



ASIAN DEVELOPMENT BANK

SUSTAINABILITY REPORT 2018

INVESTING FOR AN ASIA AND
THE PACIFIC FREE OF POVERTY

MAY 2018

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THE PACIFIC FREE OF POVERTY

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Cover photo: ADB’s operations support agriculture and natural resources.

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The President's Statement



Asia and the Pacific has made great progress in poverty reduction and economic growth over the past 50 years. The Asian Development Bank (ADB), through its strategy of supporting inclusive economic and environmentally sustainable growth and regional integration, has been a key partner in the region's significant transformation.

The development challenges facing Asia and the Pacific are increasingly complex. In response, ADB is developing a new long-term strategy to eradicate poverty in the region and achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. Under the strategy, ADB's actions will be aligned with global commitments such as the Sustainable Development Goals and the Paris Agreement on climate change.

The merger of ADB's concessional Asian Development Fund lending operations with the ordinary capital resources balance sheet from the start of 2017 will enable us to deliver much higher levels of assistance to our developing members countries for years to come.

ADB will channel more funds into projects that promote environmentally sustainable, low-carbon, and climate-resilient development through our issuance of \$2.8 billion in green bonds during 2016–2017. Also, our approvals for the financing of climate mitigation and adaptation reached a record \$4.5 billion in 2017, a 64% increase since 2015. This puts us in a good position to achieve our target of doubling annual climate finance to \$6 billion by 2020.

With the launch of our *Climate Change Operational Framework 2017–2030*, ADB is committed to reducing operational greenhouse gas emissions in line with efforts to limit global warming to 2°C. ADB has demonstrated our commitment to corporate sustainability by purchasing carbon credits to fully offset our headquarters' emissions for 2016, making the bank carbon neutral for the first time.

Just as we promote inclusive economic and environmentally sustainable growth in our developing member countries, ADB is committed to improving our own organizational culture and activities. We are investing in our workforce, promoting diversity including gender balance, and ensuring a respectful workplace.

To maintain the region's growth momentum, eradicate poverty, and mitigate and adapt to climate change, our research has estimated that developing Asia needs to invest \$1.7 trillion per year in infrastructure. We will continue to work with our clients and partners to ensure our best contribution to the region's continued prosperity while at the same time addressing inequalities, climate change, natural resource depletion, and environmental degradation.

Takehiko Nakao

President, Asian Development Bank

Foreword

Sustainability has always been one of the cornerstones of the operations of the Asian Development Bank (ADB). These support inclusive economic and environmentally sustainable growth, and promote regional integration, including investment in regional public goods. Part of this is our commitment to practice what we advocate in our headquarters and in all our field offices. ADB continuously pursues initiatives and employs best practices that help to optimize the use of resources, prevent pollution, and reduce waste at its headquarters.

Since 2007, ADB has issued its *Sustainability Report*, a publication that allows our stakeholders to assess our operational and organizational sustainability performance and provides them with a single point of reference to understand our commitment to sustainable development. This biennial edition highlights the integration of sustainability into ADB's operations and organizational activities in 2016–2017.

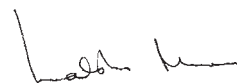
This *Sustainability Report* is organized into three chapters. Chapter 1 describes ADB's organizational structure, strategic approach to development, overall operational results, and approach to preparing the report. Chapter 2 describes how ADB's sector and thematic operations contribute to inclusive economic growth, environmentally sustainable growth, and, sustainable infrastructure, as well as ADB's management of governance and safeguards matters. Chapter 3 addresses the issue of improving organizational culture and resource management; and describes ADB's human resource activities, community activities, and the environmental footprint of its facilities and business travel, demonstrating that we seek to practice what we advocate here in headquarters and in all our field offices. A separate, [detailed Global Reporting Initiative \(GRI\) Content Index](#) sets out ADB's management approaches to material topics and responses to general and material topic-specific disclosures in the *GRI Sustainability Reporting Standards*. These reporting standards provide a comprehensive sustainability reporting framework used by more than 50,000 organizations across the globe. This framework enables organizations to measure, understand, and communicate their governance, environmental, social, and economic performance and impacts in a consistent manner. Furthermore, it allows responsible and transparent reporting on how sustainability is integrated into their organization. Hyperlinks throughout the *Sustainability Report* provide readers with access to further information available on the [ADB website \(www.adb.org\)](http://www.adb.org) and elsewhere.¹

The *Sustainability Report* is a result of an organizational effort. We have overseen its preparation and extend our thanks to all focal points and other ADB staff who contributed inputs and reviewed the drafts.

Feedback is welcome and can be sent to sustainabilityreport@adb.org.



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¹ Those interested in ADB's operations can also refer to the 2016 and 2017 [Annual Reports](#), 2016 and 2017 [Development Effectiveness Reviews](#), 2017 and 2018 [Annual Evaluation Reviews](#), the Office of Anticorruption and Integrity's 2016 and 2017 [Annual Reports](#), and the Accountability Mechanism's 2016 and 2017 [Annual Reports](#).

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Abbreviations

ADB	Asian Development Bank
ADF	Asian Development Fund
CDIA	Cities Development Initiative for Asia
CO ₂	carbon dioxide
CPS	country partnership strategy
DMC	developing member country
DRM	disaster risk management
E ² HSMS	Energy, Environment, Health, and Safety Management System
ESMS	environment and social management system
FI	financial intermediary
GEF	Global Environment Facility
GHG	greenhouse gas
GMIP	Group Medical Insurance Plan
GRI	Global Reporting Initiative
HLT	High-Level Technology (Fund)
HR	human resources
ICT	information and communication technology
IED	Independent Evaluation Department
IPSA	initial poverty and social assessment (or analysis)
ISO	International Organization for Standardization
LEED	Leadership In Energy and Environmental Design
MTR	Midterm Review of Strategy 2020
OCR	ordinary capital resources
OHSAS	Occupational Health and Safety Assessment Series
PCP	Public Communications Policy
PRC	People's Republic of China

PWD	person with disability
RWU	Respectful Workplace Unit
SCF	Staff Community Fund
SDG	Sustainable Development Goal
SES	Staff Engagement Survey
SIDS	Small Island Developing States
SMEs	small and medium-sized enterprises
SPRSS	summary poverty reduction and social strategy
SPS	Safeguard Policy Statement
TVET	technical and vocational education and training
UHC	universal health coverage
US	United States
WFPP	Water Financing Partnership Facility

Weights and Measures

ha	hectare
kg	kilogram
km	kilometer
m ²	square meter
m ³	cubic meter
MW	megawatt
MWh	megawatt-hour

1

About ADB and the Sustainability Report

The [Asian Development Bank](#) (ADB)—the multilateral development bank for Asia and the Pacific—was established in 1966 pursuant to its Charter, the [Agreement Establishing the Asian Development Bank](#) (which accords legal status to ADB), to foster economic growth and cooperation in the region. ADB’s vision is of an Asia and Pacific region free of poverty. ADB’s [mission](#) is to help its developing member countries (DMCs) reduce poverty among their populations and improve their living conditions and quality of life.

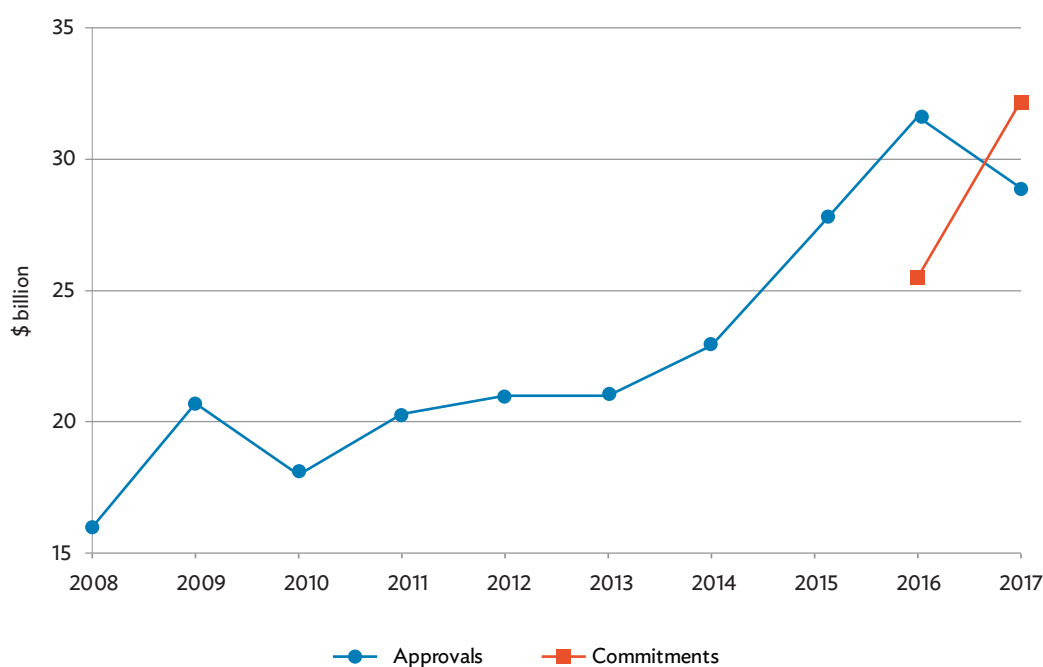
ADB is not a commercial bank; rather, it focuses on transferring resources from global capital markets to its DMCs through government ([public sector](#) or sovereign) and [private sector](#) (nonsovereign) projects. ADB provides its DMCs and borrowers (clients) loans, grants, equity investments, guarantees, and technical assistance. ADB also leverages financing, including from funds it administers; promotes innovation; and disseminates knowledge to maximize its development impact.

Headquartered in Mandaluyong City, Metro Manila, Philippines, ADB has 31 [field offices](#). ADB is owned and governed by its 67 [members](#) (48 from Asia and the Pacific, and 19 from Europe and North America), which are its shareholders. They are represented by the [Board of Governors](#) and the [Board of Directors](#); together these are referred to as the Board. The [President](#) is ADB’s legal representative and heads the [management team](#), comprising six vice-presidents, as shown in ADB’s [organization chart](#). The management team is responsible for supervising the overall work of ADB’s operational, administrative, and knowledge departments and offices.

Financing Development and Managing Risks

In 2016, ADB’s operations, including approved financing and cofinancing via loans, grants, equity investments, guarantees, and technical assistance, reached a record high of \$31.6 billion (Figure 1.1 and Table 1.1). Although approvals fell by 9% in 2017 to \$28.9 billion, commitments increased by 26%, from \$25.5 billion in 2016 to \$32.2 billion in 2017. In 2016, approvals formed the basis for measuring progress against ADB’s corporate results framework targets and reporting on its operational performance. In January 2017, the basis of measuring and reporting became commitments (financing approved by ADB for which the legal agreement has been signed by both parties).

Figure 1.1: ADB's Operations, 2008–2017
(\$ billion)



Source: Asian Development Bank.

Table 1.1: ADB's Approvals and Commitments, 2016 and 2017
(\$ billion)

Financing Source	Approvals		Commitments	
	2016	2017	2016	2017
Sovereign and nonsovereign investment projects financed by ADB's regular and concessional OCR, the ADF and other Special Funds	17.4	19.1	13.3	20.1
Technical assistance financed by Special Funds	0.2 (\$169 million)	0.2 (\$206 million)	0.2 (\$180 million)	0.2 (\$201 million)
Cofinancing for investment projects and technical assistance	14.1	9.6	12.0	11.9
Total	31.6	28.9	25.5	32.2

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources.

Notes:

1. ADB's operations includes financing and cofinancing via loans, grants, equity investments, guarantees, and technical assistance.
2. Components do not sum due to rounding.

Source: Asian Development Bank.

ADB's lending is typically sourced from its [ordinary capital resources](#) (OCR). For sovereign operations, regular OCR loans are offered at near-market terms to governments of lower- to middle-income DMCs. As of 1 January 2017, concessional OCR loans are also offered at low interest rates to governments of lower-income DMCs. ADB also provides loans, grants and technical assistance from its [Special Funds and Trust Funds](#). The [Asian Development Fund](#) (ADF), aimed at reducing poverty in ADB's lower-income DMCs, is the largest of the Special Funds. In 2015, the ADB Board of Governors approved the [OCR-ADF merger](#) to boost total annual lending, equity investment and guarantee approvals. Effective 1 January 2017, ADB transferred loans and other assets totaling \$30.8 billion from the ADF to its OCR balance sheet. Concessional lending continues with the same terms and conditions as prior to the merger. The ADF was retained as a grant-only operation with the 2017 [ADF replenishment](#) (ADF 12) covering grant operations in 2017–2020. In 2016, in preparation for the OCR–ADF merger, ADB approved amendments to its [financial policies](#) for its OCR operations and its ADF grant operations to optimize the financial management of its consolidated balance sheet and provide wider currency choices for recipients of concessional loans.

Considering the nature of its operations, ADB is exposed to many risks (including credit, equity investment, interest rate, currency, and operational risks) which it devotes significant resources to manage. Strong governance and conservative financial management, supported by a powerful balance sheet and backed by sovereign shareholders, provide the necessary security for investors. To control risks throughout the organization, ADB's business processes allow departments and offices to monitor, manage, and mitigate specific risks associated with their operations.

The OCR–ADF merger expanded ADB's lending capacity, enabling it to direct greater resources to DMC governments, particularly those most in need, as well as to the private sector. It also enhanced ADB's risk-bearing capacity and strengthened its readiness to respond to future economic shocks and natural hazard events. In 2017, ADB completed a comprehensive review of the prudential risk management policies that anchor its AAA credit rating. ADB's debt securities continue to carry a AAA investment rating from major international credit rating agencies. Therefore, ADB can raise funds regularly and at favorable rates through international capital markets and pass on low-interest financing to its sovereign borrowers. As part of the OCR–ADF merger-related comprehensive review of its financial policies, ADB updated its investment strategy and authority by implementing appropriate changes, including the introduction of a prohibited environmental and social investment list for managing its liquidity portfolio invested in government and nongovernment-related securities.

[Financing](#) is raised through public offerings, private placements, other transactions, and reflows from loans. In 2016, ADB raised \$20.6 billion in medium- and long-term funds through public issues and private placements; in 2017, it raised \$28.6 billion. Consistent with its commitment to scale up climate finance, following the launch of its inaugural [Green Bond](#) in 2015, ADB maintains a regular presence in the Green Bond market with the aim of channeling more investor funds into investments that promote environmentally sustainable, low-carbon, climate-resilient development. Among its public offerings, ADB issued a dual tranche Green Bond in 2016, raising \$1.3 billion. In 2017, ADB issued \$1.7 billion in [thematic bonds](#) which channel investor funds into [green](#), [water](#), [gender](#), and [health-related](#) investments (Table 1.2).

ADB must ensure the continuous availability of people, systems, and data to maintain continuity of operations and protect its shareholder value even in the event of a disaster. The International Organization for Standardization (ISO) 22301-certified Business Continuity Management program seeks to ensure ADB can recover and resume its critical processes (such as disbursement of funds) in the event of a disaster (such as typhoons and earthquakes) that could restrict access to the ADB headquarters or the movement of ADB personnel. ADB also seeks to ensure its long-term viability by becoming adaptable to changes in the development landscape in which it operates. In March 2016, an Organizational Resilience Unit was created to lead and manage [resilience](#) at ADB, building on the adoption of an Organizational Resilience Program in 2015.

Table 1.2: ADB's Thematic Bond Issues, 2016 and 2017
(\$ million)

Bond Type	2016	2017
Green	1,300.0	1,469.2 ^a
Water	n/a	5.7
Gender	n/a	90.2
Health	n/a	96.9
Total	1,300.0	1,662.0

n/a = not applicable.

^a Includes local currency issues.

Source: Asian Development Bank.

Strategic Approach to Development

To achieve its vision, ADB has three strategic development agendas—inclusive economic growth, environmentally sustainable growth, and regional integration. Approved in 2008, *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020* established the [core operational areas](#) and [drivers of change](#). The 2014 [Midterm Review \(MTR\) of Strategy 2020](#) reaffirmed ADB's vision, mission, and the broad strategic directions of *Strategy 2020* as well as its three strategic development agendas. The MTR outlined [10 strategic priorities](#) to be implemented through the [MTR Action Plan](#). All of ADB's policies, strategies, plans, and resulting operations sit under the umbrella of *Strategy 2020* and the MTR. The [Operations Manual](#), updated as necessary to reflect changes in policies and financing modalities, lists policies and procedures for [preparing and implementing projects](#). ADB's [Our People Strategy](#) sets the principles to be followed for staff recruitment and retention, talent management, and improvement of the workplace environment, while ensuring it has the right staff to achieve ADB's vision and mission.

Moving forward, ADB will continue to support its DMCs in meeting their global commitments. ADB recognizes that achieving the United Nations [Sustainable Development Goals \(SDGs\)](#) (Box 1.1) and the [Paris Agreement on climate change](#) will require increased public and private sector finance. More countries in the region are becoming middle-income DMCs with more sophisticated development needs. As a result, the need for infrastructure is outpacing the capacity of DMC governments to fund it. ADB's research into [Meeting Asia's Infrastructure Needs](#) (2017) identified that, factoring in climate change mitigation and adaptation costs, developing Asia will need to invest \$1.7 trillion per year to maintain its growth momentum, eradicate poverty, and address climate change. In response to the new development landscape, and to meet the rapidly evolving changes in Asia and the Pacific, ADB is currently developing its new strategy referred to as [Strategy 2030](#). Strategy 2030 will

- build on Strategy 2020 and the MTR, serving as a guide for ADB's operations until 2030; and
- describe how ADB plans to align its operations with the SDGs and the Paris Agreement on climate change.

The development of Strategy 2030 builds on extensive background work and [stakeholder consultations](#), which commenced in 2015. It is also informed by [Knowledge, Finance, and the Quality of Growth: An Evaluative Perspective on Strategy 2030](#) (2017), which examines how ADB can contribute to Asia and the Pacific's continued prosperity.

A [draft](#) of Strategy 2030 was published on the ADB website in April 2018 for comment. It was discussed with the Board of Governors and civil society organizations during the 2018 Annual Meeting and is expected to be finalized in 2018.

Box 1.1: Supporting the Implementation of the Sustainable Development Goals



The Asian Development Bank (ADB) is committed to working with its developing member countries (DMCs) and development partners to help achieve the Sustainable Development Goals (SDGs) in Asia and the Pacific. Under a tripartite partnership with the United Nations Economic and Social Commission for Asia and the Pacific and United Nations Development Programme to support achievement of the SDGs in the region, data are regularly compiled on the region's progress toward the SDGs. In 2017, a [data portal](#) was launched, the first [four yearly SDGs' outlook](#) was published, and the first [annual report](#), reflecting on the implications of the theme of the annual High-Level Political Forum on the SDGs for the region, was produced. ADB also responded to DMCs' demand for support on the SDGs, and explored opportunities to accelerate implementation. For example, in Kazakhstan, ADB and Nazarbayev University convened the first donor and government brainstorming meeting on opportunities to achieve the SDGs. ADB's sector and thematic groups support the SDGs as well; during 2016–2017, technical assistance projects to assist DMCs [monitor SDG implementation](#), [localize the SDGs](#), and [implement the environment dimensions of the SDGs](#) were approved. Strategy 2030 is being developed to reflect the SDGs. The corporate results framework is being aligned with the SDGs, and the [project classification system](#) revised to link projects to the SDGs.

Source: Asian Development Bank.

Stakeholder Inclusiveness

ADB's key stakeholder groups include its 67 members (shareholders); public and private investors; the public and private sectors; financing and knowledge partners; [civil society](#) and [nongovernment organizations](#); academics; youth; indigenous peoples; project beneficiaries and affected persons; its suppliers, including consultants, contractors, and service providers; staff members, former staff, and dependents; and the media.

The *Sustainability Report* responds to key topics and concerns stakeholders raised during the reporting period, primarily through the Strategy 2030 consultations and during the ADB annual meetings. ADB's [49th Annual Meeting](#) in 2016 was in Frankfurt, Germany; and the [50th Annual Meeting](#) in 2017 was in Yokohama, Japan.

Working with Governments

Most of ADB's work is with or through the [governments](#) of its DMCs. In 2016, sovereign operations (in terms of financing) comprised 86% of approvals and 87% of commitments (excluding cofinance and technical assistance). In 2017, sovereign operations were 83% of approvals and 89% of commitments. In support of its sovereign operations, ADB works closely with each of its DMCs to define a [medium-term Country Partnership Strategy](#) (CPS) and an annual Country Operations Business Plan aligned with the DMC's poverty reduction goals and development plans. The CPS is ADB's primary platform for designing operations to deliver development results at the country level. A CPS is implemented through the Country Operations and Business Plan, which details a 3-year rolling pipeline of projects and the resources needed to support them. Investment and technical assistance projects are then designed to deliver the development results set out in the CPS.

In addition to ADB's work with individual governments, its work on [regional cooperation and integration](#) facilitates inclusive economic growth, while helping DMCs share and manage financial, social, and environmental risks, and reduce income inequalities. At least 30% of ADB operations will support regional cooperation and integration by 2020. The [Regional Cooperation and Integration Strategy](#) outlines how countries in the subregions of Asia and the Pacific can work together to foster economic growth and cooperation. In 2016, the [Operational Plan for Regional Cooperation and Integration, 2016–2020](#) was adopted, based around three operational directions.

The first direction is to strengthen connectivity between economies including facilitating cross-border energy investments; the second direction is to raise competitiveness in connected markets. The third direction is to promote investment in regional public goods and collective action, including investment which (i) mitigates financial and disaster risks, improves cross-border health security, and enhances management of shared natural resources; (ii) supports cross-border public health investments; (iii) mitigates risks and impacts of climate change, natural hazards, and transboundary pollution, and protects biodiversity; and (iv) strengthens collective action.

Working with the Private Sector

Meeting Asia's Infrastructure Needs (2017) identifies that Asia's infrastructure gap will not close without substantially increasing private sector investment in infrastructure over the current \$63 billion per year. Multilateral development banks such as ADB play a pivotal role in increasing private sector investment, by providing funding in frontier markets, combining finance with development planning knowledge and expertise, developing climate investment plans to meet nationally determined contributions, deepening bond markets, providing credit enhancement, and supporting public-private partnerships.

ADB defines the private sector as companies, financial institutions, or funds where more than half the assets are privately owned. Under the MTR, ADB aims to increase operations supporting private sector development and private sector operations to 50% of its operations, and for 20% of commitments from its total regular OCR to finance private sector operations by 2020. Private sector investments (excluding cofinance) contributing to ADB's climate change operations ("Climate Change and Disaster Risk Management" section) reached \$635 million in 2016 and \$1,140 million in 2017.

In addition to lending to pure commercial entities of the private sector, ADB's nonsovereign operations also include lending to state-owned and government-owned entities that borrow commercially without guarantees from central government. ADB approved 26 nonsovereign operations (excluding cofinance) totaling \$2.50 billion in 2016, and 29 nonsovereign operations (excluding cofinance) totaling \$3.15 billion in 2017. It signed 16 nonsovereign operations (excluding cofinance) committing \$1.75 billion in 2016; and 27 nonsovereign operations (excluding cofinance) committing \$2.29 billion in 2017 (a 40% increase in commitment of ADB's own resources in 2017 compared to 2015 investments).

ADB also provides [transaction advisory services](#) on public-private partnerships to both the public and private sector. By the end of 2017, ADB was implementing 13 mandates across eight DMCs in energy, transport, urban and health sectors. The ADB also manages the [Asia Pacific Project Preparation Facility](#), a \$73 million multi-donor trust fund, which supports the preparation and structuring of infrastructure projects with private sector participation. By the end of 2017, the facility was supporting 17 applications across 12 DMCs.

Leveraging Cofinancing

Financing partnerships are vital to scaling up ADB's operations to reduce transaction and project costs for DMCs, and create additional value through sharing of knowledge and expertise. [Cofinancing](#) mobilizes financial resources by accessing official, other concessional, and commercial sources. It is provided through loans and grants, technical assistance, other concessional financing, and commercial cofinancing, including cofinancing for transactions under ADB's [Trade Finance Program](#). ADB approved \$13.9 billion of cofinancing in 2016 (\$11.9 billion committed) and \$9.5 billion in 2017 (\$11.8 billion committed). In addition, cofinancing for technical assistance was \$148 million in 2016 (\$147 million committed) and \$119 million in 2017 (\$109 million committed).

Sharing Knowledge and Expertise

Strategic partnerships, leveraging additional finance, and sharing knowledge and expertise are strategic priorities of the MTR. Knowledge management lies at the heart of ADB fulfilling its role in sharing knowledge and expertise. ADB's sector and thematic groups provide knowledge support and leadership for its operations to ensure quality and innovation, while proactively engaging with knowledge partners.

To support DMCs in meeting the SDGs, knowledge from Asia and the Pacific's development experiences needs to be captured; and practical solutions, know-how, and applied technologies need to be shared. During 2016–2017, ADB and its knowledge partners closely collaborated to provide a wide range of knowledge content and facilitate DMCs' access to experts. ADB launched the [Development Asia](http://development.asia) portal in July 2017 to provide an easier and faster means to share knowledge solutions from across the region (Box 1.2).

Box 1.2: Launching the Development Asia Portal



The Asian Development Bank created the [Development Asia](http://development.asia) portal to provide its developing member country policy makers who are seeking knowledge solutions related to the Sustainable Development Goals with an easier and faster way of connecting to the Asian Development Bank's sector and thematic group experts, and experts from other knowledge partners in Asia and the Pacific and beyond. The portal's primary objective is to promote the exchange of innovative ideas, policy and project examples, and proven technologies for overcoming socioeconomic and environmental challenges. This is done by providing short, curated knowledge solution pieces (such as policy briefs, case studies, and online courses) with web links that connect the viewer to the original content and the experts behind the knowledge solutions. Each

developing member country may be unique in its geographic context, and socioeconomic and environmental challenges, but by pooling learning resources, and peer groups of policy makers, practitioners, and researchers, collaborations that can help identify sustainable solutions for achieving the Sustainable Development Goals can be facilitated.

Source: Asian Development Bank.

Managing Results and Evaluating Performance

ADB reports on its overall operational performance through the following:

- [Annual Report](#) and [Annual Portfolio Performance Report](#) for 2016 and 2017. Produced by ADB's management, these reports provide an overview of ADB's operations, approved investments, internal administration, and financial management.
- [Annual Development Effectiveness Review \(DEfR\)](#) for 2016 and 2017. ADB is committed to supporting global efforts to enhance development effectiveness. The annual DEfRs, produced by ADB's management, assess ADB's progress against its corporate results framework targets. With the expiration of the corporate results framework for 2013–2016, ADB adopted a transitional corporate results framework for 2017–2020 with partial alignment to the SDGs. In 2018, ADB will initiate a comprehensive review to align its corporate results framework with Strategy 2030 and the SDGs.

- [Annual Evaluation Reviews \(AER\)](#) for 2017 and 2018. Produced by the Independent Evaluation Department (IED), these systematically assess and provide ADB’s management and the Board with an independent perspective of ADB’s operational performance (the 2018 AER included an evaluation of efficiency and sustainability in project preparation and design). By providing feedback on performance, and generating and disseminating lessons from evaluations, independent evaluation helps ADB’s management improve its operations.
- Self-Evaluation and External Review of IED. In 2017, the IED completed a periodic [self-evaluation](#), taking stock of the relevance and effectiveness of its work and how to strengthen its impact. ADB’s Board has oversight over the IED. In 2017, the Board appointed consultants to complete a periodic external evaluation to assess the extent to which the IED conducts its work in conformity with international good practice evaluation standards, the effectiveness and efficiency of its efforts, and the challenges it faces to ensure its long-term relevance in supporting development. Feedback from the external review was shared with IED and ADB’s management.

Materiality and Completeness

The *Sustainability Report* showcases the significant economic, social, and environmental impacts of ADB’s operations (e.g., investments, technical assistance, and knowledge products; broken down for purposes of reporting by the focus of ADB’s sector and thematic groups) and organizational activities (e.g., human resources, energy, environment, and health and safety management for ADB headquarters and its field offices) and enables stakeholders to assess ADB’s sustainability performance. To meet the requirements of the [GRI Sustainability Reporting Standards](#), the report also identifies topics material to ADB and reports on corresponding disclosures. The *GRI Sustainability Reporting Standards* define materiality as “topics that reflect the reporting organization’s significant economic, social, and environmental impacts, or substantively influence the assessments and decisions of its stakeholders.”

In each reporting cycle, ADB’s material topics are identified based on the current strategies, to ensure alignment between ADB’s overarching long-term strategy and its sustainability reporting. For this report, a series of internal workshops (to which focal points from all departments and offices across ADB were invited) was conducted in December 2017 to identify and prioritize the material topics for the reporting years 2016 and 2017 with the transition to the *GRI Sustainability Reporting Standards*. The focal points also supplied information for the Sustainability Report and commented on drafts, liaising with other departmental or office staff as needed.

The strategic priorities of the MTR guide ADB’s operations, including the work of its sector and thematic groups, as described in Chapter 2, as well as its organizational activities, as addressed in Chapter 3. Table 1.3 outlines ADB’s strategic priorities vis-à-vis the material topics covered by the *Sustainability Report* and the SDGs that the strategic priorities contribute to (based on GRI’s mapping of material topics to the SDGs). It also identifies their boundary (whether topics primarily relate to ADB’s external operations, internal functioning, or both). For 2016 and 2017, procurement practices, water, freedom of association and collective bargaining, child labor, forced labor, and local communities were added as new disclosures following feedback from the focal points.

Table 1.3: Material Topics and Reporting Boundary

ADB Priority	Boundary*	Material Topics	SDGs Addressed	Chapter (see also GRI Content Index)
Poverty reduction and inclusive economic growth	Internal	Economic performance	2, 5, 7, 8, 9, 13	1 and 2
	External	Indirect economic impacts, procurement practices , diversity and equal opportunity, nondiscrimination, freedom of association and collective bargaining, child labor, forced labor , rights of indigenous peoples, human rights assessment, local communities	1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 16, 17	
Environment and climate change	Internal	Economic performance	2, 5, 7, 8, 9, 13	1, 2, and 3
	External	Indirect economic impacts, biodiversity, occupational health and safety, customer health and safety	1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 14, 15, 17	
	Internal and external	Energy, water , emissions	3, 6, 7, 8, 12, 13, 14, 15	
Regional cooperation and integration	Internal	Economic performance	2, 5, 7, 8, 9, 13	1 and 2
	External	Indirect economic impacts	1, 2, 3, 5, 7, 8, 9, 10, 11, 17	
Infrastructure development	Internal	Economic performance	2, 5, 7, 8, 9, 13	2
	External	Indirect economic impacts, energy, water , emissions	1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17	
Middle-income members, private sector development, and operations	Internal	Economic performance	2, 5, 7, 8, 9, 13	1 and 2
	External	Indirect economic impacts	1, 2, 3, 5, 7, 8, 9, 10, 11, 17	
Knowledge solutions, financial resources, and partnerships	Internal	Economic performance	2, 5, 7, 8, 9, 13	1 and 2
Delivering value for money In ADB	Internal	Economic performance, procurement practices	2, 5, 7, 8, 9, 12, 13	1 and 2
	Internal and external	Anticorruption	16	
Organizing to meet new challenges	Internal	Employment, occupational health and safety, training and education, diversity and equal opportunity, nondiscrimination	3, 4, 5, 8, 16	3

ADB = Asian Development Bank, GRI = Global Reporting Initiative, SDGs = [Sustainable Development Goals](#).

* “Boundary” refers to whether the topic applies to ADB’s external operations, internal functioning, or both.

Bold text = new disclosures for 2016 and 2017.

Source: Asian Development Bank.

A separate [detailed GRI Content Index](#) is provided, which contains ADB’s responses to the general disclosures, the management approach for the material topics, and the specific disclosures for the material topics per the *GRI Sustainability Reporting Standards*. This *Sustainability Report* and detailed GRI Content Index were prepared in accordance with the core option of the *GRI Sustainability Reporting Standards*.

2

Ensuring Inclusive, Environmentally Sustainable Operations

Asia and the Pacific has been the fastest-growing region in recent decades and robust economic growth has resulted in a dramatic reduction in income poverty and improvements in living standards. From 1990 to 2013, those in extreme poverty, as measured by a \$1.90 a day threshold, significantly declined in Asian Development Bank (ADB) developing member countries (DMCs) from 53% to around 9% of the total population. While such positive trends are expected to continue, contributing to the first Sustainable Development Goal (SDG 1)—to end poverty in all its forms everywhere—the region is faced with increasingly complex development challenges.

The region faces widening inequalities in income and access to economic and social opportunities, a large infrastructure deficit, environmental degradation, and climate change, which threaten the sustainability of economic growth. Although many DMCs are reaching middle-income country status, they still face development challenges, including eradicating remaining poverty, creating decent jobs for the youth, addressing the needs of aging populations, and addressing environmental challenges, including climate change, increasing levels of air and water pollution, loss of biodiversity, and natural hazards. By linking people, the planet, and prosperity, and offering opportunities to alter development paths, the SDGs provide a much-needed impetus for countries to address the realities of the challenges facing the region.

Under the strategic priorities of the Midterm Review of Strategy 2020 (MTR), while helping meet Asia and the Pacific's demand for infrastructure, ADB focused its attention on addressing access to and affordability of basic services and supporting social inclusion (complementing infrastructure with education, health, and finance) and environmental sustainability in infrastructure provision. In doing so, ADB continues to share knowledge and expertise and promote innovation, while ensuring communication and implementation of good practices learned, and avoiding any compromise of its oversight functions. For reporting purposes, the description of ADB's operations is broken down by the focus of ADB's sector and thematic groups (which are not mutually exclusive) as they best relate to the strategic priorities of inclusive economic growth, environment and climate change, and infrastructure development.

Ensuring Inclusive Economic Growth

ADB's three pillars for inclusive economic growth are: (i) economic growth and the creation of economic opportunities including jobs; (ii) support for inclusive access to economic opportunities; and (iii) support for social protection, which will help its DMCs achieve SDG 1 and SDG 8, on decent work and economic growth; and 10, on reduced inequalities, among others. All of ADB's work contributes to the achievement of inclusive economic growth in Asia and the Pacific. The following sections focus on ADB's sector work in education, health, and finance and on cross-cutting themes that help ensure inclusiveness (gender, governance, and social development).

In 2016, ADB approved 143 investment projects totaling \$17.38 billion (excluding cofinance and technical assistance) supporting inclusive economic growth, while 120 investment projects were committed totaling \$13.26 billion. In 2017, 124 investment projects were approved totaling \$19.09 billion (excluding cofinance and technical assistance) to support inclusive economic growth, while 132 investment projects were committed totaling

\$20.10 billion. The 2016 and 2017 *Annual Reports* and *Development Effectiveness Reviews* provide further detail on ADB's contribution and progress in driving inclusive economic growth.

Knowledge, Finance, and the Quality of Growth: An Evaluative Perspective on Strategy 2030 highlights that while access to employment and essential services are critical to inclusive economic growth, and providing job creation remains important, economic growth and infrastructure development do not automatically translate to inclusive growth. Economic growth can help reduce poverty, but negative effects can still occur. Asia and the Pacific still faces disparities in health, although it has fared better in ensuring access to basic education. So ADB may pursue appropriate interventions to ensure inclusive growth, the driving forces behind regional disparity and patterns of disparity across groups need to be understood.

Education (Sector)

Providing access to high-quality education for all, as reflected in SDG 4, on quality education, is essential to support inclusive growth, and to reduce new forms of inequalities, particularly for women and vulnerable groups, who are at greater risk of being left behind in the job market. Although Asia and the Pacific has made significant progress toward universal basic education, quality and access remain concerns, especially for girls and hard-to-reach populations. With many DMCs reaching middle-income country status, access to post-basic education also needs to accelerate to further support economic growth. Digital literacy has become as important as reading, writing, and arithmetic. Fast-evolving technological change and new labor market dynamics also require upskilling of workforces for these DMCs to move up the value chain.

The MTR includes a commitment to increase education investment to 6%–10% of ADB financing by 2020. In 2016, 4.7% or \$619 million (excluding cofinance and technical assistance) was committed for the education sector; in 2017, 3.5% or \$710 million was committed. Approvals for education were 4.4% or \$771 million in 2016 and 3.5% or \$662 million in 2017. ADB supports all levels of education, including basic and secondary education (Box 2.1). However, ADB's *Education by 2020: A Sector Operations Plan* focuses on post-basic education, technical and vocational education and training (TVET), and higher education. Ensuring unskilled youth and adults, especially women and girls, benefit from training programs is an essential part of ADB's education operations, which promote the development of gender-responsive, inclusive education systems, and emphasize cross-sector support (e.g., training for renewable energy or construction).

Box 2.1: Sustaining Access to and Maintaining the Quality of Education in Mongolia



Elementary school students will directly benefit from sustained access to and quality of education.

In Ulaanbaatar, disproportionate population growth caused by internal migration, and years of underinvestment in education infrastructure resulted in a gap in the enrollment capacity of schools and kindergarten. In Mongolia, 30 out of 33 schools that currently operate in three shifts are in Ulaanbaatar, with the last shift finishing at 8 p.m. or 9 p.m. Continued economic difficulties also pose challenges to the provision of quality education services in Mongolia. To sustain access to and quality of education, a \$50 million loan was approved in 2017. The *Sustaining Access to and Quality of Education during Economic Difficulties Project* will directly benefit about 15,000 children enrolled in 35 newly constructed or expanded schools and kindergartens, incorporating facilities for students with special needs and age- and gender-inclusive sanitation, such as low-height handwashing and toilet facilities for early grade students. They will also incorporate energy-efficient measures, such as insulation and triple-glazed windows to reduce heat loss and thus, indirectly reduce greenhouse gas emissions; and disaster-resilient features to protect children from earthquakes, snowstorms, and floods.

Source: Asian Development Bank.

Promoting environmentally sustainable growth also requires new competencies, such as green skills, which may be technical skills for specific jobs or soft skills. *Education and Skills for Inclusive Growth, Green Jobs and the Greening of Economies in Asia—Case Study Summaries of India, Indonesia, Sri Lanka and Viet Nam* published in 2017 describes how governments, businesses, and TVET systems can better support green growth. This is expected to become a growing area of business for ADB and is already being translated into education operations.

Health (Sector)

Universal health coverage (UHC) is essential for inclusive growth as it allows everyone to have access to the health services they need without being exposed to financial hardship when paying for them. This leads to improved health outcomes, increased productivity, and enhanced capacity to learn. DMCs in Asia and the Pacific are scaling up the implementation of UHC strategies and plans, but these efforts need financial and technical support.

Under the MTR, ADB committed to gradually increase its health investments from 2% during 2008–2012 to 3%–5% of ADB financing by 2020. This increase in ADB’s health portfolio focuses on supporting DMCs’ UHC efforts as described in the *Operational Plan for Health, 2015–2020* which is fully aligned with SDG 3, on good health and well-being. In 2016, the health sector (Box 2.2) represented 1.7% or \$226 million of commitments (excluding cofinance and technical assistance); and in 2017, the health sector represented 1.0% or \$211 million of commitments. In 2016, 2.0% or \$341 million of approvals; and in 2017, 0.9% or \$168 million of approvals were for health.

Box 2.2: Developing Elderly Care in the People’s Republic of China



Development of elderly care services and facilities will benefit an increasingly aging population.

The most significant demographic challenge the People’s Republic of China (PRC) currently faces is the accelerated aging of its population, and the social and economic impacts that will occur because of the rapid pace and scale of change. The proportion of people over 60 across the PRC is expected to grow from about 12% in 2010 to 34% by 2050. The growing demand for quality and affordable elderly care services exceeds the current supply, and there is an immediate need to develop innovative care models for urban and rural areas. In response, in 2017, the Asian Development Bank (ADB) approved a \$100 million loan for the [Hebei Elderly Care Development Project](#) to support the development of a three-tiered system of home, community, and residential elderly care services and facilities; and bring innovation, including the use of information and communication technology networks, into service provision. Five facilities (run by the public and private sectors) will be designed to achieve a two-star rating under the PRC’s national green building standard

(green buildings are rated on a scale of one to three, to achieve a two-star rating all 27 mandatory requirements must be met) and incorporate energy and water resource conservation and efficiency measures. This is ADB’s first project that comprehensively addresses the development of elderly care, and it is expected to inform the development of other elderly care projects across Asia and the Pacific.

Source: Asian Development Bank.

During 2016–2017, ADB also increased its visibility and credibility as a regional knowledge and solutions leader in health among DMCs and development partners. This is manifested through ADB’s ever-expanding portfolio of health knowledge products and activities addressing [national health insurance](#) for UHC with a regional meeting for 30 DMCs convened in 2016, private sector engagement in the health sector, digital health, hospitals, health impact assessment, regulations, and innovative actions on noncommunicable diseases.

Finance (Sector)

Finance sector development is necessary to boost inclusive economic and environmentally sustainable growth and promote financial stability and resilience. ADB's work in the financial sector is guided by the *Financial Sector Operational Plan*. Under the MTR, ADB committed to emphasize financial inclusion and inclusive business. In 2016, \$2,019 million of approvals (excluding cofinance and technical assistance); and in 2017, \$2,704 million of approvals were for the finance sector (Box 2.3); while commitments (excluding cofinance and technical assistance) amounted to \$1,607 million in 2016 and \$2,761 million in 2017. ADB is also supporting innovative green finance initiatives. Due to fiscal restraints in many DMCs, private finance is required to support environmentally sustainable growth (“Pursuing Environmental Sustainability” section).

Box 2.3: Providing a Line of Credit to Small and Medium-Sized Enterprises in Sri Lanka



On lending of ADB funds by Sri Lankan banks will provide women-led SMEs better access to credit.

Small and medium-sized enterprises (SMEs) are responsible for 52% of Sri Lanka's gross domestic product, and provide 45% of its jobs. However, many fail to grow because their lack of credit history or collateral means they are unable to borrow from banks. In the past, to help channel more funds to SMEs, subsidized loans were provided to banks to lend, but these ultimately distort the market and undermine financial stability. Through the *SME Line of Credit Project*, the Asian Development Bank (ADB) is providing \$100 million, which was accessed by the banks through innovative bank auctions. Banks are required to reach targets on lending to SMEs that are women-led, outside the capital city, or to first-time bank borrowers. Banks are not required to establish an environment and social management system (ESMS), but those with one are offered more flexibility as to who they could lend to, as well as assistance to ensure their ESMS is in line with the ADB *Safeguard Policy Statement*. To date, four out of seven banks have voluntarily established an ESMS, and an additional two are currently working to establish their own ESMS.

Source: Asian Development Bank.

Gender Equity (Theme)

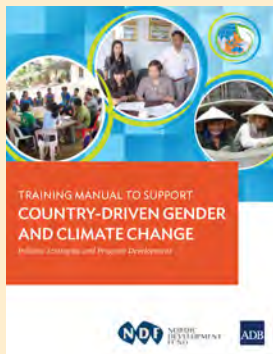
ADB is committed to mainstreaming and promoting gender equality and women's empowerment across its operations, and to contributing to the achievement of SDG 5, on gender equality. The *Gender Equality and Women's Empowerment Operational Plan, 2013–2020* identifies strategic entry points to accelerate progress in addressing gender inequalities in operations, with measurable targets. ADB's corporate results framework 3-year average target rate of 70% of completed operations delivering intended gender equality results was exceeded (77%) in 2015–2017, up from 74% in 2014–2016. In addition, the 3-year average rate for gender mainstreaming of newly committed sovereign projects reached 48% in both 2015–2017 and 2014–2016 against a corporate results framework target of 50% by 2020, although it dropped from 57% in 2013–2015. Projects with gender equity as a theme—outcomes directly addressing gender equality—comprised 7% of sovereign commitments in 2016, and 5% of sovereign commitments in 2017.

In 2017, a *Thematic Evaluation on ADB Support for Gender and Development* was completed. It found that ADB's *Policy on Gender and Development* led to a greater focus on the process of mainstreaming gender, which increased in all operations, but particularly in the agriculture and natural resources, education, health, water, and urban sectors. On the other hand, there was limited policy and institutional support to address gender-based discrimination in labor markets, combat gender-based violence, and promote gender-inclusive social protection and safety nets. This, together with a lack of government commitment, constrained ADB's contribution to narrowing gender gaps with respect to economic

empowerment, women's voice and decision-making capacity, and resilience to economic shocks and natural hazard events. It recommended that Strategy 2030 should help ADB strengthen these weaknesses.

ADB also contributes to showcasing how gender equality can leverage sustainable development, including the SDGs, through its investments (Boxes 2.4 and 2.11), and knowledge products and activities. In 2017, ADB held a [Regional Seminar on Gender Equality in Climate Change and Disaster Risk Management](#), bringing together policy makers and experts from across the region.

Box 2.4: Integrating Gender and Climate Change within the Greater Mekong Subregion



Implemented in Cambodia, the Lao People's Democratic Republic, and Viet Nam, a \$3.45 million regional technical assistance project on [Harnessing Climate Change Mitigation Initiatives to Benefit Women](#) financed by the Nordic Development Fund was completed in 2017. The project helped to strengthen the capacity of sector ministries and local governments to integrate gender considerations into their national and subnational climate change policies frameworks, strategies, and action plans; and to screen emission reduction projects. It also helped women's groups to gain access to co-benefits from appropriate emission reduction technologies, such as clean cookstoves. The project produced a [series of training materials](#) on how to integrate gender designs into climate change mitigation projects. It also demonstrated how climate financing can provide benefits to women for their contribution to greenhouse gas reduction in addition to productive industries.

Source: Asian Development Bank.

Governance (Theme)

Good public governance with effective, accountable, and inclusive institutions at all levels will underpin successful delivery of the SDGs. In line with SDG 16 (peace, justice, and strong institutions), both governance and institutional capacity must improve if Asia and the Pacific is to make the most of its economic growth. The [Second Governance and Anticorruption Action Plan](#) is ADB's main instrument for assessing governance issues and risks. Under the MTR, ADB committed to promote governance and capacity development by mainstreaming these themes into operations. Commitments (excluding cofinance and technical assistance) involving governance and/or capacity development rose from 72% in 2014–2016 to 73% of total commitments in 2015–2017, while approvals were 72% of total approvals in 2014–2016 and 2015–2017.

Mobilizing the domestic resources of DMCs and making better use of international assistance is reflected in both the Addis Tax Initiative Declaration of 2015 and SDG 17, on partnerships for the goals. In 2017, ADB established the multi-partner [Domestic Resource Mobilization Trust Fund](#) with an initial contribution of \$2 million from Japan. Its objective is to help DMCs translate Agenda 2030 into specific policies, plans, and projects necessary to achieve the SDGs; and make better use of international assistance. During 2016–2017, ADB also worked with its DMCs on public expenditure and financial management, procurement, state-owned enterprise reform, and decentralization and subnational governance (Box 2.5).

Box 2.5: Localizing the Sustainable Development Goals in Asia and the Pacific



The Sustainable Development Goals (SDGs) are multisector and multilevel in nature and governments are faced with the challenge of achieving both vertical and horizontal coordination. Country-led implementation strategies with the involvement of subnational governments and nongovernment stakeholders are essential for achieving the targets adopted under the SDGs. In 2016, the Asian Development Bank and the Development Partners Network on Decentralisation and Local Governance organized a [regional workshop](#) to explore the current approaches of developing member countries and development partners to localizing the SDGs in Asia and the Pacific. In 2017, this was followed by a series of learning events in the Philippines, the Republic of Korea, and Singapore, which

provided additional opportunities to discuss the challenges and opportunities associated with localizing the SDGs. Toward the end of 2017, a \$1 million technical assistance on [SDG localization](#) was approved, to help improve the institutional capacity of selected developing member countries to localize the SDGs, including the service delivery- and infrastructure-related SDGs, as well as SDGs related to sustainable cities, environment, and climate action.

Source: Asian Development Bank.

Social Development (Theme)

Social protection programs and systems help prevent extreme deprivation and contribute to reducing inequality and mitigating the effects of economic shocks or natural hazard events. ADB's [Social Protection Operational Plan 2014–2020](#) aims to help DMCs strengthen their social protection policies and programs and integrate social protection components, such as, social assistance, social insurance, and labor market programs, into ADB's operations (Box 2.6). Commitments (excluding cofinance and technical assistance) involving a social protection component dropped from a 3-year average rate of 6.0% in 2014–2016 to 5.1% in 2015–2017, against the corporate results framework target to exceed the 2014–2016 baseline of 6.0% by 2020. Approvals rose from 5.2% in 2014–2016 to 5.5% in 2015–2017. More than half of projects with a social protection component are related to improving the labor market by promoting TVET projects in DMCs.

Nonsovereign projects support inclusive business if they generate high development impact, and expand access to goods, services, and livelihood opportunities for low-income communities in commercially viable ways. Two nonsovereign projects committed in 2016 and eight nonsovereign projects committed in 2017 qualified for this label.

Box 2.6: Supporting People with Disabilities in Mongolia

Lack of comprehensive social protection programs for persons with disabilities (PWDs) is a serious concern in Mongolia, where the disability prevalence of around 4% based on the 2010 census is likely to be underestimated. PWD need early childhood support that is sustained in school and throughout their professional life, for them to overcome barriers to their successful inclusion in society, including lack of access to education, health care, social protection, and employment; and marginalization. Under the [Ensuring Inclusiveness and Service Delivery for Persons with Disabilities Project](#), approved in 2017, a \$25 million loan and \$2 million grant from the Japan Fund for Poverty Reduction will enable the Government of Mongolia to ensure inclusiveness, including access to the physical environment, education and employment, and delivery of services for PWDs in Ulaanbaatar and at the aimag (province) level. It will help the government comply with the United Nations Convention on the Rights of Persons with Disabilities and in implementing the new law on the rights of PWDs adopted by the Parliament of Mongolia in 2016. This project is the Asian Development Bank's first loan focusing exclusively on disabilities and signifies a change in the way it approaches its assistance to and engagement with PWDs.

Source: Asian Development Bank.

Social dimensions are integrated into ADB's operations through an initial poverty and social assessment (IPSA) undertaken for all projects. The IPSA identifies the poverty and social impacts and key social issues (e.g., participation, gender, involuntary resettlement, indigenous peoples, labor, affordability, and other risks and vulnerabilities) that the project needs to address ("Gender Equity" and "Environmental and Social Safeguards" sections offer more information). Based on the issues identified, further social assessment is carried out, resulting in specific actions (often laid out in an accompanying action plan) and the mandatory summary poverty reduction and social strategy (SPRSS) which provides an overview of design measures and implementation arrangements that maximize the social benefits and avoid or minimize the project's social risks. All ADB projects for 2016 and 2017 included an IPSA and SPRSS. To support this process, annual training on poverty and social analysis (PSA) is offered to staff. Two internal PSA training events were organized during 2016–2017 with 61 attendees.

Poor and unsafe labor conditions and retrenchment are particularly relevant to ADB's operations. ADB strives to ensure its operations comply with the [Core Labor Standards](#) as outlined in the [Social Protection Strategy](#) (2001). Compliance with Core Labor Standards was appropriately addressed for all projects in 2016–2017 through the IPSAs, SPRSSs, and loan agreements.

Pursuing Environmental Sustainability

The SDGs emphasize the interlinkages between the environment, poverty reduction, and inclusive growth. Under the MTR, the cross-cutting issues of [environment](#) and [climate change](#) remain strategic priorities, with ADB committing to deliver \$6 billion of climate finance by 2020. Consistent with the SDGs, particularly SDG 6, on clean water and sanitation; SDG 7, on affordable and clean energy; SDG 11, on sustainable cities and communities; SDG 12, on responsible consumption and production; SDG 13, on climate action; SDG 14, on life below water; and SDG 15, on life on land; the Paris Agreement on climate change; and the Sendai Framework for Disaster Risk Reduction 2015–2030, ADB seeks to support systemic, long-term, and transformational change toward green growth in Asia and the Pacific as explained in the following sections based on ADB's cross-cutting themes of environment, climate change, and disaster risk management; and its work on agriculture, natural resources, rural development, and food security.

[Environmentally Sustainable Growth: A Strategic Review](#) (2016) showcases ADB's approach to environmentally sustainable growth and raises issues for consideration in Strategy 2030. Projects tagged as supporting environmentally sustainable growth were found to have higher evaluation success rates, and adopt innovative or integrated approaches that could be replicated in the future. Greater knowledge and awareness of the benefits and returns of environmental initiatives internally and among DMCs, and the mainstreaming of environment and climate change concerns into operations are essential, as are encouraging innovation in clean energy and promoting sustainable transport. [Development Effectiveness, Natural Disasters, and Climate Change](#) (2017) identifies that Asia and the Pacific needs a strategy to grow differently in a way that values all three forms of capital—physical, human, and natural; while [Mitigating the Impacts of Climate Change and Natural Disasters for Better Quality Growth](#) (2017) flags the need for climate mitigation and adaptation action, prioritization of disaster prevention and risk reduction measures, and innovation in clean energy and energy efficiency if the region is to reduce the costs of climate change and avoid catastrophe (Figure 2.1).

[Knowledge, Finance, and the Quality of Growth: An Evaluative Perspective on Strategy 2030](#) highlights that most projects contributing to environmentally sustainable growth are oriented toward economic growth, with varying degrees of environmental co-benefits, thus, a stronger operational focus on environmentally sustainable growth that addresses interlinkages is needed, given the scale of the challenge.

Figure 2.1: Impacts of Climate Change on Asia and the Pacific



Source: Sustainable Development and Climate Change Department, Asian Development Bank; Potsdam Institute for Climate Impact Research.

Environment (Theme)

In accordance with the strategic priorities of the MTR, *ADB's Environment Operational Directions 2013–2020* articulate how ADB will assist the region in pursuing environmentally sustainable growth, including promoting a shift to sustainable infrastructure (“Sustainable Infrastructure” section); investment in natural capital (e.g., land, forests, fisheries, air, and water) to maintain the productive potential of natural resources; strengthening of environmental governance and management capacity; and climate change adaptation and mitigation (“Climate Change and Disaster Risk Management” section).

In 2016, ADB approved 81 projects and in 2017, 82 projects that will contribute to environmentally sustainable growth, and committed 64 projects in 2016 and 84 projects in 2017. The 3-year average share of commitments (number of projects) supporting environmental sustainability was 57% in 2014–2016 and 58% in 2015–2017 against a corporate results framework target of 55% by 2020. Approvals reached 58% in 2014–2016 and 59% in 2015–2017. ADB continues to screen all projects in accordance with the requirements of the *Safeguard Policy Statement (SPS)* (2009) to minimize, mitigate, and compensate for, if not avoid, adverse impacts of projects on people and the environment (“Environmental and Social Safeguards” section).

In 2017, ADB published *Catalyzing Green Finance: A Concept for Leveraging Blended Finance for Green Development*, highlighting the constraints to developing a large pipeline of bankable green infrastructure projects. It also

outlines the concept of a Green Finance Catalyzing Facility as a model for DMCs to create their own financing vehicles and implementing mechanisms, which was put into practice with the development of a Regional Emission Reduction and Pollution Control Facility in the People's Republic of China (PRC) (Box 2.7). Given that private sector investment in environmental goods and services is crucial for achieving green growth, ADB held its first Green Business Forum in 2016 (Box 2.8).

ADB also helps its DMCs strengthen policies, regulatory frameworks, and incentives that promote resource conservation and efficiency while reducing the environmental impact of economic growth. During 2016–2017, in addition to investments in Mongolia ([Ulaanbaatar Air Quality Improvement Program](#)) and the PRC (Box 2.7) that addressed increasing air pollution, ADB held knowledge activities on air quality management and assessment. Moreover, ADB promotes sustainable infrastructure planning and design, including the use of ecologically sensitive approaches and nature-based solutions. In 2017, ADB and the World Wide Fund for Nature (WWF) organized an international forum on [Integrating Climate Resilience and Natural Capital into Transport Infrastructure Planning](#)

Box 2.7: Improving Air Quality in the People's Republic of China



Investment in pollution control technologies is needed to improve emissions to air in the Beijing-Tianjin-Hebei region

The air quality in more than 95% of cities in the greater Beijing–Tianjin–Hebei region significantly exceeds both national standards and the World Health Organization's guidelines; high levels of air pollution pose a major health risk to the region's population and harms economic development. Following a [2015 policy based loan](#) to reform air quality policy and strengthen regulatory capacity in Hebei province, the Asian Development Bank consecutively approved two projects in 2016 and 2017 to further address air pollution. The [2016 loan](#) of \$499.6 million targeted improved access to finance, especially for small and medium sized-enterprises, to scale-up investments in pollution reduction projects in the region. The [2017 loan](#) aims to deploy advanced technologies to reduce air pollution from large emitters in the agriculture, energy, transport, and urban sectors. It is expected to attract nearly \$1.53 billion in cofinancing from the public and private sectors in addition to the original \$499.0 loan

and is estimated to prevent the emission of 2,740.5 tons of nitrogen oxide; 9,884.9 tons of sulfur dioxide; 1,911.4 tons of particulate matter; and 821,416 tons of carbon dioxide.

Source: Asian Development Bank.

Box 2.8: Promoting Green Business Development in Asia and the Pacific



Panel discussion at the ADB Green Business Forum for Asia and the Pacific (2016)

[Scaling Up Private Sector Participation and Use of Market-Based Approaches for Environmental Management](#), a \$1.5 million regional technical assistance project approved in 2016, supports the adoption and upscaling of market-based and other flexible approaches for environmental management and green business development. In November 2016, the Asian Development Bank organized its first [Green Business Forum for Asia and the Pacific](#), a flagship event that discussed opportunities for the private sector to invest in innovative solutions to tackle climate change, reduce resource use inefficiencies, and address environmental degradation while promoting environmentally sustainable growth. The forum highlighted opportunities for green investments in new, emerging, and often underserved areas of green business, such as natural capital (water, land, and forest resources management), biodiversity, sustainable tourism, and

sustainable agriculture. It also reiterated the need to continue investing in sustainable infrastructure and environmental quality (water, air, and soil) through pollution control.

Source: Asian Development Bank.

and Design, which identified guiding principles for the planning and design of wildlife-friendly transport infrastructure. ADB also supports DMCs' environmental governance and capacity development. An ADB [workshop](#) on ecosystems-based adaptation and nature-based approaches to climate and disaster risk management was also organized. In 2016, *Law and Policy Reform Program: Effective Legal Systems for Sustainable Development* highlighted ADB's support for environmental adjudication in the region through the [Asian Judges Network on the Environment](#) and development of judicial capacity for adjudicating environment issues.

Since the late 1990s, ADB has worked closely with the [Global Environment Facility](#) (GEF) and has direct access to GEF resources to support projects addressing biodiversity, land degradation, sustainable forest management, international waters, and climate change. In 2016, GEF approved a total of \$22.5 million in grants for ADB investment and technical assistance projects, including approval of a \$4.8 million grant to enhance rural productivity and ecosystems services in Myanmar's central dry zone forest reserves. In 2017, GEF approved a total of \$18.98 million in grants for ADB investment and technical assistance projects, including a \$1.8 million grant in 2017 to combat wildlife crime in the Philippines.

[Climate Change and Disaster Risk Management \(Theme\)](#)

In addition to the targets and commitments identified in the MTR, and building on previous climate finance commitments, in 2017, ADB adopted the *Climate Change Operational Framework 2017–2030* (CCOF2030) to help strengthen its support to DMCs to meet their climate commitments and build their resilience to climate change. Through the CCOF2030, ADB committed to measuring and reducing its operational greenhouse gas (GHG) emissions in line with efforts to limit global warming to 2°C. ADB's *Operational Plan for Integrated Disaster Risk Management 2014–2020* identifies actions to strengthen disaster risk management (DRM).

By 2017, there was a 64% increase in [climate finance](#) from ADB's own resources (compared to 2015) with \$3.7 billion of investments in 2016 and \$4.5 billion of investments in 2017 based on approvals, bringing ADB closer to achieving its target of \$6 billion climate finance by 2020. ADB approvals (excluding cofinance and technical assistance) for DRM and DRM-related projects (Box 2.9) amounted to \$5.8 billion with 43 new projects in 2016 and \$4.75 billion with 18 new projects in 2017. These projects directly reduced disaster risk, integrated disaster resilience measures, or supported disaster response. Commitments are not tracked for climate change and disaster risk management.

Box 2.9: Strengthening Disaster Resilience in the Pacific



Parliament house in the capital Nuku'alofa after the destruction brought by Cyclone Gita (2018)

To strengthen Samoa, Tonga, and Tuvalu's resilience to disasters triggered by natural hazard events, toward the end of 2017, the Asian Development Bank approved the \$15 million [Pacific Disaster Resilience Program](#). The program supports policy actions for disaster risk management and provides the three countries with a source of contingent financing for timely disaster relief, early recovery, and reconstruction activities. By filling a financing gap experienced by most Pacific countries, and providing a predictable source of post-disaster finance, the program will reduce the secondary economic and social costs caused by delays in early recovery and reconstruction activities following a disaster event. The program's approval was timely, as in February 2018, the Government of Tonga withdrew \$6 million of contingent financing under the program to help fund priority activities after it was struck by Tropical

Cyclone Gita, which passed directly over its capital. A linked \$2 million technical assistance will help the three countries implement priority disaster resilience building activities.

Source: Asian Development Bank.

Climate risk management is mandatory for all ADB projects. All projects are screened for climate risk, and at-risk projects are required to undergo a further climate risk and vulnerability assessment. Based on the findings of the assessment, adaptation measures are identified, evaluated, prioritized, assigned costs, and incorporated into the design of at-risk projects, as appropriate. All projects must record the level of risk posed by climate change, the amount of climate finance allocated for mitigation and adaptation, and their contribution to GHG reduction. In 2017, ADB also broadened its online project climate risk screening tool to include geophysical hazards and developed related guidance materials on *Natural Hazard Data*, *Disaster Risk Assessment for Project Preparation*, and *Disaster Risk Management and Country Partnership Strategies*.

In 2017, ADB replenished two key funds from its 2016 net income—the **Climate Change Fund** with \$15 million and the **Asia Pacific Disaster Response Fund** with \$20 million. Further, ADB released the report, *Future Carbon Fund Delivering Co-Benefits for Sustainable Development*, highlighting how Clean Development Mechanism projects supported by this fund, managed by ADB, not only reduce GHG emissions but deliver environmental, social, and economic co-benefits.

Cofinancing is also crucial to ADB's efforts to increase investments in climate change mitigation and adaptation. The **Green Climate Fund** approved cofinancing for two Pacific projects during 2016–2017, while the new **Asia-Pacific Climate Finance Fund** was established in 2017 with an initial contribution from Germany amounting to €28 million, and \$1 million from ADB. This fund aims to support the development of climate-relevant financial risk management products in collaboration with financial institutions, insurance and reinsurance companies, and other private and public entities to help DMCs invest in new climate technologies as well as develop innovative approaches for climate risk insurance.

ADB continues to promote financial preparedness for disasters in its DMCs, including through the establishment of **contingent financing assistance** for the Cook Islands, Samoa, Tonga, and Tuvalu (Box 2.9). Under the **Asia Pacific Disaster Response Fund**, immediate humanitarian assistance grants of \$9.2 million in 2016 and \$2.2 million in 2017 were provided to Fiji, the Marshall Islands, Mongolia, Sri Lanka, Vanuatu, and Viet Nam.

Rural Development and Food Security (Theme)

Agriculture is the main source of income for many people in Asia and the Pacific. To address food insecurity in the region, ADB's *Operational Plan for Agriculture and Natural Resources: Promoting Sustainable Food Security in Asia and the Pacific in 2015–2020* emphasizes agriculture value chain development, food safety and nutrition, natural resources management, climate-smart agriculture, and adoption of information and communication technology (ICT) and other new technologies in agriculture in support of SDG 2, on zero hunger, SDG 14, and SDG 15.

Under the MTR, ADB aims to invest \$2 billion per year in food security. Commitments (excluding cofinance and technical assistance) addressing food security amounted to \$2.1 billion in 2016 and \$2.4 billion in 2017, while approvals were \$2.3 billion in 2016 and \$2.7 billion in 2017, including \$1.0 billion in 2016 and \$2.2 billion in 2017 in agriculture and natural resources. In 2017, investments increased in agriculture value chains (Box 2.10), climate-smart agriculture technologies, and other processes that enhance agricultural productivity.

In 2016, ADB held a **Food Security Forum** to discuss new approaches, trends, and future directions of agriculture value chains, to contribute to food availability, affordability, safety, nutrition, and sustainability. ADB is working to address the shrinking agricultural resource base and declining agricultural labor forces through the adoption of ICT in agriculture. In 2017, a **workshop** was organized to promote knowledge-intensive agriculture in Asia and the Pacific. Knowledge-intensive agriculture is the use of ICT to constantly deliver information and extension services to farmers to increase productivity with efficient use of water, energy, and other resources, including the use of agrochemicals.

Box 2.10: Improving Agricultural Value Chains in Asia and the Pacific



Members of the Board of Directors meet Olam stakeholders in Timor-Leste (2018)

In 2017, the Asian Development Bank approved a \$100 million private sector loan, complemented by a parallel \$75 million loan from the Japan International Cooperation Agency, and \$3 million technical assistance, for Olam, an agribusiness company with a presence in 70 countries. This will be used to finance Olam's activities in Indonesia, Papua New Guinea, Timor-Leste, and Viet Nam. The [Agricultural Value Chain Development Project](#) promotes inclusive and sustainable agricultural value chains with high local value addition for a variety of products, including coffee, sugar, cashew, cocoa, and pepper. These products are brought from growers and village-level agents at farm gates, benefiting about 20,000 smallholder farmers in the four countries. Those whose products and practices meet Olam's standards will benefit from attractive prices and gain access to new export markets where customers are

willing to pay a premium for traceability and certification. Through the technical assistance, training will be provided in sustainable agriculture practices, including adaptation strategies for temperature increase and precipitation change, water harvesting and drip irrigation, integrated pest management, use of organic inputs, and pollution control.

Source: Asian Development Bank.

Photo: Joar L. Strand, Alternate Executive Director, Asian Development Bank.

Investing in Sustainable Infrastructure

[Meeting Asia's Infrastructure Needs](#) (2017) identifies that, factoring in climate change mitigation and adaptation costs, developing Asia will need to invest \$1.7 trillion per year in sustainable infrastructure to meet its needs and to achieve the SDGs, particularly SDG 2, SDG 6, SDG 7, SDG 9, on industry, innovation and infrastructure, and SDG 11. Significant investments were made in energy, transport, ICT, urban, and water infrastructure with commitments (excluding cofinance and technical assistance) amounting to \$7.5 billion in 2016 and \$13.3 billion in 2017. Approvals were \$10.2 billion in 2016 and \$12.3 billion in 2017. The following sections focus on ADB's work in the energy, transport, urban, and water sectors. The 2016 and 2017 [Annual Reports](#) and [Development Effectiveness Reviews](#) provide further details.

SDG 17 seeks to improve access to science, technology and innovation. ADB, with an initial contribution from Japan amounting to \$40 million, launched the multi-donor [High-Level Technology \(HLT\) Fund](#) in 2017 with the aim of promoting the integration of new and advanced technologies and innovative solutions into the design and implementation of ADB projects, focusing on the energy, transport, urban, and water sectors. The HLT Fund provides grant financing for investments, technical assistance, the recruitment of technology experts, and knowledge activities to support DMCs in introducing HLT. Better access to technology and innovation, particularly environmentally sound technologies, will help DMCs deliver on all the SDGs.

Energizing Asia and the Pacific (Energy Sector)

Energy demand is projected to almost double in Asia and the Pacific by 2030. SDG 7 seeks affordable and clean energy, but challenges faced by many DMCs in transitioning to low-carbon growth are manifold. Energy fuels economic growth, so it is important to consider where it comes from, understand how it is being used, and ensure it creates a virtuous cycle of inclusivity, efficiency, and sustainability. Many DMCs share the challenges of a weak policy environment in their power sector, and small and inefficient electricity markets that have curtailed improvements in energy security and access and are major obstacles to the substantial structural changes required to allow for their energy mix to be significantly cleaner. Other challenges include high up-front costs and limited opportunity for private sector innovation. [Meeting Asia's Infrastructure Needs](#) (2017) estimates the

total investment required to meet climate protection goals in developing Asia over the period 2016–2030 is \$26 trillion, \$14.7 trillion of which is needed for the power sector.

ADB's investments in the energy sector are guided by the *Energy Policy* (2009). ADB implements this policy according to three pillars: (i) the promotion of energy efficiency and renewable energy sources, including introducing new, energy-efficient, and clean technologies, as well as decarbonization, to economic scale to enable rapid diffusion and deployment; (ii) maximizing access to energy for all; and (iii) the promotion of energy sector reforms, capacity development, and governance.

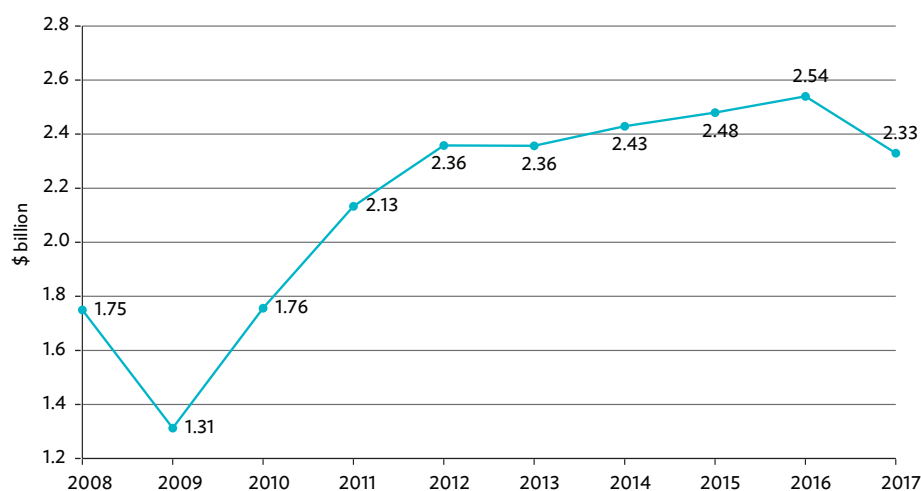
ADB's *Clean Energy Program* seeks to meet energy security needs, facilitate the transition to a low-carbon economy including reducing air pollution, ensure universal access to energy, and achieve ADB's vision of a region free of poverty. In 2016–2017, the program continued to meet its target expenditure of at least \$2 billion annually with clean energy investments (including renewables) (Boxes 2.11 and 2.12) reaching \$2.54 billion in 2016 and \$2.33 billion in 2017 (Table 2.1 and Figure 2.2) funded by ADB and cofinance. These investments also bring ADB closer to achieving \$6 billion climate finance by 2020, \$3 billion of this from clean energy. ADB calculates the climate change impacts of its energy sector projects in accordance with its 2017 *Guidelines for Estimating Greenhouse Gas Emissions of ADB Projects*.

Table 2.1: ADB's Clean Energy Program Investments, 2016 and 2017
(\$ million)

Investment Type	2016	2017
Renewable energy	1,738.9	1,661.2
Energy efficiency	799.0	671.7
Total	2,537.9	2,332.8
Additional households with improved access to energy (million)	1,145.7	2,287.1

Source: Asian Development Bank.

Figure 2.2: ADB's Clean Energy Investments, 2008–2017
(\$ billion)



Source: Asian Development Bank.

Box 2.11: Providing Access to Clean Energy in Pakistan

Khyber Pakhtunkhwa and Punjab, two of the largest provinces in Pakistan, suffer from energy shortages and low electrification rates. The [Access to Clean Energy Investment Program](#), approved in 2016, is anticipated to benefit about 240,000 households and 2.6 million students by increasing access to clean energy and more reliable electricity services in these areas. It will also help women and girls, by providing them with increased opportunities to access these electricity services. By 2026, under a results-based lending approach, the project will have supported the construction of micro hydropower (small run-of-stream or canal plants) totaling 5,204 megawatts (MW) capacity in off-grid communities of Khyber Pakhtunkhwa, and the installation of solar facilities in schools (of which 30% will be girls' schools) and primary health care facilities (including 500 used by women for delivery or antenatal care) totaling 42 MW of solar capacity in Khyber Pakhtunkhwa and 2,330 MW in Punjab.

Source: Asian Development Bank.

Box 2.12: Facilitating Investment in Renewable Energy in the Pacific Region



Cook Islands is one of the SIDS that will benefit from small-value renewable energy projects.

In 2017, the Asian Development Bank approved the [Pacific Renewable Energy Investment Facility](#) consisting of investments of up to \$750 million, including a contribution from the Asian Development Bank of up to \$200 million. This facility will support 11 smaller Pacific Small Island Developing States (SIDS) in transforming their diesel-based power sectors, which have high electricity tariffs, to lower-cost, cleaner renewable energy sources. This will help meet their aggressive renewable energy targets, which in some cases are for renewable energy to comprise 100% of generation. The facility includes three energy infrastructure construction and/or rehabilitation subprojects in the Cook Islands, Tonga, and Vanuatu, as well as energy sector reform. During 2017–2022, the facility will also provide loans and grants to support qualifying small-value renewable energy projects in the 11 smaller Pacific

SIDS. Except for Solomon Islands, these SIDS are among the 25 smallest countries by population size in the world, and all will benefit from (i) improved balance of trade by reducing fossil fuel imports; (ii) improved energy security; (iii) downward pressure on electricity tariffs; and (iv) reduced greenhouse emissions of about 85,000 tons carbon dioxide equivalent per annum.

Source: Asian Development Bank.

Moving People and Goods ([Transport Sector](#))

Transport is an integral part of most of the activities, goods, and services required for supporting and improving people's lives. It enables poverty reduction and inclusive economic growth by providing access to jobs, education, health care, and public services. At the same time, transport networks suffer congestion and bring with them safety issues, GHG emissions, noise and air pollution. In many of Asia's cities, 80% of the air pollution can be attributed to transport.

To address these challenges, and following a midterm review approved in 2017, ADB continues to invest in the transport sector in accordance with the [Sustainable Transport Initiative Operational Plan](#), focusing increasingly on clean, low carbon, safe, accessible, and affordable modes of transport. The operational plan aims to increase urban transport (including public and nonmotorized transport) to 27% of transport lending by 2025, and railways (Box 2.13) to 23%. Urban transport and railways comprised 18% in 2016 and 34% in 2017 of total transport approvals (excluding cofinance and technical assistance). Commitments are not tracked for transport.

ADB's [Sustainable Transport Appraisal Rating](#) tool is used by ADB to evaluate the economic, social, and environmental sustainability of projects. Designs for new roads or to upgrade existing ones need to receive at least a three-star rating (moderately sustainable) to qualify for ADB support. ADB calculates the climate change impacts of its transport sector projects in accordance with its 2016 [Guidelines for Estimating Greenhouse Gas Emissions of Asian Development Bank Projects: Additional Guidance for Transport Projects](#).

Box 2.13: Electrifying the Rail Network in Uzbekistan



Electrification of 145 km of railway track will reduce the amount of air and noise pollution caused by each train.

The 4,669 kilometer (km) Uzbekistan rail network carries about 60 million tons of freight and 15 million passengers annually. The [Central Asia Regional Economic Cooperation \(CAREC\) Corridor 2 \(Pap–Namangan–Andijan\) Railway Electrification Project](#) approved by the Asian Development Bank in 2017 provides an \$80 million loan to electrify 145 km of non-electrified track linking major cities in the populous Fergana Valley—home to nearly a third of Uzbekistan’s population—with Tashkent. This track is also part of the CAREC Corridor 2 linking Uzbekistan to the People’s Republic of China to the east and Europe to the west. Switching the track from diesel to electricity will reduce the amount of air and noise pollution caused by each train. By increasing the capacity and attractiveness of rail travel, the project will help shift transport away from roads and reduce the pollution load and greenhouse gases emissions caused by road transport.

Source: Asian Development Bank.

Managing Asia’s Urbanization (Urban Sector)

About 55% of Asia and the Pacific’s population already resides in urban areas and, as the world’s fastest urbanizing region, this share is predicted to increase to about 65% by 2050. More than 564 million people live in urban slums, enduring blighted living conditions and poor access to water supply, sanitation, and waste management. Uncontrolled urban growth and poor governance leads to inadequate housing, urban infrastructure, and service delivery. Coastal cities are at most risk from the impacts of climate change, such as flood risk and rising sea levels. Out of Asia and the Pacific’s 305 urban agglomerations, 119 are located in coastal zones.

To address these challenges, and help deliver on SDG 11, ADB’s [Urban Operational Plan 2012–2020](#) directs resources to energy efficiency, sustainable urban transport, clean water, waste management, and governance (Box 2.14). In 2017, under the [Cities Development Initiative for Asia \(CDIA\)](#), co-managed by ADB, 20 cities

Box 2.14: Providing Reliable Quality Water Supply in Bangladesh



Trenchless technologies reduced disruption during the laying of water supply pipes in Dhaka.

Dhaka’s demand for water is expected to increase from 2,144 million liters a day in 2015 to 2,616 million liters by 2020. Completed in 2016, the [Dhaka Water Supply Sector Development Program](#) helped 5.44 million people access continuous potable water directly from taps without requiring further treatment, and with sufficient pressure to serve two-story houses. The \$200 million project included \$150 million for rehabilitating and strengthening the water supply distribution network, and \$50 million for implementing legal, institutional, and regulatory reforms. The project promoted inclusive access by providing continuous water supply to about 100,000 people in informal settlements and low-income areas of Dhaka, Bangladesh. Technical innovations adopted included a district metering area approach, to ease identification of leaks and replacement of pipes; performance-based contracts for contractors based on nonrevenue water reduction; and trenchless technologies to reduce disruption. Dhaka Water Supply and Sewerage Authority can fully recover its operation and maintenance costs through tariffs and now serves as a model case on how to provide basic urban services and cut nonrevenue water in South Asia. To build on this program, a new \$275 million loan for the [Dhaka Water Supply Network Improvement Project](#) was approved in 2016, for further water efficiency improvements.

Source: Asian Development Bank.

completed prefeasibility studies for urban infrastructure projects envisioned to enhance their urban environment and build climate resilience. To sustain CDIA's efforts in helping develop livable cities, the program is transitioning into a trust fund. In 2017, ADB approved the establishment of the [CDIA Trust Fund](#) under the [Urban Financing Partnership Facility](#) with initial financing committed by Austria, Germany, Sweden, and Switzerland.

Providing Water and Sanitation ([Water Sector](#))

Water security is a critical concern in Asia and the Pacific. It could potentially be a major threat to continued economic growth, poverty reduction, and health if not managed properly. ADB invests in the water sector in accordance with its comprehensive [Water Policy](#) (which seeks to promote water as a socially vital economic good needing careful management to sustain inclusive economic growth), the [Water Operational Plan 2011–2020](#), and the associated [Water Financing Program](#). Outcomes of the program include safe drinking water, improved sanitation, better irrigation and drainage services, reduced flood risk, and the introduction of integrated water resources management in river basins. These all help to deliver SDG 2, SDG 6, and SDG 11. Approvals (excluding cofinance and technical assistance) totaling \$2.42 billion in 2016 and \$2.78 billion in 2017 were related to the water sector, compared to the Water Operational Plan's annual investment target of \$2 billion–\$2.5 billion during 2011–2020. Commitments were \$2.18 billion in 2016 and \$2.44 billion in 2017. There was also significant increase in the share of approvals in irrigation and drainage (as defined in the Water Operational Plan) (Box 2.15) from 11.7% in 2016 to 29.6% in 2017, with irrigation and drainage commitments comprising 16.4% in 2016 and 17.6% in 2017.

Box 2.15: Providing High Efficiency and Climate-Smart Irrigation in Pakistan



Improved food security and enhanced agricultural production due to irrigation systems will benefit farmers.

A \$275 million loan for the [Jalalpur Irrigation Project](#) approved in 2017 will install surface irrigation systems for improved food security and enhanced agricultural production for a project area of 68,263 hectares (ha) of less-productive, rain-fed agricultural land on the right bank of the River Jhelum in Punjab, Pakistan. The project will help improve crop yield and reduce land degradation due to saline conditions. Farmers will be organized into 485 water user associations responsible for the operation and maintenance of watercourses and structures. The project includes the provision of high efficiency irrigation systems for more than 800 ha, and 20 water storage ponds with solar pumping stations. Training on climate-smart irrigation practices and more profitable farm management, including irrigation schedules based on crop water requirements and other techniques to maximize water productivity will be provided to water user associations and 6,000 farm households.

Source: Asian Development Bank.

The [Water Financing Partnership Facility](#) (WFPF) provides financial and knowledge resources from ADB's development partners for the implementation of the Water Financing Program. It not only provides support for infrastructure but also seeks to ensure sustainable operation and maintenance. A total of \$3.95 million was allocated for 2016 and \$2.92 million for 2017 from the WFPF. The WFPF supported the preparation of the [Jaffna and Kilinochchi Water Supply and Sanitation Project—Additional Financing](#) (approved 2017) for Sri Lanka's first desalination plant. In 2017, WFPF also supported twin initiatives to look more closely into the link between water and energy, resulting in the development of an energy screening methodology for municipal water supply, and the development of a checklist for energy audit in irrigation.

Managing Governance and Safeguards

Operational Procurement

In 2017, ADB approved a new [Procurement Policy](#) and published new [Procurement Regulations for ADB Borrowers](#). The new policy principles promote “value for money” by providing the flexibility for the procurement cycle to consider life-cycle costs and DMC’s socioeconomic and environmental development objectives. They will enable ADB and its borrowers to increase development effectiveness and allow ADB to help its borrowers strengthen their own procurement systems.

ADB applies its new Procurement Policy to procurement under ADB-financed projects. The procurement of goods, works, and services under a project financed in whole or in part by an ADB loan or grant, or by ADB-administered funds is carried out by the public or private sector borrower. Responsibility for project implementation and, thus, procurement, award, and administration of contracts under a project rests with the borrower who must follow the Procurement Regulations for ADB Borrowers. Thus, apart from consultants directly engaged by ADB, these contractors and consultants are not part of ADB’s supply chain. By supporting borrowers in planning procurement activities, reviewing documents, tracking and monitoring complaints, and administering contract implementation, ADB, for its part, ensures the proceeds of its financing are used with due attention to the procurement principles of economy, efficiency, fairness, transparency, quality, and value for money; and the policy and regulations are followed.

Transparency and Communication

ADB’s [Public Communications Policy \(PCP\)](#) recognizes that transparency is essential to development effectiveness, guides ADB in informing and engaging with its stakeholders, and highlights the vital role of communications in driving transparency and accountability. In 2016, ADB commenced a mandatory 5-year review of the PCP and, in 2016–2017, held 30 external consultations with civil society, DMC governments, donor member governments, and other stakeholders to inform them of the review and obtain feedback. Consultations were conducted in 16 countries in Asia and the Pacific, as well as member countries in Europe. Drafts of the proposed new [Access to Information Policy](#) due to be finalized in 2018 are available on the ADB website, along with further information on the review process and feedback received.

During 2016–2017, ADB continued to build the capacity of its staff in disclosing information and in incorporating effective communications strategies into project design. E-modules on the PCP were completed by 114 new ADB staff members in 2016, and 136 in 2017; and 98 attendees in 2016, and 91 in 2017 went to internal briefings on the PCP.

Within a rapidly changing communications landscape, ADB continued to reach out to its key stakeholder groups in 2016–2017 (see “Stakeholder Inclusiveness” section) by strengthening its relationship with DMC journalists; increasing its engagement through social media platforms including [Twitter](#), [Facebook](#), and [LinkedIn](#); and sharing knowledge through [blogs](#), [publications](#), and [videos](#). The ADB website (www.adb.org) was made more user-friendly, notably for mobile devices, and was viewed by nearly 3.4 million users in 2016 and almost 3.3 million in 2017. The launch of an improved search engine made information easier to find and resulted in increased information downloads while a new [data library](#) allows ADB to share data externally. A total of 8,325 project, institutional, and evaluation documents, as well as publications were uploaded to the website in 2016–2017, with 3.24 million downloads over this period. ADB sovereign loan and grant project data are also available on the

[International Aid Transparency Initiative](#) website; since April 2017, ADB has been providing more data on capital spend, contracts and tenders, and providing it more frequently.

ADB maintains a formal online system through which stakeholders can request information about ADB or its activities that they do not find online. In 2016, ADB received 3,028 information requests, increasing to 3,653 in 2017. Project-related information was the most sought after and the largest number of requests came from the private sector.

Box 2.16: Celebrating ADB's 50th Anniversary



ADB@50 commemorative stamps issued in Sri Lanka (left) and Pakistan (right).

During 2016–2017, the Asian Development Bank (ADB) ran a multifaceted campaign to explain its development work to mark the 50th anniversary of its establishment in 1966, and showcase its rich development experience, expertise, and knowledge. This included the publication of a scholarly [book on ADB's 50-year history](#), seven region- or country-specific commemorative books, [stories from 50 ADB projects](#), the [ADB through the Decades](#) series, a traveling exhibition, production of 32 films and videos, publication of opinion and editorial articles in national and international newspapers, and media tours in six countries. The campaign reached a potential global audience of 500 million people, strengthened ADB's partnerships with its developing member countries, and won *Communication Director's Asia-Pacific Excellence Award for Public Affairs*.

Source: Asian Development Bank.

Anticorruption and Integrity

ADB aims to ensure funds entrusted to its care are used for their intended purposes and not usurped through fraudulent or corrupt practices. ADB's activities focusing on anticorruption include investigating allegations of integrity violations; proactively reviewing project procurement; advising on integrity due diligence; addressing money laundering and financing of terrorism risks; and informing and empowering project officials, civil society, and the private sector with tools to fight fraud and corruption in ADB projects. In addition, ADB conducts due diligence to minimize its exposure to integrity and reputational risk in its relations with private sector entities.

More than half of the 484 complaints (258 in 2016 and 226 in 2017) received by the Office of Anticorruption and Integrity related to integrity violations came from external parties, underscoring the need for ADB's close collaboration with its partners to ensure project funds are not misused because of corruption. More than 72% of investigations in 2016 and 71% in 2017 were related to fraudulent activities. As the result of investigations, ADB debarred 128 firms (98 in 2016 and 30 in 2017) and 62 individuals (40 in 2016 and 22 in 2017)—a total of 1,442 firms and 845 individuals since the adoption of the [Anticorruption Policy](#) in 1998—and cross-debarred 239 firms (86 in 2016 and 153 in 2017) and 83 individuals (47 in 2016 and 36 in 2017) based on notifications received from the four other participating international financing institutions, pursuant to the [Agreement for Mutual Enforcement of Debarment Decisions](#).

In 2016, seven [Project Procurement-Related Reviews](#) and five in 2017 were conducted by the Office of Anticorruption and Integrity on ADB-financed projects to promptly identify and address potential project vulnerabilities, particularly integrity risks that could impede a project. For anti-money laundering or integrity due diligence, ADB reviewed 1,424 entities; and screened 756 candidates for potential employment at ADB in 2016–2017. In 2016, 87 internal training sessions (with 431 attendees in 2016 and 1,436 in 2017) were conducted on fraud prevention, integrity due diligence, financial management, respect in the workplace, and other integrity-

related topics. ADB also helped external stakeholders to better understand their role in uncovering red flags and exposing integrity issues through a series of 74 training sessions held in 2016 (33 sessions) and 2017 (41 sessions) for audit institutions, anticorruption commissions, executing and implementing agencies, non-bank financial institutions, civil society, and the private sector in the Asia and Pacific region.

In 2016, ADB updated its [Anticorruption Policy](#) to address tax integrity issues at country and project level. This update complemented ADB's [Anti-Money Laundering Policy](#). In 2017, DMCs were provided with assistance on increasing their compliance with the requirements to combat money laundering and terrorism financing. Also, ADB developed a tool kit that serves as practical guide for ADB staff to identify potential integrity issues when inspecting project outputs and works in progress. Further details are provided in the Office of Anticorruption and Integrity's Annual Reports for [2016](#) and [2017](#).

Environmental and Social Safeguards

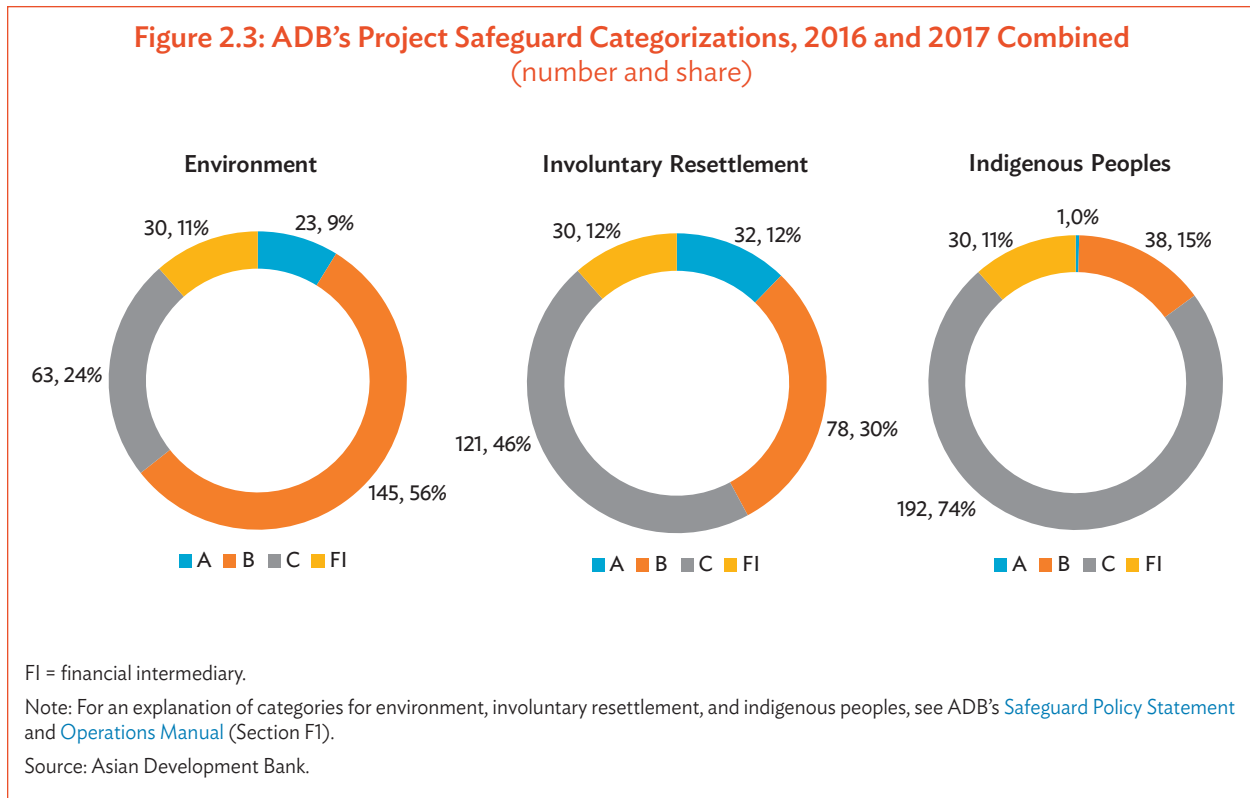
One of the most challenging aspects of developing projects, especially those involving large-scale infrastructure, is ensuring the protection of the environment and people from potentially adverse impacts. In response, ADB's [Safeguard Policy Statement](#) (SPS) aims to promote the sustainability of project outcomes and protect the environment and people by

- avoiding adverse impacts of projects on the environment and affected people, where possible;
- minimizing, mitigating, or compensating for adverse project impacts on the environment and affected people when avoidance is not possible; and
- helping DMCs and borrowers (clients) strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

The three key safeguards are environment, involuntary resettlement, and indigenous peoples.

Environmental safeguard principles are triggered if a project is likely to have environmental impacts and risks, including biodiversity protection and sustainable natural resource management, pollution prevention and abatement, health and safety, and physical cultural resources. Involuntary resettlement safeguards focus on situations characterized by either involuntary acquisition of land or involuntary restrictions on land use, resulting in physical or economic displacement. Safeguards for indigenous peoples are triggered if a project directly or indirectly affects their dignity, human rights, livelihood systems, or culture; or affects the territories of natural or cultural resources they own, use, occupy, or claim as an ancestral domain or asset. The SPS notes that ADB will not finance projects that (i) do not comply with the SPS; (ii) do not comply with the host country's social and environmental laws and regulations, including laws implementing host country obligations under international law; and (iii) include activities on the prohibited investments list.

All investment projects are screened and categorized on a sliding scale of A to C based on the significance of potential impacts or risks, or categorized as FI (financial intermediary) at the project identification stage (Figure 2.3). In 2016 and 2017, each of ADB's new approvals (140 in 2016, 121 in 2017) were screened and categorized in accordance with the SPS and the Operations Manual. Categorization helps determine the level of assessment and resources required to address any safeguard issues and the information disclosure and consultation requirements. For categories A and B projects, borrowers and clients are responsible for assessing the environmental or social impacts of their projects and implementing safeguards requirements. For category C projects, ADB's operations departments are responsible for due diligence, but no safeguards documents are required because minimal or no safeguards impacts are expected. For category FI projects, financial intermediaries are required to maintain an appropriate environmental and social



management system (Box 2.3) unless their investments have minimal or no adverse environmental or social risk. Safeguard requirements are incorporated into loan agreements. During project implementation, staff and consultants visit the project to ascertain progress and compliance with safeguard requirements.

To help ensure satisfactorily safeguards implementation, environment and social safeguards training is offered to staff. There were 32 (in 2016) and 105 (in 2017) attendees at the introduction to safeguards program, 27 (in 2016) and 66 (in 2017) attendees at the environment safeguard requirements program, and 16 (in 2016) and 64 (in 2017) attendees at the social safeguards requirements program. In 2016, 62 staff members and in 2017, 138 staff members completed the environment safeguards e-learning course. Other safeguards training courses for ADB staff and DMC participants in 2016–2017 covered environmental management plan preparation and implementation, environmental compliance inspections and enforcement, addressing biodiversity impacts in project design and implementation, air quality management and assessment, solid waste management, and indigenous peoples and social assessment. Through the Environment Thematic Group and Social Safeguards Network, projects and safeguard documents are peer reviewed and best practice examples and lessons learned are shared.

In 2017, the Board approved the use of country safeguard systems by the [Power Grid Corporation of India Limited](#). This was the first time use of [country safeguard systems](#) was approved since the SPS became effective in 2010. The SPS permits the use of country safeguard systems (a DMC's legal and institutional framework) subject to equivalence and acceptability of the borrower's capacity and commitment.

A [Real-Time Evaluation of ADB's Safeguard Implementation Experience](#) based on 12 selected case studies in Indonesia, the Kyrgyz Republic, and Sri Lanka was completed in 2016. This evaluation was an interim assessment of safeguards implementation, looking ahead to a full evaluation in 2019, and covered environment and involuntary resettlement safeguards. It found that the SPS is seen as a benchmark for the development community, although

areas for improvement, particularly in relation to safeguards implementation, still exist. Recommendations included (i) addressing safeguards earlier in project preparation, and dedicating adequate time and resources to do so; (ii) providing increased internal support and support to DMCs' implementing agencies for safeguard implementation, to fully achieve the aims of SPS; (iii) continuing to exercise strong caution in proceeding with use of country safeguard systems; and (iv) systematically strengthening country safeguards systems, especially implementation capacity, through dedicated technical assistance, to pave the way for its use in projects.

Accountability

The [Accountability Mechanism](#) provides a forum for people adversely affected by ADB projects to voice their problems, seek solutions, and report alleged noncompliance with ADB's operational policies and procedures. The Accountability Mechanism is a last resort mechanism which has two separate but complementary functions: problem solving and compliance review. The [Accountability Mechanism Policy](#) (2012) and related information are available in several languages for easier access by project-affected people. The ADB website lists the complaints submitted to the [complaint receiving officer](#) and the [special project facilitator](#) while the [Registry of Complaints](#) lists the concerns submitted for compliance review (which are also listed on the ADB website) and their status. An increase in the number of complaints may be attributed to a growing awareness of the Accountability Mechanism and an increased lending portfolio across Asia and the Pacific.

The compliance review function received three complaints in 2016 and four complaints in 2017. The complaints were related to urban, energy, customary land, and agribusiness projects in the PRC, Georgia, India, Pakistan, and Samoa. Three of the complaints were not within the compliance review function's remit; and one was found ineligible. The complaint from Samoa concerning a [technical assistance project](#) promoting the economic use of customary land was considered eligible, but the Board adopted its [Compliance Review Committee's](#) view that a compliance review should not proceed at that time as the Government of Samoa was proposing legislative changes that would substantially remove likely material harm to the complainants. One complaint from Georgia related to the [Sustainable Urban Transport Investment Program-Tranche 3](#) was found eligible and went through a full compliance review. This resulted in the formulation of a [remedial action](#) plan by ADB's management and the borrower which the Board approved in 2017. The remedial action plan includes mitigation measures on noise and vibration and other environmental hazards during road construction and operation, particularly addressing the needs of the vision-impaired and vulnerable persons. The other complaint from Georgia related to a proposed, not approved, [hydropower project](#). Thus the Board did not authorize a compliance review but upheld the Compliance Review Committee's recommendation for management to consider the findings of the [Eligibility Report](#). In 2017, the Office of the Compliance Review Panel also conducted workshops in Baku, Dhaka, Manila, and Tbilisi in preparation for the development of guidebooks on the compliance review process.

The special project facilitator received six complaints in 2016 and twelve in 2017, of which three complaints were deemed eligible for problem-solving (Box 2.17). [Problem Solving: Guidebook for ADB-Assisted Projects](#) was developed to enhance the knowledge, skills, and capacity of ADB staff and borrowers to resolve problems encountered during project implementation. It introduces a step-by-step approach to problem solving, including tools, activities, case scenarios, and practical tips. Training sessions on the problem-solving and grievance redress mechanism were provided in Bangladesh, Fiji, Nepal, and Samoa. The training sessions provided ADB and its borrowers the opportunity to work together to mitigate risks and preempt project-affected people's complaints.

The Accountability Mechanism's first 3-yearly [learning report](#) published in 2016 provides a summary of key findings, lessons learned, and perceived gaps and issues in the implementation of the Accountability Mechanism.

Box 2.17: Improving Grievance Redress in Myanmar



Improved understanding of and training in grievance redress has benefited road project implementation in Myanmar.

In 2016–2017, the Asian Development Bank’s special project facilitator held a series of workshops in Myanmar to help improve understanding of the grievance redress committee’s procedures and build the skills of those handling complaints. Training of trainers was conducted for village and district-level grievance redress committee members for the [Greater Mekong Subregion East–West Economic Corridor Eindu to Kawkareik Road Improvement Project](#) which passes through a conflict-affected area, and the [Maubin–Phyapon Road Rehabilitation Project](#). Given that several complaints were received, a complaint handling tool was developed as part of the grievance redress mechanisms for these two projects to help the borrower record, monitor, and address complaints.

Source: Asian Development Bank.

3

Improving Organizational Culture and Resource Management

The Asian Development Bank (ADB) is driven by its commitment to improve people's lives in Asia and the Pacific, helping its developing member countries (DMCs) move toward inclusive economic growth, and a low-carbon climate-resilient future. ADB's human resources (HR) activities, community activities, and environmental footprint should be in line with and help demonstrate to DMCs that ADB seeks to practice what is advocated at headquarters and in all its field offices.

Engaging the Workforce

ADB requires a highly skilled and motivated workforce to meet the changing needs of its borrowers and to maintain ADB's relevance to them. ADB remains committed to its *Our People Strategy* (2011) which defines the principles ADB will follow in its approach to talent acquisition, retention, and management, ensuring ADB has the right people to achieve its strategic agenda. It aims to achieve and maintain (i) a strong mix of high-caliber, motivated, and client-responsive staff working in partnership internally and externally; (ii) inspiring leadership through proactive and effective people management; and (iii) a supportive and enabling workplace environment and culture.

By the end of 2017, ADB had 3,134 staff members across headquarters and its 31 field offices (Table 3.1). Staff came from 60 of ADB's 67 members; because ADB is in the Philippines, most staff members (45.6%) are Philippine nationals.

Table 3.1: ADB Staff, 2013–2017

	2013	2014	2015	2016	2017
Total Staff	2,976	2,997	3,105	3,092	3,134
Category					
Management	7	7	7	7	7
International staff	1,083	1,074	1,104	1,103	1,136
National and administrative staff	1,886	1,916	1,994	1,982	1,991
Location					
Headquarters					
Management	7	7	7	7	7
International staff	953	937	961	949	959
National and administrative staff	1,336	1,349	1,416	1,383	1,383
Field Offices					
International staff	130	137	143	154	177
National and administrative staff	550	567	578	599	608
Gender					
Women	1,732	1,750	1,800	1,804	1,834
Men	1,244	1,247	1,305	1,288	1,300
Employment Contract					
Regular	2,251	2,374	2,454	2,371	2,399
Fixed Term	725	623	651	721	735
Nationality (by region)					
Asia and the Pacific	2,560	2,587	2,678	2,665	2,689
Nonregional	416	410	427	427	445
Age (years)					
<30	86	90	84	67	65
30–39.9	968	929	961	973	964
40–49.9	1,150	1,184	1,229	1,246	1,297
50+	772	794	831	806	808
Service (years)					
<2.9	692	585	599	633	691
3–5.9	688	714	710	565	483
6–10.9	673	756	800	884	935
11–15.9	434	457	505	533	518
16+	489	485	491	477	507
ADB members represented	61	60	59	60	60

Source: Asian Development Bank.

Staff Recruitment

In 2017, new initiatives and processes were introduced to strengthen and streamline ADB's recruitment and selection process. The impact of these is expected to be fully realized in 2018. Efforts continue to be scaled up to attract highly qualified talent, proactively source candidates, and to build a wide, deep, and diverse talent pool.

Staff Engagement

ADB conducts a staff engagement survey (SES) every 2–3 years to understand staff motivation, and commitment to their work and ADB, including in areas relating to job satisfaction, leadership and management, rewards, benefits, and recognition. The findings of the 2015 SES helped identify five institutional priorities to focus on: communication, leadership and management, career management, work organization and efficiency, and performance evaluation. They were used to inform HR initiatives progressed during 2016–2017 which included the introduction of the leadership development program, performance management reform, diversity and inclusion initiatives, and the mobility framework. To further address SES feedback, each department or office also develops its own follow-up action plan and regularly monitors progress. ADB will conduct the next SES in 2018, to track progress on actions initiated at both institutional and departmental or office level.

Compensation and Benefits

ADB provides staff a competitive compensation and benefits package. In addition to salary and a reward and recognition scheme, this includes a wide-ranging benefits package with elements such as medical, life and disability insurance; retirement plans; and different types of leave. Eligible international staff may also receive other benefits such as rent, education, and home country travel support. ADB regularly reviews its compensation and benefits package for all staff. Reviews of pensions and medical provisions were conducted in 2016 (Box 3.1).

Box 3.1: Reforming Pension and Medical Benefits for ADB Staff

As part of a comprehensive review of the compensation and benefits package offered to Asian Development Bank staff, changes in the pension and medical provisions were made during 2016. Key changes to the pension plan included the introduction of a hybrid pension arrangement that combines a defined benefit component with a new defined contribution plan, refinements to the discretionary benefit plan arrangements, an increase of the retirement age to 62 for new staff, and the strengthening of the governance of the retirement plans. For the medical plan, key changes included an expansion of the medical services covered by the Group Medical Insurance Plan (GMIP), closer alignment for GMIP usage in the United States (US) with US practices, establishment of new structures for governance and stakeholder engagement, and requiring improved performance of the GMIP vendor.

Source: Asian Development Bank.

Developing Careers

ADB provides career development for its staff through (i) strategic offerings of internal staff development programs, including orientation and induction for new staff, and programs that support operational needs and leadership competences; and (ii) policies to support external learning and further education via the allocation of staff development funds to ensure targeted skills development that meets staff's needs (Table 3.2).

In-house learning programs had 8,443 participants in 2016 and 9,848 in 2017. In addition, 124 staff members in 2016 and 54 staff members in 2017, including staff from headquarters and resident missions, participated in ADB-funded external learning events (seminars, training programs, workshops, and online courses) to enhance specific skills and knowledge; while 28 staff members in 2016 and 29 staff members in 2017 were on Development Assignments. Training needs are analyzed annually, and supervisors monitor staff performance and discuss with individual staff members through yearly performance and development reviews.

Table 3.2: ADB Staff Training, 2016 and 2017
(average hours)

	2016			2017		
	Administrative	National	International	Administrative	National	International
Men	18.75	32.45	23.35	25.95	30.57	24.51
Women	20.10	25.52	29.97	24.56	29.19	31.84
Total	19.80	28.18	25.60	24.86	29.72	27.05

Source: Asian Development Bank.

In 2016, three flagship leadership development programs (Table 3.3) and learning solutions for leadership and managerial development were launched. Other supervisory capability training is also offered. These programs address the leadership needs of all managerial levels and help develop a future pipeline of managers by offering opportunities to future leaders. All participants on the Executive Leader Program and Leadership Direct Program received development 360-degree assessment; 102 managerial staff or 51% of those eligible to join these programs received an assessment.

The programs also support diversity by providing development opportunities, and targeted group coaching, for current and future women leaders. Women comprised 55% of the participants in the Breakthrough Leadership Program.

Table 3.3: ADB Staff Participation in Leadership Development Programs, 2016 and 2017

	Executive Leader Program ^a (heads of department or office and deputy directors general)	Leadership Direct Program ^b (international staff grade 7 and above)	Breakthrough Leadership Program ^c (international staff grades 5 and 6, and grade 4 women)
2016	11	38	47
2017	16	37	47
Total	27	75	94

^a Identifies leadership challenges, styles, and opportunities for change.

^b Provides self-awareness on staff's leadership behavior and opportunities for development.

^c Builds leadership and managerial skills to transform high potential staff into effective leaders.

Source: Asian Development Bank.

Talent Management

ADB's Talent Management Program is a key mechanism for delivering its strategic priorities and introduces new initiatives, policies, and processes to support effective staff management. The program is intended to improve ADB's organizational flexibility and the mobility of its staff; ensure the technical skills and managerial capability needed in future are available; and develop a talent and performance culture within ADB that sufficiently differentiates, develops, and rewards ADB's most talented staff. This is one of ADB's most important HR initiatives. In addition to the leadership development program, talent management initiatives implemented to the end of 2017 include

- (i) annual 360-degree feedback for all managerial staff (international staff grade 7 and above) including feedback from their supervisors, peers, and direct reports which contributes to individual development, yearly performance and development reviews, and any decision by ADB to extend fixed-term contracts or work past age 60;
- (ii) performance management reforms including (a) increasing the frequency and improving the quality of feedback provided to staff; (b) earlier identification and management of poor performance; (c) a new rating scale and revised approach to performance ratings, increasing the focus on staff performance vis-à-vis work plan expectations, rather than performance relative to peers; (d) wider salary increase ranges for better differentiation of performance; and (e) revising the responsibility for making salary recommendations to direct supervisors;
- (iii) revised operational skills catalogue to capture staff skills and/or expertise in relation to sector and thematic groups, providing more reliable data to help bridge skills gaps in strategic areas; and
- (iv) mobility framework comprising a rotation exercise and short-term assignments. The primary purpose of the annual rotation exercise is to laterally transfer eligible staff between departments and place staff due to complete assignments in field offices. Short-term assignments of 3–12 months are introduced for all categories of staff to meet temporary business needs and help with staff development.

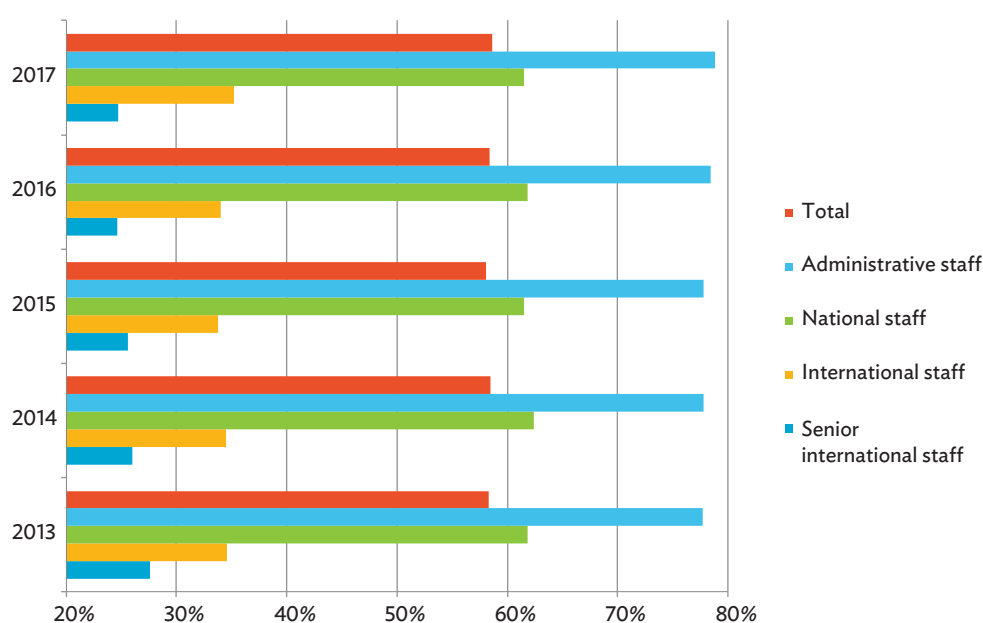
Diversity and Inclusion

ADB is committed to increasing women's representation in its staff and approved a 17-point action plan to improve gender equality in 2016. This focuses on three pillars: recruitment and gender representation, career management and retention, and training and development. The action plan incorporates insights from the SES, the midterm review of the 2013 Diversity and Inclusion Action Plan, and the [Economic Dividends for Gender Equality](#) (EDGE) assessment of gender equality in ADB. EDGE is an international foundation specializing in workplace gender equality, whose certification demonstrates the organizations' commitment to gender equality. ADB achieved the first level of certification in 2016, which findings informed the 17-point action plan, particularly in the following areas: (i) introduction of interim targets by grade level to better track progress; (ii) securing a higher uptake of flexible work practices; and (iii) conducting a salary study to determine whether an unexplained gender pay gap exists.

In 2017, significant progress was made in implementing the 17-point action plan. In recruitment, sourcing of international staff level women candidates was intensified and training in interviewing skills for members of selection panels continued, to ensure an inclusive recruitment process. A program on Mitigating Unconscious Bias at Work was implemented, in which over 600 staff members have participated to date, including over 100 staff managers, and the Respectful Workplace Unit introduced (see "Workforce Integrity" section). Measures to support flexible work were strengthened with revisions to work from home policy guidelines and tools, and better communication of the policy to improve uptake.

Overall, women's representation (Figure 3.1) increased from 33.8% of total international staff at the end of 2015, to 34.0% at the end of 2016 and 35.2% at the end of 2017 against a corporate results framework target of 40% by 2022. Progress was also made in the proportion of international staff level women among those promoted, from 35.7% in 2016 to 43% in 2017. The termination rate for international staff level women decreased from 43.6% in 2015, and 33.1% in 2016 to 23.9% in 2017, indicating that proportionally fewer women are leaving. At the end of 2017, men comprised 38.5% of national staff and 21.2% of administrative staff.

Figure 3.1: ADB's Female Staff, 2013–2017
(% of staff)



Source: Asian Development Bank.

Workforce Integrity

ADB's Administrative Orders provide policies guiding the conduct and management of all staff. ADB will not tolerate any action by any staff member that constitutes harassment. Staff actions must comply with, among others, the Staff Regulations, Staff Code of Conduct (as described in the Administrative Orders), [Anticorruption Policy](#), and [Integrity Principles and Guidelines](#). In 2017, ADB revised two Administrative Orders to consolidate and clarify ADB's staff rules, as well as procedures for remedial actions.

Mandatory briefings for all new staff give an overview of the rules governing staff conduct and the expected standards of behavior. These briefings include a "Say No to Corruption" seminar. In 2017, ADB launched a new mandatory e-learning course for staff on Anticorruption and Respect at Work to be completed by mid-2018. This course will enhance staff knowledge on ADB's Anticorruption Policy, staff values, and the Staff Code of Conduct.

In 2016, 17% of all complaints (258) and in 2017, 16% of all complaints (226) received by the Office of Anticorruption and Integrity were related to ADB staff integrity. In 2016–2017, ADB imposed disciplinary sanctions on 39 ADB staff members (11 in 2016 and 28 in 2017), ranging from demotion, permanent ineligibility for the relevant benefits, and termination. As a multilateral development bank, ADB is not subject to the jurisdiction of employment tribunals or national courts in its member countries, but instead provides an internal process for staff with grievances. Administrative review is the first of three formal stages, followed by appeal and then the [Administrative Tribunal](#). The Administrative Tribunal considered one case in 2016 and four cases in 2017 (all filed in 2016). [Outcomes](#) of the tribunal cases are publicly available on the ADB website.

In 2016, a Respectful Workplace Unit (RWU) was established to ensure a respectful environment within ADB. In 2017, the RWU provided 47 advisories and registered 20 complaints related to harassment, bullying, and other misconduct. It also provided 23 briefings and 28 training sessions on ethical and professional conduct and respect at work which were attended by 990 ADB staff attendees. While the RWU primarily targets staff, it also handles matters consultants raise in relation to their work at ADB.

The Office of the Ombudsperson provides the ADB community with a confidential, neutral, and informal resource—following the standards of practice and code of ethics of the International Ombudsman Association—to discuss and resolve work-related concerns and issues as an alternative to formal conflict resolution channels. To ensure management awareness of emerging systemic issues, the Ombudsperson reports directly to the President, and functions independently of other departments and offices. The Office of the Ombudsperson offers consultations and coaching to individuals and groups to resolve a broad range of workplace issues, including communication, ethics, supervisory skills, staff performance, conflict management, health and safety, harassment, and bullying. It also mediates staff disputes and facilitates group meetings, difficult conversations, and strategic discussions. In 2016–2017, the Office of the Ombudsperson helped manage more than 1,100 conflicts raised by almost 400 ADB personnel.

ADB's Staff Association advocates for its members and strives to safeguard their rights, interests, and welfare, including nondiscrimination.

All contractors and service providers supporting ADB's administrative services are required to watch the “Norms of Conduct” and the “Norms of Conduct for Managers and Supervisors of Contractors' Personnel” videos during their mandatory Energy, Environment, Health, and Safety Management System (E²HSMS) orientation. ADB's Contractor's Complaints Mechanism Framework gives contractors for ADB's administrative services an avenue for reporting any harassment or misconduct they experienced and/or witnessed.

ADB's Administrative Order on Institutional Procurement and Contract Administration requires contractors in its institutional supply chain to comply with applicable local and international social standards and requirements that provide for humane work conditions, protection of occupational safety and health, reasonable wages and benefits, respect for diversity, and other core labor standards.

Safety and Security

ADB personnel live and work in a region prone to natural hazard events. Furthermore, some locations carry heightened risk of exposure to terrorism, crime, and political or social instability. Through briefings and intranet articles, ADB provides staff members and their families with information pertaining to natural hazards, such as earthquakes, severe weather, flooding, fire, and infectious diseases. During 2016–2017, regular training sessions were conducted at ADB headquarters on Personal and Family Emergency Preparedness (10 sessions with

241 attendees), First Aid and Basic Life Support (4 sessions with 54 attendees), and Fire Safety and Prevention (3 sessions with 39 staff participants). Town hall meetings on emergency preparedness in Metro Manila, attended by 600 staff, were organized to promote shared responsibility for safety and security concerns. In 2016, ADB introduced an emergency kit assistance program for all ADB staff to encourage emergency preparedness.

Emergency procedures are in place for a wide range of crises, including pandemics, explosions, fire, gas leaks, medical emergencies, workplace accidents, chemical spills, earthquakes, typhoons, and floods. These emergency procedures are updated and tested periodically. Fire and earthquake evacuation drills are held regularly at ADB headquarters. In 2017, crisis management training was initiated for members of ADB's Crisis Management and Crisis Response Teams. In October 2016, ADB acquired Political and Natural Disaster insurance coverage for the Board of Directors, management, staff, and registered dependents—coverage ran until December 2017 and was renewed for 2018. In the event of a major disaster, political or major security event in Metro Manila, an evacuation plan was developed as part of the insurance coverage.

During emergencies, ADB disseminates information to its staff members. ADB closes its headquarters during Public Storm Warning Signals 3, 4, or 5, or if a government rainfall advisory indicates torrential rains and flooding would prevent safe travel for staff from their residence to work. ADB's Emergency Alert system incorporates a welfare check that asks staff to confirm if they are affected. A safe haven is also provided at headquarters during major emergencies. Recovery sites (in the Philippines and offshore) act as backup sites for the operation of critical processes to resume if ADB headquarters is inaccessible (see also "Financing Development and Managing Risk" section). Through its headquarters' Incident Coordinator, ADB also provides staff members with 24/7 emergency assistance and coordination with the relevant authorities.

Health and safety at the workplace is very important to ADB, which is why it aims for zero lost time incidents at its headquarters. The integrated E²HSMS for operating and maintaining the headquarters building is certified under the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard. The Health and Safety Committee monitors work-related incidents and conducts random safety inspections to verify consistent implementation of operational controls. In 2016, ADB recorded four nonmajor work-related incidents, defined as not requiring more than first aid that could negatively impact the well-being of staff. In 2017, the E²HSMS annual safety target was revised to reflect good international industry practice by aiming for zero lost time incidents (defined as an injury with disability where a staff member will not be able to report for work for a day or more). One lost time incident was subsequently recorded in 2017. Two of the four resident missions with more than 50 staff positions (India and Bangladesh) also have health and safety management systems certified under the OHSAS 18001 standard; the India Resident Mission achieved recertification in 2016.

Resource Use and Conservation

Headquarters

ADB has committed to employ best practices, safe operating procedures, and appropriate technologies in using materials and processes to prevent pollution, reduce waste, optimize use of resources, and eliminate health and safety risks to its personnel at the workplace. ADB's integrated E²HSMS policy continues to improve through annual reviews and internal audits. The E²HSMS is certified under ISO 14001, ISO 50001, and OHSAS 18001 standards; and recertification under all standards was achieved in 2017. ISO 14001 is the system standard for environmental management, while ISO 50001 is the system standard for energy management. In 2017, the original ADB headquarters building and extension building (opened in 2014) were also recertified under the

United States Green Building Council's Leadership in Energy and Environmental Design (LEED) Existing Building Operations and Maintenance—achieving the LEED Gold certification (Box 3.2).

ADB's resource conservation program follows the principles of reduce, reuse, and recycle. Performance is measured for energy, water, and paper consumption; waste reduction; and overall greenhouse gas (GHG) emissions by setting objectives, targets, and programs; and closely monitoring performance versus target. Table 3.4 summarizes resource use at headquarters in 2015–2017. ADB achieved its E²HSMS annual reduction targets in reducing energy, and water and paper consumption as compared to previous years.

Table 3.4: Resource Use at ADB Headquarters, 2015–2017

Resource	2015	2016	2017	Change 2016 vs. 2017	E ² HSMS Annual Reduction (2017)
Electricity (MWh)	19,489.19	19,124.98	18,421.14	-3.7%	-1.5%
Paper (kg)	113,848.86	107,890.32	101,607.23	-5.8%	-2.5%
Potable water(m ³)	161,894.00	159,613.00	145,889.00	-8.6%	-5.0% ^a

kg = kilogram, m³ = cubic meter, MWh = megawatt-hour.

^a E²HSMS annual reduction target based on per capita potable water consumption.

Source: Asian Development Bank.

Box 3.2: Achieving Leadership in Energy and Environmental Design for Existing Building Operations and Maintenance



Unveiling of the LEED plaque by the Vice-President of Administration and Corporate Management at ADB headquarters (2017).

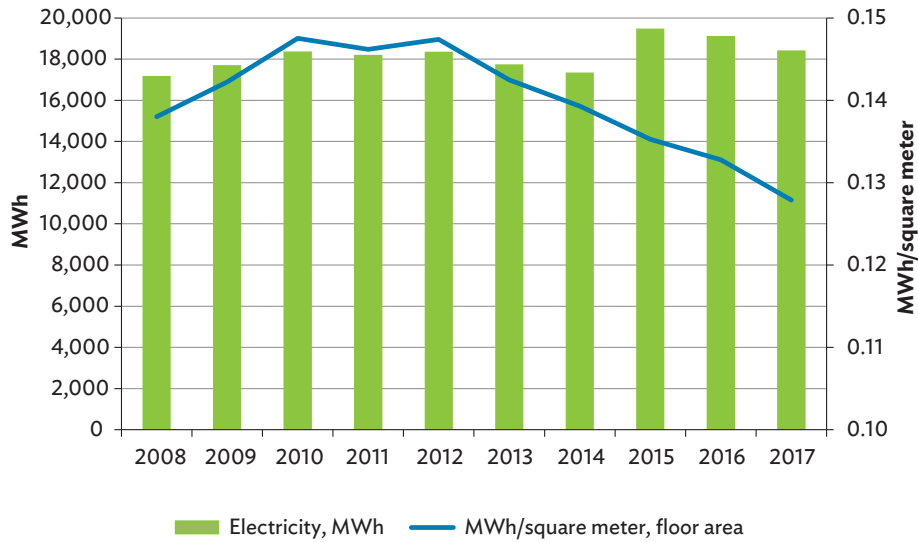
The Leadership in Energy and Environmental Design (LEED) green building program, developed by the United States (US) Green Building Council, is an internationally accepted benchmark for the design, construction, and operation of green buildings. In 2017, the Asian Development Bank (ADB) headquarters building was LEED certified to the Gold Level by the US Green Building Certification Institute. ADB satisfied the prerequisites and was awarded 76 points under the LEED for Existing Building Operations and Maintenance rating system. The 2017 recertification was 13 points higher than the original certification. Actions that led to additional points included the headquarters extension's certification under LEED Design and Construction; use of solar and geothermal energy sources; use of rainwater and treated effluent for landscape irrigation; and sourcing local food from within 100 km of Metro Manila. The switch to on-site solar power generation and purchased geothermal electricity supply contributed the most number of points (5 points) to the recertification.

Source: Asian Development Bank.

Electricity

ADB sources its electricity from utility companies and an on-site solar generation facility. Total electricity consumed was 19,124.98 megawatt-hours (MWh) in 2016 and 18,421.14 MWh in 2017 (Table 3.4 and Figure 3.2). After switching from conventional sources in 2014, with a tripartite agreement among a geothermal energy supplier, distribution company, and ADB, a contract was signed with the energy supplier, committing them to provide ADB headquarters with 100% renewable energy. Geothermal energy supplies 96% of ADB's total electricity requirements while the remaining 4% comes from ADB's on-site solar installations of 690 kilowatt capacity (Figure 3.3). ADB's significant energy use includes air conditioning and ventilation, lighting and receptacles, and ICT equipment.

Figure 3.2: Electricity Consumption at ADB Headquarters, 2008–2017
(on-site generation and utility purchased electricity)

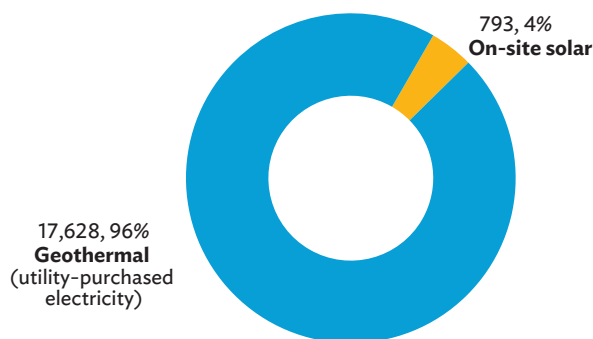


MWh = megawatt-hour.

Note: The increase in electricity consumption from 2014–2015 was due to the addition of the headquarters extension, resulting in an increased building floor area. Despite an increase in absolute electricity consumption in 2015, there has been a continual decrease in terms of energy intensity in terms of floor area (MWh per square meter).

Source: Asian Development Bank.

Figure 3.3: Sources of Electricity Consumption at ADB Headquarters, 2017
(MWh and share)



MWh = megawatt-hour.

Source: Asian Development Bank.

Gasoline, Diesel, and Liquefied Petroleum Gas

Aside from electricity, ADB also uses gasoline, diesel, and liquefied petroleum gas (LPG) as energy sources for ADB-owned vehicles, generators, fire pump system, cooking, and heating (Table 3.5).

Table 3.5: Gasoline, Diesel, and Liquefied Petroleum Gas Consumption at ADB Headquarters, 2016 and 2017 (liters)

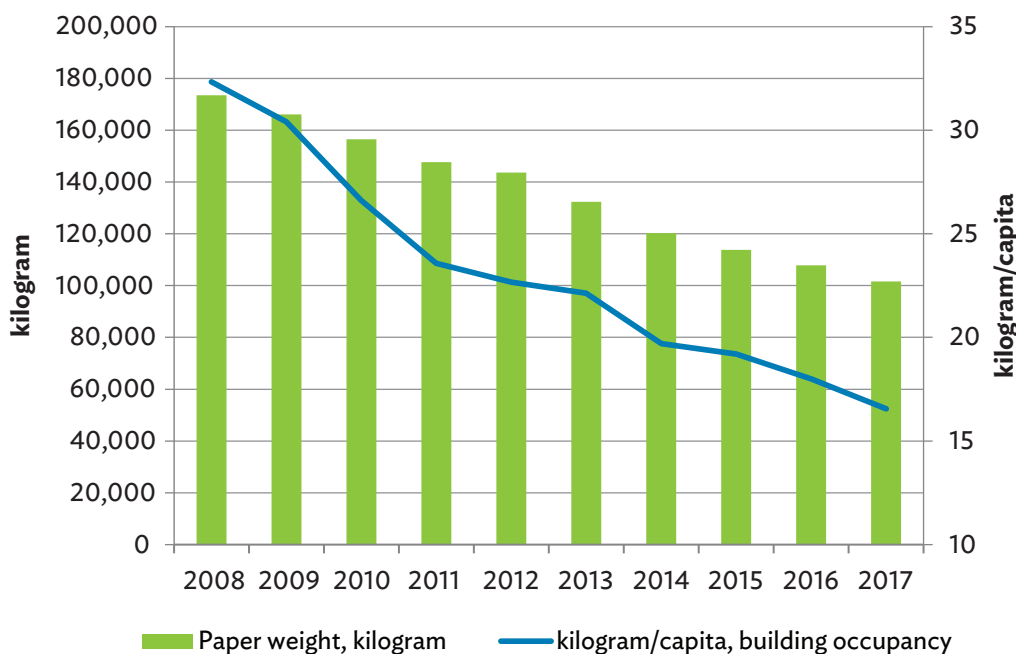
Energy Source	2016	2017
Total transport fuel (gasoline and diesel)	57,318.33	58,273.79
Diesel for generator	20,231.90	38,302.39 ^a
Liquefied petroleum gas	164,688.70	168,438.80

a In 2017, two stack emission tests were completed. The annual stack emissions test for 2016 was deferred to early 2017 while the 2017 test was completed at the end of the same year.

Source: Asian Development Bank.

Based on paper used, ADB consumed 107,890.32 kilograms (kg) of paper in 2016 and 101,607.23 kg of paper in 2017 (Table 3.4 and Figure 3.4). Over a 10-year period in 2008–2017, paper consumption has decreased by 52%, demonstrating ADB’s commitment to lower its paper use. ADB uses Forest Stewardship Council-certified and 100% recycled paper for all its publications and office printing; stationary supplies are not monitored. Vegetable oil-based ink is used for all publications. Paper reuse and back-to-back printing of documents are standard practice. ADB’s computers and printers are 100% Energy Star rated.

Figure 3.4: Paper Consumption at ADB Headquarters, 2008–2017



Source: Asian Development Bank.

Water

Manila Water Company, Inc. supplies ADB headquarters with potable water from the Angat, Ipo, and La Mesa watersheds in Bulacan province. To meet Philippine effluent discharge standards, effluent water is treated at ADB’s on-site sewage treatment plant, which ultimately discharges into Manila Bay. Part of the effluent water is recycled and used along with harvested rainwater (the rainwater harvesting system has a capacity of

200 cubic meters) to clean the grounds and water plants (Table 3.6). In addition, the headquarters extension building uses a mix of rainwater and domestic water to flush toilets. Potable water consumption decreased by about 9% from 2016 to 2017 (Figure 3.5 and Table 3.6) following the retrofitting of water fixtures, which started in 2016. A total of about 600 units of low-flow and low-flush water fixtures were progressively replaced, contributing significantly to exceeding the E²HSMS target water reduction of 5% per annum. The share of water ADB recycled and reused went up to 7.5% in 2016, and 7.8% in 2017. In 2016–2017, a total of 2,623 cubic meters of non-potable water was used to flush toilets in the extension building.

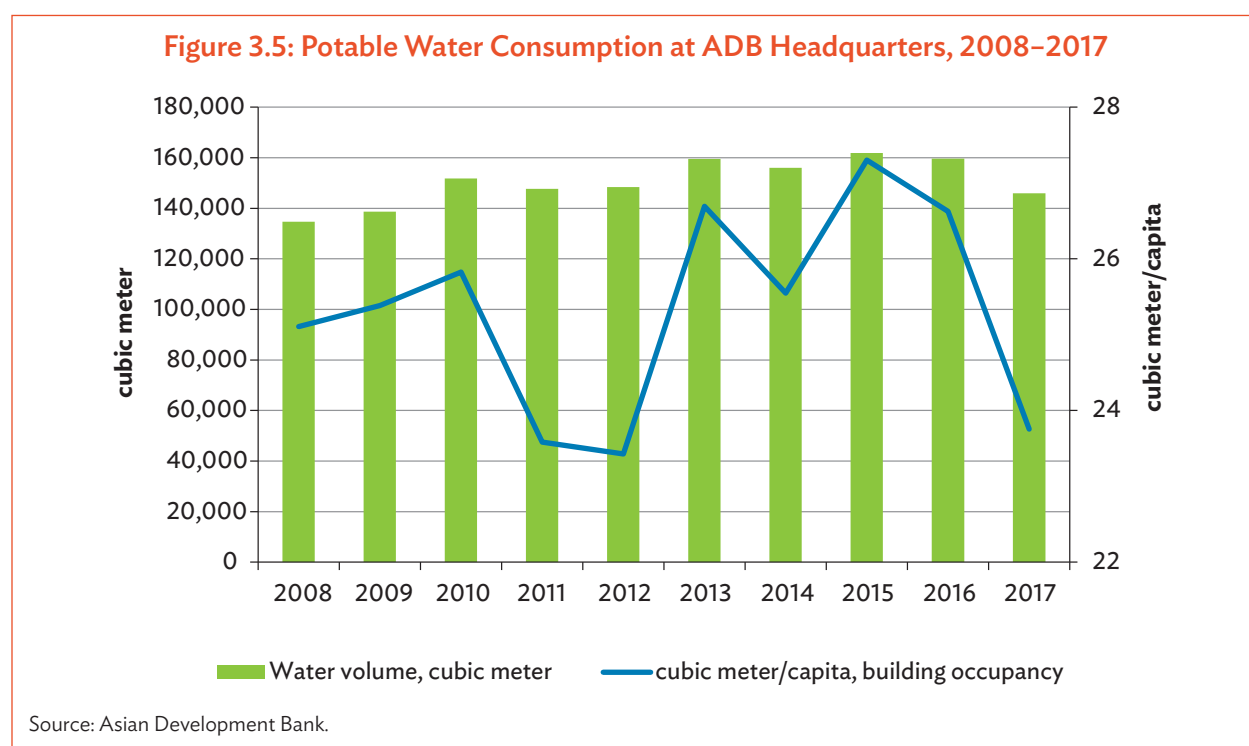


Table 3.6: Sources of Water Used at ADB Headquarters, 2015–2017
(m³)

Resource	2015	2016	2017
Manila Water Company (potable water)	161,894.00	159,613.00	145,889.00
Sewerage treatment plant reuse	12,454.44	10,190.35	9,483.00
Backwash reuse ^a	383.00	327.00	402.81
Rainwater harvesting (reuse)	1,006.00	2,506.00	2,441.00
Total water consumption	175,737.44	172,636.35	158,215.81
Total recycled + reused water	13,843.44	13,023.35	12,326.81
Recycled + reused water, % of total consumption	7.88%	7.54%	7.79%

m³ = cubic meter.

^a Backwash is water used to refresh the on-site water treatment process.

Source: Asian Development Bank.

Waste

Solid waste is segregated and sorted at the source and reusable waste is recovered, contributing to a recovery rate of 61.5% in 2017 (against the 75% E²HSMS annual reduction target). ADB generated over 361,000 kg of waste in 2017 (Table 3.7) (waste data for 2016 is not available). Table 3.8 provides data on ADB's waste disposal methods.

ADB reviewed its E²HSMS waste performance metric and annual reduction targets for 2018 to align with LEED requirements which focus on environmental impact reductions rather than generation data. The life cycle of purchased products (e.g., ongoing consumables, durable goods, materials for maintenance and renovation) will be considered with the aim of diverting waste generated away from landfills.

Table 3.7: Types of Waste Generated at ADB Headquarters, 2017
(kilograms)

Waste Type	2017
Biodegradable	64,029.27
Nonbiodegradable	65,081.51
Hazardous ^a	9,887.61
Recyclable	222,280.50
Total	361,278.89

^a Hazardous waste includes medical waste, oils, batteries, paints, and busted fluorescent lamps. It is disposed of through an accredited Philippines Department of Environment and Natural Resources treatment facility.

Source: Asian Development Bank.

Table 3.8: Disposal Methods for Waste from ADB Headquarters, 2017
(kilograms)

Waste Disposal Method	2017
Recycling	222,280.50
Composting	10,927.00
Landfill	128,071.39
Total	361,278.89

Source: Asian Development Bank.

Greenhouse Gas Emissions

ADB headquarters' greenhouse inventory covers direct (Scope 1) and indirect (Scope 2, from purchased electricity, and Scope 3, from other sources) organizational emissions (Table 3.9). Emissions from ADB's investments are not included, but are being addressed ("Climate Change and Disaster Risk Management Reduction" section). Direct emission sources identified at ADB headquarters are the diesel for generators and fire pump system, LPG for cooking and heating, fuel used by ADB-owned vehicles for official trips, and refrigerants for cooling and freezing. Indirect emission sources identified include purchase of electricity and official travel (air travel and hotel stays). In 2016, annual emissions totaled 10,913.52 tons of carbon dioxide equivalent, 46.8% lower than in 2013. 2013 is ADB's established baseline year following third-party verification of its greenhouse inventory (in accordance with the GHG Protocol and Intergovernmental Panel on Climate Change guidelines) to the ISO 14064 standard in 2015 and 2016. The GHG inventory in 2017 has yet to be verified by a third party (not to be undertaken until 2019), but indicative annual emissions totaled 10,792.12 tons of carbon dioxide equivalent.

Table 3.9: ADB's Greenhouse Gas Emissions, 2013–2017
(tons of carbon dioxide equivalent)

GHG Scope	2013	2014	2015	2016	2017 ^a
Scope 1 GHG	527.25	579.06	464.36	459.99	507.65
Scope 2 GHG	10,532.78	2,353.05	1,015.23	1,125.94	854.20
Scope 3 GHG	9,467.65	9,042.03	8,747.58	9,327.60	9,430.26
Total GHG/person	3.43	1.96	1.72	1.82	1.76
Total	20,527.68	11,974.14	10,227.18	10,913.52^b	10,792.12

GHG = greenhouse gas.

Note: scope defines the boundaries in relation to direct and indirect GHG emissions, as defined by the [GHG Protocol corporate reporting and accounting standard](#).

^a Indicative subject to third party verification.

^b Fully offset with the purchase of 12,000 certified emission reductions from a 50.4-megawatt wind farm.

Source: Asian Development Bank.

To help reduce emissions, business travel protocols require staff to combine multiple missions into a single trip and select the shorter, most economical route. Videoconferencing is promoted to replace travel when appropriate. Five out of 24 vehicles in ADB's vehicle fleet are hybrid electric vehicles. Annual defensive driving seminars provide drivers with tips on fuel efficiency and driving safely. Dispatchers provide drivers with road traffic and flight information to allow them to plot the most efficient route. For staff commuting, ADB headquarters' building is located immediately adjacent to the metro rail and bus stops. Bike racks and showers are provided. ADB also encourages its staff to conserve resources in the office and at home through Sustainability in Action week (Box 3.3) and its 10-point Sustainability in Action plan (Figure 3.6).

In previous years, ADB has focused on implementing its resource conservation program, following the principles of reduce, reuse, and recycle, to continually reduce its GHG emissions. Given that its GHG emissions can only be reduced to a certain level, and any new initiative will now only result in minimal additional emission reduction, it was decided that ADB should offset the GHG emissions associated with its headquarters through the purchase of carbon credits, for which selection criteria were established. In 2016, ADB headquarters GHG emissions totaled 10,913 tons of carbon dioxide equivalent. To fully offset these emissions, ADB purchased carbon credits from a 50.4 MW wind farm in Maharashtra, India. Once verified, use of offsets against ADB headquarters 2017 GHG emissions will be confirmed.

Box 3.3: Putting Sustainability into Action



ADB Vice-President of Knowledge Management and Sustainable Development plants a native tree at ADB headquarters (2017)

Linked to World Environment Day on 5 June, with its theme of “Connecting People to Nature,” the Asian Development Bank (ADB) held its first Sustainability in Action week from 5 to 9 June 2017, with the aim of promoting resource conservation techniques staff members can adopt in their day-to-day work. A native tree planting gathered ADB's six vice-presidents, who each planted a tree classified as endangered or at serious risk of extinction in the ADB headquarters' grounds, demonstrating their unified stance on sustainability. Various activities were held during the weeklong event to promote sustainable behavior, including the launches of the [Building for a Sustainable Future](#) book and the 10-point Sustainability in Action Plan, a biodiversity watch, an organic food fair, a waste recycling market, and encouraging the use of stairs to reduce electricity consumption associated with elevators.

Source: Asian Development Bank.

Figure 3.6: ADB's 10-Point Sustainability in Action Plan



CO₂ = carbon dioxide.

Source: Office of Administrative Services, ADB

Field Offices

ADB shares its E²HSMS, LEED, and other organizational sustainability initiatives with visitors to headquarters. It also carries the lessons learned at headquarters to its field offices in both owned and leased buildings. ADB owns buildings housing its resident missions in Bangladesh and India. The Bangladesh Resident Mission achieved ISO 14001 certification for its environmental management system; while the India Resident Mission, which received recertification in 2016 has ISO 50001 certification for its energy management system (recertified in 2017), and has one building that is LEED Gold certified.

In 2016–2017, 17 out of 31 field offices were able to input resource conservation data into the Resource Management System for validation by headquarters. The system allows field offices to record, track, and analyze

their resource consumption (energy, water, and paper consumption; and solid waste generated) and helps them identify problem areas, establish targets for resource conservation, and seek advice from headquarters on techniques, technologies, certifications, and procedures to adopt. Once adopted by all field offices over time, this system will enable ADB to determine its overall organizational environment and carbon footprint.

Sustainable Annual Meetings

The Annual Meeting of ADB's Board of Governors is a major 4-day event that attracts 2,500–4,000 participants from all over the world. It is a statutory occasion for the Board of Governors to provide guidance on ADB's administrative, financial, and operational directions. As a premier development forum in Asia and the Pacific, the Annual Meeting also helps raise the host country's visibility and has become an important networking event, including for the private sector.

The ISO 20121 Event Sustainability Management Standard provides the structure for ADB to promote the principles of sustainability in the management of the Annual Meetings. Guided by the Event Sustainability Management Standard, ADB developed its own [Guiding Principles for Sustainable Events](#) with detailed objectives and action plans. ADB ensures these guiding principles are available for and communicated to stakeholders for adherence in Annual Meeting event management. ADB also ensures that ADB and host country personnel involved in organizing the Annual Meeting are aware of the impact and consequences of actions within the event management cycle and contribute to making it more sustainable.

ADB's [49th Annual Meeting](#) in 2016 was in Frankfurt, Germany. ADB and the German Ministry for Economic Cooperation and Development (Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung) purchased carbon credits to fully offset emissions from staging the event. For the [50th Annual Meeting](#) in Yokohama, Japan in 2017, proceeds from the sale of water bottles the City of Yokohama produced specifically for the annual meeting were used to purchase carbon credits from an ADB clean development mechanism project in India which made the annual meeting carbon neutral. By introducing print-on-demand participant badges, ADB significantly reduced the number of unused cards that would have been disposed due to no-shows. Following a third-party audit of all sustainability measures (Box 3.4), both events were certified under ISO 20121 as sustainable and carbon neutral. These were the second year (2016) and third year (2017) in a row the annual meetings were certified sustainable.

Box 3.4: Greening the ADB Annual Meetings



Subway passes were provided to guests to encourage the use of public transport during the 2017 Yokohama Annual Meeting.

Key initiatives adopted at the 2016 Frankfurt Annual Meeting included reducing the number of vehicles by introducing a carpooling solution for high-level guests, using low-emission hybrid vehicles, providing local food and serving fair trade tea and coffee during the sessions, and using renewable energy for the venue. Germany aimed to bring the motto of the 49th Asian Development Bank Annual Meeting —“Cooperating for Sustainability”—to life with the discussions and exhibitions in the “City of Sustainability” as a format for networking and exchange; and to focus on Sustainable Development Goals implementation. During the annual meeting, a “Green Lecture Hall” at the Goethe University Frankfurt was launched, a living and thriving venue for knowledge exchange about climate change and energy use. The following year, for the 2017 Yokohama Annual Meeting, the Government of Japan provided hybrid cars for eminent guests and subway passes to others, and served fair-trade coffee and tea at high-level events. This annual meeting also featured exhibits showcasing sustainable technology and seminars tackling sustainable development.

Source: Asian Development Bank.

Greening the Institutional Supply Chain

ADB's supply chain comprises directly engaged contractors to provide goods and services for institutional use and consultants and consulting entities employed for a wide range of services.

ADB is responsible for procuring goods and services for its institutional needs in accordance with ADB's Administrative Order on Institutional Procurement and Contract Administration. The aim is to secure high-quality goods and services at a competitive price, in a transparent manner, and in accordance with principles of good governance. [Competitive bidding opportunities](#) are advertised on ADB's website. Procurement methods vary depending on the value or nature of the goods and services.

In 2016, \$52.2 million worth of goods (\$10.3 million) and services (\$41.9 million) was sourced in the Philippines, comprising 80% of the ADB headquarters' institutional procurement expenses. Expenditure in 2017 increased by 18% (mainly due to ICT initiatives and the support needed to implement them, and fit-out of the headquarters extension building) to \$61.7 million with \$9.5 million in goods and \$52.2 million in services. Contractors and service providers serving ADB headquarters must submit a Good Social Management Certificate within 15 calendar days of the effective date of their contract and this must remain valid for the contract duration. Contractors working at ADB headquarters must ensure their employment contracts were drafted and executed in accordance with Philippine labor legislation and comply with all other relevant employment laws and regulations, including those concerning their employees.

ADB has committed to greening its institutional supply chain by (i) ensuring that whenever possible, goods and services conform to the user country's legal requirements, including any international environmental agreements; (ii) maximizing the use of durable, reusable, and energy-efficient goods and services; and (iii) maximizing the use of low-pollution goods and services that produce minimal post-consumer waste, use recyclable content, or have minimal impact on the environment.

ADB seeks to procure goods and services for administrative operations that comply with its Green Procurement Guidelines, as described in ADB's Administrative Order on Institutional Procurement and Contract Administration, which also apply to procurement by service providers by incorporating provisions into their contracts. It further seeks to adhere to its guidelines on Energy, Environment, Health, and Safety Management, which require the use of locally available materials and goods certified green by established environmental labeling systems (including Energy Star for ICT equipment, Green Seal for cleaning materials, and Forest Stewardship Council for paper products). In 2017, 2% of the goods procured by ADB headquarters (which aims about \$1.7 million) complied with the guidelines, primarily paper products and ICT equipment. Service providers must also meet the E²HSMS requirements and ISO standards regarding occupational health and safety, and the use of hazardous substances.

Community Involvement

ADB provides services to organizations near its headquarters and other locations in its host country, the Philippines. Key activities in 2016–2017 include the donation of 58 volumes of books and 30 volumes of serials from the ADB Library to the Polytechnic University of the Philippines; the donation of 83 volumes of published materials from the ADB Library to the Philippine National Police Command; and the donation of 16,794 books, including 216 ADB publication titles, from the ADB Bookshop to the [Synergeia Foundation](#) (to build at least 200 community education centers or libraries in the Philippines).

ADB has its own Staff Community Fund (SCF) which raises funds from the ADB workforce to support community and livelihood development projects in the community in which ADB is headquartered. ADB also encourages its staff to take time off from work to participate in volunteer community service activities that help improve the quality of life in communities where ADB operates. Management and staff, excluding those on leave without pay and seconded to other organizations, are eligible to avail of 1 whole day or 2 half days volunteer leave each calendar year. This leave cannot be monetized nor carried over to the following year. By the end of 2017, 237 staff members (from various departments) applied for volunteer leave, a significant increase from 33 staff members in 2016. Examples of departments and offices that organized joint staff activities in 2017 include the following:

- In Loon Sandigan, Bohol, Office of Anticorruption and Integrity staff supported *Kusina ng Kalinga* and *Paraisong Pambata* programs co-organized with the [Gawad Kalinga Community Development Foundation](#) (a Philippines-based poverty alleviation and nation-building movement) by helping prepare meals, distribute school supplies, and play games with over 100 schoolchildren.
- Other Office of Anticorruption and Integrity staff attended the [Laura Vicuña Foundation](#) (which builds capacities of children in need of special protection through integral education and development; a crisis home for over 20 young at-risk girls) to donate books, share meals, and engage in fun activities with the foundation's residents. A donation of industrial-grade baking equipment will help the foundation's skills development program qualify for the Philippines' Technical Education and Skills Development Authority certification.
- Office of Administrative Services staff shared their time with kids staying at [Nayon ng Kabataan](#), a shelter for vulnerable children 7–17 years old in Addition Hills, Mandaluyong City in Metro Manila, and with senior citizens at [Luwalhati ng Maynila](#), a home for the elderly located in Parang, Marikina City, Metro Manila.
- Office of Cofinancing Operations staff gave back to the local community through a feeding and entertainment outreach program in *Bahay Kalinga*, a home care for 53 elderly women from Manila who were abandoned by their families. In addition to securing ₱50,000 (about \$1,000) from the SCF, the staff raised an additional ₱26,000 to purchase groceries, food, and medicine supplies for these elderly women.
- Office of the General Council staff undertook a community outreach at the [Bistekville 4 housing project](#) in Quezon City, and engaged children in fun and educational activities.
- Office of Risk Management staff held an origami-making session with about 50 children from [CHILD Haus](#), a temporary shelter for kids undergoing cancer treatment in Metro Manila, and they also gave a ₱50,000 SCF donation to sponsor mentorship programs.



Office of Anticorruption and Integrity staff participate in a volunteer day (2017).



Office of Cofinancing Operations staff participate in a volunteer day (2017).



Office of Administrative Services staff participate in a volunteer day (2017).



Office of the General Counsel staff participate in a volunteer day (2017).

Asian Development Bank Sustainability Report 2018

Investing for an Asia and the Pacific Free of Poverty

The Asian Development Bank (ADB) has been issuing its *Sustainability Report* since 2007. The *Sustainability Report* allows stakeholders to assess ADB's operational and organizational sustainability performance, providing them with a single point of reference to understand ADB's commitment to sustainable development. For 2018, this biennial *Sustainability Report* highlights the integration of sustainability into ADB's operations and organizational activities during 2016–2017. A separate detailed Global Reporting Initiative (GRI) Content Index sets out ADB's management approaches to material topics and responses to general and specific disclosures in the *GRI Sustainability Reporting Standards*. The *Sustainability Report* and detailed GRI Content Index are prepared in accordance with the core option of the *GRI Sustainability Reporting Standards* and are available online at www.adb.org/documents/asian-development-bank-sustainability-report-2018.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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