



Asian Development Bank

**Board of Directors**

Board Compliance Review Committee

BCRC/2007-1  
16 November 2007

**Asian Development Bank  
Accountability Mechanism**

**Annual Report**

**of the**

**Board Compliance Review Committee**

**2006-2007**

## Table of Contents

I.	Introduction	1
	A. Coverage of the Annual Report	1
	B. Compliance Review Phase of the ADB Accountability Mechanism	1
II.	Board Compliance Review Committee	1
	A. Functions and Terms of Reference	1
	B. Members	2
III.	Activities of the Board Compliance Review Committee	2
	A. Meetings	2
	B. Requests for Compliance Review	2
	C. Monitoring Mandate in respect of the Chashma Project	3
	D. Monitoring of the Board decision in respect of the STDP request	3
IV.	Budget	4

## I. Introduction

### A. Coverage of the Annual Report

1. This is the fourth Annual Report<sup>1</sup> of the Board Compliance Review Committee (BCRC), a committee of the Asian Development Bank (ADB)'s Board of Directors (Board). It covers the period from 1 July 2006 to 31 August 2007.

### B. Compliance Review Phase of the ADB Accountability Mechanism

2. The Board approved the ADB Accountability Mechanism<sup>2</sup> (Mechanism) on 29 May 2003 to replace the Inspection Function.<sup>3</sup> The Mechanism became effective on 12 December 2003. The Mechanism provides opportunities for persons affected by ADB-assisted projects to address any concerns about the impact of projects on them. The Mechanism consists of two separate but related functions: consultation phase<sup>4</sup> and compliance review phase. The compliance review phase provides a forum in which project-affected people who have first raised the matter under the consultation phase (and in special circumstances, any Board member) can file requests for compliance review of possible violations by ADB of its operational policies and procedures. The Compliance Review Panel (CRP) carries out the compliance review phase.

## II. Board Compliance Review Committee

### A. Functions and Terms of Reference

3. BCRC<sup>5</sup> has the following functions: (i) clear CRP's proposed terms of reference (TOR) and the time frame for conducting each compliance review authorized by the Board before they are released by CRP; and (ii) review, before CRP finalizes them, CRP's draft reports on monitoring implementation by ADB of any remedial actions approved by the Board as a result of a compliance review. BCRC carries out its work pursuant to the policy laid down in the Mechanism and its associated Operational Procedures.<sup>6</sup>

4. The Office of the Compliance Review Panel (OCRP) provides secretariat support to BCRC. OCRP performs various functions including (i) assisting BCRC in carrying out its activities; and (ii) administering BCRC's yearly operating expenses (if any).

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<sup>1</sup> The first BCRC Annual Report is at [http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC-AnnualReport-03-04.pdf/\\$FILE/BCRC-AnnualReport-03-04.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC-AnnualReport-03-04.pdf/$FILE/BCRC-AnnualReport-03-04.pdf); the second is at [http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC-AR2004-2005.pdf/\\$FILE/BCRC-AR2004-2005.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC-AR2004-2005.pdf/$FILE/BCRC-AR2004-2005.pdf); and the third is at [http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC-AR2005-2006.pdf/\\$FILE/BCRC-AR2005-2006.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC-AR2005-2006.pdf/$FILE/BCRC-AR2005-2006.pdf).

<sup>2</sup> ADB. 2003. Review of the Inspection Function: Establishment of a New ADB Accountability Mechanism. Manila. The Board paper is at [http://www.adb.org/Documents/Policies/ADB\\_Accountability\\_Mechanism/ADB\\_accountability\\_mechanism.pdf](http://www.adb.org/Documents/Policies/ADB_Accountability_Mechanism/ADB_accountability_mechanism.pdf).

<sup>3</sup> ADB. 1995. Establishment of an Inspection Function. Manila. The Board paper is at [http://www.adb.org/Documents/Policies/Inspection/inspection\\_policy.pdf](http://www.adb.org/Documents/Policies/Inspection/inspection_policy.pdf).

<sup>4</sup> The consultation phase assists project-affected people with specific problems caused by ADB-assisted projects through informal consensus-based methods with the consent and participation of all parties concerned.

<sup>5</sup> CRP reports directly to the Board on all activities, except for the 2 specific activities listed in para. 3 above, where it reports to BCRC.

<sup>6</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC%20Final%20Operating%20Procedures.pdf/\\$FILE/BCRC%20Final%20Operating%20Procedures.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/BCRC%20Final%20Operating%20Procedures.pdf/$FILE/BCRC%20Final%20Operating%20Procedures.pdf).

## B. Members

5. BCRC consists of 6 Board members, including 4 regional members and 2 nonregional members. The BCRC membership as of 31 August 2007 is provided in the Table below. In accordance with the Board's Rules of Procedure, the ADB President appoints the BCRC members, in consultation with the Board, and designates the BCRC Chair.

**Table: BCRC membership as of 31 August 2007<sup>7</sup>**

	Country
<b>Chair:</b>	
Howard Brown	Canada
<b>Members:</b>	
Joao Simoes de Almeida	Portugal
Md. Saad Hashim	Malaysia
Marita Magpili-Jimenez	Philippines
Dereck Rookan-Smith	Australia
Tsuen-Hua Shih	Taipei, China

## III. Activities of the Board Compliance Review Committee

### A. Meetings

6. BCRC had two meetings during the period covered by this Report which were held on 8 August 2006 and 10 August 2007.

### B. Requests for Compliance Review

7. Up to the year ended 31 August 2007, 12 claims were filed with the Special Project Facilitator (SPF) under the consultation phase of the Mechanism.<sup>8</sup> Two claims – in respect of the Melamchi Water Supply Project (MWSP) in Nepal and the Southern Transport Development Project (STDP) in Sri Lanka – also subsequently resulted in a request for compliance review and one claim in respect of the Community Empowerment Rural Development Project in Indonesia has gone through the full consultation process without resulting in a request for compliance review. The CRP determined the MWSP request ineligible and the STDP request eligible. Of the nine remaining claims, seven were determined by the SPF as ineligible.<sup>9</sup> The

<sup>7</sup> During the period covered by this report, BCRC had the following Board members: Phil Bowen (Australia) replacing Stephen Sedgwick (Australia) from 22 May to 30 June 2007; Chol-Hwi Lee (Republic of Korea) as chair from 22 May to 30 June 2007; Joao Simoes de Almeida (Portugal) replacing Niklaus Zingg (Switzerland) upon his departure on 3 August 2006; Siew Juan Aw (Singapore) replacing Sein Tin (Myanmar) from 16 July 2006 to 30 June 2007; Sebastian Paust (Germany) replacing Volker Ducklau (Germany) from 10 July 2006 to 30 June 2007; and Richard Moore (Australia) who was appointed on 1 July 2007 and replaced by Dereck Rookan-Smith (Australia) who was appointed on 9 August 2007.

<sup>8</sup> The 12 claims are (1) Melamchi Water Supply Project in Nepal; (2) Southern Transport Development Project in Sri Lanka; (3) Sixth Road Project in the Philippines; (4) Community Empowerment for Rural Development Project in Indonesia; (5) Chashma Right Bank Irrigation Project Stage III in Pakistan; (6) Khulna-Jessore Drainage Rehabilitation Project in Bangladesh; (7) Rural Electrification, Distribution and Transmission Project in Nepal; (8) National Highway Development Sector Investment Program in Pakistan; (9) Assam Power Sector Development Project in India; (10) Greater Mekong Subregion Mekong Tourism Development Project in Viet Nam; (11) Urban and Environmental Improvement Project in Nepal; and (12) Greater Mekong Subregion: Phnom Penh to Ho Chi Minh City Highway Project.

<sup>9</sup> These seven claims are claims (3), (5), (6), (7), (9), (10), and (11) referred to in footnote 8.

SPF is monitoring the implementation of the course of action under the claim in the National Highway Development Sector Investment Program in Pakistan and is reviewing the eligibility of the claim in the Greater Mekong Subregion: Phnom Penh to Ho Chi Minh City Highway Project.

8. The Board authorized a compliance review of the STDP request in January 2005. The BCRC cleared the CRP's draft terms of reference and the time frame for the review in the same month. The CRP investigated the request and its Final Report was circulated to the Board in June 2005 for its consideration in July 2005.

9. During the period covered by this Report, no requests for compliance review have been filed with the CRP.

### **C. Monitoring Mandate in respect of the Chashma Project**

10. In August 2004, the Board considered and approved the recommendations of the Report of the former Board Inspection Committee in respect of the Inspection of the Chashma Right Bank Irrigation Project (Stage III) in Pakistan (Chashma Project). Among other things, the Board mandated that CRP monitor implementation of remedial actions by Management to bring the project into compliance and to report its findings to the Board.

11. In 2005, the CRP issued to the Board and posted on its website 3 reports on the Chashma Project: a progress report in March;<sup>10</sup> its 1st annual monitoring report 2004-2005 in September;<sup>11</sup> and a supplementary report to its 1st annual monitoring report 2004-2005 in December.<sup>12</sup> The BCRC reviewed drafts of these reports before they were finalized by the CRP and issued to the Board.

12. On 8 August 2006, BCRC met to review the CRP's draft 2nd annual monitoring report 2005-2006 on this project. After the BCRC's review, the CRP finalized the draft and issued the report to the Board on 18 August 2006.<sup>13</sup>

13. On 1 August 2007, the CRP provided the BCRC with its draft 3rd annual monitoring report 2006-2007 on this project for its review for the CRP's finalization and issuance to the Board in August 2007. On 10 August 2007, BCRC met to review this draft monitoring report. On 15 August 2007, the BCRC Chair gave the BCRC's comments informally to the CRP Chair.

### **D. Monitoring of the Board decision in respect of the STDP request**

14. In July 2005, the Board approved the CRP's general and STDP-specific recommendations in its Final Report,<sup>14</sup> including that Management provide the CRP and the Board a time-bound course of action to implement these measures. The course of action was provided in August 2005 which Management subsequently revised in the light of comments made by the CRP.

<sup>10</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/ChashmaMonitoring\\_ProgressReport\\_17Mar05.pdf/\\$FILE/ChashmaMonitoring\\_ProgressReport\\_17Mar05.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/ChashmaMonitoring_ProgressReport_17Mar05.pdf/$FILE/ChashmaMonitoring_ProgressReport_17Mar05.pdf).

<sup>11</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/ChashmaMonitoringRpt2005-12Sep05.pdf/\\$FILE/ChashmaMonitoringRpt2005-12Sep05.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/ChashmaMonitoringRpt2005-12Sep05.pdf/$FILE/ChashmaMonitoringRpt2005-12Sep05.pdf).

<sup>12</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/ChashmaMonitoringSuppRpt2005-Final-26Jun06-rev.pdf/\\$FILE/ChashmaMonitoringSuppRpt2005-Final-26Jun06-rev.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/ChashmaMonitoringSuppRpt2005-Final-26Jun06-rev.pdf/$FILE/ChashmaMonitoringSuppRpt2005-Final-26Jun06-rev.pdf).

<sup>13</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/Chashma-2ndAnnMonitoringRpt2006-18Aug06.pdf/\\$FILE/Chashma-2ndAnnMonitoringRpt2006-18Aug06.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/Chashma-2ndAnnMonitoringRpt2006-18Aug06.pdf/$FILE/Chashma-2ndAnnMonitoringRpt2006-18Aug06.pdf).

<sup>14</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/STDP-CRPFinalReport-12Jul05.pdf/\\$FILE/STDP-CRPFinalReport-12Jul05.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/STDP-CRPFinalReport-12Jul05.pdf/$FILE/STDP-CRPFinalReport-12Jul05.pdf).

15. In July 2006, the CRP issued to the Board and posted on its website its 1<sup>st</sup> annual monitoring report 2005-2006 on this project,<sup>15</sup> after BCRC's review of the draft report.

16. On 11 June 2007, the CRP provided the BCRC with its draft 2<sup>nd</sup> annual monitoring report 2006-2007 on this project for its review for the CRP's finalization and issuance to the Board in July 2007. As BCRC composition changed with effect from 1 July 2007 and the BCRC Chair assumed office on 30 July 2007, the draft was under consideration and review by BCRC which met on 10 August 2007. At this meeting, BCRC reviewed this draft monitoring report, On 15 August 2007, the BCRC Chair gave the BCRC's comments informally to the CRP Chair.

#### **IV. Budget**

17. No budget for 2006 and 2007 was allocated to cover BCRC's operating expenses. No expenses have been incurred in the period covered by this Report.

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<sup>15</sup> At [http://www.compliance.adb.org/dir0035p.nsf/attachments/STDP-MonitoringReport2006.pdf/\\$FILE/STDP-MonitoringReport2006.pdf](http://www.compliance.adb.org/dir0035p.nsf/attachments/STDP-MonitoringReport2006.pdf/$FILE/STDP-MonitoringReport2006.pdf).