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# ROLE OF THE BOARD OF DIRECTORS AND THE OFFICE OF THE SECRETARY

by  
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The logo of the Asian Development Bank (ADB) is displayed in white serif font on a black rectangular background. The letters 'A', 'D', and 'B' are large and bold, with the 'D' being the largest and most prominent.

# Outline of the Presentation

- History
- ADB Membership
- Overall ADB Organizational Structure
- ADB Board and Management
- Role of the Office of the Secretary (OSEC)
- Board Business Activities and Processes
- Discussion (Q&A)

# History

# The ADB Charter

- The Agreement Establishing the Asian Development Bank
- Serves as the institution's constitution
- An International Treaty

## 22 August 1966

- Letter of Agreement came into force

## 24 to 26 November 1966

- Inaugurating Governors met in Tokyo Prince Hotel
- Signed the ADB Charter (as an international treaty)
- Adopted other constitutive documents

# International Financial Institutions (IFIs)/

## Regional Development Banks (RDBs)

### World Bank Group

- IBRD (1946)
- IFC (1958)
- IDA (1960)
- MIGA (1988)

IMF (1947)

EIB (1958)

IADB (1959)

AfDB (1963)

ADB (1966)

EBRD (1990)

# The ADB Charter

## Article 1- Purpose

- To foster economic growth and co-operation in the Asian and Pacific Region; and
- To contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually.

# The ADB Charter

## Article 2 - Functions

- To promote investment in the region of public and private capital for development purposes;
- To utilize the resources at its disposal for financing development of developing member countries (DMCs), and having special regard to the needs of the smaller or less developed countries in the region.

# Other Basic Documents of ADB

- By-Laws (second in order of legal importance)
- Rules of Procedure of the Board of Governors
- Rules of Procedure of the Board of Directors
- Headquarters Agreement

# ADB Membership

# Shareholders

- Owned by 67 members
- 48 regional, 19 nonregional
- Japan and United States are the largest

# Shareholding and Voting Power

<u>Member</u>	<u>Shareholding (%)</u>	<u>Voting Power (%)</u>
Japan	15.6	12.8
United States	15.6	12.8
PRC	6.4	5.4
India	6.3	5.4
Australia	5.8	4.9
Indonesia	5.4	4.6
Canada	5.2	4.5
Korea, Rep. of	5.0	4.3
Germany	4.3	3.8
Malaysia	2.7	2.5

Figures are rounded off

ADB Membership

**ADB**

# Types of ADB Member

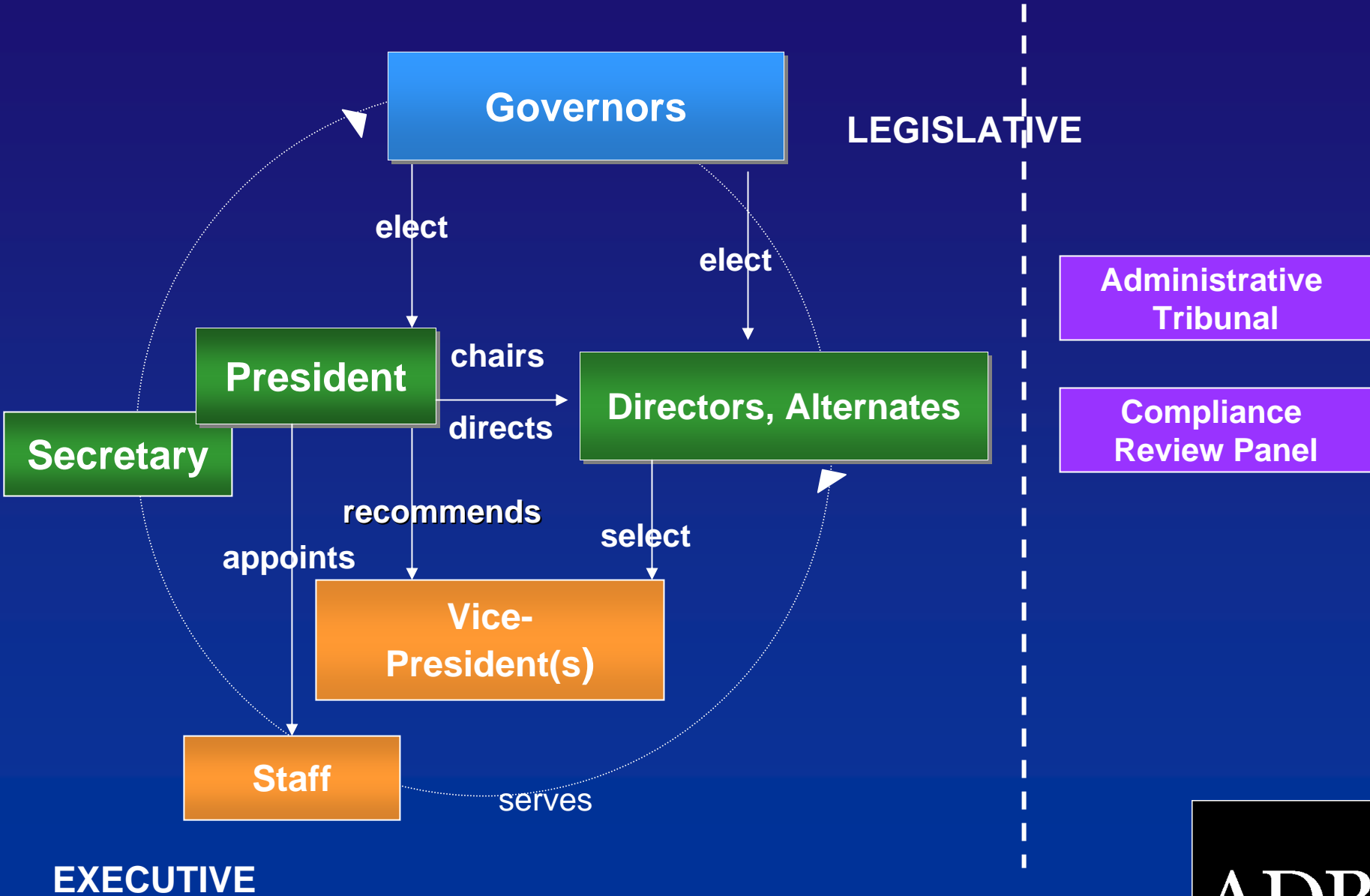
## Regional

- Developing Member Countries (DMCs) (41)
- Developed Member Countries (7)

## Non-Regional

- Developed Member Countries (19)

# Overall ADB Organizational Structure



# **ADB Board and Management**

# Board of Governors

- ADB's highest policy-making body
- Vested with all powers of ADB
- Delegates a part of power to the Board of Directors
- One Governor and one Alternate Governor appointed by each member country
- Meets annually (Annual Meeting)
- Governors elect the 12 members of the Board of Directors (BOD).

# ADB Board of Directors

## Director

## Members Represented

PHIL BOWEN

Australia; Azerbaijan; Cambodia; Federated States of Micronesia; Georgia; Hong Kong, China; Kiribati; Nauru; Palau; Solomon Islands; Tuvalu

HOWARD BROWN

Canada; Denmark; Finland; Ireland; The Netherlands; Norway; Sweden

CURTIS S. CHIN

United States

MD. SAAD HASHIM

Brunei Darussalam; Malaysia; Myanmar; Nepal; Singapore; Thailand

MARITA MAGPILI-JIMENEZ

Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines; Timor-Leste

KYUNG-HOH KIM

Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam

ASHOK K. LAHIRI

Afghanistan; Bangladesh; Bhutan; India; Lao People's Democratic Republic; Tajikistan; Turkmenistan

MASAKI OMURA

Japan

SEBASTIAN PAUST

Austria, Germany, Luxembourg, Turkey; United Kingdom

PATRICK PILLON

Belgium; France; Italy; Portugal; Spain; Switzerland

CEPPIE K. SUMADILAGA

Cook Islands; Fiji Islands; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga

WENCAI ZHANG

People's Republic of China

ADB Board and  
Management

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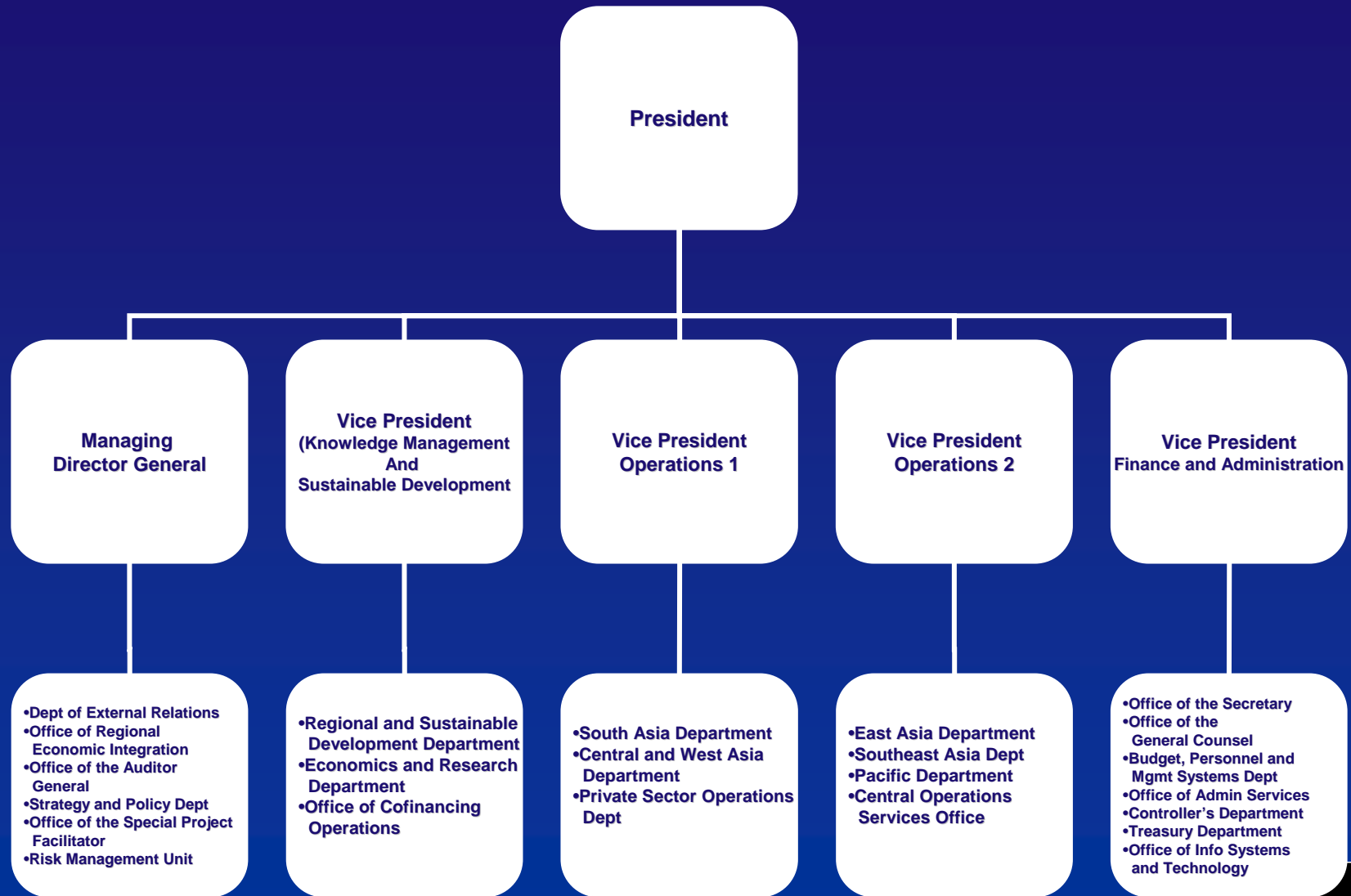
# Role of the Board of Directors

- Responsible for the direction of ADB's general operations
- Major Powers
  - Approves loans, guarantees, equity investments and TAs
  - Endorses policies/strategies
  - Approves the administrative budget
  - Submits the financial accounts to the BOG

# Management

- ADB President is elected by Board of Governors and is chairperson of the Board of Directors.
- Vice-Presidents are appointed by the Board of Directors on the recommendation of the President (one of them will be ranking VP).
- Staff are appointed by the President.

# Management Structure



# **Office of the Secretary (OSEC) and Role of The Secretary**

## **A. Combines the Responsibilities of a Corporate Secretary and Secretary of Foreign Relations**

- The Secretary of the ADB
- The Secretary to the Board of Governors (BOG)
- The Secretary to the Board of Directors (BOD)

## **B. Facilitator of Shareholders and Management Relations**

- Principal counselor to the President on matters relating to ADB relationships with shareholders
- Assists Board Members to communicate their concerns to President
- Focal point for communication with BOG and BOD

## C. Intermediary of Communication

- Maintains appropriate standard for communication with the BOD
- Ensures documents to BOD are complete and consistent
- Ensures documents comply with the disclosure policy
- Ensures documents pass through the appropriate channels

## **D. Managing the Electoral Process**

- Election or reelection of the President
- Election of the Board of Directors
- President's appointment and assumption of office
- Selection process and appointment of Vice-Presidents

## **E. Supporting Corporate Decision Making**

- Meetings of the Board of Governors and Board of Directors
- Donors' meetings on the replenishment of the Asian Development Fund (ADF)
- Retreats involving the Board of Directors and the Management

## F. Supporting the Committees of the Board of Directors

- Audit Committee
- Budget Review Committee
- Development Effectiveness Committee
- Ethics Committee

## **G. ADB Membership**

- The Board of Governors has the authority to admit new members to ADB, determine the conditions of admission and suspend members.
- OSEC manages all issues related to membership in ADB.

# Others

**H. Quality Control of Documents**

**I. Depository of Documents**

**J. Support to the Administrative Tribunal**

**K. Administrator of Remuneration and  
Travel**

**L. Protocol**

## A. Board Activities

- Formal Board Meetings
  - Board Committee Meetings
    - ❑ Audit Committee of the Board
    - ❑ Board Compliance Review Committee
    - ❑ Budget Review Committee
    - ❑ Development Effectiveness Committee
    - ❑ Ethics Committee
    - ❑ Two other Committees with Board participation
      - Annual Report Working Group
      - Pension Committee
    - ❑ Role of OSEC in all Committees
  - Informal Board Meetings
  - Informal Board seminars
  - Annual Meeting of Board of Governors
  - Board Group Visits
- B. Board Approval**
- C. Board Meetings (for Items requiring discussion)**
- D. Board Documents**

# Board Business Activities and Processes

- A. Board activities
- B. Board approval
- C. Board meetings
- D. Board documents

## A. Board Activities

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# A. Board Activities

## Formal Board Activities

Corporate oversight responsibilities, including

- Appointment of VPs and approval of VP salary
- Annual Report and Financial Statements
- New membership resolutions
- Inspection Function recommendations
- Other financial and administrative policies and programs (e.g. staff salaries/benefits, net income allocation, liquidity policy, borrowing program, new resident missions, etc.)

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# A. Board Activities

## Formal Board Meetings

- Overall business planning and budgeting
- Long-term Strategic Framework, Medium Term Strategy, Country Partnership Strategy/Country Partnership Midterm Review, Work Program & Budget Framework, Annual Budget
- Operational policies and strategies
- Sector, assistance modalities, safeguard policies, etc.

Individual loans and equity investments

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# A. Board Activities

## Board Committee Meetings

- normally held 1 – 2 times a month

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# ADB Board Committees

- Audit Committee of the Board
- Board Compliance Review Committee
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Board Business  
Activities/Processes

ADB

# Audit Committee of Board

- A. Board Activities
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- Among other things, annually reviews scope of work and audit plan of the Office of the Auditor General (OAG)
- Reviews financial statements of ADB
- Reviews internal control systems
- May meet with Controller's Dept, Treasury Dept, and other staff, as well as external auditors

# Board Compliance Review Committee

## A. Board Activities

- Formal Board Meetings
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- Established under Accountability Mechanism, effective 12 December 2003
- TORS included in Operational Procedures (March 2004), based on Board paper, and adopted by BCRC after consultation with Board
- Under Board paper, Office of Compliance Review Panel (OCRCP) reports directly to Board
- OCRCP provides secretariat to BCRC, which has oversight of two OCRCP functions
- BCRC clears CRP's TORs for each compliance review; reviews CRP's draft reports on monitoring implementation of remedial actions approved by the Board as result of compliance review

# Budget Review Committee

## A. Board Activities

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- Reviews proposed annual Administrative Budget (November)
- Meets four times a year to review matters related to ADB's work program, budget and expenditure control
- Budget, Personnel and Management Systems Dept (BPMSD) acts as main focal point; other staff attend as required
- All Heads of Departments invited to end of year budget review
- Also meets with VPs once a year to discuss strategic issues related to ADB's work programs

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# Development Effectiveness Committee

- Operations Evaluation Department (OED) reports to Board through DEC
- DEC recommends appointment of Director General, OED; advises OED on work program and report; reviews all OED reports
- Issues Chairman's Summary of discussions

## A. Board Activities

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# Ethics Committee

- Established in September 2006
- Develops guidelines, subject to approval of the Board of Directors, to aid in the interpretation of the Code and its associated Procedures
- Provide advice to any Director, Alternate Director or President who seeks about how the Code applies in their circumstances
- Provide the Board of Directors with advice about whether allegations of misconduct warrant an investigation, and conduct an investigation if one is agreed to by the Board

# Role of OSEC in all Committees

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- Assists President in appointment of Committee members – consultation with Board
- Liaises with Management
- Provides input into TORs (minimal for BCRC)
- Communicates between Committee and Board; Committee and Management; Committee and staff
- Circulates documents
- Includes Committee meetings in Board calendar
- Updates eBoard with TORs, minutes, etc.
- Provides other substantial, secretarial and logistical support

Board Business  
Activities/Processes

ADB

## A. Board Activities

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# A. Board Activities

## Informal Board meetings

- Tea Sessions as needed; retreats twice a year
- Coffee Sessions on mornings of 4<sup>th</sup> Friday each month
- Planning Meetings towards end of each quarter

## A. Board Activities

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# A. Board Activities

**Informal Board Seminars** – a few a month (on strategic and topical issues)

**Annual Meeting of BOG** – usually May

**Board Group Visits** – five over two years – normally August/September, February/March, May

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# B. Board Approval

- Board Meetings
- Summary Procedure

# C. Board Meetings (for items requiring discussion)

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## B. Board Approval

## C. Board Meetings (for Items requiring discussion)

## D. Board Documents

## Meeting Conclusions

- Normal practice has been to reach decisions by discussion and consensus: a formal vote on an issue is very rarely requested.
- A Director has the total voting power of members s/he represents, which votes “need not be cast as a unit”.
- Board decision is based on a majority of voting power represented at the Meeting.
- An abstention has the same effect as a vote against.
- In close voting, Secretary keeps a “straw tally”.

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#### C. Board Meetings (for Items requiring discussion)

#### D. Board Documents

# C. Board Meetings (for items requiring discussion)

## Meeting Conclusions

- Abstentions and objections in a Board decision are recorded in the Minutes without the reasons, unless the Director so requests
- Detailed statements of Directors' are found in the verbatim Record of Discussions (transcripts)
- OSEC prepares briefing notes after each meeting and circulates to HODs

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## B. Board Approval

- Board Meetings (for Items requiring discussion)

## D. Board Documents

# D. Board Documents

- Agenda (A)
- Circulars
- Draft Minutes, Minutes (DM, M)
- Information paper (IN)
- Report for consideration by Board (R)
- Secretary's memorandum (Sec.M)
- Staff Record (SR)
- Working paper (W paper)

**THANK YOU**

**Q & A Discussion**