

ADB

Asian Development Bank

Sustainability

Report

2009

Asian Development Bank



The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in white serif font on a dark blue square background.

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Asian Development Bank Members



- Regional Member
- Nonregional Member
- Asian Development Bank Office

Boundaries are not necessarily authoritative
Lao PDR = Lao People's Democratic Republic



The President's Message

I am pleased to present this second Sustainability Report prepared by the Asian Development Bank (ADB).

Much has happened in the 2 short years since we issued our first such report. The Asia and Pacific region has continued its rapid economic growth. However, rising costs from environmental degradation and the region's contributions to climate change are increasingly recognized. Moreover, publication of this report comes at a time when the region is facing severe impacts from a global economic downturn. If improvements in prosperity are to continue, the region needs to weather the current economic storm while also changing course to more an environment-friendly development path.

To ensure that ADB's efforts are fully cognizant of and responsive to these and other emerging development challenges facing our region, in 2008 we issued *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. This clearly charts the way forward for ADB's investments and related support for strengthened policies and

institutions. Strategy 2020 reaffirms our mission of eliminating poverty in the region and sets out ways in which we will adjust our operations to pursue this goal most effectively.

Under Strategy 2020, we have redirected our attention to three critical areas:

- making economic growth inclusive, to assure that the disadvantaged (often women) and poor are not left out of development progress;
- promoting environmentally sustainable growth, to ensure that current and future generations are not deprived of their natural heritage and a healthy quality of life; and
- strengthening regional integration by fostering mutually beneficial cooperation among the countries of our region and the institutions that finance their development.

To this end, we are channeling our resources primarily into five core areas of work, addressing critical infrastructure needs; the environment, including climate change; regional cooperation and integration; finance sector development; and expansion of educational opportunity. Working



with other development partners, we will also operate in the areas of health improvement, agricultural development, and disaster risk management.

It is with great pleasure that I present this *Sustainability Report 2009*, which provides information on ADB's policies, programs, and practices as they relate to promoting the social and environmental sustainability of development in Asia and the Pacific. As with the first report, we hope that it will help those interested in ADB's work to better understand our organization and how we operate.

A handwritten signature in black ink, appearing to read 'H. Kuroda'.

Haruhiko Kuroda
President
Asian Development Bank

Foreword

Economic expansion in Asia and the Pacific must continue if poverty is to be reduced further and the quality of life improved, and the region now faces severe impacts from the global economic crisis. Despite the current downturn, Asia's economic and environmental footprint is global in reach. So the manner in which this growth is accomplished will have major implications for the global economy and environment as well as the sustainability of economic advances in Asia and the Pacific.

For example, rapid growth means vastly larger energy demands, but the region's reliance on fossil fuels that emit greenhouse gases (GHGs) must be reduced to allow a global solution to the challenges of climate change. The same may be said for water, minerals, soils, forests—all under increasing pressure both in the region and world-wide. The region needs to move onto a resource-efficient and low-carbon development path. Even under the most optimistic of scenarios for reduced GHG emissions, the countries of Asia and the Pacific will face costly climate change impacts, and measures to adapt to these adverse impacts will require new sources of financing. At the same time, the region's social development challenges, such as expanding educational opportunities and improving access to health services, must continue to be met. Furthermore,

financial, human, and natural resources can only be effectively employed when sound governance systems are in place.

These are the challenges facing the region and the Asian Development Bank (ADB) as a partner in promoting sustainable development. As a leading development institution in Asia and the Pacific, we also are helping our client countries respond to the global economic downturn. This second *Sustainability Report* issued by ADB highlights our responses to these challenges—focusing on environmental, social, and governance concerns in the region—and provides an update on our activities since we published the first such report—in 2007. During this period, we have made some notable progress, not least of which was our Board of Directors' approval of Strategy 2020, the new long-term strategic framework for our organization's work. Attention to environment and climate change has expanded in both our country operations and our corporate activities. For example, to ensure that we “walk the talk” in our corporate behavior, we completed our first inventory of GHG emissions from activities at our Manila headquarters. As with the first report, we have endeavored to follow the latest guidelines on sustainability reporting from the Global Reporting Initiative, and, for those unfamiliar with our institution, we have again

provided a summary of how ADB is structured and how we operate.

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 David S. McCauley, Principal Environment Specialist in the Environment and Safeguards Division and Eleonora Windisch, Head of the Planning and Coordination Unit of the Office of Administrative Services. Team members included Daniele Ponzi, Principal Environment Specialist; Marie Antoinette Virtucio, Environment Officer; and

Ma. Charina Munda, Senior Operations Assistant. Jill Gale de Villa served as project coordinator and editor. Any such undertaking is an organization-wide affair, and a full list of the many contributors is given at the end of the report.

We expect this report to further improve understanding of how ADB is organized and is addressing the many pressing challenges to sustainable and inclusive growth in our region, especially those relating to social development, environmental management, and governance. Feedback from readers is welcome, as is your partnership in action.



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

Xianbin Yao
Director General,
Regional and Sustainable Development
Department



A handwritten signature in black ink, appearing to read 'C. R. Rajendran'.

C. R. Rajendran
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 increasingly reporting on their environmental, social development, and governance efforts as well as their corporate structures.

Structure. Like the first Asian Development Bank (ADB) *Sustainability Report*, this document responds to the third guidelines of the Global Reporting Initiative (GRI 3) while adapting 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 report, in some instances we have found it necessary to present again certain facts about ADB's organization and program, so that readers may have in one document a clear picture.

Focus. The report highlights how our efforts within our new Strategy 2020 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.

"Only growth that is environmentally sustainable can eliminate poverty, since many of the poor depend on natural resources for their livelihoods."

Strategy 2020, p. 12

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.

Content. The report provides ready reference to ADB's relevant policies, practices, and programs as well as to additional related information. To facilitate comparability, our Sustainability Report 2009 is structured similarly to our first report and roughly in keeping with the GRI 3 guidelines.

Part 1 provides information about and data on our operations.

“ADB will also help developing member countries adapt to the unavoidable impacts of climate change.”
Strategy 2020, p. 19

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

Part 3 presents information about our corporate operations and staff, and how we are working to lighten our corporate footprint upon our office’s environs, the region, and the globe.

The Appendix cross-references the contents of the report with elements of GRI 3.

The report has been formulated with input and advice from many ADB staff in our diverse departments and divisions.

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.

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, four vice-presidents, and managing director general.
- “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 without guarantee from a national government.

Part 1

ADB—Strategy and Structure



ADB—Strategy and Structure

Strategic Framework and Organization

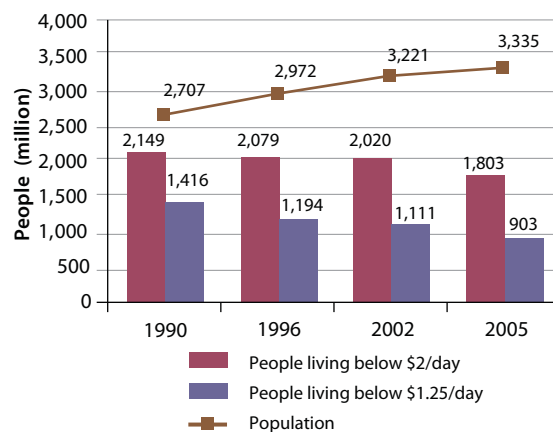
ADB AND THE ASIAN DEVELOPMENT CHALLENGE

The Asian Development Bank (ADB) is a multilateral development finance institution with a mission to help the countries of the Asia and Pacific region 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 (Box 1.1). Our primary customers in this work are the national governments of our client countries (developing member countries).

During the past 2 decades, countries of our region have made remarkable progress in poverty reduction. About 500 million people have been lifted above the \$1.25 per day poverty line since 1990 (Figure 1.1). While this is a positive achievement, much remains to be done. Not only did 903 million people of our region still subsist on less than \$1.25 a day as of 2005 (the latest year for which reliable data are available), but 1.8 billion got by on less than \$2 a day. Our work is

Figure 1.1. Population and poverty of Asia

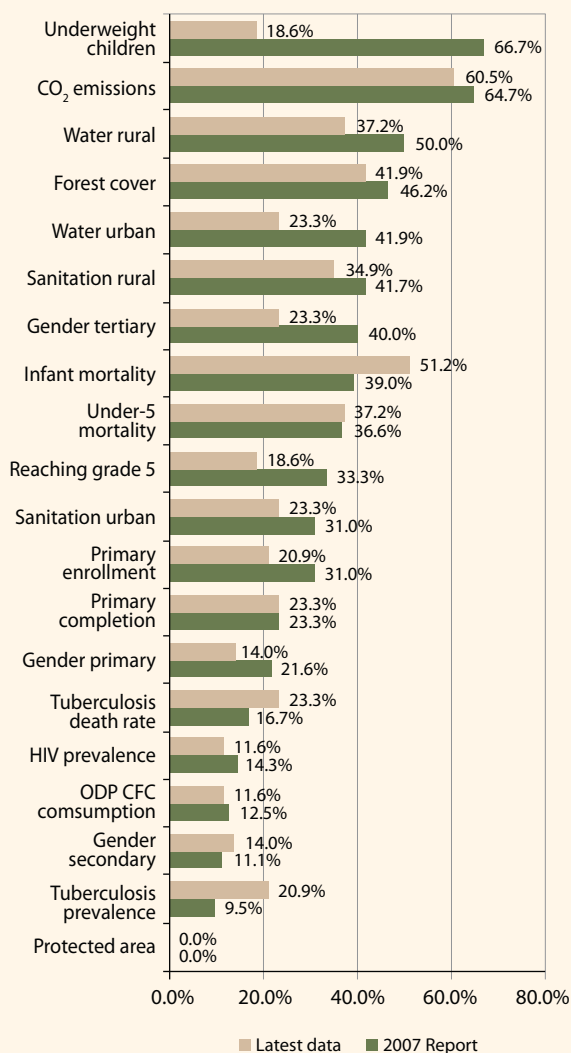


Note: Data are based on estimates of 25 countries: Armenia, Azerbaijan, Bangladesh, Bhutan, Cambodia, People's Republic of China, Georgia, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Malaysia, Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Turkmenistan, Uzbekistan, and Viet Nam.
Sources: World Bank PovcalNet Database; Bauer, A., R. Hasan, R. Magsombol, and G. Wan. 2008. *The World Bank's New Poverty Data: Implications for the Asian Development Bank*. ADB Sustainable Development Working Paper Series Number 2. Manila.

far from complete, and it now must proceed in the face of a global economic downturn that is adversely affecting all of the region's economies.

Box 1.1. Progress in Asia and the Pacific toward achieving the Millennium Development Goals

Percent of ADB developing members considered off-track in meeting non-income MDGs



Between the two data sets in the figure, Asia progressed remarkably in the percent of underweight children, and made great strides with delivering water in both rural and urban areas, primary enrollment, gender ratios in primary schools, and the proportion of enrollees reaching grade 5. However, Asia's progress toward achieving the MDGs has been uneven: infant mortality and tuberculosis prevalence and consequent deaths rose significantly.

The variables in the figure represent progress toward the eight MDGs, which aim to

1. eradicate extreme poverty and hunger;
2. achieve universal primary education;
3. promote gender equality and empower women;
4. reduce child mortality;
5. improve maternal health;
6. combat HIV/AIDS, malaria, and other diseases;
7. ensure environmental sustainability; and
8. develop a global partnership for development.

ADB = Asian Development Bank; CO₂ = carbon dioxide; Gender primary, secondary, or tertiary = gender ratio in primary, secondary, or tertiary school enrollment; HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome; MDG = Millennium Development Goal; ODP CFC = ozone depletion potential chloroflourocarbon.

Sources: UNESCAP, UNDP, and ADB 2008. *A Future Within Reach*. Bangkok: United Nations Available: www.unescap.org/publications/detail.asp?id=1283; ADB. 2006. *2005 Annual Poverty Reduction Report*. Manila. Available: www.adb.org/Documents/Reports/Poverty-Reduction-Report/prs-2005.pdf

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 develop and disseminate information on policies and investment approaches that are effective for reducing poverty; build partnerships with other development agencies, the private sector, and the public; invest in development projects, such as those providing new infrastructure; carry out policy dialogue to support appropriate reforms; strengthen key institutions; and encourage self-help initiatives across a wide range of sectors.

ADB's annual investments have averaged over \$11 billion during the past 2 years across Asia and the Pacific. Our staff has worked on developing clean energy sources 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 provide financial support to our client countries primarily in three ways:

- providing grants and loans to help client 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.¹

In all of this, we are guided by our own policies, strategies, and processes.² These and all related project documents are publicly available.³

STRATEGY 2020—ADB'S NEW LONG-TERM FRAMEWORK

A decade of rapid economic growth in the Asia and Pacific region and significant shifts in the patterns of development financing and issues affecting the region's economic development

generated both the need and the opportunity for ADB to set a new strategic course.

After broad consultations with a wide range of our stakeholders and development partners, in April 2008 ADB launched *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank: 2008–2020* (Strategy 2020).⁴ This replaced the long-term strategic framework for 2001–2015, which was released in 2000. Strategy 2020 reconfirms ADB's vision of "an Asia and Pacific free of poverty," and our mission to help client countries reduce poverty and improve their peoples' quality of life.

To achieve this, ADB is now committed to support three complementary development agendas: inclusive economic growth, environmentally sustainable growth, and regional integration. ADB is refocusing its operations on five core areas based on the institution's comparative strengths—infrastructure, environment, regional cooperation and integration, finance sector development, and education. Strategy 2020 also identifies several drivers of change that will be acknowledged in all operations—private sector development, good governance, gender equity, knowledge management, and partnerships (Box 1.2).

The work program and budget framework to implement the first 3 years (2009–2011) of the 12-year strategy reflects these new directions:

- aligning 80% of our operations with the five core operational areas by 2011;
- strengthening cofinancing to build partnerships and enhance resource mobilization to help our client countries meet their total development financing requirements;
- streamlining corporate policies and strategies to ensure their alignment and coherence with Strategy 2020;
- implementing an information systems and technology strategy to enhance our internal processes and developing a unified project processing and portfolio management system to improve our business processes;

Box 1.2. ADB's Strategy 2020

Strategic Agendas

Inclusive economic growth

- Support by the Asian Development Bank (ADB) will include investing in (1) infrastructure to achieve high sustainable economic progress, connect the poor to markets, and increase their access to basic productive assets; and (2) education and essential public services, such as water and sanitation, which particularly benefit the poor and women.



Environmentally sustainable growth

- ADB will support the use of environmentally friendly technologies, adoption of environmental safeguard measures, and establishment of institutional capacities to strengthen their enforcement.

Regional integration

- ADB will step up implementation of its regional cooperation and integration strategy to accelerate economic growth, raise productivity and employment, reduce economic disparities, and achieve closer policy coordination and collaboration in support of regional and global public goods, including work to combat climate change and HIV/AIDS.

Drivers of Change

Private sector development and private sector operations

- To spur market-led growth, ADB will invest in infrastructure and advise governments on the basics of a business-friendly environment, including reliable rules, regulations, and policies that do not disadvantage private sector enterprise. Our tools to catalyze change through greater private investment in developing member countries (DMCs) will include direct financing, credit enhancements, risk mitigation guarantees, and innovative new financial instruments. We will promote public-private partnerships in all of our core operational areas, gaining experience first in middle-income economies, and then expanding the efforts to all DMCs.

Good governance and capacity development

- ADB will bring the four elements of good governance (accountability, participation, predictability, and transparency) deeper into the mainstream of its operations and activities. We will regard accountability for economic performance, effectiveness of policy formulation and implementation, and the efficient use of public resources as essential to preserving financial resources for development purposes.

Box 1.2. continued

Gender equity

- ADB will promote gender equity through operations that deliver specific gender outcomes, such as improved access for women and girls to education and health services, clean water, better sanitation, and basic infrastructure.



Knowledge solutions

- ADB's knowledge services will address our clients' immediate knowledge needs, while determining and passing on best practices. We will support pilot projects from which we will distill and disseminate lessons. ADB will distribute knowledge in ways that have both an immediate impact and catalytic force—for example, the knowledge of how a DMC can approach public-private partnerships to provide social services and to achieve benefits for the poor.

Partnerships



- To meet the region's many development challenges and deliver aid effectively, ADB will expand and diversify its engagement with partnerships. Current arrangements include international development agencies, multi- and bi-lateral institutions, and nongovernment and community-based organizations; new arrangements will be forged that include the private sector and private institutions.

Core Areas of Operation

Infrastructure

- ADB will invest in infrastructure to improve transport and communication connectivity within and between DMCs; meet growing energy demands in a sustainable manner; and contribute to public health by investing in water, sanitation, and waste management systems. We will continue to invest in rural infrastructure, covering irrigation and water management, rural roads, and rural electrification.



Box 1.2. continued

Environment



- ADB will expand its promotion of, and investment in, sound environmental management. In its programs, policies, and strategies, ADB will help DMCs move their economies onto low-carbon growth paths, reduce the carbon footprint of Asia's cities by assisting DMCs to address a range of environmental problems resulting from rapid urbanization, and support complementary actions such as mainstreaming environmental

considerations into DMCs' policies and investment programs, while strengthening their legal, regulatory, and enforcement capacities; reinforcing environmental safeguards in ADB's operations and country systems; promoting and sharing regional cooperation on shared environmental public goods; and facilitating the transfer of knowledge on environmental management and new technologies.

Regional cooperation and integration (RCI)

- ADB will scale up its support for regional cooperation, increasing both the volume of its RCI operations and the share of RCI in total operations.

Finance sector development

- ADB will strengthen its support to the finance sector at the regional and national levels by helping to develop financial infrastructure, institutions, and products and services.

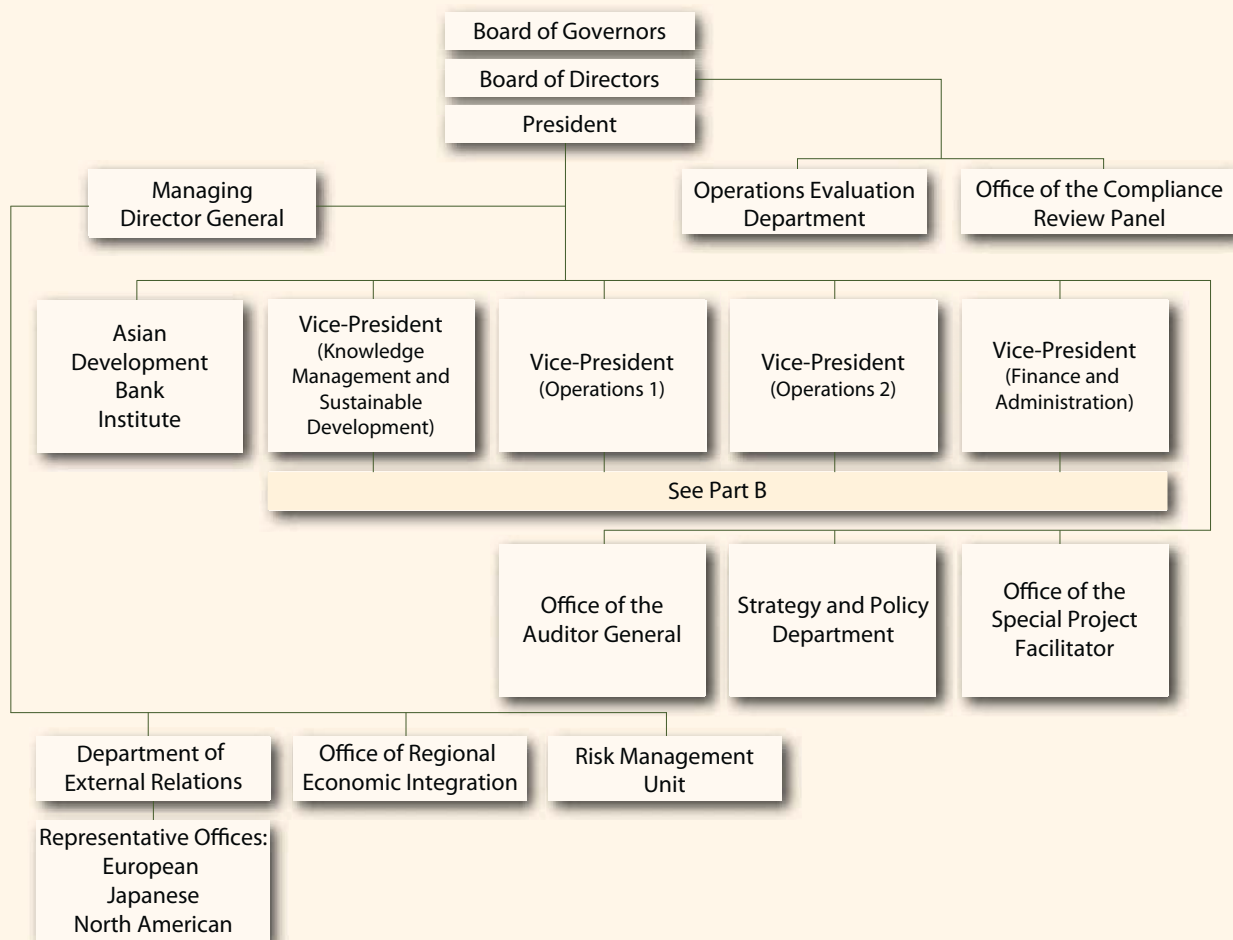
Education

- ADB will continue to support expanded, higher quality, more accessible basic and secondary education, particularly in smaller and poorer DMCs. We will increasingly direct our attention to raising the quality of technical and vocational education and training, and of selected fields in tertiary education.



Source: ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank: 2008–2020*. Manila. www.adb.org/documents/policies/strategy2020/Strategy2020.pdf

Box 1.3. Organization Chart



For a list of management and senior staff go to www.adb.org/About/management.asap.

- realigning our human resources strategy following completion of a comprehensive review and preparation of a human resources action plan; and
- reducing duplication and improving operational and administrative efficiency through phased realignments in ADB's organizational structure.

ORGANIZATIONAL STRUCTURE

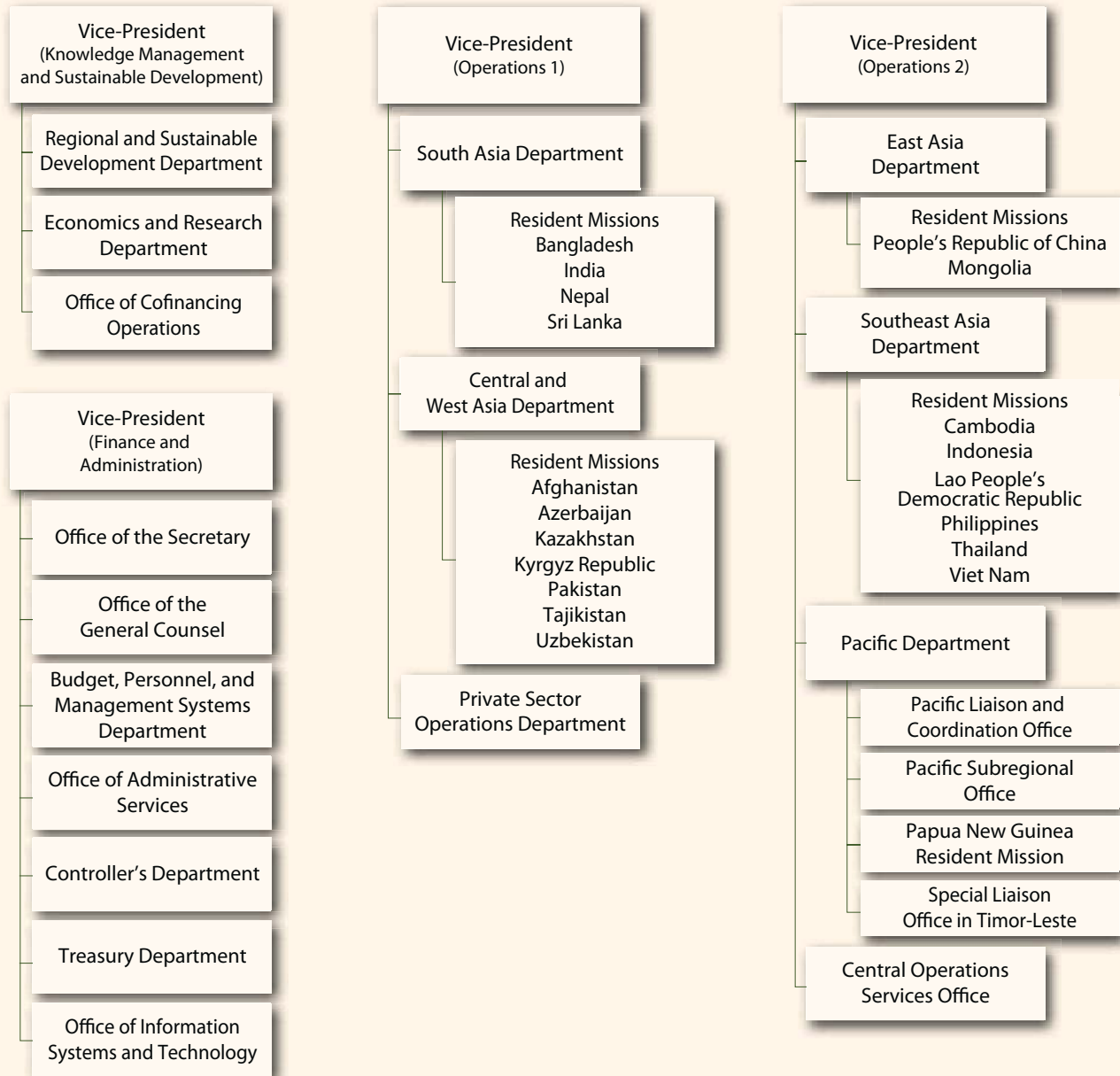
Since its founding in 1966, ADB's headquarters have been in Manila, Philippines. At the end of 2008, ADB had 67 member countries (shareholders)—48 from Asia and the Pacific (“regional members”) and 19 from Europe and

North America (“nonregional members”).⁵ The largest shareholders are Japan and the United States, which each hold 15.6% shares in the organization.

At the apex of ADB's organizational structure are its Board of Governors⁶ and Board of Directors.⁷ ADB's “management” comprises the four vice-presidents and the managing director general.⁸ ADB's organization chart is in Box 1.3.

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 its private sector

Box 1.3. continued, Part B

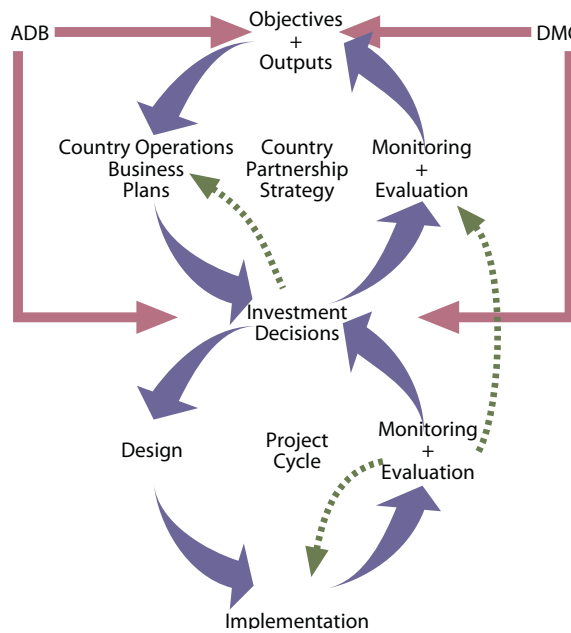


department. They are assisted by crosscutting departments that provide technical and logistical support.

We have 27 field offices—including 22 resident missions and offices serving individual client countries; 2 regional missions; and 3 representative offices (the map on pages iv–v

shows our members and office locations).⁹ Resident missions provide the primary contact between ADB and the client country, 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.

Figure 1.2. Country partnership strategy and the project cycle



Our annual report provides additional detail on our organizational structure.¹⁰

Country Partnerships

Starting the project cycle. In addition to our organization-wide policies and strategies, we have processes in place to ensure that our programming remains responsive to the needs of our client countries. The government of each client country routinely prepares national economic development and poverty reduction plans and strategies—sometimes with ADB’s assistance. Every 3–5 years, 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 ADB support based on this analysis and the country’s priorities.

After consulting with other development partners to ensure good coordination and to determine synergies, the government and

ADB reach agreement on the priorities and our contributions. 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. When the client country and ADB agree on the country partnership strategy, the technical staff of our operational departments design the projects identified and organize 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 such participation.

Figure 1.2 shows our project cycle.¹¹ 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 and equity investments.

The multitranche financing facility. In 2005, we introduced on a pilot test basis the multitranche financing facility (MFF). The aim was to support our client’s medium- to long-term investment programs while reducing costs that would have been applicable to a series of individually processed loans.¹² Because of the demand for the

MFF, in June 2008, we mainstreamed the MFF into our operations.¹³ By the end of 2008, 19 MFFs had been approved for 10 client countries.

Under an MFF, our Board of Directors approves a maximum amount and the conditions under which financing will be provided. At the client's request, ADB's management converts portions of the facility amount into a series of tranches to finance eligible investments. The overall amount of the MFF is not recorded as a legally binding financial commitment on either ADB or our clients; only the amounts converted (into loans, grants, guarantees or ADB-administered cofinancing) are recorded as committed, if and when approved.

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 results 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.

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

Catalyzing Private Sector Development

INCREASING OUR PRIVATE SECTOR WORK

ADB helps build an environment to enable heightened and sustained private sector participation in our region's development. The adoption of Strategy 2020 is a milestone for nonsovereign operations, because it prioritizes private sector development as a key driver of change in our operations. By 2020, 50% of our lending is expected to be in private sector development and private sector operations.

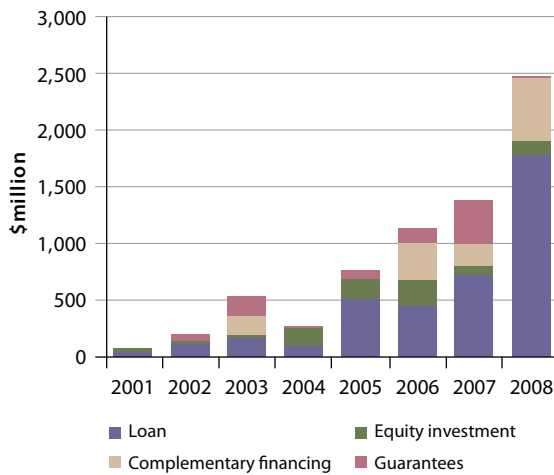
We seek to provide a bridge between the public and private sectors to help satisfy the investment needs of the Asia and Pacific region while ensuring that private capital is channeled to meet the public interest (Box 1.4 on p.12). In this, we support and encourage the formation of public-private partnerships, and offer expertise and risk mitigation services. Private sector operations are focused principally in the finance and infrastructure sectors. ADB participates in private sector projects through nonsovereign loans without counter-guarantees from the countries in which the projects are located; equity investments; and credit enhancement products (including guarantees and "B-loans," through which ADB arranges a complete financing package for a project and encourages local and international commercial banks to participate).

Our nonsovereign projects (loans to private and/or public sector entities, including state-owned enterprises) have increased significantly in recent years and are being administered in 20 client countries (Figure 1.3).

ENHANCING PUBLIC-PRIVATE PARTNERSHIPS IN INFRASTRUCTURE

ADB is uniquely positioned to help client countries raise financing for their investments in infrastructure through public-private

Figure 1.3. Private sector approvals through 2008



partnerships (PPPs). Our comparative advantage is that we have both public and private sector operations, which can be linked in our lending and nonlending operations. Over the last 2 decades, we have successfully completed several infrastructure projects funded with PPP—in water (water supply and wastewater treatment), transport (roads, ports, and airports), and energy (a liquid natural gas terminal, natural gas storage and transmission, and power generation).

Our client countries need to spend about 6–7% of their gross domestic product annually on infrastructure in order to maintain and enhance their economic growth. This represents a demand for investments estimated at \$3 trillion across

Box 1.4. Supporting clean energy development through private sector financing



Contributing to international efforts to promote renewable energy development, in 2008, the Asian Development Bank (ADB) approved \$105 million in private sector loans for two wind energy facilities in India and \$100 million in equity investments in five Asian clean energy private equity funds.

The wind energy facilities to be set up by Gujarat Paguthan Energy Corporation Private Ltd in Gujarat and CLP Wind Farms (India) Private Ltd in Karnataka and Gujarat will help develop new renewable energy sources that will decrease fossil fuel

consumption and reduce the emission of greenhouse gases and other pollutants. The projects, which will add 183.2 megawatts of generating capacity, will also help reduce the country’s growing energy supply deficit and improve its energy security by developing indigenous energy sources. This project is part of a unique model for private sector participation in renewable energy envisaging successful collaboration between a private turnkey project developer and a strategic investor.

ADB is playing a catalytic role in this sector by supporting private equity funds that focus on clean energy. ADB’s investments in the Asia Clean Energy Fund, China Clean Energy Capital Fund, China Environment Fund III, South Asia Clean Energy Fund, and MAP Clean Energy Fund will facilitate significant development in clean energy such as small hydropower, solar, wind, biofuel, biomass, geothermal, clean technology, energy savings and efficiency, and other projects related to mitigating greenhouse gas emissions. Each fund invests not only in the growth and expansion of clean energy companies but also in “greenfield” projects, thus facilitating across Asia the investment of capital in clean energy.

Source: ADB. 2008. *Proposed Equity Investment in Asian Clean Energy Private Equity Funds*. Manila. www.adb.org/projects/project.asp?id=41922

Asia over the next decade. In contrast, current infrastructure investments average only about 3–4% of gross domestic product, leaving a significant gap to fill.

Many countries are planning to attract private sector financing through PPPs. However, their success depends on the ability of governments to provide bankable projects as investment opportunities to the private sector and in an environment conducive to partnerships that can last for about 30 years.

The PPP approach is an integral part of Strategy 2020's approval to leverage limited public investments. It recognizes that innovative PPPs

must be developed to allow sharing of risks and costs in the development process, especially in the provision of infrastructure, with a focus on water, transport, and renewable and clean energy to reduce greenhouse gas emissions.

Looking ahead, we will take an increasingly catalytic role in mobilizing private sector resources. This could free public resources for addressing key poverty-related issues and help to better channel the resourcefulness and flexibility of the private sector toward contributing to a country's development process. Simultaneously, we will continue to emphasize the strengthening of client country capacity for innovative and bankable PPP projects (Box 1.5).

Box 1.5. Powering up Cambodia's northwestern provinces

Insufficient, unreliable, and expensive power is one of Cambodia's most pressing problems. Cambodia's energy is almost exclusively generated by small diesel plants. Its load centers are disparate, small, and unconnected, resulting in electricity production costs that are among the highest in Asia. This impedes Cambodia's ability to attract investments and promote sustainable economic activities, both of which are important to reducing poverty in the country.

To help improve Cambodia's energy supply, the Asian Development Bank (ADB) provided the Cambodia Power Transmission Lines Co. Ltd. (CPTL) with a loan guarantee of up to \$8 million. It is ADB's first private sector infrastructure project in Cambodia and the first privately owned high-voltage power transmission project in the Greater Mekong Subregion.

The project connects Cambodia's national grid with Thailand and delivers power to three provinces in northwestern Cambodia—Banteay Meanchey, Battambang, and Siem Reap. The CPTL project will promote Cambodia's development by distributing electricity to underserved regions, catalyzing private capital and long-term project financing under a build–operate–transfer arrangement with public–private partnership.

The project creates conditions that can generate economic growth opportunities and reduce power prices, and reduce fuel imports by an estimated 20 million liters each year. Most importantly, the CPTL project contributes to an overall improvement of the quality of life for Cambodia's citizens in the rural areas because they now have a reliable and sustainable source of power.

Sources: ADB. n.d. Infrastructure: CPTL Power Transmission Line Project. www.adb.org/Documents/Periodicals/TRM/2008/vol2-1/CPTL-Brochure.pdf; ADB. n.d. 40914: CAM: CPTL Power Transmission Project. www.adb.org/Projects/project.asp?id=40914 (both accessed April 2009).



Achieving Development Effectiveness

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.¹⁴ 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.

DEVELOPMENT EFFECTIVENESS EFFORTS

Like other international development finance institutions, ADB has been striving in recent years to align its programming, monitoring, and evaluation more closely with the achievement of concrete development and poverty reduction results, rather than tracking inputs such as financial expenditures (Box 1.6). As part of continuing efforts to improve the effectiveness of our activities to promote poverty reduction and economic growth, ADB is cooperating with the broader international development community to increase attention to managing for development results (MfDR).¹⁵ The three pillars of our MfDR efforts are

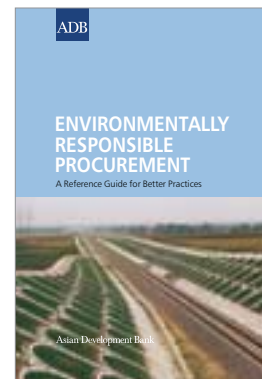
- improving awareness and building the capacity of our clients to apply MfDR principles,
- moving fully to a results orientation within ADB and encouraging our clients to do the same, and
- establishing effective partnerships for improved understanding and implementation of MfDR approaches.

Our increased emphasis on a results framework as the foundation of each country partnership

strategy is perhaps the most significant development in our ongoing MfDR efforts.

In September 2008, we adopted a corporate-level results framework with preliminary indicators to monitor and report on the effectiveness of our operations. The framework is a comprehensive evaluation tool that will track outcomes in Asia and the Pacific, contributions to country outcomes through key outputs, operational effectiveness, and organizational effectiveness. The results framework was the basis for our reporting in the inaugural development effectiveness review discussed by our Board of Directors in November 2008.¹⁶ The development effectiveness review will be done as an annual assessment of our progress in implementing Strategy 2020.

Our Central Operations Services Office (COSO) has updated our standard bidding documents to include social and environmental sustainability provisions. COSO is working with the Inter-Agency Working Group on Sustainable Procurement to develop additional provisions to address sustainability concerns and to improve and expand social protection clauses. COSO has also prepared a reference guide, *Environmentally Responsible Procurement*, a tool to assist staff during project design and implementation.¹⁷



GENERATING AND SHARING KNOWLEDGE

To support its role as a development finance institution in our region, ADB actively seeks to keep our client countries abreast of the latest knowledge on effective economic development policies, institutions, and investment strategies. We seek to provide knowledge solutions to development challenges—such as climate

Box 1.6. Advancing the managing-for-development-results agenda



SEPTEMBER 2–4, 2008 ACCRA GHANA

The Asian Development Bank (ADB) was a key sponsor of the Third High-Level Forum on Aid Effectiveness, which was held in Accra, Ghana, in September. At the forum, ministers of developing and donor countries responsible for promoting development and heads of multilateral and bilateral development institutions reaffirmed the validity of the principles of the Paris Declaration, noted progress in reducing poverty, and stressed that much greater progress is needed. The forum noted three major challenges and how they are to be addressed.

Country ownership will be increased and deepened by

- broadening country-level dialogue,
- developing countries strengthening their capacity to lead and manage development, and
- donors assisting developing countries to strengthen their systems to do so.

More effective and inclusive partnerships will be built by

- reducing the costly fragmentation of aid,
- increasing aid's value for money,
- welcoming and working with all development actors,
- deepening engagement with civil society organizations, and
- adapting aid policies for countries in fragile situations.

Results will be achieved and accounted for openly by

- focusing on delivering results,
- being more accountable for and transparent about results,
- continuing to change the nature of conditionality to support ownership, and
- increasing the medium-term predictability of aid.

Source: Accra Agenda for Action. www.dgfoundation.org/fileadmin/templates/pdfs/accraseptagendafin.pdf

change or the global economic downturn—generating and disseminating information on technologies, institutional innovations, and other measures to enhance the effectiveness of our own operations and accelerate poverty reduction in the region.

Access to knowledge is essential to good decision making and is the key to effectiveness and high performance in any field. Knowledge is what enables ADB to be effective in its financing, advising, and convening actions—the three key

services it provides to client countries. Since its establishment, ADB has continually endeavored to foresee and adapt to changing external circumstances and to develop distinct knowledge products and services to meet the region's development challenges, including those relating to social and environmental sustainability. Under Strategy 2020, knowledge solutions are one of five key drivers of change that should enable ADB to pursue its vision and new strategic agenda with the greatest positive impact on meeting the region's challenges.

Refining knowledge management. In 2008, we reviewed our experience with knowledge management. The exercise concluded that, while our knowledge management framework remains valid in the context of Strategy 2020, adjustments are needed to strengthen the relevance of our work in this area. Quick-win solutions identified include improving links between our knowledge management efforts and operations, enhancing our in-house professional communities of practice, strengthening cooperation with our external knowledge networks, and boosting staff learning and knowledge sharing. For the benefit of our client countries, these measures should directly contribute to the explicit and systematic management of processes to enable vital individual and collective knowledge resources to be identified, created, stored, shared, and used—the definition of knowledge management.

As part of this effort, the Regional and Sustainable Development Department (RSDD) was realigned in 2008 along sector and thematic lines, consonant with Strategy 2020 and to enhance the coherence and effectiveness of RSDD's work. The new structure brought together related sectors and themes; created a climate change program coordination unit; and established an agriculture, rural development, and food security unit. The realignment has improved RSDD's position to deliver high quality oversight, knowledge, and innovation for inclusive and sustainable development.

With its new structure and associated web-based relationships and processes, RSDD is now engaging our operations departments more proactively in country and regional programming as well as in the processing and administration of projects. RSDD provides cross-cutting support to ADB-wide communities of practice, steering committees, working groups, and task forces. Consistent with Strategy 2020, particular attention is being paid to promoting economic growth that is inclusive and environmentally sustainable and encouraging greater regional economic integration, with investments focused

on expansion of infrastructure; environment, including climate change; regional cooperation and integration; finance sector development; and education.

Disseminating knowledge. We also launched in 2008 several initiatives that underscored the importance of knowledge management and learning. For instance, the Technical Assistance Strategic Forum emphasized measures to improve coordination between the knowledge and operations departments. Sundry conferences and training programs built our knowledge and capacity for regional economic integration. Key research topics included food prices and inflation in developing Asia, use of purchasing power parity in poverty measurement, and the impact of the global financial crisis on Asia.

Knowledge networking took a decidedly dynamic turn with the launch of the HIV and AIDS Data Hub for Asia–Pacific¹⁸ and a bevy of conferences, seminars, workshops, books, and research papers by the Asian Development Bank Institute to build knowledge for sustainable development. Our East Asia Regional Department made special efforts toward knowledge-enriched operations in the People's Republic of China and Mongolia by distilling and disseminating powerful policy messages from research using networks, hubs, and partnerships, and embedding this knowledge in their operations.

In addition to our in-house Knowledge Management Center and knowledge hubs (Box 1.7), we generate and share information vital to our client countries through a range of 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;¹⁹
- our Economics and Research Department contributes to economic knowledge through research; helps determine, through macroeconomic forecasting,

Box 1.7. ADB's kHub

Knowledge networking is an effective way of combining peoples' knowledge and skills in the pursuit of personal and organizational objectives. To encourage knowledge networking, the library at the Asian Development Bank (ADB) was transformed into a knowledge hub (kHub). The kHub hosts book launches and activities of communities of practice, and provides resources such as a touch screen that allows staff members to show project locations. In addition to its self-service information resources, the kHub provides timely information to ADB staff engaged in project design and development. Demand for the kHub's services is driven by needs for connectivity and collaboration.



- the development needs for Asia; and disseminates the results;²⁰ and
- our Office of Regional Integration helps client countries harness the full benefits of global and regional financial integration and disseminates the results to promote prudent economic management.²¹

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 projects, 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. OCR consists primarily of paid-in capital provided by our member countries, proceeds from borrowings, and funds derived from our operations. OCR resources are replenished by borrowings from the world's capital markets, and OCR loans are offered at near-market terms to better-off borrowing countries. The largest of our special funds is the Asian Development Fund (ADF), which provides loans at very low interest rates and grants that help reduce poverty in our poorest client countries.²²

The ADF is a major instrument of concessional financing in the Asia and Pacific region.²³ ADF funds are used for low-interest investments and grants to client countries with low per capita income and limited debt repayment capacity. 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 Reduction²⁴ and ADB's Cooperation Fund for the Water Sector²⁵ are other important special 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,

emphasizing promotion of effective water management policies and practices.²⁶

The table shows investment by sector from OCR and ADF resources. Year-on-year comparisons can sometimes be misleading, since a major program in one sector in a given year can inflate figures. However, the increase in OCR energy sector investments in 2008 reflects growing demand

Financing by sector and source, 2006–2008

Source and Sector	2006		2007		2008	
	\$ million	Percent	\$ million	Percent	\$ million	Percent
Ordinary Capital Resources						
Agriculture and Natural Resources	450	7.5	101	1.2	385	4.4
Education	0	0.0	0	0.0	0	0.0
Energy	1,198	20.0	1,312	16.3	2,423	27.8
Finance	1,635	27.3	978	12.1	108	1.2
Health, Nutrition, and Social Protection ^a			0	0.0	39	0.4
Industry and Trade	0	0.0	0	0.0	150	1.7
Law, Economic Management, and Public Policy	200	3.3	1,021	12.6	1,545	17.7
Multisector	800	13.4	1,043	12.9	1,212	13.9
Transport and Communications	1,235	20.6	3,446	42.7	2,572	29.5
Water Supply, Sanitation, and Waste Management	474	7.9	172	2.1	271	3.1
Subtotal	5,992		8,073		8,705	
Asian Development Fund						
Agriculture and Natural Resources	350	27.5	46	2.4	58	3.2
Education	251	19.7	145	7.7	130	7.3
Energy	97	7.6	92	4.8	39	2.2
Finance	102	8.0	85	4.5	10	0.6
Health, Nutrition, and Social Protection ^a			50	2.6	172	9.6
Industry and Trade	10	0.8	50	2.6	18	1.0
Law, Economic Management, and Public Policy	20	1.6	159	8.4	400	22.4
Multisector	80	6.3	551	29.1	670	37.4
Transport and communications	198	15.6	480	25.3	162	9.1
Water Supply, Sanitation, and Waste Management	165	13.0	236	12.5	131	7.3
Subtotal	1,272		1,893		1,790	
Total	7,264		9,966		10,494	

^a Health, Nutrition, and Social Protection was first included as a separate sector in 2007.

for energy efficiency and renewable energy projects and a movement away from traditional transport sector projects. Likewise, the increase in ADF investments in the area of law, economic management, and public policy is consistent with growing attention to addressing governance concerns in the poorest countries.

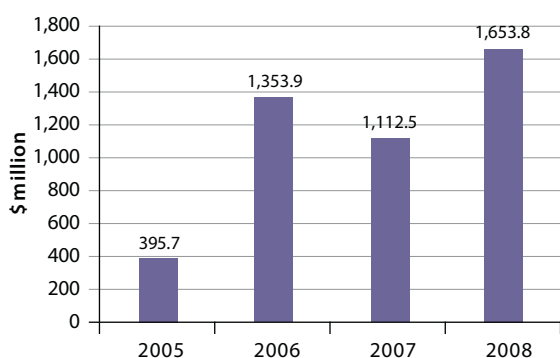
Cofinancing. The generation of external funds administered by ADB and used as complementary financing is another way in which we aim to broaden and deepen our efforts.²⁷ We now have cofinancing arrangements with 36 development partners, mostly for grants. Cofinancing arrangements significantly increase the value added of ADB projects (Figure 1.4), and contributed over \$2.75 billion in financing to ADB projects during the 2-year period of 2007–2008.

FUNDING SOURCES

Figure 1.5 shows the type and sources of funding for the \$22.7 billion ADB committed during 2007 and 2008 for its operations, and compares this with those used in our 2006 operations.

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 was significantly higher than the \$7 billion agreed for 2005–2008.²⁸

Figure 1.4. Cofinancing—adding value, 2006–2008



Note: Deviations from the 2007 *Sustainability Report* occur due to cancellations.

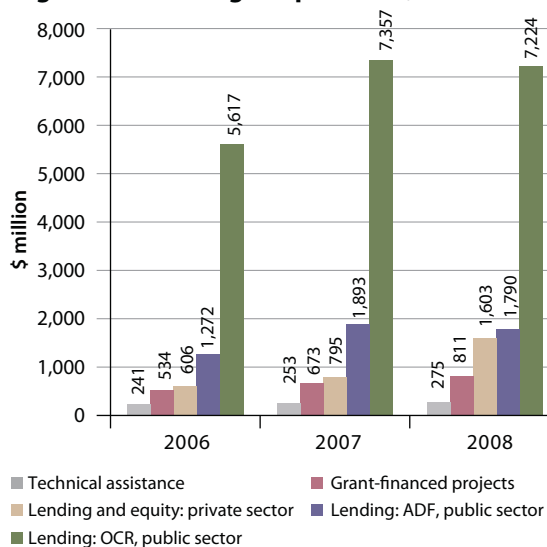
Raising capital resources. During 2007–2008, over 64% of ADB’s cumulative lending came from its OCR; the remaining 36% came from special funds (compared with 73% from OCR and 27% from special funds in 2006).

Because of ADB’s strong fiduciary standards, and because most of our borrowers are sovereign governments, ADB maintains a triple-A credit rating in the international capital market. This allows us to borrow at favorable rates and then pass on low-interest financing to our OCR borrowers. We also invest our liquidity in vehicles such as bonds issued by governments and government-sponsored entities of our members—further encouraging the development of Asia’s capital markets.

In 2007 and 2008, we raised about \$9 billion each year in medium- and long-term funds. In 2007, we raised \$2.0 billion through global public offerings and \$6.9 billion through private placements; and, in 2008, we raised \$4.8 billion through global public offerings and \$4.6 billion through private placements.

At the end of 2008, ADB had about \$66 billion in capital stock, comprising

Figure 1.5. Funding of operations, 2006–2008



ADF = Asian Development Fund, OCR = ordinary capital resources

- \$55 billion in subscribed capital, and
- almost \$11 billion in reserves available to protect ADB's creditors in the event of a large-scale default by borrowers.

Transparency, Accountability, and Internal Governance

As a public institution, ADB is accountable to its shareholders and other stakeholders. Contacts for ADB's management and senior staff are posted on the Internet.²⁹ Our efforts at being accountable have been subject to independent

external review, and these have generally been deemed to fully meet or exceed international standards. (Box 1.8).

ADB strives to maintain the highest standards of internal governance, including transparency, ethical behavior, and accountability. Associated policies and practices cover public disclosure of information, policy accountability, codes of conduct for our staff and Board of Directors, measures to screen for and investigate fraud or corruption, independent auditing and evaluation, and opportunities for staff advancement and professional development. These topics are covered in several sections of this report. Among them, our public communications policy, anticorruption policy, and Accountability

Box 1.8. Global accountability

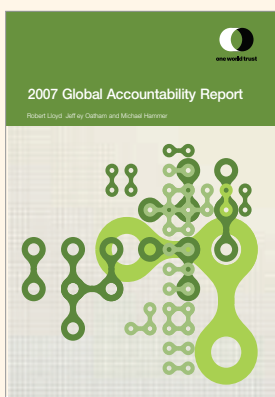
One World Trust's *2007 Global Accountability Report* cited the Asian Development Bank (ADB) as a top performer in overall accountability, and used ADB as an exemplar in 2 of its 14 good-practice case studies. The two pertained to our public communications strategy and information disclosure, and our Accountability Mechanism.

Starting in 2006, One World Trust has made annual assessments of "the capabilities of 30 of the world's most powerful global organisations from the intergovernmental, non-governmental, and corporate sectors to be accountable to civil society, affected communities, and the wider public. The Report uses the four dimensions of the Global Accountability Framework—transparency, participation, evaluation, and complaint and response mechanisms—as the basis of the assessment." Each year, 30 different organizations are rated.

At the launch of the 2007 report in London, ADB's Vice-President Greenwood noted "ADB is honored to be recognized for its performance in the areas of transparency, participation, evaluation, and complaint and response mechanisms. As a public institution, we recognize the need to respond to many stakeholders—first and foremost, people affected by the projects that we finance—as well as the governments of our member countries, private sector partners, the media, and civil society." He also noted that "we have no intention of resting on our laurels."

As of the 2008 ADB report, ADB remains the top-rated international finance institution to have been included in One World Trust's assessments. ADB will be rated again in 2009.

Sources: Lloyd, R., J. Oatham, and M. Hammer. 2007. *Global Accountability Report 2007*. London: One World Trust. Available: www.oneworldtrust.org/index.php?option=com_content&view=article&id=76&Itemid=65; Greenwood, C. L. 2007. Launch of the Global Accountability Report. ADB Today. www.adb.org/Documents/Speeches/2007/ms2007087.asp



Mechanism stand out as important measures to ensure that ADB remains transparent and takes responsibility for its actions.

SEEKING STAKEHOLDER ENGAGEMENT

Transparency is pivotal to accountability and is the foundation of our public communications policy (PCP).³⁰ The PCP supports the right of people to seek and receive information about ADB's operations. It is based on a presumption in favor of disclosure, unless there is a good reason for non-disclosure. It promotes awareness of ADB and its work and supports the sharing of knowledge and lessons learned. The PCP also supports participatory development and two-way communications with affected people.

In accordance with the PCP, we make information relevant to ADB projects freely available to people likely to be affected by our operations. We make every effort to share information early in the design, and throughout project implementation. This promotes public accountability of projects, and leads to better and more sustainable projects. We proactively post documents on our web site and provide information on request. The PCP provides for a good response-handling mechanism with strict time limits, as well as a complaints mechanism.

Progress in institutional transparency and disclosure of project-related information has been notable in the 3 years since the PCP took effect. Disclosure of project documents on ADB's web site increased 70%. All external requests received were acknowledged in an average of 1 day and fulfilled in an average of 7 days. Publicly available information includes country and regional programming; policies and strategies; institutional and financial information; and all documents pertinent to the project cycle, including Board of Directors' documents, safeguard documents, final consultant reports, and evaluation reports. Interested people may also sign up to be notified by e-mail about new documents as they become available.

The PCP is subject to compliance review. ADB has released two progress reports on the status of PCP implementation and the third was to be issued in 2009. In 2010 we will hold a comprehensive review of the PCP. Feedback from our staff members and external stakeholders is expected to help address issues encountered and improve our transparency and effectiveness as a development institution even further.

BEING ACCOUNTABLE

To ensure that our policies are followed, we have established ADB's Accountability Mechanism with two permanent units:

- the Office of the Special Projects Facilitator—which uses informal, consensus-based approaches to problem-solving;³¹ and
- the Compliance Review Panel—which independently investigates claims of violations of ADB's operational policies and procedures.³²

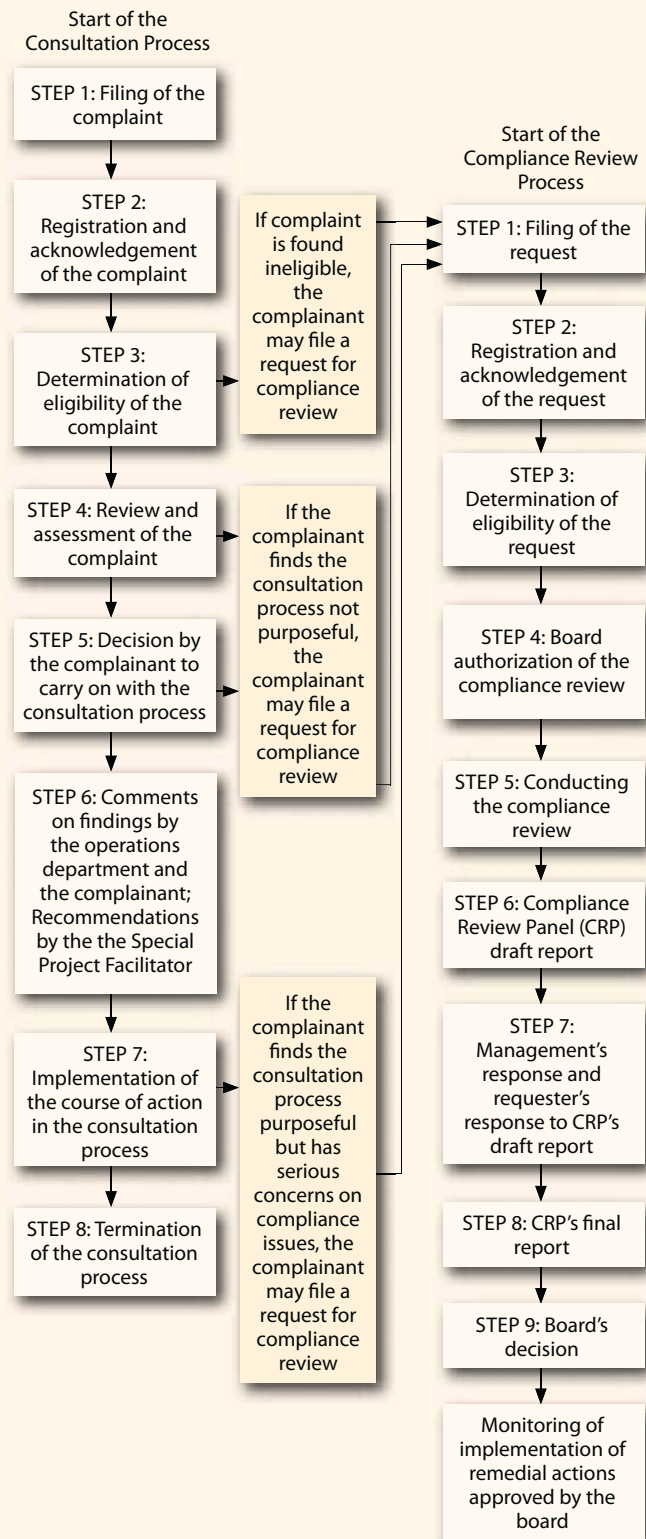
Box 1.9 shows the steps involved in consultation and compliance review.

A primary aim of ADB's 1998 Anticorruption Policy is to ensure that our projects and staff members adhere to the highest ethical standards.³³ ADB staff members are required to report incidents of fraud and corruption to the Office of the Auditor General, Integrity Division, an independent office under the Office of the President. The Integrity Division screens and investigates allegations of fraud, corruption, and related abuse in ADB-financed activities, including allegations against ADB staff members.

From July 1998, when ADB adopted its anticorruption policy, to the end of 2008, 552 firms and individuals had been debarred from working with ADB (up from 361 in 2006) and another 31 reprimanded (8 more than in 2006).³⁴

In recognition of the importance of protecting "whistle-blowers"—people who report integrity violations—in 2008, the Integrity Division started consolidating and updating ADB's whistle-

Box 1.9. Flow chart of the accountability mechanism



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

blower provisions so that they are more accessible to ADB staff and the general public and reflect the best practices among comparator institutions. The work will continue in 2009, with external feedback solicited through the Internet prior to finalization.

ADB's policy also supports 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. The aim is to reduce the burden that widespread corruption places on the economies and peoples of the Asia and Pacific region.

Part 2

The Environment, Inclusive Social Development, and Governance



The Environment, Inclusive Social Development, and Governance

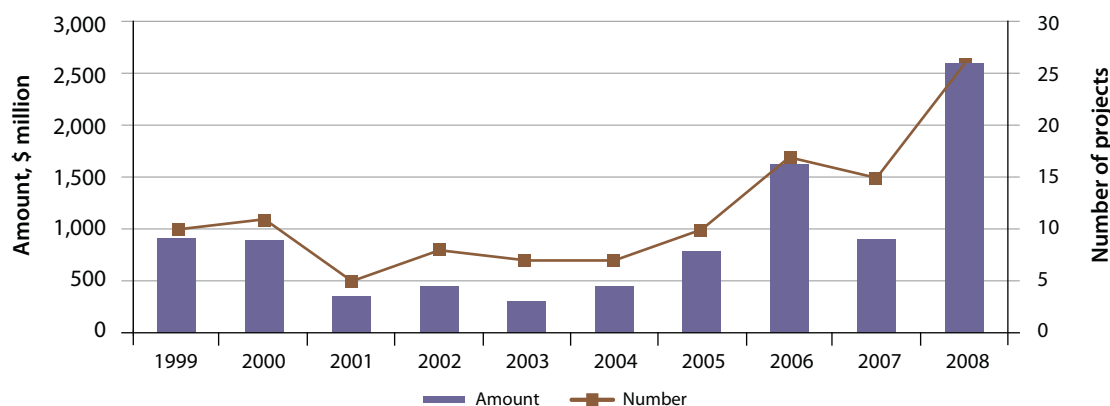
Environmental Sustainability

Ensuring the environmental sustainability of economic development in Asia and the Pacific is a high priority for the Asian Development Bank (ADB). Indeed, promoting environmentally sustainable economic growth is one of the three development agendas identified in ADB's new long-term strategic framework, Strategy 2020, which also recognizes environmental management as one of five core areas for

ADB's operations. Consistent with our 2002 Environment Policy, Strategy 2020 lays out a path for ADB to heighten support for environmentally sustainable growth in the region, including helping our client countries respond to both the causes and consequences of climate change.

Projects and programs specifically directed toward environmental improvement have comprised approximately 14% of our lending and 15% of our grant assistance during the last decade (Figures 2.1 and 2.2). During this period, we have provided more than \$9.5 billion

Figure 2.1. Projects with environmental objectives or elements



for projects and programs with environmental elements, focusing on the interface between poverty reduction and sound environmental management. The breadth of advisory and project interventions, as well as current trends regarding such programs, reflects growing demand in the region for attention to these dimensions of economic development.

ENVIRONMENTAL CHALLENGES FACING ASIA AND THE PACIFIC

Asian and Pacific countries are coping with the environmental consequences of economic activity—both local and global—that threaten to undermine social progress. The majority of the region’s poor reside in rural areas and most depend directly for their livelihoods on agricultural and related natural systems—such as forests, wetlands, and coastal and marine resources. Unsustainable agricultural practices, deforestation, the draining of wetlands, and overfishing are among the activities that undermine the basis for rural prosperity.

Urban areas have also suffered from environmental strains—with increased air and water pollution, land contamination, and mounting solid waste disposal problems all associated with the region’s rapid economic expansion. The portion of Asian people who live in urban areas has increased from 30% in 1990 to 38% today—and is projected to rise to 50% by 2030.³⁵ Of the 2.6 billion people worldwide

without adequate sanitation, 2 billion live in the Asia and Pacific Region (Box 2.1, p. 26). The poor usually have to settle in areas that are the least healthy, are provided with the weakest social services, and are most likely to suffer from pollution and natural disasters (Box 2.2, p. 27).

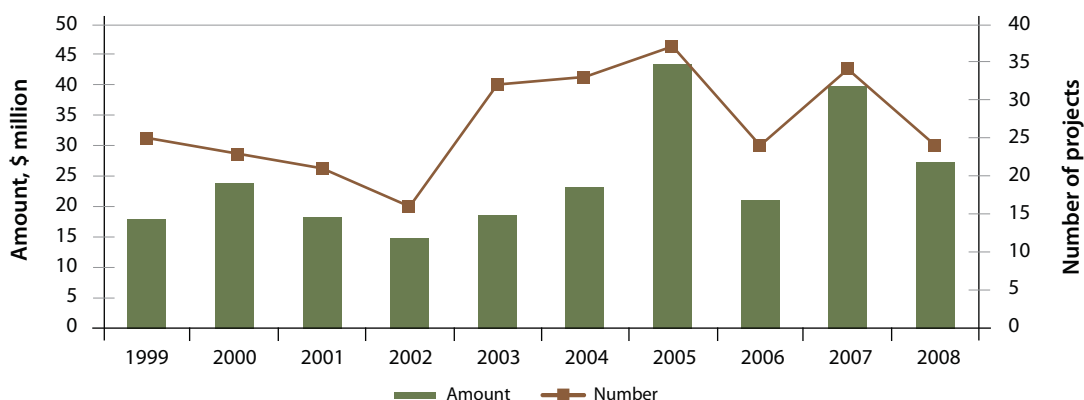
The local environmental challenges are now compounded by the mounting impacts of climate change, manifested in melting glaciers; increased variability of precipitation; more intense weather events; and increases in ocean levels, acidity, and temperature. Such trends add to the stress on the rural environment by undermining productivity and the stability of outputs and increasing the likelihood of natural disasters such as droughts, floods, and fires. City populations will also be faced with increased threats from flooding, heat waves, and other impacts of climate change.

IMPROVING ENVIRONMENTAL QUALITY

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.

The cumulative impact of poor environmental quality and degraded resources on individuals, families, and communities is to keep the poor in poverty and to increase the strain on people living on poverty’s margins. As noted in Part 1, about 1.8 billion people in Asia had incomes of less than \$2 a day as of 2005,

Figure 2.2. Technical assistance projects with environmental objectives or elements



Box 2.1. The Cities Development Initiative for Asia



The Cities Development Initiative for Asia (CDIA) links participating cities to the resources they need to implement environmental infrastructure. The CDIA supports investment prioritization and studies, structuring projects for funding; and regional knowledge development and dissemination, to strengthen cities' infrastructure implementation capacities. The Asian Development Bank, the German Federal Ministry for Economic Cooperation and Development, the Swedish International

Development Agency, and the Government of Spain are cooperating in the Cities Development Initiative for Asia (CDIA).

The CDIA, which was activated late in 2007, had approved the following applications for support as of June 2008:

- Iloilo, Philippines: revitalizing the downtown core area and eco-port facility;
- Guiyang, the People's Republic of China: improving and protecting its urban water supply; urban transportation system;
- Banda Aceh: upgrading the riverfront development area; and
- Chennai, India: upgrading the quality of waterways and solid waste management.

At the end of 2008, the CDIA was active in 9 cities in 7 countries and had disbursed \$2.5 million in technical assistance. The environmental infrastructure investment pipeline associated with its activities is over \$3 billion.

Source: ADB. *Cities Development Initiative for Asia* website. www.cdia.asia

including approximately 903 million living on less than \$1.25 daily. Women are often most severely affected by poor environmental quality and instability, because their work is disproportionately tied to the availability and sustainable management of water and other natural resources.

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 provide services that support daily life while 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.

Box 2.2. Making cities livable

The Shanxi Environmental Improvement Project (Shanxi Province, People's Republic of China) exemplifies the Asian Development Bank's aims at financing for livable cities. The project financed a shift from coal to coal-bed methane for power. The outcomes have been:

- significantly improved air quality in Taiyuan City;
- more reliable energy supply for business, including better quality output from a porcelain factory and fewer sick days due to pollution;
- faster cooking in restaurants;
- reduced time for and smoke from household cooking;
- lower family bills for heating;
- reduced greenhouse gas emissions, achieved by capturing methane gas and turning it into a source of power for residents and businesses that were previously using coal briquettes; and
- lower contribution to the acid rain problem.



Source: ADB. 2008. Blue Skies and Better Living Follow ADB Projects in Three PRC Cities. www.adb.org/Media/Articles/2008/12438-chinese-environmental-projects/

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 Corridors Initiative.

Another example of regional cooperation efforts to address vital environmental concerns is the Coral Triangle Initiative (CTI). This is a major new cooperation program among six countries of Southeast Asia and the Western

Pacific—Indonesia, Malaysia, Papua New Guinea, the Philippines, Solomon Islands, and Timor-Leste—to sustainably manage their coastal and marine resources (Box 2.3). The area covered by the CTI is often referred to as “the Amazon of the seas” because it is the epicenter of marine life abundance and diversity on the planet—holding more than 75% of the known corals and over 3,000 species of fish. The CTI was launched in 2007, led by Indonesian President Yudhoyono. It has received political endorsement from declarations of the Asia Pacific Economic Cooperation (APEC); the Association of Southeast Asian Nations (ASEAN); and the Brunei Darussalam, Indonesia, Malaysia, and the Philippines East ASEAN Growth Area (BIMP-EAGA).

ADB serves as an active partner and lead for mobilizing the considerable resources needed to support this program. The Global Environment Facility has committed about

Box 2.3. Coral Triangle Initiative



The Coral Triangle, which covers all or parts of the exclusive economic zones of Indonesia, Malaysia, Papua New Guinea, the Philippines, Solomon Islands, and Timor-Leste, is an invaluable center of biological diversity—with

- more than 75% of the known coral species;
- more than 3,000 species of reef fish;
- the world's largest population of commercially important tuna species, supplying 50% of global tuna production valued at over \$2 billion annually; and
- a diving and nature-based tourism industry worth over \$5 billion annually.

Due to destructive fishing practices, pollution from run-off, and the longer run threat from effects of climate change, these resources are under serious threat.

To counter the threat, ADB is working with six governments of Southeast Asia and the Western Pacific, Australia, the United States, the Global Environment Facility (GEF), and three international environmental nongovernment organizations—Conservation International, The Nature Conservancy, and the World Wide Fund for Nature (WWF)—in the Coral Triangle Initiative, a regional effort to preserve and manage the region's marine resources. In October 2008, representatives from the six Southeast Asian and Western Pacific countries participating in the initiative met in Manila to formulate the action plan to protect and sustain marine life in the triangle. ADB initially expects to implement three subprojects under the plan, all with GEF funding.

Source: ADB. 2008. ADB Supports the Coral Triangle Initiative. www.adb.org/environment/adb-cti.asp

\$65 million in grant support for the program, the governments of Australia and the United States are also coming forward with strong commitments—the United States recently organized support valued at around \$40

million. The other key partners are three large international environmental nongovernment organizations (NGOs): conservation International, The Nature Conservancy, and the World Wide Fund for Nature, which bring their own resources

and influence but also receive financing from the bilateral and multilateral partners. A regional program of action is expected to be endorsed by the six heads of state at the CTI Leaders Summit in May 2009.

PROMOTING LOW-CARBON ECONOMIC GROWTH

Moving to cleaner energy. The region's current energy needs are met primarily by burning fossil fuels, with negative economic, environmental, and social consequences. In addition to the global accumulation of carbon dioxide (CO₂) in the atmosphere—a root cause of global warming—dependency on fossil fuels exposes countries to global price and supply fluctuations that can undermine their energy security. The People's Republic of China (PRC) is now the world's largest emitter of greenhouse gases (GHGs) 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 CO₂ and local air pollutants to the atmosphere. Our region already shows signs of negative impacts from climate change, including sea level rise, melting glaciers, and increased frequency and intensity of extreme weather events. Energy security can be improved and air pollution reduced by implementing efficiency measures and using alternative sources of energy, which will also mitigate GHG emissions.

ADB is increasingly responding to country requests for 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 power production and improved energy efficiency. To support this, we have established several interlinked initiatives.

- The Energy Efficiency Initiative, approved in April 2005, aims to expand our investments in energy efficiency projects to at least \$1 billion per year by 2008. This target was

Box 2.4. Lighting up with less energy

A \$31.1 million Asian Development Bank loan will help the Philippines save about \$100 million every year in fuel costs and defer investment of \$450 million in power generation and associated network capacity. The project will

- distribute compact fluorescent lamps to customers nationwide in exchange for their incandescent bulbs—each compact fluorescent lamp is expected to save customers P400 pesos (about \$8.50) yearly for the next 7 to 10 years;
- retrofit government office buildings and public lighting systems with efficient lighting options;
- establish an energy service company that will provide financial and technical support to companies planning to reduce energy consumption;
- generate, as a result of lower greenhouse gas emissions, carbon credits worth about \$3 million for the Philippines under the Clean Development Mechanism; and
- encourage private sector participation in energy-efficiency investment.



Source: ADB. 2009. *Proposed Loan and Administration of Grant. Republic of the Philippines: Philippine Energy Efficiency Project.* www.adb.org/documents/RRPs/PHI/42001-PHI-RRP.pdf

- exceeded, with \$1.75 billion in new projects approved in 2008 (Box 2.4, p. 29).
- The Carbon Market Initiative was approved in April 2006. It takes advantage of 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. The initiative supports the design and cofinancing of eligible projects and helps market credits generated (Box 2.5).

Using energy more efficiently. The energy efficiency and carbon market initiatives are helping the region's economies achieve better energy efficiency to curb energy growth and promote low-carbon energy options. Several ADB regional initiatives and projects are promoting demand- and supply-side energy efficiency and renewable energy in the region.

On the energy-demand side, ADB is fostering energy 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 mass transport systems, the use of more efficient vehicles, cleaner fuels, and sound urban mobility planning.

On the supply side, we are promoting efficient energy generation, transmission, and distribution, as well as the use of renewable energy (such as from biomass, geothermal (Box 2.6), wind, small hydropower, and solar sources) and cleaner fuels (such as natural gas as an alternative to coal).

Promoting alternative transport. Transport is an area of growing attention. 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

Box 2.5. Capturing methane from landfills



Landfills from refuse collection are major sources of methane emissions, contributing to greenhouse gas emissions. Composting organic waste can reduce the release of methane from landfills and provide business opportunities in marketing and selling compost. ADB's loan to Rajasthan, to improve living conditions and the urban environment, will support composting in 17 towns and help avoid seepage of toxic matter into the ground. The project will avail of funding support from the Clean Development Mechanism, revenue of which will help with operation and maintenance of the composting plant.

Currently, solid waste is left in open dumps where it degrades anaerobically, releasing methane into the atmosphere. Through aerobic composting, methane emissions are avoided leaving only carbon dioxide (CO₂) emissions. Methane is a very potent greenhouse gas (GHG)—one ton of it has the global warming potential equivalent to 21 tons of CO₂. The Rajasthan subprojects could reduce approximately 1.6 million tons of CO₂ equivalent of GHGs over a 10-year period. The value of the reduction of emission is estimated at \$9.7 million to \$15 million.

Sources: ADB. 2008. *Climate Change Brochure*. Available: www.adb.org/Documents/Brochures/Climate-Change/chap01.pdf, and ADB. 2008. *SAUD News e-letter*. www.adb.org/Documents/Periodicals/SAUD/2008/apr/default.asp

Box 2.6. Going geothermal

Finding and developing alternate energy sources is important for providing energy security, improving lives, and reducing greenhouse gas emissions. Currently, the Philippines, with over 1,900 megawatts of installed capacity, is the world's second largest producer of energy from geothermal sources, and Indonesia has a potential of over 14,000 megawatts—about 64% of the world's estimated total.

Burning coal for heating is responsible for serious air pollution in many cities and towns, including in the People's Republic of China (PRC), and adds to the emissions responsible for climate change. An ADB subproject will assist Xiong County, Hebei Province, PRC, to develop its geothermal potential to

- heat an additional 1,650,000 square meters of floor area;
- replace the use of 60,000 tons of coal yearly and turn Xiong County into a “smokeless” area; and
- through the Clean Development Mechanism, help generate carbon credits—and the county will allocate 40% of credit revenues for poverty reduction programs.

The subproject is part of the Integrated Ecosystem and Water Resources Management in Baiyangdian Basin Project, which will install 13 water treatment plants, rehabilitate a watershed, and reforest, in addition to the geothermal energy subproject.

Source: ADB. 2008. *Proposed Loan. People's Republic of China: Integrated Ecosystem and Water Resources Management in Baiyangdian Basin Project*. www.adb.org/Documents/RRPs/PRC/36437-PRC-RRP.pdf



cities due to congestion and local air pollution. Alternatives to cars, such as public transport systems and bikeways, are required, as are policies and technologies to boost vehicle fuel efficiencies. These alternatives will simultaneously generate local and global benefits by reducing CO₂ emissions and urban air pollution and congestion, and ADB is expanding its support in these areas.

Harnessing methane and absorbing CO₂.

Another essential part of climate change mitigation is capturing “fugitive” GHG emissions, often arising from industrial equipment leaks or evaporative processes. We are helping in this area through a number of regional initiatives and several loan and technical assistance projects. Efforts are focused on the capture of methane, which is 21 times more potent than CO₂ 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 the Earth's ability to absorb GHGs. Forests and organic matter in soils act as a “sink” for CO₂ drawn from the atmosphere and thus play a critical role in maintaining the earth's CO₂ 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.

ADB is also assisting dry-land farming projects across Central Asia and in Mongolia and the PRC. The aim is to improve sustainable agricultural production while increasing the amount of organic material in dry soils to improve both land productivity and the ability to sequester CO₂.

Financing the shift to cleaner technology.

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. The Asia and Pacific region will require billions of dollars to achieve the transition to low-carbon growth paths and adapt to the unavoidable impacts of climate change. We are mobilizing concessional resources through a number of climate change funds, tapping into the emerging carbon markets and catalyzing private sector investments.

ADAPTING TO CLIMATE CHANGE

Even under the best scenarios of global cooperation to reduce GHG emissions, a certain degree of climate change is already inevitable. The countries of Asia and the Pacific must, therefore, start planning for increased climate change risks. Costs for adaptation are anticipated to be in the billions of dollars annually. However, not adapting will involve even greater costs, and will undermine regional progress toward poverty reduction and economic development.

We are helping the region's economies enhance their resilience to adverse climate change impacts by mainstreaming adaptation considerations into their national, sectoral, and project-level plans and actions. Core elements of our adaptation program include addressing vulnerability risks in national development strategies and actions, increasing the resilience of sectors vulnerable to climate change, climate proofing projects, and addressing social dimensions.

Demand is growing among ADB's client countries for national assessments of their climate change vulnerabilities and adaptation options. ADB is now routinely supporting the integration of adaptation considerations into development planning using policy dialogue, institutional development, knowledge transfer, and investment planning.

Screening for climate risks. Analysis of climate change consequences at the national and local levels is improving as is the identification of cost-effective measures to enhance the resilience of infrastructure and vulnerable populations to adverse impacts. National assessments for Bangladesh, Nepal, and Palau were formulated in 2008 with ADB assistance. As future country partnership strategies are developed, climate change impacts and adaptation needs will be considered and incorporated in policy dialogue, capacity development activities, and investments.

Climate change is likely to introduce high levels of risks and uncertainties for some sectors, including agriculture, water resources, and urban development, and ADB is responding.

Agriculture. In villages of Bangladesh, the PRC, India, Pakistan, and Sri Lanka, we are studying (1) climate variability and its impact on cropping patterns and structures of income and employment, and (2) adaptation-coping strategies of the rural poor and most vulnerable farmers.

Water resources management. We are helping the countries of arid Central Asia become more resilient to future climatic conditions by developing adaptations that include drought resistant crops, more efficient irrigation, better water resource management, rehabilitation of degraded forests and pasturelands, and watershed protection (Box 2.7).

Urban development. We are working with the World Bank and Japan International Cooperation Agency (JICA) on an assessment of climate

Box 2.7. Partnering for water and climate change

If climate change mitigation is all about air—curbing the release of greenhouse gases into the atmosphere—climate change adaptation is all about water. Global warming will fundamentally alter the planet’s hydrological cycles, resulting in melting glaciers, shifting temperature and rainfall patterns, and an increased frequency and intensity of storms.

In recognition of this growing reality, water institutions across the Asia and Pacific region are stepping up their cooperation to develop strategies to cope with the expected changes. Key institutions include the Center for River Basin Organization and Management (CRBOM) and the National Hydraulic Research Institute of Malaysia (NAHRIM), and the Network of Asian River Basin Organizations (NARBO). ADB has teamed up with the three organizations to hold three workshops that have brought together participants from countries across the region to discuss the problem, adaptation options, and how their institutions can help.



Workshop participants concluded that river basin organization managers now must take account of past hydrological patterns and they must incorporate into their decision making processes the current and predicted impacts of climate change. Water knowledge hubs will facilitate this process, by acquiring and disseminating such information. For Southeast Asia, CRBOM serves as the water knowledge hub for river basin organizations, and NAHRIM is becoming the hub for climate change adaptation. NARBO has taken on climate change as a priority topic for 2008–2009. ADB is considering proposals from the organizations to support these efforts under the Water Financing Partnership Facility.

Source: ADB. 2008. Regional Workshops on Developing Partnerships for Water and Climate Change Adaptation. www.adb.org/documents/events/2008/Climate-Change-Strategies/

change risks and their costs in four coastal Asian megacities—Bangkok, Ho Chi Minh City, Kolkata, and Manila.

Climate proofing. At ADB, designing projects to include climate change considerations dates back to 2003, when we provided regional technical assistance to several Pacific countries to climate proof small-scale coastal infrastructure. New support for climate proofing is a high priority. For example, we are working with the United Nations Development Programme (UNDP) to climate proof a coastal infrastructure project in central Viet Nam, with support from the Special

Climate Change Fund administered by the Global Environment Facility.

Looking ahead, ADB is working with other multilateral finance institutions to develop screening tools to assess project-level risks associated with climate change impacts. We aim to have our relevant projects and programs take account of predicted changes in rainfall patterns, the severity and frequency of storms, accelerated glacial melting, sea level rise, and other impacts. Lessons being learned are conveyed to member countries and other development partners.



MANAGING RISKS FROM NATURAL DISASTERS

Damage from natural disasters in Asia and the Pacific has been increasing in recent years due to a variety of factors, including climate change, population pressure, poorly planned development, insufficient attention to reliable construction standards and safety practices, and environmental degradation. The scale of disasters often exceeds the capacities of communities and governments to cope, both in responding to the immediate consequences and in planning for and accumulating adequate resources to reduce disaster risks.

Straddling the so-called “ring of fire” and encompassing several zones of high tectonic activity, the region’s geophysical and climatic characteristics make it especially vulnerable. For example, in 2008 alone, there were earthquakes in Sichuan Province of the PRC and in the Osh region of the Kyrgyz Republic, major tropical cyclones hit Myanmar and Viet Nam, and floods impacted both the Lao People’s Democratic Republic and Nepal. These events highlight the continuing threats to development of natural hazards.

Since ADB approved its first disaster policy in 1987, we have been engaged in responding, on average, to at least one environment-, health-, natural hazard-, or conflict-related emergency every month. In total, almost \$8 billion (in 290 projects) has been provided in disaster assistance during this period, 42% of which was directed to disaster risk reduction and hazard mitigation.

ADB’s current Disaster and Emergency Assistance Policy (DEAP) was approved in June 2004 following extensive consultations with international agencies, civil society, nongovernment organizations (NGOs), and our client countries.³⁶ The DEAP covers natural, technological, and environmental hazards (including climate change adaptation); health emergencies; and country conflict situations.

Under the DEAP action plan, the approach is to identify disaster risks during country programming, build disaster and hazard management capacity at the country level, take these risks into account when developing country programs and investments, and support regional coordination and harmonization of approaches and actions. ADB’s Board of Directors is considering creating a disaster response fund to meet immediate humanitarian needs following declared disasters. The relevance and imperative of linking disaster risk reduction and climate change adaptation is also recognized, with the mainstreaming of both disaster risk management and climate change adaptation advocated.³⁷

Inclusive Social Development

Just as ADB takes an active role in promoting better environmental management across the Asia and Pacific region, it also supports social development programs in many 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. 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. By enhancing capabilities and facilities for education and health and by promoting gender

equality, we are building long-term capacities to improve the quality of life and transmit these benefits to future generations. While our support for social development extends beyond education, health, and gender, these three areas exemplify our activities.

EXPANDING EDUCATIONAL OPPORTUNITIES

ADB’s education policy stresses the importance of providing equitable access to sufficient good quality education so that all children and adults are empowered to break out of poverty, improve their quality of life, and participate effectively in national development.³⁸

Our education projects directly support the achievement of Millennium Development Goal (MDG) 2, on universal primary education, and MDG 3, on gender equality and empowerment of women. The projects also contribute to accomplishing MDGs 4–7, which pertain to improving health and environmental conditions and relate indirectly to achieving education goals. In recent years, we have supported the efforts of many of our client countries to improve the quality of and equitable access to education (Figures 2.3 and 2.4). Our client countries have increased assistance for post-secondary education—technical education and vocational skills training—and there is growing demand for improvement of tertiary and higher education.

As in most sectors, we maintain a professional community of practice in the education field, which advises our operations on strategic directions and helps keep our staff up-to-date on the latest thinking and best practices. In 2008, we published *Education and Skills—Strategies for Accelerated Development in Asia and the Pacific*,³⁹ which analyzes the challenges for the region in education and human capital development and recommends actions to respond to development needs arising from evolving labor markets and economic and social changes.

We continue to support the expansion of high quality and more accessible basic and

Figure 2.3. Subsectoral distribution of ADB’s investment in education, 2006–2008 (percent)

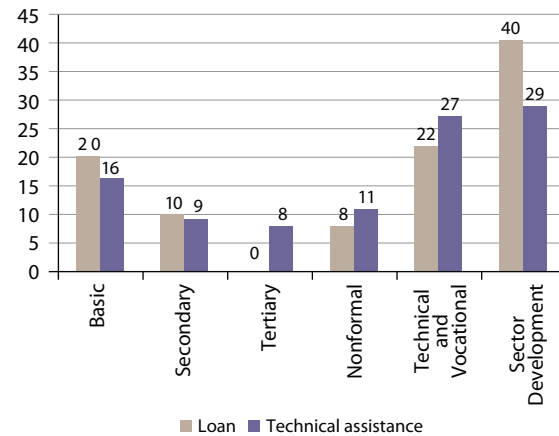
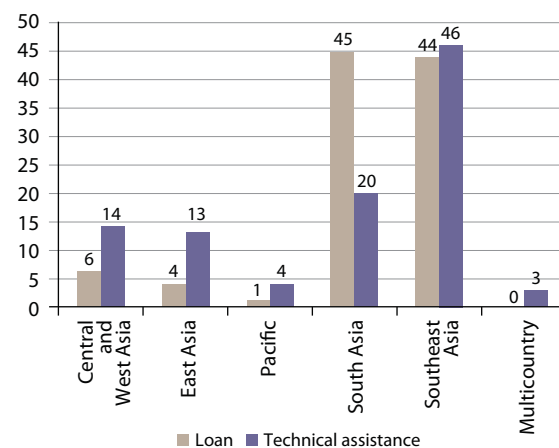


Figure 2.4. Subregional distribution of ADB’s investment in education, 2006–2008 (percent)



secondary education. Improved enrollments in basic education and the increasingly complex demands of globalization are driving our client countries toward the provision of universal secondary education. This will require a range of reforms, including the upgrading of sector policies, plans, and budget structures; enhanced teacher training; revised curricula; and measures to ensure that disadvantaged groups have access to educational opportunity.

In response to rising demand, we expect to substantially increase our support for raising the quality of and equitable access to technical

education and vocational skills training as well as tertiary and higher education. This will incorporate innovative partnerships and financing arrangements with a wide range of stakeholders.

Pursuing inclusive growth requires continuous development of the human resource base, and a shortage of adequately educated and trained workers can be a major bottleneck to growth. The returns to investment in education and skills development are particularly high during economic downturns, and we will strategically align our assistance and staffing with demand.

REDUCING HEALTH RISKS

Increasing economic activity in Asia and the Pacific has brought with it both opportunities and risks for human health. As more resources and information have become available and private sector provision of health services has expanded, people have been given greater access to and knowledge of health care services. However, inequality of access is a growing challenge, particularly when economic expansion is not sustained.

Our efforts to improve health outcomes and mitigate health risks in the region center on

- monitoring the health impacts of our infrastructure investments, especially water and sanitation, using key health and social indicators;
- mitigating possible adverse project impacts, such as the spread of HIV/AIDS resulting from increased connectivity and mobility;
- enhancing economic governance and public expenditure management, to improve access to and the quality of health services, especially for the poor and more vulnerable groups;
- supporting regional cooperation on public health issues, including such challenges as preparedness for pandemics; tracking of, understanding of, and responding to environmental health concerns; adaptation to the health impacts of climate change; and regional health security concerns;
- sharing health-related information and experience among countries, especially from within the region; and
- financing select investments in the health sector.

Strengthening country capacities to rapidly identify and respond to emerging health threats benefits the entire region (Box 2.8). Mosquitoes, viruses, and bacteria do not recognize borders.



Box 2.8. Averting epidemics

Through our regional avian influenza control project, we have helped strengthen the capacity of nongovernment organizations (NGOs) and civil society organizations with close links to backyard farmers to prevent, report, and control avian influenza, and an NGO consortium is providing technical support for community-based responses. The consortium working with the Asian Development Bank comprises the Asian Disaster Preparedness Centre, CARE, the International Federation of Red Cross and Red Crescent Societies, and the International Rescue Committee and has organized activities to enable the sharing of experiences with and lessons learned from community-based management of avian influenza.

Box 2.9. HIV/AIDS hub



Although HIV epidemics vary considerably from country to country in the Asia and Pacific region, they share common modes of transmission: unprotected paid sex, sharing of contaminated needles and syringes, and unprotected sex between men. Men who buy sex are the single most powerful force driving Asia's HIV epidemics. Because most men who buy sex are or will be married, significant numbers of otherwise low-risk women are exposed to HIV. In several countries, 25–40% of new infections are among spouses and girlfriends of HIV positive men.

The Asian Development Bank (ADB), the Joint United Nations Programme on HIV/AIDS (UNAIDS), and the United Nations Children's Fund (UNICEF) have supported the establishment of a regional data hub that is accessible to all who need updated HIV and AIDS data for policy advocacy and tracking progress of prevention and treatment programs. The strategic information will help with monitoring of prevalence and trends, knowledge about resource gaps, and national and regional responses. The web site is linked to the Devinfo online data base, which enables users to access HIV data related to the Millennium Development Goals and to create maps. The collated data assist ADB and client countries in responding to the epidemics in the most cost-effective manner.

Source: Evidence to Action, HIV and AIDS data hub for Asia-Pacific. www.aidsdatahub.org

Environmental and lifestyle changes increase health risks at the community and national levels, and growing trade and mobility create health risks—such as avian influenza and HIV/AIDS—that transcend national boundaries. Much of our work in the health sector receives support from specialized funds or other partnerships. For example, our active support for HIV/AIDS prevention is greatly facilitated by the Cooperation Fund for Fighting HIV and AIDS in Asia and Pacific, funded by the Government of Sweden (Box 2.9).

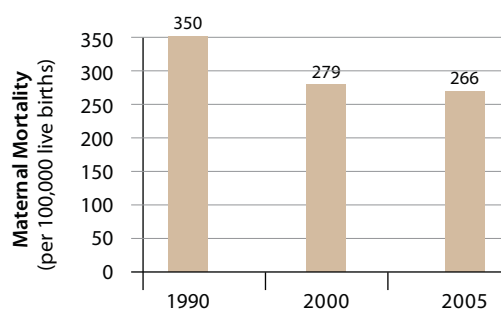
ENHANCING GENDER EQUITY

Through ADB's Gender and Development (GAD) Plan of Action (2008–2010)⁴⁰ we are committed to accelerate gender mainstreaming in country programming and projects and to build capacity for incorporating gender considerations into our client countries' development programming. Within the framework provided by Strategy 2020 and the GAD Action Plan, We promote gender equity through such measures as investments to

improve women's access to education and health services, clean water, better sanitation, and basic infrastructure.

These efforts will contribute to achieving MDGs 3 and 5 (promoting gender equality and

Figure 2.5: Maternal mortality ratios
(average of 40 Asian countries)



Sources: ADB. 2008. *Key Indicators 2008 for Asia and the Pacific*. Manila. www.adb.org/Documents/Books/Key_Indicators/2008/; ADB and UNDP. 2007. *The Millennium Development Goals: Progress in Asia and the Pacific*. Bangkok. www.adb.org/Documents/Reports/MDG-Update-2007/MDG-Update-2007.pdf

women's empowerment and improving maternal health).⁴¹ While progress toward the achievement of MDG 3 and its related indicators remains mixed, particularly in women's participation in nonagricultural wage employment and representation in national parliaments, there has been substantial progress in narrowing gender gaps in educational enrollments at primary and secondary levels and in literacy as well as improvements in women's participation in nonagricultural wage employment. The region's progress under MDG 5 has been slower, with maternal deaths still accounting for close to half of the worldwide total, and the region's overall maternal mortality ratio—300 deaths for every 100,000 live births—is second only to that in Sub-Saharan Africa (Figure 2.5, p. 37).

With the deepening impacts of the global economic crisis, some of the progress achieved on gender equality and women's empowerment in our region may be reversed. We remain committed, through our GAD policy, to increase the number of investment projects that directly address gender disparities, while mainstreaming gender analysis and gender-inclusive approaches into all of our projects and programs. These commitments are monitored at the time of project approval, during implementation, at completion, and through post-evaluations. Figure 2.6

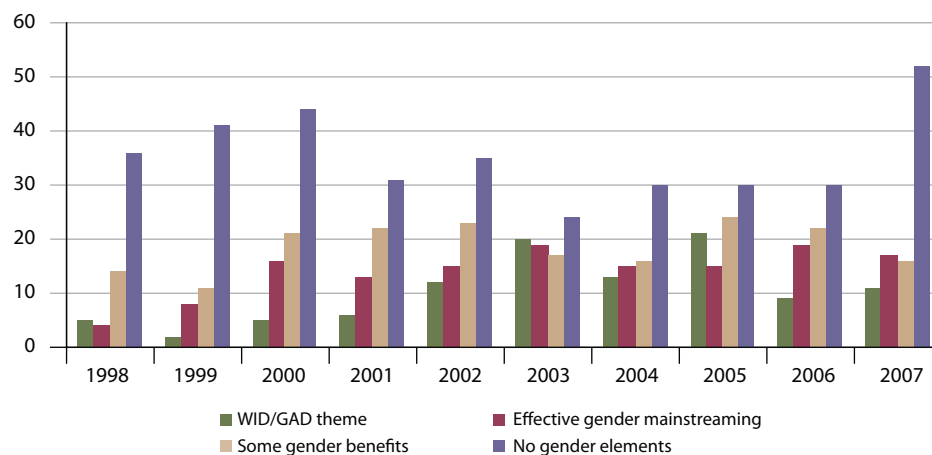
shows the trends in the gender composition of ADB's loans and grants during 1998–2007.

Most projects approved with GAD themes or effective gender mainstreaming elements included a gender action plan that identified gender-inclusive targets, activities, and other measures linked to each of the main project components. Most also draw on the expertise of an international or national gender specialist to help refine and implement the plan, and our analysis shows that these plans were generally supported by appropriate covenants in the financing documents (Box 2.10).

Through the use of gender targets, ADB investments have substantially increased women's participation in a number of projects in such sectors as small-scale rural and urban infrastructure, agriculture and livestock, savings and credit, and water and sanitation. Through women's improved participation in project activities, they have benefited from time savings, new income-earning opportunities, and increased self-confidence and status. Such benefits contributed to the overall success of the projects (Box 2.11).

Strategy 2020 sets an ambitious target of 40% of all projects (including 50% of those financed by

Figure 2.6. Loans and grants addressing gender concerns, 1998–2007 (percent)



WID/GAD = women in development/gender and development

Box 2.10 Cambodia—Tonle Sap water management

ADB's Tonle Sap Rural Water Supply and Sanitation Sector Project aims to enhance the health of low-income communities in rural areas by improving their hygiene and sustained access to safe drinking water and effective sanitation. In 2008, after 2.5 years of implementation, the project started to report significant gender-based achievements that have (1) provided women stronger influence in the management of water supply and sanitation systems; (2) improved their leadership skills; and (3) increased their participation in identifying, constructing, operating, and maintaining water supply and sanitation schemes, which will contribute to the sustainability of the constructed facilities.



Source: ADB. 2007. *Gender Action Plans and Gender Equality Results: Rapid Gender Assessments of ADB Projects—Synthesis Report*. Manila. www.adb.org/Documents/Reports/RGA-Synthesis-Report/default.asp

Box 2.11. Bangladesh—Improving urban governance and participation

The Urban Governance and Infrastructure Improvement Project (2002) in Bangladesh aims to promote human development and good urban governance in the secondary towns of Bangladesh. Poverty reduction and women's participation are among the strategic criteria for evaluating each participating municipality. After 4 years of implementation, the beneficiary women had demonstrated (1) stronger influence in municipal governance and decision making; (2) improved leadership skills; (3) increased participation in identifying, constructing, operating, and maintaining urban infrastructure; and (4) increased participation at the community level.



Women from a slum area showing saris produced with credit from microfinance and training provided under ADB's Urban Governance and Urban Infrastructure Project.

Source: ADB. 2008. Project Information Document: Urban Governance and Infrastructure Improvement (Sector): Bangladesh. <http://pid.adb.org:8040/pid/LoanView.htm?projNo=29041&seqNo=01&typeCd=3>

the Asian Development Fund) having significant gender mainstreaming elements by 2012. We are enhancing staff skills to reach this goal, particularly through diversifying our gender mainstreaming into a range of sectors and financing modalities.

LABOR STANDARDS AND EXPANDING HUMAN CAPACITIES

The efficient operation of labor markets is important in the region, because formal 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,⁴² and Strategy 2020's agenda to promote inclusive social development emphasizes greater access to economic opportunity by improving the productivity of the work force and expanding human capacities through investments in education, health, and basic social protection (Box 2.12).

The task is daunting. By 2030, the region's labor force will need to absorb 420 million new

workers. With the global economic downturn, the loss of work or assets leads to vulnerability and poverty.

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 (Box 2.13). We are committed to supporting the application of these standards as part of our Social Protection Strategy (2001), 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. In 2006, we published the *Core Labor Standards Handbook*⁴³ and *Labor Issues in Public Enterprise Restructuring*⁴⁴ to guide ADB staff and other stakeholders in dealing with labor concerns, and we carry on an active dialogue with trade unions and with ILO to address issues that concern workers and the labor market.

Box 2.12. Providing skills to unemployed youth and adults in Mongolia



High unemployment and underemployment in Mongolia results from the mismatch in available skills and labor market needs and lack of relevant knowledge. In urban areas, only 14% of the poor and 38% of the nonpoor have the skills the industries need. Consequently, industries source labor from neighboring countries.

To support the Mongolian government's efforts to provide skills training, in 2006 ADB provided a grant for nonformal skills training for unemployed youth and adults. The grant focuses on improving skills training for construction-related occupations and establishes

a model of a flexible and responsive training system. It targets youths from low-income families who have dropped out of school and unemployed adults and migrants in Ulaanbaatar who are seeking job opportunities. The project helps establish public-private cooperation in developing competency-based training modules, short-term skills training, and innovative financing mechanisms to promote nonformal demand-driven training.

Source: ADB. 2006. *Grant Assistance to Mongolia for Nonformal Skills Training for Unemployed Youth and Adults*. Manila. www.adb.org/Documents/JFPRs/MON/39005-MON-JFPR.pdf

Box 2.13. The International Labour Organization core labor standards

The core labor standards include four basic rights in the workplace:

- freedom of association and the right to collective bargaining;
- elimination of discrimination in employment and occupation, including gender discrimination;
- elimination of all forms of forced and compulsory labor; and
- effective abolition of child labor.

Source: ADB and the International Labour Organization. 2006. *Core Labor Standards Handbook*. Manila. www.adb.org/documents/handbooks/Core-Labor-Standards/default.asp



RESPONDING TO THE CALL FOR FOOD SECURITY

Impacts of the food crisis. In 2008, global food insecurity took center stage when world food prices jumped by more than 50% and food stocks ebbed to their lowest levels since the early 1980s. The 1.8 billion poor people in Asia and the Pacific were most severely affected⁴⁵ because more than three quarters of rural and urban poor households are net buyers of food—spending more than 60% of their income on staples. According to estimates by the Food and Agriculture Organization,⁴⁶ the Asia and Pacific region recorded the largest increases in the number of undernourished people at the height of the food price surge. An additional 41



million people became malnourished. Food price inflation severely affected vulnerable groups such as children, the landless, and female-headed households. With no effective social protection systems or measures to reach these vulnerable people in many Asian and Pacific economies, harmful coping mechanisms—such as eating less nutritious food, reducing meals, taking children (and especially girls) out of school, or selling livestock and other assets—are often employed.

High food prices thus threaten to reverse the gains in poverty reduction achieved in Asia and the Pacific. The primary MDG goal of halving, by 2015, poverty and those who suffer from hunger could be jeopardized unless immediate and coordinated action is taken to address the increasing price of food.

Such action, of course, needs to take cognizance of the cyclical and structural underpinnings of the 2008 food price surges. Aside from adverse weather conditions, competition for food and crops for biofuels due to rising energy costs, increasing input costs, and speculative demand—partly fuelled by short-sighted policy responses—were the major driving forces contributing to global food insecurity. Key

structural factors also played a role; they include stagnant agriculture productivity due to weak investments in technology improvements and rural infrastructure, urban policy biases, poor governance, land degradation and scarce water, and climate change.

ADB has taken a holistic approach in responding to the food security crisis. The adequate availability and accessibility of food have become international concerns that require concerted and coordinated responses at the national, regional, and global levels. Our assistance was guided by Strategy 2020, which calls for ADB to support poverty reduction through a three-track agenda of inclusive economic growth, environmentally sustainable growth, and regional integration.

Investing in agricultural productivity. At the height of the food price hike in 2008, we approved an emergency food assistance and technical support program totaling \$188.5 million for Bangladesh and Cambodia—two of the region’s hardest hit countries. Budget support to Pakistan of \$500 million was also provided, with most of the funds earmarked for food security policy measures and food safety net programs. We invested an additional \$1.1 billion in agriculture and rural development projects

to support rural infrastructure, agribusiness development, irrigation and water resource management, rural finance, food supply chain development, and agriculture technology development. Looking ahead (Figure 2.7), we have set a target of increasing our investment in agriculture and rural development to \$2 billion per year over the 2009–2011 period.

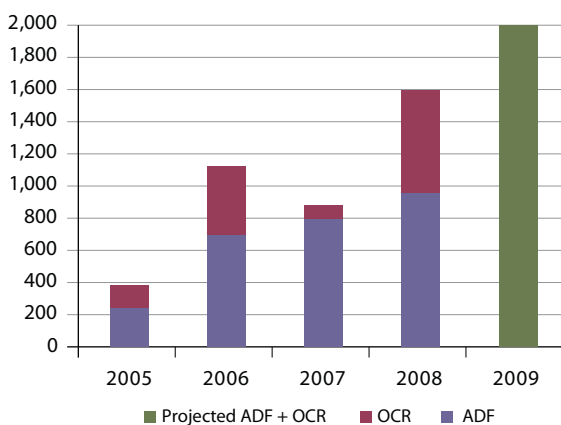
To ensure a coherent and coordinated response to these issues, we have established the Agriculture and Rural Development Unit in our Regional and Sustainable Development Department. The unit is responsible for articulating a catalytic role for ADB in addressing food security in Asia and the Pacific and tackling the structural factors underpinning the unstable regional food market. Such concerted measures should enable us to help put the region back on track to achieving MDG 1 by 2015.

Environmental and Social Safeguards

In addition to incorporating, as appropriate, labor, gender, and other social protection standards in project design, we apply environmental and social safeguard measures in preparing and implementing all projects. These measures seek to avoid harmful environmental impacts, social costs, and the marginalization of vulnerable groups that might result from projects. When such potential impacts cannot be directly avoided through changes in design, a plan is agreed for their mitigation. As of the end of 2008, ADB had three safeguard policies: the Environment Policy (2002),⁴⁷ Policy on Indigenous Peoples (1998),⁴⁸ and Policy on Involuntary Resettlement (1995).⁴⁹

Safeguard requirements. The safeguard policies require that impacts are identified and assessed early in the project cycle; plans to avoid, minimize, mitigate, or compensate for the potential adverse impacts are developed and

Figure 2.7. Trends in ADB support for agriculture and rural development, \$



ADF = Asian Development Fund, OCR = ordinary capital resources

implemented; and affected people are informed and consulted during project preparation and implementation. The policies apply to all ADB-financed projects, and they require compliance with the safeguard requirements of our client countries.

Safeguard review process. Compliance with the safeguard policies is monitored throughout the project cycle. Executing agencies are required to produce environment or social safeguard monitoring reports for projects, and project completion and evaluation reports include review of the implementation of safeguards.

Roles and responsibilities. The client is responsible for implementing the provisions of the three safeguard policies. ADB explains the policy requirements to clients, helps them meet the requirements during project processing and implementation through capacity-building programs, ensures due diligence and review, and provides monitoring and supervision.

Compliance system. ADB's chief compliance officer advises ADB's management and operations departments on safeguard compliance and related operational procedures and guidelines. If risks of noncompliance arise, actions to ensure compliance are recommended and we take steps to ensure that outstanding safeguard requirements are met before approval by ADB's Board. Safeguard review missions are fielded—particularly for sensitive or high-risk projects—to ensure proper implementation of safeguard policies.

Safeguard policy update. We are currently updating our three safeguard policies. The update includes taking into consideration external stakeholder inputs received since 2005 during extensive consultations and the recommendations of special evaluation studies conducted in 2006 and 2007 by the then Operations Evaluation Department.

The safeguard policy is being updated to strengthen its relevance and enhance its effectiveness to

- better articulate the safeguard policies for improved clarity, coherence, and consistency;
- balance a front-loaded procedural approach with one also focused on results during implementation;
- adapt policy implementation to an evolving range of lending products and innovative financing modalities;
- work toward greater harmonization with safeguard practices across multilateral financial institutions and tailor safeguard approaches to different clients with varying capacities; and
- improve internal processes and resource allocation.

Through 14 consultation workshops, we received valuable feedback and a wide range of detailed suggestions. A second draft of a new safeguard policy statement was made available for public comment in October 2008, and stakeholders were again consulted in Manila in November 2008. A working paper of the safeguard policy statement was circulated to ADB's Board of Directors for guidance and posted on our web site in January 2009.

Promoting Good Governance

ENHANCING GOVERNANCE AND FIGHTING CORRUPTION

For over a decade, ADB has been working with its client countries and partners in the private sector and civil society to promote good governance and to combat corruption. Our Second Governance and Anticorruption Action Plan (GACAP II) was endorsed in mid-2006.⁵⁰ GACAP II places an operational 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 and access to external expertise.

A key GACAP II feature is the introduction of a risk-based approach to governance and corruption assessments. Diagnostics focus on assessing the risk to development outcomes posed by weak governance, poorly performing institutions, or vulnerability to corruption. Governance risk assessments (focusing on public financial management, procurement, and vulnerability to corruption) are being prepared at country, sector, and project levels, and are supported by risk management plans that are used to document concrete actions needed to

address the risks most likely to adversely affect the development outcomes of ADB's assistance.

GACAP II also adopted a learning-by-doing approach, recognizing that a degree of flexibility is required to test the methods, tools, and instruments to be applied and to respond to different country contexts. Experience gained through initial risk assessments informed the GACAP II Implementation Guidelines, issued in May 2008. During 2007–2008, over 30 risk assessment and management plans were completed at the country and sector levels; 25 more are being prepared.

In 2008, about 31% of our project investments and 20% of our technical assistance activities were classified as governance projects.⁵¹ A significant part of this support was provided in the context of sector programs, program-based approaches, and projects involving crosscutting policy and institutional reforms.

Box 2.14. Support for governance reform

In 2008, several governance projects directly resulted from risk assessments that were conducted at the country, sector, or project level. Two examples are those in Cambodia and the People's Republic of China.

Cambodia. Risks identified in 2007, during the mid-term review of the country partnership strategy, were acted on in 2008 with support to the government's flagship Public Financial Management reform program. ADB provided support to a range of sector ministries, including forestry and fisheries, and water resources and meteorology. In addition, ADB continued its support to capacity development in the National Audit Authority.

People's Republic of China. Weaknesses in internal control and audit systems in the urban waste water sector were identified as major risks to development effectiveness, especially at the level of provincial governments. In response, ADB provided support to establish internal control and audit systems that meet international standards and to train selected staff at the provincial level on the operation of these systems.

Source: ADB. 2008. *Support for Implementation of the Second Governance and Anticorruption Action Plan*. Manila. www.adb.org/Documents/TARs/REG/41251-REG-TAR.pdf

In the Philippines, for example, governance reform in the justice sector has focused on improving citizens' access to justice institutions and increasing the efficiency of those institutions. In Pakistan, we are supporting provincial governments to strengthen key service delivery functions. This is done by strengthening provincial revenue and public expenditure management systems, by establishing public–private partnerships, and by introducing merit-based recruitment. The Good Governance Program in Bangladesh has a specific anticorruption focus, strengthening the role of the judiciary by introducing performance incentives related to increased transparency and accountability and supporting the Anticorruption Commission (Box 2.14).

We actively cooperate with a range of partners in this area. For example, the Anticorruption Initiative for Asia and the Pacific, launched by ADB and the Organization for Economic Cooperation and Development (OECD), has consolidated its efforts through the Anti-Corruption Action Plan for Asia and the Pacific.⁵² By 2008, the plan had been jointly endorsed by 28 countries and jurisdictions from the region. Other international networks in which we participate include the

Governance Network and the Joint Venture on Public Financial Management, both of which are coordinated by the OECD Development Assistance Committee.

In February 2008, we endorsed the Extractive Industries Transparency Initiative (Box 2.15).⁵³ In doing so, we harmonized our stance with other international organizations such as the African Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, OECD, and the World Bank. We encourage our clients to adopt the initiative's principles.

WORKING WITH CIVIL SOCIETY

We also contributed to good governance practices by engaging with civil society organizations (CSOs) in preparing and implementing projects and in developing and reviewing our major thematic and sectoral policies. For example, between May 2007 and December 2008, hundreds of representatives of indigenous peoples organizations, project-affected communities, NGOs, community-based organizations, and labor unions contributed to the updating of our policies on energy, environment, indigenous peoples, and

Box 2.15. The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative—a growing coalition of governments, companies, civil society groups, investors, and international organizations—supports improved governance in resource-rich developing countries. It does so by promoting the disclosure and verification of company payments and government revenues in the extractive industries sector (oil, gas, and mining). The initiative's principles recognize that natural resource wealth should be translated into equitable economic growth that helps to reduce poverty.

Source: EITI Extractive Industries Transparency Initiative web site. <http://eitransparency.org/>



involuntary resettlement. Their views, and the views of other stakeholders, have helped to shape these policies and improve their relevance to our client countries.

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. More than 75% of our investment projects involve CSOs in some way. They can also play an important role in monitoring project implementation. In December 2008, ADB published the *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*.⁵⁴ The sourcebook provides practical tips, guidance, contacts, and other information to help ADB staff maximize the potential of working with CSOs.

Our collaboration with CSOs thus comes in many forms. A few examples of projects being implemented with substantial CSO involvement follow:

- ADB is contributing to a \$1.3 million technical assistance project aimed at promoting greater involvement of NGOs, volunteers, and corporate social responsibility actors in national poverty reduction efforts in the PRC. The project is funding a “second generation” pilot project, building on an earlier ADB-assisted experiment in Jiangxi Province, and more broadly supports ADB’s country partnership strategy for the PRC (2008–2010), which identifies the promotion of government–civil society partnerships to address poverty as a key “niche area” for ADB support.
- Mercury and heavy metals toxicity endanger lives and livelihoods along the Meycauyan River system north of Manila, Philippines. A river clean-up has started, but contamination may have reached groundwater sources. ADB is working with the nonprofit Blacksmith Institute to identify the risks and to develop

technologies capable of reducing the water system’s toxicity.

- Friends-International is implementing an ADB-financed project, NGO Initiatives to Prevent HIV/AIDS in Asia and the Pacific, in Cambodia. The NGO is collaborating with seven local NGOs across Cambodia, and with the staff of the Department of Social Affairs, Veterans, and Youth in two provinces. The collaboration involves training officers to implement projects, developing awareness about linkages between drug use and HIV/AIDS, setting up day centers for vulnerable children and youth, and establishing outreach services.
- ADB and the World Wide Fund for Nature (WWF) signed a memorandum of understanding in 2001 to develop and guide a partnership for action in jointly addressing pressing environment and development issues in the Asia and Pacific region. Active collaboration is under way in the GMS and in support of the Coral Triangle Initiative. We maintain an open exchange of views on a wide range of issues, from climate change to biodiversity conservation strategies.

Such collaboration can also extend to the policy level. The action plan for implementing ADB’s Disaster and Emergency Assistance Policy recognizes that CSOs are valuable actors in disaster risk management due to their local knowledge of vulnerable communities, ability to ensure gender issues are addressed, and experience linking government and corporate efforts.

Part 3

ADB's Corporate Footprint



ADB's Corporate Footprint



ADB's Manila Headquarters.

At the end of 2008, ADB had more than 2,500 staff members. In addition, over 1,400 consultants and service providers were engaged at any given time 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 40% of the site's land area, comprises a 10-storey office tower block with basement parking linked to a two-storey special facilities block. The two buildings provide 130,000 square meters of space and were designed to be energy efficient. These facilities are managed by ADB's Office of Administrative Services (OAS).

Our Staff and Offices

The Asian Development Bank (ADB) is based in Manila, Philippines, and has 27 field offices, including country and regional missions and representative offices (map on pp. iv-v).

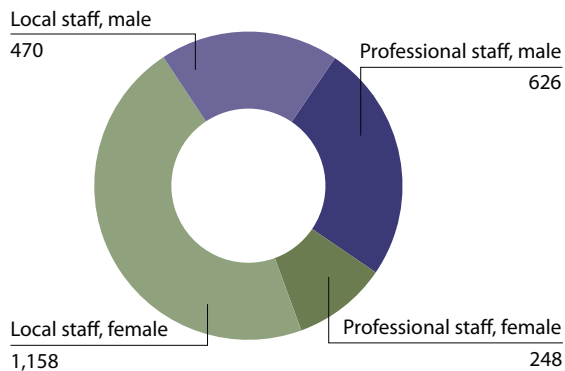
Working Together

Human resources strategy. A recent review of our 2005–2007 human resources strategy underscored the importance of linking human resource management policies and practices to our business strategy to support and deliver the

results required by Strategy 2020. An action plan to implement the recommendations is being drawn up to be issued in 2009.

Diversity in action. Currently, our staff is drawn from 57 of our 67 member countries. We promote diversity among our staff members in nationality and gender. Given our location in Manila, about 1,200 of our staff members are Philippine nationals. Figure 3.1 shows the gender distribution of staff, in two categories: professional and local.

Figure 3.1. Staff diversity by gender and category



As a result of active recruitment practices, the proportion of female professional staff increased from less than 11% in 1996 to almost 29% in 2008. Our gender action program focuses on increasing the representation and leadership by female professional staff, fostering gender balance, using targets for recruitment and retention, and assuring management accountability.

Staff engagement survey. To promote positive organizational change, ADB periodically conducts a “staff engagement survey.” More than 80% of staff members participated in the survey taken in March 2008, administered by external experts.

The respondents identified characteristics of work at ADB that they appreciated (such as the physical work environment, job satisfaction,

working relationships, and employment security) and priority areas for improvement (such as the need to address work–life balance, performance evaluation, benefits, and career development). The survey results are serving as vital inputs into the preparation of an action plan.

While the action plan is being prepared, certain measures have already been taken in response to results of the 2008 survey, and a brief follow-up survey will be conducted in mid-2009 to gauge staff reactions to the changes. The new measures included interim salary adjustments, modification of service awards and recognition, review of staff grading and promotion, an expanded technical career stream, and assessment centers to align managerial capabilities with Strategy 2020.

Work–life balance. To enhance our staff members’ ability to balance their working and nonworking lives, in 2008 ADB introduced

- a 1-year pilot-test for staff members to work from home for 1 day each month;
- an optional extension (without pay) of maternity leave for 3 months, to allow new mothers up to 6 months leave; and
- increased the flexibility in “family leave,” allowing staff members to take increments of 2 hours or half a day, for up to 40 hours (5 days) per year.



Learning session: Introduction to the critical path method.



Staff Council Meeting, 6 November 2008. I-r: Socorro Regalado, Virginia Herrera, Edzen Garcia (vice chairperson), Lakshman Athukorala (vice chairperson), Peter Wallum (chairperson), Graham Dwyer, and Axel Weber.

Professional development. During 2007–2008, several changes were made to streamline and focus activities to support learning and development opportunities for staff:

- a “curriculum approach” was instituted, providing staff with building blocks to learning through programs (from introductory to advanced levels) to enhance knowledge and skills and develop mastery in core areas;
- learning and development programs were better linked to ADB’s strategic objectives;
- an online questionnaire was used in 2007 to survey division heads as a basis for devising a more relevant leadership development curriculum;
- data submitted by staff were used to review and redesign programs;
- the learning and development web site was redesigned;
- a new catalogue of learning opportunities was distributed to staff members;
- “demand-driven learning” was focused through staff consultations and the learning needs survey completed in 2008; and
- the learning and development communication strategy was strengthened.

Person-days of training averaged 7,150 each year during 2007–2008, versus over 11,200 in 2006. The difference was because numerous briefings on new initiatives and processes were held in 2006 and many new courses were rolled out to update essential skills and knowledge. All employees receive performance reviews yearly or more often.

Workplace environment. The 2008 staff engagement survey showed that our staff members are highly satisfied with their physical work environment. This has been supported by environmental activities such as the indoor air quality monitoring, which ensures that the indoor air quality complies with international standards. Similarly high standards are maintained for building inspection, maintenance, and upkeep practices, using the Statistical Process Control management tool.

We continue to seek ways to optimize space to improve the work environment for staff and others using our facilities. For example, in 2008 we created a “hoteling” area for consultants, which has alcove office spaces for single occupancy, enclosed conference rooms, and open meeting areas for discussions.

Staff representation. As provided in the ADB Staff Association’s Constitution, staff members automatically become members of the Staff Association 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, composed of 12 members, 2 of which represent the professional and local staff in resident missions and regional offices, is the executive arm of the Staff Association. The Staff Council, which serves as a channel of communication between staff and ADB's management, holds monthly meetings as a group and with the Budget, Personnel, and Management Systems Department on issues important to staff.

During 2007–2008, the Staff Council focused on three major areas of concern: salaries, career development, and benefits. In addition, the Staff Association's constitution is being reviewed to improve communications with ADB's management, and the Staff Association's funds are now audited yearly. The Staff Council also encouraged participation in the "staff engagement survey." Participation in the Staff Association has increased, resulting from open forums and work on committees addressing the major issues of interest.

In 2008, the two Staff Council vice chairpersons attended the meeting of staff associations of multinational development institutions in Washington, DC. The theme of the meeting was empowerment. The next meeting, in 2009, will be hosted by ADB in Manila.

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.⁵⁵

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. Rather, ADB has its own grievance process for resolving staff members' issues about the terms and conditions of their employment, with 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.

Managing Our Environmental Footprint

Part of ADB's commitment to minimize our environmental footprint is maintaining our headquarters facility as a "green building." The 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; and shatter resistant film on the 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.

ISO 14001 and OHSAS 18001. Our Environment, Health, and Safety Management System was originally certified in 2003 under the International Organization for Standardization (ISO) 14001⁵⁶



Solar energy for a fountain, by a roof-top garden.

and Occupational Health and Safety Assessment Series (OHSAS) 18001.⁵⁷ We were recertified in 2006 and recertification is scheduled again for review in July 2009.

Greening our headquarters. Our well-landscaped gardens and lawns provide a pleasant campus for work and a modest carbon sink for greenhouse gases (GHGs). Recent greening activities have included the main entrance fountain area and the facilities block and office tower roof decks. Solar panels have been added to provide electricity for the fountains that enhance the west parking area lagoon garden and the interior garden.

Conserving resources. ADB's resource conservation programs are governed by the "3Rs" principle (reduce, reuse, and recycle). For example, our Events Management Unit has raised awareness among staff about waste reduction and has encouraged the "greening" of events by maximizing the use of information technology to reduce paper use, offering alternatives to bottled water and canned drinks, and conserving other resources. The unit worked with food services to limit waste generated at conferences and encouraged conference participants to carpool for airport transfers and walk reasonable distances rather than using motorized transport.

We also work closely with moving companies to ensure they use reused or recycled packing



Vice-President Bindu Lohani signing the World Environment Day commitment in June 2008.

materials for shipments of official materials and the goods of ADB staff members.

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. Our electricity use then declined by 2% in 2008 (Figure 3.2) as conservation and efficiency measures had their impact. The 2008 reduction is equivalent to 348,564 kilowatt-hours or 191 tons of carbon dioxide (CO₂) emissions. Since 2004, ADB has reduced electricity consumption by 3.6% against a baseline of that year, although our activities and staff numbers have increased steadily. The reduction was primarily achieved by optimizing the operations of our chiller, replacing incandescent bulbs with energy efficient compact fluorescent lamps, using room occupancy sensors to automatically turn off lights, and encouraging all staff and units to turn off lights and equipment when not needed.

OAS has initiated collaboration with the University of Tokyo to conduct an energy audit of our headquarters and develop strategies to enhance energy efficiency at ADB. The results of the audit will be used as input for an application for Leadership in Energy and Environmental Design (LEED) certification of our headquarters building.

Water. ADB's water consumption decreased by 6% in 2008 after a slight increase in 2007 (Figure 3.3) attributable to an increased number of events and conferences. Overall water consumption has decreased by more than 24.5% since 2004. The savings have mainly come from increased awareness among staff members of the need to conserve water, spot cleaning of floors rather than pressurized spray washing, and introduction of a treated wastewater system for watering lawns and gardens. Almost 4% of the water we use is from our wastewater treatment system.

Paper and printing. The Paper Conservation Committee monitors paper use at ADB and helps implement policies to reduce it. Printer stations and bins are inspected regularly to promote recycling. Although paper consumption increased in 2007, it decreased about 16% in 2008 (Figure 3.4). The substantial reduction is attributed to installation of multifunctional printers and to the roll-out of “e-Star,” our new electronic document storage and retrieval system.

ADB sources all its paper from mills with ISO 14001 or Forest Stewardship Council certification. All ADB paper is chlorine free, and the percentage of post-consumer waste and recycled paper we use is increasing steadily. In 2008, for example, 47% of the paper we purchased was of recycled stock.

Solid waste. Garden trimmings, such as leaves, twigs, and branches, are shredded and used as feed for earthworms in vermi-compost pits in our plant nursery instead of being disposed of as solid waste. These strategies have significantly decreased the solid waste we generate, with more than 80% of waste materials recovered. In 2008, we were able to reduce solid waste by 20% (Figure 3.5).

ADB’s GHG emissions. Recognizing the contribution of GHG emissions to climate change and the need for our logistical operations to be consistent with our programs under Strategy 2020, OAS developed a monitoring system to capture data from ADB activities and calculate the equivalent CO₂ emissions using Intergovernmental Panel on Climate Change guidelines. In 2008, we completed our first ADB Headquarters Greenhouse Gas Emissions

Figure 3.2. Electricity

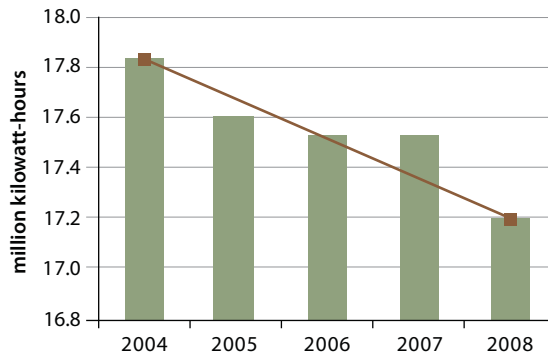
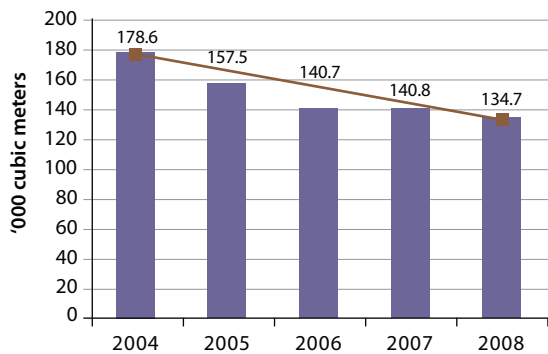


Figure 3.3. Water consumption



Note: The water consumption amount has been slightly adjusted from the figure in our previous *Sustainability Report*.

Figure 3.4. Paper consumption

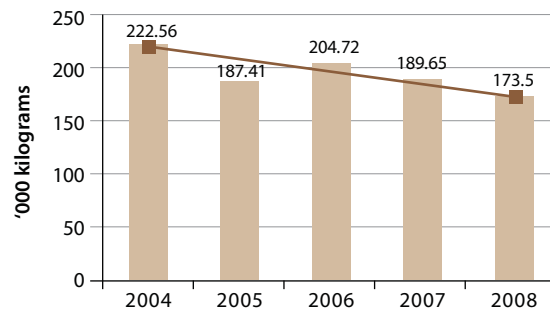


Figure 3.5. Solid waste generation

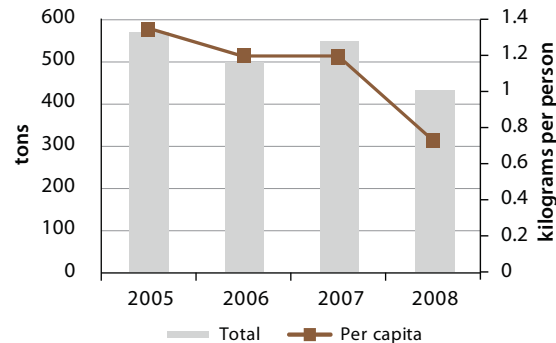
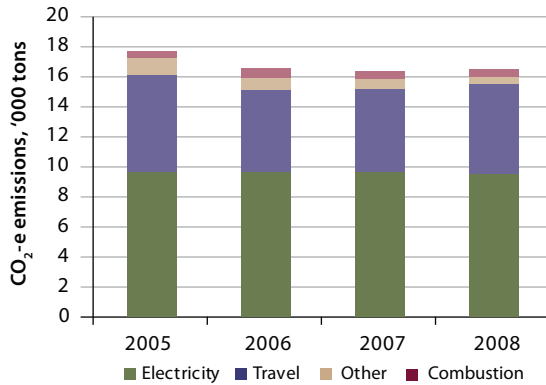


Figure 3.6. ADB headquarters greenhouse gas emissions



CO₂-e = carbon dioxide equivalent

Note: "Travel" includes air transport and hotels, and is highly dependent on the location of ADB's annual meeting; "Other" includes transport of waste, methane from biodegradable waste, postage and freight, and goods shipments; and "Combustion" includes emissions from the power generator, gas stoves and heaters, ADB-owned vehicles on official trips, and the refrigeration system.

inventory, covering 2005–2006, and launched the report on the inventory during the celebration of World Environment Day.

Data on ADB's GHG emissions (Figure 3.6) were collected for (1) direct emissions (combustion from power generation, use of liquid petroleum gas, fuel for ADB official vehicles, and refrigeration); and (2) indirect emissions (electricity use at our headquarters; official air and ground transportation, rented vehicles, transport of solid waste and methane from solid waste disposed of in landfill, and shipment of goods).

Compared to the 2005 baseline, our CO₂ emissions decreased by 6.6% in 2006 and by 1.2% in 2007. In 2008 we had a slight up-tick of 0.6% due to increased staff travel and goods shipment.

Our CO₂ emissions decreased by 6.6% in 2006 and 1.2% in 2007. In 2008 we had a slight up-tick of 0.6% due to increased staff travel and postage and freight.

Measures to continue reducing our GHG emissions are ongoing and largely embedded in our various resource conservation efforts.

Other actions include partnering with our courier service providers to reduce the number of pick-ups and deliveries. We are also encouraging our courier services to use only recyclable or biodegradable envelopes. Further, we are increasingly shipping publications printed outside the Philippines directly to their final destinations rather than through ADB headquarters.

We continue to carefully monitor the emissions levels of our vehicle fleet and consider these and fuel efficiency ratings when procuring new vehicles. In addition, we encourage our staff members to

- reduce air travel by using videoconferencing (we have recently added 16 conference rooms for this purpose),
- combine official travel for multiple missions into one trip to minimize overall distance traveled, and
- take the most direct route in air travel.

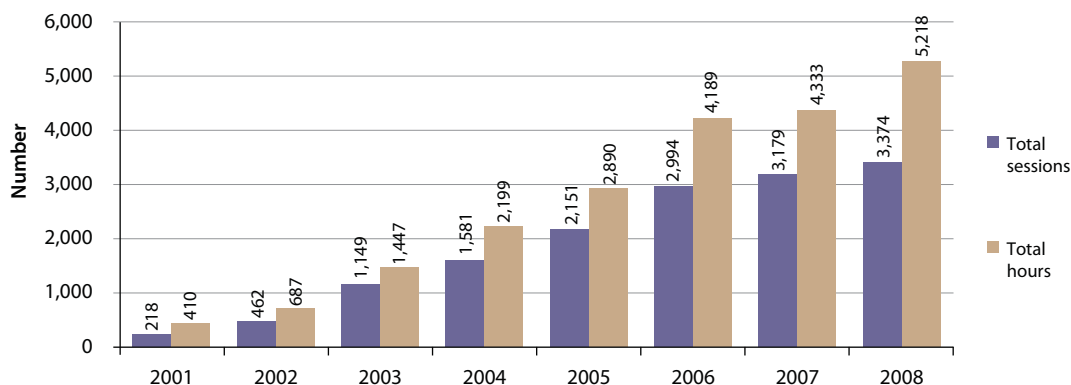
Given the nature of ADB's business, reducing air travel remains a challenge. Our new state-of-the-art videoconferencing facilities are backed by

- 15 satellite links to resident missions for voice, data, and videoconferencing services;
- 11 direct links to field offices for data and videoconferencing services; and
- 33 conference rooms in headquarters, and most of our field offices are equipped for videoconferencing.

The use of these facilities has increased significantly (Figure 3.7).

Breathing better air. The Occupational Health and Safety Committee monitors indoor air quality within the headquarters. With the 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 (USEPA) and the American Society for Heating, Refrigeration, and Air-Conditioning Engineers.

Figure 3.7. Videoconference use



Computing. To ensure that we update to energy efficient and increasingly “green” standards, we purchase computers and monitors that are “energy star compliant” (that is, they meet standards for energy efficiency set by the USEPA) and emit low levels of CO₂ and radiation. We request staff members to turn off their computers when not in use and we closely monitor our data center to maintain optimal cooling temperature in order to use power efficiently.

Statistical Process Control and Six Sigma. We are using two management tools to enhance the functioning of our headquarters: Six Sigma to improve the efficiency of chillers and air handling and fan power units, and the Statistical Process Control tool to ensure that our service contractors maintain cleanliness and provide effective and efficient repair and maintenance services.

Ensuring the security of our staff. Due to the scope and range of our operations, recent global events, and the variety of environments in which our staff members operate, meeting the security requirements for ADB staff and its operations has become increasingly complex. In 2007 and 2008, we significantly improved security and safety at our headquarters. In the field, we

- expanded our participation in the United Nations (UN) Security Management System and our cooperation with other institutions,
- introduced UN training courses that help prepare our staff for travel and their work in a variety of challenging environments, and

- strengthened our field security management system and emergency preparedness structure.

Business continuity management. Our newly revised crisis management structure helps ensure the continuity of our critical business processes in a safe and secure manner. To mitigate the risks of data and information loss, ADB recently established a facility in the Philippines and another offshore to store and rapidly retrieve critical data and information. We focused on the highly critical process of our Treasury and Controller departments. In addition, we have minimized the environmental footprint of the backup facilities by using environmentally friendly equipment.

Our Community

ADB and staff members at headquarters and in our field offices are active in their communities, through volunteer work and donating needed goods to disadvantaged people. We share good practices with other organizations (Box 3.1).

For example, through ADB’s institutional donation program, we have supported the Philippine Cancer Society, the Philippine Tuberculosis Society, and the Council of Health Agencies of the Philippines. In addition, we have partnered with local charities and donated used computer equipment to area schools, a

Box 3.1. Sharing good practice



Our facilities are often used for sharing information and as a demonstration site. For example, in July 2008, Philippine government officials visited the Asian Development Bank (ADB) to learn about our practices in energy efficiency and Sonam Tshering, of Bhutan's Department of Energy, toured the building to learn about our energy efficiency practices. In June, managers from ABS-CBN Broadcasting and from the ABS-CBN Foundation toured the ADB to learn about initiatives including conserving paper and water and reducing solid waste. And in November, ADB and the Asian Institute of Management held a training course that included visiting our headquarters to observe energy efficiency initiatives.

women's prison (for its continued education program), and local government agencies (to help build capacity). Our library supports local universities and nongovernment organizations (NGOs) by hosting book launches and seminars and donating a significant amount of books, magazines, journals, videotapes, and library supplies each year. Our ISO Working Group planted more than 100 mahogany tree seedlings at the Clark Sanitary Landfill in Tarlac—seedlings that came from trees at our headquarters and were nurtured at our headquarters on compost derived from our gardens (Box 3.2).

In 2007, the ADB Staff Community Fund (SCF) celebrated its 10th year of reaching out to the poor and disadvantaged in Metro Manila, during which time it has provided over P26.3 million (more than \$500,000) to help organizations in Metro Manila implement 127 projects. The SCF estimates that it has assisted over 15,000 individual beneficiaries—roughly 75% of whom were children and youths.

In 2007, the SCF approved P3.2 million (about \$70,000) in grants to 14 charities that support feeding programs, scholarships, assistive devices

for the disabled, and chemotherapy for cancer patients. At its annual fund-raising event, the SCF raised P5.4 million (about \$120,000) from staff donations—a 12.5% increase over 2006 in local currency. In 2008, the SCF supported 26 organizations, including 8 that were new to the SCF, approving funding of P7.5 million (about \$150,000). Examples of assistance include

- meals for students and children from poor families;
- support for sexually abused girls and for sexually, emotionally, and/or physically abused children without access to



ADB spouses visiting the Pasig Kawalaan Feeding Program supported by the ADB Spouses Association.

Box 3.2. Greening a landfill

On Environment Day in June 2008, we planted mahogany saplings at the Clark Sanitary Landfill. The saplings were raised from seeds from our own trees, nurtured on organic compost generated through vermiculture of our own garden waste.



- legal services; and
- a skills enhancement program for children.

In 2008, the SCF raised P5.4 million (about \$110,000). ADB's management continues to actively support SCF activities.

Staff members and their families continue to be active members of local communities. Through the ADB Spouses Association, about P850,000 (\$19,000) was donated to 23 charities and schools in 2007 and 2008, providing scholarships to over



Education for blind children, with support from the Staff Community Fund.

100 students. In addition, loans amounting to P350,000 (\$8,000) were provided to selected NGOs for microfinance programs.

In April 2008, the SCF and the ADB Spouses Association launched a new partnership to provide scholarships to underprivileged high school and college students in Metro Manila. The SCF approved P275,000 (\$6,000) for 31 scholarships.

Continuing to Improve

ISO 14001 and OHSAS 18001 recertification.

As mentioned, ADB will apply for a new 3-year certificate for our Environment, Health, and Safety Management System in July 2009. The recertification will demonstrate our continued compliance with legal requirements in environment and occupational safety, pollution prevention, resource conservation, and emergency preparedness. All of these efforts will be linked to the continued reduction of our carbon footprint. This includes activities of our Events Management Unit, which will support further "greening" of our events.

LEED Certification. To provide an even healthier work and living environment, which will enhance employees' productivity, ADB is considering the possibility of LEED Certification for its headquarters. The LEED Green Building Rating System, developed by the United States Green Building Council, provides internationally recognized standards for environmentally sustainable construction and facilities management that ADB can adopt by improving on its present building structure.

Green computing. We are moving toward zero waste in our information technology equipment and have requested some of our suppliers to provide us information on their equipment waste management programs. For our web site, we are exploring an alternative search engine in an effort to reduce our carbon footprint.

Vehicle fleet. To establish a ground transport fleet that emits less CO₂, we will explore hybrid vehicles as soon as they become commercially available in the local market.

Conserving resources in our field offices. Our India Resident Mission is already ISO certified, and some building efficiency measures have been introduced in our field offices. OAS has collected baseline data on the use of electricity, water, paper, and solid waste in our resident missions in anticipation of further waste reduction efforts. The data will be consolidated to formulate common criteria for enhanced resource conservation in our field offices.

Conserving water. Following up on the recent introduction of a wastewater reuse system at the headquarters facility, we will enhance our conservation of water, such as by harvesting rainwater and upgrading our system for reusing wastewater.

Renewable energy. We are required to purchase our electricity from a distributor until suitable rules are in place to enable contract-based supply of renewable electricity. One of two requirements have to be met—either a threshold 70% of the Luzon

power grid's generation capacity is privatized or special dispensation is given to transmit renewable energy. The latter is expected in the next few months and we will soon be able to purchase our electricity supply from renewable sources.

ADB Sustainability Reporting

This, ADB's second *Sustainability Report*, builds on the first exercise (in 2007) and provides an updated overview of our corporate and operational programs relevant to accepted sustainability reporting standards. The second *Sustainability Report* responds to our commitment to provide such new information when warranted. Where possible, we have used the benchmarks established in the first report to monitor changes that occurred over the last 2 years. As with the first report, we welcome feedback, which will help us to identify opportunities for improving the efficacy of our operations and guide our future sustainability reporting to make it as useful as possible to our many stakeholders.

In keeping with the principle of materials conservation, our intent is for the report to be accessed primarily in electronic form, and we have made the many cross-referenced links available for easy access through our web site: www.adb.org/Environment/Sustainability-Report-2009.

While many of the Global Reporting Initiative's reporting guidelines only weakly fit the nature of our organization and work, we support the initiative's aims and efforts and have endeavored to follow the guidelines to the extent possible. As an organization devoted to reducing poverty and improving the quality of life in Asia and the Pacific, our policies and practices remain fully committed to the principle and practice of sustainability. We hope that this second *Sustainability Report* will contribute to further understanding of ADB's goals and actions as well as to the sustainable development of the Asia and Pacific region.

Endnotes

Part 1: Strategy and Structure

- ¹ www.adb.org/About/bankprof.asp
- ² www.adb.org/Documents/Manuals/Operations/default.asp?p=policies
- ³ www.adb.org/Development/policies.asp
- ⁴ www.adb.org/documents/policies/strategy2020/Strategy2020.pdf
- ⁵ www.adb.org/about/membership.asp
- ⁶ www.adb.org/GOV/default.asp
- ⁷ www.adb.org/BOD/default.asp
- ⁸ www.adb.org/About/organization.asp
- ⁹ www.adb.org/about/hq-field-offices.asp
- ¹⁰ www.adb.org/Documents/Reports/Annual_Report/2008/default.asp
- ¹¹ www.adb.org/Projects/cycle.asp
- ¹² www.adb.org/Projects/mff.asp
- ¹³ www.adb.org/Documents/Policies/Multitranches-Financing-Facility/r121-08.pdf
- ¹⁴ www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html
- ¹⁵ www.adb.org/MfDR/
- ¹⁶ www.adb.org/Documents/Strategy2020/2007-Development-Effectiveness-Review.pdf
- ¹⁷ www.adb.org/Documents/Reports/ERP/default.asp
- ¹⁸ www.aidsdatahub.org
- ¹⁹ www.adbi.org
- ²⁰ www.adb.org/ERD
- ²¹ www.adb.org/OREI
- ²² www.adb.org/About/financial-resources.asp

- ²³ www.adb.org/ADF/default.asp
- ²⁴ www.adb.org/JFPR
- ²⁵ www.adb.org/water/cfws/default.asp
- ²⁶ www.adb.org/Water/Policy/default.asp
- ²⁷ www.adb.org/Cofinancing/default.asp
- ²⁸ www.adb.org/ADF/ADF-X/default.asp. Accessed 6/02/09
- ²⁹ www.adb.org/About/management.asp
- ³⁰ www.adb.org/disclosure
- ³¹ www.adb.org/SPF/
- ³² <http://lnadb4.adb.org/dir0035p.nsf?Open>
- ³³ www.adb.org/Integrity; www.adb.org/Documents/Guidelines/Integrity-Guidelines-Procedures/
- ³⁴ www.adb.org/integrity/list.asp?fld?=0&srt=1

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

- ³⁵ www.adb.org/urbandev/faqs.asp
- ³⁶ www.adb.org/Documents/Policies/Disaster_Emergency/default.asp
- ³⁷ www.adb.org/Documents/Policies/Emergency-Assistance/IN103-08.pdf
- ³⁸ www.adb.org/documents/policies/education/default.asp?p=policies
- ³⁹ ADB. 2008. *Education and Skills – Strategies for Accelerated Development in Asia and the Pacific*. Manila. Available: www.adb.org/Documents/Studies/Education-Skills-Strategies-Development/

- ⁴⁰ www.adb.org/Documents/Papers/Gender_Action_Plan/default.asp?p=genpgad
- ⁴¹ The information presented in this paragraph is based on the following sources: ADB, UNDP and UNESCAP. 2006. *Pursuing Gender Equality through the Millennium Development Goals in Asia and the Pacific*. Manila.
- ⁴² www.adb.org/SocialProtection/strat.asp
- ⁴³ www.adb.org/documents/handbooks/Core-Labor-Standards/default.asp
- ⁴⁴ www.adb.org/Documents/Reports/Labor-Issues-PublicEnterpriseRestructuring/Labor-Issues-PER.pdf
- ⁴⁵ ADB, 2008b, *Soaring Food Prices- response to the crisis*. ADB: Manila. ADB. The other food security-related materials produced by ADB are the following: ADB (Economics and Research Department), 2008a. *Special Report- food prices and inflation in developing Asia: Is poverty reduction coming to an end?* ADB: Manila. ADB.
- ⁴⁶ FAO, 2008. *The state of food insecurity in the world*. FAO, Rome: FAO of the UN.
- ⁴⁷ www.adb.org/documents/policies/environment/default.asp?p=policies
- ⁴⁸ www.adb.org/Documents/Policies/Indigenous_Peoples/default.asp
- ⁴⁹ www.adb.org/Documents/Policies/Involuntary_Resettlement/default.asp?p=rsttlmnt
- ⁵⁰ www.adb.org/Governance/gacap.asp
- ⁵¹ Arrived at through targeted queries in the “Listing of Loan, TA, Grant, and Equity Proposals”. In line with the 2008 Governance Thematic Report, the selection criteria were (i) sector classification as “Law, Economic Management and Public Policy,” and/or (ii) thematic classification as “Governance.” Documents that were classified as “Law, Economic Management, and Public Policy,” but that did not come with a “Governance” thematic classification were excluded, because they typically focus on corporate governance and private sector operations.
- ⁵² www.oecd.org/dataoecd/38/24/35021642.pdf
- ⁵³ eitransparency.org/
- ⁵⁴ www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp

Part 3: ADB's Corporate Footprint

⁵⁵ www.adb.org/ReformAgenda/documents/improved-hr.pdf

⁵⁶ www.iso.org

⁵⁷ www.ohsas.org

Appendix

Index to the Global Reporting Initiative Indicators



Index to the Global Reporting Initiative Indicators

GRI Number	Content	Location	Reporting Status	Links
1.1	Defining report content	About	PR	www.adb.org/Environment/Sustainability-Report-2009
1.2	Principles for reporting quality	About	PR	www.adb.org/Environment/Sustainability-Report-2009
1.3	Boundary setting	About	PR	www.adb.org/Environment/Sustainability-Report-2009
2 Standard disclosures				
2.1 Strategy and analysis				
2.1.1	Statement from most senior decision maker	President's letter	FR	www.adb.org/Environment/Sustainability-Report-2009
2.1.2	Description of key impacts, risks, and opportunities	1	PR	www.adb.org/Documents/Reports/Annual_Report/2008/
2.1.2.a.	Key impacts on sustainability and effects on stakeholders	1, 2, 3	PR	www.adb.org/Documents/Reports/Annual_Report/2008/
2.1.2.b.	Impacts of sustainability trends, risks, and opportunities on long-term prospects	1, 2, 3	PR	www.adb.org/Documents/Reports/Annual_Report/2008/
2.2 Organizational profile				
2.2.1	Name of the organization	1	FR	www.adb.org
2.2.2.	Primary brands, products, services	1	FR	www.adb.org/About/financial-reserves.asp ; www.adb.org/About/bankprof.asp
2.2.3.	Operational structure	1	FR	www.adb.org/About/ADB_Organization_Chart.pdf
2.2.4.	Location of headquarters	1, 3	FR	www.adb.org/About/
2.2.5.	Number of countries of operations	1	FR	www.adb.org/About/
2.2.6.	Nature of ownership and legal form	1	FR	www.adb.org/About/organization.asp
2.2.7.	Markets served	1	FR	www.adb.org/About/organization.asp
2.2.8.	Scale of organization	1, 3	FR	www.adb.org/About/
2.2.8.a	Number of employees	1, 3	FR	www.adb.org/About/glance.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
2.2.8.b.	Net sales	1	FR	www.adb.org/Documents/Reports/Annual_Report/2008/
2.2.8.c.	Total capitalization, in debt and equity	1	FR	www.adb.org/Documents/Reports/Annual_Report/2008/
2.2.8.d.	Quantity of products and services provided	1	FR	www.adb.org/Documents/Reports/Annual_Report/2008/
2.2.9.	Significant changes (location, share capital structure)	—	N4	—
2.2.10.	Awards received during the reporting period	3	FR	www.adb.org/Environment/Sustainability-Report-2009
3 Report parameters: Report profile				
3.1.	Reporting period	About	FR	www.adb.org/Environment/Sustainability-Report-2009
3.2.	Date of most recent report	About	FR	—
3.3.	Reporting cycle	3	FR	www.adb.org/Environment/Sustainability-Report-2009
3.4.	Contact point for questions on the report	Back Cover	FR	sustainabilityreport@adb.org
Report parameters: Report scope and boundary				
3.5.	Process for defining report content, including	Foreword, About	PR	www.adb.org/Environment/Sustainability-Report-2009
3.5.a.	Materiality	About	PR	www.adb.org/Environment/Sustainability-Report-2009
3.5.b.	Prioritization of topics in the report	About	FR	www.adb.org/Environment/Sustainability-Report-2009
3.5.c.	Identification of stakeholders that will use the report	About, I	FR	www.adb.org/Environment/Sustainability-Report-2009
3.6.	Boundary (countries, etc.)	1, Map	FR	www.adb.org/About/
3.7.	Specific limitations on scope and boundary	About	FR	www.adb.org/Environment/Sustainability-Report-2009
3.8.	Basis for reporting on joint ventures, etc. that can significantly affect comparability between reporting periods	—	NA	—
3.9.	Data measurement techniques, bases of calculations, assumptions	1, 2, 3	PR	www.adb.org/Environment/Sustainability-Report-2009
3.10.	Explanations of restatements from earlier reports	1, 2, 3	FR	—
3.11.	Significant changes from previous reporting periods	—	N4	—

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
Report parameters: GRI content index				
3.12.	Table with location of standard disclosures in the report	Appendix	FR	www.adb.org/Environment/Sustainability-Report-2009
Report parameters: Assurance				
3.13.	Policy and practice regarding seeking external assurance for report content	—	NA	—
4 Governance, commitments, and engagement				
Governance				
4.1.	Governance structure of the organization	1	FR	www.adb.org/About/bankprof.asp
4.2.	Whether the chair of the highest body is also the chief executive officer, and, if so, why	1	FR	www.adb.org/About/bankprof.asp
4.3.	Number of board members that are independent or nonexecutive	1	FR	www.adb.org/About/bankprof.asp
4.4.	Mechanism for shareholders and employees to provide recommendations to the highest governance body	1, 3	FR	www.adb.org/About/bankprof.asp ; www.adb.org/Employment/wrkplace.asp
4.5.	Link between compensation for members of the highest governance body and senior officials to the organization's performance	—	N4	—
4.6.	Process for highest governance body to ensure conflicts of interest are avoided	1	FR	www.adb.org/OAG/default.asp
4.7.	Process for determining qualifications of members of the highest governance body	—	NA	www.adb.org/GOV/ ; www.adb.org/Employment/wrkplace.asp
4.8.	Internally developed statements of values, codes of conduct, etc., and how these are applied and relate to internationally agreed standards	1, 3	PR	www.adb.org/Documents/Policies/Anticorruption/anticorrupt503.asp
4.9.	Procedures of the highest governance body for overseeing the organization; frequency with which it assesses sustainability performance	1	PR	www.adb.org/GOV/default.asp ; www.adb.org/BOD/default.asp
4.10.	Processes for evaluating the highest governance body's performance	—	NA	—

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
Commitments to external initiatives				
4.11	Whether and how the precautionary approach is addressed	2	FR	www.adb.org/safeguards/
4.12.	Externally developed charters, principles, etc. to which the organization subscribes.	1, 2, 3	PR	www.adb.org/adb.org/poverty/mdgs.asp ; www.adb.org/mfdr/
4.13.	Membership in associations	1, 2, 3	PR	www.adb.org/ReformAgenda/Documents/Harmonization-Alignment.pdf www.adb.org/Documents/Periodicals/NGO_Newsletters/
Stakeholder engagement				
4.14.	List of stakeholders engaged by the organization	2	PR	www.adb.org/About/members.asp ; www.adb.org/Cofinancing/funding_agencies.asp ; www.adb.org/NGOs/ngocenter.asp
4.15.	Basis for identification and selection of stakeholders with whom to engage	About, 1, 2	FR	www.adb.org/Environment/Sustainability-Report-2009
4.16.	Approaches to stakeholder engagement; frequency of engagement by type of stakeholder	1, 2, 3	PR	www.adb.org/GOV/default.asp ; www.adb.org/BOD/default.asp ; www.adb.org/Documents/CSPs/default.asp ; www.adb.org/NGOs/ngocenter.asp
4.17.	Key topics and concerns raised through stakeholder engagement, and how the organization has responded	1, 2	PR	www.adb.org/spf/ ; www.adb.org/Accountability-Mechanism/
5 Management approach and performance indicators				
Economic performance indicators:				
Economic performance				
EC1	Direct economic value generated and distributed, including revenues, employee compensation...	1	PR	www.adb.org/Finance/default.asp
EC2	Financial implications and other risks and opportunities due to climate change	2	PR	www.adb.org/Documents/news/2003/nr2003163.asp ; www.adb.org/Clean-Energy/default.asp
EC3	Coverage of defined benefit plan obligations	—	N3	—
EC4	Significant financial assistance received from government	1	PR	www.adb.org/Documents/Reports/Annual_Report/2008/ ; www.adb.org/OCO/default.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
Economic performance indicators:				
Market presence				
EC5	Standard entry level wage compared to local minimum wage	—	N3	www.adb.org/Employment/benefits.asp
EC6	Policy, practices, and proportion of spending on locally based suppliers	3	PR	www.adb.org/OAS/default.asp
EC7	Procedures for local hiring and proportion of senior management from the local community	3	PR	www.adb.org/Employment/Local/ ; www.adb.org/Employment/benefits.asp
Economic performance indicators:				
Indirect economic impact				
EC8	Development and impact of infrastructure investments and services provided for public benefit	1, 2	PR	www.adb.org/Documents/Reports/Annual_Report/2008/
EC9	Understanding and describing significant indirect impacts	2	PR	www.adb.org/Documents/Reports/Annual_Report/2008/
Environmental performance indicators: Materials				
EN1	Materials used by weight or volume	3	PR	www.adb.org/OAS/default.asp
EN2	Percent of materials used that are recycled input materials	3	PR	www.adb.org/OAS/default.asp
Environmental performance indicators: Energy				
EN3	Direct energy consumption by primary energy source	3	FR	www.adb.org/OAS/default.asp
EN4	Indirect energy consumption by primary energy source	3	PR	www.adb.org/OAS/default.asp
EN5	Energy saved due to conservation and efficiency improvements	3	FR	www.adb.org/OAS/default.asp
EN6	Initiatives to provide energy efficient or renewable energy-based products and services, and resulting reductions in energy requirements	3	PR	www.adb.org/OAS/default.asp
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	3	PR	www.adb.org/OAS/default.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
Environmental performance indicators: Water				
EN8	Water withdrawal by source	3	PR	www.adb.org/OAS/default.asp
EN9	Water sources significantly affected by withdrawal by source	3	NA	www.adb.org/OAS/default.asp
EN10	Percentage and volume of water recycled and reused	3	FR	www.adb.org/OAS/default.asp
Environmental performance indicators: Biodiversity				
EN11	Location and size of land owned, etc. in or near protected areas	—	N4	www.adb.org/OAS/default.asp
EN12	Significant impacts on biodiversity in protected areas and of high biodiversity value outside such areas	2	PR	www.adb.org/Environment/default.asp
EN13	Habitats protected or restored	2	PR	www.adb.org/Environment/default.asp
EN14	Strategies, actions, and plans for managing impacts on biodiversity	2	PR	www.adb.org/Environment/default.asp
EN15	Number of IUCN Red List species, etc. with habitats in areas affected by operations, and level of risk	2	PR	www.adb.org/Environment/default.asp
Environmental performance indicators: Emissions, effluents, and waste				
EN16	Direct and indirect greenhouse gas emissions by weight and volume	3	PR	www.adb.org/OAS/default.asp
EN17	Other relevant greenhouse gas emissions by weight	3	PR	www.adb.org/OAS/default.asp
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	3	PR	www.adb.org/OAS/default.asp
EN19	Emissions of ozone-depleting substances by weight	3	PR	www.adb.org/OAS/default.asp
EN20	NO, SO, and other significant air emissions by type and weight	—	NA	www.adb.org/OAS/default.asp
EN21	Water discharge by quality and destination	3	PR	www.adb.org/OAS/default.asp
EN22	Weight of waste by type and disposal method	3	FR	www.adb.org/OAS/default.asp
EN23	Number and volume of significant spills	—	NA	www.adb.org/OAS/default.asp
EN24	Weight of transported hazardous waste	3	FR	www.adb.org/OAS/default.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
EN25	Water bodies and related habitats significantly affected by water discharges and runoff	—	NA	www.adb.org/OAS/default.asp
Environmental performance indicators: Products and services				
EN26	Initiatives to mitigate environmental impacts, and extent of mitigation	3	FR	www.adb.org/Environment/default.asp
EN27	Percentage of products sold and their packaging materials that are reclaimed	—	NA	—
Environmental performance indicators: Compliance				
EN28	Monetary value of significant fines for noncompliance	—	NA	—
Environmental performance indicators: Transport				
EN29	Significant environmental impacts of transporting products, etc.	—	NA	—
Environmental performance indicators: Overall				
EN30	Environmental protection expenditures and investments by type	—	PR	www.adb.org/Environment/default.asp
Labor practices and decent work: Employment				
LA1	Workforce by employment type, contract, and region	3	PR	www.adb.org/BPMSD/default.asp
LA2	Number and rate of turnover by age group, gender, and region	3	PR	www.adb.org/BPMSD/default.asp
LA3	Benefits provided to full-time employees that are not provided to other employees	—	N3	www.adb.org/BPMSD/default.asp
Labor practices and decent work: Labor-management relations				
LA4	Percentage of employees covered by collective bargaining agreements	—	NA	www.adb.org/BPMSD/default.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
LA5	Minimum notice periods regarding operational changes	—	NA	www.adb.org/BPMSD/default.asp
Labor practices and decent work: Occupational health and safety				
LA6	Percentage of workforce represented in formal joint management–worker health and safety committees	—	N3	www.adb.org/BPMSD/default.asp
LA7	Rates of injury, occupational diseases, absenteeism	—	N3	www.adb.org/BPMSD/default.asp
LA8	Education, etc. programs to assist employees, their families, or community members regarding serious disease	3	PR	www.adb.org/BPMSD/default.asp
LA9	Health and safety topics covered in formal agreements with trade unions	—	NA	www.adb.org/BPMSD/default.asp
Labor practices and decent work: Training and education				
LA10	Average hours of training/year/employee by employee category	3	PR	www.adb.org/BPMSD/default.asp
LA11	Programs for skills management, lifelong learning, and support for continued employability	3	PR	www.adb.org/BPMSD/default.asp
LA12	Percentage of employees receiving regular performance and career development reviews	3	PR	www.adb.org/BPMSD/default.asp
Labor practices and decent work: Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per category by age, gender, minority group membership, etc.	1, 3	PR	www.adb.org/BPMSD/default.asp
LA14	Ratio of basic salary of men to women by employee category	—	N3	www.adb.org/BPMSD/default.asp
Human rights: Investment and procurement practices				
HR1	Percentage and number of significant investment agreements that include human rights clauses or screening	—	N3	www.adb.org/BPMSD/default.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	1, 3	PR	www.adb.org/BPMSD/default.asp ; www.adb.org/Environment
HR3	Hours of employee training on human rights relevant to operations, and percentage of employees trained	—	N3	www.adb.org/BPMSD/default.asp
Human rights: Nondiscrimination				
HR4	Number of incidents of discrimination and action taken	—	N3	www.adb.org/BPMSD/default.asp
Human rights: Freedom of association and collective bargaining				
HR5	Operations identified in which this right might be significantly at risk, and actions taken to support this right	—	N4	www.adb.org/BPMSD/default.asp
Human rights: Child labor				
HR6	Operations identified in which this right might be significantly at risk, and actions taken to support elimination of child labor	—	N4	www.adb.org/BPMSD/default.asp
Human rights: Forced and compulsory labor				
HR7	Operations identified in which this right might be significantly at risk, and actions taken to support elimination of forced or compulsory labor	—	N4	www.adb.org/BPMSD/default.asp
Human rights: Security practices				
HR8	Percentage of security personnel trained in the organization's human rights policies relevant to operations	—	N3	www.adb.org/BPMSD/default.asp
Human rights: Indigenous rights				
HR9	Number of incidents involving rights of indigenous people and actions taken	1, 2	N4	www.adb.org/Documents/Policies/Indigenous_Peoples/default.asp ; www.adb.org/Accountability-Mechanism

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
Society: Community				
SO1	Nature, scope, and effectiveness of programs that assess and manage impacts of operations on communities	1, 2, 3	PR	www.adb.org/Safeguards/policy.asp
Society: Corruption				
SO2	Percentage and number of business units analyzed for risks related to corruption	1	FR	www.adb.org/OAG/default.asp
SO3	Percentage of employees trained in the organization's anticorruption policies and procedures	—	N3	www.adb.org/BPMSD/default.asp
SO4	Actions taken in response to incidents of corruption	1	FR	www.adb.org/OAG/default.asp ; www.adb.org/Accountability-Mechanism/
Society: Public Safety				
SO5	Public policy positions and lobbying	—	NA	—
SO6	Value of contributions to political parties and politicians	—	NA	—
Society: Anticompetitive behavior				
SO7	Number of legal actions for anticompetitive behavior, etc.	—	NA	www.adb.org/OAG/default.asp
Society: Compliance				
SO8	Monetary value of significant fines and number of sanctions	—	N4	—
Product responsibility: Customer health and safety				
PR1	Life cycle stages at which health and safety impacts of products and services are assessed for improvement	2	NA	www.adb.org/Environment/Sustainability-Report-2009
PR2	Number of incidences of noncompliance with regulations and voluntary codes	2	NA	www.adb.org/OAG/default.asp

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
Product responsibility: Product and service labeling				
PR3	Type of information required	—	NA	—
PR4	Incidents of noncompliance	—	NA	—
PR5	Practices related to customer satisfaction, including results of surveys	—	NA	www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/ADB-Report.pdf
Product responsibility: Marketing communications				
PR6	Programs for adherence to laws, etc. related to marketing	—	NA	—
PR7	Incidents of noncompliance	—	NA	www.adb.org/Accountability-Mechanism/
Product responsibility: Customer privacy				
PR8	Number of substantiated complaints regarding breach of customer privacy	—	NA	—
Product responsibility: Compliance				
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning products	—	N4	—

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Abbreviations and Acronyms

ADB	—	Asian Development Bank
ADF	—	Asian Development Fund
ASEAN	—	Association of Southeast Asian Nations
CDIA	—	Cities Development Initiative for Asia
CO ₂	—	carbon dioxide
COSO	—	Central Operations Services Office
CPTL	—	Cambodia Power Transmissions Lines Co. Ltd.
CRBOM	—	Center for River Basin Organization and Management
CSO	—	civil society organization
CTI	—	Coral Triangle Initiative
DEAP	—	Disaster and Emergency Assistance Policy
DMC	—	developing member country (of ADB)
GACAP II	—	Second Governance and Anticorruption Action Plan
GAD	—	gender and development
GEF	—	Global Environment Facility
GHG	—	greenhouse gas
GMS	—	Greater Mekong Subregion
GRI 3	—	Global Reporting Initiative, third guidelines
HIV/AIDS	—	human immunodeficiency virus/acquired immunodeficiency syndrome
ILO	—	International Labour Organization
ISO	—	International Organization for Standardization
LEED	—	Leadership in Energy and Environmental Design
kHub	—	knowledge hub (ADB's)
MDG	—	Millennium Development Goal
MfDR	—	managing for development results
MFF	—	multitranches financing facility
NAHRIM	—	National Hydraulic Research Institute of Malaysia
NARBO	—	Network of Asian River Basin Organizations

NGO	—	nongovernment organization
OAS	—	Office of Administrative Services
OCR	—	ordinary capital resources
OECD	—	Organisation for Economic Co-operation and Development
OHSAS	—	Occupational Health and Safety Assessment Series
PCP	—	public communications policy
PPP	—	public–private partnership
PRC	—	People’s Republic of China
RCI	—	regional cooperation and integration
RSDD	—	Regional and Sustainable Development Department
SCF	—	Staff Community Fund
UN	—	United Nations
USEPA	—	United States Environmental Protection Agency

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The Asian Development Bank Sustainability Report 2009

The second 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 first Sustainability Report, in 2007.

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. Both 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.

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