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# The Asian Development Bank:
## A Problem Institution

**Introduction**

The Asian Development Bank (ADB) was established in 1966 in order to provide and facilitate development financing for countries in Asia and the Pacific. Article 1 of the Agreement Establishing the Asian Development Bank states, the purpose of the Bank shall be to foster economic growth and co-operation in the region of Asia and the Far East (hereinafter referred to as the "region") and to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually. [1] Article 2 of the Agreement spells out the ADB's functions, which include: to promote private and public investment for developmental purposes, assist ADB member countries to formulate, finance and coordinate development plans, support regional and sub-regional projects and programmes to contribute to a harmonious  economic growth of the region and promote intra-regional trade.[2]

The ADB started with 31 members. It has since grown and now has 63 members, 18 of who are from outside the Asia-Pacific region. Members of the ADB are essentially shareholders of the Bank and the voting power of each shareholder depends on how much capital it has subscribed to the institution. Japan and the United States (US) are the top shareholders of the ADB and have maximum voting power, followed by the Peoples  Republic of China, India, Australia, Indonesia and Canada.[3] Forty-three of the ADB's 45 Asia-Pacific region members are also the ADB's clients and indebted to it, and are called Developing Member Countries (DMCs). The exceptions are Japan, Singapore and New Zealand.

The ADB is a public sector institution supported by taxpayers in all its member countries, either in the form of direct financing of the institution's portfolios, or in the form of debt repayment. The ADB raises its operating capital through member contributions (capital subscriptions as well as debt repayments) and by issuing bonds on world capital markets. ADB has a triple A credit rating by virtue of the fact that its bonds are guaranteed by sovereign governments.

The ADB is governed and managed by a Board of Governors, a Board of Executive Directors, a President, 4 Vice-Presidents, and Heads of Departments and offices. Each member country appoints its own Governor to represent itself and vote on its behalf. The Governors in turn elect the Executive Directors who are responsible for overall policy setting and management. By tradition, the President of the ADB is always Japanese [4]. The President is the chairman of the Board of Governors and also heads the Board of Directors, and exercises final authority on all decisions.

It should be stated at the outset that although not a Bretton Woods Institution, the ADB is a close cousin of the World Bank. Like the World Bank, the ADB is a Multilateral Development Bank (MDB) and was established in the image of its older cousin. It's Articles of Agreement, decision making processes, immunities and privileges, institutional ideology, programmes and operations pretty much mirror the World Bank. While there is some measure of competitiveness between the two institutions--the ADB prides itself on being an Asian institution that is looted in the region and has a softer approach unlike the World Bank which is too Americanized and harsh [5]. The ADB takes care that its overall policy and programmatic directions do not veer away from those adopted by the World Bank or the International Monetary Fund (IMF). This is hardly surprising, given that the same G-7 governments sit on the Boards of all three institutions.

**Ideology, Programmes and Operations**

The ADB is the second largest source of development finance in the Asia-Pacific region, next to the World Bank Group. It provides loans (concessional and at near market rates), partial risk guarantees, equity investments and technical assistance to governments and private enterprises in its DMCs. In 2003, the ADB approved loans totaling US$ 6.1 billion, compared with loans and equity investments of US$ 5.7 billion in 2002. Also in 2003, the ADB approved a total of 315 technical assistance (TA) projects amounting to US$

177 million, compared with 324 TAs valued at US$179 million in the previous year. [6]

The ADB firmly believes that rapid economic growth is the best path to development, free and open markets are the most efficient allocators of resources and opportunities, and the private sector is the best avenue for delivering goods and services. The appropriate role of government is to shift from owner-producer to facilitator-regulator and create an enabling environment for private sector participation in all areas of economic activity. The policies, projects and programmes it supports reflect this ideology.

The ADB provides financing and TAs in a range of sectors from agriculture, rural development and transport and energy, to water, health, education and public finance. In its first twenty odd years of operation, the ADB was better known for project-based lending, mostly for large physical infrastructure projects such as roads, highways, power plants, ports, water and sewage treatment plants, etc. By the end of the 1980-s, the ADB expanded to policy based lending, which requires borrowing governments to put in place systemic reforms in their economic, financial, social and environment sectors much like the World Bank’s structural adjustment programmes. Since then, ADB loan agreements are routinely accompanied by policy matrices that outline the policy measures or conditionalities that a borrowing government must agree to in order to get the loan. These include: passing of laws and regulations that favour private sector involvement in key economic sectors and services (such as energy, transport, water and urban basic services); market-friendly restructuring and reforms in all major economic and governance sectors (e.g., finance, energy, water, justice, etc.); corporatization, privatization of public enterprises and utilities which in turn involve full cost recovery through user fees, the elimination of subsidies, etc.; creating a flexible labour force (which means workers can be hired and fired at will, minimum wages are kept low, etc.), and; commercialization of agricultural production. In sum, ADB policy reforms are designed to catapult the borrowing country’s economy into an unprotected, unregulated market system in order to facilitate rapid economic growth.

In the aftermath of the Asian economic crisis, the ADB joined the IMF, the World Bank and bilateral donors in claiming that the crisis was brought about primarily by crony capitalism and non-transparent, inefficient and corrupt government and corporate practices in the crisis affected countries. The Asian crisis provided the MDBs and donor governments with a convenient opportunity to expand their demands for policy reforms into national judicial, legal and regulatory systems under the banner of good governance.

In 1999, in step with the World Bank and the IMF, the ADB announced its Poverty Reduction Strategy (PRS) and proclaimed that from hereon, poverty reduction would be the overarching objective of all its projects, programmes and TA. The strategic pillars of the PRS are pro-poor sustainable economic growth, social development and good governance. These elements would be operationalized through a strategy that involves poverty analyses, country strategies based on logical frameworks, new tools, instruments and targets, monitoring mechanisms, stakeholder participation, partnerships with Non-Governmental Organizations (NGOs), poverty partnership agreements (another term for loan agreements) with governments and most important, a sharply increased role of the private sector in all development projects and programmes [7]. However, despite pages of matrices, diagrams, descriptions and definitions, the PRS was unable to move its focus on rapid economic growth.

Demands for policy reforms now come in the name of poverty reduction. In its initial articulation of the PRS the ADB stated, pro-poor growth interventions will seek to address impediments to broad based economic growth. Policy based lending will be used to correct policy and institutional weaknesses [8]. In addition to the three strategic pillars, the PRS also has 5 thematic priorities: private sector development, environment, gender equity, regional cooperation and capacity building.

ADB insiders admit that a major bottleneck in implementing the PRS are its own staff, who are clue-less about how to reduce poverty and are either reluctant, or unable to move beyond the standard growth paradigm. Country programme staff are also unable to show positive links between the macroeconomic policies they favour and poverty reduction; often, the poverty reduction components of projects/programmes involve sudden infusions of capital in local areas through micro-credit projects, agricultural loans, etc. As it is, the ADB suffers from goal congestion [9] where new goals are constantly heaped on old ones with little thought, analysis and strategizing about how to meet these goals. The default for ADB staff then is to stay with business as usual.

**Favouring the Private Sector**

Private sector development is at the heart of all ADB operations. The ADB's

Private Sector Development Strategy (PSD) empowers it to promote private capital investment in the region, provide and guarantee loans to the private sector, mitigate private sector risks, invest in equity, and facilitate financing to private enterprises operating in its DMCs. Most of its private sector operations have been in infrastructure development (such as power generating plants, water treatment plants, water distribution concessions, cellular phone networks, roads and highways) with some investments in the financial sector and capital markets (such as commercial and development banks and financing for small and medium enterprises). PSD operations are gradually expanding into social sectors such as health and education, as well as in environmental management.

Financing for private sector operations comes through direct financing from the ADB's private sector window and complimentary financing with bilateral and commercial financers. Central to this has been the promotion of public-private partnerships between governments and private companies under Build-Own-Operate (BOO) and Build-Own-Transfer (BOT) arrangements in which, the ADB has provided loans for government equity and partial credit and risk guarantees to private investors. Partial risk guarantees cover sovereign and political risk and generally require counter-guarantees from the host government. Governments also have to guarantee the purchase of a specified amount of output from the project, often in hard currency.
The ADB claims that its financing and risk mitigation schemes have provided significant comfort to commercial lenders and investors in public-private partnerships. Governments and the public in host countries, however, receive no such comfort. They are left with foreign exchange risks, increasing debts, rising utility costs and poorer quality services.

The PSD strategy supports the privatization of key public sectors and enterprises. As the ADB aggressively pushes for privatization of a public enterprise such as a state power utility, it also provides financing to private companies who have an interest in the privatized utilities/assets, thus ensuring the transfer of public assets and wealth into private hands [10]. This is most clearly evident in the ADB's push for restructuring of the electricity/power sector as in Indonesia, Philippines, India and Pakistan. Restructuring involves unbundling of the three main components of the power sector: generation, transmission and distribution. The next step is corporatization, i.e., each of the unbundled utilities functions as a private company would in its pricing and operations, albeit still owned by the State and supported by public money. The final step would be the outright sale of the utility to a private company. The

ADB demands that host governments create an enabling environment for private sector participation by enacting laws that permit BOT, BOO and similar schemes, putting in place private sector friendly legal and regulatory frameworks, and preparing private sector friendly projects. At the same time, it uses its private sector window to provide financing and comfort to private actors for project development and bidding. The ADB does not take seriously the conflict of interest in these dual roles, nor does it admit that it encourages moral hazard by assuring returns and mitigating risks for private investors.

The ADB's main rationale for its aggressive promotion of private sector participation in public infrastructure is that the private sector ostensibly relieves the financial pressure on poorly resourced and inefficient public sectors, enables governments to redirect resources freed up from utility and infrastructure costs towards social sectors, and that well designed private sector projects within sound regulatory environments typically operate more efficiently than public sector projects, often result in lowered prices, improved quality and increased access for the poor, and even speed up economic growth.[11] However, experiences across Asia-Pacific of ADB supported private sector projects show the opposite.

In India, the ADB was the main force pushing for power sector restructuring in the state of Madhya Pradesh. Restructuring started in 2000-2001, and by 2002, electricity tariffs were up by 20 percent. By 2003-2004, tariffs further increased by 150 percent. And in 2005, more tariff increases are expected for different categories of users. Exacerbating the situation are pronouncements by the State Electricity Board that they will put an end to subsidies that benefit farmers and low income groups. Rising electricity costs will severely limit the abilities of farmer's majority of who work on small-hold family plots to pump water into their fields and use other machinery as needed, thus hitting at the very heart of their livelihoods. These reforms will exacerbate the agricultural crisis already present in the country (which has resulted in numerous farmers committing suicide) and increase the long-term costs of social and economic mitigation.

In the early nineties in the Philippines, the ADB repeatedly raised the example of the National Power Corporation (NAPOCOR) as a model of energy sector liberalization through BOT type investments. What the ADB conveniently ignored was NAPOCOR's exposure to foreign exchange risk since it had guaranteed payments and made Power Purchase Agreements to (mostly foreign owned) private companies in US $. The Asian financial crisis left NAPOCOR with multiple disasters of a huge foreign debt burden, devaluated currency and increasing retail prices which resulted in greatly decreased energy demand. The ADB's response to this crisis in 1998 was to aggressively push the Philippines Government to unbundled and privatize NAPOCOR, which in turn was marked by a massive corruption scandal in mid-2000 and huge social unrest.[12]

Similar examples of faulty policy advice by the ADB can be found in other power and water sector projects in Vietnam, the Lao PDR, Cambodia, Philippines, Indonesia, India and Pakistan. The ADB's rush towards sectoral restructuring and privatization is based on flimsy data, sketchy and incomplete analysis. Despite disastrous experiences with past BOT projects, the ADB continues to provide private sector loans for infrastructure projects that actually raise utility prices and place considerable risks on governments who have no way to recoup their costs except by raising tariffs and levies on their own citizens. Far from freeing up resources to redirect to social sector spending, every government that has entered into an ADB designed public-private partnership is now faced with increased debt and liabilities, and no legal recourse.

**Governance: Double Standards and Hypocrisy**

The ADB has identified four elements of good governance for its purposes: Accountability, Participation, Predictability and Transparency. All four elements are operationalized by policy and sectoral reform programmes that promote private sector needs over public interest priorities. For example, the litmus test [for Accountability] is whether private actors in the economy have procedurally simple and swift recourse for redress of unfair actions or incompetence of the executive authority. And, access to accurate and timely information about the economy and government policies can be vital for economic decision making by the private sector. [13] Predictability is about developing legal frameworks, especially to support private sector development.

The ADB claims that its bread-and-butter business is assisting the public sector in the DMCs. This assistance is geared primarily towards the reform of public sectors/enterprises and reconstructing the public domain with an appropriate role for the State in a market-friendly economy. Maximising profits and minimising costs for the private sector, preserving markets, market-friendly economic reforms, promoting market mechanisms in the provision of services, competitive operating environments, enhanced cost recovery, divestiture and privatization, are the main concerns that guide the ADB's assistance to the public sector and the operationalisation of its good governance elements.

Although the ADB claims to eschew involvement in political aspects of governance, its core mandate promoting economic development and growth is deeply political. Economic development determines the distribution of a society's wealth and opportunities, who gains and loses, and how power is realigned or entrenched. It is both delusional and self-serving for the ADB to project that the political and economic dimensions of governance can be separated in policy and reality.

Since the ADB's framework of governance does not discuss the political dimensions of governance, it shows little interest in the fact that its own projects and programmes can violate the constitutional rights and democratic spaces of citizens. Too often, reform regimes imposed by the ADB have acted as barriers to the accountability of governments to their own citizens. The transformation of public sectors to serve corporate and market interests in the guise of efficient management of public resources undermines the ability of States to meet their obligations to their citizens. It also creates new vulnerabilities, especially among those who are already income poor and politically marginalized. Not only has the ADB not accepted its culpability in these consequences, but also, it has consistently hidden behind the privileges that its Charter provides and assumed a politically neutral face.

The ADB's policy on good governance offers no prescriptions for its own institutional governance. Accountability, Participation, Predictability and Transparency are the buzzwords for governments, but appear not to apply to the ADB's own conduct or operations. ADB insiders have revealed that the institution is increasingly plagued by poor and irresponsible performance by Bank staff and Management, a lack of clarity about its own operational policies and procedures and a noticeable absence of disciplinary processes within the institution. Questions have been raised in meetings of the ADB's Board of Directors about the appropriateness of Bank staff conduct in formulating, processing and implementing projects. Controversies surrounding a number of ADB projects and programmes--from the Chashma Project in Pakistan to reform programmes in the Pacific Island Statesreveal that the ADB7s commitment to good governance is antagonistic to nationally meaningful and accountable governance structures and mechanisms.

Particularly problematic are the ADB's information disclosure policy and the absence of public participation in project/programme development, monitoring and evaluation. The ADB is completely unaccountable to the public, highly non-transparent in its policy project and programme formulation and decision making, and irresponsible in its stated commitment to promote public participation and access to information. The ADB’s information disclosure policy has been characterized by its irrelevance to decision-making, the selective nature of what it chooses to disclose to the public, and the dubious quality of whatever information it does eventually disclose. The most important policy and operational decisions in the ADB are made according to its economic and political interests and not according to what is good for the public. It does not matter how much paper or how many megabytes the ADB makes available through its website and publications. It discloses to the public only what is convenient to and advances its institutional interests.

In response to international criticism about its information policy and lack of participation, the ADB proclaimed in late 2003 that it was revamping its information policies and came up with a draft Public Communications Policy (PCP). The PCP was posted on the ADB website for comments and the ADB also organized a series of consultation workshops across the region to solicit inputs from those stakeholders towards the draft PCP. The draft PCP was again uniformly criticized by civil society groups as inadequate, for limiting public participation to what the ADB made available on the public domain, and for failing to demonstrate how the views of various stakeholders would actually change the manner in which the ADB conducts its business. Particularly objectionable was the ADB’s refusal to disclose information about its contracts and agreements with the private sector under the cover of commercial confidentiality. Critics argued that since most private sector operations supported by the ADB are bolstered by public finance, the public has the right to know what arrangements are being promoted between the public and private sectors.

The consultation workshops organized by the ADB to discuss the PCP were also criticized as poorly planned and run. The workshops were not open to the public and participation in each workshop was restricted to a handful of civil society groups who were identified by the ADB by no justifiable criteria. Invitations to the workshops arrived too close to the workshop dates, documents were not made available well in advance or in local language, and the time allotted for discussion in the workshops was dismally short. Enraged civil society groups staged a walk-out of the consultation workshop held in July 2004 in the southern city of Bangalore in India on the grounds that the ADB was not serious in its commitment to information disclosure, accountability, transparency and public participation. A statement by a broad coalition of South Asian civil society groups in November 2004 stated that the changes in the draft PCP were cosmetic and more oriented to boosting the ADB's image rather than deepening its commitment to transparency and accountability. [14]

The ADB is now in the process of finalizing another draft of the PCP. It remains to be seen whether it has actually heard the voices of publics across the region and taken note of their concerns and demands.

**Repeated Failures to Deliver Benefits**

Project performance evaluations and audits inside the ADB are conducted by its Operations Evaluations Department (OED) and according to the ADB website emphasize the 3Is: Integrity, Independence and Impartiality.[15] When reporting evaluation results for projects and programmes, the OED rates them according to the following categories: 1) Highly successful, generally successful or successful; 2) Partly successful, and; 3) Unsuccessful. The OED report for 2003 states that although project and portfolio performance in 2002-2003 showed significantly better performance than in 1999-2001, this result is marred by emerging evidence that the project performance report (PPR) is not identifying all projects that should be rated as problem or potential problem projects only 1 percent of projects was identified as problem projects in 2003. [16]

An analysis conducted by Stephanie Fried, Shannon Lawrence and Regina Gregory of the ADB's audit reports for projects in Pakistan, Sri Lanka and Indonesia (three of the ADB's largest borrowers) shows that using the standard of project sustainability as an indicator, over 70 percent of ADB supported projects in these countries are not likely to provide long term social and economic benefits to the countries and targeted beneficiaries. [17]

In 2000, the OED found that half of all projects rated successful by the ADB in 1999 were found to be of questionable sustainability. According to Fried et al, the ADB's partly successful label appears to be a euphemism for largely unsuccessful or troubled, and the unsuccessful projects category appears to mean abysmal failure and often indicates project related damage to the environment, economic structure and/or human health. The data studied across the three countries includes projects in such diverse sectors as transport, agriculture, irrigation, water, health, energy and finance/credit. The main problems associated with the projects examined were: poor project preparation and structures; design flaws; poor or non-existent record keeping; absence of Benefit Monitoring and Evaluation (BME) and baseline data; lack of consultation with project affected peoples, users and intended beneficiaries; lack of community participation in project preparation; cost and time overruns; operation and maintenance deficiencies; sub-standard construction, and; failure to mitigate severe environmental and social impacts.

In the case of Indonesia, such projects included those with large unmonitored resettlement components, projects where record keeping was virtually abandoned and those that were so poorly structured that rapid deterioration of project infrastructure was inevitable. In Pakistan, ADB projects display a disturbing pattern of systematic failure on the part of the Bank, and adverse project impacts on social equity and income equality have fostered ethnic tensions. In Sri Lanka, as much as 78 percent of ADB supported projects may be considered unsustainable or failures the equivalent of US $ 1.2 billion of Sri Lanka’s debt to the ADB. [18]

One of the most notorious examples of ADB project failure is the Samut Prakarn Wastewater Management Project (SPWMP) in Thailand. Located at the head of the Gulf of Thailand, the SPWMP was intended to treat wastewater from factories and households located far away from the treatment plant. The project was developed without local participation or site-specific environmental, social and economic impact assessments. Data gathered by local residents and independent researchers showed flaws in the project design and threats of serious environmental contamination since the plant would release toxic sludge and heavy water into local canals and fishing waters. The data also showed that the project violated Thai laws and justified allegations of corruption, collusion, conflict of interest and even malpractice in the project approval and development processes. This information was repeatedly presented to ADB project staff and managers and even to the ADB President, but the ADB maintained that it saw no evidence of wrongdoing or negative impacts.

Eventually, the SPWMP went through the ADB’s official inspection channels in 2001. It was the first project to undergo inspection under the ADB’s Inspection Function and soon revealed fundamental flaws in the inspection process as well as the ADB □ internal governance structure. The Inspection Panel found that the ADB was in non-compliance with many of its most important policies and procedures, and that the project should have been completely re-appraised at a much earlier stage, well before a supplementary financing loan for the project was made. It did not, however, stop the project. The project was finally halted by the Thai Government in February, 2003, following findings of deep rooted corruption and flawed engineering by the National Counter Corruption Committee and a special Senate Committee.

A similar scenario has played out in Pakistan since 2001 with the third stage of the Chashma Right Bank Irrigation Project (CRBIP), which threatens the lives and livelihoods of more than 30,000 people through project-induced flooding and displacement. Although ADB operational policies require that a suitable resettlement plan that incorporates social development plans be prepared by the project developers in consultation with affected communities, no such plan was in evidence. On the contrary, ADB project staff colluded with local/national bureaucrats and did not provide the affected communities with any information about the project till much later in the project's life. This project also went into the ADB's inspection process but with far less favourable outcomes than the SPWMP. In 2004, the local communities initiated a peoples tribunal (titled the Pok Sath to provide a platform for affected peoples to share their testimonies and build wider societal support for the demands of project affected peoples.[19]

In Karnataka State in India, the ADB has provided financing for the Karnataka Urban Development and Coastal Environment Management (KUDCEM) Project (covering 10 towns), which ostensibly builds on the success of a similar project already implemented in another region if the state (covered 4 towns). In all 14 towns, the project is characterized by design flaws, poor quality construction, prolonged delays in completion, non-disclosure of important project information to the public, non-transparent and non-participatory decision-making, and a refusal to subject project implementation to public scrutiny and supervision. Project managers coerced local municipal authorities into accepting terms and conditions that they are unable to justify to the public. In order to repay the project loans, Municipal Councils are required to hike land taxes and user fees on services covered by the projects. A particularly contentious issue is the ADB's insistence that key operations of the project be contracted out to foreign consulting companies and out-of-state private contractors, whose high consultancy fees add to overall debt created by the project.

It is beyond the scope of this paper to describe all the failures of ADB supported projects and programmes. Independent reports from citizen's groups, researchers, peoples movements and civil society organizations from across Asia and the Pacific show that the entire region is scarred by ADB supported projects that are poorly designed, implemented and managed, that block public participation in development planning and the public's right to information about projects and programmes, and that weaken local and national governance through undemocratic, non-transparent and non-consultative methods of operation. ADB supported infrastructure projects have repeatedly displaced hundreds of thousands of people across the region with little or no compensation and have resulted in negative environmental and social impacts that the ADB has shied away from mitigating. It is hardly surprising then that the ADB has been charged with creating development refugees by people's movements, civil society organizations and researchers across the region. [20]

Numerous examples can be found where the access and rights of people and communities to crucial resources and opportunities have either been severely restricted or lost altogether as a direct consequence of ADB supported projects and programmes. Policy prescriptions such as enhanced cost recovery for health, education and public utilities, water user fees in irrigation systems, the rationalization (downsizing) of civil service sectors, creating flexibility in labour markets, and the privatization of public sector enterprises, have resulted in the disempowerment and marginalization of large numbers of people across the region. The ADB's strategy of pro-poor growth has encouraged governments to freeze minimum wages and withhold the rights of workers to association, benefits and protections. In countries such as Pakistan, India, Thailand and the Philippines, protests against ADB projects and programmes have resulted in social unrest and divisions, and at times, even political harassment of those who protest.

Equally worrying is the ADB's unwillingness to assume responsibility for project, programme and policy failures. The ADB conveniently uses local and national governments as cover; since all its projects, programmes and policies are in one way or another built into national and sub-national development plans, the ADB claims that decision making is in the hands of governments and that problems of poor project design and management, flawed policies, corruption, and project failure are symptoms of systemic flaws in national capacity and governance.

**What to do with the ADB?**

A regional development bank can serve as a counterbalance, if not a total replacement, for a global institution such as the World Bank which imposes one-size fits-all policy prescriptions that have proved disastrous to developing countries. An extremely serious problem in the ADB is increasing US influence. Although US trained staff and US citizens have frequently occupied senior positions in the ADB, we now see renewed attempts by the current US Administration to mold the ADB into a satellite institution of US foreign policy. This is extremely dangerous and must be addressed.

However, given the ADB's track record and its membership and governance structures, it is unlikely to embrace an alternative to the World Bank role. Still, governments in the Asia-Pacific region are said to like the ADB better than the World Bank because the ADB is supposedly more flexible and more sensitive to Asian government realities than the World Bank. Also, there is arguably greater potential for governments in the region to influence the operations of the ADB than of the World Bank, although the strong US presence in the ADB is a big problem.

There is certainly a felt need for a development financing institution that understands the region and its specificities better. But what would be the elements of a good regional development bank? Some ideas:

A policy research institution that provides non-doctrinaire policy advice and promotes what has succeeded in the Asia-Pacific region (e.g. the miracle tiger economies, and the ability of countries such as Vietnam and China to maintain social indicators) in terms of providing alternative possibilities to neo-liberalism, even as there is acceptance that successes in the past have had their time and therefore cannot be exactly replicated.
An institution that institutionalizes learning at multiple levels (local, national, regional) and from multiple actors (community groups, research organizations, academia, elected officials, etc.) so that it is indeed able to assist governments to formulate development programmes that best suit their specific needs.

An institution that actively seeks and recruits diverse thinkers, analysts and finance specialists, rather than filling its ranks with Washington Consensus yes-men/women
An institution that promotes the idea of regional integration beyond mere trade and investment liberalization something like a catalyst that will help forge a genuine regional identity or sub-regional identities, similar say for instance to the European Union (EU).

An institution majority of whose capital stock and voting rights are reserved for regional members. Non-Asian members (especially the US, Canada and EU countries) will therefore be relegated to a secondary role as investors/creditors but not with the same power to shape policy as they have now.

An institution that provides development finance as needed by a dynamic and diverse region without tying finance to policy conditionalities.

An institution divested of any form of private sector fundamentalism that instead of pushing privatization assists governments to reach higher levels of effectiveness and efficiency in the conduct of its functions, including the operation of public utilities and public enterprises.

An institution that will strengthen public participation in the formulation of development projects and programmes, and community stewardship of resources.

An institution that is genuinely capable of tackling the problems of hunger, poverty, health, education, etc. through creative and locally sustainable strategies.

An institution that funds the broad participation of non-big business actors in production, services, trade, etc., for example, workers and producers cooperatives, community banks, producer-consumer arrangements, etc.

An institution that is accountable to the public whose interests it claims to serve. This has governance implications in terms of decision-making, liabilities, etc.

An institution that is open and conducive to change based on emerging realities, trends and priorities and for the purpose of effectively fulfilling its commitments rather than simply re-inventing itself for institutional perpetuation.

It is doubtful that the ADB can be remolded to fit the above image given its current capture by neo-liberal planners and politicians. But the ADB cannot be let off the hook either. At the very minimum, the ADB must undergo some fundamental changes in order to minimize the current damage that it is wreaking across the region. Some ideas for this:

- Alter the ADB’s charter so that it is stripped of the high degree of immunity that it currently enjoys; the ADB must be accountable and legally liable to national laws for wrong-doing, faulty policy advice, badly designed projects and programmes, corruption and collusion, etc. We can also think about possibilities to make the ADB liable in an international framework (such as the International Court of Justice) for cross-border or regional misconduct. The ADB must pay for the damage it causes; it cannot be allowed to get away scott-free as it does now.

-Re-haul the governance systems and structures in the ADB. Decision making has to become broad based, open and accountable; the public (not just governments) must be able to participate in shaping development projects and programmes, etc.

-ADB staff must pay taxes in the countries they are based proportionate to their incomes and perks. (It might also be a good idea to revise ADB staff's pay-scales while we are at it.)

-The ADB must separate out completely its private sector and public sector operations. It must not be allowed to transfer public and common-pool wealth into private hands, nor to heap risks and liabilities on the public sectors and provide comfort to the private sector. Perhaps we need independent regulatory mechanisms in each country that guard against the conflicts of interest and moral hazard that seem to currently be the norm in ADB private sector operations.

-Financing must be separated from policy conditionalities.

-Demand that all ADB staff go through a period of immersion in the subject and geographic areas they work in (this may sound wild but it is possible that they just might become more subdued in their sectoral restructuring and other ideas if they have practical, hand-on experience of what it means).

-Establish a regional watch-dog agency that is supported by governments in the region to assess the quality and effectiveness of the ADB's operations. This agency should be able to censure the ADB for poor performance, misconduct and faulty policies and practices.

-The ADB must be loosened from the grips and interests of non-regional actors such as the US, Canada and the EU. But how? ( this is not to say that Asian governments are all that great; but citizens within the region would likely be able to exercise a greater measure of influence on their own governments than on those from outside the region)

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[1] www.adb.org/documents/reports/charter

[2] Ibid.

[3] www.adb.org/About/members.asp

[4] This is similar to the traditions in the World Bank and the IMF, whose Presidents are always from the US and Europe respectively.

[5] Remarks made by Mr. Armin Bauer, ADB Manila Office in a telephone conversation with the author on April 19, 2001.

[6] www.adb.org/About/FAQ/funding.asp

[7] Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy. Asian Development Bank. November, 1999.

[8] Ibid. Page 20.

[9] ADB 2000: Senior Officials and Internal Documents Paint Institution in Confusion. Walden Bello in Creating Poverty, The ADB in Asia, Focus on the Global South, May, 2000.

[10] Taking Stock of the Motives and Interests in ADB Private Sector Operations. Jenina Joy Chavez-Malaluan in Profiting from Poverty, the ADB, Private Sector and Development in Asia. Focus on the Global South, April 2001.

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[12] BOTs, Governance and the ADB. Andrew B. Wyatt in Good Governance or Bad Management, An Overview of the ADB's Decision Making Processes and Policies. Focus on the Global South, May, 2002.

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[13] Governance: Sound Development Management. Asian Development Bank, August, 1999. Pages 8-13

[14] These statements can be obtained by writing to the author at s.guttal@focusweb.org

[15] www.adb.org/Evaluation

[16] Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December, 2003. Asian Development Bank, Operations Evaluation Department, June, 2004.

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[19] The ADB’s Uncivil Engagements: The Experience of Chashma Affectees. Mushtaq Gadi in Good Governance or Bad Management, an Overview of the ADB’sdecision Making Processes and Policies. Focus on the Global South, May, 2002.
See also the Chashma project website: www.chashma-struggles.net
[20] See Peoples  Challenge to the Asian Development Bank, a statement prepared and presented to the ADB President by civil society groups during the ADB’s Annual General Meeting in Honolulu, Hawaii on May 9, 2001.