



The Ministry of Education of Azerbaijan Republic

ASIAN DEVELOPMENT BANK: FRAMEWORK ON FOSTERING REGIONAL COORDINATION FOR FINANCIAL MANAGEMENT ASSESSMENT

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INTRODUCTION

In the early 1960s, The Asian Development Bank was established as a financial institution. The ADB would foster economic development and institution in one of the most indigent regions and countries in the world. As a result of a resolution which passed at the 1st Ministerial Conference on Asian Economic Cooperation kept by the United Nations Economic Commission for Asia and the Far East in 1963, Asian development bank was established in 1966 and its headquarter situate in the Philippines capital of Manila. In this year, it opened with 31 members that came together to serve a mainly agricultural region. ADB's first President was Takeshi Watanabe.

Today, ADB is owned 67 members and they also financed ADB, 48 members of all members countries are from the region and 19 are from other parts of the globe. Governments, community-based organizations, the private sector, some non-government organizations, numerous development agencies and also several foundations are ADB's core partners. ADB is an international development finance institution and not only to help ADB developing member countries is the first major mission of ADB, but also ADB try to reduce poverty and improve the quality of life of their people. During the years when it was created newly, food production and rural development were its priorite area. ADB focused many of its support on them.

The missions of the bank are defined by this contract. The Bank might have the pursuing capacities to achieve its objectives: (I) to meet appeals from individuals in the locale to help them in the coordination of their improvement plans and programs with a view to advancing the precise extension of their outside exchange, accomplishing perfect use of their assets and making their economies more corresponding, specifically, intra-territorial exchange; (ii) to use the assets available to its for financing advancement of the creating part nations in the district, offering need to those local, sub-local and additionally nationwide programs and projects

which will help most adequately to the agreeable monetary development of the area all in all, and having unique respect to the necessities of the littler or less created part nations in the concern area; (iii) to increase investment in the area of open and private capital for improvement intents (iv) to embrace such different exercises and ensure different services similar to propel its goals (v) to co-work, in such way as the Bank may consider proper, inside the terms of this Agreement, its bodies and auxiliary bodies including, specifically, the Economic Commission for Asia and the Far East, and with open global associations and other universal organization, and additionally national elements whether open or private, which are worried about the venture of improvement finances in the area, and to premium such organizations and elements in new changes for help and investment; and (vi) to give specialized help to the readiness, financing and execution of advancement tasks and plans, including the plan of particular program recommendations.¹

The Asian Development Bank focuses these areas:

- a) Education- as a result of this, during the last 3decades, enrollment rates of primary education have noticeable increased in the majority of the developing countries in Asia region.
- b) Climate, environmental protection and disaster risk management relating them – Protecting the environment plays an crucial role to provide economic growth and to reduce poverty in the Pacific and Asia.
- c) Private sector lending – ADB has contributed the small private organizations to enhance their businesses and become largest in terms of financing volume.
- d) Finance Sector Development – The financial system is one of the most crucial part of any country’s economy. The contribution of the ABD to this area is necessary to diminishing poverty in Asia and the Pacific.
- e) Water and Air Pollution and Solid Waste Management - Infrastructure, including urban development, water supply transportations and so on.

¹ Agreement establishing The Asian Development Bank

- f) Country partnership and Integration – The ADB is a bridge between Asian and the Pacific countries and it has strengthened the link and integration among them.

The first chapter affords information about sustainable development policy of ADB and also this chapter explain the importance of sustainable development policy for ADB and what the ADB has done about this issue.

The second chapter provides material about challenges which prevent the ADB to work properly in Asia region and ADB shortcomings in assistance to regional financial infrastructure. In this chapter, it is argued that the various programs and projects which implement by ADB to reach different goals such as reducing poverty and increasing economic development in the concern areas are really effective or not. In addition, this chapter provides comprehensive info about the Accountability Mechanism of ADB and show its shortcomings.

The third chapter affords information on the successful projects and programs of ADB and shows their positive results.

CHAPTER I

ADB IMPLEMENTING SUSTAINABLE DEVELOPMENT POLICY

1.1 Sustainable development policy of ADB

The sustainable development policy plays a vital role in economics. The main objective of the sustainable development is to provide growth benefits of society whereas it reduces the amount. of possible harm. The main indispensable necessity for sustainable development is to vanish poverty in any part member countries and measurement. There must be advancement of sustainable, comprehensive and equitable economic development, increasing equalities and fundamental ways of

living, encouraging social growth. Sustainable development calls for concerted efforts towards building an inclusive, sustainable and resilient future for people and planet. The sustainable development policy may result economic sustainable, environmental sustainable, sociopolitical sustainable and so on. To obtain sustainable development depends on harmonizing three main elements which include economic development, social inclusion and environmental protection. These elements are interconnected and all are crucial for the well-being of individuals and societies. Since established, ADB has always tried to implement effective sustainable policy to provide sustainable growth in Asian and the Pacific and has achieved the majority of its goals.

Between 1960s and 1970s, ADB had done below follows:

- In 1967, ABD launched the first Asian agriculture survey and during in this year, for increasing food grain production ADB also extend the technical support grant to Indonesia. Moreover, the first loan for the reform of tea factory was confirmed.
- In 1969, the first loan relating to energy sector was confirmed by ADB to contribute the energy supply policy which was belong to Malaysia. In addition, this bank gave an opportunity to Indonesia to effectively implement its irrigation project via a loan.
- ADB also payed attention to education system in Asian and The Pacific so, at first time, Singapore received numerous loans to reform education system and to expand and built new numerous schools which results in increasing literature.
- Transportation systems was improved as a result of ADB's projects and contributions, so these projects included 118 infrastructure projects, 9 institutional development projects and 14 vehicular projects between 1960 and 1970.

- To provide sustainable development of agriculture sector was the one of the main issues in Asian and The Pacific. ADB gave a lot of loans to sector and created the better irrigation systems which were vital to improve agriculture sector in concern region.
- The Asian Development Fund which provides necessary loans to the most indigent developing member countries was established.
- After appraising role of forestry and forest industries in socioeconomic development, ABD payed plenty of attention to this sector and so on.

During 1980s, ADB mainly focused on environmental protection and agricultural development and it achieved followings.

- The president of ADB attended plenty of conference relating to protection of environment and gave his recommendation about it. For example, he signs the Declaration of Environmental Policies and Procedures Relating to Economic Development.
- In approximately 17 member countries, ADB implemented 75 projects to protect environment and the environmental institutions was built in the developing member countries.
- The protection human right is one the most important issues in any country so, ADB also confirmed a policy on the role of women in development.
- The attention to education did not reduce in these years, a policy on education about on environmental, non-formal and primary education was created by Asian Development bank.

In 1990s, ADB achieved below:

- ADB accepted a policy about population that highlights the relationship between population growth and economic development.
- In these years, ADB also renewed the policy relating the role of women in development and confirmed the policy for progressing energy sector and

forestry that balances production and conservation and encourages participatory approaches.

- For diminish the burden of anticorruption, a policy on anticorruption and fraud was approved. Because it caused some problems on government and economies in the region.
- ADB had reduced the poverty in the Asian and The Pacific applying its policy on poverty and the poor sustainable economic growth was replaced by social development and good governance.
- In this region, urban sector strategy is formulated by ADB and so on.

The achievement of ADB is rapidly increasing in 21th century:

- ADB formulated its long-term strategic framework which covered 2001-2015 and recognized economic and social development during given years.
- ADB established territorial and sustainable development departments which is important to contribute align policy with indigence reduction and information administration.
- For assisting unemployment adolescents, the policy on education was renewed by ADB and it provided equitable access for both genders.
- While increasing importance of technology, applying a new policy on information and communication technology is crucial. As a result of this, ADB adopt a policy on information and communication technology.
- To prevent the financing of terrorism and fight against money laundering, a policy is adopted which increased ABD's role in here.
- ADB appraised a social communication policy.
- The multidonor Asian Tsunami Fund was created which is important to contribute rehabilitation and recovery in Indonesia, India, Maldives, Tailand and Sri Lanka.
- and other achievements.

ADB's Sustainable Development goal about economics

Promote inclusive and sustainable economic growth, employment and polite work atmosphere for all - A continued shortage of reducing work chances, unsatisfactory investments and under-consumption lead to an erosion of the main social agreements underlying democratic communities: that all must share in development. The establishing of better job standards will stay a core difficulty for the majority of all economies well further 2015. Approximately 50 % of the world's population lives on the equivalent of within \$2 a day. Having a job is not enough to escape from poverty. This unsatisfactory development forces us to consider and retool our economic and social policies aimed at vanishing poverty again. Societies will be forced by the sustainable economic development to establish the conditions that provide individuals to have better jobs that encourage the economy where not negatively affecting the environment. Opportunities of job finding and polite working environment are also required for the completely working age citizens. The targets of this goal are followings: (i) Support per capital economic progress in connection with nationwide circumstances and especially, minimum 7percentage gross domestic product development per annum in the less progressed countries; (ii) Obtain larger amounts of economic efficiency via broadening, technical improving and progression, including through an attention on high-esteem included and work escalated fields; (iii) Progressed and operationalize a worldwide system for youth worker and actualize the Global Jobs Pact of the International Labour Organization until 2020; (iv) Advance improvement arranged approaches that help productivity exercises, polite work creation, business, inventiveness and development, and support the formalization and development of miniaturized scale , little and medium-sized organizations; (v) Rise Help for Trade for progressing nations, specifically minimum progressed nations, including via Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed; (vi) Take quick and compelling measures to vanish constrained work, end slavery and human trafficking and secure the denial

and disposal of the most exceedingly awful types of tyke work, including enlistment and araising of kid warriors, and child work in every one of its structures (vii) worldwide asset effectiveness in utilization and creation and attempt to decouple economicdevelopment from ecological corruption, as per the 10-year system of projects on practical utilization and generation, with created nations leading the pack; (viii) make strong the capabiliity of domestic financial institutions to encourage and expand access to insuarence, financial services and banking for all.

Giving teenergers the excellent chances to transition to a polite job calls for investing in training and education of the highest possible quality, suoolying adolescents with skills that relevant labour market needs, providing them reach to social security and core services regardless of their agreement kind. States can work to establish sustainable, dynamic, innovative and people-centred economies, promoting youth workers and women's economic empowerment, specially polite job for all.

A long period key structure received in 2008, under Strategy 2020, ADB will pursue key plans: comprehensive development, regional integration and ecologically sustainable development. In seeking after its vision, include advances, guidance, proposals, a few awards, specialized help and important information which was given the solid sources are ADB's core instruments. Despite of the greater part of the loaning is in the general population area - and to governments - ADB additionally add to private undertakings of creating nations through value ventures, ensures, counsel and credits. Besides, its triple-A FICO score assembles stores for development. According to "Agreement building the Asian Development Bank, the goals and mission of ADB are clarified as followings:

Wherever utilized as a part of this Agreement, the terms which mean are district of Asia and the Far East and area should contain the regions of Asia and the Far East incorporated into the Terms of Reference of the United Nations Economic Commission for Asia and the Far East. To encourage financial development and co-activity in the locale of Asia and the Far East and to add to the increasing speed of the

procedure of monetary advancement of the creating part nations in the area, all in all and independently should be the reason for the Bank.²

1.2 Corruption and fraud: reasons to design effective risk management strategies.

Since establishing day, ADB has approved numerous projects and programs which led to progressing The Asian and Pacific. ADB allocates the plenty of money to properly implement these projects and programs and to achieve the goals.

Unfortunately, whole amount of this money is not spent to implement these programs or are not used correctly. Sometimes some parts of the money are embezzled by the various relevant authority bodies of ADB or officials. Because of this, applying any policy which led to reduce this unacceptable condition was crucial.

Reducing the opportunity which led to corruption is very crucial to obtain more effective governance and increase development. Especially the level of corruption and fraud is high in poor country where have poor governance and low level of supervision. Progressing these countries depends on reducing the corruption. Because high level of corruption prevents the organization do their work properly and cause abusing of the money is intended to spend on social, economics programs for improvement of the member countries. According to ADB, the corruption and fraud is a crime which the private or public offices is abused for personal aims and gain. For fighting corruption and strengthen supervision, ADB is passed Anticorruption policy in 1998. The main goal of this policy is to contribute competitive market and also provide effective administration. As a result of applying this policy, ABD can diminish the corruption and fraud or eradicate the corruption and fraud in the member

² <https://www.adb.org/sites/default/files/institutional-document/32120/charter.pdf>

countries. Creating the anticorruption policy is very necessary step for development of the Asia and Pacific and decreasing level of poverty in these areas.

The corrupt behavior includes the followings:

- The embezzlement of public money and property.
- The abuse of public offices for personal gain.
- Avoiding taxes which should be pay to government agencies.
- Illegal payment to government to facilitate access of good and services.
- Deliberately spread of wrong and misleading information about financial status of institution.
- Illegal revenue collection from other agencies or public.
- Appraising uneconomical projects which give an opportunity for financial kickback.
- And other illegal activities.

In 2004, the potential development as an thematic basis was adopted by ADB and the Capacity Development Medium Term Framework and Action Plan was appraised in 2007. Capacity progress interventions can be marketed at enterprise, organization, or network levels. However, regardless of the entry point, it is necessary to consider the operator context. It also accepts that there is no suitable for everyone solution; This country, sector and cultural context should be considered when promoting potential growth; It also is crucial to confirm a learn-by doing approach.

Influences poor people is lopsidedly influenced by corruption, and experience demonstrates that corruption hurts the economy, undermines the administer of law, and decreased public trust in government. Corruption not just expands the expenses of improvement and along these lines benefit conveyance, however can likewise detrimentally affect quality. Debasement likewise has numerous countenances; while it is regularly viewed as a money related wrongdoing showing itself in influences and kickbacks, more inconspicuous structures incorporate nepotism, irreconcilable

situation, and conspiracy. Nation, division, and social settings decide how defilement displays itself as well as must be considered when outlining ways to deal with lessen defencelessness to it.

There also is large appreciation that corruption represents a genuine hazard to sustainable equitable economic growth in the Asia and Pacific areas. Developing provincial responsibility regarding actualize the United Nations Convention against Corruption confirm it. In addition, 20 country which include ADB's 39 borrowing members have signed the agreement, 11 of them have confirmed it, and approximately 4 have acquiesced to it in 12 June 2008. While 10 years back, the discourse of corruption was viewed as exceptionally touchy, this is not true anymore. A case of this is apparent in the developing participation of the ADB/Organization for Economic Co-task and Development (OECD) Anticorruption Initiative for Asia and the Pacific,¹³ which has developed from 17 individuals to 28 since 2000. The activity unites part nations and locales, the advancement group, common society, and the private division around a typical activity intend to decrease debasement in the district. The related Anticorruption Action Plan for Asia and the Pacific defines out the objectives and gauges for practical shields against defilement in the monetary, political, and social circles of part nations and wards. It energizes the foundation of successful and straightforward frameworks for open administration, solid against pay off activity, advancement of respectability in business, and support of a dynamic contribution of common society. Individuals from the system meet frequently to share advance on execution of the activity design, including ventures to confirm and actualize the United Nations Convention against Corruption. A key component of the activity is the common discovering that is encouraged. Over the previous year, the activity united worldwide and territorial specialists and professionals to examine such subjects as shared legitimate help and recuperation of stolen resources, pay off out in the open acquisition, and irreconcilable situation.

Three core objectives of the anticorruption policy are the followings:

- reforming the nature of ADB's discourse with DMCs on a scope of administration matter and encouraging anticorruption endeavours on a case-by-case premise
- encouraging markets which are more competitive and responsible, transparent and productive state governance as major part of ADB's more extensive performance on better administration and building capability;
- providing that ADB programs and personnel stick to the most superior moral guidelines³

The mentioned policy recognizes 4 factors which are crucial to prevent corruption.

Predictability - similar activities and transactions which will be behaved in the identical or a resemble way by public officials and under the law;

Participation - the general public, civil society groups, the media, and the private sector need to be included in decision making because of affecting them.

Transparency - formal checking specialists, auditor, and the general population require precise data to tell if degenerate practices have happened;

Accountability - government authorities must be responsible for their positions and utilization of assets

1.2.1 ADB Governance Risk Assessments and Risk Management

Before applying any projects, ABD always assesses risk in the relevant field. After some research, ABD decides what has been done. In addition, ADB is in charge of guardian oversight. ADB's this duty is to guarantee that the returns of any loans it ensures or takes an interest in are utilized just for the reasons for which the loan was granted. The Ohio Aerospace Institute (OAI) gets approximately 200 protests every

³ ADB's Governance and Anticorruption Policies, Strategies, and Procedures

year so, the majority of them belong to ADB staff. 16% of OAI's examinations concerned acquisition related irregularities, for the most part in the offer assessment process in 2011. After beginning screening of objections by a protests evaluation group, OAI conducts itemized examinations as fitting. The Integrity Oversight Committee surveys the discoveries of the examination and decides the approvals to be connected to firms and people observed to be occupied with degenerate or fake practices.

There are several anticorruption tools which is used for prevent corruption acts in the Asia and Pacific. The main anticorruption tools are these; (i) Transparency International's Toolkits - These are information, business tools, actions and report which can contribute suppress corruption on construction projects. (ii) ADB's Risk Assessment Sourcebook - the sourcebook based on some diagnostic instrument and ADB/OECD Country Self-Assessment is not exception. (iii) Transparency International National Integrity System Reports - these reports detail and evaluate the anticorruption systems inside the relevant country. (iv) United Nations Anti-Corruption Toolkit - this instrument is released by the United Nations Office on Drugs and Crime and captures a range of anticorruption strategy though. (v) ADB/OECD Anti-Corruption Initiative for Asia and the Pacific - the initiative has the ends of the in-depth 2006 review on two-sides legal help, extradition, and the recovery of proceeds of corruption.

Anti-Money Laundering

Money laundering is defined an action which taken to process the proceeds of crime so as to disguise their illicit nature or origin. Offenders usually launder money in three stages which are the following; (1) integration - the assets return the legitimate economy as clean money, (2) layering - the criminal uses a series of exchanges that change or transfer the assets to different areas and financial institutions, including offshore financial zones, (3) placement - the criminal presents the returns of the crime into the financial system. Why do Criminals launder the money. There are core two

reasons: The further is that they separate the funds from the crimes that produced them, thereby seeking to evade criminal prosecution. The latter is they launder money for protecting the funds from seizure and confiscation by law implementation specialist. The cash has been washed, the criminal may then put openly in land, purchase extravagance resources, or go into new business wanders. Financing psychological oppression is identified with illegal tax avoidance. The expression "financing fear-based oppression" is plain as day. It happens when mystery and invented ledgers are utilized to support psychological oppressor exercises, and when the unavoidable system of budgetary establishments for fear-based oppressors utilize apparently authentic business ventures, foundations, religious gatherings, trusts, instructive and inquire about organizations, political gatherings, and people. While the offenders have laundered the money, the criminal may invest freely in real estate, buy luxury resources, or go into new business wanders. Financing terrorism is connected with money laundering. Financing terrorism happens when the unavoidable system of budgetary establishments for fear-based oppressors utilize apparently authentic business ventures, foundations, religious gatherings, trusts, instructive and inquire about organizations, political gatherings, and people. The laundered money or legitimate funds directly financed the terrorism. The difference between the roots of the money is necessary. Terrorism financed with the proceeds of crime such as money laundering and financing terrorism under most nationwide AML laws (anti-money laundering).

Financing some illegal acts such as terrorism and money laundering creates a remarkable risk to global security and markets, and prevent faster improving of the economic condition of the countries. Respecting to the quantity of the fund which is laundered and changing between 3%– 5% of the worldwide GDP, or approximately \$2.17 trillion– \$3.61 trillion. To stop this critical stream of money identified with terrorism and crime, state specialists must comprehend the degree of illegal money laundering and funding terrorism acts, and adjust to novel vulnerabilities, for

example, the utilization of cell phones to exchange supports and bet on the web. Money laundering undermines money related area administration. The typical way cash is laundered includes saving assets into banks and after that organizing wire exchanges of those assets to other budgetary organizations, frequently in remote purviews. Money launderers are always growing new strategies, for example the utilization of Internet betting and other Internet administrations, online managing an account, trusts, global business organizations, shell organizations, and other noncorporate vehicles, utilizing neighbourhood intermediaries to shield the genuine useful proprietors; guardians, for example, bookkeepers, monetary experts, and securities and protection experts; new instalment innovations, for example, electronic satchels and Smartcards; exchange and false invoicing for the supply of merchandise and ventures; land; vehicles; and gold and different valuable metals⁴

The most perfect way to deal with go for broke in ensuring against the risk of money laundering will rely on the kind of credit and program. Undertaking particular plan measures went for advancing governance are essential in relieving against this type of risk. Best gauges contain performance and financial examines, audit missions and acquisition controls. In addition, ADB likewise has inward controls to decide the character of temporary workers and to guarantee that assets are sent to the right financial balances together with these types of controls. For credit and various subsidies, the program group must decide if such governing rules are probably going to defilement, misrepresentation, and taking. Accepting they are, venture guidance won't have to incorporate particular arrangements covering AML measures. So, particular AML arrangements are pointless in broad daylight segment allows and credits that as of now contain arrangements covering debasement, misrepresentation, and taking in light of the fact that those measures will relieve against the danger of tax evasion. In this manner, open segment advance and give extends for the most part

⁴ ADB. 2013. Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism

don't contain pledges requiring particular AML measures. For advances or allows including on-lending and relending, the circumstance is comparative.

Credits or subsidies to improvement banks ought to demand that the bank follow nationwide directions that connect with AML. Task counsel ought to precisely direct due tirelessness on such activities to guarantee they contain multilevel inward institutional supervisions. Such directions will cover know your customer systems that must be taken after before financial balances are opened. Advances or concedes to improvement banks ought to require that the bank follow national directions that identify with AML. They will likewise expect banks to report vast money exchanges or suspicious exchanges to the controller. Advances or concedes to improvement banks ought to require that the bank follow national directions that identify with AML ADB by and large does not follow the utilization of assets under program advances. Be that as it may, all money related segment program credits should join systems to set up or improve a current AML administration. They ought to likewise give specialized help to impact the vital changes. Projects that have required such measures incorporate program advances in Indonesia, Sri Lanka, the Lao People's Democratic Republic and Viet Nam. ADB has additionally given specialized help to AML to a few nations including Indonesia, the Philippines, Mongolia, the People's Republic of China, Thailand, and different nations in the Pacific.⁵

1.3 FMA as rationale for renewing economic environment

In connection with ADB's Guidelines for the Financial Management and Analysis of Projects, FMA (Financial Management Assessment) has been arranged. To estimate the ASAP's (Additional Skill Acquisition Program) ability to financially execution the proposed ADB-funded project is the main aim of the Financial Management Assessment. This FMA centres around responsibility and straightforwardness and

⁵ Governance and Anticorruption in Project Design

covers: -inside controls, including interior audit; -funds movement regulations; - planning and arranging; - free control; - financial reporting and accounting.

The opportunity of FMA are the followings:

- Specialized and professional instruction and training sector and office level appraisal that examines the suitability of the financial management framework plan and its capacities. The financial management is recognized by the appraisal, and decides how much the framework can oversee guardian chances and give sensible affirmation that program assets will be utilized for the expected purposes
- Short description of the Indian Public Financial Management framework, including the authoritative/institutional structures and the inter-governmental monetary exchange systems;
- Nation level FMA concentrating on the general PFM set-up and Public Expenditure Management results;

There are some shortcomings in Financial Management:

- Internal audit – Internal audit projects and activities is generally new and the capability for undertaking the important missions is to some degree constrained.
- External audit – The audit reports of COA on the SPSP do exclude isolate review on use of credit fund, consistence with monetary contracts, or utilization of impressed records and SOE procedures. In any case, a few perceptions and suggestions of COA on the SPSP are not suitable because of an absence of comprehension of SPSP methods and systems.
- Funds flow - There are postponements in discounting undisbursed awards utilizing the over-the-counter mode and unpaid and unclaimed grants.
- Personnel – As a result of raised coverage of the Pantawid (Pantawid Pamilyang Pilipino Program), the capability of existing personnel is under

pressure. They placed further requirements on field-level personnel pursuing decentralization of obligations.

- Information systems - To computerize and connect financial and program management information systems is needed.
- Implementing agency – The COA (Commission on Audit) made note shortcomings in DSWD’s inside supervision mechanisms.
- Accounting policies and procedures - DSWD meet some difficulties with core accounting and internal control functions which may result in inappropriate compliance with orders and adjustments.

1.3.1 Financial Management Assessment Process

1) Planning the Assessment

Qualified and experienced ADB personnel should control and supervise the FMA. In arranging the assessment, Opinions ought to be given to the nation and segment administration chance evaluations and PFM evaluations. It is advised that the project group ought to incorporate personnel with appropriate skills in budgetary due diligence, to either play out the FMA, or guide the experts. The FMA will generally include, however isn't restricted to - the survey of nation PFM evaluations; - an appraisal of money financial management regulation and capability of the executing organizations, including potential qualities/shortcomings of project specific financial management plans; - risk evaluation and planning of a risk management plan; - primary draft of the project's money related administration, fund flow bookkeeping what's more, examining design; and - the advancement of suitable covenant to address mentioned issues.

2) Conducting Assessment

The reviewer should control data in an organized and thorough way. It should be underlined that the FMAQ is a helpful, however not mandatory, apparatus for

organized data gathering, but rather it isn't a substitute for the FMA report. The FMAQ might be filled in mutually by the analyst and the partner staff, to guarantee agreeableness and a typical understanding.¹⁹ More data might be required than visualized in the FMAQ, and ought to be acquired by the commentator through supplementary inquiries, meetings, or research (e.g., from the web or other distributed or unpublished sources). This would be supplemented by a basic survey of the outer review reports of the executing office/actualizing office, the examiners' administration letters, inward review reports.^{20,21} Duplicates of these key records ought to be gotten, aside from others, for example, spending plans, association outlines, bookkeeping manuals, graphs of records, and so forth. Such surveys should think about the moves made by the executing or actualizing organization to address the outside review capabilities, and perceptions and proposals in the administration letter and inner review reports. The outcomes are examined and frame the reason for finishing the appraisal of the task money related administration game plans.

3) Financial Management Risk Assessment

Risk assessment is an individual task, and demands initial knowledge and an suitable qualified and skilled practitioner. Not only It demands experience of better financial management experiences, but also nations context and sector- and entity-specific environment. The core aim of the risk assessment is to determine conditions or occasions and the enlarged to which they could hamper the attainment of project income or productions. Moreover, to prohibit effective project accomplishment. The list of risk also contributes to guide the natural and enlarge of mitigating gauges demanded. Mitigation gauges will demand to be tailored to suit every project.

Financial Management Risk Assessment contains 2 steps. Further is Risk identification which identifies the rate of weaknesses. This step is important to collect information about cause of these weaknesses and how it may result in a risk. The latter step is Risk Assessment. After having been identified the risk, it is important to find the risk is to happen or not. In addition, if it were to happen, the results it could

have on the project. Fluence if a risk were to materialize is to be assessed by the assessor based on experience, and possible harms should be taken into account.

4) Risk Mitigation and Management

A different of choices exist for management risks which include: (i) Identification and documentation – gauges to report and attract regard for risk without expecting to formally relieve or screen them. (ii) Avoidance/relief/exchange, particular gauges to limit or dispense with unsuitable risks. Evasion may demand re-outline of part or entire of the undertaking, or specific procedures. Moderation measures are coordinated at lessening the seriousness of the hazard, decreasing the likelihood of the hazard emerging or diminishing introduction to the risk. Risk exchange could happen, for example, through protection. (iii) Monitoring – instruments to track and give an account of presentation to dangers, especially to guarantee that neither the likelihood nor the effect related with the hazard is expanding.

5) Documentation Requirements and Validation

The FMA exercise ought to be completely reported in the working documents of the project teams, and ideally stored electronically in e-Star. On the off chance that a portion of the work was performed by specialists, the last report of the experts ought to incorporate every one of the points of interest, including the FMAQ and all supplementary data. Duplicates of archives ought to likewise be submitted to ADB alongside the last report. The last FMA ought to be explored and approved either by the monetary authority or the local budgetary administration master for quality, consistency and adequacy. The administration segment of the report and proposal of the President ought to have an appraisal alongside the general risk rating of the financial management game plans. The FMA ought to be extensively portrayed in the PAM (Project Administration Manual) and the time-bound Action Plan included for observing within usage period. The FMA depiction in the task organization manual ought to be diagnostic, and give an evaluation of the financial management plans.

CHAPTER II

ADB SHORTCOMINGS IN ASSISTANCE TO REGIONAL FINANCIAL INFRASTRUCTURE

2.1 Launching projects in national level: Benefits or more disadvantages? – financing and investing programs

Since the established day, ADB has implemented plenty of nationwide projects and programs which lead to improvement of the member countries in the various directions such as education, social, economic and so on. The benefits of these kind of project is undeniable, so these projects and programs play an important role to develop the member countries. As a result of implementation of these kinds of projects which lead to progress the Asia and Pacific, the economies of these countries have developed noticeable degree. Not only the economies of the member countries have progressed, also qualities of education, healthcare, culture and others have increased. Despite of the positive sides of these projects and programs, sometimes some of them can not been completed successfully. Implementing them results loss. A lot of money is spent to implement these projects, but the goals cannot be achieved. There are several main reasons why these projects are not successful. Firstly, before implementing of these projects risks don't assess properly and some special features of the target regions wasn't considered. As a result of this, some difficulties create which prevent to reach to the goals. Secondly, when these difficulties create, the executives don't apply appropriate policies to arise these unexpected problems. In addition, lacking of control is another issue which prevents to reach the goals.

ADB have approved plenty of programs which lead to development of microfinance in the member countries. Although, there are some challenges, these projects have

played to financial development of these countries. There are some needs which make crucial to approve these projects. Firstly, they facilitate adoption of a more extended term perspective than the precious perspective in giving help for microfinance. Secondly, they provide a consistent and clear link among ADB's microfinance activities and its overarching goals of poverty reduction. Thirdly, give a steady base for policy dialog with the DMCs on microfinance and related problems. Then they help ADB's continuous efforts to enhance the nature of undertaking configuration, preparing, and execution of microfinance activities. Finally, encourage advancement of a typical way to deal with microfinance tasks all through ADB, which will help to coordination with other subsidizing offices. Poor and low-income families and their microenterprises in the member countries have an expansive for security and helpful deposit services. This request mirrors the significance of investment for these families and microenterprises for different reasons. Poor people need to save for crises, utilization, social commitments, training of their kids and numerous different purposes. They have the capability and ability to keep. Reserve funds are necessary for microenterprises.

As a result of these kinds of projects, these core achievements are obtained. Firstly, the indigent people, especially women, are considered suitable for receive credit, so they already can take credit. In addition, financial services can be ensured to the indigent and they access on a productive premise at low trade an incentive without depending on physical insurance, on the off chance that it is finished with suitable budgetary innovation and a guarantee to accomplish effectiveness. Secondly, underprivileged families cannot collect, and it shows that accumulations can be mobilized from indigent families. This is a more necessary achievement of microfinance in the Asia and Pacific. Thirdly, sustainable delivery of microfinance services on an extensive size in some countries has generated good improvements in microfinance policies and practices among all stakeholders: microfinance service provider, governments, central banks and external funding organization. Then,

Microfinance administrations have reinforced the social and human capital of underprivileged people, specially ladies, at the family unit and group level.

It is clear that the achievements of these policies positively affect the microfinance in the member counties. They have changed some issues and arisen some of them.

Despite of these achievements in microfinance in the Asia and Pacific, some challenges cannot be solved and remain. These problems are the followings:

- 1) Inadequate investments in social intermediation - A huge measure of monetary and HR is supposed to address this matter. Private part MFIs are not prone to put resources into social intermediation given the externalities related with investments. The advancement of economical microfinance to achieve an extensive fragment of the potential market demands supporting social intermediation on a huge size. The fallen level of social improvement, a particular normal for underprivileged people in the member countries, is a core imperative on the development of microfinance benefits on an economical premise. This is especially right concerning the ladies in poor family units, most indigent persons, in asset poor and remote zones, and ethnic minorities.
- 2) Policy environment Policy environment - Regardless of general progress in the approach condition for money related part programs, the arrangement condition for microfinance in numerous nations stays horrible for sustainable development in microfinance tasks. Besides, DMC governments improperly and broadly mediate in microfinance to address the apparent market disappointment through diverting microcredit to target bunches that are noted to have been underserved or not served by existing budgetary foundations. These mediations undermine sustainable improvement of microfinance with sponsored financing costs and poor advance accumulation rates. Therefore, the majority of the DMCs are swarmed with ineffectively execution government microfinance projects. This kind of programs distort the market and debilitate private organizations from entering the business.

- 3) Limited retail rate institutional capacity - The greater part of the state-segment organizations or programs that give microfinance administrations have been made inside and supported by a twisted strategy condition described by different degrees of money related restraint. There also aren't their business culture. Indeed, even new establishments made by the administrations in many Deep Meaningful Conversations' (DMC) can't give great quality administrations, not to mention grow their administrations on a feasible premise. The majority of the non-governmental organizations' (NGO) are likewise described by an abnormal state of operational wastefulness, and have an exceptionally constrained ability to serve an expanding section of the market on a proceeding and practical premise. They experience the ill effects of administration issues principally in light of the fact that they need proprietors in the customary feeling of the term, and their administration expect a lot of energy. Overwhelming dependence on and generally simple access to benefactor stores have exasperated the administration issues of a few NGOs. Insufficient accentuation on monetary reasonability is the most difficult issue of MFIs in the Region. This wins among numerous NGOs, government-coordinated microcredit programs, state-possessed banks, and cooperatives giving microfinance administrations. Subsequently, just a couple of MFIs are economical; most are not pushing toward supportability. This is likewise essential from a value viewpoint on the grounds that exclusive suitable establishments can use subsidizes in the market to serve a noteworthy number of customers and add to wide based advancement. Reasonability is basic to achieve a bigger number of the poor which thusly is basic to noticeable affect neediness.
- 4) Insufficient financial infrastructure – this problem is one of the most popular problems in the member countries. Generally, financial infrastructure obtain information, legal, managerial and regulative systems which relate with financial enterprises. The other main issues which relate to financial

infrastructure incorporate shortcoming of accentuation on improvement of bookkeeping and inspecting occupation. These are necessity for the advancement and extension of market-based microfinance administrations in light of the fact that to serve customers who are outside the boondocks of formal and semiformal fund, MFIs must approach financing and administrative and managerial frameworks for microfinance in nations where the microfinance subsector is moving toward a level of development. a long way past what outside offices furthermore, governments can give. a lawful system helpful for development and practical development of little size enterprises. In many DMCs, some microfinance specialist organizations are definitely not managed and controlled. In the long-term, business sources cannot securely support to microcredit portfolios, particularly open stores, unless suitable execution models and control and supervision administrations are produced and authorized and measures are acquainted with secure open deposits. While this may not be fundamental for various types of MFIs, the absence of a framework for supervision and control and the absence of sufficient measures to secure open stores hinder advancement and mix of formal microfinance with the more extensive monetary framework.

- 5) Insufficient investments in agriculture and rural development - Lacking interests in farming and rustic advancement Inadequate investment in rural and farming improvement Agricultural development. This growth supports a great part of the development in the country nonfarm subsector, fundamentally impacts rustic monetary market improvement. The inadequate interests in physical foundation keep on increasing the hazard and cost of microfinance and especially debilitate private interests in the arrangement of microfinance benefits on a huge scale. Additionally, without monetary open doors made by development prompting forms, microfinance can't be relied upon to assume a huge part in destitution decrease. Horticultural development must be quickened in quite a bit of Asia. But, numerous DMCs are not making satisfactory

ventures for rural development and provincial improvement. This is a noteworthy limitation on the advancement of feasible microfinance administrations.

In the 21st century, there are three fundamental difficulties which the ADB faces: firstly, while reacting to Asia's changing financial geology, fulfilling its order for economic advancement and poverty lessening; secondly, exploring the developing geopolitical progression of Asia; and finally, tackling other economic methods to remain a wellspring of back. It is crucial not to think little of the instability of geopolitical pressures in Asia. Another Trump organization implies there is presently critical vulnerability about the part that the United States will play in the district and how it manages China, its key partners, and different nations. In addition, China's decisive talk joined with its size and quality make it more certain about testing business as usual in the concern area, even at the danger of irritating its neighbours. The economic improvement of Asia is broadly commended as an incredible example of overcoming adversity. The expressive data hinder the way that a large portion of the world's very underprivileged individuals still live in Asia regardless of whether a significant number of the nations of the area are presently classified as middle income. In the previous two decades, a huge number of individuals have been lifted out of destitution. Despite of this, the limits of destitution are changing and never again fundamentally line up with nationwide borders. The developing imbalance likewise should be considered into how we see rate of Asia's poverty lessening example of overcoming adversity and the concentrate should be less on poor nations, and more on underprivileged individuals. The reducing of some beforehand powerful economies underlines the class that advancement directions are once in a while straight. The ADB has accurately distinguished provincial needs for foundation and availability, and the administration of natural debasement and environmental change. The character of improvement finance is additionally modifying. Another scope of strategy challenges is given structural moves in demography and urbanization

introduce. It may attract on elective wellsprings of global finance and additionally its own particular household assets to subsidize its improvement and foundation needs, as Asia creates. These new origins of finance can't supplant crafted by the ADB not to mention meet the immense framework financing shortfall over the district.

However, this has sustained the thought that an openly financed advancement bank in Asia is less applicable as the area turns out to be more prosperous. The concern area is urgent for bankable tasks and the information, specialized ability, and arrangements that are demanded to execute them.⁶

2.1 ADB's Accountability Mechanisms over sectoral financial management programs

The Accountability Mechanism was set up to give a free discourse where people negative impacted by ADB helped programs can voice and resolve their issues, and request a monitoring concerning ADB's affirmed rebelliousness with its operational arrangements and strategies and ADB to supplant the Inspection Function in 2003. Due to the Takehiko Nakao who is the President Asian Development Bank: As a universal advancement organization committed to disposing of neediness in Asia and the Pacific, the Asian Development Bank (ADB) always risk to improve these parts of its tasks. Responsibility, straightforwardness, transparency, and open discussion are basic components for achievement in any improvement activity. ADB stepped forward with the reception of the Accountability Mechanism, which formalized its responsibility regarding these standards and gave clear procedures to guaranteeing that the voices of individuals influenced by ADB undertakings and projects are heard and followed up on in 2003. In 2012, after a broad survey, the Accountability Mechanism was refreshed to enhance its openness, believability, productivity, and efficiency. The Accountability Mechanism has shown us some essential teachings. In

⁶ Strengthening the Asian Development Bank In 21st Century Asia

such manner, I can't underscore enough the significance of discussion. It has not just fortified due constancy in programs; it has made ADB a more grounded organization in general, with a more prominent accentuation on transparency and responsibility over every one of our activities. ADB has gotten 56 dissensions, of which 26 were qualified for critical thinking or consistence survey, in a long time since appropriation of the Accountability Mechanism. All of these dissensions originated from an absence of legitimate conference with, and cooperation of, influenced individuals. It is basic to keep up our earnest attempts to keep up the uprightness of our tasks, and the trust and support of every one of our partners, while we have been fruitful in settling most objections.⁷

The ADB Accountability Mechanism was intended to 1) be financially effective and supplement alternate instruments of supervision, review. 2) rise the improvement viability and nature of ADB ventures. 3) mirror the most astounding proficient and specialized measures in ADB staffing and tasks; 4) be receptive to the worries of venture influenced individuals and reasonable for all partners; 5) be receptive to the worries of program influenced individuals and reasonable for all partners; be as autonomous and straightforward as could reasonably be expected; 6) be receptive to the worries of venture influenced individuals and reasonable for all partners.⁸

This Accountability Mechanism is part of ADB's efforts to increase advancement efficiency and upgrade project quality by being reception to the worries of individuals influenced by projects, and by being limpid and just to all partners. The Mechanism has two key functions: a problem-solving role and an investigative role. Problem-solving is also called Consultation Phase which is handled by the Special Project Facilitator. In addition, investigative role of the accountability mechanism is

⁷ ADB's Accountability Mechanism: Strengthening Partnerships; TAKEHIKO NAKAO President Asian Development Bank

⁸ ADB Accountability Mechanism Annual Report 2016

called the Compliance Review Phase which comes under the responsibility of the independent Compliance Review Panel.

The Consultation Phase gives a setting where individuals unfavourably influenced by ADB so, they find acceptable answers for their issues and helped tasks can voice. It utilizes methodologies and techniques that are adaptable and financially effective. Despite of this, these projects influenced individuals should first attempt to tackle issues straightforwardly with the PSOD (Private Sector Operations Department). In addition, individuals influenced by an ADB-financed private segment task can document a grumbling with the SPF if their issues are not tackled first by PSOD. The SPF is in charge of this Phase and reports specifically to the ADB President. The second phase of the Mechanism is the Compliance Review Phase. Consistence audit is a procedure of examining claims of ADB's rebelliousness with its operational arrangements and systems amid the plan, preparing, and execution of an ADB-helped venture. Any private sector programs financed by ADB is liable to consistence review. The free CRP handle this Phase. ADB's key target for private area activities is to build the stream of capital into and inside its creating part nations and, all the more imperatively, to widen the stream into more Complainants must deliver their worries initially to ADB's Private Sector Operations Department. The Consultation Phase does not supplant the Department's current undertaking organization and critical thinking capacities. The Compliance Review Panel is a free body named by, and answering to, ADB's Board of Directors. Before influenced people can present a demand for consistence survey, they should first experience the Consultation Phase by recording a protest with the SPF, as sketched out prior. Private Sector Operations ADB, through PSOD, gives guide help to private segment ventures with clear improvement affect yet which may have constrained access to capital.

2.1.1 The Role of the Accountability Mechanism in Private Sector Operations

The Mechanism applies to all private sector activities. Private sector projects which financed by ADB can have similar impacts on project-affected people as public sector projects. Most of ADB's operational policies and procedures apply to its private sector activities, with some variations to reflect differences in private sector project cycles. The same objectives for enhancing accountability and ensuring compliance, effectiveness, and quality apply equally to private sector activities as well as to public sector activities. ADB actively monitors sustainable development impacts and compliance with environmental and safeguard policies for all its projects.

This Accountability Mechanism of ADB applies to all private segment activities. Private sector programs which financed by ADB can affect with same way to projects influenced individuals. The majority of ADB's operational strategies and methods apply to its private segment tasks, with a few varieties to reflect contrasts in private segment venture cycles. Similar goals for improving responsibility and guaranteeing consistence, adequacy, and quality apply similarly to private part activities and additionally to open segment tasks. ADB effectively screens supportable improvement effects and consistence with natural and protect strategies for every one of its activities. In addition, ADB is expanding ADB staff consciousness of the Mechanism and the privileges of influenced people to document a protestation or demand for consistence review. This can contribute to program quality and enhanced improvement viability which, thus, may help to upgraded advancement consequences. ADB's approach on classification and divulgence of data expressly perceives that general society revelation of data identifying with ADB's private division ventures will be more restricted than the exposure of data identifying with ADB's open segment ventures, on account of the unmistakable idea of private area ventures and the focused business condition in which they work.

ADB's main goal for private area activities is to expand the stream of capital into and inside its creating part nations and, all the more critically, to widen the stream into

more nations and divisions. The Private Sector Operations vital system requests a keen interest on improvement affect and underlines - key partnerships with other improvement offices; - more extensive utilization of credit upgrade and different instruments; - continuous widening of nation and segment achieve; - private area support in foundation and capital market advancement.

Now, we look at ADB Accountability Mechanism Annual Report 2016. How do work this mechanism on supporting the economic utilization of customary land and Samoa agribusiness support programs. The complaint was about a series of technical assistance (TA) projects on promoting the economic use of customary land in Samoa; and a financial intermediation grant, the Samoa Agri-Business Support Project. The complainants are four matai (village chiefs) and, as such, they are holders and managers of customary lands in Samoa. The 4matai alleged that ADB failed to widely, adequately, and meaningfully consult with the affected customary landowners and stakeholders of these two cited projects when ADB closely collaborated with the government to develop and draft the customary land legislative and policy reform proposals.

In identifying eligibility, the CRP inspected the accompanying: 1) the grievance; 2) the important records, including materials put together by both the complainants and the administration; 3) the administration's reaction to the dissension; lastly, met the complainants, pertinent ADB staff, the direction from the ADB Office of the General Counsel, an agent of the Samoan Farmers Association, personnel from the Ministry of Finance of Samoa, personnel from the Ministry of Natural Resources and Environment, a delegate of the Samoa Umbrella for Non-Governmental Organizations, and a personnel part from the Inclusive Development International.

The CRP perceived that amid qualification identifying, endeavours are under approach to plan regulation, which if authorized by the Parliament of Samoa, would reach a significant part of the presumable mischief affirmed by the complainants. In any case, without prove that the proposed proof has been passed into law, the CRP

trusts that the imaginable damage continues. The CRP discovers by all appearances proof of resistance with the operational strategies and techniques of ADB as depicted in its qualification report, and at first sight confirm that this rebelliousness with ADB's operational approaches and systems will probably make immediate and material mischief the complainants and to other influenced individuals. In this way, the CRP suggested that the Board approve a consistence audit of the Samoa TA Phase II (TA 7387) and TA Phase III (TA 8481) programs. On the qualification of the blame, the Board Compliance Review Committee finished up as followings;

- (i) On the issue of whether ADB's rebelliousness has caused or is probably going to cause immediate and material damage, the Committee got point by point however clashing assessments from the CRP and Office of the General Counsel of ADB. The Committee was not able achieve a concurred result.
- (ii) The Committee concurred with the CRP that there is confirm that ADB was not in consistence with its Public Communications Policy, strikingly Section L3 of the Operations Manual. In particular, ADB did not guarantee every single influenced area of the group were completely counselled.⁹

Since 2014, OSPF has been taking a shot at a grievance on the ADB TA. Promoting the Economic Use of Customary Land, and the concede for the Agri-Business Support Project. The programs intend to help the administration's efforts to inspire development and employments in Samoa by supporting more noteworthy speculation using rented standard land. Through multi-partner discoursed, ADB made assets accessible in July 2015 the measure of \$50,000 for the commitment of an advisor to build up a meeting and correspondence methodology. Concerns, in any case, were increased about the absence of important discussion and the estrangement of standard

⁹ ADB Accountability Mechanism Annual Report 2016

terrains that could happen under the undertakings. The system includes an overall correspondences battle to dispatch the technique and the methods for imparting and consulting groups on particular strategy and authoritative change proposition.

The claimants were associated with the meeting procedure together with the state and ADB for the choice of the specialist, which was guided by a choice criteria and procedure archive created by the partners, with assistance from OSPF. The interview and correspondences procedure were propelled in October 2016, with media scope from TV and daily papers. The state, spoke to by the Ministry of Natural Resources and Environment, set up a legitimate working gathering to set up the lawful parts of renting land. The Prime Minister of Samoa additionally propelled the approach paper on the economic utilization of standard land in an open occasion in October 2016. The Prime Minister affirmed that there will be no distance of standard land. The present legislation. The Prime Minister affirmed that there will be no distance of standard land. The present enactment, set up since 1965, permits the renting of land.

2.3. Integrity concerns arising from “efficient” control arrangements.

and requires full, earlier, and educated agree of landowners to such rents. The administration's rules that have the ability to endorse or prohibit the task of any rent and they additionally direct land change likewise clarify that standard landowners have the privilege to favour or deny the rent of standard land as a security for credits. More extensive open counsels will proceed in mid2017. Regardless of OSPF endeavours to determine venture concerns, the claims petitioned for consistence survey in June 2016, claiming ADB infringement of its arrangement on public discussion.¹⁰

¹⁰ ADB Accountability Mechanism Annual Report 2016

ADB and its member countries always try to provide efficient and effective control of financial resource for reaching the target goals and they have designed the special guidelines and have signed plenty of agreement to provide effective control system. After implementing the projects which lead to various sectoral development of the Asia and Pacific countries, the concerning authorities of ADB control and supervise how these projects are implemented and request report about these projects. Despite of this kind of ADB's efforts, there still are some lacking in control systems. The control mechanism of ADB is not always effective so, there are some problems which results inadequate utilization of financial resource and some corruption activities. In a result of this, these projects lost their importance and cannot provide development of the region. The main reasons of this are regulatory barriers and weak supervisory capacity. Firstly, regulations are not compatible with the industry requirements. Secondly, regulations are very rigid. Thirdly, supervisory authorities lack adequate capacity. Finally, most small scale deposit taking institutions are not regulated and supervised properly.

The ADB's arrangement on great administration offers no remedies for its own institutional administration. Transparency, participation, responsibility and predictability are the popular expressions for governments, yet show up not to apply to the ADB's own particular direct or tasks. ADB insiders have uncovered that the establishment is progressively tormented by poor and flighty execution, an absence of lucidity about its own particular operational arrangements and strategies and an observable nonattendance of disciplinary procedures inside the foundation. Inquiries have been brought up in gatherings of the ADB's Board of Directors about the propriety of Bank staff lead in figuring, handling and executing ventures. Discussions encompassing various ADB projects - from the Chashma Project in Pakistan to change programs in the Pacific Island States uncover that the ADB's responsibility regarding great administration is hostile to broadly significant and responsible administration structures and instruments

The ADB's data divulgence arrangement and the nonappearance of public participation in program improvement, observing and assessment are particularly problematic. The ADB's data exposure strategy has been characterized by its superfluity to basic leadership, the specific idea of what it reveals to people in general, and the questionable nature of whatever data it does in the long run uncover. The ADB is totally unaccountable to people in general, as a result of profoundly non-straightforward in its strategy undertaking and program plan and basic leadership, and reckless in its expressed sense of duty regarding advance open support and access to data. The most imperative arrangement and operational choices in the ADB are made by its monetary and political interests and not as indicated by what is useful for the general population. It uncovers to general society just what is advantageous to and propels its institutional advantages. It doesn't make a difference how much paper or what number of megabytes the ADB makes accessible through publication and its site. The ADB declared in late 2003 that it was patching up its data arrangements and thought of a draft PCP (Public Communications Policy) in response to worldwide criticism about its data strategy and absence of interest. The ADB posted the PCP on the its site for remarks. Moreover, a progression of interview workshops over the locale to request contributions from those partners towards the draft PCP was sorted out by the ADB. The draft PCP was again consistently scrutinized by common society bunches as lacking, for neglecting to exhibit how the perspectives of different partners would really change the way in which the ADB conducts its business and for restricting open investment to what the ADB made accessible on general society space. Critics contended that since most private area activities upheld by the ADB are reinforced by open fund, people in general has the privilege to realize what courses of action are being advanced between the general population and private parts. Especially objectionable was the ADB's refusal to uncover data about its agreements and concurrences with the private segment under the front of business secrecy.

The activities classification which is not successful seems to mean disappointment and frequently demonstrates programs related harm financial structure, environment and additionally human wellbeing. The information examined over the three nations incorporates extends in similar to various divisions as transport, horticulture, water system, water, wellbeing, vitality and back/credit. The core issues related with the activities analyzed were: poor task planning and structures; outline imperfections; poor or non-existent record keeping; nonattendance of Benefit Monitoring and Evaluation (BME) and pattern information; absence of meeting with venture influenced people groups, clients and proposed recipients; absence of group cooperation in venture arrangement; cost and time overwhelms; task and upkeep lacks; sub-standard development, and; inability to relieve extreme environmental and social effects. The ADB's partly successful label appears to be a euphemism for largely unsuccessful or troubled.

There are a lot of examples which show ADB project failure. The SPWMP (Samut Prakarn Wastewater Management Project) which was applied in Thailand is one the most noticeable examples about it. The program was created without nearby cooperation or site-particular ecological, social and monetary effect appraisals. It situated at the leader of the Gulf of Thailand and was proposed to treat wastewater from industrial facilities and families situated far from the treatment plant. The information demonstrated that the task abused Thai laws and legitimized affirmations of debasement, agreement, irreconcilable circumstance and even negligence in the undertaking endorsement and improvement forms. Information additionally assembled by nearby inhabitants and autonomous scientists indicated defects in the task outline and dangers of genuine ecological tainting since the plant would discharge dangerous muck and overwhelming water into local trenches and angling waters. Despite the fact that the ADB kept up that it saw no confirmation of bad behaviour or negative effects, this data was over and again displayed to ADB program personnel and supervisors and even to the ADB President.

ADB contributed framework programs have over and again uprooted a huge number of individuals over the district with practically no pay and have brought about negative natural and social effects that the ADB has shied far from relieving. Free reports from native's gatherings, specialists, people groups developments and common society associations from crosswise over Asia and the Pacific demonstrate that the whole district is scarred by ADB bolstered ventures that are ineffectively composed, actualized and dealt with, that square open support being developed arranging and the general population's entitlement to data about undertakings and programs, and that debilitate nearby and national administration through undemocratic, non-straightforward and non-consultative strategies for task. It is not really amazing then that the ADB has been accused of making advancement displaced people by individuals' developments, common society associations and specialists over the Asia and Pacific.

Various illustrations can be discovered where the privileges and access of individuals and groups to essential assets and openings have either been extremely confined or lost through and through as an immediate result of ADB bolstered projects. Governments have been empowered by the ADB's methodology of professional poor development to solidify least wages and withhold the privileges of specialists to affiliation, advantages and insurances. Approach remedies, for example, upgraded cost recuperation for wellbeing, instruction and open utilities, water client expenses in water system frameworks, the legitimization of common administration parts, making adaptability in labour markets, and the privatization of open division undertakings, have brought about the debilitation and underestimation of expansive quantities of individuals over the district. Dissents against ADB ventures and projects have brought about social turmoil and divisions, and on occasion, even political badgering of the individuals who challenge In nations, for example, the Philippines, India, Pakistan, India and Thailand.

Similarly stressing is the ADB's unwillingness to accept accountability for task, program and strategy disappointments. The ADB claims that decision-making is in the hands of governments and that issues of poor venture plan and administration, imperfect arrangements, defilement, and task disappointment are side effects of foundational defects in national limit and administration. The ADB advantageously utilizes local and nationwide states as cover; since every one of its ventures, projects and approaches are somehow incorporated with national and sub-national improvement designs.

On the other hand, China and India play important regional roles a result of the chance which is offered by the ADB. Both of them are important economies which do not follow the OECD DAC (Development Assistance Committee) model of improvement and instead are proponents of South-South collaboration when it suits their interests and they are likewise building their own ways to regional governance. China is likewise assuming an vital part in the Bank's administration and it is a great beneficiary of ADB subsidizing. China has the third-biggest voting offer in the ADB. Keeping China connected with will be a test for the ADB's board and administration. Some Bank individuals are urging China to move on from creating nation status, with the goal that it will never again approach non-concessional loaning. China thinks about its part and status as a provincial on-screen character, and this implies being a dynamic member in imperative local foundations, for example, the ADB. Supporting the ADB could likewise enable China to neutralize the individuals who to scrutinize it for acting singularly and throwing its weight around inside the district. While China may never again require the ADB to support big infrastructure programs, despite everything it has long period improvement challenges which make the discourse of China graduating from the Bank untimely. it will likewise be hard to urge China to contribute more to the ADB while its voting share in the Bank's administration stays at current levels. It is maybe in such manner alone that the AIIB, where China has a 26 for every penny offer of the vote, may end up being not kidding

rivalry for the ADB. China has much to pick up from dynamic participation of the ADB.

In the Bank's history, India is the biggest beneficiary of ADB loan gauges, India is the quickest developing nation in Asia. Like China, be that as it may, it is at something of an advancement junction, which influences its association with the Bank. China's development cools, it is likely that India will keep on attracting venture. Regardless of this, with 270 million Indians living in outrageous destitution in 2012. India additionally has the biggest number of needy individuals in Asia. India still has genuine improvement challenges. Alongside Japan and China, India is one of the ADB's most compelling local individuals. India likewise has the second-most elevated voting share in the AIIB. In a few regards, it imparts to China a want to elevate new ways to deal with advancement. Like China, India has its own improvement story to tell, with a specific post-provincial setting. In any case, India's carefulness of China likewise affects its way to deal with financial administration and advancement, which in any occasion is less intelligible than that explained by China. This is apparent in its way to deal with advancement extends in its own particular neighbourhood, where relations are stressed. India isn't against banding together with China as a major aspect of the Belt and Road activity. Incompletely because of Chinese impact, India has been expanding its guide to neighbours, for instance it has for quite some time been the significant giver to Bhutan which is wedged amongst Chinese and Indian outskirts. India has worries about China's developing impact and has responded unequivocally against the extending China– Pakistan relationship.

CHAPTER III

REBUILDING TRUST IN TRANSPARENT FINANCIAL GOVERNANCE AND INCLUSIVE GROWTH.

3.1 To deepen integration via enhanced financial administration

An improvement procedure secured in comprehensive development will have two commonly strengthening vital core interests. Firstly, more extensive access to these open doors will guarantee that individuals from society can take an interest in and advantage from development. Without legitimate consideration and arranging, it will turn out to be progressively troublesome for development to achieve the ruined who remain avoided by situation, poor administration, and other market-safe hindrances. The district must elevate more noteworthy access to circumstances by extending human limits, particularly for the hindered, through interests in instruction, wellbeing, and fundamental social securities. It should likewise enhance the poor's entrance to business sectors and essential beneficial resources by setting up sound strategies and organizations. Furthermore, high, feasible development will make and extend financial openings. Finally, social security nets must be reinforced to avert outrageous hardship

ADB's help for accomplishing inclusive growth in improvin nations will incorporate investment in framework to accomplish sustainable financial advance, associate the underprivileged to business sectors, and rise their entrance to essential beneficial resources. ADB will bolster fund in instruction and fundamental open administrations, for example, sanitation and water, which especially advantage poor people and ladies. These funds will give the chance to all to enhance their ways of life, in this way adding to monetary development, destitution decrease, and the relief of outrageous imbalances.

RCI (Regional collaboration and mix) assumes a crucial part in lessening poverty and financial difference, fastering economic development and improvement, reinforcing

establishments, raising efficiency and rate of the employment. More deep local connection grows markets, and investment chances—all contributing thin advancement holes between ADB's improving part economies and augments the proficiency of asset distribution, and lifts efficiency. Perceiving its significance and its monetary and noneconomic advantages, ADB received RCI as a key need for improvement help with Asia. Provincial coordination is a multi-dimensional procedure. RCI can likewise create impressive noneconomic advantages, for example, more noteworthy security and political dependability.

The index permits comparative examination on various measurements crosswise over various sub-local gatherings and nations to catch the decent variety in Asia's RCI procedure. The 6dimensional files are intended to mirror the center financial measurements basic to the dynamic RCI process. These include: 1) institutional and social joining, 2) finance and money, 3) investment and investment exchange and speculation, 4) motion of individuals, 5) foundation and network, and 6) exchange and investment. Thusly, the ARCII (Asia-Pacific Regional Cooperation and Integration Index) will permit each sub-territorial gathering and economy to distinguish its qualities and shortcomings over these six diverse financial measurements.¹¹

These 4fundamental reason is very important to explain the significance of the NRCIS (New Regional Cooperation and Integration Strategy). 1) the degree and the quantity of ADB's loaning and non-loaning contribution for RCI have fluctuated over the locales and sub-areas, incompletely on account of the nonappearance of an intelligible system. 2) ADB's help for RCI so far has been divided crosswise over different divisions and workplaces, absent much key coordination inside ADB. 3) ADB has given just constrained help to progressing exchange and speculation reconciliation in the area, and this hole should be filled, particularly to enable DMCs and provincial gatherings to abuse physical associations for exchange and venture

¹¹ Asian Economic Integration Report 2017

openings and to convey intelligibility to the FTA-drove exchange and venture incorporation activities with the WTO procedure. 4) despite the fact that ADB (through REMU) has helped a few local activities in the zone of money related and budgetary participation, it needs to grow and reinforce this help, as the extent of the current fiscal and monetary reconciliation activities has been widened.

One of the three strategic objectives in ADB's Strategy 2020 is inclusive growth, along with environmentally sustainable growth and regional cooperation and integration. Strategy 2020 describes inclusive growth based on three pillars:

- high, sustainable development to create and widen economic changes.
- broader access to this type of changes to supply that members of society can participate and benefit from growth, and
- social safety nets to prevent extreme deprivation

3.2 Audit and control demanding better coordination of executing agencies.

It is clear that to successfully designed projects and programs are not enough to reach the goals. Another important factor to reach the target goals is better control system. To regularly control and monitor performance of the concern authorities and the procedures of implementation of the projects is one the most necessary steps in here. Because of this, ADB always try to create better control systems which control that the money which is allocated on the certain projects is spent perfectly or not.

Monitoring is an efficient procedure including steps, for example, tolerating and concurring the terms of review commitment, arranging, gathering audit confirmation, and revealing. IFAC is the International Auditing Practices. Board of IAPC attempts to enhance the level of consistency of examining experiences and related administrations all through the world by issuing proclamations on reviewing issues and advancing their acknowledgment around the world. Its key declarations are ISAs

(International Standards on Auditing) and IAPs (International Auditing Practice Statements). The IAPC perceives these archives and contrasts and, in the light of this information, issues ISAs which are expected for global acknowledgment. The rundown of ISAs and IAPs that were successful at 30 September 2000. National benchmarks on examining and related administrations that have been distributed in numerous nations contrast in frame and substance. ISAs are to be connected in the review of budgetary statements. ISAs are likewise to be connected, adjusted as fundamental, to the review of other data and to related administrations. These standards are arranged and accessible in a bound volume or through an electronic membership benefit. IAPs give functional help to evaluators in actualizing the benchmarks or on related subjects and advance great practice. They plot essential obligations regarding inspectors, enable them to adapt to expanded and changing requests for financial statement data, and give direction in specific regions, for example, auditing PC data frameworks. These types of statements are not proposed to have the expert of gauges.

The IAPC assessed successful and the second, less than successful. Plan inadequacies restricted programs' accomplishments. Building institutional capabilities and influencing the Municipal Development To support more grounded were not accomplished. The constrained advance in changing water taxes has set the venture's supportability in danger, while the execution of subprojects was opportune and the EIRRs of subprojects were by and large over the limit of 12%.

- Viet Nam: Central Region Water Resources Project (2006– 2013). The task was evaluated victorious (applicable, successful, profoundly effective, not as much as likely manageable). Financing for the task and support of the water system frameworks keeps on being a limitation, which undermines maintainability. The program helped generously to expanding horticultural production and wage levels through its the water system subprojects. It was monetarily reasonable, as can be seen by its EIRR of 19.6%.

- Tonga: Strengthening the Public Financial Management Program (2013–2014). The program was evaluated not as much as victorious (not as much as significant, not as much as viable, proficient, not as much as likely manageable). Tonga's financial deficit perseveres, and institutional capabilities stays thin. The program changes measures did not prompt a good monetary position, while it facilitated financial weight on the administration by giving brisk and truly necessary spending support.
- Uzbekistan: Second Small and Microfinance Development Project (2010–2014). The programs were appraised victorious (pertinent, not as much as powerful, productive, likely feasible). The MSE arrangement of taking an interest business banks have developed by a normal of 17%–56% every year after program culmination and nonperforming MSE advances. The result of extended, reasonable, and feasible back activities for smaller scale and little companies (MSEs) was incompletely accomplished.
- Georgia: Growth Recovery Support Program (2009–2010). The project was appraised victorious (important, powerful, productive, likely supportable). The program was a short-term stop-hole gauge to enable the economy to climate the worldwide financial crisis and tended to some long haul auxiliary issues through strategy activities. The administration's initial activities empowered the very much coordinated endorsement and conveyance of the program. After project consummation, the PPER markd institutional ability to keep up financial stability and macroeconomic stability have stayed at under 2%, foreshadowing admirably for sustainability.
- India: India National Highway Corridor (Sector) I Project (2004–2012). The task was evaluated victorious (not as much as significant, compelling, proficient, likely feasible). It built up a deliberately vital hall in India, enhanced transport administrations and security along the task parkway, and added to financial improvement along the program hallway. The programs again

calculated EIRR of 19.2% demonstrated that it was economically practical. In any case, the PPER noticed that the task configuration was feeble.

- Indonesia: Capital Market Development Program Cluster (2007– 2010). The program was evaluated victorious (pertinent, compelling, effective, likely economical). Program finishing was on time and the administration's sense of duty regarding changes was maintained. It encouraged the advancement of the market framework and the administration securities showcase, giving imperative building squares to the improvement of capital markets.
- Tonga: Economic Support Program (2009– 2011). The program was appraised not as much as victorious (not as much as significant, not as much as viable, not as much as proficient, not as much as likely maintainable). The degree of the emergency seemed to have been belittled amid venture plan. Execution postpones decreased the auspiciousness of the spending support amid the emergency time frame. Most strategy activities were not sufficiently profound to accomplish enduring changes

3.3 Action plan promoting monetary reforms based on financial risk assessment – budget expenditure.

Despite its achievement in the course of the most recent decades, the IMS (international monetary system) has demonstrated side effects of delicacy. Industrious and repetitive crises, worldwide irregular characteristics, unpredictability in exchange rates and capital streams, and in addition the amassing of huge outside trade saves are regularly referred to as indications of such shortcomings. In reality, the worldwide economic crisis of 2008– 2009 uncovered vulnerabilities in the IMS that prompted the fluctuation of world monetary markets and the ensuing compression of the economy. Conceivable changes to reinforce the IMS are consequently being examined all the more broadly, in academia and political circles.

Myanmar's present macroeconomic strategy structure, particularly concerning the lead of monetary policy, isn't strong of a cutting edge advertise economy. The primary insufficiencies are in the present settings of this policy and the absence of foundations that supplement a working business sector based economy. Thus, the economy has been working inside the breaking points of its own lacks and auxiliary limitations. The primary ones are 1) nearly money based economy with a restricted keeping money segment that blocks investments and budgetary intermediation. 2) the close structure of the economy, set apart by the administration's prevailing part in monetary choices and asset assignment; lastly, an extreme deficiency of institutional limit and HR in the legislature and private sector. Thus, the economy is intensely dependent on unofficial markets.

When markets comprehend strategy goals and the connections between monetary policy measures and these targets, this policy is more effective. For the CBM to accomplish this, it can adjust for its own stores cash focusing on the kind of basic leadership forms numerous national banks working swelling focusing on utilize. To this end, this mentioned policy board comprising of five to seven individuals ought to be shaped in light of the law or on the specialist of the national bank representative. The establishing individuals may at first be ranking personnel individuals and may bit by bit be supplanted by or upgraded with outside individuals, who can add more extensive and autonomous perspectives to the arrangement procedure. All things considered, irreconcilable circumstance must be stayed away from in naming outside individuals to the monetary policy board. It is critical that this board is distinctive to the national bank gathering, as it will have an alternate arrangement of skill, and be free.

The CBM's representative should seat the monetary policy board and its gatherings. A propelled timetable for barricade gatherings must be set and freely reported. From different nations' involvement, it should preferably meet once every 6 to two months. Be that as it may, the seat can assemble extra strategy board conferences as required.

Once the timetable is set, the gathering arrangement process ought to be deliberately wanted to encourage viable strategy choices. In arrangement for approach executive gatherings, interior smaller than normal gatherings ought to be organized for information sharing among offices to distinguish macroeconomic and dependability issues requiring discourse and strategy activity. What's more, the CMB should work intimately with different bodies, for example, the services of back and of business, to set general financial goals. It ought to likewise counsel with different offices in charge of monetary information and anticipating to get a more entire perspective of general financial conditions and standpoint. Choices ought to be discharged to the general population after every strategy meeting. This will build the national bank's believability in the more extended term. All individuals from the monetary policy board should add to the minutes of the gatherings and its strategy proclamation to clarify choices. Central banks can assemble believability by hitting reported money related targets. Consequently, the CBM should discharge occasional money related arrangement reports, demonstrating its expectations for fiscal approach, and additionally clarifying inconsistencies between real execution and targets.

Financial and monetary arrangement should be all around composed to accomplish general monetary targets. The CBM should firmly organize with the service on financing the spending shortage and its suggestions. In any case, the CBM is an element isolated from the Ministry of Finance and has been given more useful autonomy to work financial strategy under the new central bank law. Coordination must be bolstered by an organized institutional and working course of action that enables the two organizations to formally share perspectives and set arrangement headings. For this policy, the CBM and the Ministry of Finance together could set predictable focuses of money related and monetary approaches concerning development, swelling, and monetary deficiency rates. They could encourage and share data and estimate varieties in state adjusts.

The central bank ought to suggest elective sources of monetary shortage financing to restrict central bank credit to the administration. The Ministry of Finance and The CBM should likewise organize the nation's obligation profile, publish state charges in the essential market, and together build up the auxiliary markets in government securities, as both the central bank and the service should depend on these business sectors for financial and money related activities. Close coordination of financial and monetary strategies will go far to enhancing the effectiveness of the CBM's money related strategy tasks. From our evaluation, taking the current CBM's abilities and strategy process as a beginning stage, the change needs are:

- i. Liberalization of the remote trade market to enhance private segment access to foreign currencies. This would supplant the present allotment framework with a market-based framework enabling residential business banks to exchange foreign trade under an arrangement set by the CBM, reliable with the International Monetary Fund's Article IV stipulation.
- ii. Broad-based progression and improvement of the managing an account area and budgetary markets to help private segment exercises, particularly as the economy's development moves from agribusiness, requiring more prominent adaptation of the economy.
- iii. Enhancement of the CBM's financial market's activity ability to empower it to impact—through market systems—the economy's cost of assets and liquidity in accordance with financial arrangement choice, and to control the expenses of the store to the economy by means of an effective transmission instrument.
- iv. A new monetary policy structure concentrating on value stability that is operationally steady with the oversight gliding conversion scale administration.
- v. Removal of the fiscal shortage financing part of the CBM and supplanting it with open market activities by the national bank in state securities in the auxiliary

market. This is to furnish the CBM with a key arrangement instrument to guide and control the nation's cost of assets through a market system.

vi. Creation of macro-prudential tools at the CBM to ensure better handling of the stability risk of volatile capital flows, and doing so within a policy framework that integrates monetary policy and financial policy.

vii. Enhancement of the CBM's ability to conduct smooth foreign exchange policy by strengthening its reserve management and intervention capabilities. This includes the unification of international reserves holdings and management.

viii. Creation of a new system of data reporting between the CBM and financial institutions that allows the monitoring of the country's economic and financial condition and using this information to assist in the conduct of monetary policy. The long-term risk associated with outsized fiscal deficits and debt.

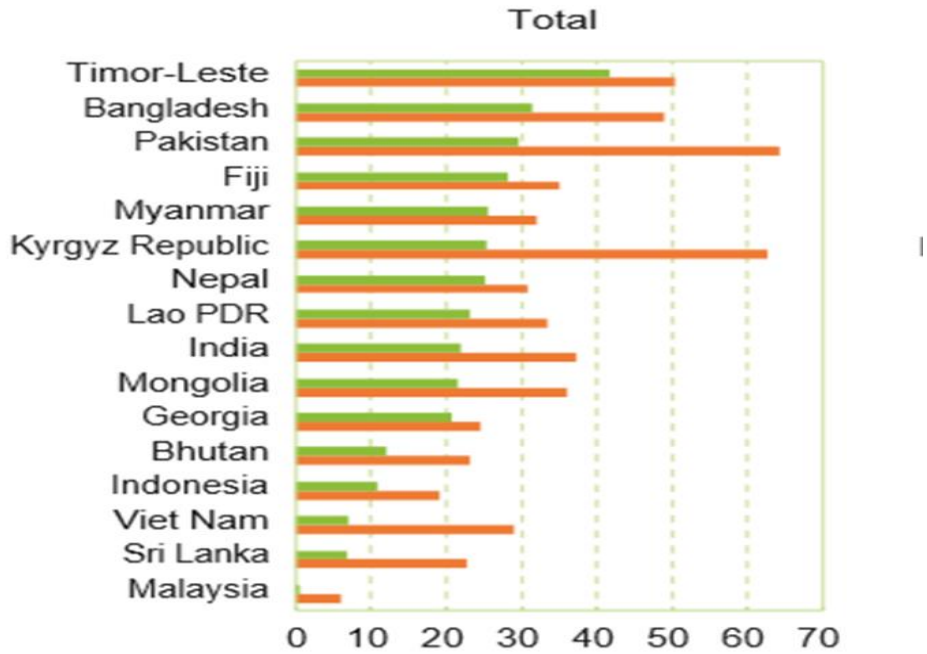
ix. Creation of full scale prudential devices at the CBM to guarantee better treatment of the solidness danger of unstable capital streams, and doing as such inside a strategy system that incorporates monetary policy and budgetary approach.

x. Enhancement of the CBM's capacity to lead smooth outside trade strategy by fortifying its save administration and mediation abilities. This incorporates the unification of worldwide stores possessions and administration.

xi. Creation of another arrangement of information detailing between the CBM and money related establishments that permits the observing of the nation's financial and budgetary condition, and utilizing this data to aid the lead of fiscal approach.

ADDITIONAL MATERIAL

Figure 1: Proportion of Population Living below the National Poverty Line



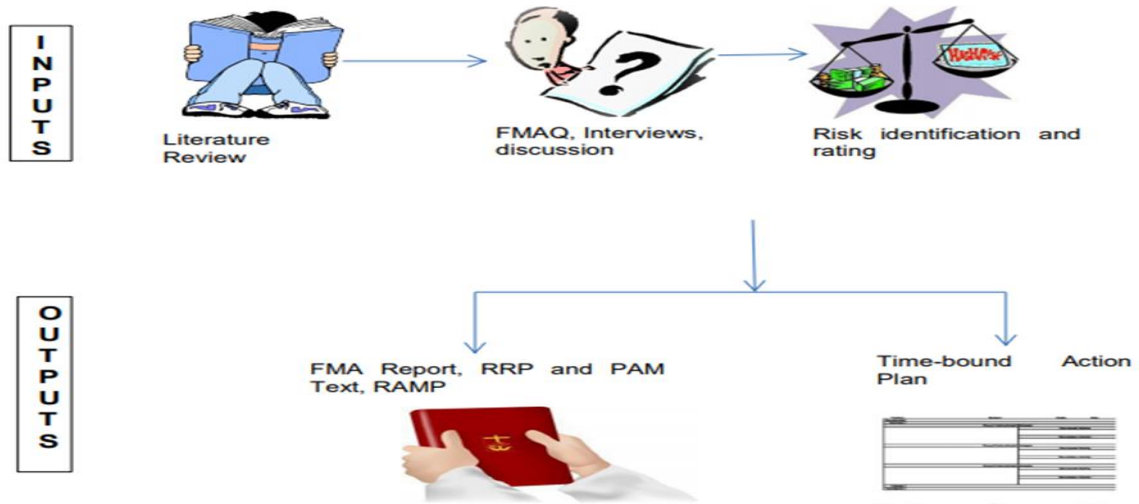
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■ Initial Year ■ Latest Year

Note: Initial year refers to 2000–2007 and latest year refers to 2010–2016.

Table 2; The below figure illustrates Financial Management Assessment process.

¹²<https://www.adb.org/sites/default/files/institutional-document/32120/charter.pdf>

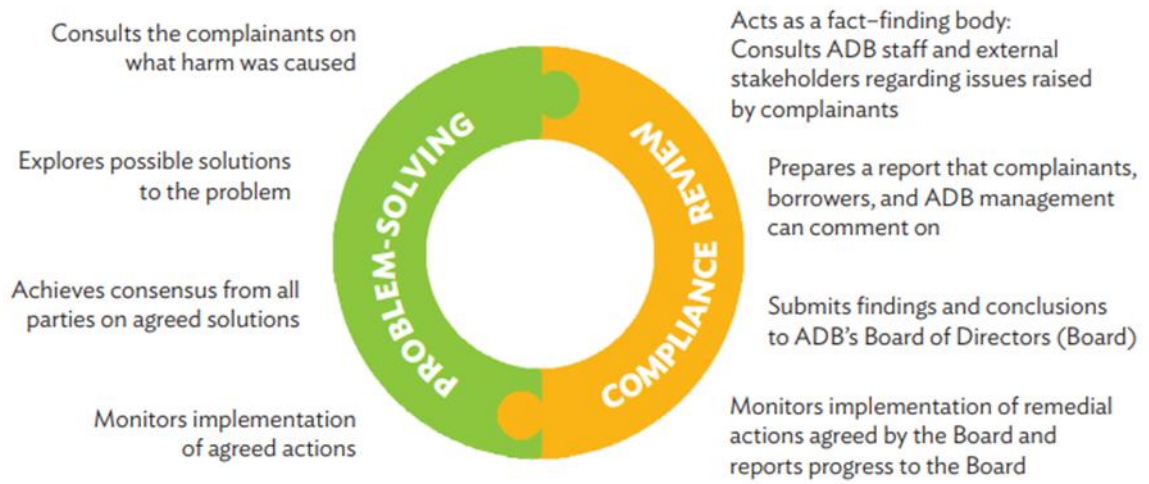


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¹³ Technical Guidance Note on Financial Management Assessment

ADB's ACCOUNTABILITY MECHANISM



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¹⁴ ADB's Accountability Mechanism: Strengthening Partnerships

CONCLUSION

This thesis explained the main function and aims of the ADB and what it has done since establishing day. The first chapter gave comprehensive information about the work of ADB on sustainable development. Due to this chapter, the ADB tries to obtain larger amounts of economic efficiency and prevent illegal activities such as corruption and fraud. Despite of the efforts of the ADB, this kind of activities cannot be completely eliminated. The second chapter showed that same projects of the ADB are not effective. The main reason of this is that the monitoring system of ADB is not perfect. It results waste of money and corruption activities. The third chapter gave information about achievement of the ADB.

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