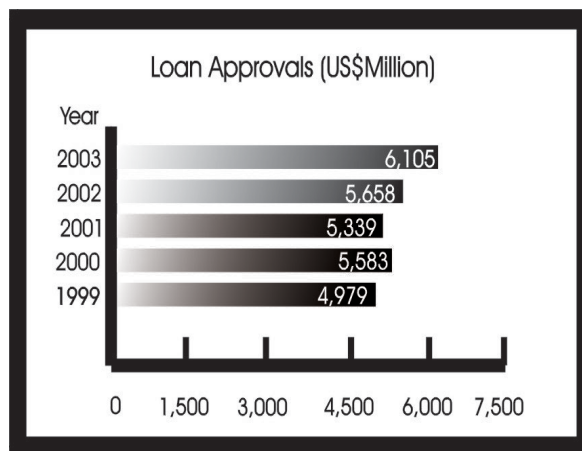


ADB GOVERNANCE AND ORGANIZATIONAL STRUCTURE

What is the ADB?

Introduction

The Asian Development Bank (ADB) is a Multilateral Development Bank¹ (MDB) whose mission is to reduce poverty and promote economic development in the Asia-Pacific region. MDBs provide financial support (through low-interest, long-term loans and grants) and professional advice for economic and social development activities to developing countries. The ADB is a multilateral institution in that it is owned by many countries that pay contributions to the Bank in order to be ADB members (shareholders).



(source: <http://www.adb.org/About/glance.asp>)

The ADB plays the following functions for its Developing Member Countries (DMCs) in the Asia-Pacific region²:

- * Provides loans and equity investments to its DMCs³
- * Provides technical assistance for the planning and execution of development projects and programs and for advisory services⁴
- * Promotes and facilitates investment of public and private capital for development

- * Assists in coordinating development policies and plans of its DMCs.

In recent years, the ADB has lent between \$5 to \$6 billion a year to its borrowing countries. Although the money provided by the ADB is similar to bilateral aid (money provided by a particular donor country) in that it is intended for development priorities, the decision-making process for giving financial assistance is much more complex because the ADB is owned by many different countries.

ADB's decision-making structure

The ADB is comprised of shareholders from 63 member countries, the largest being Japan and the United States. Each member country has a representative serving on the **Board of Governors**, the highest decision-making body within the Bank.⁵ Governors usually hold high-level positions in their country's Ministry of Finance, such as the Minister of Finance or President of the central bank. The Board of Governors meets once a year in the month of May at the ADB's Annual General Meeting. Their duties include passing resolutions approving country memberships, and issuing statements which provide an assessment of areas where the ADB is excelling and areas where the Bank needs to make improvements. The Governors have a limited role in the day-to-day running of the ADB.

The Board of Governors delegates most of its authority to the 12 member **Board of Executive Directors**.⁶ Each Executive Director (ED) also appoints an Alternate (Alternate ED) to serve in his or her absence. Generally member governments will appoint EDs and Alternate EDs from within their Ministry of Finance to serve a two-year

Executive Director Country Representation

China
Japan
USA
Cook Islands; Fiji Islands; Indonesia ; Kyrgyz Republic; New Zealand ; Samoa; Tonga
Austria; Germany ; Luxembourg; Turkey; United Kingdom
Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan ; Philippines
Bangladesh ; Bhutan; India ; Lao People's Democratic Republic; Tajikistan
Belgium ; France; Italy ; Portugal; Spain; Switzerland
Malaysia; Myanmar (Burma) ; Nepal; Singapore; Thailand
Canada ; Denmark; Finland; Netherlands; Norway ; Sweden
Australia ; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
Republic of Korea ; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan ; Vanuatu; Viet Nam

Note: The Executive Directors and Alternate Directors are from the countries highlighted in “bold” above. Some ED and AED positions are held on a rotating basis by different countries in the same constituency.

term. The EDs and Alternate EDs are assisted by Development Advisors and support staff. Their offices are located at the ADB's headquarters in Manila.

The US, Japan and China are the three largest shareholders in the ADB and are represented by their own EDs. The other nine EDs represent different groups of countries that are clustered together; thus many countries share one ED office and have to communicate their views via this shared ED.

In recognition of the size of their shareholdings, India and Australia always head up two of these clusters. Two of the offices are principally made up of European donors and are always headed by a Western European ED on a rotating basis. In total, 6 of the 12 Executive Director positions are filled by donor country representatives, (although the Australian ED also represents some borrowers in the Pacific as well as Cambodia).

The EDs and Alternate EDs work full-time at the ADB and meet twice a week to make decisions on all loans, guarantees, and technical assistance grants over \$1 million.⁷ Each ED's vote, and therefore influence, depends on the size of the shareholdings held by the country(ies) he/she represents. The largest donors, the US and Japan, each control about 12.9 percent of the voting power. This is unlike the United Nations system, for example, of “one nation, one vote” and is commonly referred to as “one dollar, one vote.” Richer countries have much greater influence at the ADB because a country's vote is directly related to its wealth and contribution to the Bank. Large borrowers such as China and India have major leverage as well because without their borrowings the Bank would lose significant business.

Citizens of ADB member countries should feel free to contact their ED and Alternate EDs to share their con-

cerns and complaints about ADB operations. The Board members are supposed to be responsive and accountable to the citizens of the countries they represent.

The Board of Executive Directors is chaired by the **President of the ADB** who is appointed for a five-year term. Like at other international financial institutions, some leadership positions at the ADB are traditionally, though not officially, reserved for officials from the Bank's most influential countries. For example, the ADB President is always from Japan (the ADB's Charter states that the ADB President must be from a regional member country). The three Vice-President positions have traditionally been assigned to Europe, USA, and Asia respectively. The ADB recently established a fourth Vice-President position and a new Managing Director position. Similarly, the Bank's General Counsel is always a US citizen.

Regional Departments

The ADB has organized its country operations into five regional departments. The regions were designed to group countries with similar characteristics in the following areas: geographic proximity; similarities in culture, economic systems, and social organization; stage of development; operational convenience; scope for sub-regional cooperation and linkages within existing sub-regional groups. Each region has a Regional Management Team and Country Teams reporting to the Regional Director General. The regions are:

EAST AND CENTRAL ASIA

Azerbaijan, People's Republic of China, Hong Kong, Kazakhstan, Republic of Korea, Kyrgyz Republic, Mongolia, Taipei, Tajikistan, Turkmenistan, Uzbekistan

MEKONG

Cambodia, Lao People's Democratic Republic, Burma (Myanmar), Thailand, Vietnam

PACIFIC

Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu

SOUTH ASIA

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

SOUTHEAST ASIA

Indonesia, Malaysia, Philippines, Singapore

Each regional department generally has several divisions which are organized by the type of projects they develop and implement. Staff within each of these divisions are usually the original authors of specific ADB-financed projects and programs. They are responsible for overseeing specific projects throughout the project cycle and must ensure that projects and programs are designed and implemented according to the ADB's Policies and Procedures.⁸

Staff within these divisions will be most knowledgeable about the specifics of a particular project or program. Each project/program loan is assigned to a "team leader" who is a good starting point for getting information about the status and details of a particular project, and for raising concerns about adverse impacts of a project. The name and contact information of a team leader can be found on a project profile on the ADB's website.⁹

Each sector division is listed below with examples of the types of projects that originate from that division:

Division	Types of Projects
Infrastructure ¹⁰	Roads; hydropower plants; power transmission facilities
Agriculture, Environment and Natural Resources	Irrigation; agriculture, livestock and fisheries for export
Social Sectors	Health and education projects
Governance, Finance and Trade	Financial sector reforms promoting greater market liberalization

Each department is managed by a Director General and his/her team, which is comprised of a Deputy Director General and various senior advisors and economists. When raising concerns about a project, it is a good idea to bring these concerns to the attention of the Director General as well, as s/he is responsible for making sure his/her staff is complying with ADB policies and procedures. Director Generals can also solely be held accountable for the quality of loans and technical assistance grants conducted by their department.

Other Key Departments

The following departments conduct work that is cross-cutting and applicable to all the regional departments.

Weblinks on the ADB's website for each department are included for additional information.

Accountability Mechanism – The Accountability Mechanism is comprised of two offices: the Office of the Special Project Facilitator (OSPF), and the Office of the Compliance Review Panel (OCRP). For more information on both of these offices, please see BIC's *Asian Development Bank's Policy Framework* Toolkit and the ADB website links given below.

SPF: <http://www.adb.org/SPF>

CRP: <http://compliance.adb.org>

Anticorruption Unit – This Unit investigates allegations of fraud and corruption in ADB operations. The unit is housed within the Office of the General Auditor. The Unit accepts anonymous submissions, though it encourages anyone submitting an allegation or evidence to do so on an identified basis in order to facilitate investigation. <http://www.adb.org/Anticorruption/unit.asp>

Operations Evaluations Department (OED) – The OED is an “independent” department within the ADB and reports to the Board of Directors instead of to the President. It evaluates, on a selective basis, the performance of completed projects, programs, and technical assistance (TA) loans/grants. It also conducts broader evaluations of the effectiveness of ADB's policies, practices, and procedures overall. According to the ADB, the OED evaluates 40 % of all completed ADB projects and produces the following types of reports that can be of use to civil society groups and are publicly available:

- * Project Performance Audit Report (PPAR): assesses the impacts, effectiveness and sustainability of a project after the project has been in operation for some time.
- * Country Assistance Program Evaluation (CAPE): assess the impact of the ADB's overall lending to a particular country for a particular period.
- * Special Evaluation Studies (SES): assesses the impacts of ADB lending to a particular sector in a range of selected countries.
- * Technical Assistance Performance Audit Report (TAPAR): assesses effectiveness of ADB technical assistance loans/grants made by the ADB.

<http://www.adb.org/OED/>

Private Sector Operations Department (PSOD) – This department works to provide direct assistance to private sector projects focusing primarily on financial sector and infrastructure initiatives. PSOD also formulates and implements ADB policies for direct assistance to the private sector.

<http://www.adb.org/PSOD>

Regional and Sustainable Development Department (RSDD) – This department is responsible for monitoring ADB's compliance with its own policies and guidelines.

<http://www.adb.org/RSDD/>

Strategy and Policy Department (SPD) – This department oversees the development and review of all ADB policies, provides the ADB with a strategic planning perspective and medium and long-term direction, ensures policy and operations coordination, and maintains institutional relations with the international development community, especially on matters relating to resource mobilization.

<http://www.adb.org/SPD/default.asp>

Office of External Relations (OER) – This office carries out information activities to improve awareness and understanding of ADB's role and operations. It is also responsible for implementing the ADB's *Policy on Confidentiality and Disclosure of Information* approved in 1994. For more information on this office please see the *ADB Transparency: How to Access Information from the ADB* Toolkit.

<http://www.adb.org/OER/>

NGO Center – The NGO Center is responsible for helping the ADB strengthen its cooperation with civil society actors and respond to their concerns. It is located within the Regional and Sustainable Development Department (RSDD).

<http://www.adb.org/NGOs/ngocenter.asp>

Where does the ADB get its funding?

The ADB gets funding for its operations by:

- * *issuing bonds (on the market)*: ADB has a triple-A rating and typically raises US\$4 billion-US\$5 billion a year from bond issues.
- * *recycling loan repayments from its borrowing members* (which includes taxpayer money from citizens in the borrowing countries)
- * *contributions from its donor members* (which includes taxpayer money from citizens in the donor countries)

The ADB also uses co-financing to fund its operations. Co-financing refers to situations when the ADB provides its own resources to fund a project and also arranges funds from another financial institution. Co-financing is also provided or secured by the borrowing country government. In 2003, the ADB mobilized about US \$2.4 billion in co-financing, which comprised about 40 percent of

ADB total lending for 2003. Co-financing mobilized from commercial banks, financial institutions, and other commercial risk-sharing partners totaled about \$1.6 billion. Co-financing arranged with ADB's official development partners and other multilateral institutions amounted to \$775 million in grants and loans.¹⁰

Endnotes

¹ Besides the Asian Development Bank, other MDBs include the World Bank, the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB) and the African Development Bank (AfDB).

² These are explained in further detail in BIC's *Basics of ADB Investment Operations* Toolkit.

³ Basic information about proposed and approved project and program loans can be found at <http://www.adb.org/Projects/profiles.asp>

⁴ Information about ADB-funded technical assistance can be found at <http://www.adb.org/TA/default.asp>

⁵ See appendix I for ADB Organizational Chart.

⁶ See appendix II for a list and contact information of the Executive Directors and Alternate Executive Directors in office in the Summer of 2004. For a more up to date list see the Bank Information Center's website: www.bicusa.org/bicusa/issues/misc_resources/111.php -and the ADB's website: www.adb.org/BOD/

⁷ Grants lower than \$ 1 million are approved by the President; TAs between US \$150,000 and \$500,000 are approved by the respective Vice President; TAs of \$150,000 and under are approved by the respective Regional Department Director General

⁸ See BIC's Toolkit on the *Asian Development Bank's Policy Framework and Accountability Mechanism* for more information about ADB policies

⁹ Project Profiles can be found at <http://www.adb.org/Projects/profiles.asp>

¹⁰ In the South Asia Regional Department, instead of an infrastructure division the department has two divisions: one for Transport and Communications, and another for Energy.