

Date of Meeting: August 19, 2004

Report of the Asian Development Bank Board Inspection Committee
To the Board of Directors
Concerning the Inspection Panel Report for Loan 1146-PAK[SF]
Chashma Right Bank Irrigation Project

U.S. Position

We find the Board Inspection Committee (BIC) report balanced and believe that in its recommendations, Management and the Government of Pakistan have an opportunity to bring this project to a conclusion in a manner acceptable to the people most affected.

We generally support the recommendations of the BIC as contained in paragraph 39 of their report. We also wish to note our general agreement with the major conclusions of the Inspection Panel and view Asian Development Bank (AsDB) Management's non-compliance with a number of key operational policies as missed opportunities to demonstrate leadership by example, leadership that has at the heart of its work the very people whose lives it is trying to improve.

It is clear that Management placed little value on participation in the design of the Chashma project and its implementation. This project is a good example of why this Bank must move away from a commitment mentality to allocating more resources to and rewarding good implementation. If Management has been focused on implementation, the problems associated with the project would not have gone unresolved for nearly 10 years. However, we must focus on moving forward and use this experience as an opportunity to incorporate valuable lessons into the Bank's ongoing reform agenda. It is in that spirit that we offer several additional comments about the BIC report.

First, it is clear that the Inspection Panel's recommendations have implications for a broader set of AsDB interventions. In particular, there is considerable scope for the Bank to improve upon its definition of what constitutes adequate and appropriate consultation with affected persons during project design and implementation. Stakeholders must be given more ability to shape and control how AsDB's projects will affect them throughout the life of a project. The Panel's report paints a picture of a Management that sacrificed participation and consultation by people potentially affected by this project for expediency. We therefore believe it is time for the Bank to detail what types of consultation and participation are appropriate in its projects and programs and under what circumstances. Management has already stated in the Operations Manual that "the principle of participation derives from an acceptance that people are at the heart of development....At the project level, a growing body of empirical evidence demonstrates that initiatives tend to be more successful when stakeholders and beneficiaries are integrated into the planning process. This principle also contains a normative component, in the belief that people have a right to be consulted about initiatives that will have a major impact upon their welfare and lifestyle." Perhaps these principles, detailed in the Bank's own Governance Policy should form the basis of this work.

Second, the Inspection Panel report made it clear to us that Management's attitude towards policy compliance is neither productive, nor warranted. It is our firm belief that the Operations Manual (OM) is not subject to "interpretation" or "professional judgment" and that its contents are to be adhered to under all circumstances, until otherwise revised and approved by the Board of Directors. Compliance with the Bank's policies and procedures is not optional.

Third, AsDB has been found in violation of its policy on Supplementary Financing by two different Inspection Panels. Paragraph 25 of the BIC report details Management's views on whether a full reappraisal of the project was required at the time and that Management "proposes to amend the relevant sections of the OM to clarify the intent." We would like to go on the record as being for this revision in principle. However, any revision must be discussed and approved by this Board. Our view is that any revision to this policy should clarify that the assumption will be that a project should be reappraised unless a strong case is made to show why this would not be appropriate. The goal should be to provide the right incentives for project staff to take the time and care needed to avoid situations like this one in the future.

Finally, the BIC report devotes much attention to the fact that goodwill exists on the part of AsDB Management and the Government of Pakistan to resolve the outstanding issues related to the Chashma project. We are particularly pleased with the recommendation for the Compliance Review Panel to monitor progress of the work done by the Executing Agency and AsDB and report such action to the Board on an annual basis. This will give Management an opportunity to show the Board and other interested stakeholders its resolve to address the issues that have impeded the project from maximizing its potential.