Mr. Edzel Jose Mirafelix
14. Mr. Chiraporn Ung
15. Mr. Pham Van Ngoc
16. Mr. Shunichi Hinata
17. Mr. John Samy
18. Mr. Ek Vandara

Two members from Group 1 and 1 member from Group 2 presented their views as Subgroups A and B of this group. The majority in Group 2 presented its views as Subgroup C.

### Presentation of Group 2, Subgroup A

#### Presenters:

**Dr. Saypeth Aphayvanh**, Ministry of Finance (Lao PDR) and  
**Ms. Yuwaree In-na**

Subgroup A favored **Option B** but proposed some modifications as indicated below:

#### Reasons for Preferring Option B (focus on compliance review):

- A streamlined mechanism would be effective and cover all the objectives of the ADB Inspection Function (small organization, independence of the Panel, transparency, accountability, etc.).
- It would be cost-effective (save money, save time).

#### Proposed Modifications to Option B:

- There should simultaneously be a consultation process (internally and informally).
- There should be an increase of the role of DMC governments and of ADB Resident Missions, mainly for the problem-solving process and should include close participation in the review process.

#### Concerns for Option D (Disadvantages):

- Create potential for people to turn to ADB to solve problems rather than turning to their own governments which could result in governments no longer wanting to borrow from ADB, and could split society.
- Undermine operating arm or management team of ADB who are dealing with the loan project and working on problem-solving on a daily basis could cause a split within ADB.

## **Presentation of Group 2, Subgroup B**

**Presenter:**

**Ms. Nguyen Thi Hoai Duc**

**Option E:**

**Ms. Duc** proposed a new option, **Option E**. In addition to adopting Option B, the proposal would include setting up in each DMC a joint Inspection Board which would include the government, ADB and civil society organizations. The same mechanism could also be set up for other agencies financing projects such as the World Bank. This method would guarantee a greater national ownership of projects and of compliance issues.

## **Presentation of Group 2, Subgroup C**

### **Presenter:**

**Mr. Luis Corral**, ALNI and Trade Union Congress of the Philippines (Philippines)

The members in this subgroup strongly preferred **Option D**.

### **Recommendations for strengthening of preventive mechanisms:**

- Pilot a stronger consultation mechanism for projects among civil society, government and ADB in all operational areas of ADB.
- Establish stronger requirements for participatory process at all stages of the project and loan, beginning at conceptualization.
- Monitor problem areas before they become critical and ensure a quick response mechanism.
- Strengthen capability of ADB staff to understand civil society, trade unions and NGOs.
- Build activities that strengthen consensus approaches among parties and which include confidence-building mechanism.

### **Participants raised the following issues on inspection:**

- Scope of the Inspection: it should include loans and loan conditionalities, procurement (particularly in light of problems of corruption), questions of good governance and labor standards.
- Site Inspection: it must be authorized.
- Suspension of loan during consultation review.
- Sanction if ADB is found in violation: accountability of ADB staff.
- Cost-efficiency.
- Local language for application must be allowed.
- Loans have to specify compensation.
- Indirectly-affected people may be allowed to be complainants.
- Terms of reference must limit investigation period.
- Findings must be approved before Board action.
- Compliance Review: question of technical eligibility.
- Claimant must be able to bring claim, simultaneously under compliance review and problem-solving if so desired, it can be done sequentially (Problem-solving followed by compliance review, or compliance review followed by problem-solving).

### **Reasons for preferring Option D:**

- Quicker turn-around time if this option is chosen by claimant and through the problem-solving process, an agreement can be reached.
- Far more independent and participatory.
- Role of permanent Secretariat allows for informal advisory role.
- Problem-solving eligibility is broad, and treatment of claim for compliance review is less restrictive.
- More public and user-friendly.