

ADB



Asian Development Bank  
**Sustainability  
Report**

Asian Development Bank





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# Contents

<b>Map: Asian Development Bank Members and Offices</b>	<b>vi–vii</b>	Meeting the Challenges	25
<b>The President’s Message</b>	<b>viii</b>	Regional Environmental Cooperation	29
<b>Foreword</b>	<b>x</b>	Promoting Low-Carbon Economic Growth	31
<b>About the Report</b>	<b>xii</b>	Fostering Resilience to Climate Change	35
<b>Part 1: ADB—Strategy and Structure</b>	<b>1</b>	Managing Risks from Natural Disasters	40
Strategic Framework and Organization	2	Social Development	41
ADB and the Asian Development Challenge	2	Advancing Opportunities for Education	42
Organizational Structure	4	Expanding Human Capacities and Promoting Labor Standards	43
Country Partnership Strategies and the Project Cycle	6	Enhancing Gender Equity	44
Strategy 2020—ADB’s New Long-Term Framework	7	Reducing Health Risks	46
Managing for Development Results	8	Responding to the Call for Food Security	48
Reviewing Our Development Effectiveness	8	Promoting Good Governance	50
Streaming Business Effectiveness	10	Environmental and Social Safeguards	50
Harmonizing Development Agency Policies and Practices	11	Governance and Anticorruption	52
Generating and Sharing Knowledge	11	Working with Civil Society	56
Private Sector Investment—The Engine of Economic Growth	14	<b>Part 3: ADB’s Corporate Footprint</b>	<b>57</b>
Transparency and Accountability	17	Our Staff and Offices	58
Our Stakeholders	17	Working Together	59
Seeking Stakeholder Engagement	17	Organizational Transformation	59
Being Accountable and Fighting Corruption	18	Our Diverse Staff	61
Financing ADB’s Development Work	20	Recruitment, Salaries, and Benefits	63
Funding Outflows	20	Staff Representation	64
Funding Sources	20	The Grievance Process	65
<b>Part 2: The Environment, Social Development, and Governance</b>	<b>23</b>	Managing Our Environmental Footprint	65
Environmental Sustainability	24	Our Community	72
Environmental Challenges Facing Asia and the Pacific	24	<b>Endnotes</b>	<b>79</b>
		<b>Abbreviations and Acronyms</b>	<b>93</b>
		<b>Appendix: Measuring Up with the Global Reporting Initiative Indicators</b>	<b>80</b>
		<b>Acknowledgments</b>	<b>95</b>

**Boxes**

1.1	Organization chart	5
1.2	2010 Development Effectiveness Review	9
1.3	High-level forums on aid effectiveness	12
1.4	Harmonizing financial management across organizations	12
1.5	Communities of practice for water	13
1.6	Developing clean energy with private sector financing	15
1.7	Filling persistent market gaps and responding to crisis	16
1.8	Flowchart of the Accountability Mechanism	19
2.1	Integrating provision and management of water and sanitation	27
2.2	Power from wind	28
2.3	Supporting biodiversity in the Greater Mekong Subregion	30
2.4	Reducing emissions from thermal generation	33
2.5	Clean energy for Bhutan	34
2.6	Supporting efficient and sustainable urban transport	35
2.7	Realizing REDD+: Managing land use and forests for carbon sequestration	36
2.8	Partnering for water and climate change	39
2.9	Asia Pacific Adaptation Network: Sharing knowledge about adaptation	40
2.10	Enhancing skills through vocational training	44
2.11	Gender-responsive policy-based loans and grants	46
2.12	Controlling communicable diseases in the Greater Mekong Subregion	47
2.13	Delivering food supplies	48
2.14	Filling the rice bowl	49
2.15	Policy principles and requirements of the Safeguard Policy Statement	51
2.16	Supporting Indonesia's efforts to improve governance	53
2.17	Collaborating with nongovernment and civil society organizations	54
2.18	Partnering with international nongovernment organizations	55

**Figures**

1.1	Percent of ADB developing members considered off-track in meeting the Millennium Development Goals	3
1.2	Country partnership strategy and the project cycle	7
1.3	Cofinancing—adding value, 2005–2010	22
2.1	Environmental lending, 2001–2010	26
2.2	Technical assistance projects with environmental objectives or elements, 2001–2010	26
2.3	ADB projects addressing gender concerns, 2006–2010	45
3.1	Our People Strategy and action plan	60
3.2	Paper consumption, 2004–2010	70
3.3	Solid waste generation, 2004–2010	70

**Tables**

1.1	Financing by sector and source, 2006–2010	21
2.1	Environment lending by subtheme	26
2.2	Subsectoral distribution of ADB's investment in education, 2007–2008 and 2009–2010	43
3.1	ADB employees by category, location, and regional origin, and employee turnover	61
3.2	Hours of training per person	62
3.3	Accident and assistance statistics at ADB headquarters	67
3.4	Resource use and emissions: ADB headquarters	68
3.5	Water use at ADB headquarters	69
3.6	Greenhouse gas emissions: ADB headquarters	71
3.7	Videoconferencing	72

# Asian Development Bank Members and Offices



- Regional Member
- Nonregional Member
- Nonmember
- Asian Development Bank Office

Lao PDR = Lao People's Democratic Republic.

The map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on the map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.





# The President's Message

I am very pleased to present our third *Sustainability Report*. The report is more comprehensive than those issued in 2007 and 2009. It highlights how we at the Asian Development Bank (ADB) work with our client countries to facilitate their growth and development in a manner that is economically, environmentally, and socially sustainable. The report also covers how we are continuing to refine operations to minimize our environmental footprint.

Governments in Asia and the Pacific have increasingly recognized that, for economic growth to be sustainable, they must find ways to halt environment degradation. ADB's long-term strategic framework—Strategy 2020—reaffirms our mission of eliminating poverty in Asia and the Pacific and directs our energies into three areas that are critical for achieving that goal: inclusive economic growth, environmentally sustainable growth, and regional integration.

In response to the need for green growth, and in line with Strategy 2020 where environment is one of the five core areas of our operations, we are continuing to support investments in sustainable infrastructure and natural resource management and to promote capacity development for environmental management. To this end we also actively help tackle the causes and consequences of climate change by promoting low carbon

growth and climate adaptation and in 2010 we issued our strategic priorities for action to address climate change in Asia and the Pacific. While pursuing this agenda we work with a wide range of partners and foster regional cooperation.

ADB is responding in numerous ways to promote green growth and address climate change. For example, our investments in clean energy have surpassed our target of \$1 billion per year, moving to \$1.7 billion; our Sustainable Transport Initiative promotes investments in low carbon, safe, accessible, and affordable transport systems to ensure inclusive and environmentally sustainable growth; and the Asia Solar Energy Initiative will lower barriers to and raises financing for solar power projects.

Momentum is growing with respect to the implementation of several of our ongoing initiatives. Through the Cities Development Initiative for Asia, we help to promote “livable” urban environments. Our Water Financing Program works to increase investments and support reforms in rural, urban, and river basin water, toward achieving “Water for All.” Several of our programs focus on supporting better management of natural resources and ecosystems—including the Coral Triangle Initiative, the Greater Mekong Subregion Biodiversity Conservation Corridors Initiative, and the Heart of Borneo Initiative. Under our

Operational Plan for Food Security, we assist the agricultural and natural resource sector to enhance productivity, improve market access, and deepen needed reforms. We help our client countries identify disaster and hazard risks and build their capacity to manage and respond to them.

We are also making good progress with our climate change adaptation program to help our client countries build climate resilience by incorporating climate vulnerability and risks in national development strategies and action plans, assessing climate adaptation opportunities in vulnerable sectors and regions, dealing with the social dimensions of climate change, and climate proofing projects.

All our projects are subject to environmental and social safeguards, and in July 2009, our Board of Directors approved the new Safeguard Policy Statement, which builds on the three previous safeguard policies on environment, involuntary resettlement, and indigenous peoples and provides a consolidated framework that enhances their effectiveness and relevance. The Safeguard Policy Statement aims to avoid, minimize, or mitigate harmful environmental impacts and social costs, and to help clients strengthen their own safeguard systems. The policy also provides a platform for participation by affected people and other stakeholders in project design and implementation.

While assisting our client countries toward green growth, we apply the same principles “at home” by reducing the impact our headquarters’ activities have on the environment. For example, we are now harvesting and using rainwater, we have been recertified under ISO 14001 and OHSAS 18001, and we are working to have LEED certification for our headquarters.

Since well before our first sustainability report, we have been working to promote environmentally sustainable growth, strengthen governance, and broaden inclusive social development. I am very pleased to report that our efforts have now been heightened. Our third *Sustainability Report* comes at an important juncture in our history. Our shareholders voted to triple our capital base, and we have expanded our operations to meet part of the vast needs in Asia and the Pacific to combat poverty and provide a decent standard of living for the many diverse peoples who live here. To do this we are committed to use our own resources sustainably and assist our client countries to do the same.



A handwritten signature in black ink, appearing to read 'H. Kuroda'. The signature is fluid and cursive.

Haruhiko Kuroda  
President  
Asian Development Bank

# Foreword

In the 2 years since we at the Asian Development Bank (ADB) issued our second sustainability report, our region of operations—Asia and the Pacific—has made important strides toward poverty reduction. The progress has been made despite the global financial crisis that started in 2007 and severe natural disasters. ADB continues to work to decrease poverty and foster inclusive and environmentally sustainable growth.

Indeed, *The Agreement Establishing the Asian Development Bank* (ADB's Charter) states that ADB's purpose is "to foster economic growth and cooperation in the region of Asia and the Far East...and to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually." In line with the Charter, in 1999 ADB adopted its Poverty Reduction Strategy, making poverty reduction the central goal of our work. This was reinforced and further articulated in 2008 with the approval of Strategy 2020, which identified three complementary strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration.

To facilitate environmentally sustainable growth, we promote investments in sound environmental and natural resource management, low carbon growth, and adaptation to climate change. And we support our client countries' efforts

toward green growth through loans, grants, and technical assistance while promoting policy, capacity, and knowledge development. To facilitate inclusive growth, we work to assure that people are adequately fed, that children are educated regardless of gender, that women's important role in development is recognized and effective because their opinions are taken into consideration and they are actively involved in the decision process, and that all stakeholders are engaged regardless of ethnicity and socioeconomic status. Good governance is essential to effective, equitable growth and for human, financial, and natural resources to be sustainably managed.

The need for development financing is vastly greater than we can provide. We have to use our own limited resources judiciously, focusing on results and development effectiveness. To leverage our effectiveness and help us "walk the talk," we work in partnership with a wide range of stakeholders in this effort—governments of our borrowing members and of our donor members; subnational levels of government; other development agencies, both bi- and multi-lateral; nongovernment organizations, both national and international; civil society; and the private sector.

We also work hard to assure that our corporate behavior is in line with the best standards for corporate responsibility. We are endeavoring

to follow the G3 guidelines of the Global Reporting Initiative, which has pioneered the world's most widely used sustainability reporting framework. Our Environmental Health and Safety Management System, which has been recertified under ISO 14001 and OHSAS 18001, continues to make our operations more resource-efficient as our staff numbers and building occupancy increase. Further, our recent initiative to secure certification for Leadership in Energy and Environmental Design (LEED) through the US Green Building Council is additional proof of our efforts toward sustainability.

Preparation of this report was overseen by us. An interdepartmental team, led by Nessim J. Ahmad, Director of the Environment and Safeguards Division, managed the report's compilation and presentation, with key support from Daniele Ponzi, Lead Environment Specialist in the Environment and Safeguards Division. Team members included Chatiya Nantham, Head of the Facilities Planning and Management Unit; Helen

Cruda, Environment Specialist; Natasha Davis, Head of the Planning and Coordination Unit of the Office of Administrative Services; Marie Antoinette Virtucio, Environment Officer; Julito Baldesimo, Facilities Planning and Management Officer (EHSM); and Ma. Charina Munda, Senior Operations Assistant. Sophia Cho, Human Resources Specialist, and Susan Kerr, Principal Human Resources Specialist, were particularly helpful with the many inputs needed from human resources. Jill Gale de Villa was project coordinator and editor. Any such undertaking is an organization-wide affair and a full list of the many people who contributed to and assisted with the work is given at the end of the report.

We intend this *Sustainability Report* to enhance understanding of how ADB is organized and is working to meet the many challenges to sustainable growth both in our region of operations and within our organization. We welcome feedback on the report to [njahmad@adb.org](mailto:njahmad@adb.org).



A handwritten signature in black ink, appearing to be 'Xianbin Yao'.

Xianbin Yao  
Director General  
Regional and Sustainable Development  
Department



A handwritten signature in black ink, appearing to be 'Benjamin Lee'.

Benjamin Lee  
Principal Director  
Office of Administrative Services

# About the Report

Sustainability reporting is an important element in the corporate world's growing commitment to be accountable and responsible for actions taken as global and local citizens. Multilateral development institutions, which aim to foster sound economic development, are also reporting on their environmental, social development, and governance efforts as well as their corporate structures. We at the Asian Development Bank (ADB) issued our first sustainability report in 2007, and our second, covering 2007–2008, two years later. This third report covers 2009–2010. We intend to issue a sustainability report every two years.

**Structure.** Like the first two ADB sustainability reports, this document responds to the third guidelines of the Global Reporting Initiative (GRI) G3, launched in 2006, which we adapt to our unique work and the interests of the many stakeholders seeking the information presented. Like other multilateral development institutions, ADB has found it needs to tailor its sustainability reporting to its development work.

While we have attempted to avoid unduly repeating information provided in the first two reports, some facts about ADB's organization and program are presented again so that this document may present a clear picture of our operations.

We are pleased that coverage in this report is more complete and accurate than in previous reports because additional data are available, partly to more fully meet the G3 indicators.

**Focus.** The report highlights how our efforts, based around *Strategy 2020: The Long-Term Strategy of the Asian Development Bank*, aim to improve the lives of the poor in Asia and the Pacific and to ensure that future generations will not be disadvantaged by the activities of today.

**Audience.** The report targets a wide audience, including our member governments, ADB staff, the international development community, academia, international and national civil society organizations (including nongovernment organizations), socially responsible investment organizations and fund managers, public and private sector proponents of projects in which ADB is involved, and project beneficiaries in Asia and the Pacific. Our stakeholders are organizations and people who can be involved in or affected by our operations. Thus, the set of stakeholders varies with each activity.

We have tried to satisfy the needs of the multiple audiences this report is intended to serve, and we encourage your feedback to help us make subsequent reports even better. E-mail comments to [njahmad@adb.org](mailto:njahmad@adb.org).

**Report scope and boundary.** This report covers the region's significant environmental, social, and economic challenges, and ADB's responses, both through our operations (Part 2) and our corporate footprint (Part 3). When preparing this *Sustainability Report*, ADB has applied the GRI G3 principles for defining the report content to identify material topics of interest to our stakeholders. For this report, we reviewed our reporting approach to better focus on material topics, and prioritize and align the reporting to our Strategy 2020 and stakeholder interests. The report has been formulated with input and advice from many ADB staff in our diverse departments and divisions.

**Content.** The report provides ready reference to ADB's relevant policies, practices, and programs as well as to additional related information. To facilitate comparability, the structure of our current *Sustainability Report* is similar to that of our first two reports and roughly in keeping with the G3 guidelines.

Part 1 provides information about and data on our corporate structure, operations, and governance.

Part 2 focuses especially on our work to improve environmental management (including addressing climate change), social development, and governance in Asia and the Pacific, all of which are intimately tied to the environmental and social sustainability of our development work.

Part 3 presents information about our corporate operations and staff, and how we are working to lessen our corporate footprint on our office's environs, the region, and the globe. This section focuses primarily on our headquarters in Manila, Philippines.

The Appendix, *Measuring Up with the Global Reporting Initiative Indicators*, cross-references the contents of the report with elements of G3.

**Data measurement and assurance.** Data measurements and techniques used adhere to GRI protocols where possible, and given data availability. Any restatements of data presented in previous years are fully noted and explained. We have a range of internal processes to review and check the accuracy of data in this report. ADB uses independent auditors to audit its financial statements (see our annual reports). ADB has prepared a "B application level" sustainability report in accordance with GRI G3 guidelines ([www.globalreporting.org/ReportingFramework/G3Guidelines/](http://www.globalreporting.org/ReportingFramework/G3Guidelines/)).

**Terminology and usage.** As in our first sustainability report, we adopt terminology that is accessible to the wider audience. Such terminology may not always be the same as ADB's norms for technical and policy publications. Terms used in this report, and their definitions, include the following:

- In ADB's Charter, our region of operational responsibility is referred to as "Asia and the Pacific." However, at times this is cumbersome, and "Asia" is used to refer to the entire area, including the Pacific islands.
- ADB's "Management" refers to its President, five Vice-Presidents, and Managing Director General, which as a group is termed the "management team" in this report.
- "Developing member countries" (DMCs) is ADB's official term for its shareholders that are also clients. To simplify, this report uses the term "client countries," which does not imply any view on the part of ADB as to their sovereignty or independent status. ADB's clients include not only national governments, but state, provincial, and municipal governments as well as private sector entities.

- Our “development partners” are entities we work with to further economic development in our client countries and the region as a whole. Such partners include government agencies; other multilateral development banks; multilateral and bilateral development agencies; civil society and nongovernment organizations; the private sector; state, provincial, and municipal governments; and others.
- “Projects” refers to what ADB internally terms “projects,” “programs,” and/or “technical assistance.”
- “Financing” is used as an umbrella term that includes ADB’s lending, grants, and technical assistance.
- “Nonsovereign lending” refers to lending to the public and private sectors, including state-owned or partly owned enterprises.
- The symbol “\$” refers to the United States dollar throughout the report, unless otherwise indicated.
- ADB is the source for all tables, boxes, and figures, except as otherwise noted.





Part 1

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# **ADB—Strategy and Structure**

# ADB—Strategy and Structure

## Strategic Framework and Organization

### **ADB AND THE ASIAN DEVELOPMENT CHALLENGE**

The Asian Development Bank (ADB) is a multilateral development finance institution with a mission to help the countries of Asia and the Pacific reduce their poverty and improve their citizens' quality of life. ADB continues to work toward the vision of an Asia and Pacific region that is free of poverty. During the last 2 decades, some countries of our region have made remarkable progress in poverty reduction, but much remains to be done (Figure 1.1). While gender equality in primary and secondary education has improved substantially, general education achievements lag, many people of our region still subsist on less than \$1.25 a day, child mortality is much too high, environmental degradation is continuing, and other indicators show the urgent need for improvement. Our work is far from complete.

To help foster the broad-based economic growth that has contributed to poverty reduction, ADB

provides a range of services to its client countries. We invest in development projects, such as those providing new infrastructure; build partnerships with other development agencies, the private sector, and the public; carry out policy dialogue to support appropriate reforms; strengthen key institutions; develop and disseminate information on policies and investment approaches that are effective for reducing poverty and promoting sustainable development; and encourage self-help initiatives across a wide range of sectors. While our primary customers are the national governments of our client countries ("developing member countries"), our work with the private sector and with local communities is expanding rapidly.

ADB assumes several types of risks in its work, such as credit risk, market risk, liquidity risk, and operational risk. We adhere to the precautionary principle in handling these risks. Prior to approval by our Board of Directors, the risks of each project are carefully evaluated through due diligence

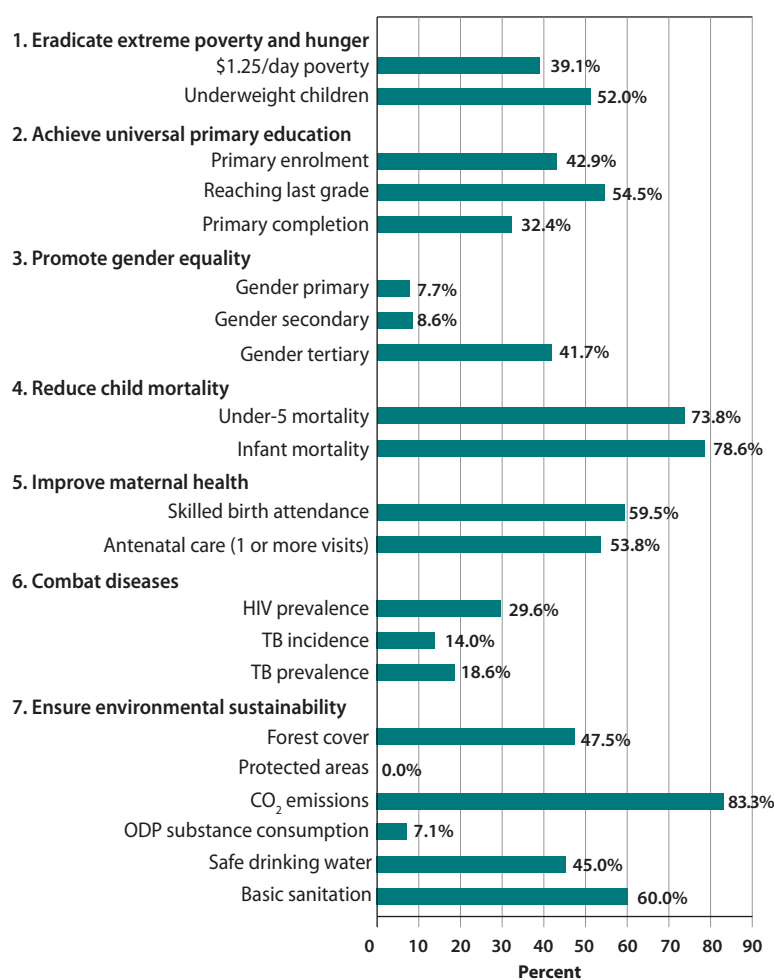
procedures,<sup>1</sup> and our safeguards (see pp. 50–52) play a crucial role in preventing and mitigating the environmental and social risks of projects.

ADB’s risk management governance also includes the Risk Committee, which provides high-level oversight of ADB’s risks and recommends risk policies and actions to the President and the Audit Committee of the Board. ADB’s

management team prepares integrated risk reports covering ADB’s overall risk profile, for the Board of Directors and Audit Committee.

For nonsovereign transactions, our Office of Risk Management (ORM) develops and implements policies and procedures to measure, monitor, and control these risks.<sup>2</sup> The ORM assesses risks of new nonsovereign lending, equity

**Figure 1.1 Percent of ADB developing members considered off-track in meeting the Millennium Development Goals**



ADB = Asian Development Bank, CO<sub>2</sub> = carbon dioxide, HIV = human immunodeficiency virus, ODP = ozone depletion potential, TB = tuberculosis.

Source: Derived from Table 1.2 of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), ADB, and the United Nations Development Programme (UNDP). 2010. *Paths to 2015: MDG Priorities in Asia and the Pacific—Asia-Pacific MDG Report 2010/11*. Bangkok: ESCAP, ADB, and UNDP. <http://www.adb.org/Documents/Reports/Asia-Pacific-MDG-2010/default.asp>

investment, and guarantee transactions; provides independent monitoring following origination; and assumes responsibility for resolving distressed transactions when necessary. The ORM also monitors ADB's market and treasury risks, such as the credit quality of counterparties, interest rate risk, and foreign exchange risk. For the aggregate portfolio, the ORM monitors limits and concentrations; sets aside loan loss reserve and provides loan loss provisions, including collective provision requirements; and assesses ADB's capital adequacy.

ADB's annual investments across Asia and the Pacific have averaged over \$18 billion during 2009–2010 (versus \$11 billion in the previous 2 years). Our staff has worked on developing clean energy sources and sustainable transport infrastructure for the region, enhancing the sustainability of agriculture, expanding educational opportunities, establishing effective financial institutions, building water supply and sanitation systems, and much more.

Like other multilateral development banks, we support our client countries financially primarily in three ways:

- providing grants and loans to help countries meet their major economic, social, and environmental goals for sustainable development;
- giving grants for technical assistance to strengthen policies, build institutional capacity, and support specific development projects; and
- helping to mobilize public and private capital for development projects.<sup>3</sup>

In all of this, we are guided by our own policies, strategies, and processes.<sup>4</sup> These and all related project documents are publicly available.

## ORGANIZATIONAL STRUCTURE

Since its founding in 1966, ADB's headquarters have been in Manila, Philippines. At the end of 2010, ADB had 67 member countries

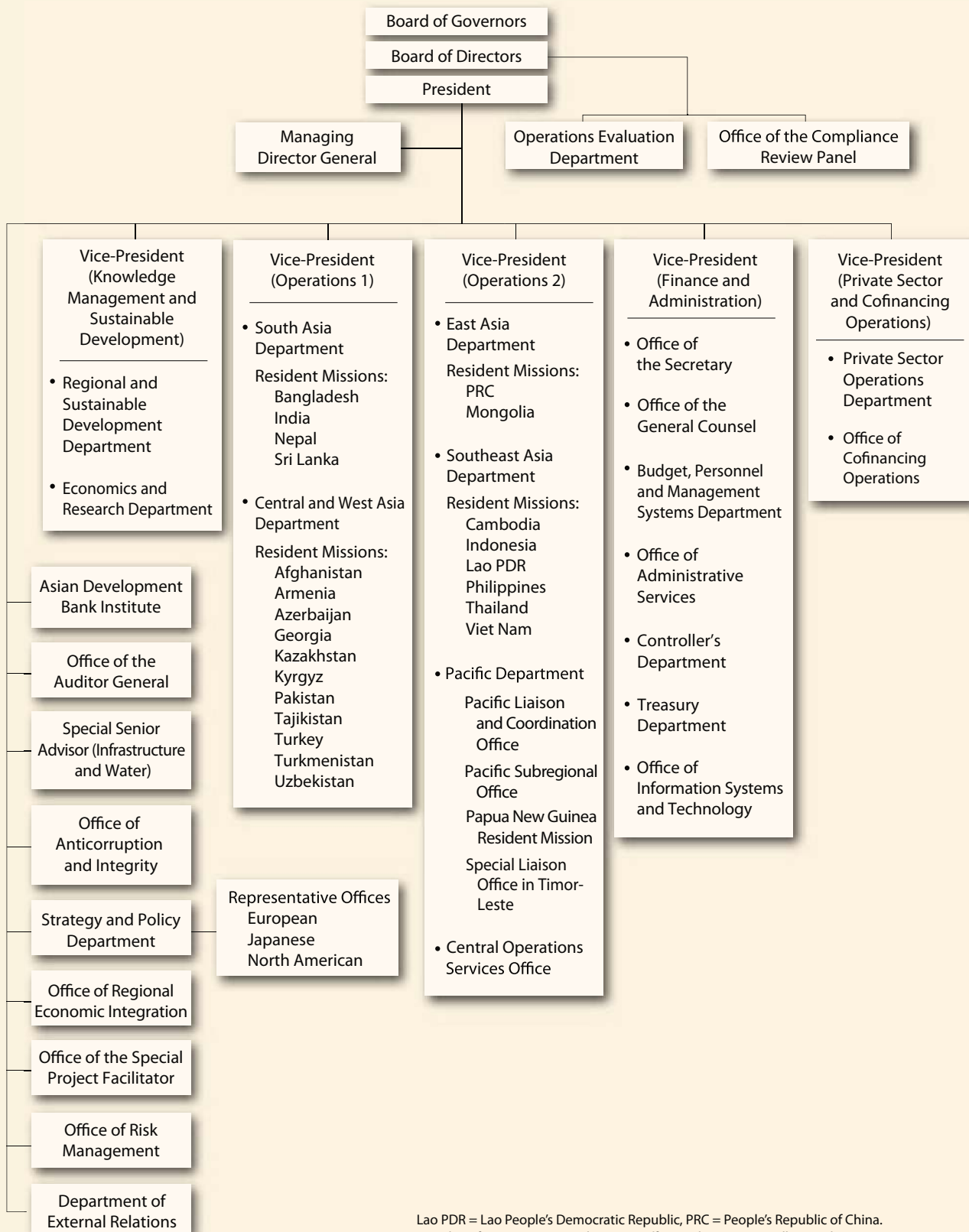
(shareholders), with 48 from Asia and the Pacific ("regional members") and 19 from Europe and North America ("nonregional members").<sup>5</sup> The largest shareholders are Japan and the United States, each with 15.6% shares in the organization.

At the apex of ADB's organizational structure (Box 1.1) is its Board of Governors, comprising one representative and one alternate appointed by each of ADB's member countries.<sup>6</sup> The Board of Governors meets formally once a year at an annual meeting held in a member country. The members elect their chairs and two vice-chairs yearly.

ADB's Charter (Article 28) vests all the powers of the institution in the Board of Governors.<sup>7</sup> Its day-to-day responsibilities are largely delegated to the Board of Directors, which performs its duties full-time at ADB's headquarters in Manila. Among the powers that may not be delegated (Article 2), the Board of Governors (1) determines the remuneration of the Board of Directors and their alternates and the salary and other terms of the President's contract; and (2) approves, after reviewing the auditor's report, the general balance sheet and statement of profit and loss.

The Board of Directors is responsible for the overall direction of ADB's operations, including approval of policies, loans, grants, and guarantees.<sup>8</sup> The 12 members of the Board of Directors are elected by the Board of Governors. Eight of the directors are elected by members from within the Asia and Pacific region, and four are elected by members from beyond the region. Each member of the Board of Directors appoints an alternate. To facilitate the conduct of ADB's general operations, the Board of Directors has established six committees (on audit, compliance review, budget review, development effectiveness, ethics, and human resources).<sup>9</sup> The Board of Directors adopted its Code of Conduct to set forth principles and ethical standards for the directors, alternate directors, temporary alternate directors, and the President in

### Box 1.1 Organization chart



Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.  
 For a list of management and senior staff, go to <http://www.adb.org/About/management/asp>.

connection with their status and responsibilities in ADB.<sup>10</sup>

ADB's President chairs the Board of Directors and, under its guidance, conducts ADB's business. The President is elected by the Board of Governors for a 5-year term, and may be reelected. The President is "responsible for appointing and dismissing officers and staff members in accordance with regulations adopted by the Board of Directors."<sup>11</sup> The President is also the legal representative of ADB.

The President heads a management team (termed "Management") comprising five Vice-Presidents and the Managing Director General.<sup>12</sup> They supervise the work of ADB's operational, administrative, and knowledge departments.

Our work is carried out by five geographically organized regional departments (covering East Asia, Central and West Asia, South Asia, Southeast Asia, and the Pacific) and the Private Sector Operations Department. They are assisted by crosscutting departments that provide advisory support.

We have 30 field offices—including 24 resident missions and offices serving individual client countries; 3 regional missions; and 3 representative offices (the map on pages vi–vii shows our members and office locations).<sup>13</sup> Resident missions provide the primary contact between ADB and the client country. They help to develop and deliver our programs and supply relevant and timely advice on local perspectives to staff based at headquarters. Regional missions cover more than one country, and representative offices liaise with nonborrowing members. Our annual report provides additional detail on our organization's structure.<sup>14</sup>

## **COUNTRY PARTNERSHIP STRATEGIES AND THE PROJECT CYCLE**

The government of each client country routinely prepares national economic development

and poverty reduction plans and strategies—sometimes with ADB's assistance. We examine our role in supporting these national plans through macroeconomic, poverty, thematic, and sector analyses. We consult with key stakeholders at every stage of this process. The government then requests our support based on this analysis, country priorities, and ADB's strategic agendas under Strategy 2020.

After consulting with other development partners to ensure good coordination and to determine synergies, the government and ADB reach agreement on the priorities and areas for ADB to support. The result is a country partnership strategy and an accompanying business plan for ADB's operations in the country, which is usually prepared for a 3-year period.

The country partnership strategy is submitted for endorsement by our Board of Directors. The country operations business plan, which is updated annually, is approved by ADB's management team. When the client country and ADB agree on the country partnership strategy, the technical staff of our operational departments design the projects identified and prepare complementary technical assistance for policy development and institutional strengthening.

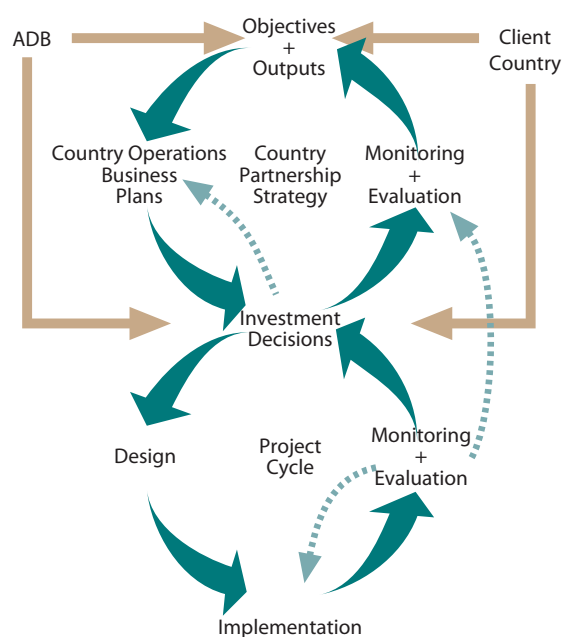
Project design and implementation lies at the core of our work, and the preparation of a successful development project involves strong engagement with the proponent organization, community support, and sound governance structures. All of this can only be achieved through committed attention to public consultation, and we continue to actively seek participatory approaches.

Figure 1.2 shows our project cycle for sovereign operations.<sup>15</sup> The major modalities for ADB's financing are

- project loans;
- sector loans (for a sector or subsector as a whole);

- program loans (to improve a sector's performance by covering immediate costs of policy adjustment);
- sector development program loans (combining investment and policy-based lending); and
- private sector loans, equity investments, and guarantees.

**Figure 1.2 Country partnership strategy and the project cycle**



ADB = Asian Development Bank.

**The multitranche financing facility.** In 2005, we introduced on a pilot test basis the multitranche financing facility (MFF).<sup>16</sup> The aim was to support our clients' medium- to long-term investment programs while reducing costs that would have been applicable to a series of individually processed loans. Because of the demand for the MFF, in June 2008, we mainstreamed the MFF into our operations.<sup>17</sup> By the end of 2010, 53 MFFs had been approved for 13 client countries.

**Assessing results.** At the close of a project, the implementing department assesses its results

in a completion report. Within a few years of completion, many projects are reviewed by the Independent Evaluation Department to check whether project outcomes matched expectations. Evaluation results feed back into planning for ongoing and future projects, to improve performance and outcomes. All of the evaluations are posted in a timely manner on our website.<sup>18</sup>

**Regional integration.** In addition to country-specific projects, we support a wide range of efforts to enhance regional cooperation and economic integration. This is one of our central mandates, based on our Charter, and we have successfully organized programs of cooperation and information exchange pertaining to environment, health, disaster management, infrastructure planning, connectivity, financial integration, and many other topics. Part 2 provides examples of such programs in environment, social development, and governance.

### STRATEGY 2020—ADB'S LONG-TERM STRATEGIC FRAMEWORK

In 2008, our Board of Directors approved Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank.<sup>19</sup> This followed broad consultations with our management team and staff members and other stakeholders, including representatives of ADB members, the private sector, and civil society.

Strategy 2020 reaffirms both ADB's vision of an Asia and Pacific free of poverty and our mission to help our client countries improve their living conditions and quality of life.

To achieve this, under Strategy 2020 ADB supports three complementary development agendas:

- (1) inclusive economic growth,
- (2) environmentally sustainable growth, and
- (3) regional integration.

ADB focuses on five drivers of change under the strategy:

- private sector development and private sector operations,
- good governance and capacity development,
- gender equity,
- knowledge solutions, and
- partnerships.

ADB also has refocused its operations into five core specializations that best support its agenda, reflect the client countries' needs and ADB's comparative strengths, and complement efforts by development partners. The specializations are infrastructure; environment, including climate change; regional cooperation and integration; financial sector development; and education. In other areas, such as agriculture, health, and disaster and emergency assistance, ADB will continue operations selectively in close cooperation with partner agencies.

Significant efforts are being made to put ADB on track to achieve the goals of Strategy 2020. ADB is working to align its operational planning, human resources, institutional structure, policies and strategies, and business processes with Strategy 2020.

## Managing for Development Results

Guided by ADB's Managing for Development Results (MfDR) Action Plan for 2009–2011, we sharpened our focus on results in managing our entire business.

We continued to use the Strategy 2020 results framework to monitor our performance, identify issues, and adopt actions. ADB completed its fourth Development Effectiveness Review to report our performance, and used the findings to prepare our work plans and budgets. Early in 2011, ADB will refine the results framework

to increase its value as a management tool and cascade the Strategy 2020 goals to work priorities at all levels of the organization.

ADB refined the guidelines on country and sector results frameworks to better align them with the client countries' objectives and to improve results monitoring. We upgraded our MfDR learning and development program and implemented a new communications plan to systematically disseminate messages on MfDR. In 2010, we worked closely with five of our client countries (Bangladesh, Bhutan, Cambodia, the Lao People's Democratic Republic, and Viet Nam) to strengthen their capacities in MfDR. We also supported the Asia–Pacific Community of Practice on MfDR, the first regional network on results management.

### REVIEWING OUR DEVELOPMENT EFFECTIVENESS

ADB has completed four Development Effectiveness Reviews, covering 2007–2010. By measuring performance using ADB's results framework, the review process drives informed decision making on corporate management. The 2010 review (Box 1.2) rates ADB's performance using a scorecard reflecting progress against baselines and targets in the results framework, and reports on our management team's actions for improving ADB's performance.

For the 2010 review, we refined the results framework by introducing eight new indicators and replacing one of the old ones.<sup>20</sup> These, and some further refinements to definitions and targets and the structure of the framework, were approved by our Board of Directors.

The 2010 Development Effectiveness Review applied an improved performance scorecard system, which provides more objective and timely information to our management team. The new system enables us to capture the likelihood of attaining the targets of key



## Box 1.2 2010 Development Effectiveness Review

The Asian Development Bank's fourth Development Effectiveness Review concluded that Asia and the Pacific continued to make headway in reducing poverty, improving gender equality, and achieving other development outcomes. However, progress in many non-income poverty indicators was insufficient, and the region is unlikely to achieve 6 of the 12 Millennium Development Goal targets that are included in the Strategy 2020 results framework. Moreover, the recent reemergence of food price inflation may erode gains.

The Development Effectiveness Review also concluded that we made steady progress toward most of our operational and organizational effectiveness indicators in 2010, and are on track to

meet our 2009–2012 output targets. However, an assessment of all recently completed operations found that their success rates remained low and achievement of core sector outcomes had deteriorated. We take these findings seriously, as they threaten our development effectiveness. We will scrutinize the problems, identify lessons, and adopt corrective actions. We will also seek to manage our business processes, human resources, and budget more effectively, and will strive to inculcate results-focused performance management throughout the organization.

Source: <http://www.adb.org/Documents/Reports/development-effectiveness-review/>

### Summary Performance Scorecard 2010

Asia and Pacific Development Outcomes (Level 1)	ADB Countries	ADF Countries
Poverty and Human Development	mixed	poor ↓
Other Development Outcomes	good	good

ADB's Core Outputs and Outcomes (Level 2)	ADB Operations	ADF Operations
Outputs	good	good
Outcomes	poor ↓	poor ↓

ADB's Operational Effectiveness (Level 3)	ADB Operations	ADF Operations
Quality of Completed Operations	mixed	poor
Quality at Entry and Portfolio Performance	good	good
Finance Transfer and Mobilization	good	mixed
Financing for Strategy 2020 Core Operational Areas	good	good
Gender Mainstreaming	poor	mixed ↑
Knowledge Management	good	good
Partnerships	good	good

ADB's Organizational Effectiveness (Level 4)	ADB Operations	ADF Operations
Human Resources	good ↑	good ↑
Budget Adequacy	poor	poor
Business Processes and Practices	good	good

ADB = Asian Development Bank, ADF = Asian Development Fund.

Good: Two-thirds or more of key performance indicators (KPIs) in the group are on track or above target.

Mixed: Less than two-thirds but more than half of KPIs in the group are on track or above target.

Poor: Half or less of KPIs in the group are on track or above target.

Exception: If half of KPIs are off track (red) and the other half exceed desired progress or are above target (green), a composite rating of amber, rather than red, is given.

Notes: Arrows show color changes from the 2009 summary performance scorecard. Gender Mainstreaming is a KPI within the composite indicator "Financing for Strategy 2020 Core Operational Areas."

Source: ADB Strategy and Policy Department.

performance indicators, in addition to showing annual change, as in previous such reviews. As ADB approaches the target year of the results framework, incorporating target attainability into the scorecard is essential. The 2010 review also uses an improved methodology for aggregating individual performance indicators in the summary performance scorecard.

### **STREAMLINING BUSINESS PROCESSES**

Improved business processes are essential for effectively implementing both ADB's overarching goal of poverty reduction and Strategy 2020. Mandated by Strategy 2020 and the plan for implementing the 10th replenishment of the Asian Development Fund (ADF—our concessional lending window), we completed a comprehensive review of our business processes in 2009. Based on the findings from the review, starting in January 2010 we phased in new streamlined processes for preparing the country partnership strategies (CPSs) and delivering loans. The streamlined business processes aim to improve ADB's efficiency in delivering its development assistance while optimizing the use of resources to achieve the maximum development impact.

CPSs are ADB's primary platform for designing operations to deliver development results at the country level. The streamlined CPS business processes now focus on identifying the intersection between the client country's national development strategy and ADB's Strategy 2020. The new CPSs improve the fit between ADB's core areas of specialization and the priorities and needs of our client countries, and complement the work of other development partners. For our internal procedures, the streamlined business processes

- introduced repositories for sector and thematic knowledge, to make them more accessible;
- abolished multiple and redundant documentation; and

- improved quality assurance processes by introducing a peer review system and top-level oversight.

The rapid growth of ADB operations resulting from the tripling of our capital base necessitates better and faster loan delivery. Slow loan delivery means high transaction costs to client countries, high administrative costs for ADB, and lost development opportunities. To enhance our responsiveness to clients, the streamlined business processes merged the two-step processes previously required for preparing and implementing project preparatory technical assistance and for processing loans. Also, detailed implementation arrangements are now discussed with the clients at the loan processing stage, so that projects may be readily executed when they have been approved by the Board of Directors. As with the CPS process, the documentation requirement was rationalized, and the peer review process was introduced to enhance product quality. Finally, loan processing requirements are differentiated according to risk and complexity.

With the streamlined business processes, we expect that the preparation time prior to the Board of Directors' approval of a loan may be reduced from an average of 24 months to 12 months, and the time from the approval to the first disbursement may be reduced from an average of 12 months to 6 months. This could reduce the human resource requirements, in person-hours per loan, by about 20% from 2009 levels.

ADB also developed an expanded menu of financing instruments available to our client countries, to include (1) an expanded scope of the current program loan policy to allow for budget support, (2) financial crisis response, (3) supplementary financing, (4) cross-border investment (for regional cooperation and investment), (5) results-based lending, and (6) project development.

## HARMONIZING DEVELOPMENT AGENCY POLICIES AND PRACTICES

Improved donor coordination has remained a significant mechanism for harmonizing the efforts of multilateral development banks and bilateral aid agencies in line with the Paris Declaration on Aid Effectiveness.<sup>21</sup> This is evident in both regional and country-level operations through initiatives such as harmonizing operational policies and methodologies, complementarity, cofinancing, policy dialogue, and joint review. We cooperate with the broader international development community to increase attention to MfDR (Box 1.3) and we participate in the Multilateral Development Bank Financial Management Harmonization Working Group (Box 1.4). We continue to work with other multilateral development banks (MDBs) to harmonize the MDBs' range of standard bidding documents and include terms and conditions that increase the scope for clients to manage their sustainability and quality requirements. Borrowers will use these documents to specify the minimum sustainability criteria or standards for evaluating supplier bid packages for goods, works, and services. The criteria include core environmental, labor, and gender safeguards. We have worked with other MDBs to incorporate core labor standards into the revised MDB FIDIC contract for works, which was issued in 2010.<sup>22</sup> ADB continues to work with other MDBs to put in place procedures and systems to ensure that these standards are implemented by contractors.

## GENERATING AND SHARING KNOWLEDGE

Knowledge is a powerful catalyst for propelling and enhancing development. ADB's comparative strengths—expertise in identifying trends in the region, capacity for interdisciplinary and integrated approaches, and ability to blend knowledge and insight with policy advice and support for capacity development and with large concessional financing—place it in a strategic position to generate and share knowledge. Strategy 2020 recognized this and underlined

knowledge solutions as a driver of change in this decade.

ADB's Knowledge Management Action Plan, 2009–2011, approved in 2009, was based from the 2008 review of our knowledge management experience. The plan provides entry points for specific actions and outputs on sustainable development and directs efforts toward four desired outcomes: sharpening the knowledge focus in ADB's operations, empowering the communities of practice (CoPs—groups that interact and share learning on topics germane to ADB's focal activities), strengthening partnerships with knowledge groups beyond ADB, and enhancing learning and skills development for staff.

**Sharpening the knowledge focus.** ADB promotes closer ties between its operations and knowledge management efforts. At the regional level, ADB's flagship publications have helped stakeholders make informed decisions and reinforce ADB's image as a knowledge provider. For example, our publication, *Poverty, Inequality, and Inclusive Growth in Asia: Measurement, Policy Issues, and Country Studies*, analyzes the pillars of an inclusive growth strategy.<sup>23</sup>

At the country and project levels, knowledge initiatives have helped us mainstream in-depth analysis of specific topics in CPSs and project designs. Examples include (1) the ongoing assessment of the Philippines' environment and natural resources, which will present analyses and recommendations focusing on natural resources, environmental health, and climate change; and (2) assessments of the climate, hydrological, and socioeconomic characteristics of Bangkok, Ho Chi Minh City, and Manila, done jointly with the Japan International Cooperation Agency and World Bank. At the institutional level, we incorporated new sector peer review procedures in our business processes, harnessing the rich operations-based knowledge of staff members.

### **Box 1.3 High-level forums on aid effectiveness**

As part of its commitment to support global efforts to enhance aid effectiveness, the Asian Development Bank (ADB) participated in

- the First High Level Forum in Rome in 2003, which identified a general framework for harmonizing and aligning development agencies' operations;
- the Second High Level Forum, which produced the Paris Declaration; and
- the Third High Level Forum, which endorsed the Accra Agenda for Action (AAA).

ADB actively mainstreams Paris Declaration and AAA principles in its policies, strategies, and initiatives. We monitor our progress in meeting the Paris Declaration targets annually through a survey. We also ensure that our staff members are kept abreast of the evolving aid effectiveness agenda and the application of good practices through regular learning and development programs.

The Fourth High Level Forum on Aid Effectiveness (HLF-4) will take place in 2011 in Busan, Republic of Korea. HLF-4 is a multistakeholder event that will draw conclusions on the Paris Declaration and AAA process, and will assess whether the commitments and targets set for 2010 have been met or not, and why. ADB will play a major role in organizing and supporting the event and the preparatory activities. ADB is a member of the Executive Committee of the Working Party on Aid Effectiveness of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD–DAC). As such, ADB is closely involved in steering the preparations and influencing the international agenda for the HLF-4.

More information is available at [www.adb.org/Aid-Effectiveness](http://www.adb.org/Aid-Effectiveness).

### **Box 1.4 Harmonizing financial management across organizations**

The Multilateral Development Bank Financial Management Harmonization Working Group was formed in February 2001, to harmonize operational policies, procedures, and practices to improve the effectiveness of their development assistance to clients. The group has three main areas of focus:

- harmonization between the members, for example, on financial reporting formats and approaches to selecting external auditors;
- global and regional harmonization, to foster good practices and harmonization of capacity development support for public financial management; and
- country-level harmonization, focused on supporting joint analytical work and harmonized support to strengthen country public financial management systems.

Source: ADB. Harmonization of Multilateral Development Banks' (MDBs) Operational Policies and Procedures on Financial Management and Analysis. <http://www.adb.org/Governance/Financial-Management/harmonization.asp>

### **Empowering the communities of practice.**

CoPs help generate and share knowledge, to the benefit of our clients. CoPs keep know-how in sectoral and thematic domains alive by sharing and adapting knowledge to specific applications.

ADB hosts 13 formal and a greater number of informal CoPs that work on many topics.<sup>24</sup> The CoPs designed and delivered customized courses for their members, assessed their own effectiveness, participated in global conferences and other forums, and collaborated with external partners in research and knowledge sharing.

For example, the Water CoP (Box 1.5) developed and delivered 10 training courses for its members in 2010. All 13 formal CoPs run their own knowledge sharing events, contribute to the formulation of ADB's operational plans for their sector, and enrich the country partnership strategies and project designs.

### **Strengthening external knowledge**

**partnerships.** To foster stronger partnerships, ADB has started to incorporate knowledge components in new partnership agreements. We have built a database of strategic partnerships for use across ADB. A new course on learning in partnerships has been developed for delivery in 2011, and Guidelines for Knowledge Partnerships have been formulated to inform ADB's efforts to strengthen partnerships and develop new ones.

ADB has also been partnering with a number of external institutions. For example, on environment, ADB has institutional partnerships with the following organizations:

- Global Environment Facility (GEF)—at the end of 2010 we were implementing with GEF 20 projects benefiting the global environment and promoting sustainable livelihoods in local communities;

#### **Box 1.5 Communities of practice for water**

For the water sector, the Asian Development Bank (ADB) has a formal and an informal community of practice (CoP). The formal CoP, often referred to as the Water Committee, serves as a think tank. It is a small group that provides advice on strategic directions of ADB's water operations.

The informal network, with over 200 members, is dedicated to achieving ADB's vision of Water for All.

The Water CoP regularly conducts seminars on water issues and staff development programs for its members. Regular activities and outputs include

- the monthly Water CoP Catchment Series;
- CoP Streams (rural, urban, and basin) meetings and seminars;
- conferences and dialogues;
- international water events;
- water articles by ADB experts; and
- books, briefs, and brochures; multimedia resources; and papers.

Source: <http://www.adb.org/Knowledge-management/cops-internal.asp#water>



**Water scarcity is a major issue in many places.**

- World Wide Fund for Nature (WWF)—for sharing knowledge and formulating sustainable development policies and strategies (see also Box 2.18); and
- United Nations Environment Programme (UNEP) and United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to prepare the report *Green Growth, Resources and Resilience*—a major knowledge product for the Asia and the Pacific region and an input to the Rio+20 process leading to the 2012 United Nations Conference on Sustainable Development (UNCSD).
- our Economics and Research Department contributes to economic knowledge through research and statistics; helps determine, through macroeconomic forecasting, the development needs for Asia; and disseminates the results;<sup>26</sup> and
- our Office of Regional Economic Integration helps client countries harness the full benefits of global and regional financial integration and disseminates the results to promote prudent economic management.<sup>27</sup>

**Enhancing staff learning and skills.** Due to the rapidly changing nature of development work and the increasingly complex needs of client countries, ADB surveys on knowledge management always indicate a need for staff learning and development. Thus, during 2009–2010, we conducted several learning programs, such as on climate change and financing for ADB operations and on the new Safeguard Policy Statement.

We developed two training series—the Learning for Change Primers and Knowledge Management and Learning Series—to promote knowledge generation and sharing. E-learning applications for these series are planned for 2011. Further, we set up new collaboration mechanisms for cross-departmental and multidisciplinary knowledge generation and sharing.

**Additional knowledge flows.** In addition to our in-house Knowledge Management Center and knowledge hubs, we generate and share vital information with our client countries through a range of other channels:

- the Asian Development Bank Institute, established in 1997 in Tokyo, helps build capacity, skills, and knowledge related to poverty reduction and other areas that help support long-term growth and competitiveness in our region;<sup>25</sup>

## Private Sector Investment—The Engine of Economic Growth

Private sector investment is widely recognized as the engine of economic growth. The adoption of Strategy 2020 is a milestone for ADB’s “nonsovereign” operations (loans to private and/or public sector entities), because it prioritizes private sector development as a key driver of change in our operations.

ADB’s programs and efforts help build an environment to enable heightened and sustained private sector participation in our region’s development. We seek to provide a bridge between the public and private sectors to help satisfy the investment needs of the Asia and Pacific region while ensuring that private capital is channeled to meet the public interest (Boxes 1.6 and 1.7).

ADB catalyzes private investments through direct financing, credit enhancements, and risk mitigation instruments. We provide direct funding assistance through loans and equity investments. We also offer political risk guarantee and partial credit guarantee instruments to attract both foreign and local commercial lenders to projects in our client countries. Through

cofinancing and guarantees, we also support local investors, domestic banks, and financial institutions to provide funds on terms suitable for ADB-assisted development projects. We mobilize additional resources by enabling commercial banks to benefit from our preferred creditor status for projects they finance with us.

Our nonsovereign operations are focused on two core areas of operations identified in Strategy 2020:

- **Infrastructure.** Energy projects comprise 52% of our private sector portfolio. While efficient carbon-based power generation remains important for meeting base load demand in the region, we are increasingly investing in clean and renewable technologies. ADB also supports investment in public–private partnerships in transport, telecommunications, and urban infrastructure.

### Box 1.6 Developing clean energy with private sector financing



Gathering sunlight for energy at the Bangchak Solar Power Project, Ayutthaya, Thailand. The project is providing electricity to homes, schools, hospitals, and businesses.

Contributing to global efforts to promote clean and renewable energy development, in 2010, the Asian Development Bank (ADB) approved its first two solar energy projects. One of them, the Bangchak Solar Power Project, involves constructing two solar power generation plants (totaling 44 megawatts) in Ayutthaya Province, Thailand. The project is sponsored by the Bangchak Petroleum Public Company and has been financed on a corporate basis by ADB and Mizuho Corporate Bank.

The project will (1) diversify Thailand's energy mix by adding renewable energy capacity, helping the country achieve its target of 20.3% of primary commercial energy coming from alternative energy by 2022; and (2) demonstrate the feasibility of a large-scale private sector solar power generation project. The outcomes will be an increased supply of clean energy sourced from solar power and reduced carbon dioxide emissions.

Our innovative risk participation structure has a catalytic effect as it enables an international commercial bank to participate in long-term financing for solar projects in Thailand. The project will play a pioneering role in demonstrating the commercial viability of large-scale private sector solar farms, a model that can be replicated by other private sector investors in the region.

Source: ADB. 2010. Proposed Loans and Technical Assistance Bangchak Solar Power Project (Thailand). <http://www.adb.org/Documents/RRPs/THA/44931-01-tha-rrp.pdf>

### Box 1.7 Filling persistent market gaps and responding to crisis



Spice vendor in Bangladesh

The Trade Finance Program (TFP) fills persistent market gaps in the most challenging countries and provides an efficient and effective response mechanism to crisis. In the midst of the global financial crisis, the Asian Development Bank (ADB) dramatically stepped up assistance for trade finance.

The TFP provides guarantees and loans through banks to support trade. Backed by its AAA credit rating, ADB works with over 200 partner banks to provide companies with the financial support they need to engage in

import and export activities. By providing guarantees and loans within 24–48 hours, the TFP is established as a key player in providing fast, reliable, and responsive trade finance support.

The TFP supported \$2.8 billion in trade in 2010 alone—an increase of 46% from the \$1.9 billion in 2009—about \$1.2 billion was from ADB and \$1.5 billion was through cofinancing. The TFP does not assume risk in relatively developed markets such as the People’s Republic of China, India, Malaysia, and Thailand, but focuses on the more challenging markets. The TFP operates in 16 countries. In 2010, it was most active in Bangladesh, Viet Nam, Pakistan, Sri Lanka, and Nepal, in that order.

Supporting intraregional and south–south trade are important objectives for ADB. Of the TFP’s 783 transactions in 2010, 440 were intraregional and 386 were between client countries.

The TFP supported more than 270 small and medium-sized enterprises in 2010, slightly more than in 2009. Such enterprises are a huge engine for job creation and private sector development. The TFP supports billions of dollars of trade throughout the region, which in turn helps create sustainable jobs and prosperity in Asia’s poorest countries.

The TFP won two industry awards in 2010, including, for ADB, “Best Development Bank in Trade.”

- **Capital markets.** We focus on expanding access to finance, particularly among lower income groups, and micro, small, and medium-sized enterprises. Our work supports infrastructure development and provides climate change finance. The financial intermediaries we partner with include banks, nonbank financial institutions, and private equity funds. The ADB Trade Finance Program (Box 1.7) supports importers and exporters in the region’s most challenging countries while furthering regional integration.



Our nonsovereign projects have increased significantly in recent years and are being administered in more than 20 client countries.

Moving forward, ADB's private sector operations will increasingly focus on smaller and less well-served markets. We have committed to increase the share of our private sector transactions (1) in countries that are eligible for our most concessional financing rates,<sup>28</sup> and (2) for clean and renewable energy. By 2015, our goal is that 40% of the number of our private sector transactions approved will be for such countries, and 25% of the transactions will be for clean and renewable energy.

The Private Sector Operations Department released its Development Effectiveness Report in December 2010,<sup>29</sup> the first in an annual series that assesses and reviews performance trends and identifies actions required to improve results. The report reviews how ADB's private sector operations have contributed to promoting its overall development effectiveness and offers an opportunity to reflect on the value that private sector operations contributed to achieving ADB's goals.

By 2020, 50% of ADB's lending is expected to be in private sector development and private sector operations.

## Transparency and Accountability

### OUR STAKEHOLDERS

As a public institution, ADB is accountable to its shareholders and other stakeholders. Contacts for our management team and senior staff are posted on the internet.<sup>30</sup> Our wide range of stakeholders includes our member countries, development partners such as multilateral and bilateral agencies, nongovernment organizations, and civil society.

### SEEKING STAKEHOLDER ENGAGEMENT

**Public communications.** The Public Communications Policy (PCP) guides our efforts to be transparent and accountable to the people we serve.<sup>31</sup> ADB's vision of an Asia and Pacific free of poverty cannot be achieved unless ADB is aware of its stakeholders' needs and they understand and support ADB's role and operations in the region. The right of people to seek, receive, and impart information and ideas about ADB-assisted activities is fundamental to the PCP. Our website is the primary vehicle for proactive disclosure of information. The PCP also calls for other means of information dissemination, depending on the intended recipient, as well as the intended purpose for disclosing the information.

Progress in institutional transparency and disclosure of project-related information has been notable since the PCP took effect in September 2005. ADB has monitored implementation of the PCP and published four annual assessments of its progress.<sup>32</sup> These detailed assessments indicate our good progress in adhering to the provisions of the PCP; promoting transparency, accountability, and improved communications; and making more information available to a wide range of stakeholders. By the end of 2010, the number of documents posted on the ADB website had increased by 125% since 2005 (versus a 70% increase in 2009). The 2009 ADB Perceptions Survey showed that a majority of the responding stakeholders thought that ADB communicates its mission and activities well, and has been responsive to information requests.<sup>33</sup> In 2010, all external requests received were responded to in an average of 4 days, an improvement from 7 days in 2009 and well within the PCP requirement of 30 days.

The 2005 PCP requires a comprehensive review to be conducted 5 years after its effective date. We launched the review in February 2010 to assess the PCP's efficacy, and to recommend

changes as necessary to improve and strengthen it. For the review, we requested input from all interested parties by e-mail through the internet and conducted extensive consultations, actively engaging more than 500 stakeholders, including project-affected people, in 12 member countries. Two matrixes of comments available on the ADB website indicate we have taken into account key comments received during the consultation process.<sup>34</sup> Based on the results, a paper is being prepared for consideration in 2011 by our Board of Directors.

### BEING ACCOUNTABLE AND FIGHTING CORRUPTION

**Being accountable for our projects.** ADB's Accountability Mechanism was established to (1) provide a forum for affected people to complain about alleged harm or to request a review of ADB's compliance with its policies and procedures, and (2) contribute to the effectiveness of ADB's development work and the quality of our projects.

ADB's Accountability Mechanism has two phases:

- the Office of the Special Project Facilitator—which uses informal, consensus-based approaches to problem-solving;<sup>35</sup> and
- the Compliance Review Panel—which independently investigates claims of violations of ADB's operational policies and procedures.<sup>36</sup>

Box 1.8 shows the steps involved in consultation and compliance review. In 2010, a joint working group of ADB's management team and Board of Directors commenced a review of the Accountability Mechanism.

**Fighting corruption.** A primary aim of ADB's 1998 Anticorruption Policy is to ensure that our projects, and all entities and individuals working on ADB-financed activities adhere to the highest ethical standards.<sup>37</sup> ADB staff members accomplish online the "Annual Declaration of

Compliance," indicating they understand and adhere to ADB's anticorruption policy and associated principles and guidelines.<sup>38</sup>

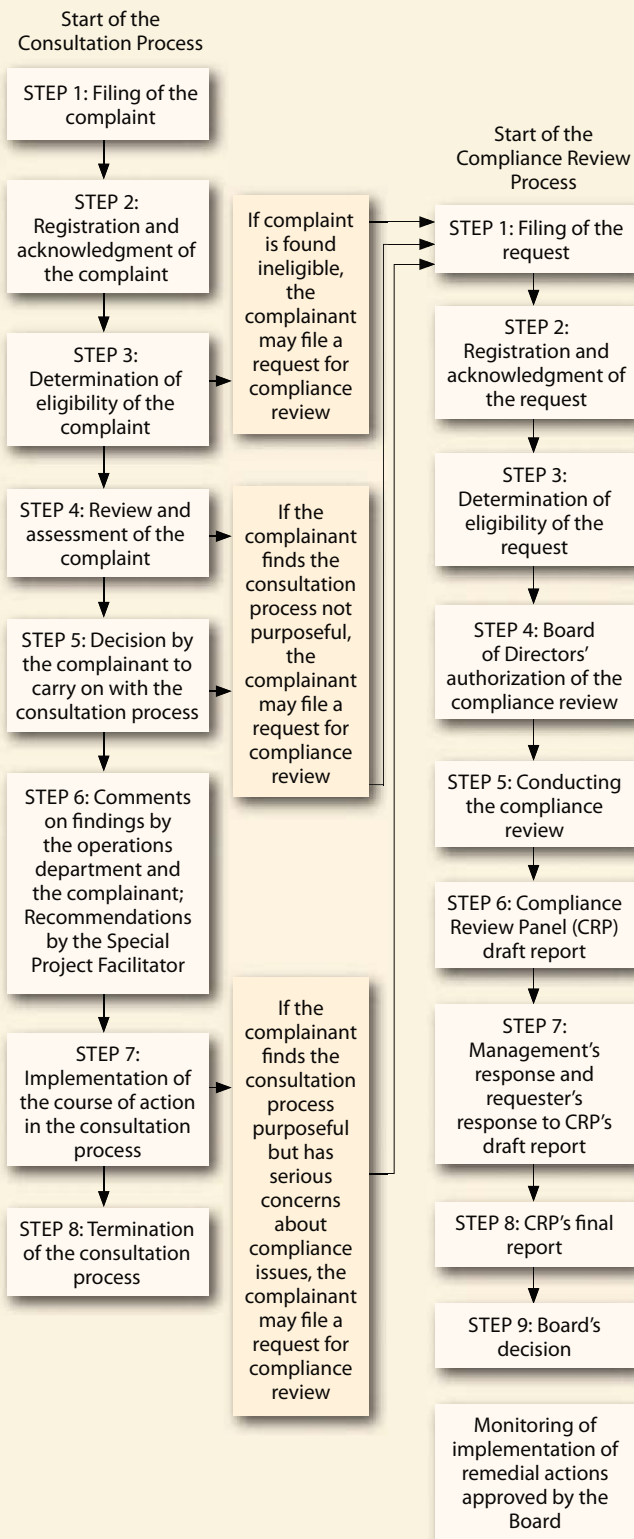
In 2009, the Integrity Division was separated from the Office of the Auditor General and the Office of Anticorruption and Integrity (OAI) was established to enhance the ability of the Integrity Division to ensure compliance with ADB's anticorruption policy. To handle the increasing complexity of its work, OAI was provided with additional staff—at the end of 2010, OAI had 18 staff members, up from 12 at the end of 2008. OAI reports directly to ADB's President. In 2010, 78% of staff members attended the "Say No to Corruption" briefings, and additional sessions are scheduled for 2011 to meet the target of 100% attendance.

ADB staff members are required to report incidences of fraud and corruption to OAI, which screens and investigates the allegations. From July 1998, when ADB adopted its anticorruption policy, to the end of 2010, 756 firms and individuals had been debarred from working with ADB (up from 549 in 2008) and another 42 reprimanded (11 more than in 2008).<sup>39</sup>

In 2008–2009, OAI consolidated and updated ADB's whistleblower provisions, and harmonized its approach with the best practices of comparator institutions.<sup>40</sup> Administrative Order 2.10 on "Whistleblower and Witness Protection" (issued in December 2009) clarified and reconfirmed ADB's position that appropriate policy frameworks can contribute to achieving significant progress in fighting corruption. Since the Administrative Order was issued, 49% of complaints were brought to OAI's attention by ADB staff members, an increase from 33% in 2009.

We achieved a major milestone in our fight against corruption in April 2010, when we signed the Cross-Debarment Agreement with the African Development Bank, European Bank for

**Box 1.8 Flowchart of the Accountability Mechanism**



Source: <http://www.adb.org/Accountability-Mechanism/default.asp>

Reconstruction and Development (EBRD), Inter-American Development Bank, and World Bank Group.<sup>41</sup> From 9 June 2010 when ADB declared the Agreement in force until the end of 2010, we have submitted 4 firms and 10 individuals to the World Bank and EBRD for cross-debarment, and have cross-debarred 6 firms and 2 individuals sanctioned by the World Bank. (The African Development Bank and Inter-American Development Bank are signatories to the Agreement, but have not yet declared it in force.)

To increase transparency and accountability, the list of cross-debarred firms and individuals, firms and individuals debarred for a second or subsequent time, and firms and individuals who have avoided being served notice is published on ADB's website.<sup>42</sup> The list of firms and individuals sanctioned by ADB as first-time violators is published on ADB's intranet. ADB shares the sanctions list with all ADB staff and members of its Board of Directors, other multilateral development banks, bilateral agencies, and government agencies involved in ADB-financed activities. ADB has recently launched a password-enabled website to allow government agencies full access to ADB's password-secured sanctions list.

ADB's policy continues to support governments' efforts toward effective and transparent systems for public service as well as active public involvement in the fight against corruption. Anticorruption issues are

incorporated into country partnership strategies and policy sector dialogue.

## Financing ADB's Development Work

As previously indicated, ADB's work includes

- funding projects that can catalyze growth and contribute to the goal of eliminating poverty in Asia and the Pacific;
- engaging in policy dialogue with our client countries to help them shape the incentives needed to encourage environmentally and socially sustainable economic growth; and
- providing assistance when key institutions need strengthening, to develop capacity and supply the information needed for sound decisions at levels from local to regional.

The main ways we support our member countries are through loans, technical assistance, grants, guarantees, and equity investments.

### FUNDING OUTFLOWS

#### Ordinary capital resources and special funds.

ADB's operations are funded through its ordinary capital resources (OCR) and several special funds and trust funds. OCR consists primarily of proceeds from borrowings, paid-in capital provided by our member countries, and funds derived from our operations. OCR resources are replenished by borrowings from international and domestic capital markets, and OCR loans are offered at near-market terms to lower-to-middle income borrowing countries.

The largest of our special funds is the Asian Development Fund (ADF), a major instrument of concessional financing in the Asia and Pacific region.<sup>43</sup> The ADF provides loans at very low interest rates and grants that help reduce poverty in client countries with low per capita income and limited debt repayment capacity.<sup>44</sup> The poorest

countries are entitled to receive a large portion of their ADF project funding as grants. The ADF grants program allocates funding to high-priority technical assistance projects and activities in poor countries that are debt-stressed or in post-conflict situations, and to combat HIV/AIDS and other infectious diseases.

The Japan Fund for Poverty Reduction<sup>45</sup> and ADB's Cooperation Fund for the Water Sector<sup>46</sup> are other important trust funds. The Japan fund provides grants to support innovative poverty reduction and related social development activities that can add value to ADB-financed projects. Several donor-members finance the water fund, which was established to help catalyze implementation of ADB's Water Policy,<sup>47</sup> emphasizing promotion of effective water management policies and practices.

Table 1.1 shows investment by sector from OCR and ADF resources. Year-on-year comparisons can sometimes be misleading, because a major program in one sector in a given year can inflate figures. However, the increasing trend in OCR energy sector investments reflects growing demand for energy efficiency and renewable energy projects. Likewise, in ADF the increased investments in the environment reflects a heightened appreciation for the need to address environmental concerns (see Part 2).

**Cofinancing.** The generation of external funds used to complement ADB financing is another way in which we aim to broaden and deepen our efforts.<sup>48</sup> We now have cofinancing arrangements with 40 development partners, for loans and grants. Cofinancing arrangements significantly increase the value added by ADB projects (Figure 1.3), and contributed over \$8.1 billion in financing to ADB projects during 2009–2010.

### FUNDING SOURCES

ADB raised, through public offerings, private placements, and other transactions, \$10.4 billion

**Table 1.1 Financing by sector and source, 2006–2010**

Source and sector	2006		2007		2008		2009		2010	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%
<b>Ordinary capital resources</b>										
Agriculture and Natural Resources	450	7.5	101	1.2	385	4.4	290	2.6	246	2.7
Education	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Energy	1,198	20.0	1,312	16.3	2,423	27.8	1,860	16.9	2,306	25.5
Finance	1,635	27.3	978	12.1	108	1.2	500	4.5	1,120	12.1
Health and Social Protection <sup>a</sup>			0	0.0	39	0.4	50	0.5	0	0.0
Industry and Trade	0	0.0	0	0.0	150	1.7	0	0.0	0	0.0
Public Sector Management <sup>b</sup>	200	3.3	1,021	12.6	1,545	17.7	4,800	43.6	670	7.2
Multisector	800	13.4	1,043	12.9	1,212	13.9	1,224	11.1	1,294	14.0
Transport and Communications	1,235	20.6	3,446	42.7	2,572	29.5	1,823	16.6	3,280	35.5
Water Supply and Other Municipal Infrastructure and Services <sup>c</sup>	474	7.9	172	2.1	271	3.1	458	4.2	334	3.6
<b>Subtotal</b>	<b>5,992</b>		<b>8,073</b>		<b>8,705</b>		<b>11,006</b>		<b>9,250</b>	
<b>Asian Development Fund</b>										
Agriculture and Natural Resources	350	27.5	46	2.4	58	3.2	154	7.0	368	16.6
Education	251	19.7	145	7.7	130	7.3	85	3.8	70	3.2
Energy	97	7.6	92	4.8	39	2.2	261	11.8	148	6.7
Finance	102	8.0	85	4.5	10	0.6	10	0.5	143	6.5
Health and Social Protection <sup>a</sup>			50	2.6	172	9.6	43	1.9	177	8.0
Industry and Trade	10	0.8	50	2.6	18	1.0	101	4.6	0	0.0
Public Sector Management <sup>b</sup>	20	1.6	159	8.4	400	22.4	506	22.9	225	10.2
Multisector	80	6.3	551	29.1	670	37.4	185	8.4	257	11.6
Transport and Communications	198	15.6	480	25.3	162	9.1	515	23.3	551	24.9
Water Supply and Other Municipal Infrastructure and Services <sup>c</sup>	165	13.0	236	12.5	131	7.3	351	15.9	273	12.3
<b>Subtotal</b>	<b>1,272</b>		<b>1,893</b>		<b>1,790</b>		<b>2,210</b>		<b>2,213</b>	
<b>Total</b>	<b>7,264</b>		<b>9,966</b>		<b>10,494</b>		<b>13,216</b>		<b>11,463</b>	

Notes: Figures exclude terminated loans. Totals may not equal the sum of numbers above due to rounding. Data are net of cancellations (previous reports showed gross data).

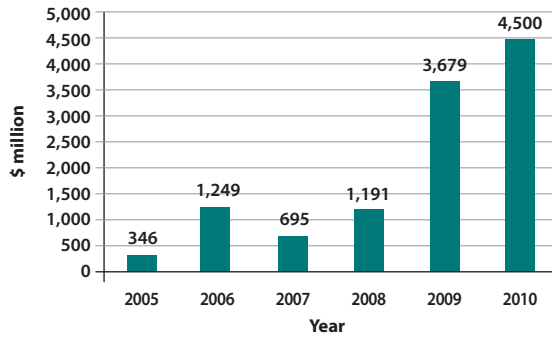
<sup>a</sup> "Health, Nutrition, and Social Protection" was first included as a separate section in 2007, and the name was changed to "Health and Social Protection" in 2009.

<sup>b</sup> Formerly "Law, Economic Management, and Public Policy."

<sup>c</sup> Formerly "Water Supply, Sanitation, and Waste Management."

Sources: ADB annual reports 2006–2010, [http://www.adb.org/Documents/Reports/Annual\\_Report/](http://www.adb.org/Documents/Reports/Annual_Report/)

**Figure 1.3 Cofinancing—adding value, 2005–2010**



Note: Deviations from the earlier reports occur due to revisions in the classification of cofinancing and to cancellations.

in 2009 and \$14.9 billion in 2010, continuing the increasing trend of \$5.4 billion in 2006, \$8.9 billion in 2007, and \$9.4 billion in 2008.

**Replenishing the ADF.** In May, 2008, 30 of ADB's donor member countries agreed to replenish the ADF for the period of 2009–2012. The total agreed was \$11.3 billion, 3% of which is for the Technical Assistance Special Fund. This replenishment amount is significantly higher than the \$7 billion agreed for the 2005–2008 period.<sup>49</sup>

**Raising Capital Resources.** Because of ADB's strong credit fundamentals and conservative financial policies, we are a leading AAA credit rated borrower and raise funds regularly through international and domestic capital markets. This allows us to borrow at favorable rates and then pass on low-interest financing to our OCR borrowers. We invest our liquid assets primarily in government and government-related debt instruments, time deposits, and other unconditional obligations of banks and financial institutions.

At the end of 2010, ADB had about \$156 billion in capital stock (versus about \$66 billion at the end of 2008), comprising

- \$144 billion in subscribed capital, and
- almost \$12 billion in reserves available to protect ADB's creditors in the event of a large-scale default by borrowers.



Part 2

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# **The Environment, Social Development, and Governance**

# The Environment, Social Development, and Governance

As an integral part of achieving its mission of eliminating poverty in Asia and the Pacific, the Asian Development Bank (ADB) works to enhance the environment, improve the region's social development, and foster good governance. This part of the report focuses on our operations that directly impact these areas in our client countries.

## Environmental Sustainability

### **ENVIRONMENTAL CHALLENGES FACING ASIA AND THE PACIFIC**

Asia and the Pacific has made some progress during 2009–2010 toward addressing its many environmental challenges, especially in renewable energy and responses to climate change. However, the environment in Asia and the Pacific continues to be weighed down by the effects of robust economic growth in a few countries and pervasive poverty in many others. The result is rising urban air and water pollution; growing soil erosion, desertification, and water scarcity; and increasing loss of endangered

species, vital natural habitats, and resources. The additional effects of climate change—shortages of water and food, and greater risks to health and life—are already evident and are expected to exacerbate these environmental problems in the future.

The expansion of Asia's urban populations and accompanying levels of congestion, poverty, and pollution are major challenges. Some improvements have been made, yet up to a third of Asian city dwellers live in overcrowded slums and informal settlements with poor access to services such as water and sanitation.<sup>50</sup> Concentrations of most principal air pollutants also remain well above internationally accepted benchmarks, and cities are a major contributor to greenhouse gas (GHG) emissions.

Along with urbanization, increasing industrialization is linked to intensive use of energy and natural resources, and pollution. Between 1995 and 2005, material consumption in the Asia and Pacific region grew by 50%, from 23.6 billion tons to about 35.3 billion tons.<sup>51</sup> Since the mid-1990s, the region has accounted for well over half of global material use, overtaking all



the other regions combined. The rate of growth in GHG emissions has also accelerated, mirroring the trends in overall material and energy use. These trends are expected to continue, with developing countries of Asia accounting for 45% of global energy-related emissions by 2030.<sup>52</sup> While products from natural or agricultural systems support rural incomes and provide the food and commodities for Asian cities and beyond, a product and commodity orientation has encouraged an undervaluation of the many services provided by natural ecosystems and biodiversity.

The degradation of these public goods across the region translates into a loss of productive assets and reduces the efficiency and resiliency of the services they provide. Biodiversity is being lost at unprecedented rates. Demands for freshwater continue to rise, resulting in competition among key sectors and ultimately between countries that share transboundary freshwater systems. Coastal and marine ecosystems are in decline. The increasing impacts of climate change are leading to ecosystem collapse in major coastal and oceanic regions.<sup>53</sup>

Climate change is acknowledged as a real threat to the economic prosperity of the region. Average temperatures are predicted to rise and the frequency and intensity of extreme weather events are likely to increase. Thus, the region, which is already prone to natural disasters, will experience more typhoons, floods, and droughts, and increased risks of crop failures, heat waves, and other hazards. The forecasted sea level rise, warmer ocean temperatures, and increasing ocean water acidity will raise the risks of coastal erosion and threaten coastal and marine ecosystems. The hardest hit areas will include coastal cities and communities, low lying islands, fragile mountain ecosystems, and arid and semi-arid lands.

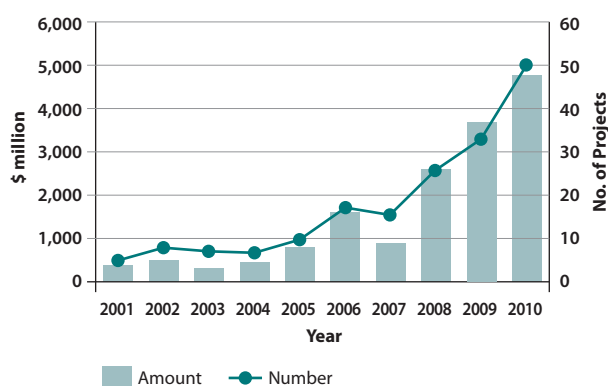
## MEETING THE CHALLENGES

Ensuring the environmental sustainability of economic development in Asia and the Pacific is a high priority for ADB. Indeed, the Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank reaffirms the importance of economic growth that is inclusive and environmentally sustainable and of regional integration to achieve poverty reduction and improvements in the quality of life for people in Asia and the Pacific. As one of the five core areas of Strategy 2020, environment is increasingly integrated across ADB's operations and investment portfolio.

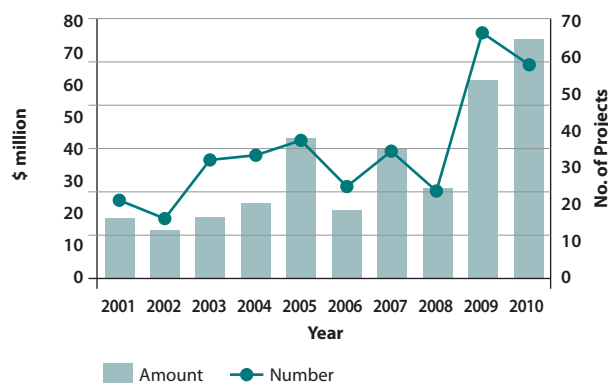
In line with Strategy 2020, central emphasis is being placed on climate change, liveable cities, and a range of complementary and supportive actions aiming at improving environmental policies, knowledge, and management capacities at country, subregional, and regional levels. To effectively pursue this agenda and given ADB's experience, our operations in environment, including climate change, have three mutually supporting strategic directions: (1) promoting transitions to sustainable infrastructure, (2) improving natural resource management and maintaining ecosystem integrity, and (3) building sound environmental governance and management capacities. Our *Addressing Climate Change in Asia and the Pacific: Priorities for Action* details the integrated approach we will take for responding to the causes and consequences of climate change.<sup>54</sup>

The number of projects specifically directed toward environmental improvement has steadily increased, as shown in Figures 2.1 and 2.2. In 2010, we approved 50 loan projects with environmental sustainability as a theme, totaling about \$4.8 billion—this is a 52% increase in number over 2009, and the highest since 1995. Environmental lending in 2010 raised the proportion of projects supporting environmental sustainability to 35% from 2008 to

**Figure 2.1 Environmental lending, 2001–2010**



**Figure 2.2 Technical assistance projects with environmental objectives or elements, 2001–2010** (total amount and number of projects approved)



2010, exceeding ADB’s target for a 3-year rolling average of 25% in 2010–2012. We approved 59 technical assistance projects (totaling about \$73 million) and 19 grants (totaling nearly \$188 million) that have environmental sustainability as a theme. The breadth of advisory and project interventions, as well as current trends in such programs, reflects the region’s growing demand for attention to these dimensions of economic development. Many of our proactive environment programs and projects, such as the Coral Triangle Initiative, Heart of Borneo Initiative, and Greater Mekong Subregion Core Environment Program, have direct and indirect positive impacts on threatened and endangered (“Red List”) species and critical ecosystems.

As shown in Table 2.1, the number and value of loan projects with environmental sustainability as a theme have increased steadily over the years. These projects focus on an integrated approach to urban environmental improvement guided by a coherent urban development plan, use of clean energy or energy-efficient technologies, and sound natural resource management. The projects may include components such as urban roads, water supply, wastewater and solid

**Table 2.1 Environment lending by subtheme**  
(percent of total amount in \$ millions; number of projects)

Subtheme	2003		2004		2005		2006		2007		2008		2009		2010	
	Amt	#	Amt	#	Amt	#	Amt	#	Amt	#	Amt	#	Amt	#	Amt	#
Natural Resource Conservation	42.0	2	80.0	1	89.3	2	472.8	3	170.4	6	503.0	6	355.0	4	649.3	9
Ecoefficiency	35.0	1	241.8	3	350.0	1	482.0	5	299.1	4	1,475.5	11	1,264.8	5	1,886.6	16
Urban Env't. Improvement	228.0	4	129.0	3	354.8	7	676.4	9	440.0	5	618.6	8	1,619.2	16	1,970.9	22
Env't. Policy and Legislation													170.0	2	51.5	1
Global and Reg'l Transboundary Env't'l Concerns													58.6	1	179.3	2
<b>Total</b>	<b>305.0</b>	<b>7</b>	<b>450.8</b>	<b>7</b>	<b>794.1</b>	<b>10</b>	<b>1,631.2</b>	<b>17</b>	<b>909.5</b>	<b>15</b>	<b>2,597.1</b>	<b>25</b>	<b>3,467.6</b>	<b>28</b>	<b>4,737.6</b>	<b>50</b>

### Box 2.1 Integrating provision and management of water and sanitation

Sri Lanka's northern dry zone receives little rainfall, and most of it falls within the short winter monsoon. Increased water supply is needed for emerging regional centers, and the resulting increased wastewater and septage must be adequately managed as an integrated part of the solution. In response, the Asian Development Bank funded the Dry Zone Urban Water and Sanitation Project, which covers

- rehabilitation, expansion, and development of water and sanitation infrastructure for major towns in the country's northwestern dry zone;
- improved water resource management, coordination, and planning ability;
- strengthened institutional capacity for project management and implementation activities;
- support for the development of river basin plans in project areas, and promotion of integrated water resource management principles and healthy rivers and the conservation and improvement of associated watersheds, wetlands, and ecosystems; and
- support for local authorities in project districts in preparing bylaws, and implementing rules and regulations to monitor and control water abstraction and to prevent groundwater contamination.



**Farming is one of the multiple competing uses for scarce water in Sri Lanka. Better planning and management are needed to provide sufficient water for agriculture, industry, and household and urban consumption.**

Source: ADB. 2008. *Proposed Loan and Asian Development Fund Grant Democratic Socialist Republic of Sri Lanka: Dry Zone Urban Water and Sanitation Project*. Manila. <http://www.adb.org/Documents/RRPs/SRI/37381-SRI-RRP.pdf>

waste management, urban flood control, and (if applicable) district heating (Box 2.1).

In the energy sector, projects continued to focus on investments for transmission and distribution, sector reform in power utilities, renewable energy sources, use of clean technology, and energy efficient technologies. Starting in 2008, the capacity for large-scale wind power to increase the contribution of renewable energy sources to the power generation mix and help increase energy diversification in an environmentally sustainable manner was realized. ADB has funded

wind power projects in the People's Republic of China (PRC), India, and Pakistan (Box 2.2). In Thailand, we funded a solar project and a biomass power project using wood waste products.

ADB works in a variety of ways and with a range of partners to help promote attention to environmental sustainability as an integral part of the region's development process. We develop knowledge products (as noted in Part 1) and we worked with the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Environment

## Box 2.2 Power from wind



**The People's Republic of China is increasing investment in wind power to supplement and replace thermal generation in meeting its energy needs.**

The People's Republic of China is striving to increase the share of renewable energy in its overall energy mix. To assist with this effort, the Asian Development Bank is providing a loan to Tianjin Xiehe Wind Power investment Company to construct and operate wind farms with the capacity to generate 800 megawatts of electricity.

In addition to increasing the renewable energy the country generates, the project will help (1) mitigate environmental degradation and climate change by reducing emissions of sulfur dioxide and greenhouse gases that would otherwise have resulted from thermal generation of electricity; (2) support long-term, environmentally sustainable growth using indigenous energy supplies; and (3) support the government's strategy of encouraging private sector participation in renewable energy, providing job opportunities and income growth, and raising revenues.

Source: ADB. 2010. *Proposed Loan: Jilin Wind Power Project (People's Republic of China)*. Manila. <http://www.adb.org/Media/Articles/2011/13467-chinese-wind-powers-farms/NR-PRC-windpower.pdf>

Programme (UNEP) to produce the *Preview: Green Growth, Resources, and Resilience* report for the Sixth Ministerial Conference on Environment and Development in Asia and the Pacific and the main report for the 2012 United Nations (UN) Conference on Sustainable Development (Rio+20).<sup>55</sup>

The formal Environment Community of Practice (CoP) advises on emerging environment issues, sector and thematic work, knowledge products and services, and human resource issues. The CoP leads in mainstreaming environment in ADB operations and manages the Poverty and Environment Fund resources. The informal CoP's

regular activities include

- (1) helping to mainstream environmental sustainability in the country partnership strategies;
- (2) providing specialist assistance for projects;
- (3) reviewing environmental impact assessments and thematic studies;
- (4) disseminating best practices, project information, and knowledge through seminars; and
- (5) participating in important conferences on the environment and climate change, and linking with external events, partners, and networks.

## REGIONAL ENVIRONMENTAL COOPERATION

Promoting regional cooperation in Asia and the Pacific is an important part of ADB's mandate, as embedded in our Charter and reiterated in Strategy 2020, and we are involved with several regional responses to environmental problems.

Many environmental issues transcend political boundaries and are thus of regional or even global concern. Degraded land diminishes the livelihoods of the poor and may result in clouds of dust and sand being sent to distant countries. Acid rain and airborne mercury and dioxin from coal-fired power plants and industry waft across national boundaries, damaging forests and crops and threatening human health. The territory of many river basins includes several countries with shared responsibilities. Forests support the daily life of local and indigenous communities, while at the same time sequestering carbon from the atmosphere, regulating water flows, and serving as sources of crops and medicines. The productivity of oceanic fisheries in one country often depends on the sound management of estuaries, reefs, and nursery grounds in the waters of another. Nations must work together on these issues or all lose.

In the Asia and Pacific region, ADB is currently supporting important regional programs that are designed to address environment and development issues on an ecosystem scale. Working with multiple partners, including sovereign governments, civil society organizations, and local communities, ADB's efforts support policy dialogue and capacity development at regional and national levels to help mainstream environment and climate change considerations within development policies and plans, while supporting resource mobilization and partnerships to demonstrate and upscale new approaches.

In the Greater Mekong Subregion (GMS), ADB works with representatives from all Mekong countries, as well as other partners, through

the GMS Core Environment Program to assess and address the most important environmental dimensions of that subregion's rapid economic expansion. This effort is managed by the GMS Environment Working Group, comprising economic and environmental authorities from each of the six cooperating countries. The program is demonstrating the best ways to mitigate the subregional impacts of key sectoral development programs, such as those dealing with energy and transport, and pays particular attention to biodiversity conservation through the Biodiversity Conservation Corridors Initiative (Box 2.3).

Another example of regional cooperation efforts is the Coral Triangle Initiative (CTI) on Coral Reefs, Fisheries, and Food Security. Launched in 2007 by Indonesian President Yudhoyono, the CTI is a six-country program—involving Indonesia, Malaysia, Papua New Guinea, the Philippines, Solomon Islands, and Timor-Leste—to protect and sustainably manage an area often referred to as “the Amazon of the seas.” The Coral Triangle holds more than 75% of the world's known corals, over 3,000 species of fish, and the greatest extent of mangrove forests on Earth; supports the livelihoods of over 120 million coastal people; and provides more than \$3 billion in annual foreign exchange income from fisheries exports and coastal tourism revenues. The marine and coastal resources of the Coral Triangle are, however, at immediate risk from a range of factors, including the impacts of climate change, overfishing, unsustainable fishing methods, and land-based sources of pollution.

To address these threats, the six governments have collaborated to develop a regional plan of action that was endorsed by the heads of each country at a historic CTI Summit in May 2009. In addition, each country has developed a national plan of action and supportive coordination mechanisms. ADB serves as an active partner and lead for mobilizing the considerable resources needed to support this program. At the end of

### Box 2.3 Supporting biodiversity in the Greater Mekong Subregion



Farming on the slopes of the Annamite mountains, Greater Mekong Subregion

The Greater Mekong Subregion (GMS) Program was established in 1992 by six countries—Cambodia, the People’s Republic of China, the Lao People’s Democratic Republic, Myanmar, Thailand, and Viet Nam, with the Asian Development Bank (ADB) as the program’s secretariat.

The GMS has achieved some of the highest growth rates globally. This demands new management approaches and tools to ensure that environmental concerns

are adequately addressed in cross-border initiatives and properly integrated into the subregion’s economic development efforts. In response, GMS government leaders endorsed the Greater Mekong Subregion Core Environment Program and Biodiversity Conservation Corridors Initiative (CEP–BCI). The CEP–BCI is facilitated by ADB and receives financial support from the governments of Finland, the Netherlands, and Sweden.

Since the CEP–BCI’s inception in April 2006, it has successfully

- (1) established six pilot biodiversity conservation corridors, bringing over 2 million hectares of land under sustainable management regimes—this has enhanced ecosystem connectivity and services (including carbon sequestration estimated at 100 million tons of carbon dioxide) while improving livelihoods of local communities;
- (2) pilot tested three strategic environmental assessments as a tool to influence upstream planning and optimize decision making—the assessments were conducted for sectoral plans in Cambodia (tourism) and Viet Nam (hydropower), and area-based plans in the GMS North–South Economic Corridor;
- (3) prepared and secured funding for scaling up the CEP–BCI and climate change mitigation interventions to reduce emissions from deforestation and forest degradation;
- (4) strengthened institutional capacities within the environment ministries and sectoral agencies for carrying out environmental performance assessments and spatial multicriteria analysis for land use management; and
- (5) instituted sustainable financing mechanisms, including commune- and village-level revolving funds, and supported countries to pilot test payments for ecosystem services.

2010, more than \$300 million in new financial resources had been mobilized, with financial and technical support provided by ADB, the Global Environment Facility (GEF), the governments of Australia and the United States, the United Nations Development Programme (UNDP), and the Food and Agriculture Organization (FAO) of the UN. Several international environmental nongovernment organizations (NGOs), including Conservation International, The Nature Conservancy, and the World Wide Fund for Nature (WWF), are also providing active support through their own resources; and bilateral and multilateral partners are funding selected projects.

### PROMOTING LOW CARBON ECONOMIC GROWTH

Asia and the Pacific progressed well during 2009–2010 in developing and adopting renewable energy technologies. For example, the PRC mandated and achieved more than 19% reduction in its energy intensity below its 2005 level by 2010, and has formulated a target of reducing its energy intensity by an additional 17% during 2011–2015.<sup>56</sup> India has adopted a range of long-term policy support programs for low carbon development—and, under India’s National Action Plan on Climate Change, a mission was launched in 2010 to install 20 gigawatts of solar power generation capacity by 2022. Under our *Addressing Climate Change in Asia and the Pacific: Priorities for Action*,<sup>57</sup> our investments related to climate change will focus on climate change mitigation and adaptation, facilitated by financing, knowledge generation, and partnerships. The strategic priorities are expanding the use of clean energy; encouraging sustainable transport and urban development; managing land use and forest for carbon sequestration; promoting climate-resilient development; and strengthening related policies, governance, and capabilities.

The region’s current energy needs are met primarily by burning fossil fuels, with

negative economic, environmental, and social consequences. This adds considerably to the global accumulation of carbon dioxide (CO<sub>2</sub>) in the atmosphere—a root cause of global warming—and dependency on fossil fuels exposes countries to global price and supply fluctuations that can undermine their energy security. The PRC is now the world’s largest GHG emitter and, with India and other large Asian economies, the region will soon overtake Europe and North America as the largest source of GHG emissions. Combustion of oil, gas, and coal emits large amounts of CO<sub>2</sub> and local air pollutants to the atmosphere. Our region already shows impacts attributed to climate change. Energy security can be improved and air pollution reduced by increasing the efficiency of energy production and using alternative sources of energy, which will also mitigate GHG emissions.

In response to these needs, in 2009, our Board of Directors approved the new ADB Energy Policy.<sup>58</sup> The policy is a coherent translation of Strategy 2020, which prioritizes energy-related objectives and identifies the institutional capabilities needed for the future within a changing regional, global, and technological context. The new Energy Policy aims to help clients provide reliable, adequate, and affordable energy for inclusive growth in a socially, economically, and environmentally sustainable way. The policy’s three pillars are

- promoting energy efficiency and renewable energy;
- maximizing access to energy for all; and
- promoting energy sector reform, capacity development, and governance.

The policy guides ADB operations in the energy sector by aligning them to meet energy security needs, facilitate a transition to a low carbon economy, and achieve ADB’s vision of a region free of poverty. The policy prioritizes support for improvements in energy efficiency and for renewable energy projects and broadens the reach to many sectors. This is expected to ease

the growth in demand for fossil fuel use and the pressure to increase energy prices, improve energy security, and reduce GHG emissions.

**Providing clean energy.** ADB is increasingly responding to country requests for investments in and help with developing the policies, regulations, and institutions needed to facilitate a shift to clean energy. Special attention is being given to identifying and eliminating barriers to the adoption of new technologies for low carbon energy production and improved energy efficiency. To support this, we have established several interlinked initiatives and programs, including the Clean Energy Program and Carbon Market Program.

The Energy Efficiency Initiative, approved in April 2005 to push ADB's clean energy investment to \$1 billion a year starting in 2008, has evolved into the Clean Energy Program<sup>59</sup> with a new yearly target of \$2 billion of clean energy investment from 2013. The program now focuses on supporting clean energy in our smaller client countries and on facilitating the adoption of low carbon technologies through the region. ADB's clean energy investment has progressed well—from \$226 million in 2003 to average \$1.2 billion yearly in 2007 and 2008, and to average over \$1.6 billion yearly in 2009 and 2010.

The Carbon Market Program<sup>60</sup> (formerly the Carbon Market Initiative approved in April 2006) aims at helping client countries benefit from the growing global market for trade in certified emissions reductions credits generated by clean energy projects in developing countries under the terms of the Kyoto Protocol.<sup>61</sup> The Carbon Market Program supports the design and cofinancing of eligible projects and helps market credits generated up to 2020, beyond the first commitment period of the Kyoto Protocol, which ends in 2012.

The clean energy and carbon market programs are helping the region's economies generate energy more efficiently, curb the growth of

energy use, and promote low carbon energy options. Several ADB regional initiatives and projects are promoting demand- and supply-side energy efficiency and renewable energy.

**Enhancing energy efficiency.** On the energy-demand side, ADB is fostering efficiency improvements across the industrial, commercial, and municipal sectors through activities such as promoting the use of more efficient lighting, cooling, and space heating. In the transport sector, we are advancing the use of mass transport systems, more efficient vehicles, cleaner fuels, and sound urban mobility planning.

Our Clean Energy Program has several initiatives that focus on accelerating the use of low carbon technologies, including (1) the Asia Solar Energy Initiative and its proposed \$500 million fund, intended to catalyze greater levels of investment in solar energy (Box 1.6); (2) the Quantum Leap in Wind Initiative, which aims to promote deployment of wind power in the Asia and Pacific region, targeting an additional 1 gigawatt of electricity from wind power during the next 5 years; (3) the Asia Climate Change and Clean Energy Venture Initiative to increase the investments of venture capital funds in clean energy start-ups; and (4) the Low Carbon Technology Marketplace, which will broker connections between prospective buyers and sellers to accelerate the transfer of low carbon technologies to the region.

In addition to the Carbon Market Initiative, we are providing access to a range of innovative financing mechanisms to scale up investments in new and cleaner technologies (Box 2.4). The Asia and Pacific region will require billions of dollars to make the transition to low carbon growth paths and adapt to the unavoidable impacts expected from climate change.

**Facilitating access to energy.** Along with widespread support for clean energy, our Energy Policy also stresses the need to widen the access to energy. In developing Asia, 800 million people



### Box 2.4 Reducing emissions from thermal generation

Rapid economic growth and extensive coal consumption in the People's Republic of China (PRC) have caused major local and global environmental concerns, including increased greenhouse gas (GHG) emissions. Because coal is expected to remain the PRC's dominant source for producing electricity in the foreseeable future, the efficiency of the country's coal-based power plants should be improved, inefficient coal-based plants closed, and new power plants that use advanced technology developed.



One of the many needs for clean energy: light to study by

In response to this need and a request from the PRC government, in February 2010 the Asian Development Bank provided support to construct a 250 megawatt integrated gasification combined cycle power plant. This is recognized as the most efficient and least polluting technology for generating power from coal.

On completion, the plant will generate 1,470 gigawatt-hours of electricity, save about 134,000 tons of coal use, and thus reduce carbon dioxide emissions by 372,000 tons annually. This is the first integrated gasification combined cycle project in the PRC and will serve to demonstrate the technology's utility.

Sources: ADB. 2010. Tianjin Integrated Gasification Combined Cycle (IGCC) Power Plant. <http://www.adb.org/Climate-Change/Integrated-Gasification-Combined-Cycle.asp> and ADB. 2009. *Proposed Loan and Grant People's Republic of China: Tianjin Integrated Gasification Combined Cycle Power Plant Project*. <http://www.adb.org/Documents/RRPs/PRC/42117-PRC-RRP.pdf>

have no access to electricity and over 1.9 billion people are still burning biomass for heating and cooking.<sup>62</sup> To raise ADB's investments in access to clean energy and build the capacity of regional departments to support access projects, ADB launched the Energy for All Initiative in 2008. From 2008 through 2010, we invested \$1.85 billion in projects to widen access to energy, and benefit about 11.35 million people (Box 2.5). Under this initiative, the Energy for All Partnership aims at increasing, by 2015, the access that 100 million people in Asia and the Pacific have to energy.

**Encouraging sustainable transport.** Rapid urbanization, rising incomes, and a surge in the use and number of vehicles have worsened traffic congestion across Asia's urban areas. As traffic increases, so does the consumption of oil-based fuels and the generation of GHGs. Other impacts include a declining quality of life in the region's cities due to congestion and local air pollution. Alternatives to cars, such as public transport systems (including bus rapid transit) and bikeways, are required, as are policies and technologies to boost vehicle fuel efficiencies. Such alternatives will generate local and global

### Box 2.5 Clean energy for Bhutan



Bhutan is trying to reach 100% electrification by 2013. Although Bhutan has extensive hydropower resources, its scattered communities and mountainous landscape have made extending the national grid unfeasible. Thus, a different approach was required, focusing on smaller systems. The Asian Development Bank sought to support this through a grant of \$21.6 million for a project approved in October 2010 that will connect 5,000 new households to the national grid, install 1,800 new solar home systems, and upgrade 2,500 existing solar home systems.

Source: ADB. Rural Renewable Energy Development Project: Bhutan. <http://pid.adb.org/pid/TaView.htm?projNo=42252&seqNo=01&typeCd=2>

**Solar power provides light in Bhutan for scattered locations that can not be served by the electricity grid.**

benefits by reducing urban air pollution and congestion, and ADB is expanding its support in these areas. Under our Sustainable Transport Initiative Operational Plan, which was approved in 2010,<sup>63</sup> we are advancing the provision and use of mass transport systems, more fuel-efficient vehicles, cleaner fuels, and sound planning of urban mobility (Box 2.6).

**Capturing fugitive emissions.** Another essential part of climate change mitigation is capturing “fugitive” GHG emissions, often arising from industrial equipment leaks or evaporative processes. We are assisting this effort through several regional initiatives and projects. We are focusing on the capture of methane, which is 24 times more potent than CO<sub>2</sub> as a GHG. Once captured, methane can be converted to a less powerful GHG and then used to replace more carbon-intensive fuels such as coal and kerosene.

Attention is also turning to enhancing ecosystems’ abilities to absorb GHGs. Forests and organic matter in soils act as a “sink” for CO<sub>2</sub> drawn from the atmosphere and thus play a critical role in maintaining the earth’s CO<sub>2</sub> balance. Land-use changes that disrupt forests and soils can greatly affect the earth’s natural ability to store and release carbon. GHG emissions from deforestation in countries such as Indonesia and Papua New Guinea can be significant on a global scale.

To address emissions from land-use change, ADB is assisting several forest conservation projects, supporting sustainable development that will integrate forest protection and sustainable use while also capturing benefits from carbon sequestration and biodiversity conservation (Box 2.7).

## Box 2.6 Supporting efficient and sustainable urban transport

The urban transport system in Kathmandu, Nepal, needs upgrading so that it is more efficient and sustainable, and to mitigate air pollution. A project that the Asian Development Bank approved in 2010 will help Kathmandu to improve its transport system by integrating all urban transport components. The project will include

- creating a new public transport division in the Department of Transport Management,
- pilot testing bus routes through a government-managed town development fund,
- promoting electric or low-emission vehicles on the pilot bus routes,
- improving “walkability” of heritage routes and upgrading pedestrian facilities, and
- enhancing air quality monitoring.



**Kathmandu, Nepal’s capital, will benefit from cleaner transport and being more “friendly” to pedestrians.**

Sources: ADB. 2010. ADB to Help Improve Public Transport in Kathmandu. <http://www.adb.org/media/articles/2010/13287-nepal-transportations-projects/default.asp?p=nepnews> (accessed February 2011) and ADB. 2010. *Proposed Loan, Grant, and Administration of Grant Nepal: Kathmandu Sustainable Urban Transport Project*. <http://www.adb.org/Documents/RRPs/NEP/44058/44058-01-nep-rrp.pdf>

ADB is also assisting dryland farming projects across Central Asia and in Mongolia and the PRC. The aim is to promote sustainable agricultural production while increasing the amount of organic material in dry soils to improve both land productivity and the ability to sequester CO<sub>2</sub>.

Recognizing that fossil fuel will continue to be used in the foreseeable future, we are promoting carbon capture and storage technologies to reduce CO<sub>2</sub> emissions from the fossil fuel use. We have set up the Carbon Capture and Storage Fund under the Clean Energy Financing Partnership Facility for initial activities in major economies of the region based on fossil fuel.

### **FOSTERING RESILIENCE TO CLIMATE CHANGE**

The need to adapt to climate change impacts that are already happening—and the sense that much worse is still to come—has become a

defining concern across Asia and the Pacific and globally. More people are at risk from adverse climate change impacts in this region than in any other, and people who are already most vulnerable to poverty are likely to be the most severely affected. Climate change is expected to have adverse effects on water, food, fuel, health, education, and access to social services. Loss of security and livelihoods will force many Asians to migrate, and many small island states may see their very existence under threat from sea level rise.

Asian and Pacific countries must devise appropriate measures to respond to the projected impacts of climate change. Failure to do so will result in severe social costs and will hamper poverty reduction efforts. Adjusting to the need for climate-resilient development will mean building responses to the physical, social,

### Box 2.7 Realizing REDD+: Managing land use and forests for carbon sequestration



Meeting at the grassroots level to discuss environmental management

Managing land use to maintain or sequester carbon is a major climate change issue in Asia and the Pacific, with land use changes accounting for 15%–20% of global greenhouse gas (GHG) emissions. In Southeast Asia, changes related to land use are responsible for as much as 75% of total GHG emissions; and in the Pacific many Asian Development Bank (ADB) member countries are rapidly losing their forests.

New financing opportunities and incentives for reducing GHG emissions from deforestation and

forest degradation (REDD) have been created under the United Nations Framework Convention on Climate Change (UNFCCC). The approach, known as REDD+, includes sustainable forest management, the enhancement of forest carbon stocks, and the protection of biological diversity and ecosystem functions, while supporting and safeguarding local and indigenous livelihoods.

In response, ADB is supporting targeted activities to develop REDD+ capacity and models at the regional, national, subnational, and local levels. The Biodiversity Conservation Corridors Initiative in the Greater Mekong Subregion and the Heart of Borneo Initiative focus on reducing deforestation and supporting the livelihoods of indigenous peoples and other forest communities. Both are expected to serve as platforms for further REDD+ support financed through the Forest Investment Program under the Climate Investment Funds, for which Indonesia and the Lao People's Democratic Republic are pilot countries.

In the Philippines, the Integrated Natural Resources and Environmental Management Project will protect and restore biodiverse forest watersheds. Two projects in the People's Republic of China—the Jiangxi Sustainable Forest Ecosystem Development Project and the Forestry and Ecological Restoration in Three Northwest Provinces Project—are also attending to the conservation and enhancement of forest carbon stocks.

Financial support includes \$6 million from ADB's Climate Change Fund and contributions from the Global Environment Facility (GEF). These funds are linked to ADB investments in coordination with other multilateral and bilateral programs such as the Forest Carbon Partnership Facility and Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries—the UN-REDD Programme.

and economic impacts predicted from climate change into all aspects of development decision making, planning, and investment.

In line with *Addressing Climate Change in Asia and the Pacific: Priorities for Action*, our strategy for climate change, we emphasize (1) mainstreaming adaptation and disaster risk reduction into national development plans and country partnership strategies; (2) building the climate resilience of vulnerable sectors such as agriculture, energy, transport, and health, including preparation of climate-resilient sector road maps; and (3) assisting countries to climate proof projects to ensure the outcomes are not compromised by climate change and variability or by natural hazards in general.<sup>64</sup>

The primary modalities by which ADB implements its adaptation agenda are (1) mobilizing and innovating to meet financial needs, (2) generating and disseminating knowledge, and (3) cultivating and fostering partnerships. We made significant progress in each of these areas in 2010.

**Finance for adaptation.** The multilateral development banks developed the Climate Investment Funds (CIFs) as an interim measure to scale up assistance to developing countries in responding to climate change, and to strengthen the knowledge base in the development community on mechanisms for climate change action. The CIFs are implemented jointly by the African Development Bank, ADB, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank Group.<sup>65</sup>

The two trust funds under the CIFs are the Clean Technology Fund and the Strategic Climate Fund. The Clean Technology Fund promotes programs to initiate a shift toward clean technologies and the Strategic Climate Fund supports targeted programs to pilot test new climate or sectoral approaches with that could be scaled up through

three windows: the Pilot Program for Climate Resilience, the Forest Investment Program, and the Scaling Up Renewable Energy Program in Low Income Countries. The CIFs are now playing a key role in meeting international climate change objectives with activities in 45 countries.

ADB continues to expand its efforts to support country-driven climate change adaptation programs. In 2010, we approved 36 grants and technical assistance projects and 20 loans related to climate change adaptation or with climate change adaptation components. We have supported a wide range of adaptation activities by grant financing, both from internal resources and a growing number of multilateral and bilateral funds.

- Under the technical assistance project, Promoting Climate Change Adaptation in Asia and the Pacific, we are pilot testing approaches and developing practical tools for adaptation and to improve national capacity to mainstream adaptation in investment planning. Another technical assistance project,<sup>66</sup> approved in 2010, is promoting the integration of climate resilience into national and sector planning processes and funding vulnerability assessments and adaptation strategies for sectors and river basins.
- Under ADB's Climate Change Fund, in 2010, we committed an additional \$4 million to the \$10 million already allocated to 11 projects for adaptation to climate change.
- For Bangladesh and Tajikistan, ADB and partners have developed strategic programs for climate resilience, funded through the Pilot Program for Climate Resilience of the CIFs. The program aims at providing incentives for scaled-up action and transformational change in integrating the consideration of climate resilience in national development planning, consistent with poverty reduction and sustainable development goals. Similar programs are

- being prepared for Cambodia, Nepal, and the Pacific.<sup>67</sup>
- As an Executing Agency of the Global Environment Facility (GEF), ADB assists countries to access GEF windows for funding adaptation efforts—the aim is to increase resilience to climate change at national, sector, project, and community levels. Proposed projects include developing climate-resilient infrastructure and management in India and Viet Nam.
  - In June 2010, ADB was accredited by the Adaptation Fund Board as one of its multilateral implementing entities and we are soliciting proposals for financing under the Adaptation Fund.<sup>68</sup>

**Water resources and land management.** The Asia and Pacific region is particularly vulnerable to the projected impacts of climate change on the water sector. River basins are specifically vulnerable, as the melting of glaciers leads to reduced water security for hundreds of millions of people, while increased rainfall variability leads to greater risks of floods, droughts, and other extreme events that adversely affect the quality and reliability of both surface and ground water. In coastal areas, rising sea levels and consequent salinity intrusion will worsen the degradation of aquifers. Climate risks exacerbate the existing stresses on the region’s water resources due to rapid economic development, demographic changes, and associated increase in water demand.

Reducing vulnerability to the likely impacts of climate change is one of the most pressing development challenges facing the region. Recognizing this challenge, ADB is responding through a wide range of finance and technical assistance activities to achieve “climate-ready” projects, cities, and river basins. Representative projects include promoting integrated water resources management and climate change adaptation strategies in India; providing structural and nonstructural water sector climate-

proofing measures in Khulna, Bangladesh; upgrading water resources management infrastructure and institutions in the Citarum River basin in Indonesia; and climate proofing water and energy projects in the Indus River basin in Pakistan. The Citarum River basin project has served as a flagship project using integrated water resources management as an adaptation process. Box 2.8 describes our partnerships for water and climate change.

**Generating and disseminating knowledge.**

Adaptation tools and methods are being prepared and pilot tested to assess the vulnerability of projects to climate change impacts and/or to climate proof vulnerable investments. The tools and methods include (1) for project preparation, a screening checklist that provides a rapid risk assessment for all hazards; (2) adaptation sector briefs; and (3) technical notes on “how to do climate proofing” (for transport and agriculture) to assess climate risks, evaluate impacts and adaptation costs, and prioritize responses. We are also expanding our regional studies of the economics of climate change: Southeast Asia was completed in 2009; studies of the Pacific client countries, South Asia, and East Asia are under way; and the study of Central and West Asia is being proposed. Pathbreaking climate impact and vulnerability assessments were completed in the urban and energy sectors in 2010. A study of climate change impacts on Ho Chi Minh City to 2050 examined structural and nonstructural options for building climate resilience.

**Networking and partnerships.** We are working closely with governments, international institutions, bilateral agencies, NGOs, and other development partners to improve knowledge and understanding of the impacts of climate change and options for effective adaptation responses. For example, we continue to collaborate with the United Nations Environment Programme (UNEP), the Institute for Global Environment Strategies, and other partners

### Box 2.8 Partnering for water and climate change



Crossing a flooded river in Bangladesh

The Asian Development Bank (ADB) has established, maintains, and participates in partnerships for water and climate change. ADB and the Asia–Pacific Water Forum established the Steering Group on Water and Climate Change, which will advise leaders on policies and investments and will guide the work of knowledge hubs with their partners and clients for improving climate change projections, impact assessments, and adaptation strategies. To achieve its objectives, the Steering Group is working with four regional hubs:

- the National Hydraulic Research Institute of Malaysia—the Regional Water Knowledge Hub for Water and Climate Change Adaptation in Southeast Asia;
- The Energy and Resources Institute—the Regional Knowledge Hub for Water and Climate Change Adaptation in South Asia;
- the International Centre for Water Hazard and Risk Management—the Regional Knowledge Hub for Disaster Risk Reduction and Flood Management; and
- the International Center of Integrated Mountain Development—the Regional Knowledge Hub for Water Resources Management in Mountainous Areas.

The Network of Asian River Basin Organizations, the Regional Knowledge Hub on Water and Climate Change Adaptation, likewise continues its support to share knowledge and develop capacity for integrated water resources management in river basins throughout the region.

To further the agenda on water security, the second edition of the *Asian Water Development Outlook*<sup>1</sup> will provide the first comprehensive quantitative and analytical view of the current state of water security achieved by the countries of the Asia and Pacific region. The report team, involving 10 knowledge partners, released its guiding vision for water security: “Societies can enjoy water security when they successfully manage their water resources and service to satisfy household water and sanitation needs in all communities, support productive economies in agriculture and industry, develop vibrant livable cities and towns, restore healthy rivers and ecosystems, and build resilient communities that can adapt to change.” These five dimensions depend on good governance. Better governance brings better prospects of prosperity and lower poverty; greener growth; and greater resilience to the transformation unfolding in the region, including climate variability and change.

<sup>1</sup> To be published in 2011.

### Box 2.9 Asia Pacific Adaptation Network: Sharing knowledge about adaptation



Delegates at the first Asia-Pacific Climate Change Adaptation Forum, in October 2010, Bangkok, Thailand

Adaptation to climate change requires “know-how,” and access to relevant and usable knowledge is an important prerequisite for successful adaptation efforts. The Asia Pacific Adaptation Network (APAN) is a regional knowledge sharing and capacity development mechanism that is part of the Global Adaptation Network. APAN was launched in October 2009 during the United Nations Framework Convention on Climate Change (UNFCCC) Bangkok Climate Change Talks. APAN is facilitated

by the Asian Development Bank (ADB), Asian Institute for Technology, Institute for Global Environment Strategies, United Nations Environment Programme (UNEP), and other partners.

APAN aims to build climate resilience by mobilizing knowledge and technologies to support capacity development, policy setting, planning, and dissemination of best practices for adaptation to climate change. APAN activities are undertaken by its regional hub, subregional nodes, and partner institutions in the Asia and Pacific region. ADB is particularly supporting the enhancement of APAN’s web portal ([www.asiapacificadapt.net](http://www.asiapacificadapt.net)) and facilitating knowledge exchange among governments, development partners, and other stakeholders.

Through APAN and the Regional Climate Change Adaptation Knowledge Platform for Asia, we helped organize the first Asia–Pacific Climate Change Adaptation Forum (21–22 October 2010, in Bangkok). At the forum, more than 550 participants shared their knowledge about and experience with mainstreaming adaptation into development planning in the region. The second forum is scheduled for October 2011 in Bangkok.

Source: <http://www.asiapacificadapt.net/>

to implement the activities of the Asia Pacific Adaptation Network (Box 2.9).

#### MANAGING RISKS FROM NATURAL DISASTERS

Disasters are a persistent challenge and they continue to erode development gains throughout Asia and the Pacific. While the region currently generates about 25% of the world’s gross domestic product, it also accounts for 42% of global economic losses and 85% of

deaths from natural hazard impacts. In addition, people in Asia and the Pacific are four times more likely to be affected by natural hazards than their counterparts in Africa, and 25 times more vulnerable than Europeans or North Americans. And the future may not be much better: a recent report by the World Bank and UN suggests that annual disaster losses could triple by the end of the current century, even without calculating the impact of climate change.<sup>69</sup> Because two-thirds of the disasters in Asia and the Pacific are weather-



related, the effects of climate change could result in a significant upsurge in the frequency and intensity of damaging events, which will prolong efforts to reduce poverty.

**Integrating disaster risk management.** Sound risk management tools and policies can address disaster risks more effectively when they are actively planned for, managed, financed, and (in some cases) transferred. This requires an integrated approach that combines proactive disaster risk management and disaster risk financing with traditional post-disaster aid. Integrated disaster risk management is an approach that links a series of proactive risk management tools and policies to manage natural hazards and to reduce the impacts of disasters. ADB is developing its framework for integrated disaster risk management based on three pillars: disaster risk financing, focusing on developing finance capacity and instruments; disaster risk reduction, focusing on enhancing hazard management and disaster prevention; and climate change adaptation, focusing on incorporating adaptation goals and opportunities into initiatives for integrated disaster risk management.

With more than half of the world's population living in cities, assuring that urban areas are resilient to hazards and disasters will become increasingly important for the vast majority of development and adaptation efforts. Moreover, progress toward sustainable development must ultimately take place in the context of local decision making and through the roles of local actors. Local development planning processes will be an increasing area of focus for ADB in order to meet our Strategy 2020's goals for work with subnational levels of government. To facilitate the work on urban resilience, we will explore city-level options for disaster risk financing, identify options for managing land use to avoid risks, and identify drivers of urban risk and opportunities to address their root causes through effective urban governance.



Villagers in Basti Panjanwala, Pakistan, cross flooded roads and fields to get food and supplies during the massive 2010 floods.

**Responding to disasters.** Under ADB's Disaster and Emergency Assistance Policy, our approach is to identify disaster risks during country programming, build disaster and hazard management capacity at the country level, and take those risks into account when developing country programs and investments, as well as to support regional coordination and harmonization. The Asia Pacific Disaster Response Fund that was under consideration in 2008 was established in April of 2009. The fund has increased ADB's capability to provide immediate support to member countries that suffer large-scale impact, and has been used six times since its inception.

## Social Development

ADB actively supports social development programs in many Asian and Pacific countries. Providing education targeted to a population's needs is basic to long-term development, and without good health, people cannot live happy and productive lives or make full use of their

skills or other assets. To achieve good health and perform to their potential, people need adequate nutrition through access to sufficient food.

Women's access to and control over natural and other resources is crucial to their own survival and well-being as well as that of their households and communities. Thus, we pay close attention to gender considerations in all of our work to help redress continuing inequalities. We especially work to provide poor and disadvantaged groups with access to essential basic services so they can attain a good quality of life and be productive members of society. By enhancing capabilities and facilities for education and health, promoting gender equality, and facilitating access to food, we are building long-term capacities to improve the quality of life and transmit these benefits to future generations.

### ADVANCING OPPORTUNITIES FOR EDUCATION

Good quality, inclusive education is essential to building human capabilities and a well-skilled labor force to underpin a modern, competitive economy. For this reason, ADB has identified education as a core area of operations. In 2010, ADB prepared *Education by 2020: A Sector Operations Plan*, which identifies key challenges confronting the developing countries of Asia and the Pacific, and presents our response to assisting countries in meeting those challenges.<sup>70</sup>

In line with Strategy 2020, ADB's education work has five main priorities:

- Increase and continue to align our support for education to meet the changing needs and priorities of our client countries.
- Emphasize quality, inclusiveness, and relevant skills at all levels of education. We will help to boost the quality of education and move toward universal secondary education, institute broad policy reforms and capacity development, strengthen social protection measures that assist girls and disadvantaged students to attend school, support postsecondary education, and ensure that technical and vocational

education and training contribute to filling labor market gaps and meeting the needs of informal sector workers.

- Adjust subsector priorities while recognizing major differences in education needs across countries. We will support comprehensive programs to improve basic, secondary, and postsecondary education.
- Use new and innovative models of service delivery and financing. We will use public-private partnerships as a way to improve the quality and cost efficiency of education, and support client countries' efforts to increase the use of information and communication technology in education service delivery.
- Promote regional cooperation and cross-border collaboration. We will facilitate labor mobility by supporting initiatives to provide needed education and skills.

In pursuing the five priorities, we will strengthen knowledge sharing; concentrate on achieving measurable results; and cultivate partnerships with other development agencies, education institutions, and private sector actors. ADB's Work Program and Budget Framework (2010–2012) envisions that education sector assistance will rise to \$1.5 billion, or about 4% of total ADB programming for loans and grants. From 2012, we will build on this base and substantially increase lending for education. We will also pursue cofinancing arrangements with other development agencies and the private sector.

Table 2.2 presents the progress of our education lending in the last 5 years by subsector. We responded to client countries' demands for a significant increase in assistance for higher education and workforce skills development.

The Southeast Asia subregion continues to receive the dominant share of our investments (the subregion received 73% of loans and grants and 42 % of technical assistance during 2009–2010). Achieving a more balanced distribution of investments throughout Asia and the Pacific

**Table 2.2 Subsectoral distribution of ADB's investment in education, 2007–2008 and 2009–2010 (%)**

	Basic education	Upper secondary education	Higher education	Non-formal education	Technical education and vocational skills	Broad education sector development
<b>Loans and grants</b>						
2009–2010	29	7	25	0	15	23
2006–2008	20	10	0	8	22	40
<b>Technical assistance</b>						
2009–2010	12	10	34	0	12	32
2006–2008	16	9	8	11	27	29

is necessary to address the different and specific education needs of all our client countries.

Along with financing for education, we continue to promote knowledge sharing in the sector. Through our Education Community of Practice, we produce timely operational knowledge products, intensify external partnerships, and participate in interagency working groups focusing on areas of ADB support in education.

### EXPANDING HUMAN CAPACITIES AND PROMOTING LABOR STANDARDS

**Labor markets.** The efficient operation of labor markets is important in the region because informal employment is now a major source of income in most communities—especially in urban areas. Thus, labor market policies and programs form an important part of our social protection strategy,<sup>71</sup> and Strategy 2020's agenda to promote inclusive social development emphasizes greater access to economic opportunity by improving the productivity of the workforce and expanding human capacities through investments in education, health, and basic social protection (Box 2.10). The task is daunting. By 2030, the region's labor force will need to absorb 420 million new workers.

**Decent working conditions.** Decent working conditions help reduce poverty, raise living standards, and enhance the inclusiveness and sustainability of economic growth by increasing productivity. In promoting good labor relations, we are guided by the internationally recognized core labor standards. We are committed to supporting the application of these standards as part of our Social Protection Strategy, and most of our client countries, as members of the International Labour Organization (ILO), are also held to respect, promote, and realize the fundamental core labor standards. We published the *Core Labor Standards Handbook*<sup>72</sup> and *Labor Issues in Public Enterprise Restructuring*<sup>73</sup> to guide ADB staff and other stakeholders in dealing with labor concerns, and we carry on an active dialogue with trade unions and with the ILO to address issues that concern workers and the labor market. Loan agreements for our projects involving works contain assurances that the contractors will comply with the borrowing country's labor laws and related international treaty obligations, will not employ child or forced labor, will provide men and women equal wages for equal work, and will apply other provisions as appropriate.

### Box 2.10 Enhancing skills through vocational training



**Computer training in the Lao People's Democratic Republic helps upgrade skills.**

The Lao People's Democratic Republic needs to modernize its economy and provide more employment for its people. To do so, the country must work to remedy significant issues of limited human resources, weak capacity, and skills shortages in the labor force. In response, the government has made technical vocational education and training (TVET) one of its key focus areas.

To assist the government's efforts, in 2010 the Asian Development Bank provided a \$23 million grant for strengthening the country's TVET. The grant will directly help about 20,000 students to become highly skilled to augment the country's workforce. The grant is also

- improving the curricula and equipment of TVET institutions;
- enhancing the quality and relevance of teaching by upgrading teachers' skills;
- upgrading the management of TVET institutions;
- strengthening the institutions' governance by increasing participation by the private sector; and
- increasing the equity of access to TVET, especially among females.

Source: ADB. 2010. *Proposed Grant Lao People's Democratic Republic: Strengthening Technical and Vocational Education and Training Project*. Manila. <http://www.adb.org/Documents/RRPs/LAO/42278/42278-02-lao-rrp.pdf>

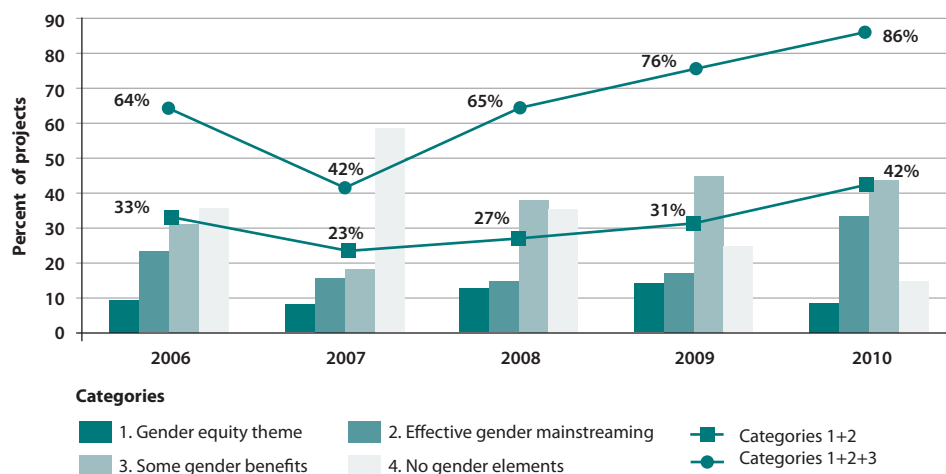
### ENHANCING GENDER EQUITY

Strategy 2020 recognizes gender equity as one of five drivers of change that will accelerate inclusive growth and support progress toward the Millennium Development Goals (MDGs) in Asia and the Pacific. ADB contributes to gender-related activities at the country level through country partnership strategies, projects, technical assistance, policy dialogue, and capacity development.

ADB operations contribute to achieving MDG 3 (promoting gender equality and women's empowerment) and MDG 5 (improving maternal health). Progress toward achieving MDG 3 and its related indicators remains mixed.<sup>74</sup> Gender

equality in primary school enrollment is high, with most of our client countries having ratios of 0.95 or more, but fewer achieve gender equality in secondary and especially tertiary enrollment. Women's representation in national parliaments has been growing across the Asia and Pacific region; however, a few countries still have no women in their national parliaments. Progress toward MDG 5 has been significantly slower (Figure 1.1). Maternal mortality ranges from 2 per 100,000 live births in Hong Kong, China and 45 in the PRC to more than 300 in Bangladesh, India, Indonesia, and Pakistan and over 1,800 in Afghanistan. Risks of death in childbirth are drastically reduced if a trained health worker is present during deliveries, but only 14 of 36

**Figure 2.3 ADB projects addressing gender concerns, 2006–2010**



economies are expected to meet the MDG target of reducing by three-quarters the number of unattended births. Antenatal care is also an effective means of reducing maternal mortality, and 13 of 26 client countries are expected to meet the MDG target of providing at least one antenatal care visit per birth.

ADB first adopted its Gender and Development Policy in 1998. In 2008, Strategy 2020's Results Framework provided an organizational accountability mechanism for gender mainstreaming in all areas of ADB operations. The Results Framework set an ambitious target that 40% of all our projects, and 50% of all projects we finance through the concessional Asian Development Fund, will have a gender theme or effective gender mainstreaming by 2012. Our projects are categorized by their degree of gender mainstreaming at the time of approval according to set criteria as having (1) a gender equity theme, (2) effective gender mainstreaming, (3) some gender benefits, or (4) no gender elements. Projects classified in the first categories count toward the targets. We achieved these targets for the first time in 2010, with gender mainstreaming in 42% of overall projects and 53% in Asian Development Fund operations. Figure 2.3 shows the trends in the

gender category composition of ADB's loans and grants portfolio during 2006–2010.

We have diversified our gender mainstreaming portfolio by sector, modality, and geographical region. Education, health, water supply and sanitation, environment, and natural resources management projects consistently and effectively mainstream gender. Innovative strides have also been made for gender mainstreaming in other sectors. Efforts to mainstream gender issues in policy-based and multitranche program modalities have also been increasingly successful (Box 2.11).

ADB continues to scale up its internal capacity for gender mainstreaming with the recruitment of additional gender specialists and effectively provides relevant support to executing agencies. Training workshops contribute to increasing staff members' awareness of gender-responsive project design and implementation, and our Gender Equity Community of Practice plays an active role in managing and disseminating knowledge about gender issues. In addition, we continue to strive toward increased capacity and effectiveness in monitoring results of action to enhance and ensure gender equality.

### Box 2.11 Gender-responsive policy-based loans and grants



Women may be bypassed by social services that are not targeted specifically and appropriately for them. As a result they suffer, and so do their families.

To remedy this, a program in Bangladesh includes enhanced gender targeting as one of the policy reform areas to improve the effectiveness of service delivery, particularly for social safety net programs supported by the overall

program. One of the program's targets is that 20% more women will be covered by social safety net programs targeted at them. To achieve this, conditions for the release of the first tranche require that the government finalize gender budgeting guidelines and submit the gender budgeting report to Parliament. A second tranche condition is that at least 20 ministries that have adopted the medium-term budget framework will have adopted gender budgeting guidelines.

In the Social Sectors Support Program in Mongolia, as part of the measures to improve targeting mechanisms of social welfare programs, gender-based proxy means testing will be conducted. A sex-disaggregated national database of social welfare program recipients will be developed and capacity development programs for gender analysis will be held for the National Statistical Office and relevant line ministries, including the Ministry of Social Welfare and Labour.

Sources: ADB. 2009. *Proposed Program Loans People's Republic of Bangladesh: Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program*. Manila. <http://www.adb.org/Projects/project.asp?id=43157>; and ADB. 2009. *Social Sectors Support Program Mongolia*. <http://www.adb.org/Documents/RRPs/MON/43096-MON-RRP.pdf>

### REDUCING HEALTH RISKS

Improving access to health services and outcomes from them is a key development challenge in Asia and the Pacific. The latest regional assessment indicates that several countries lag in their progress toward the MDGs.<sup>75</sup> ADB's Operational Plan for Improving Health Access and Outcomes Under Strategy 2020 marked a shift in our approach to achieving health outcomes through our core operations, by working in broad alliances and strategic partnerships.<sup>76</sup> The plan focuses on three areas.

(1) Health outcomes through infrastructure operations includes systematically mitigating

risks of communicable diseases associated with the transport sector, developing indicators and health outcomes for water-related projects, implementing public-private partnerships in health and HIV/AIDS projects in Papua New Guinea, and addressing health impacts of air pollution related to traffic and implementing road safety initiatives.

(2) Health outcomes through regional cooperation includes establishing a regional health observatory and regional AIDS data hub to address key health issues, supporting broad-based partnerships on regional health security and pandemic preparedness that

### Box 2.12 Controlling communicable diseases in the Greater Mekong Subregion

Communicable diseases take an especially heavy toll on the poor, often preventing them from emerging from poverty and pushing the near-poor below the poverty line. Major outbreaks, such as avian influenza, can have wide-reaching economic impacts.

To strengthen national surveillance and response systems, improve communicable disease control, and enhance regional collaboration in communicable disease control, the Asian Development Bank and partners are implementing the Greater Mekong Subregion Regional Communicable Diseases Control Project. Our partners in the project include the World Health Organization, for technical support, and the governments of Cambodia, Lao People's Democratic Republic, and Viet Nam. About 10% of the project's funds are pooled for regional activities, and the project is implemented through the ministries of health of the three countries.



Investigating a cholera outbreak

Source: ADB. 2010. *Proposed Loan and Grants Kingdom of Cambodia, Lao People's Democratic Republic, and Socialist Republic of Viet Nam: Second Greater Mekong Subregion Regional Communicable Diseases Control Project*. Manila. <http://www.adb.org/Documents/RRPs/VIE/41508/41508-01-vie-rrp.pdf>

address co-benefits of human and animal health, and implementing communicable disease control initiatives in the GMS subregion (Box 2.12).

- (3) Improved governance and financing in health services delivery has been an important focus in a variety of client countries, including Bangladesh, Mongolia, Pakistan, and Viet Nam.

ADB will continue to invest selectively in stand-alone projects for client countries that wish to address policy and investment gaps in achieving reforms and the MDGs, in partnership with technical agencies.

To generate knowledge and advance policy dialogue, we will disseminate evidence-

based good practices related to HIV/AIDS and infrastructure projects; develop health indicators, and study health impacts assessments and the role of the private sector in health; work on advancing tools to promote investment for maternal, newborn, and child health; support broad-based initiatives on tobacco taxation; and share new findings on how to address the impacts on health of climate change.

ADB supports health-related initiatives in partnership with other organizations that complement ADB's mandate. Internally, the Health Community of Practice works closely with other communities of practice to address health outcomes in ADB's wider operations.

### Box 2.13 Delivering food supplies



With adequate facilities, this market vendor can provide good quality produce at reasonable prices.

Improved agriculture techniques and infrastructure can help move more and better quality food from farm to market, increasing incomes for farmers and benefiting consumers. Through loans, grants, and technical assistance, the Asian Development Bank (ADB) aims to support programs that can disseminate improved agriculture techniques and deliver better roads, markets, and storage facilities.

The Agribusiness Infrastructure Development Investment Program aims to help the Indian states of Bihar and

Maharashtra modernize their horticulture industries and boost the incomes of farmers and other vulnerable groups. The program will finance improvements to facilities such as cooling; packaging and storage sheds; and essential infrastructure such as power, water, and farm-to-market roads. It will also pioneer public–private partnerships in agriculture, with the private sector bringing in applicable modern technology and agribusiness practices in horticulture.

Under the Greater Mekong Subregion (GMS) Transport and Trade Facilitation Project, ADB and development partners provided a \$5.7 million grant for the GMS countries to improve transport and facilitate trade in the subregion. The grant is financed by the Government of Australia, through the Australian Agency for International Development (AusAID), and is administered by ADB. The assistance will enable cheaper and faster transport across borders by improving border management and transit procedures. By streamlining the exchange of traffic rights between countries and simplifying border handling procedures, such as customs, and sanitary and phytosanitary standards, the project will boost the integration of food production and market bases in the subregion.

Sources: ADB. 2010. *Proposed Multitranches Financing Facility: India: Agribusiness Infrastructure Development Investment Program*. <http://www.adb.org/Documents/FAMs/IND/37091-02-ind-fam.pdf> and ADB. 2010. *Proposed Loan, Grant, and Administration of Loan Lao People's Democratic Republic and Socialist Republic of Viet Nam: Second Northern Greater Mekong Subregion Transport Network Improvement Project*. <http://www.adb.org/Documents/RRPs/REG/41444/41444-01-reg-rrp.pdf>

## RESPONDING TO THE CALL FOR FOOD SECURITY

### Setting the priorities and stepping up action.

The Asia and Pacific region has made remarkable progress in achieving several of the MDGs, but lags in the crucial areas of hunger and food security. The region's vulnerability to hunger and food insecurity was made particularly apparent during the food crisis of 2007 and 2008. FAO data indicate the effects of soaring food prices have

been felt most acutely in our region, where two-thirds of the world's hungry people reside.<sup>77</sup>

Building on the hard lessons learned during that crisis and noting that there are no shortcuts to achieving food security, ADB approved in December 2009 the Operational Plan for Sustainable Food Security in Asia and the Pacific for 2010–2012. The plan emphasizes agricultural productivity, market connectivity, and resilience



### Box 2.14 Filling the rice bowl

To achieve Millennium Development Goal 1—eradicating extreme poverty and hunger—countries need secure food supplies for their populations. The Asian Development Bank is supporting the ASEAN+3<sup>1</sup> countries' initiative for regional food security by funding strategic research focusing on (1) establishing a regional emergency rice reserve that will help the member countries to handle acute and unexpected shortages of rice due to disasters, (2) enhancing regional rice trade through specific actions in accordance with the ASEAN Trade in Goods Agreement, and (3) strengthening sharing of food security information and developing collective market intelligence on rice.



The research is expected to be completed in 2011, with its outputs reviewed and endorsed by the leaders of ASEAN+3 countries. This will be a major step toward restoring the regional trust in international rice trade as a means to address food security and promote coordinated policy responses to food security crisis.

<sup>1</sup>ASEAN+3 includes the countries of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, the Republic of Korea, and Japan.  
Source: ADB. 2010. *Strategic Research for Sustainable Food and Nutrition Security in Asia*. <http://www.adb.org/Documents/TARs/REG/44144-01-reg-tar.pdf>

against shocks and climate change impacts as the three pillars to achieving sustainable food security. The plan also commits ADB to increased but focused support for agricultural research and innovations for development and to strengthen partnerships with other development agencies, for enhanced synergy and harmonization in food security work.

The Operational Plan for Sustainable Food Security targets \$2 billion a year for investments related to food security, harnessing our comparative strengths in the infrastructure, environment, regional cooperation, finance, and education sectors. For 2010, ADB approved approximately \$2 billion in investments and technical assistance projects related to food

security. Box 2.13 illustrates some of the approved investments that demonstrate the new directions of our investment operations in this area.

Reliable and transparent food trade systems and measures to stabilize food prices are significant public goods, particularly for the poor. Thus, ADB supports policy reforms and advocacy related to food security for the region, to improve commodity market operations and reduce excessive price volatility. A key activity is our partnership with the ASEAN+3<sup>78</sup> in implementing the Integrated Food Security Framework in three areas—improving region-wide market information, strengthening rice market trade, and developing regional rice reserve systems (Box 2.14).

ADB's recent knowledge products pertaining to food markets include the relationship between financial and commodity markets; transmission of world food prices to domestic markets; leakage, diversion, and excess costs of food subsidies; and the potential for Southeast Asia to cater to the growing food demand from the PRC.

ADB began to monitor food and fuel commodities and financial markets in 2010 to respond to requests from client countries for up-to-date information, assessments, and economic analyses of the implications that market volatilities have for macroeconomic and social development of the region. Such knowledge equips ADB to provide good policy advice to help client countries adapt to and mitigate the impact of high and volatile commodity prices and to strengthen their policy making.

We continue to provide long-term financing to support research in the food security challenges pertaining to productivity, connectivity, and resilience. For 2010, ADB committed \$6 million to key international agriculture research centers for (1) the production and promotion of knowledge products that will reduce rice yield losses due to poor pre- and post-harvest management practices and technologies, (2) technology innovations required for producing more food with less water use, and (3) development of a workable action plan and Asian priority agenda for agriculture research for development.

We actively promote the building of partnerships and innovative approaches to ensuring food security in the region. For 2010, ADB, FAO, and the International Fund for Agricultural Development (IFAD) organized Food for All: Investment Forum for Food Security in Asia and the Pacific. More than 400 participants from the public and private sectors, civil society, and the international community participated in the forum. As a result of the forum, the heads of ADB, FAO, and IFAD signed the Asia and the Pacific Regional Food Security Partnership Framework. ADB also contributed to the Asia Society and International

Rice Research Institute Joint Task Force report, *Never an Empty Bowl: Sustaining Food Security in Asia*,<sup>79</sup> by disseminating the policy findings of the Task Force report in developing Asia. And we actively participated in developing and structuring the Global Agricultural and Food Security Program with the World Bank as the trustee.

## Promoting Good Governance

### ENVIRONMENTAL AND SOCIAL SAFEGUARDS

We place a great deal of importance on our safeguard policies because they seek to avoid, minimize, or mitigate adverse environmental impacts, social costs to third parties, and marginalization of vulnerable groups that may result from development projects. Safeguard policies are requirements to "do no harm" that must be met for all projects, and their provisions are not negotiable.

**Safeguard Policy Statement.** ADB's Safeguard Policy Statement (SPS) was approved by the Board of Directors in 2009 and came into effect in January 2010.<sup>80</sup> The SPS reaffirms ADB's commitment to ensure social and environmental sustainability of development projects we support, and the SPS emphasizes the need to assist client countries to strengthen their own systems to address environmental and social issues. Despite the increased number of projects and the inclusion of several new safeguard requirements that were not covered under the previous safeguard policies, our transition to the SPS in 2010 was smooth and effective.

### Safeguard policy principles and requirements.

The SPS builds on the three previous safeguard policies on the environment, involuntary resettlement, and indigenous peoples, and brings them into a consolidated policy framework that enhances their effectiveness and relevance.

### Box 2.15 Policy principles and requirements of the Safeguard Policy Statement

The Safeguard Policy Statement sets up safeguard policy principles and specific requirements that projects supported by the Asian Development Bank must comply with.

They cover

- environmental and social impact assessment, planning, and management;
- biodiversity and sustainable natural resources management;
- prevention and abatement of pollution;
- occupational and community health and safety;
- involuntary resettlement;<sup>1</sup>
- indigenous peoples;
- physical cultural resources;
- information disclosure, consultation, and participation; and
- grievance redress mechanisms, monitoring, and reporting.

<sup>1</sup> Defined as “social and economic impacts that are permanent or temporary and are caused by (1) acquisition of land and other fixed assets, (2) change in the use of land, or (3) restrictions imposed on land as a result of an ADB operation.” ADB. 2006. *Operations Manual*. OM Section F2/BP, [http://www.adb.org/Documents/Manuals/Operations/OMF02\\_25sep06.pdf](http://www.adb.org/Documents/Manuals/Operations/OMF02_25sep06.pdf)  
Source: ADB. 2009. *Safeguard Policy Statement*. <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>



It lays out policy principles and outlines a set of specific safeguard requirements that ADB-supported projects are expected to meet when addressing social and environmental impacts and risks (Box 2.15). The SPS applies to all ADB-supported projects, and stipulates compliance with applicable safeguard requirements of our client countries.

In 2010, the Asian Development Bank approved 115 projects. Among them, 74 were deemed to have potential environmental impacts and thus required environmental assessment, including environmental management plans or frameworks; 49 were considered to have potential involuntary resettlement impacts and required resettlement plans and frameworks; and 19 were deemed to have potential impacts on indigenous

peoples, requiring the preparation of indigenous peoples plans and frameworks. Of projects including ADB investment that goes through or to a financial intermediary, 15 were required to have environmental and social management systems.

To ensure sound implementation of the SPS, we provided ADB staff members with extensive training prior to and after the SPS became effective. Nearly 700 staff members from headquarters and field offices have been trained. At the same time, and in line with the SPS, ADB's Work Program and Budget Framework 2010–2012 includes 38 new safeguard staff positions. To enhance awareness about the safeguards among our stakeholders, we held workshops in Cambodia, the PRC, India, Indonesia, the Lao

People's Democratic Republic, Mongolia, Nepal, Pakistan, Papua New Guinea, the Philippines, and Viet Nam. The workshop participants included government staff, civil society representatives, and private sector clients. The SPS has been translated into nine languages.

### **Safeguard review and due diligence**

**procedures.** ADB's *Operations Manual*, Section F1 on Safeguard Review Procedures,<sup>81</sup> outlines our due diligence, review, and supervision requirements, to ensure that borrowers comply with the applicable safeguard requirements. We monitor compliance with the safeguard requirements at the beginning of a project and throughout the project cycle.

Operations departments report to ADB's management team on each project's status of compliance with the safeguards. In addition, the Regional and Sustainable Development Department advises ADB's management team and operations departments on safeguard compliance, particularly for projects that could have significant impacts pertaining to the safeguards. If risks of noncompliance arise during project preparation, action to ensure compliance is recommended and we take steps to ensure that safeguard requirements are met before projects are approved by our Board of Directors. Operations departments and the Regional and Sustainable Development Department field teams to review safeguards for on-going projects—particularly for projects that could have significant impacts—to ensure the SPS requirements are properly implemented. Executing agencies and project sponsors are required to produce environmental or social safeguard monitoring reports, and project completion and evaluation reports include a review of the implementation of safeguards.

**Roles and responsibilities.** We work with our borrowers to put policy principles and requirements into practice. The borrower is responsible for implementing the provisions of the SPS. ADB explains the policy requirements to

clients, helps them meet the requirements during project processing and implementation through capacity development programs, ensures due diligence and review, and provides monitoring and supervision.

### **Strengthening country safeguard systems.**

The SPS also emphasizes the need to assist our client countries to strengthen and effectively implement their own systems to help ensure environmental and social safeguards are employed. We have provided technical assistance<sup>82</sup> for several client countries to study their safeguard systems, recommend gap-filling measures, incorporate international good practice into national laws and regulations, build institutional capacity, engage in public participation and enable transparency, and enhance financial intermediaries' awareness and know-how in establishing and maintaining corporate environmental and social responsibility systems.

## **GOVERNANCE AND ANTICORRUPTION**

For over a decade, ADB has been working with client countries and partners in civil society and the private sector to promote good governance and to combat corruption.

Our Second Governance and Anticorruption Action Plan (GACAP II), endorsed in mid-2006, places a focus on three thematic priorities: public financial management; public procurement; and the combating of corruption through preventive, enforcement, and investigative measures. GACAP II's four objectives are to

- improve the identification and management of governance, institutional, and corruption risks to our country programs;
- strengthen the governance and anticorruption components of our projects;
- better manage our portfolio of governance-related actions; and
- improve our internal capacity for and access to external expertise.

### Box 2.16 Supporting Indonesia's efforts to improve governance

The Indonesian government has been working to enhance its governance. Asian Development Bank assistance for the government's efforts, through the Fifth Development Policy Support Program, targets greater orientation toward results in budget formulation and execution, further consolidation of a "treasury single account" (an account or set of linked accounts through which the government transacts all payments),<sup>1</sup> initiation of a new integrated financial management and information system, and public procurement reform.



Two key activities have been supported by the program—effective management of cash and electronic procurement.

- Effective cash management was given a major boost with the establishment of a treasury single account at Bank Indonesia and the daily sweep of the government's accounts in commercial banks into the single account.
- The new Presidential Decree No. 54/2010 mandates that all agencies will use e-procurement by 2012.

<sup>1</sup> S. Schiavo-Campo and C. Tomasi. 1999. *Managing Government Expenditure*. Manila: ADB. [http://www.adb.org/documents/manuals/govt\\_expenditure/chap8.pdf](http://www.adb.org/documents/manuals/govt_expenditure/chap8.pdf)  
Source: ADB. 2009. *Proposed Loan Republic of Indonesia: Fifth Development Policy Support Program*. <http://www.adb.org/Documents/RRPs/INO/43092-INO-RRP.pdf>

**Working with governance risks (and not around them).** A key feature of GACAP II is that it introduces a risk-based approach to governance and corruption assessments. In the context of GACAP II, diagnostics focus on assessing the risk to development outcomes posed by weak governance, poorly performing institutions, or vulnerability to corruption. Under GACAP II, governance risk assessments (focusing on public financial management, procurement, and vulnerability to corruption) are prepared at country, sector, and project levels.<sup>83</sup> These assessments are supported by risk management plans that are used to document concrete action needed to manage risks that are most likely to adversely impact development outcomes.

We have placed particular emphasis on identifying and responding to governance challenges and opportunities at the sector level.

In 2010, we prepared governance guidance notes for urban water, education, roads, and electricity. To ensure maximum operational relevance, the guidance notes were prepared as a joint effort between the Governance and Public Management Community of Practice and the relevant sector community of practice.

**Supporting regional and country efforts to improve governance and reduce vulnerability to corruption.** In 2009, about 26% of our loans were classified as governance projects. A significant part of this support is provided through sector programs, program-based approaches, and projects that involve cross-cutting policy and institutional reforms. In Indonesia, for example, governance was improved by addressing public financial management through a policy-based lending operation (Box 2.16).

**Regional cooperation, partnerships, and cofinancing.** The Anti-Corruption Initiative for Asia and the Pacific was launched in 1999 by ADB and the Organisation for Economic Co-

operation and Development (OECD). In 2010, the Anti-Corruption Initiative's 28 member countries endorsed the realignment of its Action Plan to support the prevention and

### Box 2.17 Collaborating with nongovernment and civil society organizations



Communities and governments need to understand how to respond to the effects of climate variability.

**Disaster prevention in rural Tajikistan.**<sup>1</sup> To work with the Tajikistan government's Disaster Management Partnership, Rapid Emergency Assessment, and Coordination Team, the Asian Development Bank contracted a consortium of nongovernment organizations (NGOs). The NGOs are helping flood-prone villages in Southwest Tajikistan's Khatlon region to prepare and cope with floods and other natural disasters. The NGO consortium mobilized several experts (including a hydrogeologist, botanist, zoologist, land management expert, and legal expert) to identify issues and possible solutions for restoring the damaged ecosystems and strengthening riverbank and housing areas against floods.

**Developing a multistakeholder network to address climate change.** We are working with client countries in the Pacific to build regional capacities to face the challenges posed by climate change impacts.<sup>2</sup> Under a new project approved in 2009, ADB's Pacific Climate Change Program will establish a network, coordination, and communication system for the Pacific Climate Change Implementation Plan,<sup>3</sup> which will include national climate change focal points, development partners, research organizations, NGOs, civil society groups, and private sector stakeholders. The Pacific Climate Change Program will conduct public education and outreach activities to improve the understanding of climate change adaptation in government ministries, schools, the private sector, and civil society.

<sup>1</sup> ADB. 2008. *Grant Assistance, Republic of Tajikistan: Community Participatory Flood Management* (Financed by the Japan Fund for Poverty Reduction). Manila. <http://www.adb.org/Documents/GAR/TAJ/40046-TAJ-GAR.pdf>

<sup>2</sup> ADB. 2007. *Strengthening the Capacity of Pacific Developing Member Countries to Respond to Climate Change*. Manila. <http://www.adb.org/Documents/TARs/REG/43071-REG-TAR.pdf>

<sup>3</sup> ADB. 2009. *Mainstreaming Climate Change in ADB Operations: Climate Change Implementation Plan (CCIP) for the Pacific (2009–2015)*. Manila. <http://www.adb.org/Documents/Books/Climate-Change-Implementation-Plan/ccip.pdf>

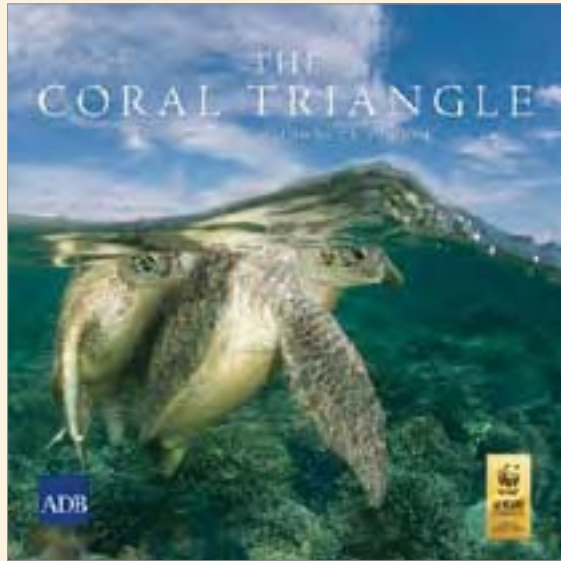
### Box 2.18 Partnering with International nongovernment organizations

In 2001, the Asian Development Bank (ADB) and the World Wide Fund for Nature (WWF) signed a memorandum of understanding toward the sustainable management of natural resources in Asia and the Pacific. The partnership builds on synergies of each organization's strengths and their shared vision of poverty reduction and environmentally sustainable development. Activities focus around joint projects and programs, information sharing and knowledge management, capacity building, and the development of sustainable development policies and strategies.

ADB and WWF have held annual consultations since 2002 to review their activities, discuss new areas of focus, and conduct joint programming. The partnership has mainly focused on the management of some critical ecosystems in Asia and the Pacific through three regional environmental initiatives—the Coral Triangle Initiative, the Heart of Borneo Initiative, and the Greater Mekong Subregion Biodiversity Conservation Corridors Initiative. In October 2010, ADB and WWF organized several side events at the Conference of the Parties to the Convention on Biological Diversity held in Nagoya, Japan to highlight the importance of joint actions to sustain biodiversity and promote sustainable development in the region. Cooperation between the two organizations continues to expand in developing approaches for conserving and managing forests, protecting coastal ecosystems, and implementing ecosystem-based adaptation.

The following three examples demonstrate other ADB activities with international nongovernment organizations (NGOs).

- In partnership with SNV Netherlands Development Organisation, we are promoting a pilot biogas energy development project to benefit rural farmers in Bhutan (Box 2.5).<sup>1</sup>
- ADB has consulted with Bhutan's Royal Society for Protection of Nature, a national NGO well known for its work in environmental awareness, to inform project design and policy formation and guidelines for hydropower and water usage.
- We have consulted WWF, the International Union for Conservation of Nature (IUCN), and the Centre for International Studies and Cooperation regarding Nepal's climate change adaptation program in order to support a new Climate Investment Fund Strategic Program for Climate Resilience. NGOs will be involved in implementing a community-based vulnerability assessment and action planning initiative to respond to effects of climate change.



The Coral Triangle, which includes parts of six Asian Development Bank members, supports a highly valuable and essential biodiversity. As part of the action plan to protect and preserve these resources, we and the World Wide Fund for Nature are preparing to publicize them in a book showcasing the Coral Triangle's ecosystem and some of its species.

<sup>1</sup> See <http://www.adb.org/Projects/project.asp?id=37399>.

capacity development aspects of the United Nations Convention against Corruption. Other international networks in which ADB actively participates include the Governance Network, the Task Force on Public Financial Management, the Task Force on Tax and Development (all three coordinated by the OECD Development Assistance Committee), and the Multilateral Development Bank Financial Management Harmonization Working Group (see Part 1).

### **WORKING WITH CIVIL SOCIETY**

We continue to contribute to good governance practices by engaging with civil society organizations (CSOs) in project design and implementation as well as in developing and reviewing our major policies. For example, in 2010, hundreds of representatives of project-affected people, NGOs, and community-based organizations contributed to updating our Public Communications Policy (Part 1).

We recognize CSOs as key actors in addressing the governance and other challenges confronting the Asia and Pacific region. CSOs are especially well-situated to channel the inputs of poor and marginalized communities into the design and formulation of development interventions. Civil society continued to contribute to the country partnership strategy development process through in-country consultations. For example, the new country partnership strategy for Nepal<sup>84</sup> identifies engaging with civil society as one of six thematic priorities; and approximately two-thirds of our sovereign investment projects<sup>85</sup> involve CSOs in some way—many play an important role in monitoring project implementation. Our collaboration with CSOs thus comes in many forms (Boxes 2.17 and 2.18 on pp. 54 and 55 provide examples).





Part 3

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# **ADB's Corporate Footprint**

# ADB's Corporate Footprint

## Our Staff and Offices



ADB's headquarters

The Asian Development Bank (ADB) is based in Manila, Philippines, and has 30 field offices, including country and regional missions and representative offices (see the map on pp. vi-vii). We opened two additional field offices during 2009–2010.

At the end of 2010, ADB's headquarters served more than 2,200 staff members. In addition, over 3,600 consultants and service providers were usually engaged in our Manila facilities. We have consistently worked to ensure that our facilities and staff are models of good practice and citizenry in the Manila community and at other sites where we have offices.

Our head office facilities occupy 6.5 hectares in Ortigas Center, Mandaluyong City, Metro Manila. The building complex, which uses over 41% of the site's land area, comprises a nine-storey office tower block linked to a two-storey special facilities block. The buildings provide about 144,000 square meters of space and were designed to be energy efficient. A six-storey car parking building was nearing completion at the end of 2010. These facilities are managed by ADB's Office of Administrative Services. Because we need to provide additional office space for the increased number of staff members, the office tower block will be extended by about one third, into part of the current car park. The

new car parking building will compensate for the decrease in ground-level parking area.

## Working Together

### ORGANIZATIONAL TRANSFORMATION

**Our People Strategy and action plan.** The recommendations resulting from the review of our 2005–2007 human resources strategy included two critical starting points that are enabling ADB to fundamentally realign its human resources and people management with its business strategy—Our People Strategy<sup>86</sup>—and the Human Resources Function Strategic Framework and Action Plan.<sup>87</sup> Our People Strategy provides a blueprint for ADB to be the premier development institution in Asia and the Pacific based on three interrelated goals: secure skilled and motivated people who are well managed and operate in an enabling environment. The Human Resources Function Strategic Framework and Action Plan defines the actions ADB will take to translate Our People Strategy’s three goals into practice (Figure 3.1).

A new staff classification system was approved in 2010, placing staff into three categories: international, national, and administrative (previously, the category “local” staff included the national and administrative staff at headquarters). The new system appropriately recognizes and acknowledges differences in roles, qualifications, and skills sets.<sup>88</sup>

**Staff engagement survey.** To promote positive organizational change, ADB completed a staff engagement survey administered by external experts to measure progress achieved since the previous 2008 survey results. Over 87% of staff members participated in the survey taken in May 2010, compared to more than 81% in 2008. The overall engagement rate increased from 60% in 2008 to more than 68% in 2010, suggesting that ADB is progressing in the right direction.

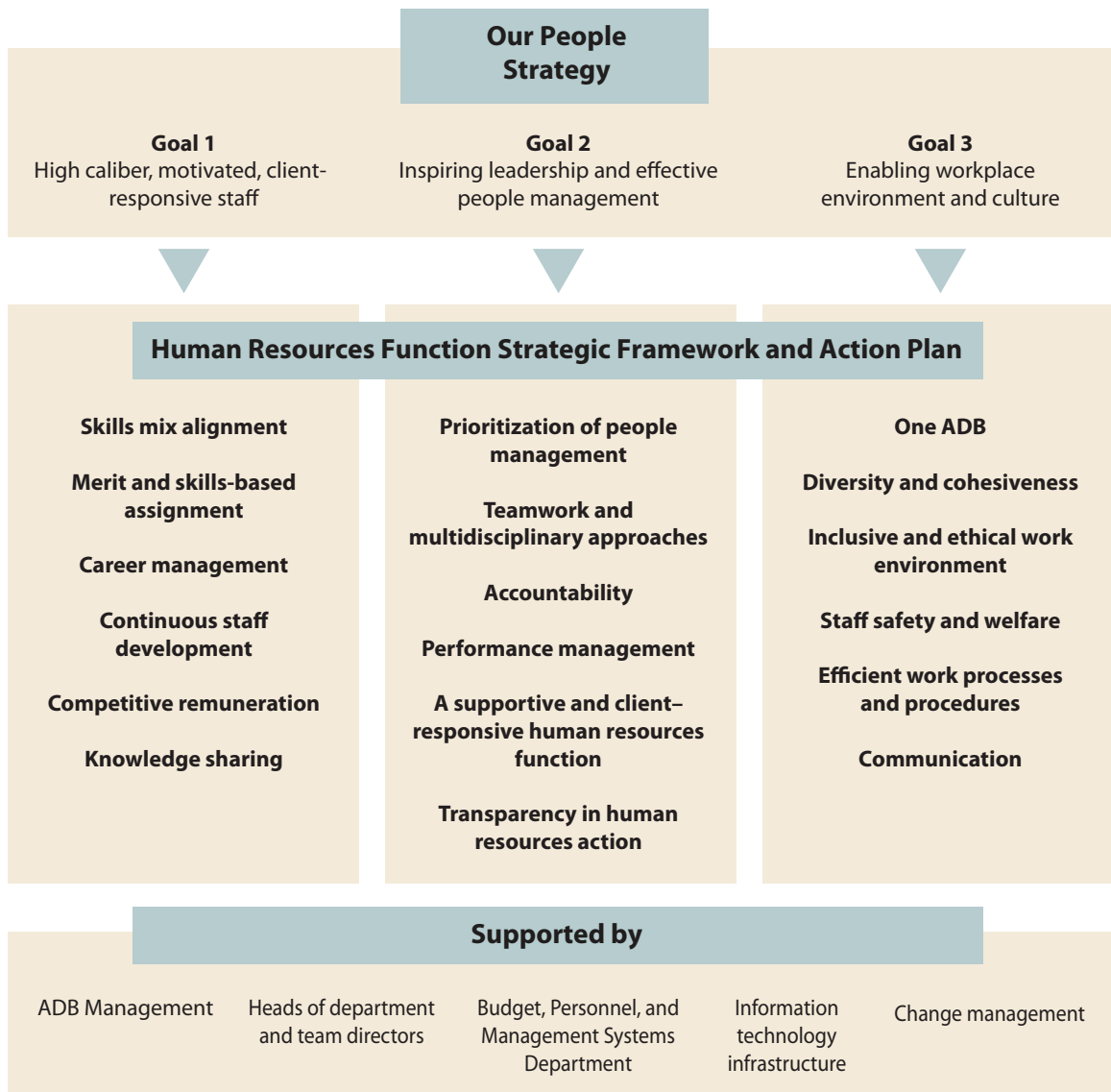
The respondents identified characteristics of work at ADB that they appreciated (i.e., goals and objectives, physical work environment, employment security, job satisfaction, and working relationships), and priority areas for improvement (i.e., stress, balance and workload, performance evaluation, work organization and efficiency, salary and benefits, and career development). The survey results serve as vital inputs into prioritizing the ongoing human resources and people management reforms driven by and aligned with the business strategy.

**Comprehensive review of salaries and benefits.** The comprehensive review of salaries and benefits for international staff was completed in 2010. The review showed that, overall, ADB’s compensation package is competitive and no major immediate changes are needed. Our midpoint salaries are generally competitive against global markets in Asia and the Pacific, Europe, and the United States, including comparator international organizations. However, the review also found that actual average salaries are about 8% below the average midpoint salaries (which reflects market salary levels for comparable jobs).



New parking building at ADB headquarters

**Figure 3.1 Our People Strategy and action plan**



ADB = Asian Development Bank.

Thus, to improve the competitiveness of its salaries, ADB aims to achieve full parity with the market by 2015. Several proposals are being considered to introduce cost-effective changes to benefits, primarily by reallocating budgetary resources, with the goal of giving staff options and more flexibility, reducing administrative costs for ADB, and maintaining the sustainability of key benefit programs. Details of the proposed benefit changes will be finalized after consultations

with staff and retirees, which will start in early 2011. A similar total remuneration study will be undertaken in 2011 to assess the appropriateness and competitiveness of the compensation package for ADB's national and administrative staff members in headquarters and field offices.

**Changes.** During ADB's 45 years, our work and staffing have continued to expand. Only one office has been closed. Its regional staff were

reassigned to other ADB offices, and local staff members who could not be reassigned were provided with a generous separation package, long notice period, and career counseling during the phasing down period.

## OUR DIVERSE STAFF

**Diversity in action.** We promote diversity among our staff members in nationality and gender, age, religion, disability, and lifestyle. Our People

Strategy's third goal, which is "a supportive and enabling workplace environment and culture," contains several principles to encourage diversity and an inclusive work environment. At the end of 2010, our 2,833 staff members came from 59 of our 67 member countries.<sup>89</sup> Because we are located in Manila, about 1,360 of our staff members are Philippine nationals. Table 3.1 shows the distribution of staff by category (management and international or national hire), location (field office or headquarters),

**Table 3.1 ADB employees by category, location, and regional origin, and employee turnover**

	2006	2007	2008	2009	2010
<b>Total Staff</b>	<b>2,405</b>	<b>2,443</b>	<b>2,506</b>	<b>2,602</b>	<b>2,833</b>
<b>Category</b>					
Management team	5	4	5	5	6
International staff	856	847	874	927	1,024
National and administrative staff	1,544	1,591	1,627	1,670	1,803
<b>Location</b>					
Headquarters					
Management team	5	5	5	5	6
International staff	756	748	756	791	884
National and administrative staff	11,701	1,200	1,226	1,238	1,224
Field Offices					
International staff	100	99	118	136	140
National and administrative staff	374	391	401	432	579
<b>Nationality, by region</b>					
Asia and the Pacific	1,056	2,104	2,167	2,245	2,436
Nonregional	349	339	339	357	397
<b>Turnover</b>					
Newly hired	190	254	257	271	351
percent	7.7%	10.6%	10.5%	10.8%	13.5%
Departures (including retirement)	239	214	193	171	119
percent	9.7%	8.9%	7.9%	6.8%	4.6%
ADB = Asian Development Bank.					

and nationality group (regional, or nationals of Asian and Pacific members, and nonregional, or members outside our region). The table also provides data on staff turnover.<sup>90</sup>

As a result of active recruitment practices, the proportion of female professional staff increased from less than 11% in 1996 to 29.1% at the end of 2010. Representation of women at senior levels reached an all-time high of 19.7% at the end of 2010, reflecting the progression of women through the levels in the organization. Our gender action program focuses on increasing the representation and leadership by female international staff, fostering gender balance, and ensuring management accountability for improving ADB's gender balance and providing an inclusive work environment.

**Code of conduct.** ADB staff members are bound by and must be familiar with the code of conduct and are required to act appropriately as international civil servants.<sup>91</sup>

**Professional development and performance.** All staff members are scheduled for formal discussions of their performance annually, and supervisors are expected to provide their staff members with constructive feedback on an ongoing basis. Each staff member's performance is rated yearly and salary increases are based on performance.

To encourage frequent and meaningful learning and development discussions between supervisors and their staff members, development planning discussions are held separately from performance reviews.

Departmental work plans to support the implementation of Strategy 2020 are cascaded down through to the individual level of each staff member's work plan. These work plans are aligned with the departmental work plans and are a basis of performance evaluation. In 2010, we updated the Staff Development Framework

and identified and reorganized staff development programs based on six key pillars:

- (1) instilling an ADB-specific business model and procedures;
- (2) enhancing sector, thematic, regional, and country-specific focus;
- (3) strengthening management and leadership capabilities;
- (4) fostering teamwork and communication;
- (5) enhancing ADB values, principles, and policies; and
- (6) supporting good ADB work-life balance.

The curriculum and programs were planned and designed through close consultation and partnership with managers, client departments, and communities of practice. To foster knowledge sharing across the organization, internal resource people delivered an increased share of programs. Given ADB's wide geographical and functional coverage, we introduced a more decentralized planning and management of staff development resources and program delivery. The participation of field office staff in training at the headquarters increased, while training also continued at the field offices.

Average recorded hours of staff training per person have decreased from mid-2009 on because they exclude some programs formerly run and recorded by the training group. Data in Table 3.2 exclude programs for which attendance is not recorded by our training and information technology groups, such as briefings, learning

**Table 3.2 Hours of training per person**

Staff Category	2008	2009	2010
International	27.5	27.0	28.7
National	28.9	25.5	24.8
All staff	28.4	26.0	26.2

"International" includes the category "professional staff," which was changed to "International staff" in 2010, and "National" includes "National officers" and "Administrative staff." Training for information technology is included here, but was not available for the previous two sustainability reports.

sessions by communities of practice, and self-study and online learning. In addition, the length of some programs has been decreased. Given the nature of our organization and the qualifications for people to be hired, each employee is expected to be versed in human rights prior to joining ADB, and human rights is a theme that permeates much of our development training, including that on safeguards and social dimensions.

**Work-life balance.** ADB recognizes the need to enhance workplace practices to promote work-life balance among its staff members. Thus, ADB strives to achieve greater productivity and staff effectiveness through enhanced flextime, leave, work-from-home arrangements, and maternity leave; dedicated private space for women staff members to express breast milk for their infants; enhanced discretionary time off for holidays missed and spent at work and for prolonged work periods; increased flexibility in work hours; and increased rest time to address the physical fatigue caused by lengthy business travel.

**Lifelong learning and skills.** We offer numerous programs for lifelong learning and skills management, including communication and presentation skills, working in a multicultural environment, briefings on health-related matters, and retirement planning. Additional programs to support staff skills and well-being are currently being designed for delivery in 2011.

## RECRUITMENT, SALARIES, AND BENEFITS

**Recruitment and salaries.**<sup>92</sup> We recruit our staff from among nationals of our member countries. At senior levels, most positions are filled through internal promotion. We do not have part-time positions.

ADB offers a comprehensive compensation package that is competitive in the international market and comparable to that of similar multilateral institutions. National and administrative staff members are provided a



Anticorruption training session

comprehensive compensation package that is locally competitive for locally hired staff members who are nationals of the country in which they are based. ADB's compensation system is market driven and is based on an annual salary survey of local comparators. Starting salaries for new staff members are determined on the basis of the accountabilities and responsibilities of the position and comparability with other staff members in service who have equivalent or similar qualifications and experience.

**Benefits.**<sup>93</sup> All staff members are provided with worldwide medical insurance for themselves and dependents, life and disability insurance, and a defined benefit plan providing for lump-sum or annuity payments on retirement. Life, disability, and travel insurance plans are also available to dependents. Starting in 2009, we also provided qualifying staff and retirees with access to long-term care insurance, to help provide for the cost of care when an individual is unable to perform basic activities of daily living.

**Health services.** To promote the health and well-being of staff members, the headquarters in Manila has a medical clinic offering extensive



Ultraviolet light therapy at the physical therapy clinic at ADB headquarters

diagnostic and treatment facilities free of charge to staff members, and arrangements with outside providers for basic services to staff and their dependents, paid for by ADB. Annual physical examinations for staff and dependents are free. An in-house physiotherapy center provides staff members with free treatment and ergonomic evaluation of their workstation. We provide staff and dependents with monthly presentations on health topics. We have a 24/7 medical emergency assistance program for staff and dependents living in Metro Manila through a corporate contract with a “911-like” ambulance company. The headquarters also has an in-house pharmacy for the convenience of staff, dependents, and retirees. In 2010, we held our first Annual Health Care Fair for Manila-based staff, dependents, and retirees to interact with the international health insurance provider and with local health care service organizations.

Staff members traveling on business are equipped with a medical kit with basic needs and malaria prophylaxis. In case of medical

emergencies when away from the duty station, we are covered by a medical evacuation program operated by an external medical assistance provider.

**Leave.** Annual leave is granted for a minimum of 26 days, depending on the duration of employment. For the international staff, home country travel is provided so they and their dependents may visit their home countries annually to maintain association with their own cultures. Sick leave and some other forms of leave are granted as needed. We provide several leave options in support of dependents; birth-related needs such as maternity and extended maternity leave, paternity leave, and adoption leave; and emergency leave to attend the funeral of an immediate family member.<sup>94</sup>

**Pension.** Our defined benefit pension plan provides qualifying staff members with a withdrawal lump-sum payment and/or an annuity on retirement. We also have a “discretionary benefits” plan that allows staff members to increase their pension annuity or withdrawal amount.<sup>95</sup>

### STAFF REPRESENTATION

As provided in the ADB Staff Association’s Constitution, on joining ADB, staff members automatically become members of the Staff Association and remain so unless they opt out. The Staff Association’s primary goals are to foster a sense of purpose among members in promoting the aims and objectives of ADB and to promote and safeguard the rights, interests, and welfare of members.

The Staff Council, comprising 12 members, 2 of which are elected from the international, national, and administrative staff in resident missions and regional offices, is the executive arm of the Staff Association. The Staff Council serves as a channel of communication between staff and ADB’s Management and holds monthly meetings as a group and with the Budget, Personnel, and



Management Systems Department (BPMSD) on issues affecting staff.

“Good management for one ADB” is the main thrust of the 2010–2011 Staff Council. This is linked to priority themes of transparency, accountability, equity, a level playing field, and checks and balances. The Staff Council adopted a results-based reform agenda and amended the Staff Association Constitution to address good governance.

The Staff Council applied an evidence-based and solutions-oriented approach in handling staff issues, including, for example, benefits administration, career development, and performance management. Proposals for solving such issues were developed through extensive staff consultations, periodic surveys, and data from comparator organizations. The Staff Council presented the proposals for consideration by BPMSD. The Director Competency Recognition Program aims to identify managers who exemplify the criteria based on ADB’s core competencies for supervisors.

In 2009, ADB hosted the meeting of staff associations of international finance institutions. The meeting focused on management–staff relations. In 2010, the Staff Council chairperson represented ADB’s staff at the same meeting, held in London and convened by the European Bank

for Reconstruction and Development, where “Promoting Good Management” was a central theme.

### THE GRIEVANCE PROCESS

Because ADB is an international organization, it does not fall under the jurisdiction of employment tribunals and national courts in its member countries. Our grievance process for resolving staff members’ issues about the terms and conditions of their employment has three stages: (1) conciliation and administrative review, (2) appeals, and (3) the Administrative Tribunal. If a settlement is not reached during conciliation, staff members may proceed to administrative review and then to the appeals stage. The Appeals Committee provides a venue for the staff member to obtain a peer review of the grievance and makes a recommendation to ADB’s President. Final recourse is to the ADB Administrative Tribunal, an independent body that reviews administrative decisions about staff member grievances. Decisions of the Administrative Tribunal are publicly available on the internet.<sup>96</sup> By the end of 2010, ADB was seriously considering instituting an ombuds function.

Any incidents involving discrimination or harassment are dealt with by the human resources division or through the grievance process, and are handled confidentially. Group issues are discussed by the Staff Council directly with the head of BPMSD. The Administrative Tribunal recently upheld ADB’s right to dismiss staff members guilty of harassment.

## Managing Our Environmental Footprint

Part of ADB’s commitment to minimize our environmental footprint is maintaining our headquarters facility as a “green building.” The



The Staff Council with ADB President Kuroda



Solar panels on the roof of the new car parking building at ADB headquarters

building is designed for low heat absorption, including air space between the granite slabs on the exterior, to dissipate heat; heavy duty aluminum window grills to diffuse light; and shatter-resistant film windows, to provide protection and filter out 99% of ultraviolet rays. Windows along hallways and the inner atrium bring in light, thus lowering lighting requirements.

Our expenditures for environmental protection include

- operating and maintaining the sewage treatment plant;
- testing water quality, wastewater quality, indoor air quality, and air emissions from the standby generators;
- providing external surveillance audit and technical services to sustain the environmental health and safety management system; and
- managing our waste (collection, disposal, treatment, sorting, and storage) and securing environmental permits.

Our environmental protection investments include the rainwater harvest and treated wastewater facilities.

Most of the building materials for our headquarters are now procured locally. For other institutional procurement, we strive to have at least 30% of the content local, depending on availability.

**ISO 14001 and OHSAS 18001.** Our Environment, Health, and Safety Management System (EHSMS) was originally certified in 2003 under the International Organization for Standardization (ISO) 14001<sup>97</sup> and Occupational Health and Safety Assessment Series (OHSAS) 18001.<sup>98</sup> We were recertified in 2006 and 2009. Our resource conservation plan comprises part of ISO 14001 certification. Our EHSMS policy specifically targets our headquarters building, to ensure it complies with internationally recognized management system standards. The policy states that ADB will (1) comply with legal and other requirements applicable to its buildings and facilities; (2) employ best practices and safe operating procedures to prevent the release of pollutants; (3) optimize the use of resources; reduce waste generation; and reuse, recycle, and treat and dispose of all wastes properly; (4) strive to eliminate health and safety risks to employees, business partners, and the surrounding community; and (5) enhance environmental, health, and safety awareness at all levels of the organization.<sup>99</sup>

ADB owns the buildings in which two of our field offices are located: in Bangladesh and India. The India Resident Mission is certified under ISO 14001 and OHSAS 18001. Currently we are working with our Bangladesh Resident Mission for similar certification. The other field offices are in leased spaces for which we are gathering data on resource use, and then we will develop a program for certification. None of ADB's offices are near or affect protected areas.

**Accident and occupational illness rate.** ADB's Occupational Health and Safety Committee's mandate is to "strive to eliminate health and safety risks to ADB staff, business partners, and surrounding communities by using appropriate technologies, by developing disaster response and recovery plans for its building operations and facilities, and by being constantly prepared for emergencies." This is based on OHSAS 18001 guidelines.<sup>100</sup> The committee's findings are reviewed twice yearly by a high-level management team. The review forms part of the EHSMS requirement (under ISO 14001 and OHSAS 18001). All staff members and service providers are represented on the Joint Worker Health and Safety Committee.

We compile statistics on the number of calls for help inside the headquarters (Table 3.3), but these are not broken down by the reason for the call (e.g., illness, work-related accident, not work-related accident). ADB has had no major controversies, fines, or settlements relating to health and safety.

**Table 3.3 Accident and assistance statistics at headquarters**

Year	Vehicular accident within headquarters property	Ambulance transport assistance	First aid assistance
2009	2	48	131
2010	11	59	94

**Green procurement.** As part of ADB's Green Procurement Guidelines, we procure only administrative goods and services that are environmentally preferred and/or sustainable. "Sustainable purchases" (also termed "eco-products") are products that are certified green by an established environmental labeling system

(such as Energy Star, for computers, electronics, and electrical products; Green Seal for cleaning materials; and the Forest Stewardship Council, for paper products).<sup>101</sup> These products are prepared using sustainable processes; are more "environmentally friendly" and less polluting than other similar products; contain post-consumer materials; or contain less hazardous substances than products not so labeled. Some of the products may have been tagged "green" in the context of disposal for recycling (such as toners and ink cartridges). During 2010, about 50% of consumables at the ADB headquarters were environmentally friendly.

We work closely with moving companies to ensure they use reused or recycled packing materials for shipments of official materials and the goods of ADB staff members. Cartons and crates are returned to suppliers that reuse them, reducing solid waste generated in ADB.



West core garden and entrance to ADB headquarters

**Table 3.4 Resource use and emissions: ADB headquarters**

Year	Building occupancy	Electricity		Water		CO <sub>2</sub> eq emissions (Scope 1)		CO <sub>2</sub> eq emissions (Scope 2)	
		kWh ('000)	kWh/person	m <sup>3</sup>	m <sup>3</sup> /person	tons	t/person	tons	t/person
2005	4,887	17,580.0622	3,597.31	157,520.00	32.232	430.46	0.088083	9,633.87	1.971326
2006	5,038	17,097.8330	3,393.77	140,648.00	27.917	598.12	0.118722	9,608.87	1.907279
2007	4,867	17,359.9750	3,566.87	98,086.95	20.153	544.90	0.111958	9,610.00	1.974522
2008	5,366	17,188.2453	3,203.18	99,147.08	18.477	466.94	0.087018	9,499.03	1.770225
2009	5,460	17,714.8909	3,244.49	104,760.64	19.187	485.21	0.088866	9,735.77	1.783108
2010	5,879	18,374.5618	3,125.46	112,522.56	19.140	564.63	0.096042	10,140.19	1.724815

CO<sub>2</sub> eq = carbon dioxide equivalent, kWh = kilowatt hour, m<sup>3</sup> = cubic meter, t = ton.  
 Notes: "Building occupancy" is the sum of permanent employees plus consultants plus service providers. In future we hope to be able to provide factors that will include visitors and the actual average days that staff, consultants, and service providers spend at the headquarters building, but such data are currently not available. Scope 2 emissions are overstated, as the electricity provider notes that 68% of the generation it supplies is clean energy and 17.5% is renewable energy, which is not factored in above. We assume for the calculations that our electricity is 100% from fossil fuel because we use the World Resources Institute calculation tool based on the Intergovernmental Panel on Climate Change guidelines. This may change when the Philippines issues new implementing rules and regulations that consider combining sources of electricity.

**Greening our headquarters.** Our well-landscaped gardens and lawns provide a pleasant campus for work and a modest carbon sink for greenhouse gases (GHGs). Native and adapted plants enhance the grounds and lawns. Greening activities have included the main entrance fountain area and the facilities block and office tower roof decks, and are planned for the new car parking building.

**Conserving resources.** ADB's resource conservation programs are governed by the 3Rs principle (reduce, reuse, and recycle) and are implemented by staff members, consultants, and service providers. Table 3.4 indicates our use of electricity and water and our emissions of GHGs during 2005–2010, as a total and per person at headquarters. In 2009, we started an ADB-wide campaign for resource conservation using

electronic messages that appear each time a staff member's computer is turned on. The campaign focuses on reducing solid waste and conserving electricity, water, and paper.

**Energy.** The Energy Conservation Team monitors ADB's consumption of electricity and formulates conservation strategies. Our electricity consumption remained almost unchanged from 2006 to 2007 because we installed four additional air handling units to improve the air quality in the building, then declined by 2% in 2008 as conservation and efficiency measures had their impact. Our electricity consumption rose 2% in 2009 and 3.5% in 2010 because we expanded our staff and increased the number of people working at the headquarters building and events held, and increased "air purging" in response to threats of pandemics (e.g., avian influenza).

Meralco, our electricity supplier, reported that in 2009, 68% of the energy provided to its consumers was clean energy and 17.5% was renewable energy.<sup>102</sup>

Recent initiatives to reduce electricity consumption include using light emitting diodes (LED) in several areas, including the new car parking building. Solar panels have been added to provide electricity for the lagoon in the west parking area, the central courtyard, and the new car parking building. We plan to measure the resulting energy saving in future.

At headquarters, we use small quantities of diesel to power standby generators used only during power outages and liquefied petroleum gas (LPG) to heat water for showers and for preparing food.

In March 2009, as a commitment to “Green Building” initiatives, we opted to seek Leadership in Energy and Environmental Design (LEED) certification through the United States Green Building Council. LEED is an internationally recognized system for certifying green buildings. Our application for LEED certification for existing building operation and maintenance was registered in May 2010. LEED certification focuses on sustainable sites, energy and atmosphere, water efficiency, indoor environmental quality, and materials and resources. The data for the EHSMS were used as input for LEED certification.



Demonstrating the new rainwater harvesting system to Vice-President Bindu N. Lohani

**Water.** During 2009–2010, our water consumption increased by 10% (Table 3.5) due to the increased number of staff and consultants. However, by using treated water from the sewage treatment plant and harvested rainwater for cleaning the grounds and façade and for watering the plants, we reduced our use of potable water by almost 0.7%. ADB purchases its water from Manila Water, which is supplied by dams in two watersheds: Ipo and Angat, both in Bulacan Province. Manila Water was the first Philippine corporation to issue a sustainability report following Global Reporting Initiative guidelines.<sup>103</sup> The volume of water we use is insufficient to have a significant impact on the receiving body, Manila Bay.

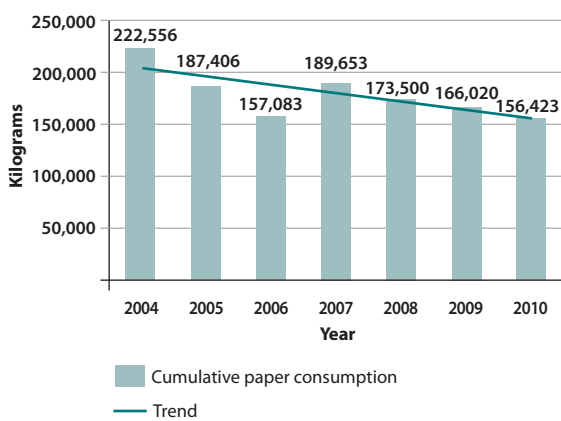
**Paper and printing.** The Paper Conservation Committee inspects paper use in all units in ADB quarterly. Staff recycle used paper by placing it in marked bins. At headquarters, we use 100% recycled paper with Forest Stewardship Council certification, manufactured using Certified Renewable Energy (Green-e). All our publications are printed using vegetable-oil based ink. An increasing number of the documents provided to our Board of Directors are only sent electronically

**Table 3.5 Water use at ADB headquarters**  
(cubic meters)

	2009		2010	
	Volume	% of Total	Volume	% of Total
Potable water	138,602.00	95.86	151,826.00	94.39
Recycled water	5,409.83	3.74	7,312.23	4.55
Rainwater	579.80	0.40	1,704.00	1.06
<b>Total</b>	<b>144,591.63</b>		<b>160,842.23</b>	

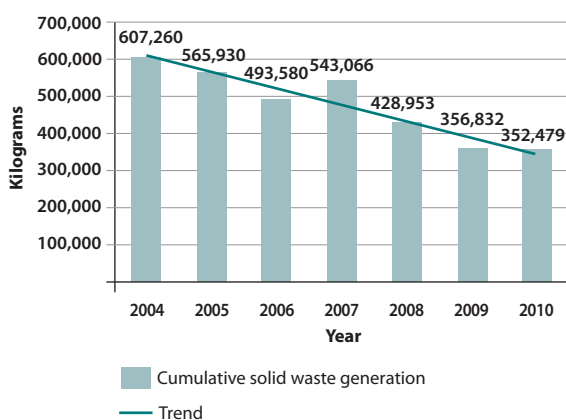
to conserve on paper use. Human resources forms are now filled in only electronically. The default settings for printers on the network are (1) black and white for all color printers, and (2) double-sided printing for all printers. Manual override is needed to change these settings. Such initiatives have helped reduce paper use in ADB by an average of 5% in 2009 and 2010 (Figure 3.2).

**Figure 3.2 Paper consumption, 2004–2010**



**Solid and hazardous waste.** We have continued to decrease the amount of solid waste generated, by 41% since 2004 (Figure 3.3). The reduction is attributed to staff awareness about reuse of paper and office supplies, take-back schemes,

**Figure 3.3 Solid waste generation, 2004–2010**



and the recovery and recycling of materials from building alterations. We had no significant spills of chemicals, oils, or fuels.

All hazardous waste from the headquarters is collected by a waste transporter accredited by the Philippines' Department of Environment and Natural Resources (DENR) and is sent to a DENR-accredited waste treatment and disposal facility. We disposed of 9.0 tons of hazardous waste in 2009 and 9.6 tons in 2010 (comprising batteries; oils; ink cartridges; pharmaceutical waste; broken fluorescent lamps; acid and alkali waste; and waste paint, thinners, and varnish).

**ADB's GHG emissions.** In 2008, we initiated a scheme to capture GHGs from operational activities and convert them to carbon dioxide using guidelines of the Intergovernmental Panel on Climate Change. Table 3.6 presents data on Scope 1 GHGs from direct emission sources—power generators, stoves and heaters powered by LPG, our official vehicles, and the refrigeration system. Trends in GHG emissions from indirect sources, such as electricity, decreased during 2005–2008 and increased in 2009–2010. The increase is in proportion to the use of electricity and is attributed to the increased use of the building.

Measures to continue reducing our GHG emissions are ongoing. We carefully monitor the emissions levels of our vehicle fleet and consider these and fuel efficiency ratings when procuring new vehicles. To reduce direct carbon dioxide emissions in Metro Manila and improve the fuel efficiency of our official vehicle fleet, we introduced three hybrid cars and will purchase another in 2011. To reduce transport associated with mail, we now have one post office box (previously we had two, in widely spread locations).

We use fire-suppression, refrigeration, and air-conditioning systems at headquarters that are fully compliant with the Montreal Protocol.

**Table 3.6 Greenhouse gas emissions: ADB headquarters**

Category and Type of Emissions	2005	2006	2007	2008	2009	2010
	CO <sub>2</sub> eq Emissions, t					
<b>Scope 1: Direct emissions</b>						
Power generator	57.14	160.87	83.66	31.84	94.16	98.39
LPG-fired cook stoves and heaters	227.40	230.25	227.93	223.71	224.15	298.00
Official vehicles	129.27	171.70	203.54	173.68	153.57	150.20
Refrigeration system	16.55	35.30	29.77	37.71	13.33	18.04
<b>Total direct emissions</b>	<b>430.46</b>	<b>598.12</b>	<b>544.90</b>	<b>466.94</b>	<b>485.21</b>	<b>564.63</b>
<b>Scope 2: Indirect emissions (electricity)</b>	<b>9,633.87</b>	<b>9,608.87</b>	<b>9,610.00</b>	<b>9,499.03</b>	<b>9,735.77</b>	<b>10,140.19</b>
<b>Total Scope 1 + 2</b>	<b>10,064.33</b>	<b>10,206.99</b>	<b>10,154.90</b>	<b>9,965.97</b>	<b>10,220.98</b>	<b>10,704.82</b>
<b>Scope 3: Indirect emissions</b>						
Rented vehicles	60.6	16.3	7.40	6.70	8.45	9.52
Business travel arranged by ADB (Air)	5,713.09	4,857.17	4,948.00	5,339.87	5,967.60	7,606.73
Business travel arranged by ADB (Hotel)	635.82	559.71	554.29	594.63	510.58	625.32
Transport of waste for disposal	4.2	3.6	2.82	2.53	1.83	1.32
CO <sub>2</sub> eq methane emission of biodegradable waste	503.25	227.1	209.62	59.91	54.93	112.8
(Methane emissions of biodegradable waste in landfill, t)	(23.96)	(10.81)	(9.98)	(2.86)	(2.61)	(5.37)
Postage and freight	231.00	187.76	168.64	225.36	118.57	113.42
Shipment of goods	414.66	406.41	222.17	172.52	198.68	202.74
<b>Total Scope 3</b>	<b>7,562.62</b>	<b>6,258.05</b>	<b>6,112.94</b>	<b>6,401.51</b>	<b>6,860.64</b>	<b>8,671.85</b>
<small>ADB = Asian Development Bank, CO<sub>2</sub> = carbon dioxide, CO<sub>2</sub>eq = carbon dioxide equivalent, LPG = liquified petroleum gas, t = ton.            Note: "Travel" includes air transport and hotels, and is highly dependent on the location of ADB's annual meeting.</small>						

In addition, we encourage our staff members to

- reduce air travel by using videoconferencing (we have now have 32 rooms equipped with videoconferencing—double the number reported in 2009—and 12 large venues where such facilities may be set up on request);
- combine official travel for multiple trips to minimize overall distance traveled; and
- take the most direct route in air travel.

The use of videoconferencing has increased significantly—the number of sessions has risen by 49% since 2008, and the number of hours has increased by 54% (Table 3.7).

Given the nature of ADB's business, reducing air travel remains a challenge, especially as we have expanded operations in Central Asia. Our new resident offices in Armenia and Georgia and

**Table 3.7 Videoconferencing**

Year	Sessions	Hours
2001	218	410
2002	462	687
2003	1,149	1,447
2004	1,518	2,199
2005	2,151	2,890
2006	2,994	4,189
2007	3,179	4,333
2008	3,374	5,218
2009	4,039	5,996
2010	5,032	8,073

the planned office in Turkey will help offset the increased travel to some extent.

**Breathing better air.** The Occupational Health and Safety Committee monitors indoor air quality within the headquarters. With the outside air supply system moved to the upper level of the office tower block, our staff is assured of indoor air quality compliant with standards of the United States Environmental Protection Agency and the American Society for Heating, Refrigeration, and Air-Conditioning Engineers. As noted earlier, we increased the frequency of purging air from the building and replacing it from once a week to three times.

**Ensuring the security of our staff.** ADB personnel live and work in a region prone to natural disasters. And some locations in which they work present challenges of terrorism risks, crime, and political and social instability. The increased staffing and operations called for in Strategy 2020 are heightening the demands on our security, safety, and disaster management resources. We continue to seek appropriate and sustainable methods to meet the “duty to care” toward our personnel through our own initiatives

and in association with the United Nations Security Management Team.

ADB’s security personnel are contractors who are appropriately trained for their job, which primarily involves contact with people who go to the headquarters building. They do not operate in the public domain, except for a small unit that, in cooperation with the national police, protects our President and his dependents; and a few guards at pedestrian crossings adjacent to our headquarters. All our security procedures are guided by our internal procedures and local public safety legislation. Public demonstrations outside our offices are managed by the local police, not by our security personnel.

**Asset and business continuity.** Our crisis management structure supports the continuity of our critical business processes. To assure proper risk mitigation (and support maintenance of our AAA financial rating), we recently engaged experts to reassess threats that could adversely impact our operations, and their study led to formulation of action needed. The ADB Business Continuity Core Group maintains and improves, within and outside the Philippines, facilities to store and rapidly retrieve critical data and information pertaining to our core business and finance. We use environmentally friendly equipment and supplies for the backup facilities.

## Our Community

ADB, its staff members, and their families continue to be active in the communities surrounding our headquarters by financially supporting charities with proven track records, through volunteer work, and by donating needed goods to disadvantaged people and the organizations assisting them. These activities are accomplished primarily through the Staff Community Fund (SCF), which raises money



through an annual “Show” that serves as the focus for raising donations from staff members; ADB’s Spouses Association; and our institutional donation program.

The guidelines for the institutional donation program, which were revised in 2009, place top priority on recipients including schools and academic and training institutions, consonant with Strategy 2020’s emphasis on education and capacity building. One of the highlights of the donation activities was the turnover of 100 used computers to public schools in Metro Manila identified by the Philippine Department of Education. Also in 2010, we established a partnership with St. Francis Charity Clinic. The clinic serves indigent families in Mandaluyong and Pasig, where our headquarters is located. Through the clinic we sponsor free medical treatment and consultations 1 day each week. We donated an ultrasound machine to the clinic. Staff members have participated in building homes for the poor with Gawad Kalinga Foundation and have provided supplies and Christmas packages for poor children.

The SCF raises much of its funding from staff by focusing efforts around the annual “Show” held in ADB. The Show features performances by staff members and SCF beneficiaries, and is launched by ADB’s President. The proceeds from the show and from contributions throughout the year support numerous charities. In 2009, the SCF raised over P7.9 million (about \$173,000) in donations from staff and retirees.

In 2009, the SCF approved P5.8 million (about \$135,000) in grants to 23 charities. Disbursements exceeded P7.1 million (about \$165,000), including amounts committed during 2008 but disbursed in 2009. In 2010, the SCF raised P6.7 million (about \$156,000) and disbursed P4.4 million (about \$102,000). Examples of assistance include

- meals for students and children from poor families;



**Mrs. Kumiko Kuroda (wife of ADB’s President) donated on behalf of ADB an ultrasound machine to St. Francis Charity Clinic. The clinic is near the headquarters.**

- support for sexually abused girls and for sexually, emotionally, and/or physically abused children without access to legal services; and
- a skills enhancement program for children.

In 2010, the SCF also ran a drive to provide over 250 pairs of footwear for children who walk barefoot on Smokey Mountain, a massive refuse dump where many families live and work. The SCF supported 20 organizations, approving funding of P4.4 million (about \$100,000).

The SCF and the Association of Former Employees of the Asian Development Bank also raised money for donations to poor victims of Typhoon Ondoy, which caused extensive and prolonged flooding in Metro Manila in 2009.

The ADB Spouses Association also supports social welfare organizations (including centers for development of poor children, orphanages, a foster care center, and microfinance for livelihood) and provides scholarships to needy deserving students. During 2009–2010, the ADB

Spouses Association donated P1,050,500 (over \$24,000) to social welfare organizations and provided P492,000 (over \$11,000) to support scholarships.

In 2008, the SCF and ADB Spouses Association combined their efforts to support scholarships and education institutions. Together they supported 75 scholarships in 2009 and 70 in 2010.



This collage of images includes beneficiaries of activities and programs supported by the Staff Community Fund and the ADB Spouses Association, and two Staff Community Fund representatives.

# Endnotes

## Part 1: ADB—Strategy and Structure

- 1 <http://www.adb.org/Financial-Management>
- 2 <http://www.adb.org/bond-investors/cf-risk-management.asp>
- 3 <http://www.adb.org/About>
- 4 <http://www.adb.org/Documents/Manuals/Operations/default.asp?p=policies>
- 5 <http://www.adb.org/About/membership.asp>
- 6 <http://www.adb.org/gov>
- 7 The Agreement Establishing the Asian Development Bank. 1996. Manila: ADB. <http://www.adb.org/Documents/Reports/Charter>
- 8 <http://www.adb.org/bod>
- 9 <http://www.adb.org/bod/committees.asp>
- 10 <http://www.adb.org/bod/Code-of-Conduct.pdf>
- 11 <http://www.adb.org/Documents/Reports/Charter.pdf#page=21>
- 12 <http://www.adb.org/About/management.asp>
- 13 <http://www.adb.org/About/orgdepts.asp>
- 14 [http://www.adb.org/Documents/Reports/Annual\\_Report/2010](http://www.adb.org/Documents/Reports/Annual_Report/2010)
- 15 <http://www.adb.org/Projects/cycle.asp>
- 16 <http://www.adb.org/Projects/mff.asp>
- 17 <http://www.adb.org/Documents/Policies/Multitranches-Financing-Facility>
- 18 <http://www.adb.org/Evaluation/resources.asp>
- 19 <http://www.adb.org/Strategy2020>
- 20 For details and cross-year comparisons, see <http://www.adb.org/defr>
- 21 [http://www.oecd.org/document/18/0,2340,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html)
- 22 FIDIC = International Federation of Consulting Engineers, [http://www.adb.org/Documents/Manuals/Bidding\\_Documents/Prequalification/fidic-conditions-of-contract-for-construction.pdf](http://www.adb.org/Documents/Manuals/Bidding_Documents/Prequalification/fidic-conditions-of-contract-for-construction.pdf)
- 23 <http://www.adb.org/Documents/Books/inequality-inclusive-growth>
- 24 <http://www.adb.org/knowledge-management/communities-of-practice.asp>
- 25 <http://www.adbi.org>
- 26 <http://www.adb.org/ERD>
- 27 <http://www.adb.org/OREI>
- 28 Countries eligible for their full borrowing at concessional rates are Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nauru, Nepal, Samoa, Solomon Islands, Tajikistan, Timor-Leste, Tonga, Tuvalu, and Vanuatu, and countries eligible for both concessional and less concessional funding are Armenia, Azerbaijan, Bangladesh, Georgia, Marshall Islands, Federated States of Micronesia, Pakistan, Palau, Papua New Guinea, Sri Lanka, Uzbekistan, and Viet Nam. <http://www.adb.org/About/financial-resources.asp>
- 29 <http://www.adb.org/Documents/Reports/defr-pso>
- 30 <http://www.adb.org/About/Management.asp> and [www.adb.org/About/Organization.asp](http://www.adb.org/About/Organization.asp)
- 31 <http://www.adb.org/disclosure>

32 [http://www.adb.org/Documents/Reports/  
pcp-annual-reports](http://www.adb.org/Documents/Reports/pcp-annual-reports)

33 [http://www.adb.org/Documents/Reports/  
adb-perceptions-survey/2009/default.asp](http://www.adb.org/Documents/Reports/adb-perceptions-survey/2009/default.asp)

34 <http://www.adb.org/PCP-Review/default.asp>

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

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

37 [http://www.adb.org/Documents/Policies/  
Anticorruption-Integrity](http://www.adb.org/Documents/Policies/Anticorruption-Integrity)

38 [http://www.adb.org/Documents/Periodicals/  
Integrity/2010/q10b.asp](http://www.adb.org/Documents/Periodicals/Integrity/2010/q10b.asp)

39 [http://www.adb.org/Integrity/sanctions.  
asp](http://www.adb.org/Integrity/sanctions.asp) provides updated information on the  
numbers sanctioned and reprimanded.

40 [http://www.adb.org/Integrity/whistleblower-  
witness-protection.asp](http://www.adb.org/Integrity/whistleblower-witness-protection.asp)

41 More information is available at [http://www.  
adb.org/Integrity/faqs.asp](http://www.adb.org/Integrity/faqs.asp)

42 [http://www.adb.org/Documents/Integrity/  
cross-debarment-agreement.pdf](http://www.adb.org/Documents/Integrity/cross-debarment-agreement.pdf)

43 <http://www.adb.org/ADF>

44 [http://www.adb.org/About/Financial-  
resources.asp](http://www.adb.org/About/Financial-resources.asp)

45 <http://www.adb.org/JFPR>

46 <http://www.adb.org/Water/cfws>

47 <http://www.adb.org/Water/Policy>

48 <http://www.adb.org/Cofinancing>

49 <http://www.adb.org/ADF/ADF-X>

## Part 2: The Environment, Social Development, and Governance

50 United Nations Human Settlements Programme. 2003. *The Challenge of Slums: Global Report on Human Settlements*. London and Stirling, VA: Earthscan. [http://  
www.unhabitat.org/pmss/listItemDetails.  
aspx?publicationID=1156](http://www.unhabitat.org/pmss/listItemDetails.aspx?publicationID=1156)

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org/Clean-Energy](http://www.adb.org/Clean-Energy)

60 ADB. ADB's Energy Initiatives. [http://www.  
adb.org/Clean-Energy/programs.asp](http://www.adb.org/Clean-Energy/programs.asp)

61 United Nations Framework Convention on Climate Change. Kyoto Protocol. [http://  
unfccc.int/kyoto\\_protocol/items/2830.php](http://unfccc.int/kyoto_protocol/items/2830.php)

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63 ADB. 2010. *Sustainable Transport Initiative Operational Plan*. Manila. [http://www.  
adb.org/Documents/Policies/sustainable-  
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- <sup>70</sup> ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila. <http://www.adb.org/Documents/Policies/Education-Operations-Plan/default.asp>
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- <sup>78</sup> ASEAN+3 includes the countries of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, the Republic of Korea, and Japan.
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- <sup>80</sup> ADB. 2009. *Safeguards Policy Statement*. [www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf](http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf)
- <sup>81</sup> <http://www.adb.org/Documents/Manuals/Operations/OMF01-25Sep06.pdf>
- <sup>82</sup> Such technical assistance projects include ADB. Project Information Document. 44140: Strengthening and Use of Country Safeguard Systems. <http://www.adb.org/projects/project.asp?id=44140> (accessed February 2011).
- <sup>83</sup> As of the end of 2010, ADB had prepared 20 country-, 48 sector-, and 34 project-level governance risk assessments.
- <sup>84</sup> ADB. 2009. *Country Partnership Strategy Nepal 2010-2012*. Manila. <http://www.adb.org/Nepal/strategy.asp>
- <sup>85</sup> Sovereign investment projects are projects that are guaranteed by a sovereign government.

### Part 3: ADB's Corporate Footprint

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- <sup>87</sup> ADB. 2010. *Work Program and Budget Framework, 2011-2013*. Manila. <http://www.adb.org/Documents/Others/work-program-budget-framework-2011-2013.pdf>; ADB.

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- <sup>88</sup> ADB. 2010. Annual Report 2010. Manila. [http://www.adb.org/Documents/Reports/Annual\\_Report/2010](http://www.adb.org/Documents/Reports/Annual_Report/2010)
- <sup>89</sup> ADB. 2010. Annual Report. Appendix 11 provides the breakdown of staff members by nationality. [http://www.adb.org/Documents/Reports/Annual\\_Report/2010](http://www.adb.org/Documents/Reports/Annual_Report/2010)
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- <sup>94</sup> <http://www.adb.org/Employment/remuneration-benefits.asp>
- <sup>95</sup> <http://www.adb.org/Employment/remuneration-benefits.asp#11>
- <sup>96</sup> The results of tribunal cases are available at <http://www.adb.org/ADBT>
- <sup>97</sup> <http://www.iso.org>
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- <sup>99</sup> ADB. 2010. PM-ADB-5.0 Environment, Health, and Safety Management System Policy Manual, Revision 4, 5 May 2010. Manila.
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- <sup>101</sup> <http://www.adb.org/Opportunities/InstitutionalProcurement/ac-policy.asp>
- <sup>102</sup> Meralco. 2010. 2009 Meralco Annual Report. Manila. [http://www.meralco.com.ph/pdf/aboutmeralco/annual\\_2009.pdf](http://www.meralco.com.ph/pdf/aboutmeralco/annual_2009.pdf)
- <sup>103</sup> <http://www.manilawater.com>

# Abbreviations and Acronyms

AAA	—	Accra Agenda for Action
ADB	—	Asian Development Bank
ADF	—	Asian Development Fund
APAN	—	Asia Pacific Adaptation Network
ASEAN	—	Association of Southeast Asian Nations
BPMSD	—	Budget, Personnel, and Management Systems Department (ADB)
CEP-BCI	—	Core Environment Program and Biodiversity Conservation Corridors Initiative
CIF	—	Climate Investment Funds
CO <sub>2</sub>	—	carbon dioxide
CoP	—	community of practice
CPS	—	country partnership strategy
CRBOM	—	Center for River Basin Organizations and Management
CSO	—	community service organization
CTI	—	Coral Triangle Initiative
EBRD	—	European Bank for Reconstruction and Development
EHSMS	—	Environment, Health, and Safety Management System
FAO	—	Food and Agriculture Organization
GACAP II	—	Second Governance and Anticorruption Action Plan
GEF	—	Global Environment Facility
GHG	—	greenhouse gas
GMS	—	Greater Mekong Subregion
GRI	—	Global Reporting Initiative
HLF	—	high-level forum
IFAD	—	International Fund for Agricultural Development
ILO	—	International Labour Organization
ISO	—	International Organization for Standardization
LEED	—	Leadership in Energy and Environmental Design
MDB	—	multilateral development bank

MDG	—	Millennium Development Goal
MfDR	—	managing for development results
MFF	—	multitranche financing facility
NAHRIM	—	National Hydraulic Research Institute of Malaysia
NARBO	—	Network of Asian River Basin Organizations
NGO	—	nongovernment organization
OAI	—	Office of Anticorruption (ADB)
OAS	—	Office of Administrative Services (ADB)
OCR	—	ordinary capital resources
OECD	—	Organisation for Economic Co-operation and Development
OHSAS	—	Occupational Health and Safety Assessment Series
ORM	—	Office of Risk Management (ADB)
PCP	—	Public Communications Policy
PRC	—	People's Republic of China
REDD	—	reducing emissions from deforestation and forest degradation
SCF	—	Staff Community Fund
SPS	—	Safeguard Policy Statement
TFP	—	Trade Finance Program
TVET	—	technical and vocational education and training
UN	—	United Nations





Appendix

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# Measuring Up with the Global Reporting Initiative Indicators

# Measuring Up with the Global Reporting Initiative Indicators

GRI Number	Content	Location	Reporting Status 2011	Links
	<b>Reporting principles and guidelines</b>			
	Defining report content: Materiality	About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a> The content of this report is material of interest to our member countries, borrowers, development partners, funding sources, civil society, and nongovernment organizations.
	Principles for reporting quality	About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
	Boundary setting	About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a> The report covers the buildings that we own and our activities in Asia and the Pacific
	<b>Standard disclosures</b>			
<b>1</b>	<b>Strategy and analysis</b>			
1.1.	Statement from most senior decision maker	President's Message (viii–ix)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
1.2.	Description of key impacts, risks, and opportunities	President's Message (viii–ix) Foreword (x–xi), Part 1 (2–4)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a> <a href="http://www.adb.org/MfDR/defr.asp">http://www.adb.org/MfDR/defr.asp</a>
<b>2</b>	<b>Organizational profile</b>			
2.1.	Name of organization	President's Message (viii–ix), Foreword (x–xi), Part 1 (2)	FR	<a href="http://www.adb.org">http://www.adb.org</a>

FR = fully reported, GRI = Global Reporting Initiative, NA = not applicable, NR = not reported, PR = partly reported. Location cites the section of the report (e.g., Part 1) and gives the page numbers in parentheses. Links may not always provide specific information on the GRI indicator, but they are meant to reference related data.

Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
2.2.	Primary brands, products, services	Part 1 (2–3, 14–17, 21)	FR	<a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a> <a href="http://www.adb.org/MfDR">http://www.adb.org/MfDR</a> <a href="http://www.adb.org/MfDR/defr.asp">http://www.adb.org/MfDR/defr.asp</a> <a href="http://www.adb.org/About/financial-resources.asp">http://www.adb.org/About/financial-resources.asp</a> <a href="http://www.adb.org/About">http://www.adb.org/About</a>
2.3.	Operational structure	Part 1 (4–6)	FR	<a href="http://www.adb.org/About/ADB_Organization_Chart.pdf">http://www.adb.org/About/ADB_Organization_Chart.pdf</a> <a href="http://www.adb.org/About/organization.asp">http://www.adb.org/About/organization.asp</a>
2.4.	Location of headquarters	Map (vi–vii), Part 1 (4), Part 3 (58)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a>
2.5.	Number of countries of operations	Part 1 (4, 6)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
2.6.	Nature of ownership and legal form	Part 1 (4, 6)	FR	<a href="http://www.adb.org/About/organization.asp">http://www.adb.org/About/organization.asp</a>
2.7.	Markets served	Part 1 (2)	FR	<a href="http://www.adb.org/About/organization.asp">http://www.adb.org/About/organization.asp</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
2.8.	Scale of organization	Part 1 (20–22), Part 3 (61–62)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
2.9.	Significant changes (location, share capital structure)	President's Message (viii–ix), Part 1 (4, 22), Part 3 (58–62)	FR	
2.10.	Awards received during the reporting period	Part 1 (16), Part 3 (66)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
<b>3</b>	<b>Report parameters: Report profile</b>			
3.1.	Reporting period	About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
3.2.	Date of most recent report	About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2009">http://www.adb.org/sustainability-report/2009</a>
3.3.	Reporting cycle	About (xi–xii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
3.4.	Contact point for questions on the report	Foreword (x–xi), About (xii–xiii), Back Cover	FR	<a href="mailto:njahmad@adb.org">njahmad@adb.org</a>
	<b>Report parameters: Report scope and boundary</b>			
3.5.	Process for defining report content including	Foreword (x–xi), About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>

FR = fully reported, GRI = Global Reporting Initiative, NA = not applicable, NR = not reported, PR = partly reported.

Location cites the section of the report (e.g., Part 1) and gives the page numbers in parentheses. Links may not always provide specific information on the GRI indicator, but they are meant to reference related data.

Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
3.6.	Boundary (countries, etc.)	Map (vi–vii) Part 1(4)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a>
3.7.	Specific limitations on scope and boundary	About (xii–xiii)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
3.8.	Basis for reporting on joint ventures, etc. that can significantly affect comparability between reporting periods	About (xii–xiii)	NA	—
3.9.	Data measurement techniques, bases of calculations, assumptions	About (xii–xiii), Parts 1, 2, 3 (various pages)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
3.10.	Explanations of restatements from earlier reports	About (xii–xiii), Parts 1, 2, 3 (various pages)	FR	—
3.11.	Significant changes from previous reporting periods	President’s Message (viii– ix), Part 1 (4, 22), Part 3 (61)	FR	<a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a> <a href="http://www.adb.org/sustainability-report/2009">http://www.adb.org/sustainability-report/2009</a>
	<b>Report parameters</b>			
3.12.	Table with location of standard disclosures in the report	Appendix	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
	<b>Report parameters: Assurance</b>			
3.13.	Policy and practice regarding seeking external assurance for report content	—	NA	—
<b>4</b>	<b>Governance, commitments, and engagement</b>			
4.1.	Governance structure of the organization	Part 1 (4–6)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a>
4.2.	Whether the chair of the highest body is also the chief executive officer, and if so, why	Part 1 (4, 6)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a>
4.3.	Number of board members that are independent or non-executive	Part 1 (4, 6)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
4.4.	Mechanism for shareholders and employees to provide recommendations to the highest governance body	Part 1 (4, 6, 7, 17, 20), Part 3 (60–62)	FR	<a href="http://www.adb.org/About">http://www.adb.org/About</a>
4.5.	Link between compensation for members of the highest governance body and senior officials to the organization's performance	Part 1(4)	NA	—
4.6.	Process for highest governance body to ensure conflicts of interest are avoided	Part 1 (4, 6)	FR	<a href="http://www.adb.org/OAG">http://www.adb.org/OAG</a>
4.7.	Process for determining qualifications of members of the highest governance body	Part 1 (4, 6)	FR	<a href="http://www.adb.org/gov">http://www.adb.org/gov</a> <a href="http://www.adb.org/bod">http://www.adb.org/bod</a>
4.8.	Internally developed statements of values, codes of conduct, etc., and how these are applied and relate to internationally agreed standards	Part 1 (6, 18–19), Part 3 (62)	FR	<a href="http://www.adb.org/Integrity">http://www.adb.org/Integrity</a> <a href="http://www.adb.org/bod/ethics.asp">http://www.adb.org/bod/ethics.asp</a> <a href="http://www.adb.org/bod/Code-of-Conduct.asp">http://www.adb.org/bod/Code-of-Conduct.asp</a> <a href="http://www.adb.org/Strategy2020">http://www.adb.org/Strategy2020</a> <a href="http://www.adb.org/MfDR">http://www.adb.org/MfDR</a>
4.9.	Procedures of the highest governance body for overseeing the organization; frequency with which it assesses sustainability performance	Part 1 (4, 6)	FR	<a href="http://www.adb.org/gov">http://www.adb.org/gov</a> <a href="http://www.adb.org/bod">http://www.adb.org/bod</a>
4.10.	Processes for evaluating the highest governance body's performance	—	NA	—
	<b>Commitments to external initiatives</b>			
4.11.	Whether and how the precautionary approach is addressed	Foreword (x–xi), Part 1 (2, 4, 9), Part 2 (25, 40–41, 50–52, various)	FR	<a href="http://www.adb.org/Safeguards">http://www.adb.org/Safeguards</a>
4.12.	Externally developed charters, principles, etc. to which the organization subscribes	Part 1 (11–14), Part 2 (numerous), Part 3 (66–68, 70, 71)	FR	<a href="http://www.adb.org/poverty/mdgs.asp">http://www.adb.org/poverty/mdgs.asp</a> <a href="http://www.adb.org/mfdr">http://www.adb.org/mfdr</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
4.13.	Membership in associations	Part 1 (11–14), Part 2 (numerous), Part 3 (66–68)	PR	<a href="http://www.adb.org/poverty/aid-harmonization.asp">http://www.adb.org/poverty/aid-harmonization.asp</a> <a href="http://www.adb.org/NGOs">http://www.adb.org/NGOs</a>
	<b>Stakeholder engagement</b>			
4.14.	List of stakeholders engaged by the organization	About (xii–xiii), Part 1 (6,17), Part 2 (numerous)	PR	<a href="http://www.adb.org/About/membership.asp">http://www.adb.org/About/membership.asp</a> <a href="http://www.adb.org/Cofinancing/funding_agencies.asp">http://www.adb.org/Cofinancing/funding_agencies.asp</a> <a href="http://www.adb.org/NGOs/ngocenter.asp">http://www.adb.org/NGOs/ngocenter.asp</a> <a href="http://www.adb.org/About">http://www.adb.org/About</a>
4.15.	Basis for identification and selection of stakeholders with whom to engage	About (xii–xiii), Part 1 (17)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
4.16.	Approaches to stakeholder engagement; frequency of engagement by type of stakeholder	About (xii–xiii), Part 1 (11,17,18), Parts 2, 3 (various)	FR	<a href="http://www.adb.org/gov">http://www.adb.org/gov</a> <a href="http://www.adb.org/bod">http://www.adb.org/bod</a> <a href="http://www.adb.org/Documents/CSPs">http://www.adb.org/Documents/CSPs</a> <a href="http://www.adb.org/NGOs/ngocenter.asp">http://www.adb.org/NGOs/ngocenter.asp</a>
4.17.	Key topics and concerns raised through stakeholder engagement, and how the organization has responded	Part 1 (17–19), Part 2 (56), Part 3 (59)	PR	<a href="http://www.adb.org/spf">http://www.adb.org/spf</a> <a href="http://www.adb.org/Accountability-Mechanism">http://www.adb.org/Accountability-Mechanism</a> <a href="http://www.adb.org/PCP-Review">http://www.adb.org/PCP-Review</a> <a href="http://www.adb.org/Documents/Reports/PCP-annual-Reports">http://www.adb.org/Documents/Reports/PCP-annual-Reports</a> <a href="http://www.adb.org/Documents/Reports/adb-perceptions-survey/2009">http://www.adb.org/Documents/Reports/adb-perceptions-survey/2009</a>
<b>5</b>	<b>Management approach and performance indicators</b>			
	<b>Economic performance indicators: Economic performance</b>			
EC1	Direct economic value generated and distributed, including revenues, employee compensation ...	Part 1 (20–22)	FR	<a href="http://www.adb.org/Finance">http://www.adb.org/Finance</a> <a href="http://www.adb.org/Documents/Reports/Annual_Report">http://www.adb.org/Documents/Reports/Annual_Report</a>
EC2	Financial implications and other risks and opportunities due to climate change	Part 2 (25–28, 41)	FR	<a href="http://www.adb.org/Documents/news/2003/nr2003163.asp">http://www.adb.org/Documents/news/2003/nr2003163.asp</a> <a href="http://www.adb.org/Documents/Reports/annual_report/2007/finance-administration.asp">http://www.adb.org/Documents/Reports/annual_report/2007/finance-administration.asp</a> <a href="http://www.adb.org/Clean-Energy">http://www.adb.org/Clean-Energy</a>
EC3	Coverage of defined benefit plan obligations	Part 3 (59, 63)	FR	<a href="http://www.adb.org/employment">http://www.adb.org/employment</a>
EC4	Significant financial assistance received from government	President's Message (viii–ix), Part 1 (22)	FR	<a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a> <a href="http://www.adb.org/OCO">http://www.adb.org/OCO</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
	<b>Economic performance indicators: Market presence</b>			
EC5	Standard entry level wage compared to local minimum wage	Part 3 (63, 64)	FR	<a href="http://www.adb.org/employment">http://www.adb.org/employment</a>
EC6	Policy practices, and proportion of spending on locally based suppliers	Part 3 (67)	PR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EC7	Procedures for local hiring and proportion of senior management from the local community	Part 3 (63)	FR	<a href="http://www.adb.org/employment">http://www.adb.org/employment</a>
	<b>Economic performance indicators: Indirect economic impact</b>			
EC8	Development and impact of infrastructure investments and services provided for public benefit	Part 1 (6–10), Part 2 (numerous)	PR	<a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
EC9	Understanding and describing significant indirect impacts	Part 1 (7, 8), Part 2 (numerous)	PR	<a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
	<b>Environmental performance indicators: Materials</b>			
EN1	Materials used by weight or volume	Part 3 (68–71)	PR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN2	Percent of materials used that are recycled input materials	Part 3 (68, 69)	PR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
	<b>Environmental performance indicators: Energy</b>			
EN3	Direct energy consumption by primary energy source	Part 3 (68, 70–71)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN4	Indirect energy consumption by primary energy source	Part 3 (68, 70–71)	PR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN5	Energy saved due to conservation and efficiency improvement	Part 3 (68)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>

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GRI Number	Content	Location	Reporting Status 2011	Links
EN6	Initiatives to provide energy efficient or renewable energy-based products and services, and resulting reductions in energy requirements	Part 2 (31–33), Part 3 (69)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Part 2 (31–33), Part 3 (66, 69)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
	<b>Environmental performance indicators: Water</b>			
EN8	Water withdrawal by source	Part 3 (69)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN9	Water sources significantly affected by withdrawal by source	Part 3 (69)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN10	Percentage and volume of water recycled and reused	Part 3 (69)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
	<b>Environmental performance indicators: Biodiversity</b>			
EN11	Location and size of land owned, etc., in or near protected areas	Part 3 (66)	none	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN12	Significant impact on biodiversity in protected areas and of high biodiversity value outside such areas	Part 2 (29–31, 50–52, 55)	PR	<a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a> <a href="http://www.adb.org/Safeguards/policy.asp">http://www.adb.org/Safeguards/policy.asp</a>
EN13	Habitats protected or restored	Part 2 (29–31, 50–52, 55)	FR	<a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a>
EN14	Strategies, actions, and plans for managing impacts on biodiversity	Part 2 (29–31, 50–52, 55)	FR	<a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a> <a href="http://www.adb.org/Environment/safeguard-policy.asp">http://www.adb.org/Environment/safeguard-policy.asp</a>
EN15	Number of IUCN Red List species, etc. with habitats in areas affected by operations, and level of risk	Part 2 (26)	PR	<a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a> <a href="http://www.adb.org/environment/adb-cti.asp">http://www.adb.org/environment/adb-cti.asp</a> <a href="http://www.adb.org/Environment/adb-hob.asp">http://www.adb.org/Environment/adb-hob.asp</a> <a href="http://www.adb.org/Environment/biodiversity-initiatives.asp">http://www.adb.org/Environment/biodiversity-initiatives.asp</a>
	<b>Environmental performance indicators: Emissions, effluents, and waste</b>			
EN16	Direct and indirect greenhouse gas emissions by weight and volume	Part 3 (68, 70, 71)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
EN17	Other relevant greenhouse gas emissions by weight	Part 3 (68, 70, 71)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Part 3 (70)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN19	Emissions of ozone-depleting substances by weight	Part 3 (70)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN20	NO, SO, and other significant air emissions by type and weight	—	NA	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN21	Water discharge by quality and destination	Part 3 (69)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN22	Weight of waste by type and disposal method	Part 3 (70)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN23	Number and volume of significant spills	Part 3 (70)	NA	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN24	Weight of transported hazardous waste	Part 3 (70)	FR	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
EN25	Water bodies and related habitats significantly affected by water discharges and runoff	Part 3 (69)	none	<a href="http://www.adb.org/OAS">http://www.adb.org/OAS</a>
	<b>Environmental performance indicators: Products and services</b>			
EN26	Initiatives to mitigate environmental impacts, and extent of mitigation	Part 2 (50–52), Part 3 (65–74)	FR	<a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a>
EN27	Percentage of products sold and their packaging materials that are reclaimed	—	NA	—
	<b>Environmental performance indicators: Compliance</b>			
EN28	Monetary value of significant fines for noncompliance	—	none	—
	<b>Environmental performance indicators: Transport</b>			
EN29	Significant environmental impacts of transporting products, etc.	Part 3 (71)	FR	—

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Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
	<b>Environmental performance indicators: Overall</b>			
EN30	Environmental protection expenditures and investments by type	Part 2 (25–28) Part 3 (66)	PR	<a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a>
	<b>Labor practices and decent work: Employment</b>			
LA1	Workforce by employment type, contract, and region	Part 3 (61)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA2	Number and rate of turnover by age group, gender, and region	Part 3 (61)	PR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA3	Benefits provided to full-time employees that are not provided to other employees	Part 3 (63)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Labor practices and decent work: Labor–management relations</b>			
LA4	Percentage of employees covered by collective bargaining agreements	Part 3 (64)	NA	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA5	Minimum notice periods regarding operational changes	—	NA	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Labor practices and decent work: Occupational health and safety</b>			
LA6	Percentage of workforce represented in formal joint management–worker health and safety committees	Part 3 (67)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA7	Rates of injury, occupational diseases, absenteeism	Part 3 (66–67)	PR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA8	Education, etc. programs to assist employees, their families, or community members, regarding serious disease	Part 3 (63)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA9	Health and safety topics covered formal agreements with trade unions	—	NA	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
	<b>Labor practices and decent work: Training and education</b>			
LA10	Average hours of training/year/employee by employee category	Part 3 (62–63)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA11	Programs for skills management, lifelong learning, and support for continued employability	Part 3 (63)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
LA12	Percentage of employees receiving regular performance and career development reviews	Part 3 (62)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Labor practices and decent work: Diversity and equal opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per category by age, gender, minority group membership, etc.	Part 1 (4, 6), Part 3 (61)	PR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a> <a href="http://www.adb.org/Documents/Reports/annual_report">http://www.adb.org/Documents/Reports/annual_report</a>
LA14	Ratio of basic salary of men to women by employee category	Part 3 (62)	NR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Human rights: Investment and procurement practices</b>			
HR1	Percentage and number of significant investment agreements that include human rights clauses or screening	Part 2 (50–53)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a> <a href="http://www.adb.org/safeguards">http://www.adb.org/safeguards</a>
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	—	NR	<a href="http://www.adb.org/BMPSPD">http://www.adb.org/BMPSPD</a> <a href="http://www.adb.org/Environment">http://www.adb.org/Environment</a>
HR3	Hours of employee training on human rights relevant to operations, and percentage of employees trained	Part 3 (63)	PR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>

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Appendix continued

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	<b>Human rights: Nondiscrimination</b>			
HR4	Number of incidents of discrimination and action taken	Part 3 (65)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Human rights: Freedom of association and collective bargaining</b>			
HR5	Operations identified in which this right might be significantly at risk, and actions taken to support this right	Part 2 (43–44)	NR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Human rights: Child labor</b>			
HR6	Operations identified in which this right might be significantly at risk, and actions taken to support elimination of child labor	Part 2 (43)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a> <a href="http://www.adb.org/Documents/Handbooks/Core-Labor-Standards">http://www.adb.org/Documents/Handbooks/Core-Labor-Standards</a> <a href="http://www.adb.org/SocialProtection/strat.asp">http://www.adb.org/SocialProtection/strat.asp</a>
	<b>Human rights: Forced and compulsory labor</b>			
HR7	Operations identified in which this right might be significantly at risk, and actions taken to support elimination of forced or compulsory labor	Part 2 (43)	FR	<a href="http://www.adb.org/Documents/Handbooks/Core-Labor-Standards">http://www.adb.org/Documents/Handbooks/Core-Labor-Standards</a>
	<b>Human rights: Security practices</b>			
HR8	Percentage of security personnel trained in the organization's human rights policies relevant to operations	Part 3 (72)	PR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
	<b>Human rights: Indigenous rights</b>			
HR9	Number of incidents involving rights of indigenous people and actions taken	Part 1 (18), Part 2 (50–52)	PR	<a href="http://www.adb.org/safeguards">http://www.adb.org/safeguards</a> <a href="http://www.adb.org/IndigenousPeoples/safeguard-policy.asp">http://www.adb.org/IndigenousPeoples/safeguard-policy.asp</a> <a href="http://www.adb.org/Accountability-Mechanism">http://www.adb.org/Accountability-Mechanism</a>
	<b>Society: Community</b>			
SO1	Nature, scope, and effectiveness of programs that assess and manage impacts of operations on communities	Part 1 (8–10), Part 2 (42–52), Part 3 (72–74)	FR	<a href="http://www.adb.org/Safeguards/policy.asp">http://www.adb.org/Safeguards/policy.asp</a> <a href="http://www.adb.org/IndigenousPeoples/safeguard-policy.asp">http://www.adb.org/IndigenousPeoples/safeguard-policy.asp</a> <a href="http://www.adb.org/Resettlement">http://www.adb.org/Resettlement</a>

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Appendix continued

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	<b>Society: Corruption</b>			
SO2	Percentage and number of business units analyzed for risks related to corruption	Part 1 (18–19)	FR	<a href="http://www.adb.org/OAG">http://www.adb.org/OAG</a>
SO3	Percentage of employees trained in the organization's anticorruption policies and procedures	Part 1 (18–19)	FR	<a href="http://www.adb.org/BPMSD">http://www.adb.org/BPMSD</a>
SO4	Actions taken in response to incidents of corruption	Part 1 (18–19)	FR	<a href="http://www.adb.org/OAG">http://www.adb.org/OAG</a> <a href="http://www.adb.org/Accountability-Mechanism">http://www.adb.org/Accountability-Mechanism</a>
	<b>Society: Public safety</b>			
SO5	Public policy positions and lobbying	—	NA	—
SO6	Value of contributions to political parties and politicians	—	no contributions made	—
	<b>Society: Anticompetitive behavior</b>			
SO7	Number of legal actions for anticompetitive behavior, etc.	—	NA	<a href="http://www.adb.org/OAG">http://www.adb.org/OAG</a>
	<b>Society: Compliance</b>			
SO8	Monetary value of significant fines and number of sanctions	—	none	—
	<b>Product responsibility: Customer health and safety</b>			
PR1	Life cycle stages at which health and safety impact of products and services are assessed for improvement	Part 1 (6–7), Part 2 (50–52)	FR	<a href="http://www.adb.org/sustainability-report/2011">http://www.adb.org/sustainability-report/2011</a>
PR2	Number of incidents of noncompliance with regulations and voluntary codes	Part 1 (18–20)	NA	<a href="http://www.adb.org/OAG">http://www.adb.org/OAG</a>
	<b>Product responsibility: Product and service labeling</b>			
PR3	Type of information required	—	NA	—
PR4	Incidents of noncompliance	Part 1 (18–20)	NA	—
PR5	Practices related to customer satisfaction, including results of surveys	—	NA	<a href="http://www.adb.org/Documents/Reports/adb-perceptions-survey/2009">http://www.adb.org/Documents/Reports/adb-perceptions-survey/2009</a>

FR = fully reported, GRI = Global Reporting Initiative, NA = not applicable, NR = not reported, PR = partly reported. Location cites the section of the report (e.g., Part 1) and gives the page numbers in parentheses. Links may not always provide specific information on the GRI indicator, but they are meant to reference related data.

Appendix continued

GRI Number	Content	Location	Reporting Status 2011	Links
	<b>Product responsibility: Marketing communications</b>			
PR6	Programs for adherence to laws, etc. related to marketing	—	NA	—
PR7	Incidents of noncompliance	—	NA	<a href="http://www.adb.org/Accountability-Mechanism">http://www.adb.org/Accountability-Mechanism</a>
	<b>Product responsibility: Customer privacy</b>			
PR8	Number of substantiated complaints regarding breach of customer privacy	—	NA	—
	<b>Product responsibility: Compliance</b>			
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning products	—	none	—

FR = fully reported, GRI = Global Reporting Initiative, NA = not applicable, NR = not reported, PR = partly reported.  
 Location cites the section of the report (e.g., Part 1) and gives the page numbers in parentheses. Links may not always provide specific information on the GRI indicator, but they are meant to reference related data.

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## Asian Development Bank Sustainability Report

The third Sustainability Report of the Asian Development Bank (ADB) offers easily accessible information on ADB's policies, programs, and practices as they relate to the social and environmental sustainability of development in Asia and the Pacific, and on changes in this work that have occurred since ADB published its second Sustainability Report, in 2009.


The report also documents ADB's continuing efforts to minimize its corporate environmental impact, especially at its Manila headquarters. For comparability, ADB's current Sustainability Report is structured similarly to its first two. All three reports respond to the latest guidelines of the Global Reporting Initiative while adapting to the particular characteristics of ADB's work and the many different audiences interested in the information presented. For information and comments, please e-mail [njahmad@adb.org](mailto:njahmad@adb.org).

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Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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