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

by

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**ADB**

# Welcome to the Asian Development Bank



# Contents of Today's Presentation

- History
- The ADB Charter
- ADB Board and Management
- Role of the Office of the Secretary (OSEC)
- Discussion (Q&A)

# HISTORY

ADB

**When was the ADB Charter  
signed?**

## 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)

# OVERVIEW OF ADB CHARTER (Brief)

# THE ADB CHARTER

## Its Nature

The ADB Charter is an  
International Treaty or  
Agreement

# 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;
- Among others . . . .

# OTHER BASIC DOCUMENTS OF ADB

- By-Laws
- Rules of Procedure of the Board of Governors
- Rules of Procedure of the Board of Directors
- Headquarters Agreement

**How many shareholders  
does the ADB have?**

# Shareholders

- Owned by 66 members
- 47 regional, 19 nonregional
- Japan and United States are the largest

**Who are the top 10  
shareholders of the Bank?**

# 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	6.5	5.5
India	6.3	5.4
Australia	5.8	5.0
Indonesia	5.5	4.7
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

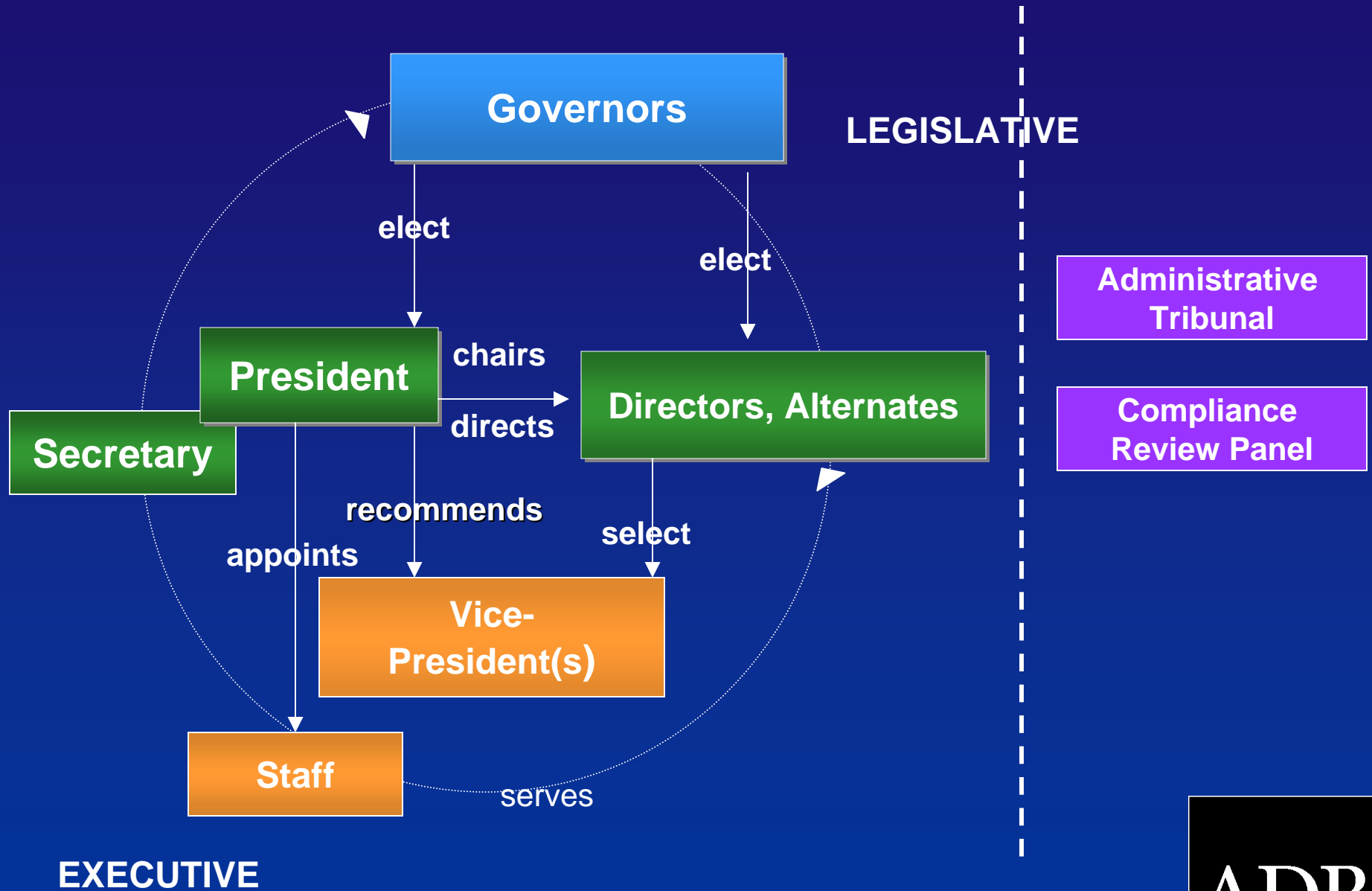
# Top 10 ADF Donors – Asian Development Fund IX

<u>Donor</u>	<u>Share in ADF IX (%)</u>
Japan	35.0
United States	13.7
Australia	6.5
United Kingdom	6.0
Germany	5.8
Canada	4.7
France	4.4
Italy	3.9
Korea, Republic of	3.4
Netherlands	2.9

\* Figures are rounded off

**ADB**

# Overall ADB Organizational Structure



# Board of Governors

- ADB's highest policy-making body vested with all powers of ADB, which in turn has delegated these powers to the Board of Directors, except for powers reserved in the Charter.
- The Board of Governors (BOG), one representative from each member, meets annually.
- Governors elect the 12 members of the Board of Directors (BOD).

**How are members  
represented in the Board of  
Directors?**

# ADB Board of Directors

## Director

## Members Represented

DAVID TAYLOR	Austria; Germany; Luxembourg; Turkey; United Kingdom
EMILE GAUVREAU	Canada; Denmark; Finland; The Netherlands; Norway; Sweden
AGUS HARYANTO	Cook Islands; Fiji Islands; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga
CHOL – HWI LEE	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
SIBTAIN FAZAL HALIM	Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines; Timor-Leste
PATRICK PILLON	Belgium; France; Italy; Portugal; Spain; Switzerland
MASAKI OMURA	Japan
ASHOK SAIKIA	Afghanistan; Bangladesh; Bhutan; India; Lao People's Democratic Republic; Tajikistan
STEPHEN SEDGWICK	Australia; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Republic of Palau; Solomon Islands; Tuvalu
PAUL W. SPELTZ	United States
CHAIYUTH SUDTHITANAKORN	Brunei Darussalam; Malaysia; Myanmar; Nepal; Singapore; Thailand
ZHENG XIAOSONG	People's Republic of China

The logo for the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white, serif font on a black rectangular background.

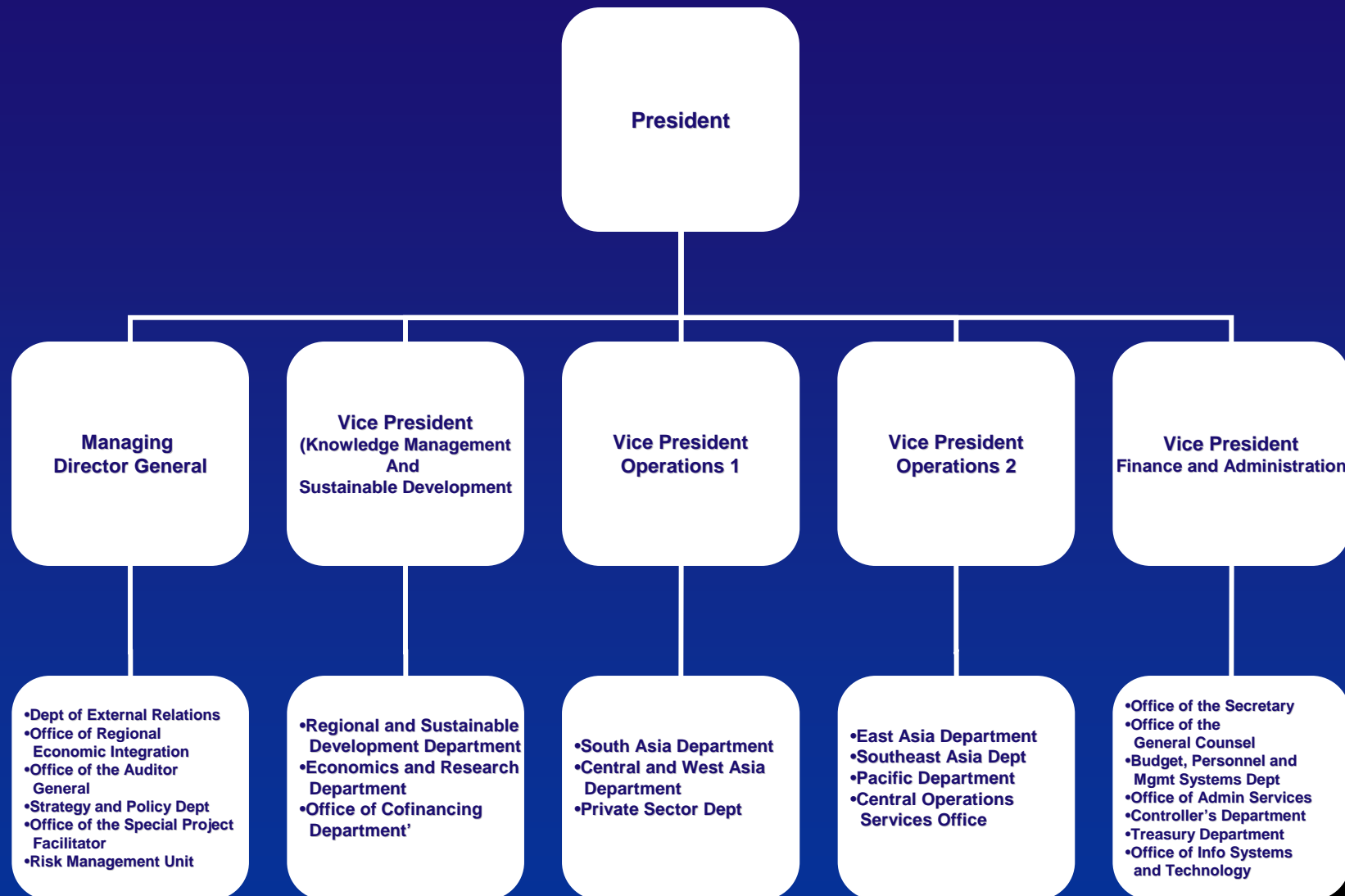
# Role of the Board of Directors

- Responsible for the direction of ADB's general operations
- Supervises ADB's financial statements; approves its budget; and reviews and approves all policy documents, and loan, equity, and technical assistance operations

# 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



# **THE OFFICE OF THE SECRETARY AND THE SECRETARY'S ROLE**

## **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

## 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**

# **BOARD BUSINESS ACTIVITIES AND PROCESSES**

# TOPICS

- A. Board activities
- B. Board consideration/approval processes
- C. Board meetings
- D. Board documents

# A. BOARD ACTIVITIES

- Formal Board Meetings
- Board Committee Meetings
- Informal Board Meetings
- Annual Meeting of Board of Governors
- Board Group Visits
- Informal Board seminars

**What activities call for a formal Board meeting?**

# 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.)

# 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

# A. BOARD ACTIVITIES

Board Committee Meetings

- normally held 1 – 2 times a month

**How many Board Committees  
does ADB have?**

# ADB Board Committees

- Audit Committee of the Board
- Board Compliance Review Committee
- Budget Review Committee
- Development Effectiveness Committee
- Two other Committees with Board participation
  - Annual Report Working Group
  - Pension Committee

# How does the Audit Committee of the Board function?

# Audit Committee of Board

- 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

# How does the Board Compliance Review Committee function?

# Board Compliance Review Committee

- 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

# How does the Budget Review Committee function?

# Budget Review Committee

- 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

**How does the  
Development Effectiveness  
Committee function?**

## 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

# **What is the role of OSEC in Board Committees?**

# Role of OSEC in all Committees

- 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

# 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**

**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

# How are Board decisions made?

# Board Meetings (for items requiring discussion)

## 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”.

# 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

**THANK YOU**

**Q & A  
Discussion**

**ADB**