

Asian Development Bank

# Sustainability Report

Spotlight on the Environment,  
Social Development, and  
Governance



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In this report, "\$" refers to US dollars.

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# Asian Development Bank Members



- Regional Member
- Nonregional Member
- Asian Development Bank Office

Boundaries are not necessarily authoritative





# Introduction

Recent experience in most of Asia and the Pacific represents a remarkable success story of rapid economic growth and poverty reduction. In less than a generation, the region's people have transformed their economies, so that today they are among the most vibrant and dynamic in the world.

Rapid development has brought enormous benefits, with 300 million people having been lifted above the \$1 a day poverty line since 1990. But nearly 1.9 billion Asians—half the region's population—still live on \$2 a day or less, and about one third of those on less than \$1 a day. Asia must continue to grow rapidly to help the poor meet their needs and achieve their aspirations for a better quality of life, as reflected by the Millennium Development Goals.

What happens in these countries is important not only for Asia and the Pacific but also for the world. For example, rapid growth requires energy, but the region's reliance on fossil fuels that emit greenhouse gases contributes to global climate change. Other resources in demand by these rapidly growing economies—water, minerals, soils, forests—are under increasing pressure world-wide. Enormous social challenges remain in education, health, and other areas of concern to the global community. And financial, human, and natural resources can only be employed effectively with sound governance systems that respect the rule of law and the vital role of civil society.

This report casts a spotlight on some of the Asian Development Bank (ADB) responses to the key environmental, social, and governance concerns in our region. Our clean energy and environment program, for example, serves as a vehicle to combine our expertise and financing with those of our client countries and many other partners to tackle the massive challenge of global climate change. Our programs in health, education, and

gender balance are responding to such concerns as the spread of HIV/AIDS and female literacy. Our governance programs are helping our client countries develop stronger fiduciary controls and institutions to support rapid and equitable growth. As a leading development institution in Asia and the Pacific, ADB is helping to channel knowledge, technology, and funds to our client countries so that they may develop in ways that are environmentally and socially sustainable.

The report also summarizes how ADB is structured, and how it operates. ADB is keenly aware of the need to lead by example and to minimize our corporate environmental footprint, and is proud to have been the first multilateral development bank to achieve International Organization for Standardization (ISO) 14001 certification for our internal environmental management systems. We constantly seek ways to improve this performance.

Preparation of this report was overseen by an interdepartmental working group cochaired by Bindu Lohani, Director General of the Regional and Sustainable Development Department and Amarjit Wasan, Principal Director of the Office of Administrative Services. A subgroup, chaired by Nessim Ahmad, Director of the Environment and Social Safeguard Division, managed the compilation and presentation, with this process led by David McCauley, Senior Environmental Economist, and Eleonora Windisch, Head of the Government Relations Unit in the Office of Administrative Services. Jill Gale de Villa served as project coordinator. A full list of the many contributors is given at the end of the report.

It is our hope that this report will improve understanding of how ADB is organized to address the many pressing challenges to sustainable and equitable growth in our region. Your feedback is welcome as is your partnership in action.

# About the Report

“The goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their own needs.”

Source: Global Reporting Initiative. 2006. *Sustainability Reporting Guidelines*. <http://www.globalreporting.org>, p. 2. based on the Bruntland Commission Report.

Sustainability reporting is becoming commonplace in the corporate world as companies respond to demands from shareholders and the public for greater accountability and responsibility for their actions as local and global citizens. Such expectations now extend to multilateral development institutions, and ADB is pleased to present here its first sustainability report.

**Structure.** The content of the report responds to the guidelines of the Global Reporting Initiative (GRI), while adapting to the characteristics of ADB’s work and the multiple audiences interested in the report’s information.

A coalition of corporations concerned about private sector responsibility for environmental protection launched the GRI in 1997 in cooperation with the United Nations Environment Programme (UNEP). The GRI’s goal is to enhance “the quality, rigor, and utility of sustainability reporting.” The report has been prepared pursuant to the third set of guidelines issued by the GRI.<sup>1</sup>

While the GRI guidelines have been refined and adapted to the needs perceived by stakeholders, they remain applicable primarily to private

businesses. Like other multilateral development institutions, ADB has tailored its sustainability reporting to its development work.

**Focus.** The report highlights how ADB’s efforts on the environment, social development, and governance aim to help improve the lives of the poor in the Asia and Pacific region in ways that do not “compromise the ability of future generations to meet their needs.”<sup>2</sup> The report also shows how ADB manages its headquarters facilities to minimize impact on the environment.

This report is intended to serve the interests of a wide audience of stakeholders, including ADB member governments, ADB staff, the international development community, academia, international and national civil society organizations, socially responsible investment organizations and fund managers, public and private sector proponents of projects in which ADB is involved, and the beneficiaries of those projects in Asia and the Pacific.

**Content.** The report is meant to provide ready reference to ADB’s relevant policies, practices, and programs, while also furnishing sources for additional related information.



The Asian Development Bank is a multilateral development finance institution. It provides financing and knowledge products to foster development. ADB focuses on reducing poverty in its client countries, which are also its members and shareholders. ADB is the only multilateral development bank specializing in Asia and the Pacific.

Part 1 of the report provides information and specific data about ADB operations, as an introduction for readers who wish to know more about our organization.

Part 2 provides a special focus on how our environment, social, and governance work supports the sustainability of development. It also discusses how we often work in partnership with others in our efforts to achieve this goal.

Part 3 presents information about our corporate operations and staff, and how we are working to reduce our corporate environmental footprint, especially at our Manila headquarters.

Finally, we have included an appendix that cross-references the report's contents with the elements included in the most recent GRI index. It also provides sources for readers interested in obtaining additional information.

The report has been formulated with input, advice, and guidance from an interdepartmental working group at ADB and many ADB staff.

This is ADB's first exercise in sustainability reporting, and we hope that it will help readers who are not familiar with ADB's structure and activities to better understand who we are, what motivates the organization, and how we operate. We have tried to satisfy the needs of the multiple

audiences this report is meant to serve, and your feedback is encouraged.<sup>3</sup>

**Terminology and usage.** Given the diverse readership of this report, we have attempted to keep the language appropriate to a wide audience. This has sometimes meant adopting terminology that might not always coincide with ADB's norms or technical definitions. We have emphasized employing terms as they are commonly used, with the following important distinctions:

- ◆ 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 often used to refer to the entire area, including the Pacific islands.
- ◆ ADB's "Management" refers to its president and four vice presidents.
- ◆ "Developing member countries" (DMCs) is ADB's official term for its shareholders that are also clients. To simplify, the report uses the term "client countries," which does not imply any view on the part of ADB as to a member's sovereignty or independent status. Furthermore, ADB's clients include not only national governments; but state, provincial, or municipal governments, as well as private sector entities.
- ◆ Our "development partners" are entities we work with to further development in our client countries and in the region. Such partners include government agencies; other

One of the three pillars of ADB's current medium-term strategy is "addressing environmental sustainability"... "The region is experiencing high environmental stress as a result of demographic pressure, combined with high growth."

*Medium-Term Strategy II 2006–2008.* <http://adb.org/Documents/Policies/>

- multilateral development banks; multilateral and bilateral development agencies; nongovernment organizations (NGOs); the private sector; state, provincial and municipal governments; and others.
- ◆ “Projects” refers to what ADB internally calls “projects,” “programs,” and/or “technical assistance.”
  - ◆ “Financing” is used as an umbrella term that includes ADB’s lending, grant, and technical assistance.
  - ◆ “Nonsovereign lending” refers to lending without guarantee from a national government.
  - ◆ The symbol “\$” refers to the US dollar throughout the report.

Part 1



# ADB and How It Works

# Who We Are and How We Operate

ADB is a multilateral development financial institution focusing on Asia and the Pacific. Our mission is to help countries of our region that are still developing their economies and social infrastructure to reduce their poverty and to improve the quality of life for their citizens.

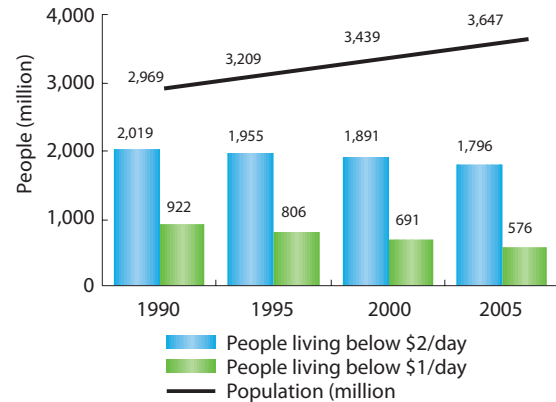
ADB's continuing purpose is to help realize the vision of an Asia and Pacific region that is free of poverty (Box 1.1). Our primary customers in our work are the national governments of our developing member countries, or client countries.

In recent years, the countries of our region have made remarkable progress in poverty reduction. But Asia must continue to grow to pull hundreds of millions of people out of poverty. About 300 million people have been lifted above the \$1-per-day poverty line since 1990. (Figure 1.1). While this is impressive, much remains to be done. Not only did 620 million people of our region still subsist on less than \$1 per day as of 2006, but a further 1.2 billion got by on less than \$2 a day. Our work is far from complete.

To help maintain the broad-based and sustainable economic growth that is contributing to poverty reduction, ADB develops and disseminates relevant information on effective policies and investment approaches; builds partnerships with other development agencies, the private sector, and the public; invests in development projects, such as those providing new infrastructure; carries out policy dialogue to support appropriate reforms; strengthens key institutions; and encourages self-help initiatives across a wide range of sectors.

In 2006, ADB investments totaled \$8.6 billion across Asia and the Pacific. Our staff worked on

**Figure 1.1. Number of Asians in poverty**



Note: Population estimates are for Asia and the Pacific. Poverty estimates assume minimal poverty in Hong Kong, China; Japan; Macau, China; and New Zealand.

Source of data: Key indicators 2005 data; Asian Development Bank staff estimates.

developing clean energy sources for the region, enhancing sustainable agriculture, expanding educational opportunities, establishing effective financial institutions, building water supply and sanitation systems, and much more.

Like most other international development banks, we support our client countries in three primary ways:

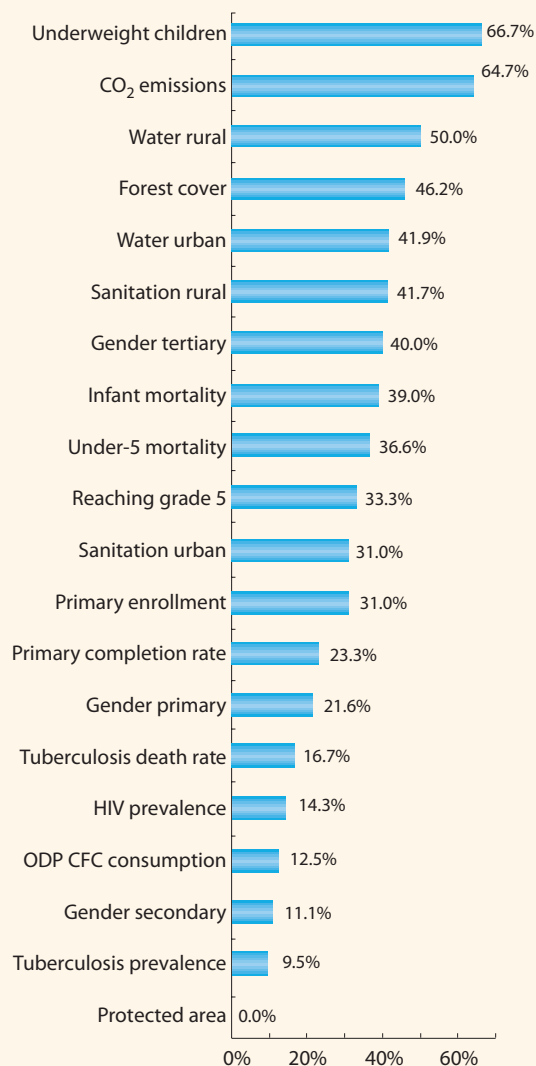
- ♦ providing grants and loans to help our client countries meet their major economic and social development goals;
- ♦ providing grants for technical assistance to strengthen policies, build institutional capacity, and support specific development projects; and
- ♦ helping to mobilize public and private capital for development projects.<sup>4</sup>

In all of this, our own policies, strategies, and processes guide us.<sup>5</sup> These and all related project documents are publicly available.<sup>6</sup>

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

The Millennium Development Goals and their targets are as follows:

### Percentage of ADB client countries considered off-track in meeting nonincome



ADB = Asian Development Bank; CO<sub>2</sub> = carbon dioxide; Gender primary, secondary primary, or tertiary primary = gender ratio in primary, secondary, or tertiary school enrolment; HIV = human immunodeficiency virus; MDG = Millennium Development Goal; ODP CFC = ozone depletion potential chlorofluorcarbon.

<http://www.adb.org/Documents/Reports/Poverty-Reduction-Report/prs-2005.pdf>

#### 1. Eradicate extreme poverty and hunger

Halve, between 1990 and 2015, the proportion of people

- ♦ whose income is less than \$1 a day, and
- ♦ who suffer from hunger.

#### 2. Achieve universal primary education

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

#### 3. Promote gender equality and empower women

Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

#### 4. Reduce child mortality

Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate.

#### 5. Improve maternal health

Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

#### 6. Combat HIV/AIDS, malaria, and other diseases

Have halted by 2015 and begun to reverse

- ♦ the spread of HIV/AIDS, and
- ♦ the incidence of malaria and other major diseases.

#### 7. Ensure environmental sustainability

- ♦ Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
- ♦ Halve, by 2015, the proportion of people without sustainable access to safe drinking water.
- ♦ By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers.

#### 8. Develop a global partnership for development

# Strategic Framework

ADB has a long-term strategic framework that defines directions for a 15-year period. The current long-term framework was formulated in 2001, when Asia had just recovered from the financial crisis of the late 1990s.

As the region has moved beyond most of the causes and consequences of that crisis, ADB recently convened a panel of eminent global and regional development experts to provide fresh perspectives on Asia's emerging challenges and opportunities. The current long-term framework will be reviewed in light of the panel's guidance.

Every 3–5 years, ADB also formulates a medium-term strategy that identifies effective and timely priorities for ADB's programs based on an assessment of current needs in the region, the resources available to ADB, and our comparative advantage relative to other investors and partners. The current medium-term strategy covers 2006–2008 and identifies five "strategic

priorities" to guide ADB's operations:

- ◆ catalyzing investment,
- ◆ strengthening inclusiveness,
- ◆ promoting regional cooperation and integration,
- ◆ managing the environment, and
- ◆ enhancing governance and combating corruption (Box 1.2).

As we move forward with responses to the region's current development demands, our President has convened a panel of eminent persons to help us better anticipate the needs of the future, and adjust our programs and organizational structures accordingly. The panel's task is to provide insights and new thinking that advises ADB of key trends and development challenges ahead in the Asia and Pacific region and thus to inform the institution's long-term direction in the context of the rapidly changing region. The panel is issuing its recommendations in March 2007.

# Organizational Structure

Since its founding in 1966, ADB's headquarters have been in Manila, the Philippines. At the end of 2006, ADB had 66 member countries (shareholders), with 47 from Asia and the Pacific ("regional members") and 19 from Europe and North America ("nonregional members").<sup>7</sup> The largest shareholders are Japan and the United States, which each hold 15.6% shares in the organization.

ADB has offices in 24 of its client countries, and in 4 other sites around the world (the map on the inside front cover shows our members and office locations).

Each member country nominates a governor to vote on its behalf. ADB's Board of Governors meets annually to review development progress in our region, and to assess how ADB can best contribute to helping the countries of the region meet their economic development goals.<sup>8</sup> The organization's Charter vests all the institution's powers in its governors,<sup>9</sup> who delegate most of these to the Board of Directors.<sup>10</sup>

The governors elect the directors, who hold office at ADB's headquarters<sup>11</sup> and meet regularly. Of the 12 directors, 8 are from regional member

### Box 1.2. Strategic priorities of the medium-term strategy

Priority	Interventions
Catalyzing investment	<ul style="list-style-type: none"> <li>◆ Identify priorities for improving the investment climate: (1) address policy and institutional impediments to private investment, (2) support infrastructure projects, and (3) invest in human resource development.</li> <li>◆ Expand private sector operations and risk mitigation products.</li> </ul>
Strengthening inclusiveness	<ul style="list-style-type: none"> <li>◆ Support rural development.</li> <li>◆ Implement key social development interventions to improve education and health outcomes.</li> </ul>
Promoting regional cooperation and integration	<ul style="list-style-type: none"> <li>◆ Support cross-border infrastructure to strengthen connectivity and regional integration.</li> <li>◆ Promote monetary and financial cooperation.</li> <li>◆ Develop technical and policy advisory capacity in integration of trade and investment.</li> <li>◆ Play an increased role in providing regional public goods.</li> </ul>
Managing the environment	<ul style="list-style-type: none"> <li>◆ Help promote clean and efficient energy.</li> <li>◆ Help develop urban environmental infrastructure.</li> </ul>
Improving governance and preventing corruption	<ul style="list-style-type: none"> <li>◆ Support public financial management reform and capacity building in selected subsectors and sectors.</li> <li>◆ Work in harmony with other multilateral development banks on fighting corruption.</li> <li>◆ Finalize and implement a governance and anticorruption action plan.</li> </ul>

countries and 4 from nonregional members. The Board of Directors

- ◆ supervises ADB's financial statements;
- ◆ approves its administrative budget; and
- ◆ reviews and approves policies, loans, guarantees, equity investments, and technical assistance projects.

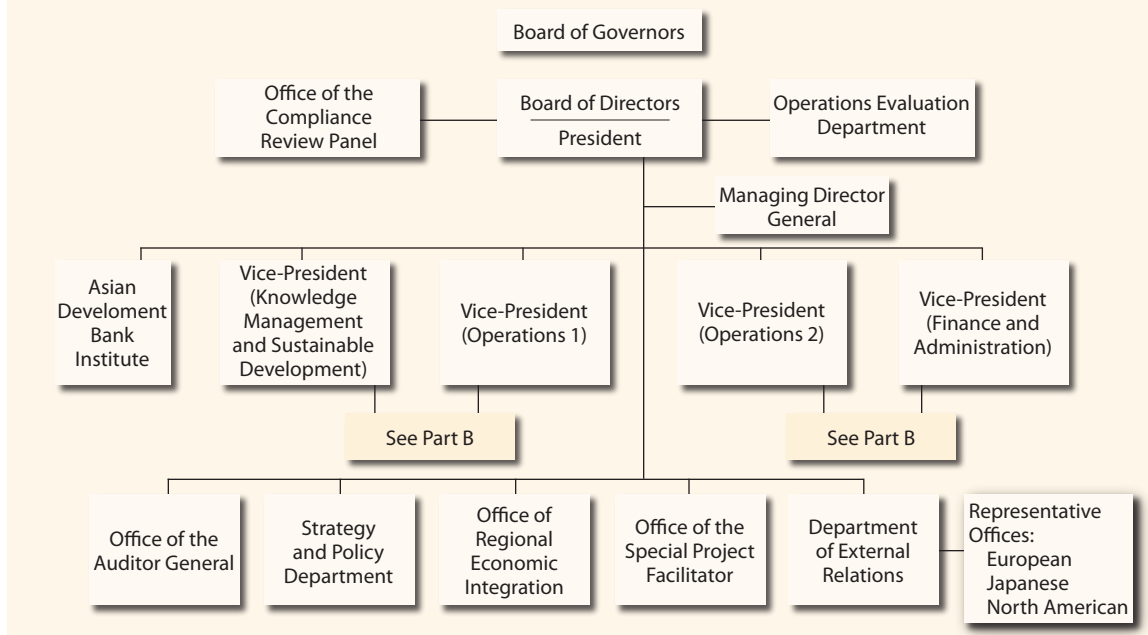
The Board of Directors also oversees two functional units that operate independently—the Operations Evaluation Department and the Compliance Review Panel.

ADB's President, the organization's chief executive, is elected by the Board of Governors

and chairs the Board of Directors. The President is responsible for the day-to-day management of all aspects of the organization, including the appointment and dismissal of staff. The President's term is 5 years, with the possibility of reelection. ADB's "Management" comprises the President and four vice presidents.<sup>12</sup> The organization chart presents ADB's structure (Box 1.3).

ADB's work is carried out by its geographically organized regional departments and its private sector department with the aid of other, crosscutting departments that provide technical and logistical support. ADB's resident missions

### Box 1.3. Organization chart



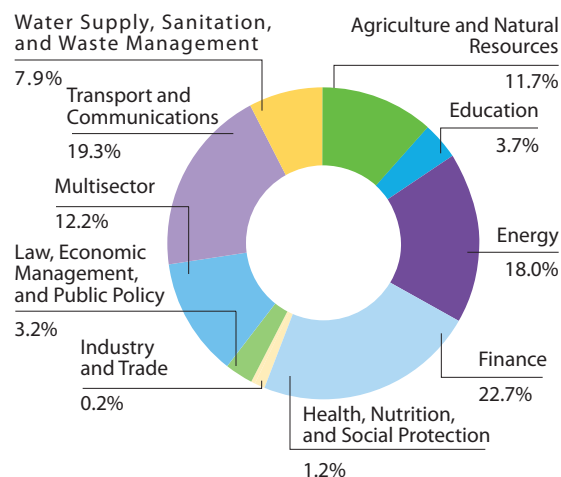
provide the primary contact between ADB and the client country, and supply relevant and timely country advice to staff based at headquarters.<sup>13</sup> Regional missions work with more than one

country, and representative offices liaise with nonborrowing members. ADB’s annual report provides more detail on our organizational structures.<sup>14</sup>

## What We Do

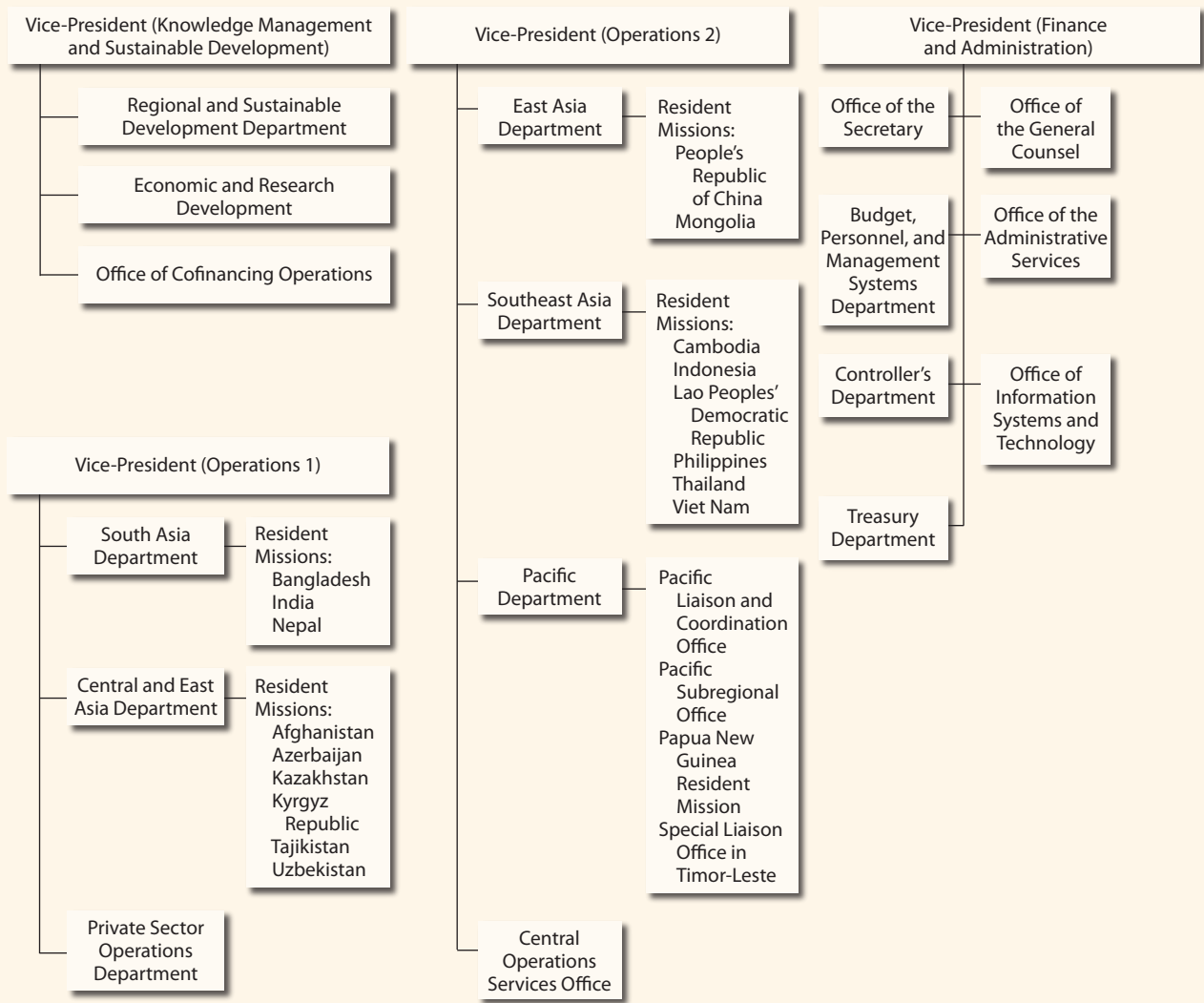
ADB provides funding for projects that can catalyze economic growth and contribute to the goal of eliminating poverty in Asia and the Pacific. We also engage in policy dialogue with our client countries to help them shape the incentives needed to encourage environmentally and socially sustainable economic growth. When key institutions need strengthening, we often extend assistance to build capacity and provide the information needed for sound decisions—whether at the local, national, subregional, or regional levels. The main ways we support our member countries are through loans, technical assistance projects, grants, guarantees, and equity investments.

**Figure 1.2. Financing by sector**





**Box 1.3. continued, Part B**



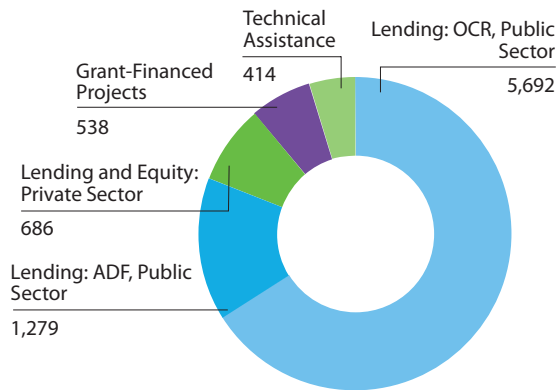
<http://www.adb.org/About/orgchart.asp>

During 2002–2006, about 60% of our support to client countries has gone to building the public infrastructure deemed essential to poverty reduction. Such projects have supported roads to bring products to markets and link economies; communications to enhance the flow of information vital to commerce and well-being; energy to run factories and light homes and schools; and water or waste management systems to meet basic needs, irrigate fields, and enhance environmental quality. Figure 1.2 shows the proportional distribution of our financing by sector for 2006.<sup>15</sup>

## Where Does ADB Get the Funds to Support Its Work?

About 73% of ADB's cumulative lending has come from its ordinary capital resources (OCR), with 27% from special funds. OCR consists primarily of paid-in capital provided by its member countries, proceeds from borrowings, and funds derived from its operations.

**Figure 1.3. Funding of 2006 Operations**  
(\$ million)



ADF = Asian Development Fund, OCR = ordinary capital resources

The largest of our special funds is the Asian Development Fund (ADF), which provides concessional financing (at rates below those available through the OCR) for projects in client countries with low per capita income. Since its inception in 1973, the ADF has been a major instrument of concessional financing in the Asia and Pacific region.<sup>16</sup> ADF funds are used for investments at low interest and for 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 (see the Health section).

The ADF is financed by periodic voluntary contributions from donor members. Thirty member countries have pledged \$24 billion through 2008. The ninth ADF replenishment became effective in 2005, providing ADB with \$7 billion for allocation to ADF-eligible countries during 2005–2008.

The Japan Fund for Poverty Reduction and ADB's Cooperation Fund for the Water Sector are two other examples of ADB 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.<sup>17</sup> Several donor members finance the water fund, which was established to help catalyze the implementation of ADB's Water Policy.<sup>18</sup> This policy emphasizes promotion of effective water management policies and practices.<sup>19</sup>

Figure 1.3 shows the type and sources of funding for the \$8.6 billion ADB committed in its 2006 operations. ADB also administers some cofinancing grants provided by member countries to support our projects (see Part 2, Figure 2.7). In 2006, member countries provided almost \$1.5 billion of such cofinancing for more than 100 projects.<sup>20</sup> Figure 1.4 shows how the \$8.6 billion was invested by sector from the OCR and ADF, reflecting differing country requirements.

In 2006, ADB raised \$5.4 billion in medium- and long-term funds—\$2.9 billion through global public offerings and \$2.5 billion through private placements. An additional \$1.6 billion was raised in short-term funds.

At the end of 2006, ADB had more than \$53 billion in capital stock, comprising

- ◆ \$3.7 billion in capital available for OCR lending; and
- ◆ almost \$50 billion in reserves available to protect ADB's creditors in the event of a large-scale default by borrowers.

Because of ADB's strong fiduciary responsibility, and since most of our borrowers are sovereign governments, ADB has a triple-A credit rating in the international capital market. This allows it to borrow at favorable rates and then pass on this low interest financing to our OCR borrowers. ADB invests its capital primarily in bonds issued by governments and government-sponsored entities of ADB members—further encouraging the development of Asia's capital markets.

In September 2006, ADB also established the \$10 billion Asian Currency Note Program. The program is the first regional platform dedicated to issuing bonds in regional currencies. ADB will use it to launch larger bond issues—simultaneously tapping capital markets in several countries and strengthening the regionalization of capital markets.

## Country Partnership Strategies

In addition to our organization-wide strategies, we also have processes in place to ensure that ADB 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, ADB examines its role in supporting these national plans through macroeconomic, poverty, thematic (Box 1.4), and sector analyses. ADB consults with key stakeholders at every stage of this process. The government then requests ADB’s support based on this analysis and their priorities.

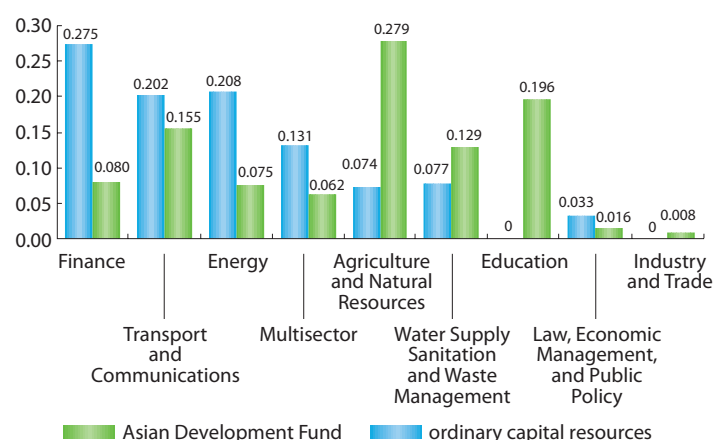
After consultation with other development partners to ensure good coordination and to determine synergies, the government and ADB reach agreement on the priorities and ADB’s contributions. The result is a country partnership strategy (CPS) and an accompanying business

### Box 1.4. ADB’s crosscutting themes

Across all its operations, the Asian Development Bank takes into account the need to promote, in poverty reduction efforts,

- ◆ environmental sustainability,
- ◆ gender and development,
- ◆ private sector development,
- ◆ regional cooperation and integration, and
- ◆ capacity development.

**Figure 1.4. Lending by sector and source (\$ million)**



plan for ADB’s operations in the country that is usually prepared for a 3-year period (Box 1.5). The CPS is submitted for approval by ADB’s Board of Directors, while the business plan—updated annually—is approved by ADB’s Management. Once the client country and ADB agree on the CPS, the technical staff of ADB’s six operational

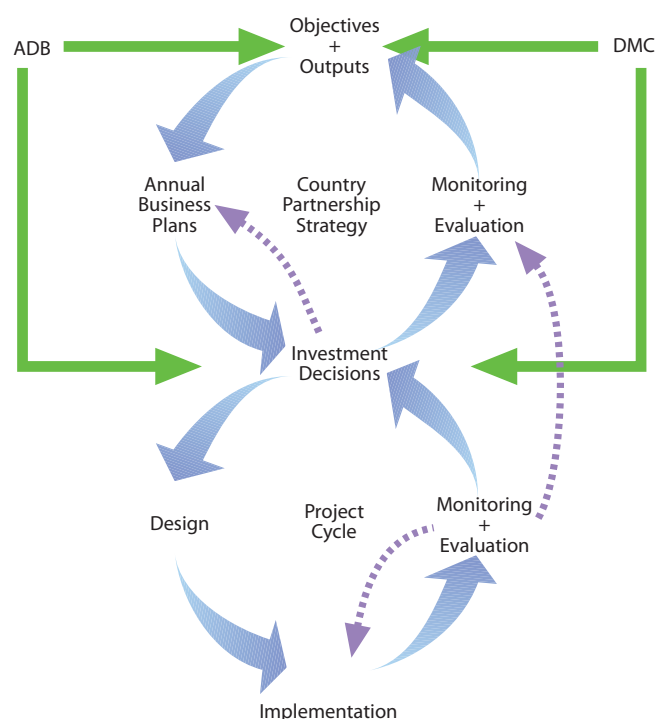
### Box 1.5. Elements of a country partnership strategy

A country partnership strategy is based on

- ◆ government development plans and targets, and
  - ◆ the government’s public investment program and financing plan;
- and includes
- ◆ Asian Development Bank (ADB) priorities, performance indicators, and targets;
  - ◆ sector plans, including for private sector operations;
  - ◆ a risk management plan;
  - ◆ a results framework; and
  - ◆ a program of ADB lending and nonlending activities.

The process of developing the country program and strategy involves consultations with stakeholders, including civil society.

**Figure 1.5. Country partnership strategy and the project cycle**



ADB = Asian Development Bank, DMC = developing member country

departments begins to design the projects it identifies and organize complementary technical assistance for policy development and institutional strengthening.

Geographically defined departments, covering East Asia, West and Central Asia, South Asia, Southeast Asia, and the Pacific, plus our Private Sector Operations Department, carry out ADB's operations. Project design and implementation lies at the core of our work, and the preparation of a successful development project will involve 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 1.5 shows our project cycle.<sup>21</sup> The major modalities for ADB's financing are

- ◆ project loans;
- ◆ sector loans (for a sector or subsector as a whole, and often working through financial intermediaries);
- ◆ program loans (to improve a sector's performance by covering immediate costs of policy adjustments);
- ◆ sector development program loans (combining investment and policy-based lending); and
- ◆ private sector loans and equity investments.

At the close of a project, the implementing department assesses its results in a completion report. Within a few years of completion, the Operations Evaluation Department also reviews many of our projects to check whether results matched expectations. Evaluation findings feed back into ongoing and future planning to improve performance and outcomes.

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

## Streamlining Our Work

In an effort to improve ADB's effectiveness as a development partner, deliver results better, and respond faster to the development challenges facing our region, ADB launched the Innovation and Efficiency Initiative in 2003. It focuses primarily on

- ◆ producing results-based CPSs,
- ◆ simplifying lending processes,

- ◆ enhancing guidelines for consulting and procurement, and
- ◆ providing new and flexible cost-sharing and other financing arrangements.

Four new financing modalities have recently been made available: multitranche financing, nonsovereign lending, local currency loans, and refinancing (Box 1.6). The new modalities are being pilot tested, and will be made permanent if successful.

Like other international development finance institutions, in recent years ADB has been striving 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. As part of its continuing efforts to improve the effectiveness of its poverty reduction and economic growth promotion activities in the Asia and Pacific region, ADB is cooperating with the broader international development community to increase attention to managing for development results (MfDR) in our policies and practices. 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.

ADB's increased emphasis on establishing a clear results framework as the foundation of each country partnership strategy is perhaps the most significant recent development in our ongoing MfDR efforts. We also recently joined with other multilateral development banks to jointly publish guidelines for assessing performance in the application of MfDR principles. (Box 1.7).<sup>22</sup>

### Box 1.6. New financing modes

ADB is introducing four new financing modalities that are intended to facilitate lending to clients.

- ◆ **The Multitranche Financing Facility** targets (1) discrete, sequential components of large, stand-alone projects; (2) slices (or tranches) of sector investments programs for longer time frames; (3) financial intermediary credit lines; and (4) guarantees.
- ◆ **The Nonsovereign Lending to Public Sector Entities Facility** facilitates financing for public sector borrowers below the national level (such as for municipalities), and without central government guarantee.
- ◆ **The Refinancing Facility** is intended to selectively assist projects that may need restructuring or expanding to become financially viable.
- ◆ **Local Currency Loans** are being provided to help borrowers mitigate potential losses due to changes in currency values and are currently available to three client countries.

## Engaging With the Private Sector

Asia's requirements for investment in public infrastructure and services to combat poverty and achieve sustainable development are far beyond what the public sector and development institutions such as ADB can provide. Fortunately, the transition toward private-sector-led economies is well underway in Asia, including the provision of public infrastructure. Some private financiers still might hesitate to engage in some projects and countries where risks are deemed high and yields uncertain. To help reduce such remaining barriers, ADB supports and encourages the formation of public-private partnerships, and offers expertise and risk-mitigation services. We seek to provide a bridge between the public

### Box 1.7. Managing for development results

More than 500 participants attended the Third International Roundtable on Managing for Development Results, held in Viet Nam in February of 2006, including 40 participants from ADB client countries. Discussions centered on how best to build capacities to produce more effective development outcomes, and focused on five key themes



ADB's Vice-President Greenwood (left) introduced the Keynote speaker at the Third International Roundtable on Managing for Development Results

- ◆ leadership and accountability,
- ◆ monitoring and evaluation,
- ◆ mutual accountability and partnerships,
- ◆ planning and budgeting, and
- ◆ information management/statistics.

The Roundtable reaffirmed the importance of the Paris Declaration on Aid Effectiveness to improve and harmonize the procedures of international development agencies and to emphasize outputs and outcomes rather than inputs in measuring results.

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

### Box 1.8. Supporting clean energy and equitable development through private sector financing



FE Global/Asia Clean Energy (FEGACE) Services Fund supports energy services companies in India, Malaysia, the Philippines, and Thailand. The Asian Development Bank (ADB) encourages development of the fund and holds an equity share. The fund's aim is to increase energy efficiency for operations especially of small and medium industries.

ShoreCap International is a private equity fund for microfinance institutions and banks serving small and medium enterprises. The fund's goal is to increase financial support to these enterprises in developing Asian markets. ADB's shareholding in ShoreCap supports its efforts.

<http://www.adb.org/Documents/PIDs/37908014.asp>;  
<http://www.adb.org/Documents/PIDs/38906014.asp>

**Figure 1.6. Private Sector Approvals, 2001–2006 (\$ million)**



CFS = complementary financing scheme

and private sectors to help satisfy the investment needs of our region, while ensuring that private capital is channeled to meet the public interest (Box 1.8). Reflecting our commitment to facilitate private sector financing for development, ADB's private sector operations have expanded significantly in recent years (Figure 1.6).

## Sharing Information and Knowledge

As we look ahead, we see ADB's role increasingly as a "knowledge bank" to help our clients stay abreast of the best available technologies, policy approaches, institutional arrangements, and financing innovations.

ADB promotes the generation and widespread sharing of our accumulated knowledge with and among our clients. We are developing regional "knowledge hubs" to support and strengthen research and disseminate new development concepts and technologies.

- ◆ In June 2006, we signed an agreement to establish a knowledge hub on clean energy at India's Energy and Resources Institute (TERI).<sup>23</sup>
- ◆ In July, we signed an agreement to establish a knowledge hub on public finance at the Asian Institute of Management<sup>24</sup> in the Philippines.
- ◆ In August, ADB, the Asian Institute of Technology in Bangkok, UNEP, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) jointly established a knowledge hub on the 3Rs—"reduce, reuse, and recycle"—with special support from the UNEP Regional Resource Centre for Asia and the Pacific (Box 1.9).<sup>25</sup>
- ◆ In October, ADB and Beijing's Tsinghua University launched a regional knowledge hub on climate change, under an agreement signed in Beijing.<sup>26</sup>
- ◆ In December, ADB and the Emerging Markets Forum jointly established a knowledge hub on public-private partnership.

Knowledge management—organizing and sharing the information our client countries and we need to be effective—is also supported through ADB's operations. ADB provides, on a grant basis, technical and advisory assistance for

- ◆ project preparation work related to knowledge management;
- ◆ economic, thematic, and/or sector analyses; and

### Box 1.9. Clean energy knowledge hub



Bindu N. Lohani of the Asian Development Bank and R.K. Pachauri of The Energy Resources Institute sign a letter of intent to establish a knowledge hub on clean energy.

The Asian Development Bank (ADB) and India's The Energy and Resources Institute (TERI) have jointly established a knowledge hub on clean energy based at TERI. The hub is providing a gateway for disseminating knowledge and information on clean energy, energy efficiency, and issues related to mitigation of and adaptation to climate change.

TERI hosts the Secretariat for the Asian Energy Institute, which is a network of 15 research and academic institutions spread across Asia and working on energy and environment issues.

ADB is supporting establishment of the clean energy hub through a \$1 million grant-financed technical assistance project that is working with academic and other partners to create a network of such hubs dealing with a range of high priority development concerns in Asia and the Pacific.

<http://www.adb.org/Media/Articles/2006/10102-India-knowledge-hub/>

### **Box 1.10. Smart Investment Planning to Promote Sustainable Development**

The Regional and Sustainable Development Department of the Asian Development Bank (ADB) promotes quality, knowledge, and innovation for sustainable development in our region. The department's role is to assist ADB's client countries in their efforts to more effectively reduce poverty and improve the quality of their citizens' lives. It does so by

- ◆ catalyzing quality and excellence in ADB's operations, and
- ◆ providing a knowledge center and source of innovative approaches for development.

- ◆ institutional capacity development. These can have country-specific, subregional, or interregional significance.

Internally, we encourage knowledge management as a bankwide activity that requires commitment and engagement from all staff. The Knowledge Management Center in the Regional and Sustainable Development Department facilitates this process (Box 1.10).

ADB's internal knowledge management approach centers on computer-based technology that facilitates knowledge sharing and provides a repository where staff can keep documents and information. "Communities of practice" are groups of ADB staff practitioners in various fields,

established to facilitate information sharing. In 2006, the Knowledge Management Center launched "C-Cube," a set of tools that helps members of the communities exchange ideas and insights, coordinate tasks and events, and collaborate through document sharing and online meetings.

In addition to the Knowledge Management Center, we generate and share information vital to our client countries through other channels.

- ◆ The Asian Development Bank Institute was established in 1997 in Tokyo to help build capacity, skills, and knowledge related to poverty reduction and other areas that help support long-term growth and competitiveness in our region. Highlights of its programs are available on the institute's web site.<sup>27</sup>
- ◆ The Economics and Research Department contributes to economic knowledge through research; helps determine, through macroeconomic forecasting, the development needs for Asia; and disseminates the results through literature, in hard and soft copy. Publications include the widely read *Asian Development Review*, *Asian Development Outlook*, and *Key Indicators*.<sup>28</sup>
- ◆ The Office of Regional Economic Integration helps client countries to harness the full benefits of global financial integration and disseminate the results to promote prudent economic management.<sup>29</sup>



# Transparency and Accountability

## Seeking External Input

ADB invites, and is committed to obtaining, public scrutiny of its operations, recognizing the value and positive impact of external review. We organize this through our Public Communications Policy,<sup>30</sup> which provides for

- ◆ accountability and transparency in our operations;
- ◆ awareness and understanding of ADB and our work;
- ◆ sharing and exchange of development knowledge and lessons learned; and
- ◆ participatory development, enhancing the two-way flow of information between ADB and people affected by our projects.

ADB values communications with people who are affected by our projects, and we have procedures in place to get timely information to them through public consultations and other communications. Most of our operational documents are posted on our web site. Relevant project documents are also shared through local means with people who live in project areas (Box 1.11). Publicly available information includes

- ◆ country partnership strategy documents;
- ◆ policies and procedures pertinent to projects; and
- ◆ all documents pertinent to project cycles, including evaluations and impact assessments (except that parts of some private sector documents are withheld to protect proprietary information).

Contacts for our Management and senior staff are also available on the Internet.<sup>31</sup>

### Box 1.11. Disclosure Standards

An independent online network of freedom of information advocates notes: “The Asian Development Bank has pulled markedly ahead of other international financial institutions in its standards for disclosure and civic participation....”

<http://www.freedominfo.org/ifti/20050912.htm>

Our Public Communications Policy specifies norms for the timely placement of ADB documents on the web. Internet users can search ADB’s database for project-related documents, and can sign up for e-mail notification about new documents of interest.

## Being Accountable

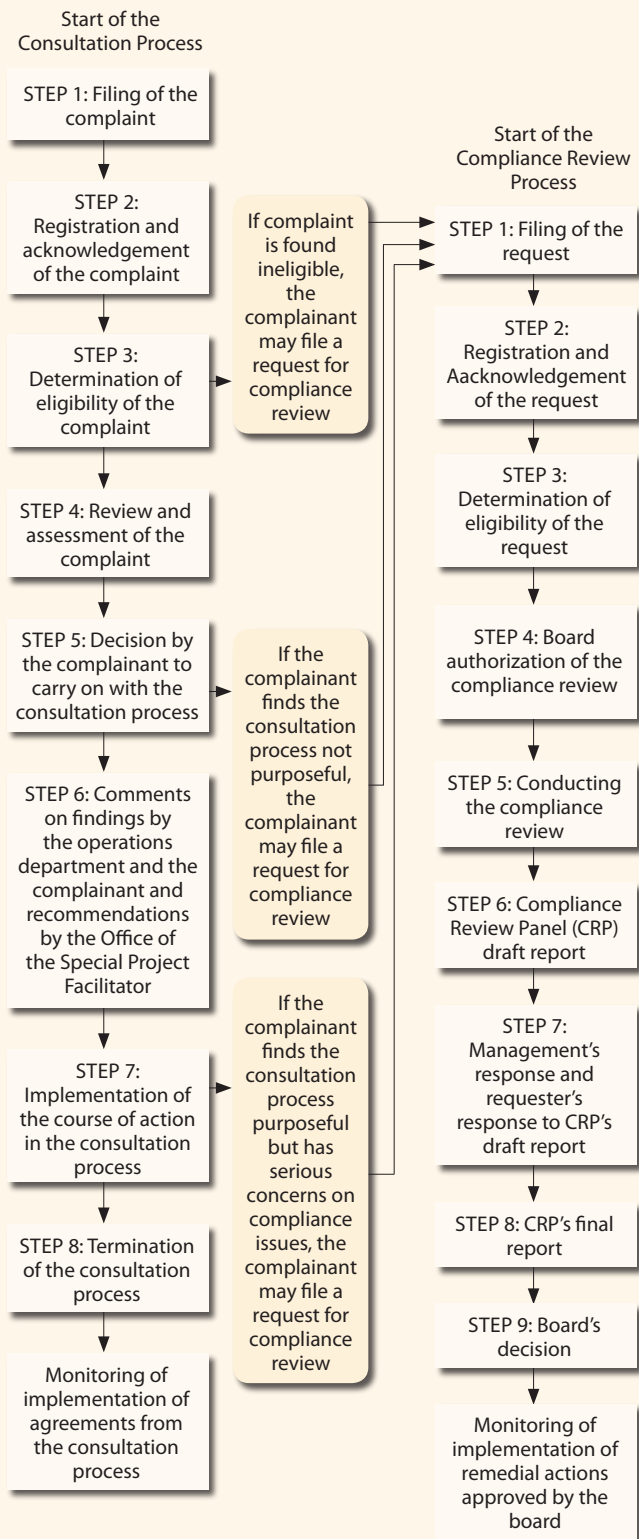
To ensure that our policies are followed, we have established an accountability mechanism with two permanent units:

- ◆ the Special Project Facilitator—who uses informal, consensus-based approaches to problem solving;<sup>32</sup> and
- ◆ the Compliance Review Panel—which independently investigates claims of violations of ADB’s operational policies and procedures.<sup>33</sup>

Box 1.12 shows the steps involved in consultation and compliance review.

The anticorruption policy and procedures are outlined in ADB’s *Operations Manual* and *Integrity*

**Box 1.12. Flow chart of the accountability mechanism**



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

*Principles and Guidelines.*<sup>34</sup> From July 1998, when ADB adopted its anticorruption policy, to the end of 2006, 361 firms and individuals were debarred from working with ADB and another 23 reprimanded.<sup>35</sup>

The Integrity Division within the Office of the Auditor General is the initial point of contact for any allegations of corrupt and fraudulent practices or conflicts of interest, as defined under ADB’s anticorruption policy. The Integrity Division conducts independent and objective investigations; audits ADB-financed procurement to help prevent and detect fraud, corruption, and other forms of abuse; advances awareness of ADB’s anticorruption policy and procedures through training and information dissemination; supports ADB’s efforts to strengthen the audit and fraud detection capacities of our client countries’ supreme audit institutions; and is accountable to the Audit Committee of our Board of Directors. The ADB web site provides information on the Integrity Division’s protection for “whistle blowers” and witnesses.<sup>36</sup>

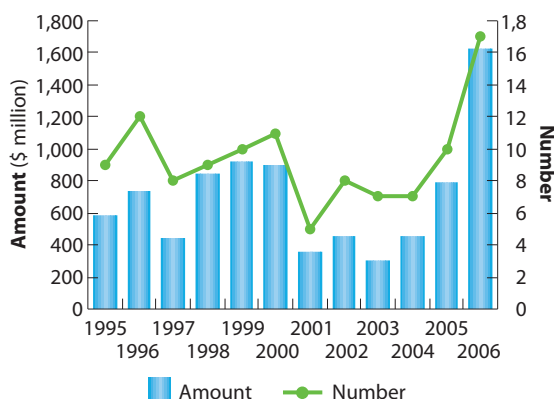
# Part 2



# Spotlight on the Environment, Social Development, and Governance

# Environmental Sustainability

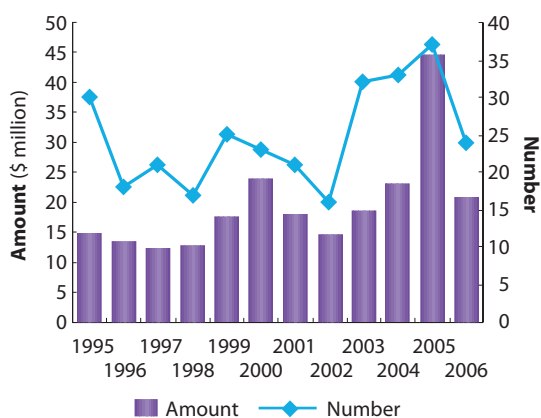
**Figure 2.1. Projects with environmental sustainability as a theme (1995–2006)**



Ensuring the environmental sustainability of economic development in Asia and the Pacific is a high priority for ADB. Indeed, this is one of the three crosscutting pillars of our long-term strategy, and a strategic priority of our current medium-term strategy (covering 2006–2008).

Programs specifically directed toward environmental improvement have comprised approximately 10% of our lending and 15% of

**Figure 2.2 Technical assistance with environmental objectives or elements (1995–2006)**



our grant assistance over the 12-year period from 1995 through 2006 (figures 2.1 and 2.2). During this period, we provided more than \$8 billion for projects and programs with environmental elements, focusing on the interface between poverty reduction and sustainable development. The breadth of advisory and project interventions during this period, as well as current trends regarding such programs, shows ADB’s environmental responsiveness and provides strong evidence that client countries are increasingly asking ADB for environmental management support as an integral part of the development process.

## Our Environment Policy

ADB’s Environment Policy, approved in 2002, calls for promoting environmentally sustainable development to reduce poverty.<sup>37</sup> The policy’s five main thrusts are to

- ◆ promote environmental interventions that directly reduce poverty,
- ◆ help our client countries “mainstream” environmental considerations into economic growth and planning,
- ◆ help maintain the global and regional life-support functions of natural environments,
- ◆ build partnerships to improve and preserve the environment, and
- ◆ integrate environmental safeguards across all ADB operations.

Maintaining a healthy and sustainable environment is essential to continued progress toward achieving the Millennium Development Goals (MDGs), as specifically provided in the seventh MDG, to “ensure environmental sustainability.” To ensure that environmental considerations are considered in country level programming, the Environment Policy requires that environmental analysis is conducted as an essential input to development of country

partnership strategies. Similar efforts are made with our subregional and regional strategies and our operations in general.

## Environmental Challenges Facing Asia and the Pacific

An important challenge currently facing the Asia and Pacific region is maintaining the high economic growth levels needed for poverty reduction while establishing new and more sustainable patterns of environmental management. In rural areas, degradation of natural resources is a growing problem, caused by competing demands on land and other natural resources. Many poor people are being relegated to marginal land, which provides diminishing returns in response to increasing use and pushes many of the rural poor to urban areas in search of better opportunities. But most urban areas are not yet prepared for the influx, and are being fouled by congestion, smog-filled air, fetid water, and mounting waste.

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.<sup>38</sup> Of the 2.6 billion people worldwide without adequate sanitation, 2.0 billion live in the Asia and Pacific region. The poor usually settle in areas that are the least healthy; are provided with the weakest social services; and are most likely to be subject to natural disasters, the adverse impacts of climate change, or industrial pollution.

Governments of the region increasingly appreciate that a decline in environmental quality is not a necessary consequence of economic growth, and that more sustainable patterns of resource management are a prerequisite to development that is sustainable and benefits the poor. The public is increasingly acknowledging that broad-based economic growth cannot be attained, nor poverty reduction sustained, unless pollution is controlled, natural resource systems

are managed wisely, and governments are responsive to and responsible for the welfare of their citizenry.

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. In responding to the environmental challenges faced by Asia and the Pacific, we currently focus our efforts in four major areas:

- ◆ building livable cities;
- ◆ establishing efficient and well-integrated water management systems;
- ◆ developing clean energy, including attention to air quality improvement and global climate change; and
- ◆ sustaining natural resources for their economic and environmental values.

## Improving Environmental Quality for Individuals, Families, and Communities

The cumulative impact of poor environmental quality and degraded resources on individuals, families, and communities is to keep the poor poor, and to increase the strain on those living on the margins of poverty. As noted in Part 1, about 1.9 billion people in Asia are living on incomes of less than \$2 a day, including approximately 620 million living on less than \$1 daily. Most of the poor live in rural areas where they are highly dependent on ecosystems for their needs. Yet unsustainable exploitation and conversion is severely straining the forests, coastal systems, and lands from which they make their livings. And the very poorest tend to depend on the most marginal of areas, often contributing to resource degradation just to survive. As rural ecosystems become degraded, they lose their life-supporting functions—which sustain not only rural communities but urban populations. Women are often most severely impacted because their work

### Box 2.1. Expanding access to clean water



A three-country Asian Development Bank project is demonstrating how delivery of piped water supply to urban or peri-urban areas in India, the Philippines, and Viet Nam can be facilitated using independent small-piped water networks. The networks serve people who cannot

yet be connected to wider piped water systems, and will decrease exposure to polluted water and the time and cost involved in acquiring water. The systems will also help achieve Millennium Development Goal Target 10 on expanding sustainable access to safe drinking water.

<http://www.adb.org/Projects/spwn/default.asp>

loads are increased disproportionately due to decreased access to water and other resources.

When the livelihoods of the rural poor are threatened, they often migrate to urban areas in search of jobs. However, without capital and contacts, such migrants are usually relegated to areas that lack services, are crowded, and are highly polluted. Ironically, Asia's rural poor often trade one set of environmental stresses for another when they move to cities.

Polluted air and water increase the incidence of disease and disability, especially among the poor, who are least able to afford health care. More than 500,000 people die prematurely from air pollution each year in Asian cities. Poor women often forego health care to provide for their

### Box 2.2. Developing alternative livelihoods



The Asian Development Bank is working in partnership with the People's Republic of China and the Global Environment Facility to help protect areas of the Sanjiang Plains—valuable wetlands and forests and their watersheds—and promote their sustainable use by integrating conservation and development and establishing sustainable livelihoods for communities that depend upon the resources for their welfare.

<http://adb.org/Documents/PIDs/35289013.asp>

families. With decreasing health, people become less productive and less able to assist themselves and each other, and are a drag on economic advancement. A vicious downward spiral can ensue.

ADB aims to improve environmental conditions of the rural and urban poor to enhance their chances for a better quality of life. We do this by working with governments and the private sector to fund land and water management systems; better resource management systems; cleaner energy production; expanded water supply, sanitation, and waste management services; and much more (boxes 2.1–2.3).

### Box 2.3. Reducing air pollution from public transport



A project in Puerto Princesa, Philippines, is assisting the capital of Palawan Province to provide

- ◆ financing for converting polluting motorized tricycles to cleaner and more efficient models,
- ◆ training for tricycle drivers operating or displaced by the new technology,
- ◆ training for officials monitoring air emissions, and
- ◆ consultation and information dissemination to extend the approach to other cities.

This project is developing models for wider replication in the Philippines, where motorized tricycles are a predominant form of public transportation.

<http://www.adb.org/Projects/PEP/phi-airnoise.asp>

## Cleaning Up Towns and Cities

In rapidly urbanizing Asia, ADB is increasingly turning its attention to projects that can help towns, cities, and provinces deal with their environmental concerns. We estimate that

### Box 2.4. Enhancing Asian municipal services



Asian Development Bank technical assistance has helped 12 municipalities in 3 major cities to improve municipal service delivery and institutionalize capacity for change.

At the end of the project, the core cities had

- ◆ established capacity to conduct improvement studies,
- ◆ conducted service analyses,
- ◆ involved communities in various levels of institutional change, and
- ◆ established mechanisms and systems for continued improvement.

<http://www.adb.org/projects/Benchmarking/>

Asian countries will have to spend more than \$50 billion annually during the next decade on urban infrastructure to meet the needs of the region's burgeoning urban population. A major part of this spending must be used to improve environmental management. Most of the financing will need to come from the private sector, and we are actively working to leverage such resources. Our projects (boxes 2.4 and 2.5) are improving sanitation and waste removal systems, helping governments address air pollution, expanding water supply systems, encouraging new approaches to urban transport, and strengthening the capacity of the

### Box 2.5. Managing Metro Manila's solid waste

A project in the Asian Development Bank's "hometown" of Manila contributed to an enhanced role for recycling in the solid waste management strategy for the Philippine capital and assisted individual local governments with recycling initiatives and related infrastructure.

<http://www.asiandevbank.org/Documents/News/2002/nr2002095.asp>

key institutions needed to build more livable cities. Through core support from the Clean Air Initiative for Asian cities (CAI-Asia), we are helping to identify the most cost-effective ways to reduce the growing burden of air pollution, while also addressing the causes and consequences of climate change (Box 2.6).

## National Policies and Programs

Faced with an expanding range of environmental challenges, governments of our region need sound policies and programs to shape the incentives affecting private sector use of cleaner, more sustainable production processes (Box 2.7). Similar incentives are needed to encourage more environmentally conscious consumer behavior. The leadership of environment agencies in such efforts is paramount, although all elements of government and society must play their parts.

ADB works with the agencies responsible for environment, water, energy, transport, and other sectors to develop and apply innovative solutions to environmental problems (boxes 2.8–2.9). The approach taken must be tailored to fit specific institutional attributes and economies, and ADB's regional experience and in-country presence helps to fine-tune appropriate responses. We also increasingly work with the

### Box 2.6. Cleaning the air in Asian cities—CAI-Asia

The Clean Air Initiative for Asian Cities (CAI-Asia) is a multi-stakeholder initiative committed to improving air quality management in Asia.

The goals are

- ◆ sharing knowledge and experience,
- ◆ enhancing cities' capacity to manage air quality,
- ◆ improving regional regulatory frameworks and their implementation, and
- ◆ encouraging innovation through pilot projects.

Pilot projects have included

- ◆ improving the understanding of health effects of air pollution in Asia,
- ◆ reviewing experience and developing a strategic framework for cities to use in developing transport strategies, and
- ◆ developing strategies for reducing emissions from land transport.

CAI-Asia is an informal network cofounded by the Asian Development Bank (ADB). CAI-Asia is expected to be established as an independent legal entity in early 2007 with ADB's assistance.

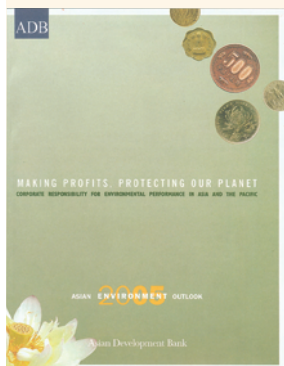
<http://www.cleanairnet.org/caiasia>



private sector to foster its involvement in the region's environmentally sound economic growth. For example, in many countries we have been instrumental in promoting national water policies and reforms. These often allow for well-controlled but important roles for the private sector and establish new institutional frameworks that emphasize cost recovery while giving



### Box 2.7: Corporate responsibility for environmental performance



The *Asian Environment Outlook 2005: Making Profits, Protecting Our Planet* describes the deterioration of environmental conditions in Asia and details how the active engagement of the private

sector is essential to sustainability, and how this can be achieved in partnership with governments, development agencies, and other organizations.

<http://www.adb.org/Documents/Books/AEO/2005/default.asp>

attention to the provision of water as a basic human right. Successful outcomes have catalyzed improved governance and management of water resources.

## Environmental Cooperation in the Region and Beyond

Promoting regional cooperation in Asia and the Pacific is an important part of ADB's mandate, as embedded in our Charter, and we often help to organize regional responses to environmental problems that require such interventions.

Many environmental issues transcend political boundaries and are thus of regional or even global concern. The adverse impacts of climate change, resulting from excessive greenhouse gas emissions, are widely publicized. Degraded land diminishes the livelihoods of the poor and might result in clouds of dust and sand being

### Box 2.8. Integrated urban development in Tonga



An Asian Development Bank grant is supporting a participatory process to develop an urban planning and management strategy in Tonga, and formulating a project to improve living conditions in Nuku'alofa as part of that country's recovery from recent civil unrest.

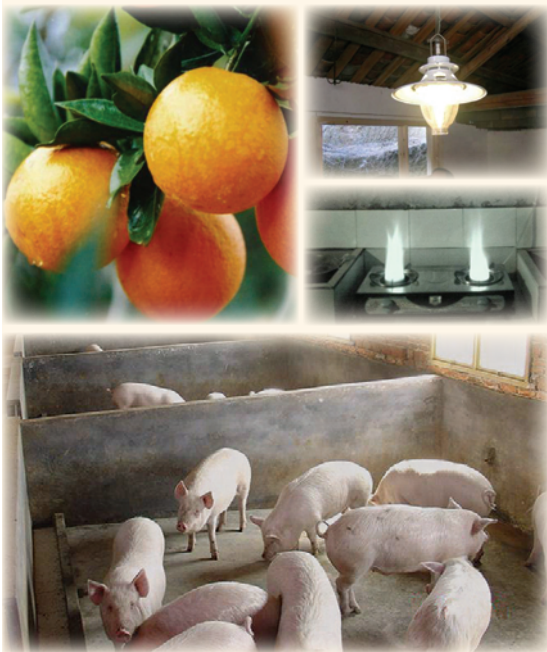
The strategy will cover

- ♦ physical planning,
- ♦ institutional arrangements,
- ♦ policy and legislation,
- ♦ capacity building, and
- ♦ community awareness.

<http://www.adb.org/Projects/Integrated-Urban-Dev/default.asp>

sent to distant countries. Acid rain and airborne mercury and nitrates from coal-fired power plants or 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 (Box 2.10). Terrestrial, aquatic, and marine biodiversity assets and legacies are global as well as local, providing services that support daily life and actual and potential sources of future crops and medicines. Nations must work together on these issues, or we all lose.

### Box 2.9. Using agricultural waste for clean energy



With cofinancing from the Global Environment Facility, the Efficient Utilization of Agricultural Wastes Project in the People's Republic of China is raising rural incomes, reducing deforestation, and improving soil fertility by introducing biogas digesters and composting methods that reuse animal wastes. It has proven so successful that it is being scaled up across several more provinces.

<http://www.adb.org/documents/news/2002/nr2002193.asp>

In the Greater Mekong Subregion (GMS), ADB has worked with representatives from all Mekong countries, as well as other partners, to organize an integrated set of interventions—termed the Core Environment Program of the GMS—to assess and address the most important environmental dimensions of that subregion's rapid economic expansion. The GMS Environment Working Group, comprising economic and environmental authorities from each of the six cooperating

### Box 2.10. Networking among Asian river basins



The application of an integrated water resources management approach requires partnerships that succeed. Such partnerships need support through knowledge sharing and capacity building. To form and foster such partnerships, the Asian Development Bank (ADB), ADB Institute, and Japan Water Agency jointly established the Network of Asian River Basin Organizations (NARBO) in 2003.

NARBO currently has 56 member organizations that work together to

- ◆ exchange information and experience, and
- ◆ strengthen the capacity and effectiveness of river basin organizations to promote integrated water management and improve water governance.

<http://www.adb.org/Water/NARBO/default.asp>

countries, manages the Core Environment Program. 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 (Box 2.11).

### Box 2.11. Biodiversity in the Mekong



The Biodiversity Conservation Corridors Initiative is part of the Core Environment Program for the Greater Mekong Subregion (GMS) implemented with Asian Development Bank assistance.

Regional economic corridors are expected to play a crucial role in delivering the development agenda in the GMS, but increasing development activities in such economic corridors might harm critical ecosystems with valuable biodiversity, and fragment natural landscapes. This would undermine the integrity of the region's ecosystems and threaten long-term socioeconomic development and environmental security.



The GMS Biodiversity Conservation Corridors Initiative is supporting the broad-based agenda of sustainable development identified by the GMS countries.

<http://www.adb.org/projects/gms-biodiversity/>

In Central Asia, ADB has worked with five of the subregion's countries and a range of partners—including the Global Environment Facility—to help establish the Central Asian Countries Initiative for Land Management. This 10-year program, which seeks to mobilize investments of \$1.3 billion, is addressing the subregion's serious land degradation and desertification problems. It has also served as a catalyst for developing national programming frameworks for sustainable land management in each cooperating country (Box 2.12).

In fact, Asia's population and economy are so large that the ability to find solutions to many global environmental problems will hinge directly on what happens in our region (boxes 2.13 and 2.14). ADB is helping our client countries to do their part in addressing global environmental concerns in partnership with other organizations such as the Global Environment Facility, UNEP and other United Nations bodies, international NGOs, our partner multilateral financial institutions, and bilateral assistance programs.

## Environmental Programming Initiatives

ADB's current medium-term strategy emphasizes infrastructure investments in key sectors and policy dialogue with our client countries about new approaches to enhance the sustainability of their economic development and to manage their rapid growth. The strategy includes

- ◆ focusing on improving water management as a key input to economic growth and an essential ingredient of life;
- ◆ helping the region to satisfy its energy needs in ways that emphasize efficiency, and to move away from reliance on dirty fossil fuels and toward renewable sources; and
- ◆ assisting urban areas so that cities can provide their residents with a better quality of life.

### Box 2.12. Reversing land degradation in Central Asia



The Central Asian Countries Initiative for Land Management (CACILM) is a 10-year program to restore productive value to vast tracts of degraded land in Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Due to poorly designed and mismanaged irrigation systems dating from the Soviet period, low-lying land has become waterlogged and saline, while upland areas have eroded. In partnership with the Asian Development Bank, the Global Environment Facility, and other international development agencies, the countries have developed a program for action, including

- ◆ capacity building for integrated land use management;
- ◆ sustainable agriculture, pasture, forest, and woodland management;
- ◆ protected area management; and
- ◆ remediation in the area of the Aral Sea.

This partnership is generating local and global benefits through increased agricultural incomes and land productivity, fewer dust storms, less pesticide runoff, increased water flows in rivers, and reduced loss of biodiversity.

<http://www.adb.org/projects/CACILM/>

### Box 2.13. Adapting to climate change



Pacific client countries of the The Asian Development Bank (ADB) have an urgent need to enhance their ability to respond to climate change. With support from the Canadian Cooperation Fund for climate change, ADB has worked with several Pacific countries to prepare a framework that demonstrates an approach to adaptation through risk assessment, planning, and policy development. “Climate proofing” of infrastructure and community development initiatives are at the core of the framework’s approach.

<http://www.adb.org/Documents/Reports/Climate-Proofing/default.asp>

#### Expanding attention to water management.

In 2006, ADB formulated its Water Financing Program in an effort to make water one of our core investment areas. The new program builds on ADB’s Water for All policy.<sup>39</sup> The program will focus on increasing our investments in water infrastructure, while supporting related capacity building and will be leveraged through broader private sector participation. We expect that this will increase water investments to more than \$2 billion annually in partnership with our client countries, the private sector, and others. The program should significantly increase the number of people in the region who will have access to reliable and affordable sanitation services, as well as water for irrigation, households, and

industry. We also expect to achieve more effective management of water resources in the region's key river basins to support environmentally sustainable economic growth.

**Promoting clean energy.** The region's energy needs are met primarily by burning fossil fuels—which has negative economic, environmental, and social consequences. By depending on traditional fuel sources for their energy needs, our client countries expose themselves to global price and supply fluctuations that can undermine their energy security. The People's Republic of China is the second largest emitter of greenhouse gases, and, with India and other large Asian economies, will soon overtake Europe and North America as the largest source. Furthermore, combustion of oil, gas, and coal emits large amounts of local air pollutants, as well as carbon dioxide, to the atmosphere—the principal cause of global climate change. Our region shows signs of the negative impacts from climate change, including sea level rise 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. We believe that this can be achieved without unduly sacrificing economic growth or living standards.

ADB is increasingly responding to its client countries' requests to help them develop the policies, regulations, and institutions they need to facilitate the shift to clean energy. Special attention is being given to identifying and eliminating barriers to the adoption of clean energy technologies. To support this, we have established two separate but interlinked initiatives:

- ◆ The Energy Efficiency Initiative was approved in April 2005 and aims to expand our investments in energy efficiency projects to at least \$1 billion per year.
- ◆ The Carbon Market Initiative, approved in April 2006, takes advantage of the growing global market for trade in certified emissions

#### Box 2.14. Energy efficiency initiatives

The Asian Development Bank (ADB) launched its Energy Efficiency Initiative (EEI) in July of 2005. The core objective is to widen the attention of our client countries to energy efficiency investments, on both the supply side (including renewable energy) and the end-use side, and their benefits by expanding our own investments in energy efficiency projects to \$1 billion a year.



To this end, we are working closely with our client countries to identify specific market segments that

- ◆ have a high priority for intervention,
- ◆ are suitable to ADB's role and strengths, and
- ◆ could be replicated and scaled up.

The EEI is being implemented in three phases:

- ◆ Phase I, completed in March 2006, firmly established the rationale for expanded and sustained ADB action and investment in this field.
- ◆ Phase II (through December 2007) is preparing country-level investment and action plans, establishing the Asia-Pacific Fund for Energy Efficiency, and pursuing immediate investment opportunities.
- ◆ Phase III (2007–2010) will implement the investment and action plans.

<http://www.adb.org/Clean-Energy/eei.asp>

reductions credits generated by clean energy projects in developing countries under the terms of the Kyoto Protocol. The initiative will support the design and cofinancing of eligible projects and help to market the credits generated.

**Building livable cities.** Asia's cities are expanding at rates and scales unprecedented in human history. Half of the region's population of more than 2 billion is expected to be living in urban areas by 2030. Without effective management, this growth will exacerbate existing problems such as air, water, and land pollution; traffic congestion; potable water shortages; and slums. As in the case of water and energy management, ADB is responding to expanding demand for advice and investments from municipalities across the region that want to become cleaner and greener.

Two new programs will support work toward creating more livable cities: the Urban Services

Initiative and the Sustainable Transport Initiative. ADB estimates that \$60 billion per year will be needed to meet the demand for expanded urban infrastructure from 2006 to 2010. This includes water supply, sanitation, solid waste management, slum upgrading, urban roads, and mass transit systems. We intend to launch the Urban Services Initiative in 2007 to expand our work to help cities cope with these new demands. We also plan to establish the Sustainable Transport Initiative, which will help our national and municipal clients shift their patterns of urban development to increase their reliance on less energy consuming and polluting motorized vehicles, such as safe, reliable, and clean public transport systems.

## Environmental and Social Safeguards

In addition to its proactive programs for environmental improvement, ADB applies environmental and social safeguard measures to all of its projects. These measures seek to avoid harmful environmental impacts, social costs, and the marginalization of vulnerable groups that might result from development projects. When such potential impacts cannot be directly avoided through changes in the design of the project, a plan is agreed for their mitigation.

ADB's three safeguard policies cover the potentially adverse impacts of project investments on

- ◆ the environment,
- ◆ indigenous peoples, and
- ◆ involuntary resettlement.

The safeguards are especially important for complex projects. The application of our safeguard measures helps ensure that the

positive results expected from ADB's projects are achieved (Box 2.15).

All three safeguard policies involve a structured process of impact identification, assessment, planning, and mitigation. The safeguard policies require that affected people are consulted and relevant information is publicly disclosed.

ADB is updating its safeguard policies to enhance their effectiveness and ensure their relevance to changing client needs and capabilities, and to new investment modalities and instruments. This process will continue during 2007 and be completed by 2008.

### Environment Safeguards

All ADB projects are subject to scrutiny under the safeguard provisions of our Environment Policy. ADB believes sound environmental management is critical to sustainable development and to

### Box 2.15. Environment and safeguards management

The Environment and Social Safeguards Division of the Asian Development Bank (ADB) is the corporate home for environmental management and custodian of the three safeguard policies. The division is under the Regional and Sustainable Development Department.

The division mainstreams environment into ADB operations by

- ◆ being the focal point for environment matters;
- ◆ assessing global and regional environment issues to identify risks and opportunities;
- ◆ leveraging new mechanisms and partnerships to assist ADB's environment-related operations;
- ◆ developing and disseminating, with operations departments, related information and services; and

- ◆ supporting country and project teams' needs for environment assistance.

To implement the three safeguards, the division

- ◆ provides advice, guidance, and training to ADB staff and executing agencies;
- ◆ supports ADB's operations by participating in project teams;
- ◆ disseminates best practices, guidelines, and relevant information to promote compliance with the safeguards;
- ◆ monitors compliance with the safeguards in ADB's projects; and
- ◆ advises Management and reviews and updates the safeguards policies as necessary.

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

poverty reduction. Growth will be short-lived if it does not conserve the natural environment.

The Environment Policy addresses five main thrusts: providing environmental interventions to reduce poverty, mainstreaming environmental considerations into economic growth and development planning, maintaining regional and global life support systems, working in partnership with others, and strengthening the processes and procedures for mainstreaming environmental safeguards in ADB's operations.<sup>40</sup> The last element requires borrowers to ensure that

- ◆ projects' environmental impacts are identified, including indirect and cumulative impacts, and their significance assessed;
- ◆ appropriate alternatives are examined;
- ◆ safeguard measures are designed to avoid, mitigate, or minimize adverse impacts, and assure that environmental standards are achieved;

- ◆ environmental management plans are prepared and specify the safeguard measures, institutional arrangements, monitoring program, time line, and budget requirements;
- ◆ applicable legal and other requirements that relate to a project's potential environmental impacts are to be complied with;
- ◆ affected people are informed and consulted in form, manner, and language(s) accessible to those being consulted; and
- ◆ the environmental management plan will be implemented, and the status of implementation monitored and reported on.

## Indigenous Peoples

Indigenous peoples are groups with social or cultural identities distinct from that of the dominant or mainstream society. Such groups are often marginalized in the development process. The Policy on Indigenous Peoples was approved in 1998, after closely consulting civil society



**Asian Development Bank Projects in the highlands of the Greater Mekong Subregion take account of impacts on indigenous peoples**

## Involuntary Resettlement

ADB-financed operations can cause involuntary loss of land, assets, and other means of livelihood, or social support systems.<sup>42</sup> Our Policy on Involuntary Resettlement was approved in 1995 and covers social and economic impacts caused by acquisition of land and other fixed assets, by change in the use of land, or by restrictions imposed on land.

The policy is designed to help ADB to avoid or minimize such impacts, and to provide an effective safeguard in cases where people are dispossessed or displaced. It is designed to avoid the risks of impoverishment among affected persons. The policy also requires borrowers to identify opportunities to ensure that affected people will have at least the income and living standards that they would have had in the absence of the project.

By transforming situations involving involuntary resettlement into a development opportunity, planners can turn dispossessed or displaced people into project beneficiaries. This applies particularly to the poor and vulnerable, who can be disproportionately affected by resettlement losses.

The policy aims to fully inform and closely consult affected people on their options; compensate losses at replacement cost; provide special measures for the poor and vulnerable, including those without formal legal title to land; prepare time-bound resettlement plans to form an integral part of the project budget and implementation schedule; and support the enhancement of national resettlement policy, legal standards, and implementation capacity that will underpin project resettlement planning.

Before ADB management considers any project that might involve resettlement, the proponent government or sponsor must present

organizations and representatives of indigenous peoples' communities.<sup>41</sup>

The policy is designed to ensure equality of opportunity for indigenous peoples. It also seeks to ensure that interventions affecting them are consistent with their needs and aspirations; compatible in substance and structure with their cultural, social, and economic institutions; and conceived and implemented with the informed participation of affected communities.

For projects with significant impact on indigenous peoples, the policy requires borrowers to prepare an indigenous peoples' plan, whether the impacts are beneficial or harmful. The plan must include measures to ensure benefits accrue to indigenous peoples and negative impacts are well mitigated.



a resettlement plan that conforms to ADB requirements. Through this policy and associated practices, ADB helps the government and other project sponsors to adopt and implement related policies, legal and institutional arrangements,

and administrative frameworks consistent with the principles of ADB's involuntary resettlement safeguards and to build and strengthen the capacities of client countries to handle resettlement issues.

## Preparing for and Responding to Disasters

As tragically illustrated by the devastating 2004 Asian tsunami, disasters—natural and manmade—are continuing development challenge. They can cause sharp increases in poverty and slow the pace of social and economic progress. The Asia and Pacific region is particularly vulnerable. On average, two of every five natural disasters globally occur in this region. In a typical year, they cause about \$40 billion in physical losses.

Disasters affect poverty reduction efforts in many ways, including

- ◆ damaging infrastructure, productive capital, and stocks;
- ◆ decreasing tax revenues;
- ◆ increasing prices of food and basic commodities;
- ◆ interrupting peoples' ability to work and to gain access to basic services, such as health care or education; and
- ◆ affecting economic productivity, growth, and performance through to the long term.

The poorest people usually suffer the most, and injury and death rates from disasters can be up to 100 times higher in developing than in industrialized countries. Death and injury rates due to crises such as tsunamis, earthquakes, and floods are often higher among women than men.

ADB has had dedicated disaster policies since 1987. The current policy<sup>43</sup> calls for ADB to strengthen its support to disaster risk management and/or reduction activities, and provides specific lending terms and conditions to support medium-term rehabilitation and reconstruction efforts. ADB has been working with client countries to strengthen emergency preparedness and responses to enhance, where possible, prevention, transition, and recovery phases related to natural and other disasters. For example, ADB was one of the first international organizations to pledge support for the tsunami victims: we have committed more than \$1 billion in assistance—including \$600 million in grants. ADB and a consortium of Asian institutions in Viet Nam are developing a geographic information system to assess risk hazards. Similarly, following a major landslide in the Philippine province of Southern Leyte in 2006, ADB is moving beyond physical reconstruction efforts by also helping strengthen the institutional capacities of local authorities and communities.

ADB's Disaster and Emergency Assistance Policy addresses environmental hazards, health emergencies, natural and technological hazards, and post-conflict situations. An action plan to further its smooth implementation will be developed during 2007. The plan will be based on an updated assessment of the status of preparedness and response measures in the Asia

and Pacific region. Special emphasis also will be given in 2007 to strengthening the capacity of ADB and its partners to respond to complex, multi-country emergencies, drawing lessons from

the Asian tsunami experience. In addition, the action plan will give fresh attention to the added risks posed by the adverse impacts of climate change.

## Social Development

Just as ADB takes an active role in promoting better environmental management across Asia and the Pacific, it also supports social development programs in many countries, especially centered on the education and health sectors. Such support is valuable, contributing to sustainable development. Knowledge is essential for people to improve their lives, and providing education targeted to a population's needs is basic to long-term development. Without good health, people cannot have happy and productive lives or make use of their skills or their other assets. Men's and women's roles and responsibilities are strongly linked to sustainable development. Women's access to and control over natural and other resources is crucial to their 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 capacities and facilities for education and health, and promoting gender equality, we are building long-term capacities to improve the quality of life and to transmit these benefits to future generations. While our support for social development extends beyond education, health, and gender, these three areas exemplify our activities.

### Education

ADB's education policy stresses the aim of seeing that all children and adults obtain equitable access to education and complete education of sufficient quality to empower them to break out of the poverty cycle, to improve their quality of life, and to enable them to participate effectively

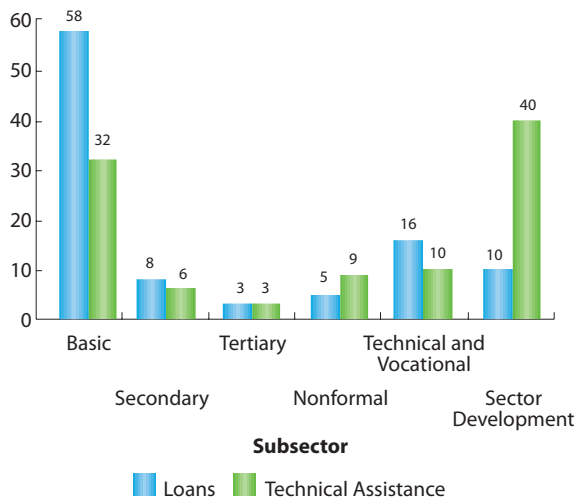
in national development. Annual reports on the education sector highlight our effort and performance and make recommendations for future ADB support in the sector.

Our in-house Education Community of Practice advises all ADB operations on strategic directions, and helps keep our staff up to date with the latest thinking in the education field.

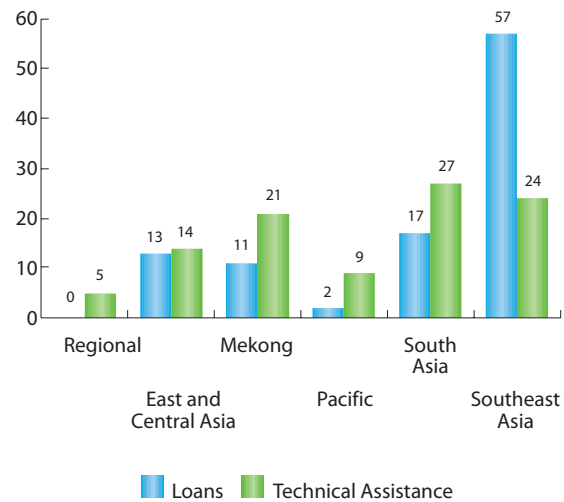
ADB's education projects directly support the achievement of MDG 2, on universal primary education, and MDG 3, on gender equality and empowerment of women. They also contribute to accomplishing MDGs 4–7, which pertain to improving health and environmental conditions and relate indirectly to the achievement of education goals. Most of ADB's recent education sector investments have supported access to good quality schools. Some client countries require continued support for such basic education facilities; others are seeking support for secondary schools, vocational and skills training, and tertiary education.

Support for education at all levels is needed in expanding economies to help tackle youth unemployment by better preparing them for labor markets, and to fully equip developing countries to participate in the global knowledge-based economy. Special attention is being given to improving science and technology education, and using information and communications technology (ICT) in education. Many countries need support for related policy formulation, strategic management, teacher training, curriculum and materials development, and

**Figure 2.3. Investment in Education by Subsector (%)**



**Figure 2.4. Investment in Education by Region (%)**



sector monitoring and evaluation. Figures 2.3 and 2.4 show the distribution of ADB education funding by subsector and subregion from 2000 to 2005.

Before the Asian financial crisis in 1997, the widespread view was that a desire for education propelled East Asia’s spectacular economic growth, and that children there were being prepared more effectively for the modern economy than those in other parts of Asia and the Pacific. Now that many of the region’s economies are experiencing sustained and strong economic growth again, the need for a sharp focus on educational challenges is greater than ever. Thus, ADB is helping client countries to work toward achieving the MDGs (Box 1.1) pertinent to education and to gender, which redounds to the benefit of the education goals.

Although 90% of primary-school-aged children in Asia and the Pacific were enrolled in 2003, in some countries enrollments will likely fail to reach the 2015 goal. Several countries in Asia, including Bangladesh, the Lao People’s Democratic Republic, Nepal, and Pakistan, have immense basic education needs requiring extensive and

sustained investment. We are continuing to help fill this need.

Rapid economic growth in many Asian countries is accompanied by an increasing need for skilled and readily trainable workers. Therefore, we prioritize increasing investments that are responsive to needs in ICT, and in science and technology. Through the intelligent use of innovative equipment, training of teachers and other staff, and creation of regional centers of excellence that nurture new ideas, ICT can radically improve education systems throughout the region. Meeting these challenges will require action from education ministries and other government agencies, research and development institutions, the private sector, and schools. ADB will play an important role in supporting this process, pilot testing new approaches, providing capacity development, and supporting the cooperation necessary for these actors to succeed.

## Health

The increasing economic activity in Asia and the Pacific brings with it both opportunities

### Box 2.16. Fortifying food for healthier bodies



The Asian Development Bank, with the Keystone Center, worked with multisectoral teams from the People's Republic of China, Indonesia, Pakistan, Thailand, and Viet Nam to develop investment plans to address the enormous burdens of vitamin and mineral deficiencies by investing in food fortification.

<http://www.adb.org/projects/Food-Fortification/default.asp>

and risks for human health. As more resources and information become available, people have greater access to and knowledge about health care services. However, increasing mobility also increases the risk of spreading disease. With widening provision of health services by the private sector, inequality of access is another challenge. As environmental and lifestyle risks to health increase at the national level, a growing range of issues transcend national boundaries.

ADB's actions to address these issues include support for

- ◆ development of health infrastructure, staffing, financing, and system reforms under decentralization;
- ◆ national and regional efforts to control communicable diseases, especially avian flu and HIV/AIDS; and
- ◆ longer term health investments through improved nutrition, food fortification, and food safety (Box 2.16).

The spread of infectious diseases may have impacts on individuals and households, and on the wider economic development of countries and the region. During the severe acute respiratory syndrome (SARS) outbreak in 2003, for example, Asian airports were empty of business travelers and tourists. And the region now is facing the risk of an avian flu epidemic. ADB calculated the costs of the SARS outbreak at \$60 billion,<sup>44</sup> and a pandemic avian flu could cost Asia between \$100 billion and \$283 billion, depending on its severity.<sup>45</sup> But the human costs would pale by comparison. An avian flu pandemic could cause from 7.5 million to 350 million deaths worldwide.<sup>46</sup>

The control of communicable diseases, therefore, requires urgent support and cooperation at national and regional levels (Box 2.17). ADB has supported both approaches in close collaboration with key partners, such as the Food and Agriculture Organization (FAO), World Health Organization (WHO), and Association of Southeast Asian Nations (ASEAN). At the Beijing international conference on avian flu in January 2006, ADB pledged \$469 million for prevention and cure of that and other emerging infectious diseases—including \$69 million in grants. This includes emergency support for outbreaks, as well as the strengthening of national health systems providing surveillance and response and facilitating regional collaboration.

We are also actively supporting measures to control the spread of HIV/AIDS. Improvements in crossborder communication and infrastructure in our region have brought many benefits,

but they also are contributing to the spread of HIV/AIDS, which threatens the harmonious socioeconomic development of the region. In August 2006, ADB joined other development partners in signing the Toronto Initiative, which aims to reduce the spread of HIV/AIDS tied to construction of infrastructure projects, especially roads and highways. We have adopted a strategic framework as a direct contribution to helping to reverse the spread of HIV/AIDS by 2015 (MDG 6). The framework is built on three key elements:

- ◆ strengthening support for leadership toward combating HIV/AIDS;
- ◆ increasing capacities to deal with HIV/AIDS; and
- ◆ targeting programs to the most at-risk populations, particularly the poor.

Our ADF donors also recognized the growing significance of this issue in the region, and they set aside 2% of the latest ADF replenishment—or \$140 million—for combating HIV/AIDS during 2005–2008. ADB activities related to HIV/AIDS also receive support from a special fund financed by the government of Sweden.

Regional and country-level programs to prevent and control HIV/AIDS and avian flu will continue to receive special attention during 2007. At the XIV International AIDS Conference, held in Toronto in August 2006, ADB and other development agencies jointly signed a joint statement proposing "to strengthen cooperation in order to increase the scale, scope, and effectiveness of future infrastructure interventions for combating AIDS in developing countries." We are encouraging partner countries to "incorporate HIV/AIDS programs into infrastructure support, especially where this involves large-scale construction projects or increased transport activity that may facilitate the spread of HIV infection" in the region and beyond.<sup>47</sup> Coordination and harmonization of efforts remain critical, and this was highlighted at the Vienna Senior Officials Meeting on 6–7 June 2006. We will continue to collaborate with the international technical agencies working in

### Box 2.17. Disease control



The Asian Development Bank's current activities for communicable disease control include

- ◆ the Communicable Disease Control Project in the Greater Mekong Subregion aimed at improving regional cooperation to control disease outbreaks;
- ◆ a project to prevent and control avian flu in Asia and the Pacific, covering all our client countries and focusing on both the short-term need to combat avian flu and the longer-term need to improve regional capacity to handle disease outbreaks; and
- ◆ assistance to Indonesia, Malaysia, and Philippines in fighting communicable diseases.

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

Asia and the Pacific, and with other international and bilateral partners, to ensure that rapid and adequate support is provided to the countries affected or threatened by avian flu.

## Gender

Gender equality, recognized as a fundamental human right, is essential to poverty reduction and improved living standards. Assuring that women participate actively in all spheres of development

### Box 2.18. Supporting decentralization and gender reform

A key aim of the Asian Development Bank's loan to support decentralization in Pakistan is to help the government see through its commitments on gender reform, access to justice, and social development. Policy reforms can create the conditions needed for genuine and lasting changes in gender relations. The loan includes technical assistance to support the government's Gender Reform Action Plan and for capacity building in federal and provincial agencies and local governments in core planning, finance management, procurement, and audits.

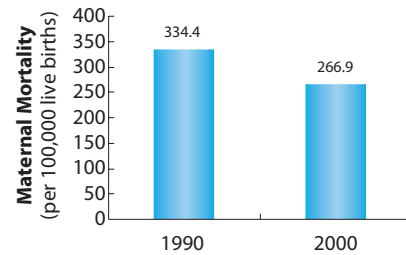


<http://www.adb.org/Documents/PIDs/34328013.asp>

is essential to the well-being of their families and communities—and hence to the effectiveness of ADB's work and to the well-being of the countries we serve.

Addressing gender inequality helps raise productivity, improve efficiency, improve maternal and child health, and stem the spread of HIV/AIDs and other diseases. Because educated women have fewer and healthier children, who will stay in school, eliminating gender disparities in education is among the most sustainable of investments. Therefore, gender is treated as a crosscutting issue that must be mainstreamed in all ADB activities, and our Policy on Gender and Development spells out how this is to be accomplished. This policy dates to 1998 and succeeds our 1985 policy on women in development. To strengthen our gender work,

**Figure 2.5. Maternal mortality ratios** (average of 35 Asian countries)



Source of data: ADB statistical database.

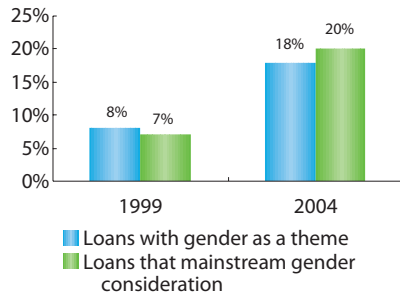
we also have established a dedicated fund with financing from Canada, Denmark, and Norway.

A 2006 review of our gender policy assessed its performance and outlined steps for improvement (Box 2.18). The review notes that, while gender equality has generally improved in the region and empowerment has increased, the gains have been unequal across and within countries. About 75% of our client countries are narrowing gaps in educational enrollment, for example. At the same time, two thirds of the region's developing countries are experiencing difficulties in reducing maternal mortality (Figure 2.5). In the Central Asian countries, both the proportion of women employed and their representation in government have declined markedly since the collapse of Soviet institutions.

As an aid to planning, we have prepared 21 country gender assessments, which feed into our country partnership strategies. The review also noted that projects that made the most impressive progress in promoting appropriate attention to gender issues were those with a detailed gender action plan that had targets and goals, and in countries where ADB's resident mission had a gender specialist working closely with government counterparts (Box 2.19).

Attention to this subject is clearly rising, with the number of loans with gender as a theme having increased steadily in recent years (Figure 2.6).

**Figure 2.6. Loans with gender considerations** (percent)



Good practices that have emerged in the design of ADB loans include

- ◆ the development of gender action plans as part of project design,
- ◆ inclusion of gender-related changes and legal reforms in loan projects and programs, and
- ◆ techniques to incorporate gender perspectives in infrastructure projects.

Despite the gains, the recent review expresses continuing concern that

- ◆ action for gender equality is not stressed sufficiently in ADB's long-term strategic thinking or new business processes,
- ◆ gender assessments are still inadequately reflected in country partnership strategies; and
- ◆ gender should feature more often in country-level policy dialogue.

The review shows that the gender mainstreaming approach is valid and has contributed substantially to our progress in addressing gender concerns. Under the Gender and Development Action Plan, work will continue on addressing gaps and weaknesses, emphasizing the need to

- ◆ strengthen the gender mainstreaming approach to facilitate poverty reduction, and
- ◆ focus more strongly on identifying and monitoring gender-related results.

### Box 2.19. Tonle Sap Sustainable Livelihood Project

A \$19.7 million grant (\$15 million financed by the Asian Development Bank and \$4.7 million by Finland) is assisting more than 287,000 people living near Cambodia's Tonle Sap to increase their incomes by improving their access to the lake's many assets. The project will support community-driven development to

- ◆ deliver services requested by the communities,
- ◆ safeguard core environment areas to ensure continued usefulness, and

- ◆ build skills for and awareness about sustainable livelihoods to strengthen institutions and processes at all levels.

The project includes a gender action plan that, by training female commune council members, aims to ensure that women benefit fairly and increases the likelihood that the initiatives at the commune and village levels will be sustainable.



[http://www.adb.org/Projects/Tonle\\_Sap/livelihoods.asp](http://www.adb.org/Projects/Tonle_Sap/livelihoods.asp)

# Governance

## Promoting Good Governance

Attention has rightly turned in recent years to a range of governance problems in the public and private sectors that drain resources from society and distort markets in favor of unproductive investments. ADB has been working to help its client countries deal with weak or corrupt government institutions, both to reduce mismanagement and to exercise our fiduciary responsibilities when our own investments are at stake.

In 1995, ADB formally adopted its Governance Policy, and updated it in 2006. The policy identifies four basic elements of good governance:

- ◆ accountability,
- ◆ predictability,
- ◆ participation, and
- ◆ transparency.

### **Box 2.20. Local government finance and governance**

The Local Governance Finance and Governance Reform Program for Indonesia is helping lay the groundwork for stronger governance systems by

- ◆ increasing accountability in the management of local government finances;
- ◆ modernizing financial management information systems; and
- ◆ enhancing the capacity of the new intergovernmental Regional Autonomy Advisory Council, which oversees decentralization reforms.

<http://www.adb.org/Projects/project.asp?id=36541>

Our Anticorruption Policy was approved in 1998 and updated in November 2004.<sup>49</sup> Its objectives are to help our client countries establish the basis for competitive markets to function well and public administration systems to be effective. The policy also directs ADB to support anticorruption efforts in the region and to ensure that ADB-financed projects and ADB staff adhere to the highest ethical standards.

In 2005–2006, ADB reviewed how its governance and anticorruption policies have been implemented.<sup>50</sup> The review found that ADB has succeeded in raising the profile of governance concerns in the region, but that there is still some way to go to fully integrate supporting measures into ADB operations and in many of our client countries. Special attention is being given in ADB's current governance interventions to improving public financial management, including procurement, and to strengthening the capacities of key institutions in sectors where ADB is active.

ADB approved its second Governance and Anticorruption Action Plan in 2006 to guide its relevant region-wide programs.<sup>51</sup> The plan reiterates the importance of promoting good governance, strong institutions, and measures to reduce vulnerability to corruption as key prerequisites for sustainable development.

The plan's four key 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 capacities and access to external expertise.



ADB assesses the fiduciary risk of each project and has provided several tools for borrowers and staff to facilitate the process. The tools include guidelines, checklists, and training on ADB's approach to financial due diligence. We support and work with several institutions that help keep us abreast of and adhere to accepted international accounting and auditing standards.

During 2000–2006, almost 6% of our loans and 10% of our technical assistance activities were for governance projects (boxes 2.20 and 2.21). A significant part of our support for improving governance and developing institutions is provided through sector programs and projects that involve crosscutting policy and institutional reforms.

Participatory budgeting has been introduced at the local level in Indonesia, Marshall islands, and Pakistan. Pilot projects in the three countries have demonstrated the challenges of public involvement in the budget process, and highlighted the need for an active and articulate civil society in the local context. Successful pilot efforts showed that civil society's engagement is not difficult to elicit if political support is in place and local governments have adequate technical resources. They also showed that relatively simple, effective, and low-cost methods can equip local governments to promote transparency and openness in their decision making.<sup>52</sup>

ADB is also involved in several related regional networks. The Anti-Corruption Initiative established by ADB and the Organisation for Economic Co-operation and Development (OECD) in 1999 effectively launched the fight against corruption in the Asia and Pacific region. Through this initiative, participating countries receive support for strengthening their legislation and institutions for a sustained fight against corruption. So far, 27 governments have endorsed the initiative's Anti-Corruption Action Plan for Asia and the Pacific.<sup>53</sup>

### Box 2.21. Capacity building for the Office of the Auditor General of Pakistan



The Earthquake Emergency Assistance Project in Pakistan aims to rehabilitate and restore infrastructure damaged and destroyed by the 2005 earthquake. An Asian Development Bank grant is assisting the auditor general of Pakistan and the controller general of accounts to ensure that

- ◆ all executing and implementing agencies receiving earthquake funds maintain auditable accounts;
- ◆ audits are conducted in accordance with international standards; and
- ◆ monitoring and evaluation is timely.

<http://www.adb.org/Documents/PIDs/39631022.asp>

To aid these efforts, the ADB Institute has developed two learning tools:<sup>54</sup>

- ◆ the Citizen Report Card,<sup>55</sup> which engages citizens in improving public services; and
- ◆ techniques for benchmarking and improving the management of public services.<sup>56</sup>

These tools are being tested in cooperation with training institutions in Pakistan and the Philippines, and the Anti-Corruption Agency in Malaysia.

ADB also supports schools and institutes of public administration across Asia and the Pacific. The long-term goal is to build and enhance

their capacities so they can be effective agents in promoting good governance. The Network of Asia-Pacific Schools and Institutes of Public Administration and Governance<sup>57</sup> was launched in December 2004.<sup>58</sup>

The action plan approved in 2006 is ADB's response to the findings of the Review of Implementation of ADB's Governance and Anticorruption Policies. Implementation started September 2006, and the plan's start-up phase will run to the end of 2007, followed by an institutionalization phase. Risk assessments and risk management plans will be developed for two priority sectors during the 2007 cycle of country partnership strategy preparation. Country partnership strategies will generally include a timetable for preparing risk management plans.

## Expanding Our Reach Through Partnerships

An important part of our governance work is to strengthen indigenous organizations by forming partnerships with them for project or program implementation. Our work with NGOs is one element of this. But ADB's stakeholders are many and varied, from the individuals who are the ultimate beneficiaries of our work to our staff, member governments, and the organizations and agencies with which we collaborate—including local governments, international and local NGOs, and other international development agencies. To widen and sustain the reach of our activities and leverage our knowledge and inputs, we often

form partnerships and work with a range of other organizations toward common goals.

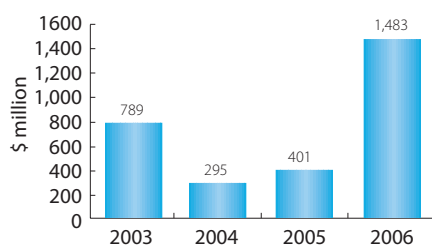
This includes our efforts to harmonize the development and implementation of our policies, programs, and projects with those of other multilateral and bilateral development agencies. We have agreements with about 32 development partners for cofinancing, some extending back almost 30 years. All these relationships help to broaden and deepen our development efforts, build local capacity, improve foundations of sustainability, and avoid unnecessary and expensive duplication. Our cofinancing has grown significantly (Figure 2.7) and we aim to continue to increase its contribution to our joint efforts with for development partners.

## NGOs and Civil Society

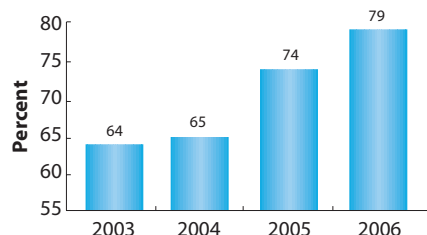
ADB also actively engages with a broad range of civil society organizations (CSOs), including NGOs, to improve the effectiveness and quality of our operations (Figure 2.8 and Box 2.22). This is an important element of our governance programs, since a vibrant civil society can be a force for accountability, positively affecting the public and private sectors. A policy on cooperation between the ADB and NGOs was approved in 1998. Our NGO and Civil Society Cooperation Center, in our Regional and Sustainable Development Department, serves as the focal point for interactions with CSOs.

The *Staff Guide to Consultation and Participation*, launched in 2006, aims to help ADB staff promote active community involvement in our projects as a means to improve their design and implementation.<sup>59</sup> In 2006, ADB worked with hundreds of CSOs in preparing and implementing projects, formulating country and subregional strategies, and reviewing our Water for All Policy. CSOs assist ADB-financed activities as facilitators, community organizers, survey specialists, social development experts, contributors to thematic assessments, project monitors, and information providers.<sup>60</sup>

**Figure 2.7. Cofinancing: value added to ADB projects**



**Figure 2.8. ADB loan projects with civil society organizations involvement**



Although project-related collaboration with CSOs usually passes through our client countries' governments, we have several means of assisting NGOs directly. Examples include the following:

- ◆ ADB supports pilot demonstration activities to improve water services. The activities finance small-scale projects implemented by CSOs and other groups to develop innovative ideas, approaches, technologies, and methods to enhance water services, especially to poor people.
- ◆ In 2006, ADB launched a regional technical assistance project providing small grants to NGOs addressing HIV/AIDS.<sup>61</sup>
- ◆ With a grant from ADB, the Partnership for Transparency Fund, an international anticorruption NGO, is providing small grants that promote accountability and transparency in three client countries.<sup>62</sup>

ADB also supports capacity building of civil society groups. One way we do this is through our involvement in the Network for NGO-Business Partnerships for Sustainable Development in Asia and the Pacific.<sup>63</sup> The network, which was launched in 2005 and maintains a secretariat in Bangkok, facilitates collaboration between the not-for-profit and corporate sectors for the public good. Through partnerships with businesses, NGOs can obtain financing and valuable guidance and knowledge on budgeting, marketing, and management.

#### **Box 2.22. Partnering for a sustainable environment**



After working together for many years, the Asian Development Bank (ADB) and the World Wide Fund for Nature (WWF) signed a memorandum of understanding in 2001 to strengthen their joint support for programs promoting environmental sustainability in the region. This collaboration has been strongest in the Greater Mekong Subregion (GMS), where WWF is an implementing partner for a \$7 million grant under the Biodiversity Corridors Initiative of the GMS Core Environment Program. Joint activities on coastal and marine conservation in the Sulu-Sulawesi Marine Eco-Region are expanding as are discussions about further ADB-WWF collaboration on rainforest conservation as well as climate change mitigation and adaptation.

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

# Part 3

## ADB's Corporate Footprint



# Our Staff and Offices

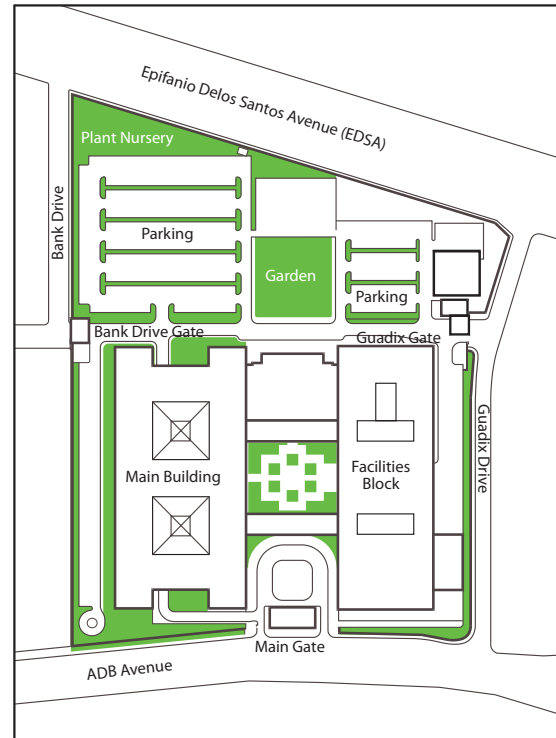
ADB is based in Manila, Philippines, and has offices in 24 client countries and 4 developed member countries (Map on p.2).

Ours is a multicultural community working within in the setting of our host country, the Philippines. As a long-standing part of the Manila community, we have consistently worked to ensure that our facilities and staff serve as models of good practice and citizenry.

Our head office facilities occupy 6.5 hectares in Ortigas Center, Mandaluyong City, Metro Manila (Figure 3.1). ADB's headquarters was among the first buildings in Metro Manila to ban smoking. The building complex, which uses 40% of the site's land area, comprises a nine-storey office tower block linked to a two-storey special facilities block. The two buildings provide 130,000 square meters of space, and were designed to minimize heat absorption. They are under the purview of the Office of Administrative Services.

In 2006, ADB had about 2,400 staff working at its headquarters and in its other offices. In addition, we had more than 1,400 consultants and service providers at our Manila facilities.

**Figure 3.1. Site map: Asian Development Bank headquarters**



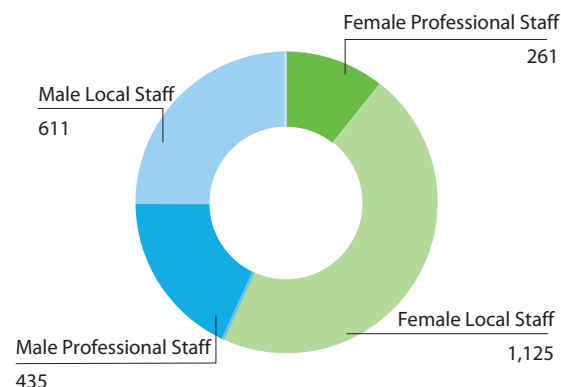
## Diverse Staff

**Diversity in action.** Our staff members are drawn from 52 of our member countries, and we value and actively promote diversity among our staff in nationality and gender. We enjoy a rich working environment that brings to our client countries the range of knowledge and perspective

they expect of a multilateral development organization. Given our location in Manila, almost 1,200 of our staff are Philippine nationals.

Figure 3.2 shows the gender distribution of staff, in two categories: professional and local. The

**Figure 3.2. Staff diversity by gender and category**

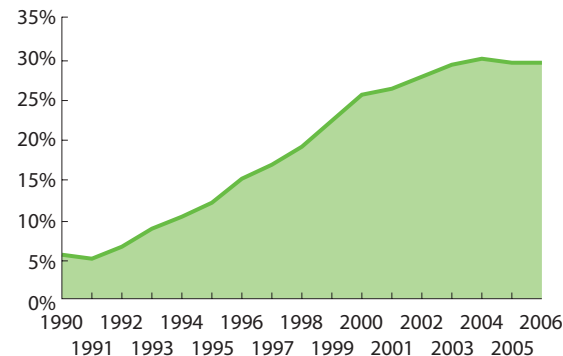


proportion of female professional staff increased from less than 11% in 1996 to almost 30% in 2006 (Figure 3.3). But we are not yet satisfied with our gender diversity, so we maintain a set of gender action programs that are geared to increasing the proportion of women, especially at the professional levels. Targeted recruitment, career development, and provision of a working environment conducive to women professionals are being used to accomplish this. Nevertheless, the recruitment of women to upper-level positions and beyond “traditional” fields continues to be a challenge.

**Learning and development.** Our Human Resources Division offers training to provide staff with the technical skills, competence, values, expertise, and knowledge needed to meet ADB’s current and future business objectives. In 2006, our staff attended more than 11,200 days of training, and key priorities for 2006 were developing such attributes through

- ◆ leadership programs;
- ◆ targeted programs, such as those to enhance staff abilities for innovation and efficiency, management for development results, and creation of public-private partnerships; and
- ◆ specific skills needed for operations, such as designing projects that respond to emerging demands on environmental investments.

**Figure 3.3. Proportion of professional staff who are female, (1990–2006)**



ADB also supports its staff members’ development by providing

- ◆ a masters of business administration program offered on the premises,
- ◆ subsidies for job-related external education costs,
- ◆ up to 10 days yearly “developmental leave” for staff members to participate in learning events, and
- ◆ special leave without pay for professional development.

**Work-life balance.** As striking a balance between the demands of the office and other personal or family responsibilities is important to the well-being of staff members and contributes to



their effectiveness in the work place, our human resources group has introduced

- ◆ flexible working times around core hours;
- ◆ “occasional leaves of absence” to allow staff members to attend to personal needs;
- ◆ “discretionary time” for holidays missed and long, intensive periods of work due to job demands;
- ◆ “rest time” to allow staff to recuperate from physical fatigue due to business travel; and
- ◆ in-house services for counseling, legal advice on matters pertaining to Philippine law, spouse employment, and medical and dental needs.

**Staff travel.** Our staff members often must travel to remote areas in our client countries to plan, monitor, evaluate, and assess projects. ADB encourages video conferencing where possible to reduce the need for air travel.

To protect staff members when they are traveling on business, we keep them updated about security risks. We provide medical information specific to their destinations, and emergency medical insurance coverage.

**Staff representation.** Upon joining ADB, employees become members of the Staff Association. The Staff Council is the association’s executive body. Its two primary goals are to

- ◆ foster a sense of common purpose among its members; and
- ◆ promote and safeguard its members’ rights, interests, and welfare.

To achieve this, the Staff Council discusses with Management representation issues of concern, and proposes changes to ADB policies or practices where warranted. The Staff Council also keeps staff informed about developments at ADB or in similar organizations affecting their interests. Staff Council takes particular interest in changes to human resources management policies, strategies, and processes. It fosters staff participation in policy formulation and transparency and consistency in policy implementation, and believes in an open exchange of perspectives. As an independent body, ADB’s Staff Council maintains an open and constructive dialogue with Management on the organization’s commitments to its staff.

- The Staff Council’s current areas of focus are
- ◆ communication with staff, ADB’s Management, and staff councils in other international financial institutions;
  - ◆ compensation and benefits;
  - ◆ the performance management system; and
  - ◆ staff health and security.

**Code of conduct.** ADB’s code of conduct provides staff members with a clear framework for ethically and professionally acceptable behavior. ADB’s Administrative Orders and Human Resource Strategy provide associated rules and principles.<sup>64</sup>

**Grievance process.** As an international organization, ADB does not fall under the jurisdiction of employment tribunals and national courts in its member states. Rather, ADB has a grievance process for internal resolution of staff members’ issues about the terms and conditions of their employment. The process has three stages. The first stage involves conciliation and administrative review. If this fails to reach a settlement, staff members may proceed 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 the President. The final

recourse is the ADB Administrative Tribunal, an independent body that reviews administrative decisions about staff members' grievances.

# Managing Our Environmental Footprint

**Headquarters.** ADB seeks to continue improving the quality of office space and support services, while minimizing the environmental footprint of our headquarters. These efforts have been recognized over the years through several external awards:

- ◆ Energy Conservation Award (first place) in 1985, by the American Society of Heating, Refrigeration and Air-Conditioning Engineers, Illinois Chapter, for the design of the new building;
- ◆ Apolinario Mabini Award in 1991, for accessibility at our headquarters to people with disabilities;
- ◆ Certificate of Energy Efficiency, awarded in 2000 by the ASEAN Energy Efficiency and Conservation Subsector Network in cooperation with the ASEAN Center for Energy; and
- ◆ Don Emilio Abello Energy Efficiency Award, in 2000, from the Philippine Department of Energy (first place).

and remains the only one to have done so. To minimize the environmental footprint of our headquarters facility, we maintain active programs to reduce our use of electricity, water, and paper, as well as our output of solid waste. Through the ISO process, we have been able to achieve savings of \$250,000 since 2003, with 75% of the savings achieved in 2005 and 2006.

To ensure that ADB is a healthy and safe place to work, and in compliance with OHSAS 18001, we have procedures and guidelines to help prevent accidents, ensure that they are reported, and mitigate any harmful effects (Box 3.1).

## Environmentally responsible procurement.

ADB also ensures, through its handling of contracts, agreements, and monitoring, that suppliers of goods and services and their

In 2002, we established our Environmental Health and Safety Management System, which has served as a principal management tool for planning and achieving improvements in ADB's physical workplaces.

**ISO and OHSAS certification.** In November of 2003, ADB became the first multilateral development bank to be certified under ISO 14001 (covering environmental management system)<sup>65</sup> and OHSAS 18001, (covering occupational health and safety standards),<sup>66</sup>







West core entrance to the Asian Development Bank

subcontractors comply with environmental, health, and safety principles. These are evaluated and monitored at all stages of the procurement process and on delivery to ADB. Chemical purchases, which are restricted, are handled carefully and only minimal amounts are stocked. Almost 70% of procurement for our headquarters is sourced

from suppliers in the Philippines, with 70% of the suppliers and 100% of the contractors having undergone human rights screening.

**Greening our headquarters.** ADB's headquarters was completed in the late 1980s. It was designed for low impact on the environment through energy and resource efficiency, and improvements have been made since then to comply with Philippine laws and ISO 14001 standards.

To improve aesthetics, reduce energy consumption, provide a modest "carbon sink" for greenhouse gases, and enhance ambient air quality, ADB maintains well-landscaped grounds, roof gardens, and many indoor plants. The outdoor vegetation provides shade, absorbs heat and glare from the sun, reduces pollution, and protects the building from wind.

We also maintain a plant nursery to propagate seedlings collected from trees on our grounds. The seedlings are cultivated with compost from our garden wastes, and are periodically distributed for greening programs around Manila. In June 2006, during the celebration of World Environment Day, ADB donated 500 seedlings produced at our nursery to reforest the watershed area of La Mesa Dam, which supplies part of Metro Manila's water.

### Box 3.1: Using management tools to integrate sustainability

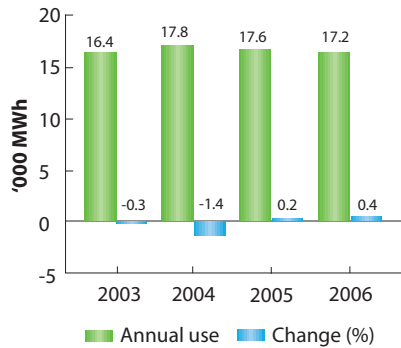


Amarjit S. Wasan, principal director of the Office of Administrative Services, addresses OAS on improving ADB's work environment.

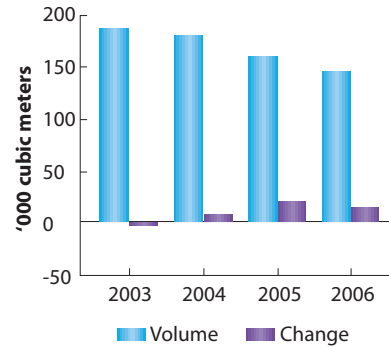
The Office of Administrative Services (OAS) is the focal point for implementing the environmental health and safety management system for the Asian Development Bank's staff and offices. Amarjit S. Wasan, principal director of OAS, notes that "in recent years OAS has adopted a number of management tools to better integrate sustainability into our business processes. We use the 'Balanced Scorecard' to establish our business goals, targets, and performance measures, and more recently have introduced service quality frameworks, such as 'SERVQUAL', to help us provide higher quality services.

"Through a continuous learning process, we are committed to searching for new ideas to improve services in a socially and environmentally responsible manner. We have also successfully used the 'Six Sigma' method to help reduce energy and paper consumption, significantly enhance the efficiency of our air-conditioning, and reduce postage expenses. We have established a quality assurance program ('Statistical Process Control') that helps keep the headquarters building and internal environment and all facilities in top shape."

**Figure 3.4. Electricity use at headquarters**



**Figure 3.5. Water consumption at headquarters**



**The “3Rs.”** ADB is committed to minimizing waste, and staff members are encouraged to reduce, reuse, and recycle at our headquarters. Through the process of ADB’s compliance with its ISO 14001 commitments, all staff and contractors receive briefings on the application of 3R principles.

**Resource conservation.** ADB’s Office of Administrative Services monitors and controls all environmental, occupational health, and safety aspects of the headquarters building and its facilities. The office also sets targets to manage resources, audits performance against targets and compliance with legal requirements, and establishes measures to mitigate risks to the health and safety of everyone on our premises. While we still have room for improvement, ADB has made good progress during the past several years in reducing our consumption of energy, water, and paper and other solid wastes.

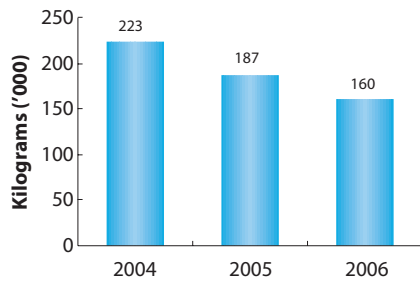
Recent measures to reduce consumption and use resources more efficiently have included

- ◆ improving our lighting systems;
- ◆ refitting our air conditioning system to use hydrofluorocarbon gas rather than ozone-depleting chlorofluorocarbon gas, and installing automatic cleaning equipment to increase efficiency; and
- ◆ maintaining good indoor air quality.

**Electricity.** ADB regularly monitors its energy use and maintains all equipment to maximize efficiency, minimize our impact on the environment, support the ADB-backed Philippine Clean Air Act, and minimize costs. Several measures have been introduced, including more energy efficient lighting. We also take every maintenance opportunity to upgrade our energy efficiency. For example, we recently replaced a major segment of roof with materials designed to reduce heat absorption and thereby the air conditioning requirements. From 2003 through 2006, we reduced our electricity consumption at our headquarters by about 4.1%, despite an increase in the number of people using our facilities (Figure 3.4). This translates directly into reduced emissions of greenhouse gases, since the electricity ADB purchases is primarily produced through burning fossil fuels.

**Water.** ADB purchases its water from sources that supply much of Metro Manila and environs. Our water conservation schemes successfully reduced consumption at headquarters by 26.4% from 2003 through 2006 (Figure 3.5). Since 2004, savings exceed \$25,000, despite a sharp increase in water prices. We assure that our water is potable through carbon filtration and chlorination, and regularly analyze the water for microbial content. All our effluent water is treated prior to release in the Metro Manila’s waste water system, to a standard above that required by the Clean Water Act of the Philippines.

Figure 3.6. Paper use



**Paper and printing.** ADB sources its paper from mills that have ISO 14001 or Forest Stewardship Council certificates. All our paper is chlorine free and uses post-consumer waste, and the percentage of recycled paper we use is increasing steadily.

We are strongly committed to minimizing our paper use through reducing, reusing, and recycling (Box 3.2). All paper printed on both sides is shredded and sold to paper recyclers, which in turn are audited by our Environmental, Health, and Safety Management team to ensure that the paper is properly recycled. We reduced our paper use by about 15% in 2005 and another 15% in 2006, with savings of more than \$62,000 for the 2 years (Figure 3.6). Paper consumption per staff member also has decreased substantially in recent years, falling from 40 reams in 2001 to 27 reams in 2006—a 33% improvement. Although we still have considerable room to



### Box 3.2. Conserving paper



The Asian Development Bank's (ADB) paper conservation activities include

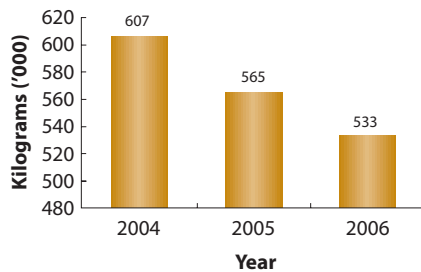
- ◆ the Paper Conservation Committee, which inspects paper use and posts reminders on printers and in copy centers;
- ◆ collaboration with ADB offices on paper use reduction and monitoring;
- ◆ use of compact disks and electronic files for selected publications;
- ◆ audit of monthly paper consumption per department to remind staff of reduction targets;
- ◆ posting of paper conservation reminders in the templates for facilities and service requests; and
- ◆ movement toward electronic forms, approvals, and dissemination of internal information.

improve, our use of recycled paper stood at 5% of total purchases in 2006.

We also are making progress with conserving resources in our printing activities, having phased out offset printing at our headquarters in favor of digital printing. This has mitigated potential environmental impacts on air and water caused by the chemical inks used in the offset process. Only 20% of our printing is outsourced. Service providers reclaim used toner cartridges from our copy centers as part of a manufacturer's "take back" agreement to lessen environmental impact.

**Solid and hazardous wastes.** To reduce our impact on the land, we carefully sort waste materials, recycle draft paper for in-house reuse

**Figure 3.7. Solid waste**



Note: This figure shows waste generated above 480,000 kilograms yearly

when possible, reuse envelopes and other office supplies, recycle food waste to livestock farms, and compost garden trimmings. Since 2004, we have reduced our solid waste by about 12% (Figure 3.7). Scrap materials, such as used boxes, cartons, newspapers, wood, and plastic, are sold to recyclers accredited by the Philippine Department of Environment and Natural Resources. Our generation of hazardous waste (used oil, paint cans, etc.) decreased by 60% from 2004 to 2005 after the introduction of several measures (Figure 3.8). We expect to continue improvements over time, with yearly fluctuations due to cyclical replacement patterns.

**Bringing in the light.** ADB's main headquarters building is constructed around two central atria, with our library housed below. The original coverings above the atria let in very little light—which was not conducive to a good work environment in interior offices and the library. To rectify the problem, and in direct response to staff requests, ADB embarked in 2005 and 2006 on an innovative and ambitious construction project that installed special mirrors that now bring in significantly more light.

**Breathing the air.** To improve the air quality in ADB's headquarters, air intakes for the air conditioning system were recently relocated to the roof. Part of our gains in electricity conservation are attributable to improved efficiency of the ventilation and air conditioning system, which now uses about 15% less power.



The new indoor air filtration system has reduced the levels of particulate matter to within United States Environmental Protection Agency standards; decreased the inflow of unfiltered air; improved oxygenation levels; and minimized the growth of potentially harmful mold, fungi, and bacteria. (Levels of both PM<sub>10</sub> and PM<sub>2.5</sub>—particulate matter below 10 and 2.5 microns—have been reduced.)

**ADB's greenhouse gas emissions.** We have not yet undertaken a comprehensive inventory of the greenhouse gas emissions from our corporate operations, and we do not yet have a dedicated program to reduce the emissions that contribute to global warming. However, our energy conservation activities are directly helping us to reduce these impacts, and many major conferences and events ADB sponsors now include provision for "offsetting" activities to make them "carbon neutral."

We are aware that the two activities causing the greatest greenhouse gas emissions from our corporate operations are our energy consumption at the Manila headquarters and our staff travel. In 2006, we consumed 17.2 thousand megawatt hours of electricity, which converts approximately to 8,000-12,000 tons of carbon dioxide equivalent (CO<sub>2</sub>-e)

### Box 3.3. Staff community involvement

E.V.A. Charity Foundation funds and runs projects to assist Aetas and other people displaced by the lasting effects of massive eruption of Mt. Pinatubo in 1991. The foundation's head and moving spirit is Jennifer Wallum M.B.E., wife of an ADB staff member. The images at top and center show Aeta children and a school being built by Aetas, funded by EVA. <http://www.evacf.org>

Kaibigan Ermita Outreach Foundation assists street children by providing shelter, training, counseling, and education. Robert Salamon M.B.E., former ADB staff member, is among Kaibigan's founders and has made invaluable to sustaining it through fund raising and active involvement. The image at bottom shows performers from Kaibigan. <http://www.skpev.de/index.php?l=e>

Both received the M.B.E. (Member of the British Empire) from Queen Elizabeth II in 1999 for their significant involvement in charity work in the Philippines.



emitted into the atmosphere, depending on the assumptions used. Annual energy consumption at ADB's Manila offices is only 130 kilowatt hours (kWh) per square meter, well below the accepted regional benchmark of 200 kWh for an energy-efficient building. For official business, our air travel of 24.2 million kilometers and land transport in the Philippines of 340,000 kilometers represent approximately 4,700 tons of CO<sub>2</sub>-e emissions into the atmosphere based on the average conversion rate of leading carbon offset providers.<sup>67</sup> We do not yet have in place any mechanism to offset these emissions. No account has been taken of the impacts from activities in our field offices, staff commuting, or other areas of potential impact.

**Securing our staff and facilities.** The current global insecurity means that ADB staff work in more difficult environments than previously. Therefore, we significantly improved security and safety at our headquarters in 2005 and 2006, with new reception centers and shatter resistant film on all exposed glass windows. To protect our staff working in the field, we

- ◆ coordinate with the United Nations for all security arrangements,
- ◆ have instituted a field security management system to help ensure that our staff can work in a safe and secure manner, and
- ◆ provide updated information on health and security threats to all travelers.

### Box 3.4. Projects of the Staff Community Fund



Among the many projects supported through the Staff Community Fund are a school serving children who live on a dumpsite in Manila (the main left image shows the children with members of the board of the staff community fund), a center for disabled children (inset), and centers for housing, educating, and training for street children (right).

## ADB and Our Community

With the many of staff consultants and service providers working at our headquarters, ADB is one of the largest employers in Metro Manila. ADB has a direct impact on Manila's economy through institutional procurement, payments for utilities and rent, and staff income spent locally. Businesses (hotels, restaurants, and shops) in ADB's immediate vicinity—the Ortigas Center—directly benefit from ADB's presence. We hold more than 100 international conferences, workshops, and seminars annually, attended by thousands of international guests.

Many of our employees, dependents, and retirees take an active role in their communities through volunteering (Box 3.3) and participating in staff- and dependent-driven initiatives.

In 1997, a group of employees founded the ADB Staff Community Fund (SCF) as a means of reaching out to some of the poorest and most vulnerable groups in the Metro Manila area.

The SCF set up a system to collect donations from staff each month, and collections are boosted by an annual fund-raising event at ADB headquarters. In 2005 and again in 2006, the SCF raised more than \$100,000 for local charities, and since its inception the SCF has contributed more than \$580,000 to about 60 NGOs (Box 3.4). More than 70% of SCF beneficiaries are children, who participate in a variety of educational, nutritional, and health care programs that the SCF sponsors. Other beneficiaries include the disabled, expectant mothers, and parents who require livelihood training. In addition, the SCF recently facilitated the collection of staff donations for victims of the Asian tsunami and a disastrous mud slide in the central Philippines. These donations helped rebuild orphanages, restart livelihoods, and build new homes in the affected areas.

Our staff and their dependents also contribute through the ADB Spouses Association. The

association, which has been active for more than 30 years, became a registered nonprofit organization in 2003. In 2006, it awarded more than \$21,000 to 10 charities and 13 schools, providing scholarships to 115 students.

The ADB Employee Multi-Purpose Cooperative established in 2004 its Social Fund to support

community initiatives and individuals in need. It has provided assistance for medical, burial, and educational expenses for those who cannot afford these services; and supports families displaced due to calamities and natural disasters.

## Further Reducing Our Corporate Environmental Footprint

In November 2006, ADB was pleased to achieve ISO 14001 and OHSAS 18001 recertification, confirming that our environment, health, and safety management systems comply with international standards. This also resulted in our establishing a fresh set of targets for continued quality improvement, and to guide many of our efforts in managing our corporate footprint over the next 3 years.

We are exploring the use of renewable energy (such as photovoltaic devices) for our headquarters facility, and we are seeking ways to incorporate such alternative energy sources into upgrades of our facilities. We have initiated talks with solar panel system integrators to study the feasibility of installing model units at ADB's headquarters. We are also exploring ways to further reduce our water consumption, and will begin recycling some of our water in 2007 for irrigating our grounds. By mid-2007, we expect to have a unit dedicated as a one-stop shop for organizing events within ADB.

Raising environmental awareness among event organizers and staff will be one of its core tasks.

We have made considerable effort to reduce the environmental footprint of our headquarters, and our attention is now turning to our field offices. The India Resident Mission has been separately certified under ISO 14001, and this step will be explored for other large field offices. Working from our experience with the headquarters facility, we will examine a range of areas where they can reduce their environmental footprints.

We have been striving to keep our greenhouse gas emissions as low as feasible by ensuring that our headquarters building is as energy efficient as possible, introducing videoconferencing to reduce air travel, and beginning the practice of purchasing carbon offsets to make our major conferences and workshops carbon neutral. We anticipate further efforts, including the introduction of better monitoring of emissions from our headquarters and field offices.

# ADB Sustainability Reporting

This first sustainability report prepared by ADB has provided an overview of our corporate and operational programs relevant to accepted sustainability reporting standards. It has also established a baseline against which we may measure future progress. We plan to update the material presented with new information on topics of current interest when warranted. We also welcome feedback on the report, which will help us identify opportunities for improving our operations, provide guidance to shape further reporting, and make the report as useful as possible to our many stakeholders. In keeping with the principle of materials conservation, we are making the report available principally in electronic form through our web site: [www.adb.org/Environment/sustainability-report.asp](http://www.adb.org/Environment/sustainability-report.asp)

Though we have found many of the Global Reporting Initiative reporting guidelines, which are oriented primarily to private corporations or commercial finance institutions, fit only loosely the structure and activities of our organization, we support the GRI's aims and efforts. Preparation of the report has been a useful documentation and learning exercise. As an organization devoted to reducing poverty and promoting development in Asia and the Pacific, ADB's policies and practices remain fully committed to the principle and practice of sustainability. We trust that this report will contribute both to improved understanding of ADB's goals and actions, as well as to the sustainable development of the Asia and Pacific region.



# Endnotes

## About the Report

- <sup>1</sup> <http://www.globalreporting.org/Home>  
<sup>2</sup> [http://www.re-set.it/documenti/1000/1800/1850/1856/brundtland\\_reportpdf.pdf](http://www.re-set.it/documenti/1000/1800/1850/1856/brundtland_reportpdf.pdf)  
<sup>3</sup> [sustainabilityreport@adb.org](mailto:sustainabilityreport@adb.org)

## Part 1: ADB and How It Works

- <sup>4</sup> <http://www.adb.org/About/bankprof.asp>  
<sup>5</sup> <http://www.adb.org/Documents/Manuals/Operations/default.asp?p=policies>  
<sup>6</sup> <http://www.adb.org/Development/policies.asp>  
<sup>7</sup> Georgia, the 67th member, joined ADB in February 2007.  
<sup>8</sup> <http://www.adb.org/AnnualMeeting/>  
<sup>9</sup> [http://www.adb.org/Documents/Reports/Charter/chap06.asp#article\\_27](http://www.adb.org/Documents/Reports/Charter/chap06.asp#article_27)  
<sup>10</sup> <http://www.adb.org/GOV/>  
<sup>11</sup> <http://www.adb.org/BOD/default.asp>  
<sup>12</sup> <http://www.adb.org/About/adb-management.asp>  
<sup>13</sup> <http://www.adb.org/About/field.asp>  
<sup>14</sup> [http://www.adb.org/Documents/Reports/Annual\\_Report/](http://www.adb.org/Documents/Reports/Annual_Report/)  
<sup>15</sup> [http://www.adb.org/Documents/reports/annual\\_report/2006/](http://www.adb.org/Documents/reports/annual_report/2006/)  
<sup>16</sup> <http://www.adb.org/ADF/default.asp>  
<sup>17</sup> <http://www.adb.org/JFPR/>  
<sup>18</sup> <http://www.adb.org/Water/Policy/default.asp>  
<sup>19</sup> <http://www.adb.org/Water/>  
<sup>20</sup> *Annual Report* pp. 39-40. [http://www.adb.org/Documents/Reports/Annual\\_Report/2006/default.asp](http://www.adb.org/Documents/Reports/Annual_Report/2006/default.asp)  
<sup>21</sup> <http://www.adb.org/Projects/cycle.asp>  
<sup>22</sup> <http://www.ADB.org/MfDR/>  
<sup>23</sup> [http://www.adb.org/Media\\_Articles/2006/10102-India-knowledge-hub/default.asp](http://www.adb.org/Media_Articles/2006/10102-India-knowledge-hub/default.asp)  
<sup>24</sup> <http://www.adb.org/Media/Articles/2006/10255-Philippines-knowledge-hub/>  
<sup>25</sup> <http://www.adb.org/Media/Articles/2006/10387-regional-knowledge-hub/default.asp>  
<sup>26</sup> <http://www.adb.org/Media/Articles/2006/10870-regional-knowledge-hub/default.asp>  
<sup>27</sup> <http://www.adbi.org/>  
<sup>28</sup> <http://www.adb.org/ERD/>  
<sup>29</sup> <http://www.adb.org/OREI/>  
<sup>30</sup> <http://www.adb.org/disclosure/>  
<sup>31</sup> <http://www.adb.org/About/management.asp>  
<sup>32</sup> <http://www.adb.org/SPF/>  
<sup>33</sup> [http://www.adb.org/Documents/Policies/ADB\\_Accountability\\_Mechanism/](http://www.adb.org/Documents/Policies/ADB_Accountability_Mechanism/)  
<sup>34</sup> <http://adb.org/Integrity>  
<sup>35</sup> Summarized at <http://www.adb.org/Integrity/list.asp?fld=0&srt=1>  
<sup>36</sup> See para. 13 of the Integrity Guidelines and Procedures, at <http://www.adb.org/Documents/Guidelines/Inegrity-Guidelines-Procedures/default.asp?p=antipubs>.

## Part 2: Spotlight on the Environment, Social Development, and Governance

- <sup>37</sup> <http://www.adb.org/Environment/default.asp>  
<sup>38</sup> <http://www.adb.org/urbandev/faqs.asp>  
<sup>39</sup> <http://www.adb.org/Water/Policy.asp>  
<sup>40</sup> <http://www.adb.org/Documents/Policies/Environment/default.asp>  
<sup>41</sup> [http://www.adb.org/Documents/Policies/Indigenous\\_Peoples/default.asp](http://www.adb.org/Documents/Policies/Indigenous_Peoples/default.asp)  
<sup>42</sup> [http://www.adb.org/Documents/Policies/Involuntary\\_Resettlement/default.asp](http://www.adb.org/Documents/Policies/Involuntary_Resettlement/default.asp)

- <sup>43</sup> [http://www.adb.org/Documents/Policies/Disaster\\_Emergency/default.asp](http://www.adb.org/Documents/Policies/Disaster_Emergency/default.asp)
- <sup>44</sup> <http://www.adb.org/Documents/Books/ADO/2003/update/sars.pdf> -
- <sup>45</sup> [http://www.adb.org/Documents/EDRC/Policy\\_Briefs/PB042.pdf](http://www.adb.org/Documents/EDRC/Policy_Briefs/PB042.pdf)
- <sup>46</sup> <http://solutions.marsh.com/pandemic/documents/avianflu20051228.pdf>
- <sup>47</sup> <http://www.adb.org/HIV-AIDS/default.asp>
- <sup>48</sup> <http://www.adb.org/Documents/Policies/Governance/default.asp?p=policies>
- <sup>49</sup> <http://www.adb.org/Documents/Policies/Anticorruption/default.asp>
- <sup>50</sup> <http://www.adb.org/Governance/Review/default.asp>
- <sup>51</sup> <http://www.adb.org/Documents/Policies/Governance/GACAP-II.pdf>
- <sup>52</sup> <http://www.adb.org/Projects/project.asp>
- <sup>53</sup> [http://www.oecd.org/pages/0,2966,en\\_34982156\\_34982385\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/pages/0,2966,en_34982156_34982385_1_1_1_1_1,00.html)
- <sup>54</sup> <http://www.adb.org/Projects/e-toolkit/default.asp>
- <sup>55</sup> <http://www.citizenreportcard.com>

- <sup>56</sup> <http://www.acig.com.au/toolkit>
- <sup>57</sup> <http://www.intanbk.intan.my/napsipag/>
- <sup>58</sup> <http://www.adb.org/Documents/books/Role-Public-Admin-Building-Harmonious-Society/default.asp>
- <sup>59</sup> <http://www.adb.org/Documents/Guidelines/strengthening-participation-for-dev/default.asp>
- <sup>60</sup> <http://www.adb.org/NGOs/>
- <sup>61</sup> <http://www.adb.org/NGOs/Grants/hiv-aids-grant.asp>
- <sup>62</sup> <http://www.partnershipfortransparency.info>
- <sup>63</sup> <http://www.ngobiz.org>

### **Part 3: ADB's Corporate Footprint**

- <sup>64</sup> <http://www.adb.org/ReformAgenda/documents/improved-hr.pdf>
- <sup>65</sup> <http://www.iso.org>
- <sup>66</sup> <http://www.OHSAS-18001-occupational-health-and-safety.com>
- <sup>67</sup> <http://www.ghgprotocol.org/templates/GHG5/layout.asp?type=MenuID=849>

# Appendix

## Index to the Global Reporting Initiative Indicators



# Index to the Global Reporting Initiative Indicators

GRI Number	Content	Location	Reporting Status	Links
<b>1.</b>	<b>Report content, quality, and boundary</b>			
1.1	Defining report content	Intro	PR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
1.2	Principles for reporting quality	Intro	PR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
1.3	Boundary setting	Intro	PR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
<b>2.</b>	<b>Standard disclosures</b>			
<b>2.1</b>	<b>Strategy and analysis</b>			
2.1.1	Statement from most senior decision maker	—	N4	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
2.1.2	Description of key impacts, risks, and opportunities	1	PR	<a href="http://www.adb.org/Documents/Reports/Annual_Report/2006/">www.adb.org/Documents/Reports/Annual_Report/2006/</a>
2.1.2.a.	Key impacts on sustainability and effects on stakeholders	1, 2, 3	PR	<a href="http://www.adb.org/Documents/Reports/Annual_Report/2006/">www.adb.org/Documents/Reports/Annual_Report/2006/</a>
2.1.2.b.	Impacts of sustainability trends, risks, and opportunities on long-term prospects	1, 2, 3	PR	<a href="http://www.adb.org/Documents/Reports/Annual_Report/2006/">www.adb.org/Documents/Reports/Annual_Report/2006/</a>
<b>2.2</b>	<b>Organizational profile</b>			
2.2.1	Name of the organization	1	FR	<a href="http://www.adb.org">www.adb.org</a>
2.2.2.	Primary brands, products, services	1	FR	<a href="http://www.adb.org/About/Finance/default.asp">www.adb.org/About/Finance/default.asp</a> ; <a href="http://www.adb.org/About/bankprof.asp">www.adb.org/About/bankprof.asp</a>
2.2.3.	Operational structure	1	FR	<a href="http://www.adb.org/About/ADB_Organization_Chart_pdf">www.adb.org/About/ADB_Organization_Chart_pdf</a>
2.2.4.	Location of headquarters	1, 3	FR	<a href="http://www.adb.org/About/">www.adb.org/About/</a>
2.2.5.	Number of countries of operations	1	FR	<a href="http://www.adb.org/About/">www.adb.org/About/</a>
2.2.6.	Nature of ownership and legal form	1	FR	<a href="http://www.adb.org/About/organization.asp">www.adb.org/About/organization.asp</a>
2.2.7.	Markets served	1	FR	<a href="http://www.adb.org/About/organization.asp">www.adb.org/About/organization.asp</a>
2.2.8.	Scale of organization	1, 3	FR	<a href="http://www.adb.org/About/">www.adb.org/About/</a>
2.2.8.a	Number of employees	1, 3	FR	<a href="http://www.adb.org/About/glance.asp">www.adb.org/About/glance.asp</a>
2.2.8.b.	Net sales	1	FR	<a href="http://www.adb.org/About/Documents/reports/operations/2006/default.asp">www.adb.org/About/Documents/reports/operations/2006/default.asp</a>
2.2.8.c.	Total capitalization, in debt and equity	1	FR	
2.2.8.d.	Quantity of products and services provided	1	FR	<a href="http://www.adb.org/About/Documents/reports/operations/2006/default.asp">www.adb.org/About/Documents/reports/operations/2006/default.asp</a>

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## Appendix continued

GRI Number	Content	Location	Reporting Status	Links
2.2.9.	Significant changes (location, share capital structure)	—	N4	—
2.2.10.	Awards received during the reporting period	3	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
<b>3.</b>	<b>Report parameters: Report profile</b>			
3.1.	Reporting period	About	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.2.	Date of most recent report	—	NA	—
3.3.	Reporting cycle	About	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.4.	Contact point for questions on the report	Back Cover	FR	<a href="mailto:sustainabilityreport@adb.org">sustainabilityreport@adb.org</a>
	<b>Report parameters: Report scope and boundary</b>			
3.5.	Process for defining report content, including	About	PR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.5.a.	Materiality	About	PR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.5.b.	Prioritization of topics in the report	About	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.5.c.	Identification of stakeholders that will use the report	Abt,I	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.6.	Boundary (countries, etc.)	1, Map	FR	<a href="http://www.adb.org/About/">www.adb.org/About/</a>
3.7.	Specific limitations on scope and boundary	About	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
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	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
3.10.	Explanations of restatements from earlier reports	—	NA	—
3.11.	Significant changes from previous reporting periods	—	NA	—
	<b>Report parameters: GRI content index</b>			
3.12.	Table with location of standard disclosures in the report	Appendix	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
	<b>Report parameters: Assurance</b>			
3.13.	Policy and practice regarding seeking external assurance for report content	—	NA	—
<b>4.</b>	<b>Governance, commitments, and engagement</b>			
	<b>Governance</b>			
4.1.	Governance structure of the organization	1	FR	<a href="http://www.adb.org/About/bankprof.asp">www.adb.org/About/bankprof.asp</a>
4.2.	Whether the chair of the highest body is also the chief executive officer, and, if so, why	1	FR	<a href="http://www.adb.org/About/bankprof.asp">www.adb.org/About/bankprof.asp</a>
4.3.	Number of board members that are independent or nonexecutive	1	FR	<a href="http://www.adb.org/About/bankprof.asp">www.adb.org/About/bankprof.asp</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
4.4.	Mechanism for shareholders and employees to provide recommendations to the highest governance body	1, 3	FR	<a href="http://www.adb.org/About/bankprof.asp">www.adb.org/About/bankprof.asp</a> ; <a href="http://www.adb.org/Employment/wrkplace.asp">www.adb.org/Employment/wrkplace.asp</a>
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	<a href="http://www.adb.org/OAG/default.asp">www.adb.org/OAG/default.asp</a>
4.7.	Process for determining qualifications of members of the highest governance body	—	NA	<a href="http://www.adb.org/GOV/">www.adb.org/GOV/</a> <a href="http://www.adb.org/Employment/wrkplace.asp">www.adb.org/Employment/wrkplace.asp</a>
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	<a href="http://www.adb.org/Documents/Policies/Anticorruption/anticorrupt503.asp">www.adb.org/Documents/Policies/Anticorruption/anticorrupt503.asp</a>
4.9.	Procedures of the highest governance body for overseeing the organization; frequency with which it assesses sustainability performance	1	PR	<a href="http://www.adb.org/GOV/default.asp">www.adb.org/GOV/default.asp</a> , <a href="http://www.adb.org/BOD/default.asp">www.adb.org/BOD/default.asp</a>
4.10.	Processes for evaluating the highest governance body's performance	—	NA	—
<b>Commitments to external initiatives</b>				
4.11.	Whether and how the precautionary approach is addressed	2	FR	<a href="http://www.adb.org/safeguards/">www.adb.org/safeguards/</a>
4.12.	Externally developed charters, principles, etc. to which the organization subscribes.	1, 2, 3	PR	<a href="http://www.adb.org/adb.org/poverty/mdgs.asp">www.adb.org/adb.org/poverty/mdgs.asp</a> <a href="http://www.adb.org/mfdr/">www.adb.org/mfdr/</a>
4.13.	Membership in associations	1, 2, 3	PR	<a href="http://www.adb.org/ReformAgenda/documents/Harmonization-Alignment.pdf">www.adb.org/ReformAgenda/ documents/ Harmonization-Alignment.pdf</a> <a href="http://www.adb.org/Documents/Periodicals/NGO_Newsletters/">www.adb.org/Documents/Periodicals/ NGO_Newsletters/</a>
<b>Stakeholder engagement</b>				
4.14.	List of stakeholders engaged by the organization	2	PR	<a href="http://www.adb.org/About/members.asp">www.adb.org/About/members.asp</a> , <a href="http://www.adb.org/Cofinancing/funding_agencies.asp">www.adb.org/Cofinancing/funding_ agencies.asp</a> , <a href="http://www.adb.org/NGOs/ngocenter.asp">www.adb.org/NGOs/ ngocenter.asp</a>
4.15.	Basis for identification and selection of stakeholders with whom to engage	Abt, 1	FR	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability- Report.asp</a>
4.16.	Approaches to stakeholder engagement; frequency of engagement by type of stakeholder	1, 2, 3	PR	<a href="http://www.adb.org/GOV/default.asp">www.adb.org/ GOV/default.asp</a> , <a href="http://www.adb.org/BOD/default.asp">www.adb.org/ BOD/default.asp</a> , <a href="http://www.adb.org/Documents/CSPs/default.asp">www.adb.org/ Documents/CSPs/default.asp</a> , <a href="http://www.adb.org/NGOs/ngocenter.asp">www.adb.org/NGOs/ngocenter.asp</a>
4.17.	Key topics and concerns raised through stakeholder engagement, and how the organization has responded	1, 2	PR	<a href="http://www.adb.org/spf/www.adb.org/Accountability-Mechanism/">www.adb.org/spf/www.adb.org/ Accountability-Mechanism/</a>

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## Appendix continued

GRI Number	Content	Location	Reporting Status	Links
<b>5.</b>	<b>Management approach and performance indicators</b>			
	<b>Economic performance indicators: Economic performance</b>			
EC1	Direct economic value generated and distributed, including revenues, employee compensation...	1	PR	<a href="http://www.adb.org/Finance/default.asp">www.adb.org/Finance/default.asp</a>
EC2	Financial implications and other risks and opportunities due to climate change	2	PR	<a href="http://www.adb.org/Documents/news/2003/nr2003163.asp">www.adb.org/Documents/news/2003/nr2003163.asp</a> , <a href="http://www.adb.org/Clean-Energy/default.asp">www.adb.org/Clean-Energy/default.asp</a>
EC3	Coverage of defined benefit plan obligations	—	N3	—
EC4	Significant financial assistance received from government	1	PR	<a href="http://www.adb.org/Documents/Reports/Annual_Report/2006/">www.adb.org/Documents/Reports/Annual_Report/2006/</a> , <a href="http://www.adb.org/OCO/default.asp">www.adb.org/OCO/default.asp</a>
	<b>Economic performance indicators: Market presence</b>			
EC5	Standard entry level wage compared to local minimum wage	—	N3	<a href="http://www.adb.org/Employment/benefits.asp">www.adb.org/Employment/benefits.asp</a>
EC6	Policy, practices, and proportion of spending on locally based suppliers	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EC7	Procedures for local hiring and proportion of senior management from the local community	3	PR	<a href="http://www.adb.org/Employment/Local/default.asp">www.adb.org/Employment/Local/default.asp</a> , <a href="http://www.adb.org/Employment/benefits.asp">www.adb.org/Employment/benefits.asp</a>
	<b>Economic performance indicators: Indirect economic impact</b>			
EC8	Development and impact of infrastructure investments and services provided for public benefit	1, 2	PR	<a href="http://www.adb.org/Documents/Reports/Annual_Report/2006/">www.adb.org/Documents/Reports/Annual_Report/2006/</a>
EC9	Understanding and describing significant indirect impacts	2	PR	<a href="http://www.adb.org/Documents/Reports/Annual_Report/2006/">www.adb.org/Documents/Reports/Annual_Report/2006/</a>
	<b>Environmental performance indicators: Materials</b>			
EN1	Materials used by weight or volume	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN2	Percent of materials used that are recycled input materials	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
	<b>Environmental performance indicators: Energy</b>			
EN3	Direct energy consumption by primary energy source	3	FR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN4	Indirect energy consumption by primary energy source	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN5	Energy saved due to conservation and efficiency improvements	3	FR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN6	Initiatives to provide energy efficient or renewable energy-based products and services, and resulting reductions in energy requirements	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>

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## Appendix continued

GRI Number	Content	Location	Reporting Status	Links
<b>Environmental performance indicators: Water</b>				
EN8	Water withdrawal by source	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN9	Water sources significantly affected by withdrawal by source	3	NA	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN10	Percentage and volume of water recycled and reused	3	N2	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
<b>Environmental performance indicators: Biodiversity</b>				
EN11	Location and size of land owned, etc. in or near protected areas	—	N4	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN12	Significant impacts on biodiversity in protected areas and of high biodiversity value outside such areas	2	PR	<a href="http://www.adb.org/Environment/default.asp">www.adb.org/Environment/default.asp</a>
EN13	Habitats protected or restored	2	PR	<a href="http://www.adb.org/Environment/default.asp">www.adb.org/Environment/default.asp</a>
EN14	Strategies, actions, and plans for managing impacts on biodiversity	2	PR	<a href="http://www.adb.org/Environment/default.asp">www.adb.org/Environment/default.asp</a>
EN15	Number of IUCN Red List species, etc. with habitats in areas affected by operations, and level of risk	2	PR	<a href="http://www.adb.org/Environment/default.asp">www.adb.org/Environment/default.asp</a>
<b>Environmental performance indicators: Emissions, effluents, and waste</b>				
EN16	Direct and indirect greenhouse gas emissions by weight and volume	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN17	Other relevant greenhouse gas emissions by weight	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN19	Emissions of ozone-depleting substances by weight	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN20	NO, SO, and other significant air emissions by type and weight	—	NA	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN21	Water discharge by quality and destination	3	PR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN22	Weight of waste by type and disposal method	3	FR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN23	Number and volume of significant spills	—	NA	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN24	Weight of transported hazardous waste	3	FR	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
EN25	Water bodies and related habitats significantly affected by water discharges and runoff	—	NA	<a href="http://www.adb.org/OAS/default.asp">www.adb.org/OAS/default.asp</a>
<b>Environmental performance indicators: Products and services</b>				
EN26	Initiatives to mitigate environmental impacts, and extent of mitigation	3	FR	<a href="http://www.adb.org/Environment/default.asp">www.adb.org/Environment/default.asp</a>
EN27	Percentage of products sold and their packaging materials that are reclaimed	—	NA	—
<b>Environmental performance indicators: Compliance</b>				
EN28	Monetary value of significant fines for noncompliance	—	NA	—

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## Appendix continued

GRI Number	Content	Location	Reporting Status	Links
<b>Environmental performance indicators: Transport</b>				
EN29	Significant environmental impacts of transporting products, etc.	—	NA	—
<b>Environmental performance indicators: Transport</b>				
EN30	Environmental protection expenditures and investments by type	—	PR	<a href="http://www.adb.org/Environment/default.asp">www.adb.org/Environment/default.asp</a>
<b>Labor practices and decent work: Employment</b>				
LA1	Workforce by employment type, contract, and region	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA2	Number and rate of turnover by age group, gender, and region	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA3	Benefits provided to full-time employees that are not provided to other employees	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Labor practices and decent work: Labor-management relations</b>				
LA4	Percentage of employees covered by collective bargaining agreements	—	NA	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA5	Minimum notice periods regarding operational changes	—	NA	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Labor practices and decent work: Occupational health and safety</b>				
LA6	Percentage of workforce represented in formal joint management-worker health and safety committees	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA7	Rates of injury, occupational diseases, absenteeism	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA8	Education, etc. programs to assist employees, their families, or community members regarding serious disease	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA9	Health and safety topics covered in formal agreements with trade unions	—	NA	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Labor practices and decent work: Training and education</b>				
LA10	Average hours of training/year/employee by employee category	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA11	Programs for skills management, lifelong learning, and support for continued employability	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA12	Percentage of employees receiving regular performance and career development reviews	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Labor practices and decent work: Diversity and equal opportunity</b>				
LA13	Composition of governance bodies and breakdown of employees per category by age, gender, minority group membership, etc.	1, 3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
LA14	Ratio of basic salary of men to women by employee category	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>

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Appendix continued

GRI Number	Content	Location	Reporting Status	Links
<b>Human rights: Investment and procurement practices</b>				
HR1	Percentage and number of significant investment agreements that include human rights clauses or screening	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	3	PR	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a> , <a href="http://www.adb.org/Environment/">www.adb.org/Environment/</a>
HR3	Hours of employee training on human rights relevant to operations, and percentage of employees trained	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Human rights: Nondiscrimination</b>				
HR4	Number of incidents of discrimination and action taken	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Human rights: Freedom of association and collective bargaining</b>				
HR5	Operations identified in which this right might be significantly at risk, and actions taken to support this right	—	N4	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Human rights: Child labor</b>				
HR6	Operations identified in which this right might be significantly at risk, and actions taken to support elimination of child labor	—	N4	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Human rights: Forced and compulsory labor</b>				
HR7	Operations identified in which this right might be significantly at risk, and actions taken to support elimination of child labor	—	N4	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Human rights: Security practices</b>				
HR8	Percentage of security personnel trained in the organization's human rights policies relevant to operations	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
<b>Human rights: Security practices</b>				
HR9	Number of incidents involving rights of indigenous people and actions taken	2	N4	<a href="http://www.adb.org/Documents/Policies/Indigenous_Peoples/default.asp">www.adb.org/Documents/Policies/Indigenous_Peoples/default.asp</a>
<b>Society: Community</b>				
SO1	Nature, scope, and effectiveness of programs that assess and manage impacts of operations on communities	3	PR	<a href="http://www.adb.org/Safeguards/policy.asp">www.adb.org/Safeguards/policy.asp</a>
<b>Society: Corruption</b>				
SO2	Percentage and number of business units analyzed for risks related to corruption	2	PR	<a href="http://www.adb.org/OAG/default.asp">www.adb.org/OAG/default.asp</a>

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## Appendix continued

GRI Number	Content	Location	Reporting Status	Links
SO3	Percentage of employees trained in the organization's anticorruption policies and procedures	—	N3	<a href="http://www.adb.org/BPMSD/default.asp">www.adb.org/BPMSD/default.asp</a>
SO4	Actions taken in response to incidents of corruption	2	FR	<a href="http://www.adb.org/OAG/default.asp">www.adb.org/OAG/default.asp</a> <a href="http://www.adb.org/Accountability-Mechanism/">www.adb.org/Accountability-Mechanism/</a>
<b>Society: Public policy</b>				
SO5	Public policy positions and lobbying	—	NA	—
SO6	Value of contributions to political parties and politicians	—	NA	—
<b>Society: Anticompetitive behavior</b>				
SO7	Number of legal actions for anticompetitive behavior, etc.	—	NA	<a href="http://www.adb.org/OAG/default.asp">www.adb.org/OAG/default.asp</a>
<b>Society: Compliance</b>				
SO8	Monetary value of significant fines and number of sanctions	—	N4	—
<b>Product responsibility: Customer health and safety</b>				
PR1	Life cycle stages at which health and safety impacts of products and services are assessed for improvement	2	NA	<a href="http://www.adb.org/Environment/Sustainability-Report.asp">www.adb.org/Environment/Sustainability-Report.asp</a>
PR2	Number of incidences of noncompliance with regulations and voluntary codes	2	NA	<a href="http://www.adb.org/OAG/default.asp">www.adb.org/OAG/default.asp</a>
<b>Product responsibility: Product and service labeling</b>				
PR3	Type of information required	—	NA	—
PR4	Incidents of noncompliance	—	NA	—
PR5	Practices related to customer satisfaction, including results of surveys	—	NA	<a href="http://www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/ADB-Report.pdf">www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/ADB-Report.pdf</a>
<b>Product responsibility: Marketing communications</b>				
PR6	Programs for adherence to laws, etc. related to marketing	—	NA	—
PR7	Incidents of noncompliance	—	NA	<a href="http://www.adb.org/Accountability=Mechanism/">www.adb.org/Accountability=Mechanism/</a>
<b>Product responsibility: Customer privacy</b>				
PR8	Number of substantiated complaints regarding breach of customer privacy	—	NA	—
PR9	Product responsibility: Compliance Monetary value of significant fines for noncompliance with laws and regulations concerning products	—	N4	—

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# Abbreviations and Acronyms

3R	reduce, reuse, and recycle	MDG	millennium development goal
ADB	Asian Development Bank	NGO	nongovernment organization
ADF	Asian Development Fund	OCR	ordinary capital resources
ASEAN	Association of Southeast Asian Nations	OECD	Organisation for Economic Co- operation and Development
CAI-Asia	Clean Air Initiative for Asian Cities	OHSAS	Occupational Health and Safety Advisory Services
CO <sub>2</sub> -e	carbon dioxide equivalent	PM	particulate matter
CPS	country partnership strategy	SARS	severe acute respiratory syndrome
CSO	civil society organization	SCF	Staff Community Fund
FAO	Food and Agriculture Organization	UNEP	United Nations Environment Programme
GMS	Greater Mekong Subregion	UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
GRI	Global Reporting Initiative	WHO	World health Organization
HIV/AIDS	human immunodeficiency virus/ acquired immunodeficiency syndrome		
ICT	information and communications technology		
ISO	International Organization for Standardization		

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## Images

Notes:

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l=left, r=right, t=top, c=center.

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## About this Sustainability Report

This first Sustainability Report of the Asian Development Bank (ADB) offers easily accessible 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 such, the report provides background on ADB's mandate and structures and highlights its activities in the areas of environmental management, social development, and governance.

The report also documents ADB's efforts to minimize its corporate environmental footprint, especially at its Manila headquarters.

The content of the report responds to the latest guidelines of the Global Reporting Initiative, while adapting to the particular characteristics of ADB's work and the multiple audiences interested in the information presented.

## About the Asian Development Bank

The work of the Asian Development Bank (ADB) is aimed at improving the welfare of the people in Asia and the Pacific, particularly the nearly 1.9 billion who live on less than \$2 a day. Despite many success stories, Asia and the Pacific remains home to more than two thirds of the world's poor. ADB is a multilateral development finance institution owned by 67 members, 48 from the region and 19 from other parts of the globe. ADB's vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their citizens.

ADB's main instruments for providing help to its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. ADB's annual lending volume is typically about \$6 billion, with technical assistance usually totaling about \$780 million a year.

ADB's headquarters is in Manila. It has 28 offices around the world and about 2,400 employees from over 50 countries.

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