

**ASIAN DEVELOPMENT BANK**

**SST:STU 2001-21**

**A REVIEW**

**OF THE**

**ASIAN DEVELOPMENT FUND I-V OPERATIONS**

**December 2001**

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DFI	–	development finance institution
DMC	–	developing member country
EA	–	executing agency
EIRR	–	economic internal rate of return
GDP	–	gross domestic product
GNP	–	gross national product
Lao PDR	–	Lao People's Democratic Republic
OCR	–	ordinary capital resources
ODA	–	official development assistance
PPAR	–	project/program performance audit report
PRC	–	People's Republic of China
SDO	–	strategic development objective
SF	–	Special Funds
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

## CONTENTS

	<b>Page</b>
EXECUTIVE SUMMARY	ii
I. INTRODUCTION	1
A. Background and Rationale	1
B. Objectives and Scope	1
C. Methodology	2
II. THE FUND	3
A. The Special Funds	3
B. The Asian Development Fund	4
III. RESOURCE MOBILIZATION	6
A. Country Contributions	6
B. Cofinancing	6
IV. ADF LENDING OBJECTIVES, POLICIES, AND STRATEGIES	7
A. Eligibility Criteria	7
B. Access Priority	8
C. General Strategic Thrusts	9
D. Operational Strategies	10
V. ALLOCATION OF ADF RESOURCES	11
A. Cumulative Allocation Pattern	11
B. Trends in Allocation Pattern	12
C. ADF Contribution to Aggregate and Individual DMC's Net Resource Flows	16
D. Disbursement Ratio	17
VI. PROJECT PERFORMANCE	19
A. Cumulative Performance Ratings	19
B. Trends in Project Performance Ratings	20
C. Factors Affecting Project Performance	23
VII. IMPACTS	24
A. General Considerations	24
B. The Major South Asian Borrowers	25
C. The Major Southeast Asian Borrowers	26
D. The Pacific DMCs	27
E. Other Impacts	28
VIII. OVERALL ASSESSMENT AND CONCLUSIONS	29
A. Overall Assessment	29
B. Conclusions	30
APPENDIXES	34

## EXECUTIVE SUMMARY

Increased accountability and the need to take stock of the use of the Asian Development Fund (ADF) resources has prompted the Asian Development Bank (ADB) to evaluate the impact of ADF I-VII. This study covers the first five ADF commitment periods (1973-1991), plus the period under the Special Funds (1969-1972) that preceded the ADF. A separate study will cover ADF VI-VII (1992-2000). The cutoff period between the two studies coincided with a major shift in ADB's strategic approach to development, in particular toward direct poverty reduction. This study seeks to answer questions relating to (i) the reasons for establishing the ADF; (ii) the objectives, policies, and strategies governing the use of the ADF; (iii) the allocation of ADF resources; (iv) the performance of projects funded under the ADF; (v) their development impacts; and (vi) the lessons and insights that can be drawn, and the implications for ADB's current strategic direction and operations.

Soon after it started operations in December 1966, ADB recognized the need to provide financing on more concessional terms than what it could provide under its normal operations if it was to meet more adequately the needs of its developing member countries (DMCs). Three separate special funds were established in September 1968, namely Agricultural Special Fund, Technical Assistance Special Fund, and Multipurpose Special Fund, which served as the main vehicle in mobilizing concessional resources. Terms and conditions attached to the contributions varied widely depending on the contributing countries.

While the institutional framework of the Special Funds was adequate in the beginning, more systematic arrangements had to be put in place as more countries, whose economic conditions required that assistance be given on concessional terms, joined ADB. Established on 28 June 1974, the ADF consisted principally of contributions from members of ADB, mobilized on an organized multilateral basis and periodically replenished under the authority of resolutions of the Board of Governors. ADF resources were governed by uniform terms and conditions and pooled without separate identification of individual contributors once drawn down for use in operations.

Throughout the ADF I-V period, the total concessional resources mobilized (total country contribution) amounted to \$10.2 billion. The trend in ADF contributions over this period was one of continued growth. On an annual basis, the resources rose from an average of \$175 million in ADF I to \$714 million in ADF V. This represented an average of 0.006 percent of the ADF contributing countries' gross national product during ADF I, reached a peak of 0.010 percent during ADF IV, but declined again to 0.006 percent during ADF V. Although contributions to the ADF were increasing, they remained relatively small relative to the total external resource requirements of the DMCs. On average, ADF net flows accounted for only 3.4 percent of the aggregate net resource flows from all external sources and 5.8 percent of the total official development assistance flows to the borrower DMCs during the ADF I-V period. To augment its pool of concessional resources, ADB succeeded in mobilizing another \$3.5 billion through cofinancing of ADF projects.

From the early 1970s, poverty reduction has been the underlying objective of ADB's operations. What evolved over the years was ADB's strategy to achieve it. Three stages can be distinguished. During the first stage, 1969 to the early 1980s, ADB relied mainly on economic growth to reduce poverty, on the assumption that the benefits of growth would trickle down to the poor. In the second stage, the 1980s, more attention was given to equity considerations and the social dimensions of development, in addition to economic growth. It was during this stage that social components were integrated into traditional growth-oriented projects, and cross-cutting issues—such as women in development and environment—began to appear in ADB's agenda. In the third stage, the 1990s to the present, ADB decided to address the problem of

poverty more directly and intensely through poverty-focused projects with targeted beneficiaries, in combination with economic growth and the integration of social dimensions in growth-oriented projects. This culminated in making in 1999 poverty reduction ADB's overarching objective and including governance among the major pillars of ADB's poverty reduction strategy.

Complementing the general strategic thrusts were a number of operational policies designed to enhance the DMCs' and ADB's institutional capacity and, therefore, the efficiency and effectiveness of ADF projects. These included providing technical assistance (TA) to increase the DMCs' absorptive capacity, expanding the lending modalities to facilitate the transfer of concessional resources to the DMCs, undertaking country programming and country strategy studies to ensure alignment of ADF projects with the DMCs' development needs, engaging in policy dialogue to foster a policy environment conducive to growth and project success, supporting policy reforms through program loans, and enhancing ADB's operational capacity as a delivery system.

The actual allocation of ADF resources reflected ADB's strategies and policies as they evolved over time to respond to the changing needs of DMCs. Access to ADF resources was determined by eligibility classification based mainly on per capita gross national product and debt-repayment capacity, with special considerations given to the Pacific DMCs. Of the original ADF borrowers, only the Republic of Korea, Malaysia, and Singapore have since graduated from ADF eligibility. Except for the entry of new members, the composition of the Group A countries (very poor DMCs eligible for full ADF financing) has not changed over the years, indicating the continuing need for concessional assistance.

Group A DMCs received the bulk of ADF lending, accounting for about 85 percent of the total net loans (total loan commitment less cancellations) amounting to \$11.2 billion during ADF I-V, while Group B (countries at intermediate levels of development eligible for limited ADF financing) received the balance of 15 percent. Within Group A, Bangladesh, Nepal, Pakistan, and Sri Lanka accounted for 76 percent of the total. The average cumulative allocation per capita based on the 1990 population and in constant 1990 prices was \$18, with Southeast Asian DMCs receiving \$6, South Asian DMCs \$37, and Pacific DMCs \$181. The disproportionately higher per capita allocation to the Pacific DMCs was in response to the mandate by the ADF contributors to give special attention to poorer and smaller DMCs, and also because lack of economies of scale resulted in a higher per capita cost in implementing projects in those countries.

By sector, agriculture, particularly irrigation and rural development, consistently received the biggest ADF loan allocation, averaging 47 percent of the total over the whole period. Agriculture's share, however, declined slightly from a high of 54 percent in ADF III to around 45 percent in ADF V as the allocation for the social infrastructure sector increased significantly from 8 percent in ADF IV to 15 percent in ADF V. Energy came next with a 16 percent share as ADB supported DMCs' efforts to diversify energy supply by developing indigenous resources, such as hydropower and coal. The transport and communications sector accounted for 11 percent of the total. This allocation pattern reflected ADB's general strategy during the period, which focused mainly on economic growth although greater attention was given to the social dimensions starting in ADF IV.

By lending modality, project loans served as the main vehicle of transferring concessional resources to DMCs. However, their share steadily declined from about 95 percent in ADF I to 56 percent in ADF V. Program loans, on the other hand, increasingly became an important lending vehicle, particularly at the start of 1987 when their purpose changed from financing inputs to supporting policy reform. Because of their relatively large size, program loans, and also sector loans, provided ADB the leverage to deepen policy dialogue with DMCs to help promote a policy environment conducive to growth and project success.

Of the total 488 projects in 26 DMCs in the ADF I-V portfolio, 290 (59 percent) were postevaluated. Project/program performance audit reports (PPARs) rated about 45 percent of these projects as generally successful, 43 percent partly successful, and 12 percent unsuccessful. Over the years, there has been a discernible improvement in project performance. The proportion of projects rated unsuccessful steadily decreased from a high of 18 percent in ADF II to 8 percent in ADF V. The improvement was reflected in the increasing proportion of projects rated partly successful. The proportion of projects rated generally successful remained about the same during the period. Statistically significant differences in project performance were noted under different project classification, as follows: (i) projects in Group B DMCs performed better than those in Group A; (ii) projects in Southeast Asia and South Asia performed better than those in the Pacific; (iii) projects in the energy, industry, transport and communications sectors, and multisector projects performed better than those in the agriculture, social infrastructure, and financial sectors; and (iv) project and sector loans performed better than program loans and development finance institution credit lines.

Consistent with ADB's development strategy during the ADF I-V period, the biggest allocation of ADF resources was to physical infrastructure projects designed to enhance the DMCs' productive capacity to promote economic growth. Given the high success rates of these projects, it can be said that the most significant impact of ADF I-V operations was in promoting economic growth, particularly in the Lao People's Democratic Republic, Myanmar, Nepal, Pakistan, and to some extent in Bangladesh and Sri Lanka, thus indirectly helping reduce poverty in these DMCs. On the other hand, projects designed to directly impact on the poor in terms of employment and income generation and enhanced well-being (mainly in the livestock, fisheries, industrial crops, agricultural support services, health and population, water supply and sanitation, and development finance subsectors) generally had limited results. Among the reasons cited in the PPARs for these shortcomings were lack of beneficiary participation and understanding of the local culture, weak monitoring mechanisms and management information systems, inadequate operation and maintenance budget after project completion, and other related process variables. Other noteworthy impacts of ADF I-V were contributions, albeit limited, to the strengthening of the capacity of executing agencies (EAs) and to promoting a more favorable policy environment in the DMCs.

The foregoing findings and observations have a number of implications for ADB's current strategic directions. The reality that the ADF is small relative to the total requirements of the DMCs does not diminish its potential to make a significant contribution to poverty reduction as well as to sustained economic growth. However, use of the ADF can be made more effective. What is needed is to ensure a critical mass of assistance and meaningful impact on a defined target. The portion of the ADF portfolio allocated for direct poverty intervention projects should concentrate on well-selected target beneficiaries so as to reach the maximum number of the poor. Continuing assistance should be provided until the beneficiary organizations or communities become thoroughly empowered and self-governing. Indicators or milestones of successful empowerment, which ultimately should be the main measure of success of poverty-focused projects, need to be defined.

To maximize the impact of ADF resources, both the disbursement ratio and the success rate of projects must be increased. Increasing the disbursement ratio, which averaged 19 percent during ADF I-V, depends essentially on addressing the constraints on the part of the DMCs in terms of lack of counterpart funds and weakness in the institutional capacity of its EAs, as well as the disbursement requirements and procedures on the part of ADB. The DMCs' absorptive capacity can be enhanced through appropriate TA to create a conducive policy environment and to strengthen the administrative and technical capabilities of the EAs. ADB's realignment of its organizational structure and redesign of operational business processes will

make for a more effective delivery of its development assistance. To support poverty-focused projects, the staffing should be increased and staff skills mix further adjusted.

Raising the success rate of projects is the other major consideration. At the macro level, a number of initiatives designed to create an environment conducive to better project performance have already been taken. The poverty reduction strategy was adopted in October 1999; the private sector development strategy was adopted in March 2000; ADB's long-term strategic framework, which sets out the agenda for implementing the poverty reduction strategy until 2015, was approved in March 2001; and the medium-term strategy (2001-2005), which bridges the long-term strategic framework and the activities that will be undertaken in the DMCs over the next five years, was approved in September 2001.

At the operational level, besides the increase in number and change in skills mix of personnel in ADB, the operating processes, systems, and procedures are being reviewed, redesigned, and streamlined. In this regard, a number of improvements have already been put in place and others are in different stages of implementation. A more systematic integration of design and implementation of projects is enforced through the project performance management system. Economic and sector work has been given more emphasis. These initiatives are expected to address, in due time, most of the factors that affect project performance cited in the PPARs. The reorganization of ADB is seen to improve ADB's capacity even more. Project loans should still be the main lending vehicle, not only because it is ADB's traditional strength, but also because poverty-focused projects should be within the capacity of the beneficiaries to manage. Program loans, although their impact on poverty reduction is mostly indirect, will continue to be important in creating a conducive policy environment, but their design, implementation, and monitoring need to be improved.

On the part of the DMCs, their increasing commitment to poverty reduction is evident as reflected in their development plans, policies, and programs. To date, poverty reduction partnership agreements have been signed between ADB and the governments of Bangladesh, Bhutan, Indonesia, Lao People's Democratic Republic, Mongolia, Nepal, and Philippines. ADB is committed to support the DMCs' efforts in this direction with continued provision of concessional funds for projects directly targeting the poor, and with TA grants to build local capacities to implement these projects.

On the whole, ADF I-V operations may be considered satisfactory. There were real achievements, but there were also gaps between expectations and actual results. Articulating its strategic development objectives and declaring poverty reduction as its overarching objective have given ADB more focus in its assistance. This has provided a unifying concept as the ultimate criterion in making decisions on the allocation of ADF resources. The major realignment of ADB thrusts and strategies, and the complementary changes in its operations over the past decade attest to many lessons learned. These lessons include the need for thorough project preparation considering not only technical and financial aspects but the local culture as well; the need for real beneficiary participation to develop a sense of ownership of the project; the need to enhance the capability of ADB staff to deal with stakeholders at the grassroots level; the need to thoroughly assess the capability of the EA to match the requirements of the project and to remedy the gap, if any, through appropriate TA; the need for long-term commitment to a sector/subsector in providing assistance; the need for an effective system of monitoring project performance even after completion; the need for vigilance to ensure transparency and accountability in project management; and the importance of a policy environment supportive of the project. There is reason to expect, therefore, that responsiveness of the ADF portfolios to the needs of DMCs will be further enhanced, with higher success rates and greater development impacts.

## I. INTRODUCTION

### A. Background and Rationale

1. The Asian Development Bank (ADB) has provided more than \$24 billion in concessional loans to developing member countries (DMCs) since 1969, representing more than 27 percent of its total lending activities to date. Increased accountability and the need to take stock of the use of the Asian Development Fund (ADF) resources prompted ADB to undertake an evaluation of the impact of ADF operations. A number of contributors had reacted positively to an interim report on ADF operations, which was presented at the ADF contributors' meeting held at Chiang Mai in May 2000,<sup>1</sup> and emphasized the need for continuing in-depth studies of projects funded under the ADF. Responding to this, the Operations Evaluation Department has programmed a comprehensive review of these projects to be conducted in two phases: phase one covering ADF I-V from 1973 to 1991 (including Special Funds [SF]),<sup>2</sup> and phase two covering ADF VI-VII from 1992 to 2000.

2. The cutoff period between the two studies coincided generally with the major shift in ADB's strategic approach to development, in particular to poverty reduction. Throughout ADF I-V, ADB essentially relied on economic growth to achieve this objective. During the 1980s, however, a number of cross-cutting issues began to be considered as ADB expanded its approach to cover wider areas of development. Environmental concerns became prominent in the early 1980s (ADF III), the need to integrate social dimensions in growth-oriented projects in 1982 (ADF III), the role of women in development in 1985 (ADF IV), and the need for a more direct intervention in poverty reduction through poverty-focused projects in 1988 (ADF V) with the organization of the Poverty Reduction Task Force.

3. The ADF V period may be considered as the transition phase in ADB's adaptation and response to the changing needs of its environment. The need to improve the overall policy and investment environment in the region led to the growing importance of promoting policy reforms in DMCs in addition to financing projects. In 1987, program lending policies were substantially revised, changing the focus from financing inputs to supporting reforms in sector policies and adjustment programs. The share of program loans in ADB's total lending increased to 26 percent during the ADF V period (para. 53). While major changes in ADB's policies and organization structure occurred in 1987-1991, i.e., the last five years of this study, their impact would be felt only in the 1990s when the dimensions of development grew in scale and complexity, and development thinking evolved further.

### B. Objectives and Scope

4. In general, this special evaluation study aims to give a comprehensive review of ADF operations from the start of SF in 1969 to the close of ADF V in 1991.<sup>3</sup> More specifically, the study aims to answer the following questions:

- (i) Why was the ADF established and how did it come about?

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<sup>1</sup> ADB. 2000. *Report on the Results and Impacts of ADF Operations*. Manila: ADB. During the ADF contributors' meeting at Edinburgh in February 2000, several contributors had requested an evaluation of the impact of ADF operations. They appreciated the report and pointed out the importance of the Operations Evaluation Department's evaluation of ADF operations to ensure sound stewardship of ADF resources.

<sup>2</sup> SF covered the period 1969-1972; ADF I, 1973-1975; ADF II, 1976-1978; ADF III, 1979-1982; ADF IV, 1983-1986; and ADF V, 1987-1991.

<sup>3</sup> The study is the result of work by Paul Chang, Senior Evaluation Specialist; Flordeliza Asistin, Evaluation Analyst; and Harry Abrillo, Consultant.

- (ii) What were the objectives, policies, and strategies that governed ADF operations during the period?
- (iii) How were ADF resources allocated among DMCs and sectors, and through which lending modalities?
- (iv) How did the projects funded under ADF perform by country, by sector, and by lending modality, and what factors affected their performance?
- (v) What were the development impacts of ADF operations in the borrowing DMCs?
- (vi) What conclusions, lessons, and insights can be drawn from the ADF I-V experience?

5. The study covers the first five ADF commitment periods and the period under the SF, which preceded the ADF. The SF period is included because the funds were also concessional, and because the cutoff period between the end of SF and the start of ADF overlapped.<sup>4</sup> Thus, reference to ADF I-V in this study includes SF, unless otherwise specified.

### **C. Methodology**

6. The study is based on a review of documents such as minutes of Board meetings, reports to the Board, and internal publications. Statistical data were obtained from ADB's annual reports and key indicators statistics, and from the Office of the Controller.

7. Of 488 projects funded under ADF I-V, 290 have been postevaluated and are the subject of this study. This sample population represents more than half of the total population in terms of number of projects, loan amount, and project cost during the period under review. The sample is more heavily weighted in favor of older projects (ADF I-III) as only about 40 percent of the more recent ones (ADF IV-V) have been postevaluated. However, in terms of distribution by region and by sector, the pattern between the sample and the total population is very similar (Appendix 1).

8. In evaluating project performance and development impacts, the study relied mainly on a review of the project/program performance audit reports (PPARs); where further clarification was needed, the project completion reports and appraisal reports were reviewed. The question may be asked: Had the full potential of the projects' benefits already accrued or at least started to accrue to the beneficiaries at the time of postevaluation? Of the 290 ADF I-V projects with PPARs, about 3 percent were postevaluated less than a year after completion, 49 percent within 1-2 years, 37 percent within 3-4 years, and 10 percent after 5 years. For many of the projects, especially physical infrastructure that comprised the bulk of the ADF I-V portfolio, benefits could be expected to flow to the beneficiaries almost immediately after completion. There were not many projects with a long gestation period, such as those in the education and health sectors. There is thus a good basis in using PPAR assessments as indicative of the projects' development impacts.

9. To better gauge the impact of ADF I-V operations, their inputs (in terms of projects, loan amounts, and total project costs) were classified by sector and by strategic development objective<sup>5</sup> (SDO) against the corresponding project performance ratings as assessed in PPARs. The SDO categories were used for convenience as there was no SDO classification at the time the loans were approved. While it may be argued that projects should be evaluated against

<sup>4</sup> Some of the funds for SF could not readily be transferred to or credited as part of the country contribution to the ADF due to certain conditionalities.

<sup>5</sup> ADB formally adopted five SDOs in 1992, namely, economic growth, poverty reduction, human development, environment, and women in development, as articulated in the Medium-Term Strategic Framework (1992-1995).

objectives for which they were designed to achieve, the use of the SDOs as part of the evaluation criteria is not considered inappropriate. The criteria that the PPARs used in evaluating a project's development impacts contain aspects of socioeconomic impact such as women in development, environmental impact, and institutional development. This section of the PPAR also contains references to the other three SDOs, i.e., economic growth, poverty reduction, and human development. For example, it discusses either the impact on economic growth (e.g., stimulated industrial activities through increased supply of reliable electricity), or poverty reduction (e.g., increased on-farm and off-farm employment and income of rural workers), or human development (e.g., reduced incidence of waterborne diseases). Thus, classifying ADF I-V projects by SDO, and aggregating project ratings accordingly, to arrive at some indication of project impact, does not amount to applying a yardstick completely different from the objectives that the projects were designed to achieve.

10. Using SDOs establishes a reference point with which to gauge the current policies and strategies. That the allocation to poverty-focused projects was small and their performance ratings relatively low was not unexpected. It was a consequence of the development strategy, mainly economic growth, which was deemed most appropriate at the time, and should not, therefore, be taken as a critique of ADB's performance in ADF I-V operations. Using SDO classification also provides a guide in correlating the ADF I-V inputs with economic and social indicators (Appendix 2). It should be pointed out, however, that a strong correlation between the ADF inputs and the corresponding indicators may not be expected because the latter are measures at the national level, while the former provided inputs only to certain sectors or subsectors at certain points in time. Nevertheless, the broad national indicators are useful in the sense that they put in perspective the ADF I-V inputs in each DMC or group of DMCs.

## II. THE FUND

### A. The Special Funds

11. Soon after ADB started operations in December 1966, it was recognized that in order to meet the needs of its DMCs, ADB would have to provide financing on more concessional terms. This included longer maturities and grace periods and lower interest rates than those provided under ADB's ordinary capital resources (OCR). Faced with an increasing debt-service burden and low and uncertain export earnings, many of ADB's DMCs found it difficult to meet their foreign exchange obligations. Direct borrowing from the world capital markets was, for most, not a feasible alternative. Responding to these needs, on 17 September 1968, the ADB Board of Directors adopted the Special Funds Rules and Regulations providing for the establishment and administration of three separate special funds, namely, Agricultural Special Fund, Technical Assistance Special Fund, and Multipurpose Special Fund, which served as the main vehicle for mobilizing concessional resources. The funds were to be sourced from external contributions and from resources set aside from ADB's paid-in capital.<sup>6</sup>

12. The institutional framework, procedures, and terms and conditions governing the mobilization and administration of concessional resources under the SF were largely sufficient in the early years of ADB operations. However, as more and more countries in the region

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<sup>6</sup> Terms and conditions for SF loans varied, with interest rates ranging from 1.5 to 3.0 percent per annum (including a service fee of 0.75 of 1 percent), and amortization periods ranging from 12 to 40 years including grace periods of 3-10 years. By contrast, ADB's interest rate for OCR loans was pegged at about 6 percent per annum. Commitment charge placed on the undisbursed amount was fixed at 0.75 percent per annum. OCR loans had an average life of about 18.4 years and a grace period ranging from 2 to 5 years.

needing concessional funds joined ADB, it became increasingly clear that these resources were no longer adequate. A number of problems were encountered:<sup>7</sup>

- (i) ADB had no assurance that SF resources would be available on the scale and at the time required as there was no organized system for acquiring such resources;
- (ii) restrictions on the use of acquired resources (each contributing country had its own terms and conditions) made it difficult for ADB to assess the extent to which such resources would be adequate to meet any given level of commitment;
- (iii) the earmarking of certain resources for use only in particular types of projects increased ADB's difficulties in giving concessional assistance where it was most needed;
- (iv) the same restrictions subjected SF resources to limitations in their use (e.g., procurement restrictions, and financing indirect foreign exchange costs and local expenditures) and made it difficult to use disparate contributed resources in conjunction with each other and with other available resources; and
- (v) the terms of the existing regulations and contribution agreements led to problems in accounting for SF resources.

## **B. The Asian Development Fund**

13. Given the foregoing considerations, the Board of Directors deemed it necessary to reconstitute the SF and to establish a new and unified Fund, to be called the Asian Development Fund, which would serve as the primary source of finance for ADB's concessional lending operations.<sup>8</sup> Acting on the recommendations of the Board of Directors, the Board of Governors approved Resolution 62 on 28 April 1973 authorizing the establishment of the ADF and defined its purpose as follows:

"The purpose of the Fund shall be to enable the Bank more effectively to carry out its purpose and functions by providing resources on concessional terms for the economic and social development of the developing member countries of the Bank, having due regard to the economic situation of such countries and to the needs of the less developed members."

14. Among the major features of the ADF were the following:

- (i) ADF resources will consist principally of contributions from members of ADB, and mobilized on an organized multilateral basis and periodically replenished under the authority of resolutions of the Board of Governors;
- (ii) ADF resources will be governed by uniform terms and conditions, incorporating the principle of reciprocal untying<sup>9</sup> to permit them to be used for financing procurement in all contributor countries and DMCs of ADB; and

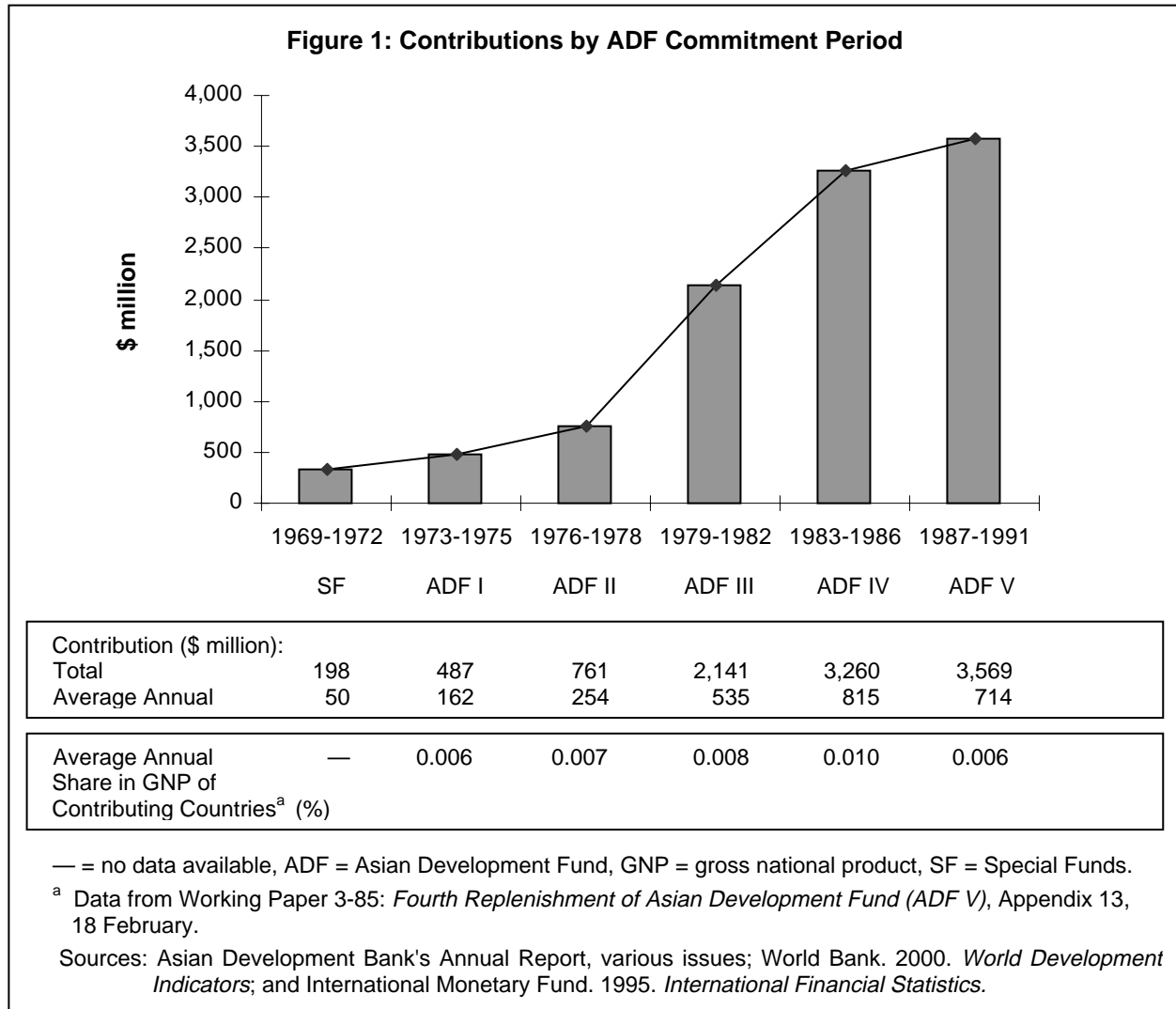
<sup>7</sup> R30-73: *Review of Special Funds and Proposal for Establishment of the Asian Development Fund*, 28 March.

<sup>8</sup> A uniform system was adopted for all ADF loans, changing interest to "service charge" of 1 percent per annum and an amortization period of 40 years including a 10-year grace period. OCR lending rate ranged from 7 to 9 percent. A variable OCR lending rate system was introduced in July 1986, and is adjusted every six months. Commitment charges, initially placed at 0.75 percent on the undisbursed loan balances, were modified in 1987. From 1974 to 1991, the average period of OCR loan payment was approximately 20.7 years with the grace period ranging from 2 to 7 years.

<sup>9</sup> Mutual agreement among contributors for uniform terms and conditions on their contributed resources to permit them to be used for financing procurement in all contributor countries and DMCs of ADB.

- (iii) As far as practicable, ADF resources will be pooled, without separate identification of individual contributions once drawn down for use in operation, but with all contributions having a proportionate share in the Fund's assets.

15. The Board of Directors proposed that, in the first instance, the initial mobilized resources be \$525 million to meet ADB's concessional lending requirements for the three-year period ending 31 December 1975. On 20 November 1973, the Board of Governors approved Resolution 67<sup>10</sup> "Initial Contributions to the Asian Development Fund (First Stage)" and Resolution 68 "Initial Contribution to the Asian Development Fund (Second Stage)." The ADF became officially established on 28 June 1974.



<sup>10</sup> Resolution 67 provided that the first stage of the initial mobilized resource will be \$350 million and that the ADF will come into operation once the Instruments of Contribution deposited with ADB reached an aggregate amount of \$260 million. However, because of problems encountered in the budget processes of some contributors, the prospect of reaching the trigger amount before the target date of 30 June 1974 became less likely. On 16 April 1974, the Board of Governors adopted Resolution 71 reducing the trigger amount to \$225 million.

### III. RESOURCE MOBILIZATION

#### A. Country Contributions

16. By the end of 1972, the total contributed resources to the SF amounted to \$198 million. During ADF I-V, cumulative contributions totaled \$10.2 billion. The trend in the total amount of contributions is shown in Figure 1 (actual contribution by country is shown in Appendix 3).

17. The trend in total contributions during ADF I-V reflected the increasing commitment of the contributing countries to assist in the development particularly of ADB's poorer DMCs. Even on an annual basis,<sup>11</sup> the average contribution showed an increasing trend until ADF IV to decline slightly in ADF V. This was also reflected in the increasing average annual contribution as a percentage share of the contributing countries' gross national product (GNP). A similar pattern can be observed when the contributions are computed in constant 1990 US dollars. However, while the total amount of contributions was increasing, the rate of increase was decelerating. The trend appeared to have taken the shape of the curve of a product life cycle approaching maturity with the tendency to decline in later years. Such concern became even more real following the breakup of the former Soviet Union in 1991, raising doubts as to whether adequate development funds from traditional sources would continue to flow to the Asian and Pacific region.

#### B. Cofinancing

18. The total resources mobilized for concessional lending was not limited to ADF country contributions. To increase the flow of concessional resources to its DMCs, ADB actively promoted cofinancing. During 1970-1991, ADB attracted a total of \$3.5 billion—about 31 percent of total ADF lending—in cofinancing for its ADF projects. Table 1 shows the resources mobilized through ADF and cofinancing during the different ADF commitment periods.

**Table 1: Cofinancing of ADF Loan Projects**  
(\$ million)

Source	ADF I	ADF II	ADF III	ADF IV	ADF V	Total	
	1969-1975	1976-1978	1979-1982	1983-1986	1987-1991	Amount	%
<b>ADF<sup>a</sup></b>	<b>592.0</b>	<b>778.0</b>	<b>1,494.0</b>	<b>2,660.0</b>	<b>5,676.0</b>	<b>11,200.0</b>	
<b>Cofinancing:</b>							
Official	418.6	207.0	906.8	684.5	1,258.7	3,475.6	99.5
Bilateral	294.7	108.7	424.3	300.8	490.7	1,619.2	46.4
Multilateral	123.9	98.3	482.5	383.7	768.0	1,856.4	53.1
Commercial	5.0			13.0		18.0	0.5
<b>Total</b>	<b>423.6</b>	<b>207.0</b>	<b>906.8</b>	<b>697.5</b>	<b>1,258.7</b>	<b>3,493.6</b>	<b>100.0</b>
<b>Annual Average</b>	<b>70.6</b>	<b>69.0</b>	<b>226.7</b>	<b>174.4</b>	<b>251.7</b>	<b>158.8</b>	
<b>% Cofinancing to ADF</b>	<b>71.6</b>	<b>26.6</b>	<b>60.7</b>	<b>26.2</b>	<b>22.2</b>	<b>31.2</b>	

ADF = Asian Development Fund.

<sup>a</sup> The net loan amount received by developing member countries after cancellations or project termination; it exceeds contributions because of earnings from such contributions, currency fluctuations, etc.

Source: Asian Development Bank's cofinancing database.

<sup>11</sup> The length of the ADF commitment periods was gradually extended from three to five years.

19. Official sources have been the main cofinanciers, with the multilateral agencies (mainly European Community, International Development Association, International Fund for Agricultural Development, Organization of Petroleum Exporting Countries Fund for International Development, and United Nations Development Programme) followed closely by the bilateral sources (mainly Canada, France, Germany, Japan, Norway, and the United Kingdom). The distribution of cofinancing resources among DMCs is shown in Appendix 4. The biggest share of cofinancing was provided to ADF projects in Pakistan, which accounted for 40 percent of the total, followed by Bangladesh with 33 percent, and Sri Lanka with 11 percent.

20. Combining the country contributions to ADF and the cofinancing provided to ADF projects, the cumulative concessional resources mobilized during 1969-1991 amounted to \$13.7 billion. Including the local counterpart financing provided by DMCs, the total capital formation of ADF I-V projects was about \$23.2 billion.

#### IV. ADF LENDING OBJECTIVES, POLICIES, AND STRATEGIES

21. While ADB's strategic approach to development during the ADF I-V period was premised mainly on economic growth, poverty reduction has been the underlying objective of its operations from the time of the initial contributions to the ADF. It is ADB's reason for being, although articulated as its overarching objective only recently. Contributors' reasons for continuing to give funds to the ADF have been the desire to help reduce poverty and to equitably distribute the benefits of economic growth among DMCs. What has evolved over the years has been ADB's approach to realize such objectives.

##### A. Eligibility Criteria

22. The general policy at the time the SF was established in 1969 was that no DMC should be considered ineligible to receive SF loans. It was, however, recognized that the relative needs of DMCs differed and, therefore, priorities had to be established. Relative economic conditions were given primary consideration, using per capita GNP as the primary indicator. Secondary indicators of a country's conditions were also considered: debt-service ratio, difference in export and import growth rates, share of the manufacturing sector in gross domestic product (GDP), and growth rate of per capita GDP. There were no predetermined country allocations, but the highest priority was to be given to smaller and less developed DMCs.<sup>12</sup>

23. At the start of ADF I, two main criteria determined a country's eligibility for lending under ADF: per capita GNP and debt repayment capacity. Per capita GNP served as the main indicator for eligibility, with \$300 at 1972 prices taken as a general cutoff point.<sup>13</sup> The exception, however, was the Pacific DMCs due to their unique situation. In these countries, the average per capita GNP, which was above the cutoff, did not actually reflect their economic situation because of the predominance of a nonindigenous section of the population deriving relatively high income from government service or from plantation and business. Thus, Papua New Guinea and Solomon Islands were deemed eligible. The second criterion, debt repayment capacity (ordinarily indicated by debt-service ratio), was not as easily quantifiable as per capita GNP as it was just one of many indicators to assess a country's capacity to repay foreign debt. The general principle was that the higher the debt repayment capacity the lower the eligibility would be to access ADF loans.

<sup>12</sup> M70-71: *Criteria for Special Fund Loans*, 16 December.

<sup>13</sup> During subsequent reviews of eligibility classifications, the benchmark real per capita GNP was adjusted accordingly using the United States GNP deflator, as follows: 1977-\$380 (1975=100); 1978-\$400 (1976=100); 1980-\$500 (1979=100); 1983-\$580 (1981=100); 1985-\$670 (1983=100); 1988-\$690 (1985=100); 1990-\$786 (1988=100).

24. Based on the above-mentioned criteria, DMCs were classified into three groups:
- Group A: Very poor countries that would be eligible for full ADF financing;
  - Group B: Countries at intermediate levels of development that would be eligible for limited ADF financing; and
  - Group C: Relatively advanced countries that would be ineligible for ADF financing.
25. A history of the eligibility classification of DMCs is shown in Appendix 5. The country groupings practically did not change from ADF I to ADF V, except for the addition of new members, i.e., Cook Islands (1976), Maldives (1978), Vanuatu (1981), Bhutan (1982), People's Republic of China (PRC) (1986), and Mongolia (1991). The Republic of Korea "graduated" from Group B in ADF I to Group C in ADF II.

## **B. Access Priority**

26. While the eligibility classification of DMCs has changed very little, there have been significant changes in actual access to ADF resources during ADF I-V. The per capita GNP criterion primarily determined the eligibility classification, but actual access was determined mainly by the debt repayment capacity. For this reason, DMCs may have been classified as Group B, Indonesia and the Philippines for example, but not have access to ADF (until 1978), because of their better capacity to service ADB loans on market terms compared with other DMCs.

27. During ADF I, the general principle was that the least developed DMCs<sup>14</sup> and war-affected Indochina were to be given first priority among those fully eligible. Even for fully eligible DMCs, if the requirements were more than the ADF resources could reasonably provide, the balance had to be funded through blending with OCR loans, as in the case of Pakistan. For marginally eligible DMCs, funding had to be from OCR.

28. Largely the same access policies as in ADF I were continued in ADF II. In ADF III, however, two changes in access policies were approved by the Board: (i) Indonesia would have no access to ADF resources during 1980-1982 because of its relatively comfortable resource position and good development prospects; and (ii) the total amount of ADF lending to Papua New Guinea, Philippines, and Thailand should not exceed 10 percent of annual total ADF lending levels in each of the remaining years of the ADF III period.<sup>15</sup>

29. During ADF IV, a change in policy affected Group B countries. Beginning in 1983, the Philippines and Thailand would no longer have access to ADF resources while Papua New Guinea would continue to be eligible. It was also during that time that the eligibility of India was discussed following its request in April 1981 to borrow from the ADF. The 1983 review stated that India would be classified under Group A based on country considerations, but would not be seeking ADF financing during ADF III and ADF IV periods.<sup>16</sup> The PRC was also classified under Group A based on per capita GNP and capacity to service external debt. However, because of its potentially overwhelming demand for ADF resources (as in the case of India) and the limited supply of such resources, the PRC did not seek ADF financing during the same periods.

<sup>14</sup> United Nations-classified least developed DMCs included Afghanistan, Bangladesh, Lao People's Democratic Republic (PDR), Nepal, and Samoa.

<sup>15</sup> R93-80: *A Review of Arrangement for Lending from the Asian Development Fund*, 4 September.

<sup>16</sup> R100-82 (Revision 2): *A Review of Arrangement for Lending from the Asian Development Fund (1983-86)*, 12 July.

30. ADF V continued the priorities of ADF IV: the first priority was given to the least developed countries,<sup>17</sup> Cambodia, Viet Nam, and the smaller Pacific DMCs; the second, to the two South Asian ADF borrowers (Pakistan and Sri Lanka); and the third, to Papua New Guinea. In April 1986, Indonesia and the Philippines were granted renewed access to the ADF, but on a temporary basis in consideration of the severe economic crisis the two countries were experiencing at the time.

### C. General Strategic Thrusts

31. ADB's charter requires it to "foster economic growth and cooperation in the region" and "to contribute to the acceleration of the process of economic development of the DMCs in the region, collectively and individually." From 1969 to the late 1970s (SF, ADF I-II), ADB mainly promoted economic growth and the efficient use of resources as its basic approach in reducing poverty, the rationale being that rapid economic growth opened up opportunities for employment and increased incomes, thereby reducing the number of the poor. In addition, growth would also increase revenue for the government, which in turn would enhance its capacity to undertake programs benefiting the poor. Thus, investments during these periods focused on projects that would enhance the DMCs' productive capacity such as irrigation, power supply, and transport infrastructure.

32. The growth strategy continued to be emphasized during the 1979-1982 period (ADF III), but with more attention being given to equity and other social dimensions. In project formulation and design, social components such as livestock, fisheries, community forestry, and integrated rural development were included in many projects in the agriculture sector. In this period, ADB also gradually began to expand its approach to cover a wider range of developmental concerns. These included environmental concerns such as pollution, deforestation and land degradation, river siltation, and biodiversity loss that increasingly became major problems in many DMCs. ADB appointed its first environmental specialist in 1981 and, since then, environmental considerations became part of project design. In 1985, a policy paper—"The Role of Women in Development"—highlighted the need to improve the status and quality of life of women and increase their share in education, employment, and income opportunities. However, although there were conscious efforts to incorporate gender considerations in project design and implementation, it was not until 1989 that a project that primarily targeted women beneficiaries was approved.

33. Toward the end of ADF V, it became increasingly clear that the emphasis on economic growth was insufficient to reduce poverty, although it remained a necessary condition. Benefits of economic growth had not always filtered down to the very poor, particularly in DMCs where income inequality was pronounced. The poverty problem had to be addressed more directly. In 1988, ADB established an internal task force on poverty reduction, which proposed that in addition to economic growth and the incorporation of poverty components in traditional growth projects, the number of targeted and focused poverty-reduction projects be increased. This would include investments in social sectors, particularly in education, health, and water supply and sanitation; and in projects supporting self-employment through labor-intensive investments. Such approaches had to be complemented with specific sectoral policies directly benefiting the poor and requiring policy dialogue with DMCs. However, few projects directly targeting poverty were approved during ADF V.<sup>18</sup>

<sup>17</sup> Afghanistan, Bangladesh, Bhutan, Burma, Lao PDR, Maldives, Samoa, and Vanuatu.

<sup>18</sup> The proportion of projects with poverty reduction as the primary SDO was only 2 percent.

## **D. Operational Strategies**

34. From the operational standpoint, one of the major concerns of ADF lending, given the amount of concessional resources mobilized, was to facilitate the transfer of such resources to the poorer DMCs on the premise that growth and development would result from the transfer of capital and technology. Another concern was to ensure that the success rate of projects and, therefore, their development impact, was maximized. This entailed addressing a number of factors such as the borrowing DMCs' absorptive capacity, the policy environment under which the projects were implemented, and ADB's capacity and efficiency as a delivery system.

### **1. Enhancing DMCs' Absorptive Capacity**

35. DMCs' capacity to absorb external assistance has been a constraint in development funding. The absorptive capacity has been limited by lack of technical, administrative, and institutional capacity to design and implement projects, and by an inability to provide local counterpart funds and adequate maintenance and operating budget after project completion. Enhancing the absorptive capacity of DMCs through technical assistance (TA) has been an integral part of ADB's lending operations. TA has been provided for varied purposes such as project preparation and implementation, formulation of development plans and strategies, sector studies, promotion and transfer of appropriate technologies, institution building, creation of an enabling legal framework, development of sector plans, and promotion of regional cooperation.

### **2. Expanding Lending Modalities**

36. Financing of specific projects through project lending has traditionally been ADB's main vehicle for transferring ADF resources to its poorer DMCs. To facilitate the rate of transfer of such resources and to promote improvements in the policy environment, ADB introduced quick-disbursing program lending in 1978, especially to increase capacity and production in the agriculture sector. In 1979, ADB introduced multisector loans covering a number of small projects in different sectors as a cost-effective way of meeting the needs of the small DMCs (Bhutan, Maldives, and the Pacific DMCs). In 1980, ADB introduced sector lending to assist in developing a specific sector or subsector by financing a part of planned investment in the sector. Sector loans were expected to improve sector policies and strengthen institutional capabilities and were particularly appropriate when a large number of subprojects in the sector or subsector were to be financed.

### **3. Country Programming and Country Strategy Studies**

37. To better align its lending with the needs and priorities of its DMCs, ADB began formulating country programs and country strategies in the mid-1980s, based on its overall strategic objectives. ADB had produced nine country strategy studies by the end of 1990.<sup>19</sup> Prepared in close coordination and consultation with the DMCs, the country strategies defined the broad objectives and direction of ADB operations in the DMC concerned based on an analysis of the latter's economic situation and prospects, and structural adjustments needed. The country strategies were then made operational through annual country operational programs. These firmed up the projects and TA for the year and identified a pipeline of projects for the next two years as part of a three-year rolling operational program. Lessons from postevaluation studies were taken into consideration in project design.

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<sup>19</sup> For Bangladesh, Indonesia, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Sri Lanka, and Tonga.

#### **4. Engaging in Policy Dialogue with DMCs**

38. The policy environment under which a project is implemented has a major impact on project performance. The program and sector loans provided ADB an opportunity to deepen its policy dialogue with DMCs. This thrust was given further impetus when ADB substantially revised its program lending policies in 1987, shifting emphasis from financing of inputs to supporting medium-term policy reforms. Policy dialogue focused on a wide range of issues including sector objectives and strategies, pricing, subsidies, incentives, tax measures, deregulation, cost recovery, the role of the private sector, privatization of public enterprises, and strengthening of executing agencies (EAs).

#### **5. Enhancing ADB's Operational Capacity**

39. With the increasing volume of lending, ADB continually reviewed its own internal organizational structure, policies, systems, and procedures to ensure a more efficient processing and administration of its operations. In 1984, ADB began to refocus its project activities along geographic lines. In 1987, the single country department was restructured into two departments: programs east and west. Starting with the Irrigation and Rural Development Department, which was the first to be reorganized along geographic lines, regionalization into east and west groups followed during 1987-1992. This period also marked the establishment of the Private Sector Division (1986), Environment Division (1987), Strategic Planning Unit (1991), and Social Dimensions Unit (1992). Resident offices were established in Bangladesh (1981), South Pacific (1984), Indonesia (1986), Nepal (1988), and Pakistan (1988)—countries where ADB operations warranted them.<sup>20</sup> This resulted in greater delegation of authority and more focused and effective supervision.

40. In addition to the continuing review and realignment of organizational structure and functions, ADB's internal systems and procedures were also regularly reviewed. Procedures for loan and TA processing and administration were streamlined, including greater delegation of authority within ADB, and to some extent to DMCs, for some aspects of project implementation such as domestic procurement. Despite the rapid growth in its volume of operations over the years, ADB endeavored to remain a compact, lean, and efficient organization.

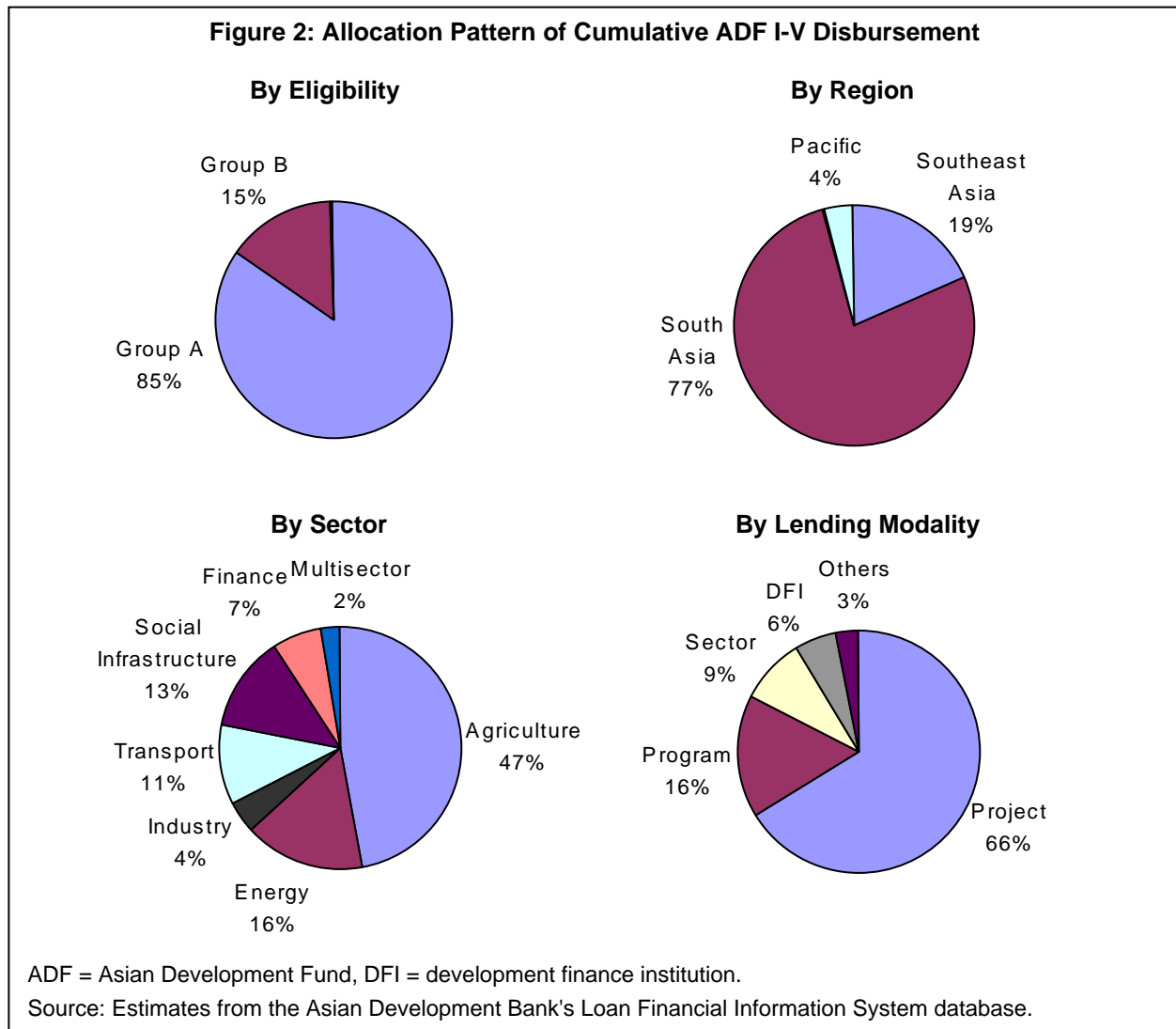
### **V. ALLOCATION OF ADF RESOURCES**

#### **A. Cumulative Allocation Pattern**

41. Cumulative concessional resources provided to 26 DMCs in 23 years (1969-1991) totaled \$11.2 billion in net loan amount.<sup>21</sup> Guided by the policies and strategies for concessional lending as they evolved over the years, the resulting broad allocation pattern by country eligibility, region, sector, and lending modality is shown in Figure 2 (details in Appendix 6).

<sup>20</sup> Currently there are 15 resident missions, a country office (Philippines), two extended missions (Thailand and Papua New Guinea), and a special liaison office (East Timor).

<sup>21</sup> Represents actual amount received by the DMCs after cancellations or project termination. This amount would eventually equal disbursements after all of the project accounts have been closed.



## B. Trends in Allocation Pattern

### 1. By Country Eligibility and by Region

42. The structural shifts in the allocation pattern reflected changes in ADB's assessment of the DMCs' economic situation in response to domestic and world developments. They also demonstrated ADB's flexibility in responding to such changes to better serve the needs of each DMC. ADF allocations are detailed in Appendix 6 and summarized in Table 2.

**Table 2: Trends in Allocation Pattern of ADF I-V Resources (Net Loan Amount)  
by Country Eligibility and by Region  
(percent)**

Eligibility/Region	ADF I <sup>a</sup> 1969-1975	ADF II 1976-1978	ADF III 1979-1982	ADF IV 1983-1986	ADF V 1987-1991	ADF I-V 1969-1991
<b>Eligibility</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Group A	74.2	89.5	91.4	95.6	78.5	84.8
Group B	24.1	10.5	8.6	4.4	21.5	15.1
Group C	1.7					0.1
<b>Region</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Southeast Asia	39.5	23.5	18.3	5.6	22.8	19.0
South Asia	56.3	69.3	78.5	90.5	73.1	76.8
Central Asia					0.5	0.3
Pacific	4.2	7.2	3.2	4.0	3.6	3.9
<b>Loan Amount (\$ million)</b>	<b>592.0</b>	<b>778.0</b>	<b>1,494.0</b>	<b>2,660.0</b>	<b>5,676.0</b>	<b>11,200.0</b>

ADF = Asian Development Fund.

<sup>a</sup> Includes Special Funds.

Source: Asian Development Bank's Loan and Financial Information System database.

43. Over the ADF I-V period, Group A countries consistently received the highest share of ADF resources, averaging 85 percent of the total. Within the group, the major four borrowers (Bangladesh, Nepal, Pakistan, and Sri Lanka) accounted for 76 percent of the total, the balance of 24 percent being shared by the 22 other DMCs. While this may seem incompatible with ADB's mandate of giving special regard to the smaller and less developed DMCs, allocation on a per capita basis shows that the latter group of DMCs did receive a proportionately bigger allocation (Appendix 7). The share of Group B DMCs steadily declined from 24 percent in ADF I to 4 percent in ADF IV as Indonesia, Philippines, and Thailand were denied access to the ADF starting in 1983. During ADF V, however, Indonesia and the Philippines were allowed access to the ADF, totaling \$900 million, on a temporary basis as both countries experienced serious economic difficulties. This raised Group B's share to 22 percent during ADF V. Group C countries (namely Republic of Korea, Malaysia, and Singapore), which had availed of concessional resources during the SF period and the early years of the ADF, graduated from ADF lending.

44. By region, South Asia accounted for the highest share of the ADF, averaging 77 percent of the total. Southeast Asia, on the other hand, experienced a steady decline in share from almost 40 percent in ADF I to less than 6 percent in ADF IV. Lending operations in Cambodia and Viet Nam ceased during ADF II due to political problems. The increase in the share of Southeast Asia to 23 percent during ADF V was due mainly to the temporary access to the ADF of Indonesia and the Philippines. The Pacific DMCs have maintained their share at about 4 percent throughout the period, but the absolute amounts have been increasing following the trend in growth of contributed resources.

## 2. By Sector

45. The ADF I-V allocation pattern compared with that of OCR during the same period highlights the differences in sectoral priorities between the two types of funds (Table 3). While almost half (47 percent) of the ADF resources were invested in agriculture, this sector accounted for only 17 percent of OCR loans. By contrast, ADF allocations for energy, transport and communications, finance and, surprisingly, social infrastructure were lower in relative terms

than the OCR allocations. By and large, this pattern reflected the different needs targeted by the two types of funds, which served DMCs in different stages of development.

**Table 3: Trends in Allocation Pattern of ADF I-V Resources (Net Loan Amount) by Sector (percent)**

Sector	ADF I <sup>a</sup>	ADF II	ADF III	ADF IV	ADF V	ADF I-V	OCR
	1969-1975	1976-1978	1979-1982	1983-1986	1987-1991	1969-1991	1969-1991
Agriculture	47.6	52.2	54.0	46.5	44.7	47.1	17.0
Energy	27.0	9.4	21.6	22.0	11.7	16.1	28.6
Industry		10.8	0.7	1.0	6.0	4.2	3.4
Transport and Communications	13.7	5.5	2.3	12.5	12.8	10.9	20.6
Social Infrastructure	6.3	14.5	12.7	8.2	15.1	12.6	16.3
Finance	5.4	7.6	8.4	6.2	6.6	6.7	13.7
Multisector			0.2	3.7	3.0	2.4	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total (\$ million)</b>	<b>592.0</b>	<b>778.0</b>	<b>1,494.0</b>	<b>2,660.0</b>	<b>5,676.0</b>	<b>11,200.0</b>	<b>20,124.0</b>

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

<sup>a</sup> Includes Special Funds.

Source: Asian Development Bank's Loan and Financial Information System database.

46. Given the heavy dependence of most DMCs on agriculture for food, employment, and foreign exchange earnings, it is not surprising that the sector consistently accounted for the biggest share of the ADF. During ADF I and II, lending to the sector focused on food production, especially rice-based irrigation projects. During ADF III, the focus on increasing agricultural output continued, but more emphasis was given to equity and social dimensions. This led to the incorporation of more socially oriented components in project formulation such as fisheries, livestock, community forestry, and integrated rural development projects.

47. The second largest allocation went to the energy sector. ADB responded to the sharp increase in oil prices in 1973 by significantly increasing its ADF lending to help oil-dependent DMCs develop their domestic resources, particularly hydropower and geothermal sources, and diversify their energy supply through coal and natural gas. ADB responded similarly during the second oil crisis in 1978-1980 (during ADF III) and through ADF IV.

48. During ADF I, the focus in the transport and communications sector was on upgrading existing roads. The emphasis later shifted to rehabilitating old roads and roads linking rural and urban areas. During ADF IV and ADF V, a number of projects were for the modernization of port terminals to handle containers and bulk cargoes. Telecommunications, likewise, received significant support, particularly the opening of international gateways, long-distance systems, and local networks.

49. A significant allocation was provided to industry and nonfuel minerals during ADF II in support of the DMCs' import substitution strategy. This included large projects in cement, petrochemicals, and fertilizer plants. In the later years of ADF V, emphasis shifted to enhancing the efficiency of state-owned enterprises and promoting small and medium enterprises, particularly those geared to exports.

50. In the social infrastructure sector, the investment thrust changed as ADB responded to the changing needs of its DMCs. In education, the main thrust until ADF IV had been in technical education and vocational training as well as in science and technology. During ADF V,

the emphasis shifted to basic education (primary, lower secondary, nonformal). In health, the emphasis shifted to primary health care, women's reproductive health in the rural areas, and community-level health services, especially to the poor—financing small clinics and health outlets vis-à-vis district and tertiary care hospitals. Investments in water supply and sanitation, drainage and flood protection, solid waste collection and disposal, and low-cost housing increased in ADF V, reflecting the increasing rate of urbanization. The renewed emphasis on social infrastructure during ADF V, and the consequent decline in share of agriculture and energy sectors, reflected priority changes in the country strategies.

51. The finance sector maintained its relative share throughout the period. Projects consisted mainly of credit lines to development finance institutions (DFIs) to support the financing requirements particularly of small and medium enterprises. Allocations for multisector loans, which received more attention during ADF IV and ADF V, were intended to assist mainly the small DMCs of the Pacific, Bhutan, and Maldives.

### 3. By Lending Modality

52. The relative shares of lending modalities through which ADF resources were transferred to DMCs likewise changed over time. Although project lending continued to be the main lending vehicle, its share declined over time (Table 4).

**Table 4: Trends in Allocation Pattern of ADF I-V Resources (Net Loan Amount) by Lending Modality (percent)**

Lending Modality	ADF I <sup>a</sup> 1969-1975	ADF II 1976-1978	ADF III 1979-1982	ADF IV 1983-1986	ADF V 1987-1991	ADF I-V 1969-1991
Project Loan	94.6	91.5	80.2	65.8	56.0	66.1
Program Loan		0.8	4.6	9.6	26.4	16.4
Sector Loan			1.8	12.2	11.2	8.8
DFI Credit Line	5.4	7.6	8.4	8.7	3.2	5.6
Others <sup>b</sup>			5.0	3.7	3.1	3.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total (\$ million)</b>	<b>592.0</b>	<b>778.0</b>	<b>1,494.0</b>	<b>2,660.0</b>	<b>5,676.0</b>	<b>11,200.0</b>

ADF = Asian Development Fund, DFI = development finance institution.

<sup>a</sup> Includes Special Funds.

<sup>b</sup> Includes agricultural credit, technical assistance loan, and multiproject loans.

Source: Asian Development Bank's Loan and Financial Information System database.

53. The major change in the mix of lending modalities was the increasing share of program and sector loans. Introduced in 1978, the quick disbursing program loan was ADB's response to the adverse impact of the 1978 oil crisis. It was intended initially to increase utilization of productive capacities in DMCs that were underutilized due to shortage of foreign exchange for imported inputs such as spare parts and raw materials. In 1987, the program lending policy was substantially revised, changing its focus from financing inputs to supporting policy reforms. The share of program loans increased from 5 percent in ADF III to 26 percent in ADF V. Sector loans were introduced in 1980 to finance a cluster of subprojects within a specific sector. The relatively large size of program and sector loans gave ADB the leverage to engage in substantive policy dialogue. The increase in the share of program loans reflected the importance ADB gave to promoting a conducive policy environment under which the projects were to be implemented, and to the need to strengthen the institutional capacities.

## C. ADF Contribution to Aggregate and Individual DMC's Net Resource Flows

### 1. Contribution to Aggregate Net Resource Flows

54. The ADF-borrowing DMCs attracted considerable amounts of external resources during the period 1969-1991, totaling about \$175 billion (Table 5).

**Table 5: Aggregate Net Resource Flows<sup>a</sup> to ADF-Borrowing DMCs by Source and by Commitment Period**  
(\$ million)

Source	ADF I <sup>b</sup> 1969-1975	ADF II 1976-1978	ADF III 1979-1982	ADF IV 1983-1986	ADF V 1987-1991	Cumulative 1969-1991
Official <sup>c</sup>	12,676.0	15,032.0	26,340.0	28,314.0	59,357.0	141,719.0
of which: ODA	9,263.0	7,049.0	21,272.0	21,245.0	43,910.0	102,739.0
Private flows	4,069.0	4,477.0	9,463.0	4,965.0	9,550.0	32,524.0
Total net flows	16,745.0	19,509.0	35,803.0	33,279.0	68,907.0	174,243.0
% of ODA to total net flows	55.3	36.1	59.4	63.8	63.7	59.0
Net transfer of ADF resources	144.0	284.0	523.0	1,196.0	3,789.0	5,935.0
% of ADF to total net flows	0.9	1.5	1.5	3.6	5.5	3.4
% of ADF to total ODA	1.6	4.0	2.5	5.6	8.6	5.8

ADF = Asian Development Fund, DMC = developing member country, ODA= official development assistance.

<sup>a</sup> Net flows are defined as gross disbursements less repayments of previous loans. The DMCs included are all ADF borrowers excluding Group C, all of which have since graduated.

<sup>b</sup> Includes Special Funds.

<sup>c</sup> Official non-ODA includes official bilateral transactions that are not sufficiently concessional (i.e., they have a grant element of less than 25 percent) or which, even though they have concessional elements, primarily facilitate exports.

Source: Asian Development Bank's Key Indicators, various issues.

55. Net resource flows steadily increased throughout the period, except during ADF IV when they slightly declined due to unfavorable developments in the economies of the developed countries. Official sources, both bilateral and multilateral, accounted for more than 80 percent of the cumulative total while private sources provided the balance of close to 20 percent. Official development assistance (ODA) accounted for about 73 percent of official flows and close to 60 percent of total net flows.

56. The share of the ADF in the total net flows increased from an average of 0.9 percent during ADF I to 5.5 percent during ADF V. The average percentage shares relative to ODA were 1.6 and 8.6 percent, respectively, during the same commitment periods. While the rate of increase of ADF net flows to its poorer DMCs over the years may have been significant, the amounts still remained small relative to the total flows and to the DMCs' need for assistance. Being mainly a supplementary resource, the importance of the ADF to the DMCs depended on its use to meet particular needs where it could have significant impact.

### 2. ADF Contribution to Individual DMC's Net Resource Flows

57. The investment rates<sup>22</sup> of most low-income DMCs are generally too low to be able to fuel a sustained growth in income per capita. High investment rates entail high savings rates. But among poorer DMCs, savings rates are low to begin with, precisely because of low income per capita. Although both savings and investment rates may be raised through appropriate domestic

<sup>22</sup> Gross domestic investment as percentage of GDP. The gross domestic investment is equal to the gross fixed capital formation plus increase in stock.

policy measures, the resource gap is oftentimes too large to be filled without external assistance. External resource flows are, therefore, indispensable if DMCs are to achieve even a modest growth rate in income per capita. The contribution of ADF net flows to the total net resource flows in the various DMCs is shown in Table 6. Details are in Appendix 8.

**Table 6: Share of ADF Net Flows in Aggregate Net Resource Flows<sup>a</sup> to Selected DMCs (percent)**

DMC	ADF I <sup>b</sup> 1969-1975	ADF II 1976-1978	ADF III 1979-1982	ADF IV 1983-1986	ADF V 1987-1991	ADF I-V <sup>b</sup> 1969-1991
<b>Group A</b>						
Bangladesh	0.7	2.1	3.3	7.8	13.1	7.7
Lao People's Dem. Rep.	1.3	1.6	4.6	4.2	8.9	5.9
Myanmar	1.0	13.2	5.7	7.9	6.0	6.9
Nepal	6.3	7.6	6.7	13.0	12.2	11.0
Pakistan	0.5	1.3	2.1	10.1	11.4	6.5
Samoa	17.6	18.0	13.8	11.5	18.0	16.0
Sri Lanka	2.5	5.4	2.2	4.8	12.6	7.2
<b>Group B</b>						
Indonesia	0.6	0.7	0.0	0.0	1.0	0.6
Papua New Guinea	0.1	1.2	1.6	0.6	3.4	1.6
Philippines	0.4	0.1	0.2	0.9	3.8	1.7
Thailand	0.0	0.3	0.1	0.9	0.0	0.2

ADF = Asian Development Fund, DMC = developing member country.

<sup>a</sup> Aggregate resource flows and ADF flows are net of repayment. Aggregate net resource flows refer to the sum of official and private flows. Official flows are long-term public and publicly guaranteed debt from official creditors and grants. Private flows are the sum of net foreign direct investment, portfolio equity flows, net flows of public debt, and private nonguaranteed debt.

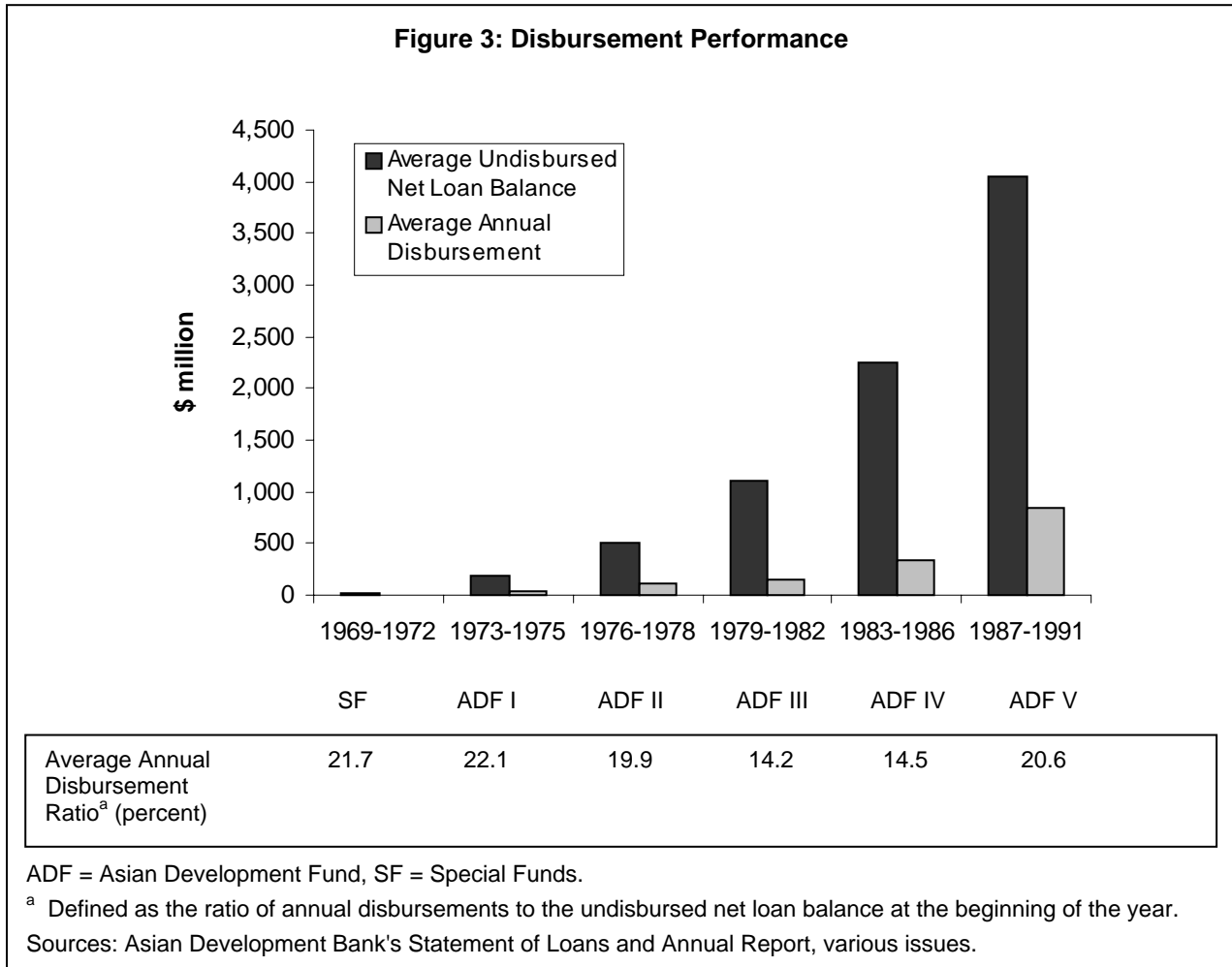
<sup>b</sup> Includes Special Funds.

Source: Asian Development Bank's loan operations, 2000.

58. The relative importance of the ADF as a source of external assistance varied widely among the borrowing DMCs, and during different times within each DMC. Among Group A DMCs, the average share of the ADF to the aggregate net resource flows ranged from 6 percent in the Lao PDR to 16 percent in Samoa. For the latter, the ADF has clearly been an important source of external resources. For the major borrowers (Bangladesh, Nepal, Pakistan, and Sri Lanka), the contribution during ADF I-III to their total resource flows was small. Starting in ADF IV, however, the share rose to 13 percent and 10 percent in Nepal and Pakistan, respectively. During ADF V, the share in these four borrowers' aggregate net resource flows ranged from 11 to 13 percent. These increases of the ADF share in the total flows to the DMCs reflected the significant increases of country contributions to the ADF during these two commitment periods. For Group B DMCs, ADF's contribution was rather limited, though it slightly rose in Papua New Guinea and the Philippines during ADF V.

#### D. Disbursement Ratio

59. The rate at which concessional resources are transferred to the poorer DMCs as indicated by the disbursement ratio is an important consideration in development lending. Two main factors generally determine the ratio: the capacity of ADB to deliver as a delivery system, and the capacity of DMCs to absorb the resources delivered. The experience with ADF I-V in this regard is depicted in Figure 3. Details are in Appendix 9.

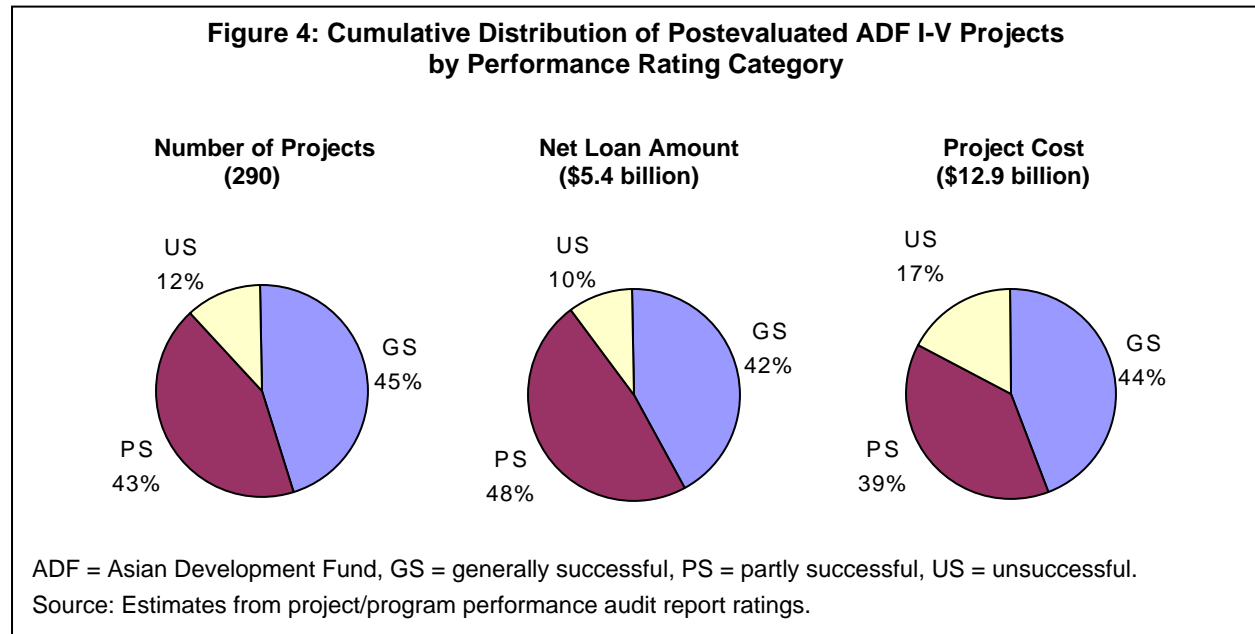


60. When the resources mobilized and loan approvals were relatively small, as in SF and ADF I-II, disbursement ratios averaged about 20 percent. During ADF III, however, when the resources mobilized and approvals increased significantly, the average disbursement ratio dropped to about 14 percent and did not change much during ADF IV. It seems that although additional resources were available, the poorer DMCs could only take in so much, and that delivering more might have resulted in inefficient use of scarce resources. There were a number of factors, which contributed to the low disbursement ratio, such as the weak institutional capacity of the EAs and the lack of counterpart funds on the part of DMCs, and the procurement procedures and disbursement requirements on the part of ADB. During ADF V, the average disbursement ratio exceeded 20 percent again. This was mainly due to the significant increase in quick-disbursing policy-based program loans from a 9.6 percent share in ADF IV to 26.4 percent in ADF V, as ADB through policy dialogue put more emphasis on improving the policy environment of DMCs.

## VI. PROJECT PERFORMANCE

### A. Cumulative Performance Ratings

61. To provide indications on the effectiveness of its lending and learn lessons from this, ADB routinely postevaluates a sample of completed projects.<sup>23</sup> Of the 488 projects funded under ADF I-V, 290 (59 percent) have been postevaluated. These projects received a net loan amount totaling \$5.4 billion and their total cost amounted to \$12.9 billion. The cumulative distribution of these projects, and of their loan amount and cost, by performance rating category, is shown in Figure 4.



62. In about 45 percent of the postevaluated projects, the expected benefits were generated; in another 43 percent, the benefits were significant, but less than expected; but in 12 percent the benefits were substantially below expectations.<sup>24</sup> Certainly, there were gaps between expected and actual results. This observation is supported by estimates of the economic internal rate of return (EIRR). For the 80 projects where EIRRs were estimated both at appraisal and during postevaluation, the average rates were 26.6 percent and 15.8 percent, respectively. The returns were lower than expected, although they were still above the opportunity cost of capital of 12 percent.

63. The most obvious room for improvement is in the group of projects rated unsuccessful. Although the proportion appears relatively small, the absolute amounts involved are substantial. Assuming that the proportion of projects rated unsuccessful holds true for all the 488 ADF I-V projects, there could be around 57 projects in this category with a total net loan amount of about \$1.1 billion and total project cost of about \$3.9 billion. This does not include the cost of less productive and unproductive components in projects rated partly successful, which could also be substantial. The cost impact to the borrowing DMCs is twofold: the direct expenditure of their

<sup>23</sup> Currently about 40 percent of completed projects are postevaluated, the sample drawn from projects with project completion reports and at least three years of operational history.

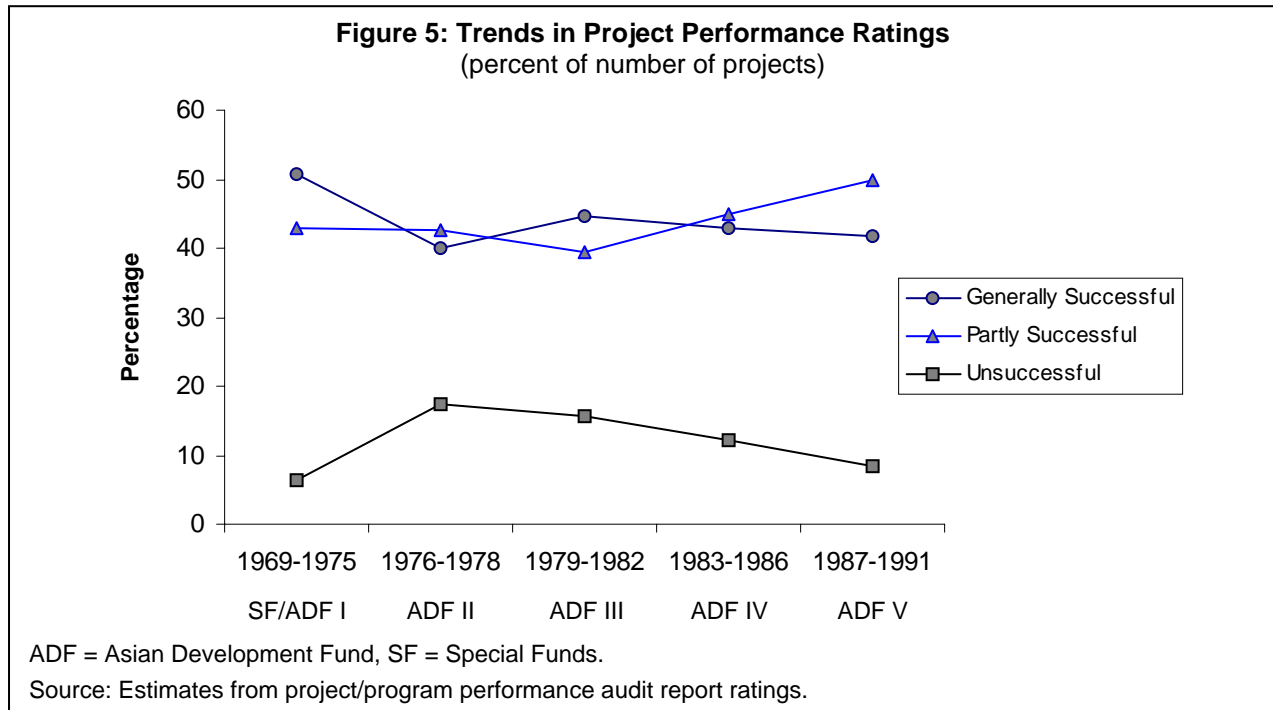
<sup>24</sup> In comparison, of 324 OCR projects postevaluated during the same period, 65 percent were rated as generally successful, 24 percent partly successful, and 10 percent unsuccessful.

own resources through the local counterpart funds, and the burden of repaying unproductive loans. An unsuccessful rating, however, does not mean that the funds used were totally wasted. In many cases, the physical infrastructure remains, albeit underutilized and not well maintained. They are still usable, or may be rehabilitated for the planned or other purposes.

## B. Trends in Project Performance Ratings

### 1. Overall Trends

64. Over the ADF I-V period, variations in the proportions of projects under the three rating categories were significant (Figure 5 and Appendix 10).



65. During ADF I, 51 percent of the 77 postevaluated projects were rated generally successful, about 43 percent partly successful, and 6 percent unsuccessful. Starting with ADF II, three trends were observed: (i) the relatively steady share of projects rated generally successful ranging from 40 to 45 percent, (ii) the continuous decline of projects rated unsuccessful from 18 percent in ADF II to 8 percent in ADF V, and (iii) the increase in projects rated partly successful from 42 percent in ADF II to 50 percent in ADF V. While there appears to be an upward trend in overall performance, the improvement has been from unsuccessful to partly successful.

### 2. Trends at the Subgroup Levels

66. The overall trends can be explained further by looking at trends at the subgroup levels in terms of eligibility, region, sector, and lending modality. To facilitate the analysis, the three rating categories were assigned numerical equivalents on an integer scale to come up with a single average or mean rating. The actual distribution of performance ratings is shown in Appendix 11. A note of caution should, however, be raised in drawing inferences from the data in Appendix 11 because, in many cases, the sample, especially at the subsector level, is small.

### a. By Eligibility and by Region

67. The trends in the project performance of Group A and B DMCs during the different ADF commitment periods were mixed (Table 7). After a drop from the performance level during ADF I, the mean ratings of projects in Group A DMCs gradually increased suggesting an improving institutional capacity to implement and manage projects. On the other hand, there was no real trend for Group B DMCs. Group C showed the highest average performance, but there were very few projects in this category, implemented during the early years of concessional lending operations.

**Table 7: Trends in Performance Rating<sup>a</sup> by Eligibility Classification and by Region**

Subgroup	ADF I <sup>b</sup> 1969-1975		ADF II 1976-1978		ADF III 1979-1982		ADF IV 1983-1986		ADF V 1987-1991		Cumulative 1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
<b>Eligibility</b>	<b>77</b>	<b>1.44</b>	<b>40</b>	<b>1.23</b>	<b>76</b>	<b>1.29</b>	<b>49</b>	<b>1.31</b>	<b>48</b>	<b>1.32</b>	<b>290</b>	<b>1.33</b>
Group A	48	1.42	34	1.21	66	1.28	45	1.33	31	1.33	224	1.31
Group B	26	1.46	6	1.33	10	1.40	4	1.00	17	1.29	63	1.37
Group C	3	1.67									3	1.67
<b>Region</b>	<b>77</b>	<b>1.44</b>	<b>40</b>	<b>1.23</b>	<b>76</b>	<b>1.29</b>	<b>49</b>	<b>1.31</b>	<b>48</b>	<b>1.32</b>	<b>290</b>	<b>1.33</b>
Southeast Asia	38	1.39	4	1.50	13	1.46	3	1.67	19	1.26	77	1.39
South Asia	31	1.52	24	1.21	49	1.31	34	1.38	25	1.36	163	1.36
Central Asia									1	2.00	1	2.00
Pacific	8	1.38	12	1.17	14	1.07	12	1.00	3	1.30	49	1.14

ADF = Asian Development Fund, N = number of projects, R = mean rating.

<sup>a</sup> 2 = generally successful, 1 = partly successful, 0 = unsuccessful.

<sup>b</sup> Includes Special Funds.

Source: Estimates from project/program performance audit report ratings.

68. By region, the trends in average project performance for Southeast Asia and South Asia were mixed. The former showed better project performance ratings during ADF II and ADF IV, and the latter during ADF I, ADF IV, and ADF V. There has been an upward trend in project performance in South Asia starting in ADF III. The overall performance ratings of Pacific DMCs were lower than those in the other regions. This can be explained by several factors: remoteness, poor infrastructure, low commodity prices of traditional exports, land tenurial issues, very low revenue base, and low private sector investment due to lack of economies of scale.

### b. By Sector

69. Among sectors, the highest success rates were for projects in energy, transport and communications, and industry, with mean ratings of 1.70, 1.62, and 1.50, respectively, compared with the overall average of 1.33 (Table 8). Multisector projects also had relatively high success rates. Agriculture, which accounted for about 43 percent of the total number of projects, had mean ratings consistently slightly below average, brought down by the performance of some projects with social dimensions such as fisheries, livestock, and community forestry. Social infrastructure was slightly below agriculture. Projects in the financial sector had the lowest success rates throughout the ADF I-V periods, with an overall mean rating of 0.80. These observations suggest that the nature of the project activity affects project performance. Based on factors that affect performance as cited in the PPARs (Table 10), it appears that, in projects where there is less need to interact with beneficiaries and intermediary bodies (nongovernment organizations, community-based organizations, and the local community) such as power

facilities, roads, ports, and telecommunication projects, the success rates tend to be high. On the other hand, for projects where the need for human interaction is more intense, the rate of success tends to be lower. Thus, poverty-focused projects with large social components, and which require a lot of human interaction, tend to have lower success rates if the capacity to deal with these dimensions is not addressed adequately. Table 8 shows the trends in project performance of the various sectors during ADF I-V.

**Table 8: Trends in Performance Rating<sup>a</sup> by Sector**

Sector	ADF I <sup>b</sup>		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
Agriculture	37	1.24	16	1.25	33	1.27	21	1.29	18	1.22	125	1.25
Energy	18	1.67	3	1.67	12	1.58	9	1.78	4	2.00	46	1.70
Industry			3	1.33	2	2.00			5	1.40	10	1.50
Transport and Communications	11	1.91	4	1.25	2	1.00	6	1.50	6	1.67	29	1.62
Social Infrastructure	6	1.50	7	1.29	14	1.21	7	0.86	8	1.13	42	1.20
Finance	5	1.00	7	0.86	11	0.91			5	0.80	28	0.89
Multisector					2	2.00	6	1.00	2	2.00	10	1.40
<b>Total</b>	<b>77</b>	<b>1.44</b>	<b>40</b>	<b>1.23</b>	<b>76</b>	<b>1.29</b>	<b>49</b>	<b>1.31</b>	<b>48</b>	<b>1.32</b>	<b>290</b>	<b>1.33</b>

ADF = Asian Development Fund, N = number of projects, R = mean rating.

<sup>a</sup> 2 = generally successful, 1 = partly successful, 0 = unsuccessful.

<sup>b</sup> Includes Special Funds.

Source: Estimates from project/program performance audit report ratings.

### c. By Lending Modality

70. A classification by lending modality shows quite diverging trends in project performance (Table 9).

**Table 9: Trends in Performance Rating<sup>a</sup> by Lending Modality**

Lending Modality	ADF I <sup>b</sup>		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
Project Loan	72	1.47	32	1.28	57	1.30	37	1.32	21	1.71	219	1.40
Program Loan			1	2.00	8	1.63	5	1.00	17	0.94	31	1.16
Sector Loan					1	2.00	5	1.20	6	1.33	12	1.33
DFI Credit Line	5	1.00	7	0.86	10	0.90	2	2.00	2	1.00	26	1.00
Others									2	1.00	2	1.00
<b>Total</b>	<b>77</b>	<b>1.44</b>	<b>40</b>	<b>1.23</b>	<b>76</b>	<b>1.29</b>	<b>49</b>	<b>1.31</b>	<b>48</b>	<b>1.32</b>	<b>290</b>	<b>1.33</b>

ADF = Asian Development Fund, DFI = development finance institution, N = number of projects, R = mean rating.

<sup>a</sup> 2 = generally successful, 1 = partly successful, 0 = unsuccessful.

<sup>b</sup> Includes Special Funds.

Source: Estimates from project/program performance audit report ratings.

71. Project loans showed the best overall performance among the lending modalities. The most significant improvement was experienced during ADF V when the mean rating rose to 1.71. Sector loan projects showed average performance. Program loans performed less well, with mean ratings showing a downward trend from 2.00 in ADF II to 0.94 in ADF V. DFI credit

lines posted the lowest performance ratings. It appears that the lending modalities, with their inherent characteristics such as the complexity of scope and the degree of control over the critical success factors, have a significant impact on project performance. Program loans, for instance, are more complicated than sector and project loans, and require more sophisticated implementation skills among the borrowing DMCs.

### C. Factors Affecting Project Performance

72. The project performance ratings inevitably raise the question why some projects performed well while others did not. The diversity of project types and the time and place of implementation make this question difficult to answer. The cumulative experiences in implementing such projects over the years, however, provide an indication of whether or not a factor or a variable impacts on project performance. A statistical test (Appendix 12, Table A12.1) was conducted to determine whether there were significant differences in average performance ratings of projects classified by DMC eligibility for the ADF, by region, by lending mode, by sector, and by project cost. The results showed, through a series of paired comparisons, that except for the classification by project cost, the differences in average performance ratings of projects were statistically significant. That is, the average performance ratings of projects under different ranges of project costs were about the same. However, the average performance ratings of projects in Group B countries were significantly higher than those of Group A countries; those in Southeast Asia and South Asia were significantly higher than those in the Pacific; those in the energy, transport and communications, and industry sectors, and multisector projects were significantly higher than those in the agriculture, social infrastructure, and financial sectors; and those related to project and sector loans were significantly higher than those in program loans and DFI credit lines.

73. In evaluating project performance, the PPARs cited certain factors that affected the projects either favorably or adversely. The frequency count of these factors is shown in Appendix 12, Table A12.2. Since most of the factors cited are related to design and implementation processes, many of them are controllable. They are summarized in Table 10.

**Table 10: Factors Affecting Project Performance**

<b>Predominantly Positive<sup>a</sup></b>	<b>Evenly Positive or Negative<sup>b</sup></b>	<b>Predominantly Negative<sup>c</sup></b>
<b>Controllable</b> <ul style="list-style-type: none"> <li>• Capacity building</li> <li>• Coordination with cofinanciers</li> </ul>	<b>Controllable</b> <ul style="list-style-type: none"> <li>• Preparatory studies</li> <li>• Accounting/financial system</li> <li>• Skills of staff</li> <li>• Policy environment</li> <li>• Familiarity with the Asian Development Bank procedures</li> </ul> <b>Noncontrollable</b> <ul style="list-style-type: none"> <li>• Political environment</li> <li>• World prices of commodities</li> <li>• Exchange rate fluctuation</li> </ul>	<b>Controllable</b> <ul style="list-style-type: none"> <li>• Monitoring mechanism</li> <li>• Management information system</li> <li>• Maintenance and operating expense budget</li> <li>• Bidding procedures</li> <li>• Consultation with beneficiaries</li> <li>• Timing in hiring of consultant</li> <li>• Interagency coordination</li> </ul> <b>Noncontrollable</b> <ul style="list-style-type: none"> <li>• Forces of nature</li> <li>• Country's culture</li> <li>• Geography</li> </ul>

<sup>a</sup> Positively affected more than 60 percent of the projects that mentioned the factor; can be improved.

<sup>b</sup> Affected between 40 and 60 percent of the projects either positively or negatively; needs attention.

<sup>c</sup> Negatively affected more than 60 percent of projects that mentioned the factor; needs urgent attention.

74. While the review of ADB's operational systems, processes, and procedures is a continuing activity, a major initiative was the Task Force on Improving Project Quality in 1993, which examined most of the factors in Table 10. Examples of measures to improve project quality include the use of the project design (logical) framework in all new projects and the project/program performance report for monitoring and managing project implementation, which form part of ADB's project performance management system,<sup>25</sup> and the guidelines for integrating social dimensions. It has been recognized, however, that even while the tools are in place, problems are still encountered in implementation. These are due, in some cases, to lack of good understanding of the use and application of the project design framework, and the perceived inflexibility of the project/program performance report as a management information tool. With continuing training and experience in the use of these tools, their impact on project quality will become evident over time.

## VII. IMPACTS

### A. General Considerations

75. This section summarizes the impacts of ADF operations in selected borrowing DMCs grouped broadly into three subregions: (i) the major ADF I-V borrowers in South Asia: Bangladesh, Nepal, Pakistan, and Sri Lanka; (ii) the major ADF I-V borrowers in Southeast Asia: Indonesia, Lao PDR, Myanmar, and Philippines; and (iii) the ADF I-V borrowers in the Pacific. Together, these three groups accounted for 98 percent of the total ADF I-V lending. Detailed information as to how the projects, loan amounts, and project costs were distributed by country and by subsector is in Appendix 13. An impact assessment for each DMC is given in Appendix 14.

76. The primary objective of the ADF is to provide concessional resources for the economic and social development of DMCs, particularly the less developed ones. The impact of ADF I-V on DMCs in achieving this objective was evaluated by looking into two major dimensions of the assistance provided—allocation and performance—as such impact obviously depended to a major extent on the amount of resources made available and the efficiency and effectiveness of their use. In the first dimension, considerations were as follows: how much was provided, did the resources go to DMCs that needed the assistance most, and how were the resources allocated among the different sectors within DMCs. In the second dimension, it was examined how the funded projects performed.

77. In paras. 54-56, it was shown that the ADF resources were small relative to the total requirements of the DMCs. To ensure that such scarce resources went to DMCs that needed it most, ADB's allocation decisions were guided by the eligibility criteria (mainly per capita GNP) and by the access criteria (mainly debt-repayment capacity), both of which were reviewed regularly to take into account changes in the economic conditions of DMCs. As shown in the actual allocation pattern, the ADF resources indeed went to DMCs that needed them most, mainly Group A DMCs with the lowest per capita GNP, particularly those in South Asia where the concentration of the poor was highest.

78. The allocation by sector and the choice of projects within sectors were largely dictated by the development needs of DMCs as well as by ADB's development strategies as they evolved over time. Alignment of projects with the DMCs' priority needs was enhanced by the country strategy studies and programming, which started in the mid-1980s. While the priorities of DMCs varied widely, in general, initial emphasis was given to projects that were designed to

<sup>25</sup> The system comprises the project design (logical) framework, project/program performance report (monitoring of indicators to provide feedback on project performance), and the project management information system.

promote economic growth: irrigation, electric power, industrial crops, fertilizer plants, water supply, and DFIs. As ADB's development strategy evolved to give greater importance to the social dimensions of development, significant shifts in the allocation pattern toward projects that more directly benefited the poor increased. The projects included agricultural support services, roads and road transport (mainly rural and farm-to-market roads), education, urban development and housing, and multisector loans for the small DMCs. Gender and environment issues began to appear in ADB's agenda during this period, but the actual allocation of resources targeting them remained small.

79. The project performance ratings provide indications on how efficiently and effectively the ADF I-V resources were utilized. A positive trend is shown for the ADF I-V portfolio as a whole: a steady decline in the proportion of projects rated unsuccessful from ADF II to ADF V, and a corresponding upward trend in the proportion of projects rated partly successful, while the number of projects rated generally successful remained more or less the same. Such improvement may be partly due to the TA provided by ADB, which aimed to enhance the DMCs' administrative and technical capabilities to design and implement development projects. Another factor was the strengthening and streamlining of ADB's own internal processes and procedures in project design and implementation. The policy-based lending program that was given more emphasis during ADF V may have also contributed in bringing about a policy environment more conducive to better project performance. Project performance among DMCs and sectors was mixed and, combined with the allocation pattern, the corresponding impact was likewise mixed.

## **B. The Major South Asian Borrowers**

80. Bangladesh, Nepal, Pakistan, and Sri Lanka received \$8.5 billion in net loan amount under ADF I-V, representing 76 percent of the total. Net flows from this amount accounted for 7.7 percent of the group's aggregate net resource flows from external sources. The ADF I-V loans funded 265 projects, with a total project cost of \$17 billion. Of the total number of projects, 155 or 58 percent have been postevaluated (Table 11).

81. Close to 50 percent of the postevaluated projects and related ADF I-V resources were in agriculture. While the results were mixed, in general, projects in this sector helped increase food grains production (due to expansion of the irrigated areas), cropping intensity and crop diversification, and application of fertilizer. Success rates of projects were average except in Sri Lanka, which had a relatively high proportion of projects rated partly successful and unsuccessful. It was also noted that the project benefits in the case of Nepal accrued more to the larger farm owners than to the small ones. Projects in the energy sector posted the best performance in all the four countries, resulting in increased generation capacity and system reliability in meeting the needs of the industrial, commercial, and residential customers, including those in remote villages. Projects in transport and communications also showed above average performance resulting in increased flow of goods and people; and reduced travel time between rural and urban areas, particularly in Nepal. On the other hand, projects in social infrastructure and development finance had the lowest success rates, particularly in Bangladesh and Pakistan.

82. More than 60 percent of the postevaluated projects had economic growth as the primary objective as they were designed to increase the productive capacity of the DMCs' economies. Considering their relatively good performance, it can be said that ADF I-V contributed significantly to economic growth and also indirectly contributed to poverty reduction in these DMCs. Projects designed to directly impact on the poor by generating employment and increasing income opportunities showed satisfactory performance in Bangladesh and Pakistan, but fell below expectations in Sri Lanka and Nepal. On the other hand, projects that had human

development as their primary objective performed rather poorly in Bangladesh, Nepal, and Pakistan. The environment projects, which were mainly community forestry in Nepal and Sri Lanka, performed well, resulting in enhanced forest cover and increased supply of fuelwood.

**Table 11: Performance by Sector and by SDO of ADF I-V Projects with PPAR in the Major Borrower DMCs<sup>a</sup> in South Asia**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>155</b>	<b>3,878.1</b>	<b>9,082.5</b>	<b>100.0</b>	<b>47.1</b>	<b>41.3</b>	<b>11.6</b>	<b>100.0</b>
Agriculture	76	1,855.9	4,449.4	49.0	42.1	46.1	11.8	100.0
Energy	27	730.7	2,096.8	23.1	85.2	11.1	3.7	100.0
Industry	6	324.7	530.3	5.8	50.0	16.7	33.3	100.0
Transport and Communications	13	254.8	896.9	9.9	69.2	23.1	7.7	100.0
Social Infrastructure	19	397.9	581.0	6.4	15.8	68.4	15.8	100.0
Finance	13	274.8	480.3	5.3	15.4	69.2	15.4	100.0
Multisector	1	39.4	47.8	0.5	100.0			100.0
<b>Primary SDO</b>	<b>155</b>	<b>3,878.1</b>	<b>9,082.5</b>	<b>100.0</b>	<b>47.1</b>	<b>41.3</b>	<b>11.6</b>	<b>100.0</b>
Economic Growth	97	2,820.9	7,389.8	81.4	52.6	37.1	10.3	100.0
Poverty Reduction	29	478.3	790.9	8.7	41.4	44.8	13.8	100.0
Human Development	22	486.9	791.2	8.7	27.3	54.5	18.2	100.0
Environment	6	49.5	57.7	0.6	66.7	33.3		
Women in Development	1	42.6	52.9	0.6		100.0		100.0

ADF = Asian Development Fund, DMC = developing member country, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

<sup>a</sup> Bangladesh, Nepal, Pakistan, and Sri Lanka.

Sources: Asian Development Bank's Loan and Financial Information System and PPARs.

### C. The Major Southeast Asian Borrowers

83. The 10 Southeast Asian borrowing DMCs received \$2.1 billion or 19 percent of the total net loan amount, which funded 122 projects with a total cost of \$5.2 billion. However, three of the DMCs—Republic of Korea, Malaysia, and Singapore—have since graduated from access to concessional resources. Four of the DMCs—Indonesia, Lao PDR, Myanmar, and Philippines—accounted for about 96 percent of the total loan amount to the region. The net flows from these loans contributed 2 percent to the aggregate net resource flows from external sources to these DMCs. Of the total 105 projects in the four DMCs, 63 projects or 60 percent have been postevaluated (Table 12).

84. Compared with that in South Asia, the allocation pattern of ADF resources in these DMCs showed a wider spread across sectors although agriculture still had the biggest allocation. Except in the Lao PDR, projects in this sector showed average performance. They contributed to higher crop yields through irrigation infrastructure, introduction of high-yielding varieties, and increased application of fertilizer. Increased household farm income and employment, and increased demand for agricultural labor were noted, particularly in Indonesia. Energy projects were generally more successful. In Indonesia, Lao PDR, and Myanmar, they expanded generation capacities and increased the number of rural connections. In the case of the Lao PDR, the projects also earned foreign exchange with exports of power to Thailand. Projects in transport and communications performed well. They generated a high traffic volume in terms of goods and people in the Lao PDR, and improved port efficiency and cargo handling

in the Philippines. Projects in social infrastructure performed below par. The more successful ones contributed to enhanced educational opportunities to the poor in Indonesia, Lao PDR, and Philippines; improved access of the poor to potable drinking water in Indonesia and the Lao PDR; and improved health care services in Myanmar.

**Table 12: Performance by Sector and by SDO of ADF I-V Projects with PPAR in the Major Borrower DMCs<sup>a</sup> in Southeast Asia**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>63</b>	<b>1,076.8</b>	<b>2,926.3</b>	<b>100.0</b>	<b>44.4</b>	<b>49.2</b>	<b>6.3</b>	<b>100.0</b>
Agriculture	29	410.2	1,202.8	41.1	37.9	51.7	10.3	100.0
Energy	11	73.8	161.4	5.5	54.5	45.5		100.0
Industry	2	83.3	174.0	5.9	100.0			100.0
Transport and Communications	6	120.0	293.5	10.0	83.3	16.7		100.0
Social Infrastructure	12	287.0	720.3	24.6	25.0	75.0		100.0
Finance	2	82.3	347.3	11.9		50.0	50.0	100.0
Multisector	1	20.2	27.1	0.9	100.0			100.0
<b>Primary SDO</b>	<b>63</b>	<b>1,076.8</b>	<b>2,926.3</b>	<b>100.0</b>	<b>44.4</b>	<b>49.2</b>	<b>6.3</b>	<b>100.0</b>
Poverty Reduction	10	91.8	315.6	10.8	60.0	30.0	10.0	100.0
Human Development	13	296.8	741.1	25.3	30.8	69.2		100.0
Environment	1	52.4	82.4	2.8		100.0		100.0

ADF = Asian Development Fund, DMC = developing member country, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

<sup>a</sup> Indonesia, Lao People's Democratic Republic, Myanmar, and Philippines.

Source: Asian Development Bank's Loan and Financial Information System and PPARs.

## D. The Pacific DMCs

85. The Pacific DMCs received \$471 million of concessional loans under ADF I-V, 4 percent of the total, equivalent to a cumulative per capita loan allocation of \$181 in constant 1990 prices and 1990 population. The net flows from ADF loans accounted for 2.8 percent of the aggregate net resource flows from external sources to the Pacific DMCs during the period. The ADF loan proceeds funded 81 projects with a total cost of \$800 million. Of these, 49 projects have been postevaluated, with performance ratings generally lower than those for the major ADF borrowers in the other regions (Table 13).

86. About 60 percent of the ADF I-V loans to the Pacific DMCs went to Papua New Guinea. The East and West New Britain Smallholder Development projects in Papua New Guinea resulted in higher cocoa and oil palm production, which generated substantial foreign exchange earnings thereby increasing annual farm income eightfold. The Coconut Mill Project in Samoa also generated foreign exchange for the country and provided employment opportunities. The other agriculture projects, however, such as fisheries in Solomon Islands and forestry in Samoa, fell far short of expectations. In the energy sector, hydropower projects largely succeeded in expanding generation capacity and displacing more costly diesel generation. Other infrastructure projects resulted in increased port handling capacity in Papua New Guinea and Solomon Islands, and increased volume of international passenger and cargo traffic, and increased trade and tourism in Tonga and Samoa. Social infrastructure projects in Papua New Guinea improved the quality of technical education, provided access to better health services to the rural population, and improved the supply of potable water to low-income urban residents.

Projects in the financial sector in Cook Islands, Solomon Islands, and Tonga were partly successful in establishing a framework for mobilizing private capital to support business expansion and modernization. The multisector projects in Tonga resulted in a substantial increase in cash income of a thousand small farmholders and fishermen, improved education opportunities and access to better health service and facilities, and promoted the development of small industries. In general, except for the East and West New Britain Smallholder Development projects, ADF I-V operations in agriculture in the region were below expectations as projects in that sector were mostly in industrial crops, which were subject to price volatility in the world markets. ADF operations were more successful in other areas, particularly in energy, transport and communications, and social infrastructure, and to a certain extent in finance and multisectors.

**Table 13: Performance by Sector and by SDO of ADF I-V Projects with PPAR in the Pacific DMCs**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>49</b>	<b>249.3</b>	<b>501.1</b>	<b>100.0</b>	<b>36.7</b>	<b>44.9</b>	<b>18.4</b>	<b>100.0</b>
Agriculture	11	94.7	177.2	35.4	27.3	36.4	36.4	100.0
Energy	5	18.2	67.8	13.5	40.0	60.0		100.0
Industry	1	0.4	0.6	0.1	100.0			100.0
Transport and Communications	8	47.3	105.2	21.0	75.0	12.5	12.5	100.0
Social Infrastructure	6	39.0	83.5	16.7	33.3	66.7		100.0
Finance	12	34.8	34.7	6.9		83.3	16.7	100.0
Multisector	6	14.9	32.0	6.4	66.7		33.3	100.0
<b>Primary SDO</b>	<b>49</b>	<b>249.3</b>	<b>501.1</b>	<b>100.0</b>	<b>34.7</b>	<b>44.9</b>	<b>20.4</b>	<b>100.0</b>
Economic Growth	37	170.0	313.5	62.6	37.8	43.2	18.9	
Poverty Reduction	5	37.7	97.4	19.4	40.0	20.0	40.0	100.0
Human Development	6	40.0	85.8	17.1	16.7	83.3		100.0
Environment	1	1.7	4.3	0.9			100.0	100.0

ADF = Asian Development Fund, DMC = developing member country, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

Source: Asian Development Bank's Loan and Financial Information System and PPARs.

## E. Other Impacts

87. **Institutional Development.** In about 85 percent of ADF I-V projects, some form of capacity-building aimed at strengthening the technical, financial, and administrative capacity of the EAs and/or beneficiaries. Depending on the sector, the emphasis varied. The assistance consisted of training and fellowships, streamlining of the management structure and functions of management units, and design and installation of management systems, such as financial and accounting systems, project supervision and monitoring systems, and operation and maintenance systems. Projects in agriculture provided fellowships and training to staff of EAs and to farmers to help them in adapting to new technologies. The power projects strengthened staff capabilities in power system planning and financial management including tariff design. In social infrastructure projects, training and consulting services enhanced the capabilities of management and staff in formulating sector policies, plans, and programs; establishing management information systems; and developing cost recovery schemes. While in general the results were satisfactory, the PPARs also cited a number of problems that lessened the effectiveness of the capacity-building components:

- (i) the short duration of the engagement of international consultants who were supposed to serve as agents of technology transfer to local counterparts;
- (ii) lack of competent counterpart staff;
- (iii) the inability to retain trained staff because of inadequate compensation and incentive system; and
- (iv) the highly centralized and rigid structures of EAs, which were not open to change.

88. The PPARs also noted that the capacity-building components of most projects focused mainly on achievement of quantitative targets, such as number of participants to be trained, with scant attention given to outcomes and qualitative aspects of institutional development, such as positive changes in attitudes and work habits of staff.

89. **Policy Environment.** Policy dialogue, which received more attention starting with ADF V, provided useful support to DMCs in their efforts to improve the policy environment at the macro and sector levels. Such dialogue touched a wide range of sensitive areas. In agriculture, these included agricultural pricing policies, subsidies for agricultural inputs, promotion of crop diversification, cost recovery mechanisms, and deregulation of agricultural trade. In energy, the focus was on pricing and maintaining the financial soundness of power utilities and strengthening the organization structure and management systems. In transport and communications, the policy discussions covered cost accounting systems and the introduction of appropriate tariffs and charges so that the EAs could operate without subsidy. In social infrastructure, the recurring themes were cost recovery, cross-subsidization or government subsidy, improvement of the financial management of the EAs, and staff development. In the financial sector, discussions focused on interest rate policies, relending policies of DFIs, strengthening of management systems, and the role of the private sector. The results were mixed, achieving satisfactory progress in certain areas in some DMCs, but no significant progress in others. A number of institutional and political constraints faced by DMC governments oftentimes resulted in failure to comply with loan covenants. Although the impacts of these efforts are difficult to measure, it is widely recognized that macroeconomic and sector policy frameworks are crucial in promoting economic growth and in improving project performance.

## VIII. OVERALL ASSESSMENT AND CONCLUSIONS

### A. Overall Assessment

90. The ADF I-V portfolio comprised 488 projects with a total loan amount of \$11.2 billion, cofinancing of \$3.5 billion, and total cost of \$23.2 billion. Net flows from ADF I-V resources contributed 3.4 percent to the aggregate net resource flows from external sources and 5.8 percent to the total ODA flows to the 26 borrower DMCs. The ADF resources were transferred to the DMCs mainly through project loans. During ADF V, however, program loans became a significant lending modality, accounting for about 26 percent of ADF V total lending as ADB put greater emphasis on policy dialogue to support policy reforms in the DMCs at the macro and sector levels. The disbursement ratio or rate of transfer of ADF resources to DMCs relative to outstanding commitments averaged 19 percent during the period, a level that can be improved.

91. The allocation of ADF resources focused on those DMCs with the lowest per capita GNP (the main eligibility criterion during the period) including Bangladesh, Nepal, Pakistan, and Sri Lanka, which accounted for 76 percent of the total loan amount. The cumulative loan per

capita (in constant 1990 prices and 1990 population) was \$18, with Southeast Asian DMCs receiving \$6, South Asian DMCs \$37, and Pacific DMCs \$181. While Pacific DMCs accounted for only 4 percent of the total loan amount, they had a disproportionately higher per capita allocation in response to the contributors' mandate that special attention be given to small and poorer DMCs, and also because lack of economies of scale resulted in higher per capita cost in implementing projects in these countries.

92. The bulk of ADF I-V resources (about 47 percent) went to agriculture, particularly to irrigation and rural development, because of the heavy dependence of the DMCs' economies on this sector and the fact that the majority of the population, especially the poor, lived in the rural areas. Significant allocations were also provided to energy (16 percent), social infrastructure (13 percent), and transport and communications (11 percent). This allocation pattern reflected ADB's general strategy during the period, which relied mainly on economic growth to reduce poverty, but with greater attention given to the social dimensions in ADF IV and V.

93. Based on PPAR ratings, project performance was mixed. Of the 290 postevaluated projects, 45 percent were rated generally successful, 43 percent partly successful, and 12 percent unsuccessful. Statistically significant differences in average performance ratings of projects were noted between Group A and Group B DMCs in favor of the latter, with physical infrastructure projects performing better than agriculture and social infrastructure projects. Among lending modalities, project loans performed significantly better than program loans and DFI credit lines, while sector loans were on a par with the overall average. In the 15 years between 1976 and 1991, there was a discernible improvement in project performance, reflected by a steady decline in the proportion of projects rated unsuccessful. However, there was a bigger increase in the proportion of projects rated partly successful (from 42 percent in 1976-1978 to 50 percent in 1987-1991) than in those rated generally successful (ranging from 42 to 44 percent during the same period). This suggests that there is still room for improvement in the efficient use of scarce concessional resources.

94. On the whole, the ADF I-V operations may be considered satisfactory. There were real achievements, but there were also gaps between expectations and results. Projects designed to enhance the DMCs' productive capacity, such as those in energy, transport and communications, and irrigation, promoted the DMCs' economic growth. Indirectly, they contributed to poverty reduction. On the other hand, projects designed to directly reduce poverty through increased employment and income opportunities, as well as those designed to enhance the general well-being of the poor, while making positive contributions to these objectives, generally produced results below expectations. Lessons have been learned and have been or are being considered in the design and implementation of subsequent projects. They include the need for thorough project preparation considering not only the technical and financial aspects, but the local culture as well; the need for real beneficiary participation to develop a sense of ownership of the project; the need to enhance the capability of ADB staff to deal with stakeholders at the grassroots level; the need to thoroughly assess the capability of the EA to match the requirements of the project and to remedy the gap, if any, through appropriate TA; the need for long-term commitment to a sector or subsector in providing assistance; the need for vigilance to ensure transparency and accountability in project management; and the importance of a policy environment supportive of the project.

## **B. Conclusions**

95. The fastest growing region in the world during the past three decades, the Asian and Pacific region, is still home to the largest number of the world's poor. Their number is growing even while their proportion relative to the total population is declining. The rationale for the ADF—providing concessionary terms from a special fund—continues to be valid today.

Experience in implementing ADF I-V provides insights that can help make future ADF operations more effective in addressing the poverty problem. It may be noted, however, that India and the PRC, which have the biggest proportion of the region's poor did not have access to ADF resources during the period under review.

### **1. Growth of Contributed Resources**

96. During the first five commitment periods, contributed resources grew, though at a decelerating rate, in absolute amount, percentage of the contributing countries' GNP (except for ADF V), and share in the aggregate net resource flows to the borrowing DMCs. While the share of the ADF in the aggregate net flows to the borrowing DMCs increased, such share remained small in relation to the total ODA.

### **2. Focus**

97. Based on the allocation pattern of ADF I-V, focus was achieved at the level of DMCs and of sectors and subsectors within the DMCs, and to some extent at the level of regions. What was not evident, however, was focus in terms of target beneficiaries. The portion of the ADF portfolio allocated for direct poverty intervention projects should concentrate on well-selected target beneficiaries and provide continuing assistance until they become thoroughly empowered. Indicators or milestones of successful empowerment need to be defined. A review of the appraisal reports and PPARs reveals that in most of the ADF I-V projects, the target beneficiaries were not clearly defined. Although social dimensions began to be integrated into projects toward the end of ADF V, the targeting of beneficiaries—who, where, and how many of the poor were expected to benefit—remained unclear for most projects.

### **3. Overall Project Impacts**

98. Consistent with ADB's development strategy during the ADF I-V period, a significant part of ADF resources was invested in physical infrastructure projects designed to enhance the DMCs' productive capacity to achieve economic growth. Given the high success rates of these projects, it can be said that the most significant impact of ADF I-V operations was in helping promote economic growth, particularly in Lao PDR, Myanmar, Nepal, Pakistan, and to some extent in Bangladesh and Sri Lanka, thus indirectly contributing to poverty reduction in these DMCs. On the other hand, projects designed to directly impact on the poor in terms of employment and income generation and enhanced well-being had mixed results. While projects in the education, irrigation and rural development, and forestry subsectors and multisector projects showed above-average performance, those in other subsectors, namely livestock, fisheries, industrial crops, agricultural support services, urban development and housing, water supply and sanitation, health and population, and development finance, generally fell below expectations. Other noteworthy impacts of ADF I-V are contributions, albeit limited, to the strengthening of the institutional capacity of EAs and to the promotion of more favorable policy environments in DMCs.

### **4. Implications for ADB's Strategic Directions**

99. The findings and observations have a number of implications for ADB's current strategic directions. The decision to go for direct and poverty-focused interventions implies a significant change in the profile of projects in the ADF portfolio in the next few years, i.e., more projects would (i) be smaller in size than the growth-oriented projects, to match the capacity of the target beneficiaries; (ii) require a lot of beneficiary participation and organizing, sometimes with the assistance of intermediary bodies; (iii) require longer period of continuing assistance until the beneficiary organizations or communities become self-governing; (iv) be in sectors or

subsectors that have high direct social impact on the poor, but which the study found have low project success rates; and (v) be in the poorer DMCs in Group A where the project success rates were also found to be lower. The factors that tend to put downward pressure on project performance related to items (iv) and (v) must be identified and addressed adequately.

**a. Need to Increase Disbursement Ratio**

100. The reality that the ADF is small relative to the total requirements of the DMCs does not diminish its potential to significantly contribute to poverty reduction. Use of the ADF can be made more effective. What is needed is a stronger focus to ensure a critical mass of assistance and meaningful impact on a defined target. To reach the maximum number of the poor given the available ADF resources, operational performance must be improved in two areas. The first is the rate of transfer of ADF resources or the disbursement ratio. Increasing the disbursement ratio depends essentially on addressing constraints on the part of the DMCs in terms of lack of counterpart funds and shortcomings in the institutional capacity of their EAs.

**b. Need to Increase Success Rate of Projects**

101. Increasing the success rate of projects in which ADF resources are used is the other major consideration. At the macro level, a number of initiatives designed to create an environment conducive to better project performance have already been taken. ADB has adopted poverty reduction as its overarching goal, and has developed a comprehensive strategy to combat poverty in the region.<sup>26</sup> New and complex policy initiatives have been consolidated in the Long-Term Strategic Framework, 2001-2015,<sup>27</sup> which charts ADB's agenda for the next 15 years, particularly for implementing the poverty reduction strategy. In recognition of the important role of the private sector in development, a wide-ranging private sector development strategy has been adopted.<sup>28</sup> The medium-term strategy (2001-2005) that bridges the long-term strategic framework and the activities over the next five years, provides guidance on how ADB should work with its DMCs to achieve its goals.<sup>29</sup>

102. At the operational level, other than the increase in number and change in skills mix of personnel in ADB, the operating processes, systems, and procedures are being reviewed, redesigned, and streamlined. A number of improvements have already been put in place and others are in different stages of implementation. A more systematic integration of design and implementation of projects is enforced through the project performance management system. Economic and sector work has been given more emphasis. These initiatives are expected to address, in due time, most of the factors that affect project performance cited in the PPAR. The reorganization of ADB is seen to improve ADB's capacity even more. Project loans should still be the main lending vehicle, not only because it is ADB's traditional strength, but also because poverty-focused projects should be within the capacity of the beneficiaries to manage. Program loans, although their impact on poverty reduction is mostly indirect, will continue to be important in creating a conducive policy environment, but their design, implementation, and monitoring need to be improved.

103. On the part of the DMCs, their increasing commitment to poverty reduction is evident as reflected in their development plans, policies, and programs. Poverty reduction partnership agreements between the government and ADB have already been signed in a number of DMCs, and further will follow. ADB is committed to support the DMCs' efforts in directly targeting

<sup>26</sup> R179-99: *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, 19 October.

<sup>27</sup> Sec.M17-01: *Long-Term Strategic Framework of the Asian Development Bank (2001-2015)*, 21 February.

<sup>28</sup> R78-00: *Private Sector Development Strategy*, 9 March.

<sup>29</sup> Sec.M101-01: *Medium-Term Strategy (2001-2005)*, 17 September.

the poor with the continued provision of concessional funds, and with TA grants to build local capacities to implement these projects.

## **5. Prospects for the Future**

104. Following the major shift in its poverty reduction strategy, ADB took a number of initiatives—mostly starting in ADF VI—designed to enhance the effectiveness and efficiency of its assistance to DMCs. At the macro level, articulating its SDOs and making poverty reduction ADB's overarching objective have given more focus to its development assistance. This has provided a unifying concept as the ultimate criterion for allocating ADF resources. This will ensure that, in the first place, ADB is "doing the right things." The other initiatives, particularly those aimed at streamlining and strengthening the processes, systems, and procedures in project identification, design, implementation, and monitoring and evaluation, will also ensure that ADB is "doing things the right way." There is every reason, therefore, to expect that responsiveness of the ADF portfolio to the needs of DMCs will be further enhanced, with higher success rates and greater development impacts.

## APPENDIXES

Number	Title	Page	Cited on (page, para.)
1	Comparative Distribution Pattern of All ADF I-V Projects and Projects with PPAR	35	2, 7
2	Selected Development Indicators of ADF I-V DMCs	36	3, 10
3	Country Contributions to ADF I-V	38	6, 16
4	DMCs' Share of Cofinancing (1969-1991)	39	7, 19
5	History of Eligibility Classification of DMCs	40	8, 25
6	Allocation of ADF I-V Resources (Net Loan Amount)	41	11, 41
7	Cumulative ADF Net Loan Amount Per Capita	45	13, 43
8	Aggregate Net Resource Flows from All Sources to Borrower DMCs	46	17, 57
9	ADF Loan Approvals, Disbursements, and Disbursement Ratio	48	17, 59
10	Performance Ratings of Postevaluated ADF I-V Projects (Number of Projects)	49	20, 64
11	Performance Ratings of Postevaluated ADF I-V Projects (Mean Rating)	53	20, 66
12	Factors Affecting Project Performance	57	23, 72
13	Distribution of Projects, Project Costs, and Loan Amounts Under ADF I-V	59	24, 75
14	Impact of ADF I-V Projects on Selected Borrower DMCs	62	24, 75

**COMPARATIVE DISTRIBUTION PATTERN OF ALL ADF I-V PROJECTS AND  
PROJECTS WITH PPAR**  
(percent)

ADF Series/ Region/Sector	No. of Projects			Loan Amount			Project Cost		
	All Projects	With PPAR	% With PPAR	All Projects	With PPAR	% With PPAR	All Projects	With PPAR	% With PPAR
<b>ADF Series</b>	<b>100.0</b>	<b>100.0</b>	<b>59.4</b>	<b>100.0</b>	<b>100.0</b>	<b>50.3</b>	<b>100.0</b>	<b>100.0</b>	<b>53.8</b>
ADF I	18.4	26.5	85.6	5.3	10.8	93.8	12.3	20.9	94.6
ADF II	10.7	13.8	76.9	6.9	11.3	80.7	10.2	15.1	81.9
ADF III	21.1	26.2	73.8	13.3	18.8	72.1	13.8	17.9	72.5
ADF IV	18.8	16.9	53.3	23.8	22.2	45.9	19.3	16.8	40.5
ADF V	30.9	16.6	31.8	50.7	36.9	37.0	44.3	29.3	37.1
<b>Region</b>	<b>100.0</b>	<b>100.0</b>	<b>59.4</b>	<b>100.0</b>	<b>100.0</b>	<b>50.3</b>	<b>100.0</b>	<b>100.0</b>	<b>53.8</b>
Southeast Asia	25.0	26.6	63.1	19.0	21.8	55.6	22.6	25.3	61.9
South Asia	58.2	56.2	57.1	76.8	73.2	48.5	73.8	70.6	51.0
Central Asia	0.2	0.3	100.0	0.3	0.3	100.0	0.1	0.2	100.0
Pacific	16.6	16.9	62.0	3.9	4.7	57.0	3.5	3.9	62.6
<b>Sector</b>	<b>100.0</b>	<b>100.0</b>	<b>59.4</b>	<b>100.0</b>	<b>100.0</b>	<b>50.3</b>	<b>100.0</b>	<b>100.0</b>	<b>53.8</b>
Agriculture	46.1	43.1	55.6	47.1	44.8	49.1	42.5	46.3	55.6
Energy	13.7	15.9	68.7	16.1	15.7	50.0	25.8	18.3	39.8
Industry	2.7	3.4	76.9	4.2	8.2	96.7	3.3	5.7	95.2
Transport and Communications	11.3	10.0	52.7	10.9	8.0	36.4	10.2	10.2	55.6
Social Infrastructure	13.5	14.5	63.6	12.6	14.4	54.7	11.2	11.9	59.1
Finance	8.8	9.7	65.1	6.7	7.3	52.3	5.3	6.7	70.4
Multisector	3.9	3.4	52.6	2.4	1.5	29.9	1.6	0.9	31.9
<b>Total/Value (\$'000)</b>	<b>488</b>	<b>290</b>	<b>59.4</b>	<b>11,194.0<sup>a</sup></b>	<b>5,365.0</b>	<b>50.3</b>	<b>23,193.0<sup>b</sup></b>	<b>12,868.0</b>	<b>53.8</b>

ADF = Asian Development Fund, PPAR = project/program performance audit report.

<sup>a</sup> Excludes five technical assistance loans amounting to \$6,389,924.

<sup>b</sup> Excludes five technical assistance loans with project cost amounting to \$7,115,116.

Source: Asian Development Bank's database.

SELECTED DEVELOPMENT INDICATORS OF ADF I-V DMCs

Table A2.1: Economic Indicators

Region/Country	Population (million)			Avg GNP Growth Rate (%)		GNP Per Capita (constant, 1995 US\$)			Avg Debt Service Ratio		Agricultural Production Index (1978-1981=100)					Electricity Production Index (1978=100)							
	1970	1990	CAGR (%)	1970- 1980	1981- 1990	1970	1990	CAGR (%)	1970- 1980	1981- 1990	1970	1980	1970-1980 CAGR (%)	1981	1990	1981-1990 CAGR (%)	1970	1980	1970-1980 CAGR (%)	1981	1990	1981-1990 CAGR (%)	
<b>Southeast Asia</b>	<b>314.1</b>	<b>480.4</b>	<b>2.2</b>	<b>6.9</b>	<b>5.2</b>	<b>722.3</b>	<b>1,767.7</b>	<b>4.6</b>															
Cambodia	7.1	8.6	1.0		1.7		237.0		32.8		244	105	(8.1)	107	211	7.0							
Indonesia	117.5	179.1	2.1	7.4	6.4	298.0	741.0	4.7	8.5	25.0	73	100	3.2	105	160	4.3	37	230	20	186	476 <sup>a</sup>	12.5	
Korea, Rep. of	32.2	42.9	1.4	7.4	9.3	2,171.0	7,960.0	6.7	12.4	16.6	65	89	3.2	104	113	0.8	29	118	15	128	342	11.5	
Lao PDR	3.0	4.1	1.6		2.1		320.0				74	102	3.3	108	164	4.3	10	191	34	225	165	(3.4)	
Malaysia	10.4	17.8	2.7	7.6	5.9	1,366.0	3,051.0	4.1	3.9	14.2	68	100	3.9	103	173	5.3	44	113	10	137	317	9.8	
Myanmar	27.0	40.8	2.1	4.7	1.3				16.9	41.4													
Philippines	36.7	62.1	2.7	5.8	1.8	829.0	1,058.0	1.2	8.4	22.1	66	99	4.1	104	114	0.9	56	115	8	119	169	4.0	
Singapore	2.1	2.7	1.3	8.9	7.8	6,208.0	20,465.0	6.1	0.9	1.5	57	100	5.8	121	119	(0.2)	63 <sup>b</sup>	118	9	127	265	8.5	
Thailand	36.4	56.1	2.2	7.0	7.8	762.0	1,977.0	4.9	3.2	15.8	62	100	4.9	105	124	1.7	34	114	13	122	335	11.9	
Viet Nam	41.9	66.2	2.3		2.8	180.0 <sup>c</sup>	202.0	2.3			76	100	2.8	100	158	4.7							
<b>South Asia</b>	<b>167.5</b>	<b>271.8</b>	<b>2.5</b>	<b>3.7</b>	<b>5.5</b>	<b>250.9</b>	<b>359.0</b>	<b>1.8</b>															
Afghanistan	12.5	16.1	1.3						17.5		82	100	2.0	101	84	(1.8)	46	113	9	119	132	1.2	
Bangladesh	69.7	106.8	2.2	2.4	5.0	237.0	281.0	0.9	10.1	18.6	87	105	1.9	100	126	2.3	56 <sup>d</sup>	120	10	133	329	10.6	
Bhutan	1.1	1.5	1.8		8.8	193.0 <sup>e</sup>	353.0	6.2		2.7							42 <sup>b</sup>	105	14	116	111 <sup>f</sup>	(0.6)	
Maldives	0.1	0.2	3.3		5.4	550.0 <sup>c</sup>	784.0	7.3	3.1	10.9							31	200	21	250	1,307	20.2	
Nepal	11.1	18.1	2.5	2.2	4.8	157.0	185.0	0.8	1.6	8.3	94	102	0.8	104	148	3.6	40	111	11	127	307 <sup>f</sup>	13.4	
Pakistan	60.6	112.1	3.1	5.3	6.2	266.0	425.0	2.4	18.9	22.7	74	99	3.0	104	155	4.1	72	123	6	133	312	9.9	
Sri Lanka	12.5	17.0	1.5	4.5	4.3	340.0	595.0	2.8	12.3	15.2	81	100	2.1	102	107	0.5	59	121	7	136	229	6.0	
<b>Central Asia</b>	<b>1.3</b>	<b>2.1</b>	<b>2.6</b>		<b>5.5</b>	<b>441.0<sup>c</sup></b>	<b>469.0</b>	<b>1.2</b>															
Mongolia	1.3	2.1	2.6		5.5	441.0 <sup>c</sup>	469.0	1.2															
<b>Pacific</b>	<b>3.0</b>	<b>4.6</b>	<b>2.1</b>	<b>3.2</b>	<b>1.8</b>	<b>921.1</b>	<b>898.8</b>	<b>(0.1)</b>															
Cook Islands	0.0	0.0	0.0	1.8													50	120	9	110	129	1.8	
Kiribati	0.1	0.1	1.7		2.5	1,018.0 <sup>c</sup>	925.0	(1.9)									33	83	10	100	117 <sup>f</sup>	2.3	
Marshall Islands	0.0	0.1	4.7		(2.0)		2,412.0																
Papua New Guinea	2.5	3.7	2.1	3.1	1.3	921.0	842.0	(0.4)	4.0	23.3	73	100	3.2	101	132	2.7	16	105	21	105	115 <sup>a</sup>	1.1	
Samoa	0.1	0.2	0.7		0.5	1,127.0 <sup>c</sup>	1,157.0	0.5	12.5	12.9							39	111	11	107	164 <sup>f</sup>	6.3	
Solomon Islands	0.2	0.3	3.5	5.7	7.6	423.0 <sup>d</sup>	769.0	3.4	1.0	4.4	57	101	5.9	102	132	2.6	45	115	10	120	200	5.8	
Tonga	0.1	0.1	1.1		1.5		1,479.0		0.6	2.3	74	103	3.4	105	91	(1.4)	57	143	10	171	286	5.9	
Vanuatu	0.1	0.2	3.2		3.0	1,730.0 <sup>c</sup>	1,697.0	(0.4)		1.4							45	105	9	105	147 <sup>f</sup>	4.9	
<b>Total</b>	<b>485.9</b>	<b>758.9</b>	<b>2.3</b>																				

ADF = Asian Development Fund, CAGR = compounded annual growth rate, DMC = developing member country, GNP = gross national product, Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> 1989 figure.

<sup>b</sup> 1973 figure.

<sup>c</sup> 1985 figure.

<sup>d</sup> 1972 figure.

<sup>e</sup> 1980 figure.

<sup>f</sup> 1988 figure.

Sources: Asian Development Bank's Annual Report and Key Indicators, various issues; and World Bank's World Development Indicators 2000 and Global Development Finance.

Table A2.2: Social Indicators

Region/Country	Gini Coefficient		Income Ratio of Highest 20% to Lowest 20%		% of Population Below Poverty Line		Adult Literacy Rate (%)		Gross Primary Enrolment Ratio		Life Expectancy (years)		Maternal Mortality (per 100,000 live births)		Infant Mortality (per 1,000 live births)	
	1975-1988	1989-1996	1980-1988	1989-1997	1980-1990	1992-1996	1970 <sup>a</sup>	1990	1970 <sup>a</sup>	1990	1970 <sup>a</sup>	1990	1980-1985	1990-1998	1970	1990
	Avg		Avg		Avg											
<b>Southeast Asia</b>																
Cambodia	—	0.4 <sup>b</sup>	—	—	—	30.0 <sup>b</sup>	—	—	—	—	—	—	500	470	161	122
Indonesia	0.3	0.4 <sup>c</sup>	4.7	5.6 <sup>c</sup>	25.0	11.3 <sup>c</sup>	57.0	84.0	77.0	—	47	60	450	450	141	63
Korea, Rep. of	0.4	0.3 <sup>c</sup>	—	—	5.0	—	88.0	96.0	102.0	107.0	59	70	42	20	53	12
Lao PDR	—	0.3 <sup>d</sup>	—	4.2 <sup>d</sup>	—	46.1 <sup>e</sup>	—	—	54.0	—	40	50	200	650	186	108
Malaysia	0.5	0.5 <sup>f</sup>	11.1	11.7 <sup>f</sup>	16.0	9.6 <sup>g</sup>	58.0	—	88.0	93.0	64 <sup>h</sup>	71	40	39	39	16
Myanmar	—	—	5.0 <sup>i</sup>	—	35.0 <sup>j</sup>	—	—	—	87.0	105.0	49	57	460	230	128	94
Philippines	0.5	0.5 <sup>b</sup>	8.7	12.7 <sup>k</sup>	54.0	35.0 <sup>b</sup>	83.0	94.0	108.0	113.0	56	66	209	170	60	42
Singapore	0.4	—	9.6	—	—	—	72.0	88.0	105.0	108.0	68	74	11	6	20	7
Thailand	0.5	0.5 <sup>d</sup>	8.3 <sup>i</sup>	—	30.0	—	79.0	93.0	83.0	99.0	58	68	270	44	75	38
Viet Nam	—	0.4 <sup>l</sup>	—	6.9 <sup>b</sup>	54.0	51.0 <sup>e</sup>	—	88.0	91.0 <sup>m</sup>	103.0	55	67	110	160	79	44
<b>South Asia</b>																
Afghanistan	—	—	—	—	53.0	—	10.0	—	28.0	—	36	—	600	—	211	164
Bangladesh	0.3	0.3 <sup>d</sup>	3.7	8.8 <sup>n</sup>	78.0	45.0 <sup>d</sup>	23.0 <sup>o</sup>	29.2	52.0	65.0	45	56	3,000	440	150	91
Bhutan	—	—	—	—	—	—	—	38.0	7.0	25.0	34	—	770	380	173	75
Maldives	—	—	—	—	—	40.0 <sup>b</sup>	—	—	—	—	47	—	—	350	106	60
Nepal	0.5	0.4 <sup>n</sup>	—	5.9 <sup>n</sup>	60.0	—	13.0	26.0	26.0	103.0	41	54	850	540	173	101
Pakistan	0.4	0.3 <sup>p</sup>	5.8	4.4 <sup>q</sup>	28.0	—	21.0 <sup>q</sup>	—	40.0	—	46	—	600	—	143	111
Sri Lanka	0.5	0.3 <sup>r</sup>	11.7	4.4 <sup>r</sup>	—	—	78.0	89.0	99.0	—	64	—	90	60	59	19
<b>Central Asia</b>																
Mongolia	—	0.3 <sup>g</sup>	—	5.6 <sup>g</sup>	—	15.8 <sup>g</sup>	—	—	—	79.0	—	—	156	150	92 <sup>g</sup>	63
<b>Pacific</b>																
Cook Islands	—	—	—	—	—	—	98.0	—	—	—	65 <sup>q</sup>	—	—	20	36 <sup>o</sup>	25
Kiribati	—	—	—	—	—	—	—	—	112.0 <sup>m</sup>	—	54 <sup>q</sup>	—	—	225	105	65
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63
Papua New Guinea	—	0.5 <sup>c</sup>	—	12.6 <sup>c</sup>	73.0	—	32.0	52.0	52.0	72.0	46	55	900	370	125	83
Samoa	—	—	—	—	—	—	98.0	—	75.0	—	61	—	—	70	48	27
Solomon Islands	—	—	—	—	—	—	9.0	—	61.0	84.0	51	62	—	550	52	29
Tonga	—	—	—	—	—	—	—	—	140.0 <sup>m</sup>	—	56 <sup>q</sup>	69	—	160	16	25
Vanuatu	—	—	—	—	—	—	—	—	—	—	—	—	—	68	—	56

— = no data available, Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> Unless noted, data refer to any year between 1969 and 1971.

<sup>b</sup> 1994 figure.

<sup>c</sup> 1996 figure.

<sup>d</sup> 1992 figure.

<sup>e</sup> 1992-1993 figure.

<sup>f</sup> 1989 figure.

<sup>g</sup> 1995 figure.

<sup>h</sup> Peninsular Malaysia only.

<sup>i</sup> 1975 figure.

<sup>j</sup> Average 1980-1989.

<sup>k</sup> 1980 figure.

<sup>l</sup> 1993 figure.

<sup>m</sup> 1968 figure.

<sup>n</sup> 1995-1996 figure.

<sup>o</sup> 1973 figure.

<sup>p</sup> 1991 figure.

<sup>q</sup> 1972 figure.

<sup>r</sup> 1990 figure.

Sources: Asian Development Bank's Key Indicators, various issues; and World Bank's World Development Indicators 2000.

## COUNTRY CONTRIBUTIONS TO ADF I-V

Economy	ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative ADF I-V	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%
<b>Nonregional</b>	<b>276.5</b>	<b>56.8</b>	<b>441.4</b>	<b>58.0</b>	<b>1,234.2</b>	<b>57.6</b>	<b>1,801.6</b>	<b>55.3</b>	<b>1,970.3</b>	<b>55.2</b>	<b>5,724.0</b>	<b>56.0</b>
Austria <sup>a</sup>			6.9	0.9	18.3	0.9	30.0	0.9	30.7	0.9	85.9	0.8
Belgium	4.7	1.0	7.3	1.0	18.0	0.8	28.8	0.9	28.2	0.8	87.0	0.9
Canada	10.0	2.1	76.4	10.0	170.6	8.0	283.0	8.7	293.0	8.2	833.0	8.2
Denmark	4.3	0.9	6.6	0.9	16.4	0.8	29.0	0.9	31.4	0.9	87.7	0.9
Finland <sup>b</sup>	3.8	0.8			14.4	0.7	25.8	0.8	28.2	0.8	72.2	0.7
France <sup>a</sup>					104.8	4.9	187.7	5.8	190.2	5.3	482.7	4.7
Germany	34.5	7.1	53.1	7.0	141.0	6.6	210.8	6.5	231.4	6.5	670.8	6.6
Italy	20.0	4.1	30.8	4.0	76.2	3.6	135.2	4.1	155.9	4.4	418.1	4.1
Netherlands	11.1	2.3	12.9	1.7	50.0	2.3	78.0	2.4	88.7	2.5	240.7	2.4
Norway	4.0	0.8	6.1	0.8	15.0	0.7	25.0	0.8	27.5	0.8	77.6	0.8
Spain							29.2 <sup>c</sup>	0.9	27.5 <sup>c</sup>	0.8	56.7	0.6
Sweden <sup>a</sup>			10.6	1.4	26.2	1.2	43.9	1.3	48.3	1.4	129.0	1.3
Switzerland	6.6 <sup>d</sup>	1.4	8.3	1.1	25.6	1.2	42.5	1.3	43.4	1.2	126.4	1.2
Turkey									39.2	1.1	39.2	0.4
United Kingdom	27.5	5.7	42.4	5.6	112.7	5.3	132.7	4.1	134.1	3.8	449.4	4.4
United States	150.0	30.8	180.0	23.7	445.0	20.8	520.0	16.0	572.6	16.0	1,867.6	18.3
<b>Developed Asian Economies</b>	<b>210.0</b>	<b>43.2</b>	<b>319.6</b>	<b>42.0</b>	<b>906.8</b>	<b>42.4</b>	<b>1,448.8</b>	<b>44.4</b>	<b>1,590.6</b>	<b>44.6</b>	<b>4,475.8</b>	<b>43.8</b>
Australia	27.0	5.5	41.6	5.5	110.5	5.2	230.4	7.1	281.7	7.9	691.2	6.8
Japan	177.0	36.4	272.6	35.8	792.1	37.0	1,212.1	37.2	1,294.8	36.3	3,748.6	36.7
New Zealand	6.0	1.2	5.4	0.7	4.2	0.2	6.3	0.2	14.1	0.4	36.0	0.4
<b>Nonborrowing Economies</b>							<b>6.5</b>	<b>0.2</b>	<b>5.9</b>	<b>0.2</b>	<b>12.4</b>	<b>0.1</b>
Hongkong, China							1.0	0.0	1.0	0.0	2.0	0.0
Korea, Rep. of							3.5	0.1	4.9	0.1	8.4	0.1
Taipei, China							2.0	0.1			2.0	0.0
<b>Borrowing Economy</b>							<b>3.0</b>	<b>0.1</b>	<b>2.0</b>	<b>0.1</b>	<b>5.0</b>	<b>0.0</b>
Indonesia							3.0	0.1	2.0	0.1	5.0	0.0
<b>Total</b>	<b>486.5</b>	<b>100.0</b>	<b>761.0</b>	<b>100.0</b>	<b>2,141.0</b>	<b>100.0</b>	<b>3,259.9</b>	<b>100.0</b>	<b>3,568.8</b>	<b>100.0</b>	<b>10,217.2</b>	<b>100.0</b>

ADF = Asian Development Fund.

<sup>a</sup> Austria and Sweden did not participate in ADF I while France did not participate in ADF I and II.

<sup>b</sup> Finland did not participate in ADF II.

<sup>c</sup> At the exchange rate as of 14 February 1986, the date Spain officially became a member of the Asian Development Bank.

<sup>d</sup> Switzerland made a further supplementary contribution to ADF (First Stage) in the amount of \$458,000.

Source: Asian Development Bank's Annual Report, various issues.

**DMCs' SHARE OF COFINANCING**  
(1969-1991)

Country	Bilateral <sup>a</sup>	Multilateral <sup>b</sup>	Others <sup>c</sup>	Total	
				\$ million	%
<b>Group A</b>	<b>1,436.6</b>	<b>1,795.9</b>	<b>18.0</b>	<b>3,250.5</b>	<b>93.0</b>
Afghanistan		4.7		4.7	0.1
Bangladesh	691.0	451.5		1,142.6	32.7
Bhutan	8.0	4.9		12.8	0.4
Cook Islands	2.7			2.7	0.1
Kiribati	0.2			0.2	0.0
Lao People's Democratic Republic	31.6	13.9		45.5	1.3
Maldives		7.0		7.0	0.2
Mongolia		60.0		60.0	1.7
Myanmar	5.4	46.6		51.9	1.5
Nepal	13.5	59.5	13.0	86.0	2.5
Pakistan	556.4	838.0	5.0	1,399.4	40.1
Samoa	3.7	23.3		27.0	0.8
Solomon Islands	4.5	10.0		14.5	0.4
Sri Lanka	118.9	268.5		387.4	11.1
Tonga	0.8	4.0		4.8	0.1
Vanuatu		4.0		4.0	0.1
<b>Group B</b>	<b>182.4</b>	<b>60.7</b>		<b>243.2</b>	<b>7.0</b>
Indonesia	36.7	35.2		71.9	2.1
Papua New Guinea	20.0			20.0	0.6
Philippines	125.7	24.5		150.2	4.3
Thailand		1.0		1.0	0.0
<b>Total</b>	<b>1,619.0</b>	<b>1,856.6</b>	<b>18.0</b>	<b>3,493.7</b>	<b>100.0</b>

DMC = developing member country.

<sup>a</sup> Australian Agency for International Development, Danish International Development Assistance, Department for International Development (United Kingdom), Deutsche Gesellschaft für Technische Zusammenarbeit, Directorate General for International Cooperation (Belgium), Economic Development Cooperation Fund (Korea), Export-Import Bank of Korea, Groupe Agence Francaise de Developpement, Japan Bank for International Cooperation, Japan International Cooperation Agency, Kreditanstalt für Wiederaufbau, Kuwait Fund for Arab Economic Development (Kuwait Fund), Ministry of Foreign Affairs (Finland), Ministry of Foreign Affairs (Netherlands), Ministry of Foreign Affairs and Trade (New Zealand), Norwegian Agency for Development Cooperation, Royal Ministry of Foreign Affairs (Norway), State Secretariat for Economic Affairs (Switzerland), Swedish International Development Cooperation Agency, and Swiss Agency for Development and Cooperation.

<sup>b</sup> European Investment Bank, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, Islamic Development Bank, Nordic Development Fund, Nordic Investment Bank, Organization of Petroleum Exporting Countries Fund for International Development, World Bank, United Nations Development Programme, United Nations Industrial Development Organization, United Nations Population Fund, and World Health Organization.

<sup>c</sup> Includes export credits and commercial sources.

Source: Asian Development Bank's database.

## ALLOCATION OF ADF I-V RESOURCES (NET LOAN AMOUNT)

**Table A6.1: ADF I-V Allocation by Eligibility Classification**

Eligibility Classification	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%
<b>Group A</b>	<b>440.0</b>	<b>74.2</b>	<b>693.0</b>	<b>89.5</b>	<b>1,366.0</b>	<b>91.4</b>	<b>2,543.0</b>	<b>95.6</b>	<b>4,456.0</b>	<b>78.5</b>	<b>9,498.0</b>	<b>84.8</b>
Afghanistan	14.0	2.4	8.0	1.0							22.0	0.2
Bangladesh	113.0	19.1	198.0	25.6	491.0	32.8	925.0	34.8	1,417.0	25.0	3,144.0	28.1
Bhutan							25.0	0.9	9.0	0.2	34.0	0.3
Cambodia	1.0	0.2									1.0	0.0
Cook Islands					3.0	0.2			8.0	0.1	11.0	0.1
Kiribati			1.0	0.1			1.0	0.0	2.0	0.0	4.0	0.0
Lao People's Dem. Rep.	11.0	1.9	8.0	1.0	10.0	0.7	34.0	1.3	199.0	3.5	262.0	2.3
Maldives					1.0	0.1	3.0	0.1	22.0	0.4	26.0	0.2
Marshall Islands									4.0	0.1	4.0	0.0
Mongolia									31.0	0.5	31.0	0.3
Myanmar	59.0	9.9	125.0	16.1	162.0	10.8	60.0	2.3			406.0	3.6
Nepal	53.0	8.9	87.0	11.2	108.0	7.2	223.0	8.4	407.0	7.2	878.0	7.8
Pakistan	100.0	16.9	170.0	22.0	446.0	29.8	970.0	36.5	1,620.0	28.5	3,306.0	29.5
Samoa	10.0	1.7	12.0	1.6	11.0	0.7	18.0	0.7	25.0	0.4	76.0	0.7
Solomon Islands			9.0	1.2	4.0	0.3	14.0	0.5	9.0	0.2	36.0	0.3
Sri Lanka	54.0	9.1	73.0	9.4	127.0	8.5	260.0	9.8	673.0	11.9	1,187.0	10.6
Tonga	1.0	0.2	2.0	0.3	2.0	0.1	5.0	0.2	18.0	0.3	28.0	0.3
Vanuatu					1.0	0.1	5.0	0.2	12.0	0.2	18.0	0.2
Viet Nam	24.0	4.0									24.0	0.2
<b>Group B</b>	<b>143.0</b>	<b>24.1</b>	<b>81.0</b>	<b>10.5</b>	<b>129.0</b>	<b>8.6</b>	<b>117.0</b>	<b>4.4</b>	<b>1,222.0</b>	<b>21.5</b>	<b>1,692.0</b>	<b>15.1</b>
Indonesia	106.0	17.9	24.0	3.1	24.0	1.6		0.0	460.0	8.1	614.0	5.5
Papua New Guinea	14.0	2.4	32.0	4.1	27.0	1.8	63.0	2.4	129.0	2.3	265.0	2.4
Philippines	15.0	2.5	14.0	1.8	37.0	2.5	54.0	2.0	633.0	11.1	753.0	6.7
Thailand	8.0	1.3	11.0	1.4	41.0	2.7					60.0	0.5
<b>Group C</b>	<b>10.0</b>	<b>1.7</b>									<b>10.0</b>	<b>0.1</b>
Korea, Rep. of	4.0	0.7									4.0	0.0
Malaysia	3.0	0.5									3.0	0.0
Singapore	3.0	0.5									3.0	0.0
<b>Total<sup>a</sup></b>	<b>593.0</b>	<b>100.0</b>	<b>774.0</b>	<b>100.0</b>	<b>1,495.0</b>	<b>100.0</b>	<b>2,660.0</b>	<b>100.0</b>	<b>5,678.0</b>	<b>100.0</b>	<b>11,200.0</b>	<b>100.0</b>

ADF = Asian Development Fund, SF = Special Funds.

<sup>a</sup> Total amounts may vary among tables due to rounding.

## HISTORY OF ELIGIBILITY CLASSIFICATION OF DMCs

Initial Eligibility Classification	ADF I			ADF II			ADF III			ADF IV			ADF V		
	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
<b>Eligible</b>															
Afghanistan	✓			✓			✓			✓			✓		
Bangladesh	✓			✓			✓			✓			✓		
Bhutan										✓			✓		
Cambodia	✓			✓			✓			✓			✓		
China, People's Rep. of													✓		
Cook Islands				✓			✓			✓			✓		
India										✓			✓		
Indonesia		✓			✓				✓			✓			✓
Kiribati				✓			✓			✓			✓		
Lao People's Dem. Rep.	✓			✓			✓			✓			✓		
Maldives							✓			✓			✓		
Myanmar	✓			✓			✓			✓			✓		
Nepal	✓			✓			✓			✓			✓		
Pakistan	✓			✓			✓			✓			✓		
Papua New Guinea		✓			✓				✓			✓			✓
Philippines		✓			✓				✓			✓			✓
Samoa	✓			✓			✓			✓			✓		
Solomon Islands	✓			✓			✓			✓			✓		
Sri Lanka	✓			✓			✓			✓			✓		
Thailand		✓			✓				✓			✓			✓
Tonga	✓			✓			✓			✓			✓		
Vanuatu										✓			✓		
Viet Nam	✓			✓			✓			✓			✓		
<b>Ineligible</b>															
Fiji			✓			✓			✓			✓			✓
Hongkong, China			✓			✓			✓			✓			✓
Korea, Rep. of		✓				✓			✓			✓			✓
Malaysia			✓			✓			✓			✓			✓
Singapore			✓			✓			✓			✓			✓
Taipei, China			✓			✓			✓			✓			✓

ADF = Asian Development Fund, DMC = developing member country.

Table A6.2: ADF I-V Allocation by Region/Country

Region/Country	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%
<b>Southeast Asia</b>	<b>234.0</b>	<b>39.5</b>	<b>182.0</b>	<b>23.5</b>	<b>274.0</b>	<b>18.3</b>	<b>148.0</b>	<b>5.6</b>	<b>1,292.0</b>	<b>22.8</b>	<b>2,130.0</b>	<b>19.0</b>
Cambodia	1.0	0.2									1.0	0.0
Indonesia	106.0	17.9	24.0	3.1	24.0	1.6			460.0	8.1	614.0	5.5
Korea, Rep. of	4.0	0.7									4.0	0.0
Lao People's Dem. Rep.	11.0	1.9	8.0	1.0	10.0	0.7	34.0	1.3	199.0	3.5	262.0	2.3
Malaysia	3.0	0.5									3.0	0.0
Myanmar	59.0	9.9	125.0	16.1	162.0	10.8	60.0	2.3			406.0	3.6
Philippines	15.0	2.5	14.0	1.8	37.0	2.5	54.0	2.0	633.0	11.1	753.0	6.7
Singapore	3.0	0.5									3.0	0.0
Thailand	8.0	1.3	11.0	1.4	41.0	2.7					60.0	0.5
Viet Nam	24.0	4.0									24.0	0.2
<b>South Asia</b>	<b>334.0</b>	<b>56.3</b>	<b>536.0</b>	<b>69.3</b>	<b>1,173.0</b>	<b>78.5</b>	<b>2,406.0</b>	<b>90.5</b>	<b>4,148.0</b>	<b>73.1</b>	<b>8,597.0</b>	<b>76.8</b>
Afghanistan	14.0	2.4	8.0	1.0							22.0	0.2
Bangladesh	113.0	19.1	198.0	25.6	491.0	32.8	925.0	34.8	1,417.0	25.0	3,144.0	28.1
Bhutan							25.0	0.9	9.0	0.2	34.0	0.3
Maldives					1.0	0.1	3.0	0.1	22.0	0.4	26.0	0.2
Nepal	53.0	8.9	87.0	11.2	108.0	7.2	223.0	8.4	407.0	7.2	878.0	7.8
Pakistan	100.0	16.9	170.0	22.0	446.0	29.8	970.0	36.5	1,620.0	28.5	3,306.0	29.5
Sri Lanka	54.0	9.1	73.0	9.4	127.0	8.5	260.0	9.8	673.0	11.9	1,187.0	10.6
<b>Central Asia</b>									<b>31.0</b>	<b>0.5</b>	<b>31.0</b>	<b>0.3</b>
Mongolia									31.0	0.5	31.0	0.3
<b>Pacific</b>	<b>25.0</b>	<b>4.2</b>	<b>56.0</b>	<b>7.2</b>	<b>48.0</b>	<b>3.2</b>	<b>106.0</b>	<b>4.0</b>	<b>207.0</b>	<b>3.6</b>	<b>442.0</b>	<b>3.9</b>
Cook Islands					3.0	0.2			8.0	0.1	11.0	0.1
Kiribati			1.0	0.1			1.0	0.0	2.0	0.0	4.0	0.0
Marshall Islands									4.0	0.1	4.0	0.0
Papua New Guinea	14.0	2.4	32.0	4.1	27.0	1.8	63.0	2.4	129.0	2.3	265.0	2.4
Samoa	10.0	1.7	12.0	1.6	11.0	0.7	18.0	0.7	25.0	0.4	76.0	0.7
Solomon Islands			9.0	1.2	4.0	0.3	14.0	0.5	9.0	0.2	36.0	0.3
Tonga	1.0	0.2	2.0	0.3	2.0	0.1	5.0	0.2	18.0	0.3	28.0	0.3
Vanuatu					1.0	0.1	5.0	0.2	12.0	0.2	18.0	0.2
<b>Total<sup>a</sup></b>	<b>593.0</b>	<b>100.0</b>	<b>774.0</b>	<b>100.0</b>	<b>1,495.0</b>	<b>100.0</b>	<b>2,660.0</b>	<b>100.0</b>	<b>5,678.0</b>	<b>100.0</b>	<b>11,200.0</b>	<b>100.0</b>

ADF = Asian Development Fund, SF = Special Funds.

<sup>a</sup> Total amounts may vary among tables due to rounding.

**Table A6.3: ADF I-V Allocation by Sector/Subsector**

Sector/Subsector	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%
<b>Agriculture</b>	<b>282</b>	<b>47.6</b>	<b>406</b>	<b>52.2</b>	<b>807</b>	<b>54.0</b>	<b>1,238</b>	<b>46.5</b>	<b>2,537</b>	<b>44.7</b>	<b>5,270</b>	<b>47.1</b>
Fisheries	24	4.1	51	6.6	93	6.2	54	2.0	70	1.2	292	2.6
Industrial Crops	56	9.5	61	7.8	48	3.2	104	3.9	2	0.0	271	2.4
Irrigation and Rural Development	86	14.5	234	30.1	392	26.2	865	32.5	1,186	20.9	2,763	24.7
Livestock			11	1.4	39	2.6	61	2.3	24	0.4	135	1.2
Forestry			35	4.5	38	2.5	16	0.6	167	2.9	256	2.3
Agricultural Support Services	27	4.6	13	1.7	100	6.7	117	4.4	1,053	18.6	1,310	11.7
Fertilizer	89	15.0	1	0.1	97	6.5	21	0.8	35	0.6	243	2.2
<b>Energy</b>	<b>160</b>	<b>27.0</b>	<b>73</b>	<b>9.4</b>	<b>323</b>	<b>21.6</b>	<b>584</b>	<b>22.0</b>	<b>664</b>	<b>11.7</b>	<b>1,804</b>	<b>16.1</b>
Electric Power	150	25.3	73	9.4	258	17.3	502	18.9	541	9.5	1,524	13.6
Natural Gas/Refinery	10	1.7			65	4.4	82	3.1	123	2.2	280	2.5
<b>Industry and Nonfuel Minerals</b>			<b>84</b>	<b>10.8</b>	<b>11</b>	<b>0.7</b>	<b>27</b>	<b>1.0</b>	<b>343</b>	<b>6.0</b>	<b>465</b>	<b>4.2</b>
<b>Transport and Communications</b>	<b>81</b>	<b>13.7</b>	<b>43</b>	<b>5.5</b>	<b>34</b>	<b>2.3</b>	<b>332</b>	<b>12.5</b>	<b>728</b>	<b>12.8</b>	<b>1,218</b>	<b>10.9</b>
Airports and Civil Aviation	19	3.2	11	1.4			12	0.5	4	0.1	46	0.4
Ports and Shipping	12	2.0	13	1.7	24	1.6	1	0.0	20	0.4	70	0.6
Telecommunications	9	1.5							46	0.8	55	0.5
Roads and Road Transport	20	3.4	19	2.4	10	0.7	267	10.0	658	11.6	974	8.7
Railways	21	3.5					52	2.0			73	0.7
<b>Social Infrastructure</b>	<b>37</b>	<b>6.3</b>	<b>113</b>	<b>14.5</b>	<b>190</b>	<b>12.7</b>	<b>217</b>	<b>8.2</b>	<b>859</b>	<b>15.1</b>	<b>1,416</b>	<b>12.6</b>
Education	10	1.7	32	4.1	94	6.3	55	2.1	372	6.6	563	5.0
Water Suply and Sanitation	27	4.6	81	10.4	30	2.0	46	1.7	100	1.8	284	2.5
Urban Development and Housing					18	1.2	60	2.3	303	5.3	381	3.4
Health and Population					48	3.2	56	2.1	84	1.5	188	1.7
<b>Finance</b>	<b>32</b>	<b>5.4</b>	<b>59</b>	<b>7.6</b>	<b>126</b>	<b>8.4</b>	<b>164</b>	<b>6.2</b>	<b>372</b>	<b>6.6</b>	<b>753</b>	<b>6.7</b>
Capital Market Development					126	8.4			152	2.7	278	2.5
Development Finance Institution	32	5.4	59	7.6			164	6.2	220	3.9	475	4.2
<b>Multisector</b>					<b>3</b>	<b>0.2</b>	<b>98</b>	<b>3.7</b>	<b>173</b>	<b>3.0</b>	<b>274</b>	<b>2.4</b>
<b>Total<sup>a</sup></b>	<b>592</b>	<b>100.0</b>	<b>778</b>	<b>100.0</b>	<b>1,494</b>	<b>100.0</b>	<b>2,660</b>	<b>100.0</b>	<b>5,676</b>	<b>100.0</b>	<b>11,200</b>	<b>100.0</b>

ADF = Asian Development Fund, SF = Special Funds.

<sup>a</sup> Total amounts may vary among tables due to rounding.

**Table A6.4: Allocation Pattern of Net Loan Amount  
by Fund Source and by Sector  
(1969-1991)**

Sector/Subsector	OCR		ADF		Total	
	\$ million	%	\$ million	%	\$ million	%
<b>Agriculture</b>	<b>3,413</b>	<b>17.0</b>	<b>5,270</b>	<b>47.1</b>	<b>8,683</b>	<b>27.7</b>
Fisheries	278	1.4	292	2.6	570	1.8
Industrial Crops	350	1.7	271	2.4	621	2.0
Irrigation and Rural Development	2,007	10.0	2,763	24.7	4,770	15.2
Livestock	79	0.4	135	1.2	214	0.7
Forestry	149	0.7	256	2.3	405	1.3
Agricultural Support Services	495	2.5	1,310	11.7	1,805	5.8
Fertilizer	55	0.3	243	2.2	298	1.0
<b>Energy</b>	<b>5,754</b>	<b>28.6</b>	<b>1,804</b>	<b>16.1</b>	<b>7,558</b>	<b>24.1</b>
Electric Power	4,657	23.1	1,524	13.6	6,181	19.7
Natural Gas/Refinery	1,097	5.5	280	2.5	1,377	4.4
<b>Industry and Nonfuel Minerals</b>	<b>688</b>	<b>3.4</b>	<b>465</b>	<b>4.2</b>	<b>1,153</b>	<b>3.7</b>
<b>Transport and Communications</b>	<b>4,137</b>	<b>20.6</b>	<b>1,218</b>	<b>10.9</b>	<b>5,355</b>	<b>17.1</b>
Airports and Civil Aviation	44	0.2	46	0.4	90	0.3
Ports and Shipping	780	3.9	70	0.6	850	2.7
Telecommunications	378	1.9	55	0.5	433	1.4
Roads and Road Transport	2,520	12.5	974	8.7	3,494	11.2
Railways	415	2.1	73	0.7	488	1.6
<b>Social Infrastructure</b>	<b>3,280</b>	<b>16.3</b>	<b>1,416</b>	<b>12.6</b>	<b>4,696</b>	<b>15.0</b>
Education	939	4.7	563	5.0	1,502	4.8
Water Supply and Sanitation	1,195	5.9	284	2.5	1,479	4.7
Urban Development and Housing	849	4.2	381	3.4	1,230	3.9
Health and Population	297	1.5	188	1.7	485	1.5
<b>Finance</b>	<b>2,760</b>	<b>13.7</b>	<b>753</b>	<b>6.7</b>	<b>3,513</b>	<b>11.2</b>
Capital Market Development	150	0.7	278	2.5	428	1.4
Development Finance Institution	2,610	13.0	475	4.2	3,085	9.8
<b>Multisector</b>	<b>92</b>	<b>0.5</b>	<b>274</b>	<b>2.4</b>	<b>366</b>	<b>1.2</b>
<b>Total</b>	<b>20,124</b>	<b>100.0</b>	<b>11,200</b>	<b>100.0</b>	<b>31,324</b>	<b>100.0</b>

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

### CUMULATIVE ADF NET LOAN AMOUNT PER CAPITA

Region/Country	Population 1990 (million)	Cumulative Net Loan Amount (\$ million)	Net Loan Amount <sup>a</sup> (1990=100)	
			Cumulative (\$ million)	Per Capita (\$)
<b>Southeast Asia</b>	<b>480.4</b>	<b>1,961.2</b>	<b>2,799.4</b>	<b>5.8</b>
Cambodia	8.6	1.0	2.0	0.2
Indonesia	179.1	614.0	888.0	5.0
Korea, Rep. of	42.9	4.0	12.0	0.3
Lao People's Dem. Rep.	4.1	205.2	257.7	62.9
Malaysia	17.8	3.0	9.7	0.5
Myanmar	40.8	404.0	715.1	17.5
Philippines	62.1	644.0	733.7	11.8
Singapore	2.7	3.0	9.7	3.6
Thailand	56.1	60.0	107.3	1.9
Viet Nam	66.2	23.0	64.2	1.0
<b>South Asia</b>	<b>271.8</b>	<b>7,752.0</b>	<b>10,165.0</b>	<b>37.4</b>
Afghanistan	16.1	27.0	66.6	4.1
Bangladesh	106.8	2,860.0	3,766.7	35.3
Bhutan	1.5	34.0	39.8	26.5
Maldives	0.2	18.0	20.7	98.7
Nepal	18.1	880.0	1,194.0	66.0
Pakistan	112.1	2,910.0	3,748.2	33.4
Sri Lanka	17.0	1,023.0	1,328.9	78.2
<b>Pacific</b>	<b>3.0</b>	<b>379.0</b>	<b>544.1</b>	<b>181.4</b>
Cook Islands	0.0	11.0	12.7	634.0
Kiribati	0.0	4.0	4.5	45.0
Papua New Guinea	2.5	220.0	313.5	84.7
Samoa	0.0	76.0	119.7	598.3
Solomon Islands	0.2	37.0	54.4	181.2
Tonga	0.1	20.0	26.4	263.7
Vanuatu	0.2	11.0	13.0	65.2

ADF = Asian Development Fund.

<sup>a</sup> Adjusted for inflation using United States gross domestic product deflator.

Source: International Monetary Fund. 1991. *International Financial Statistics*.

**AGGREGATE NET RESOURCE FLOWS FROM ALL SOURCES TO BORROWER DMCs**

**Table A8.1: Net Resource Flow to DMCs by Eligibility Classification**  
(\$ million)

DMC	SF/ADF I			ADF II			ADF III			ADF IV			ADF V			ADF I-V		
	1969-1975			1976-1978			1979-1982			1983-1986			1987-1991			1969-1991		
	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)
<b>Group A</b>	<b>6,069.4</b>	<b>84.4</b>	<b>1.4</b>	<b>9,628.5</b>	<b>231.2</b>	<b>2.4</b>	<b>15,326.1</b>	<b>478.6</b>	<b>3.1</b>	<b>13,698.7</b>	<b>1,110.9</b>	<b>8.1</b>	<b>29,538.5</b>	<b>3,105.9</b>	<b>10.5</b>	<b>74,261.2</b>	<b>5,011.1</b>	<b>6.7</b>
Afghanistan	178.4	3.0	1.7	272.0	11.9	4.4	207.3	10.2	4.9	15.4	(2.2)	(14.1)	939.7	(7.2)	(0.8)	1,612.8	15.6	1.0
Bangladesh	1,063.9	16.4	1.5	2,300.3	49.6	2.2	5,054.0	167.5	3.3	4,827.4	393.8	8.2	9,249.9	1,196.7	12.9	22,495.5	1,824.0	8.1
Bhutan										64.2	3.1	4.8	257.7	17.4	6.7	321.9	20.5	6.4
Cambodia	81.1	0.6	0.8													81.1	0.6	0.8
Myanmar	48.9	3.0	6.1	524.9	71.3	13.6	1,666.7	84.7	5.1	1,245.2	92.3	7.4	1,143.5	83.6	7.3	4,629.2	334.9	7.2
Cook Islands							23.8	0.8	3.4	56.8	1.4	2.5	84.1	2.3	2.7	164.7	4.6	2.8
Kiribati				10.6	0.5	4.8	66.6	(0.0)	(0.0)	53.9	0.2	0.3	92.7	2.2	2.4	223.8	2.9	1.3
Lao PDR	313.9	5.7	1.8	135.5	2.1	1.6	167.5	7.8	4.6	174.8	13.9	7.9	569.5	101.8	17.9	1,361.2	131.4	9.7
Maldives										40.6	1.3	3.2	190.1	10.7	5.6	230.7	12.0	5.2
Mongolia													83.1	10.0	12.0	83.1	10.0	12.0
Nepal	193.3	12.9	6.7	209.7	16.0	7.6	681.8	45.4	6.7	969.1	125.4	12.9	2,209.0	255.7	11.6	4,262.9	455.3	10.7
Pakistan	1,603.5	19.0	1.2	2,732.1	36.1	1.3	4,419.9	91.5	2.1	3,319.2	351.4	10.6	9,319.8	968.6	10.4	21,394.5	1,466.5	6.9
Samoa	31.0	4.3	13.9	59.3	7.7	12.9	105.8	10.5	9.9	87.0	6.2	7.1	208.6	26.1	12.5	491.7	54.7	11.1
Solomon Islands				44.9	0.7	1.5	129.6	10.2	7.9	108.3	5.2	4.8	281.3	12.8	4.5	564.1	28.9	5.1
Sri Lanka	441.9	14.0	3.2	642.5	35.2	5.5	1,639.6	36.1	2.2	2,222.6	113.5	5.1	3,586.9	409.4	11.4	8,533.5	608.1	7.1
Tonga				16.8	1.0	5.8	75.7	3.1	4.1	62.3	2.6	4.1	123.4	3.8	3.1	278.2	10.4	3.8
Vanuatu										55.4	0.8	1.5	379.0	12.2	3.2	434.4	13.0	3.0
Viet Nam	2,113.5	5.6	0.3	2,679.9	(0.7)	(0.0)	1,087.8	11.0	1.0	396.5	2.2	0.5	820.2	(0.2)	(0.0)	7,097.9	17.8	0.3
<b>Group B</b>	<b>10,675.2</b>	<b>59.4</b>	<b>0.6</b>	<b>9,880.9</b>	<b>52.4</b>	<b>0.5</b>	<b>20,476.8</b>	<b>44.1</b>	<b>0.2</b>	<b>19,580.2</b>	<b>84.8</b>	<b>0.4</b>	<b>39,368.3</b>	<b>682.7</b>	<b>1.7</b>	<b>99,981.4</b>	<b>923.3</b>	<b>0.9</b>
Indonesia	7,783.6	49.3	0.6	5,045.5	35.0	0.7	9,656.5	(0.7)	(0.0)	9,714.9	(0.8)	(0.0)	19,843.9	255.2	1.3	52,044.4	338.0	0.6
Papua New Guinea	971.5	2.4	0.2	880.4	11.0	1.3	1,646.1	27.1	1.6	1,618.0	13.0	0.8	2,771.9	107.9	3.9	7,887.9	161.3	2.0
Philippines	1,730.5	7.6	0.4	2,842.2	2.7	0.1	4,312.9	10.7	0.2	4,108.8	36.9	0.9	6,969.9	313.2	4.5	19,964.3	371.1	1.9
Thailand	189.6	0.1	0.0	1,112.8	3.6	0.3	4,861.3	7.0	0.1	4,138.5	35.7	0.9	9,782.6	6.5	0.1	20,084.8	53.0	0.3
<b>Total</b>	<b>16,744.6</b>	<b>143.8</b>	<b>0.9</b>	<b>19,509.4</b>	<b>283.6</b>	<b>1.5</b>	<b>35,802.9</b>	<b>522.7</b>	<b>1.5</b>	<b>33,278.9</b>	<b>1,195.8</b>	<b>3.6</b>	<b>68,906.8</b>	<b>3,788.6</b>	<b>5.5</b>	<b>174,242.6</b>	<b>5,934.5</b>	<b>3.4</b>

ADF = Asian Development Fund, DMC = developing member country, NRF = net resource flow, Lao PDR = Lao People's Democratic Republic, SF = Special Funds.

Note: Group C countries were excluded from the list since they have already graduated from ADF support.

Totals do not add up due to rounding off.

Source: Asian Development Bank. *Key Indicators 1977, 1980, and 1993*. Manila: ADB.

**Table A8.2: Net Resources Flow to DMCs by Region**  
(\$ million)

DMC	SF/ADF I			ADF II			ADF III			ADF IV			ADF V			ADF I-V		
	1969-1975			1976-1978			1979-1982			1983-1986			1987-1991			1969-1991		
	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)	NRF	ADF	ADF (%)
<b>Southeast Asia</b>	<b>12,261.1</b>	<b>71.2</b>	<b>0.6</b>	<b>12,340.8</b>	<b>114.1</b>	<b>0.9</b>	<b>21,752.7</b>	<b>120.4</b>	<b>0.6</b>	<b>19,778.7</b>	<b>180.2</b>	<b>0.9</b>	<b>39,129.6</b>	<b>760.2</b>	<b>1.9</b>	<b>105,262.9</b>	<b>1,246.1</b>	<b>1.2</b>
Cambodia	81.1	0.6	0.8													81.1	0.6	0.8
Indonesia	7,783.6	49.3	0.6	5,045.5	35.0	0.7	9,656.5	(0.7)	(0.0)	9,714.9	(0.8)	(0.0)	19,843.9	255.2	1.3	52,044.4	338.0	0.6
Lao PDR	313.9	5.7	1.8	135.5	2.1	1.6	167.5	7.8	4.6	174.8	13.9	7.9	569.5	101.8	17.9	1,361.2	131.4	9.7
Myanmar	48.9	3.0	6.1	524.9	71.3	13.6	1,666.7	84.7	5.1	1,245.2	92.3	7.4	1,143.5	83.6	7.3	4,629.2	334.9	7.2
Philippines	1,730.5	7.6	0.4	2,842.2	2.7	0.1	4,312.9	10.7	0.2	4,108.8	36.9	0.9	6,969.9	313.2	4.5	19,964.3	371.1	1.9
Thailand	189.6	0.1	0.0	1,112.8	3.6	0.3	4,861.3	7.0	0.1	4,138.5	35.7	0.9	9,782.6	6.5	0.1	20,084.8	53.0	0.3
Viet Nam	2,113.5	5.6	0.3	2,679.9	(0.7)	(0.0)	1,087.8	11.0	1.0	396.5	2.2	0.5	820.2	(0.2)	(0.0)	7,097.9	17.8	0.3
<b>South Asia</b>	<b>3,481.0</b>	<b>65.2</b>	<b>1.9</b>	<b>6,156.6</b>	<b>148.7</b>	<b>2.4</b>	<b>12,002.6</b>	<b>350.6</b>	<b>2.9</b>	<b>11,458.5</b>	<b>986.2</b>	<b>8.6</b>	<b>25,753.1</b>	<b>2,851.3</b>	<b>11.1</b>	<b>58,851.8</b>	<b>4,402.0</b>	<b>7.5</b>
Afghanistan	178.4	3.0	1.7	272.0	11.9	4.4	207.3	10.2	4.9	15.4	(2.2)	(14.1)	939.7	(7.2)	(0.8)	1,612.8	15.6	1.0
Bangladesh	1,063.9	16.4	1.5	2,300.3	49.6	2.2	5,054.0	167.5	3.3	4,827.4	393.8	8.2	9,249.9	1,196.7	12.9	22,495.5	1,824.0	8.1
Bhutan										64.2	3.1	4.8	257.7	17.4	6.7	321.9	20.5	6.4
Maldives										40.6	1.3	3.2	190.1	10.7	5.6	230.7	12.0	5.2
Nepal	193.3	12.9	6.7	209.7	16.0	7.6	681.8	45.4	6.7	969.1	125.4	12.9	2,209.0	255.7	11.6	4,262.9	455.3	10.7
Pakistan	1,603.5	19.0	1.2	2,732.1	36.1	1.3	4,419.9	91.5	2.1	3,319.2	351.4	10.6	9,319.8	968.6	10.4	21,394.5	1,466.5	6.9
Sri Lanka	441.9	14.0	3.2	642.5	35.2	5.5	1,639.6	36.1	2.2	2,222.6	113.5	5.1	3,586.9	409.4	11.4	8,533.5	608.1	7.1
<b>Central Asia</b>													<b>83.1</b>	<b>10.0</b>	<b>12.0</b>	<b>83.1</b>	<b>10.0</b>	<b>12.0</b>
Mongolia													83.1	10.0	12.0	83.1	10.0	12.0
<b>South Pacific</b>	<b>1,002.5</b>	<b>6.7</b>	<b>0.7</b>	<b>1,012.0</b>	<b>20.8</b>	<b>2.1</b>	<b>2,047.6</b>	<b>51.7</b>	<b>2.5</b>	<b>2,041.7</b>	<b>29.4</b>	<b>1.4</b>	<b>3,941.0</b>	<b>167.2</b>	<b>4.2</b>	<b>10,044.8</b>	<b>275.7</b>	<b>2.7</b>
Cook Islands							23.8	0.8	3.4	56.8	1.4	2.5	84.1	2.3	2.7	164.7	4.6	2.8
Kiribati				10.6	0.5	4.8	66.6	(0.0)	(0.0)	53.9	0.2	0.3	92.7	2.2	2.4	223.8	2.9	1.3
Papua New Guinea	971.5	2.4	0.2	880.4	11.0	1.3	1,646.1	27.1	1.6	1,618.0	13.0	0.8	2,771.9	107.9	3.9	7,887.9	161.3	2.0
Samoa	31.0	4.3	13.9	59.3	7.7	12.9	105.8	10.5	9.9	87.0	6.2	7.1	208.6	26.1	12.5	491.7	54.7	11.1
Solomon Islands				44.9	0.7	1.5	129.6	10.2	7.9	108.3	5.2	4.8	281.3	12.8	4.5	564.1	28.9	5.1
Tonga				16.8	1.0	5.8	75.7	3.1	4.1	62.3	2.6	4.1	123.4	3.8	3.1	278.2	10.4	3.8
Vanuatu										55.4	0.8	1.5	379.0	12.2	3.2	434.4	13.0	3.0
<b>Total</b>	<b>16,744.6</b>	<b>143.1</b>	<b>0.9</b>	<b>19,509.4</b>	<b>283.6</b>	<b>1.5</b>	<b>35,802.9</b>	<b>522.7</b>	<b>1.5</b>	<b>33,278.9</b>	<b>1,195.8</b>	<b>3.6</b>	<b>68,906.8</b>	<b>3,788.6</b>	<b>5.5</b>	<b>174,242.6</b>	<b>5,933.8</b>	<b>3.4</b>

ADF = Asian Development Fund, DMC = developing member country, Lao PDR = Lao People's Democratic Republic, NRF = net resource flow, SF = Special Funds.

Note: Korea, Malaysia, and Singapore were excluded from the list since they have graduated from ADF support.

Totals do not add up due to rounding off.

Source: Asian Development Bank's Key Indicators, various issues.

**ADF LOAN APPROVALS, DISBURSEMENTS, AND DISBURSEMENT RATIO**  
(\$ million)

Year	Loan Approvals	Undisbursed Net Loan Balance (Beginning)	Newly Effective Loan During the Year	Cancellations During the Year	Total Loan Balance	Disbursements During the Year	Cumulative Disbursements (End of Period)	Disbursement Ratio (%)
1969	22.0	3.3			3.3	0.1	0.1	2.4
1970	33.8	3.2	19.6		22.8	1.4	1.5	43.8
1971	51.5	21.4	51.2		72.6	5.3	6.8	24.8
1972	94.3	67.3	50.4		117.7	10.8	17.6	16.0
1973	118.3	106.9	119.1	0.2	225.8	26.1	43.7	24.4
1974	173.0	199.7	101.9	0.4	301.2	27.3	71.0	13.7
1975	166.2	273.9	189.6	0.0	463.5	76.9	147.9	28.1
1976	235.9	386.6	186.7	0.1	573.2	63.3	211.2	16.4
1977	271.8	509.9	198.5	4.2	704.2	83.8	295.0	16.4
1978	380.6	620.4	297.0	10.1	907.3	167.2	462.2	27.0
1979	416.4	740.1	358.7	8.8	1,090.0	125.2	587.4	16.9
1980	477.3	964.8	374.6	1.4	1,338.0	150.3	737.7	15.6
1981	530.9	1,187.7	464.8	3.9	1,648.6	149.2	886.9	12.6
1982	546.1	1,499.4	498.6	7.7	1,990.3	175.5	1,062.4	11.7
1983	703.5	1,814.8	473.5	21.3	2,267.0	221.5	1,283.9	12.2
1984	683.7	2,045.5	664.4	19.9	2,690.0	299.1	1,583.0	14.6
1985	636.9	2,390.9	868.8	94.7	3,165.0	389.9	1,972.9	16.3
1986	635.9	2,775.1	845.7	119.0	3,501.8	412.4	2,385.3	14.9
1987	957.6	3,089.4	1,087.3	63.5	4,113.2	538.7	2,924.0	17.4
1988	1,083.5	3,574.5	1,316.6	94.3	4,796.8	691.6	3,615.6	19.3
1989	1,357.3	4,105.2	1,198.6	121.9	5,181.9	886.4	4,502.0	21.6
1990	1,474.5	4,295.5	1,977.9	70.8	6,202.6	1,062.1	5,564.1	24.7
1991	1,347.2	5,140.5	639.6	8.7	5,771.4	1,032.0	6,596.1	20.1

ADF = Asian Development Fund.

Sources: Asian Development Bank's Annual Report, various issues; and Office of the Controller.

PERFORMANCE RATINGS OF POSTEVALUATED ADF I-V PROJECTS (NUMBER OF PROJECTS)

Table A10.1: Number of Projects Rated by Eligibility Classification

Eligibility Classification	SF/ADF I				ADF II				ADF III				ADF IV				ADF V				Cumulative			
	1969-1975				1976-1978				1979-1982				1983-1986				1987-1991				1969-1991			
	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total
<b>Group A</b>	<b>25</b>	<b>18</b>	<b>5</b>	<b>48</b>	<b>14</b>	<b>13</b>	<b>7</b>	<b>34</b>	<b>30</b>	<b>24</b>	<b>12</b>	<b>66</b>	<b>20</b>	<b>20</b>	<b>5</b>	<b>45</b>	<b>14</b>	<b>14</b>	<b>3</b>	<b>31</b>	<b>103</b>	<b>89</b>	<b>32</b>	<b>224</b>
Bangladesh	4	5	1	10	1	6	2	9	7	7	1	15	3	4		7	3	3	1	7	18	25	5	48
Bhutan													1		1	2		1		1	1	1	1	3
Cook Islands										1		1										1		1
Kiribati													1		1	2					1		1	2
Lao People's Dem. Rep.	1	1		2		1		1	1		1	2	1	1		2	2	1	1	4	5	4	2	11
Maldives											1	1	1			1	3			3	4		1	5
Mongolia																	1			1	1			1
Myanmar	2	1	1	4	1			1	3	2		5	1			1					7	3	1	11
Nepal	7	1		8	5		1	6	4	2	4	10	5	4		9	1	2	1	4	22	9	6	37
Pakistan	6	1		7	3	2	1	6	7	4	2	13	2	6	1	9	3	3		6	21	16	4	41
Samoa	2	2	1	5	1	2		3	1	1	1	3			1	1		1		1	4	6	3	13
Solomon Islands					1		2	3		2	1	3		1		1					1	3	3	7
Sri Lanka	2	2	2	6	1	1	1	3	5	5		10	3	3		6	1	3		4	12	14	3	29
Tonga	1			1	1	1		2	2			2	2			2					6	1		7
Vanuatu											1	1		1	1	2						1	2	3
Viet Nam		5		5																		5		5
<b>Group B</b>	<b>12</b>	<b>14</b>		<b>26</b>	<b>2</b>	<b>4</b>		<b>6</b>	<b>4</b>	<b>6</b>		<b>10</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>10</b>	<b>1</b>	<b>17</b>	<b>25</b>	<b>36</b>	<b>2</b>	<b>63</b>
Indonesia	7	11		18	1			1	1			1					2	3	1	6	11	14	1	26
Papua New Guinea	1	1		2	1	3		4	1	3		4	1	2	1	4	1	1		2	5	10	1	16
Philippines	2	2		4						2		2					3	6		9	5	10		15
Thailand	2			2		1		1	2	1		3									4	2		6
<b>Group C</b>	<b>2</b>	<b>1</b>		<b>3</b>																	<b>2</b>	<b>1</b>		<b>3</b>
Korea, Rep. of	1			1																	1			1
Malaysia		1		1																		1		1
Singapore	1			1																	1			1
<b>Total</b>	<b>39</b>	<b>33</b>	<b>5</b>	<b>77</b>	<b>16</b>	<b>17</b>	<b>7</b>	<b>40</b>	<b>34</b>	<b>30</b>	<b>12</b>	<b>76</b>	<b>21</b>	<b>22</b>	<b>6</b>	<b>49</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>48</b>	<b>130</b>	<b>126</b>	<b>34</b>	<b>290</b>

ADF = Asian Development Fund, GS = generally successful, PS = partly successful, SF = Special Funds, US = unsuccessful.

Table A10.2: Number of Projects Rated by Region/Country

Region/Country	SF/ADF I 1969-1975				ADF II 1976-1978				ADF III 1979-1982				ADF IV 1983-1986				ADF V 1987-1991				Cumulative 1969-1991			
	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total
	<b>Southeast Asia</b>	<b>16</b>	<b>21</b>	<b>1</b>	<b>38</b>	<b>2</b>	<b>2</b>		<b>4</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>13</b>	<b>2</b>	<b>1</b>		<b>3</b>	<b>7</b>	<b>10</b>	<b>2</b>	<b>19</b>	<b>34</b>	<b>39</b>	<b>4</b>
Indonesia	7	11		18	1			1	1			1					2	3	1	6	11	14	1	26
Korea, Rep. of	1			1																	1			1
Lao People's Dem. Rep.	1	1		2		1		1	1		1	2	1	1		2	2	1	1	4	5	4	2	11
Malaysia		1		1																		1		1
Myanmar	2	1	1	4	1			1	3	2		5	1			1					7	3	1	11
Philippines	2	2		4						2		2					3	6		9	5	10		15
Singapore	1			1																	1			1
Thailand	2			2		1		1	2	1		3									4	2		6
Viet Nam		5		5																		5		5
<b>South Asia</b>	<b>19</b>	<b>9</b>	<b>3</b>	<b>31</b>	<b>10</b>	<b>9</b>	<b>5</b>	<b>24</b>	<b>23</b>	<b>18</b>	<b>8</b>	<b>49</b>	<b>15</b>	<b>17</b>	<b>2</b>	<b>34</b>	<b>11</b>	<b>12</b>	<b>2</b>	<b>25</b>	<b>78</b>	<b>65</b>	<b>20</b>	<b>163</b>
Bangladesh	4	5	1	10	1	6	2	9	7	7	1	15	3	4		7	3	3	1	7	18	25	5	48
Bhutan													1		1	2		1		1	1	1	1	3
Maldives											1	1	1			1	3			3	4		1	5
Nepal	7	1		8	5		1	6	4	2	4	10	5	4		9	1	2	1	4	22	9	6	37
Pakistan	6	1		7	3	2	1	6	7	4	2	13	2	6	1	9	3	3		6	21	16	4	41
Sri Lanka	2	2	2	6	1	1	1	3	5	5		10	3	3		6	1	3		4	12	14	3	29
<b>Central Asia</b>																	<b>1</b>			<b>1</b>	<b>1</b>			<b>1</b>
Mongolia																	1			1	1			1
<b>Pacific</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>4</b>	<b>6</b>	<b>2</b>	<b>12</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>14</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>12</b>	<b>1</b>	<b>2</b>		<b>3</b>	<b>17</b>	<b>22</b>	<b>10</b>	<b>49</b>
Cook Islands										1		1										1		1
Kiribati													1		1	2							1	2
Papua New Guinea	1	1		2	1	3		4	1	3		4	1	2	1	4	1	1		2	5	10	1	16
Samoa	2	2	1	5	1	2		3	1	1	1	3			1	1		1		1	4	6	3	13
Solomon Islands					1		2	3		2	1	3		1		1					1	3	3	7
Tonga	1			1	1	1		2	2			2	2			2					6	1		7
Vanuatu											1	1		1	1	2						1	2	3
<b>Total</b>	<b>39</b>	<b>33</b>	<b>5</b>	<b>77</b>	<b>16</b>	<b>17</b>	<b>7</b>	<b>40</b>	<b>34</b>	<b>30</b>	<b>12</b>	<b>76</b>	<b>21</b>	<b>22</b>	<b>6</b>	<b>49</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>48</b>	<b>130</b>	<b>126</b>	<b>34</b>	<b>290</b>

ADF = Asian Development Fund, GS = generally successful, PS = partly successful, SF = Special Funds, US = unsuccessful.

Table A10.3: Number of Projects Rated by Sector/Subsector

Sector/Subsector	SF/ADF I 1969-1975				ADF II 1976-1978				ADF III 1979-1982				ADF IV 1983-1986				ADF V 1987-1991				Cumulative 1969-1991			
	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total
	<b>Agriculture</b>	14	18	5	37	7	6	3	16	15	12	6	33	7	13	1	21	6	10	2	18	49	59	17
Fisheries	1	2	2	5		1	1	2	3	2		5		1		1		1		1	4	7	3	14
Industrial Crops	2	3	1	6	1		1	2		2		2	1			1				4	5	2	11	
Irrigation and Rural Development	5	9		14	3	3		6	7	5	2	14	4	9	1	14	5	1		6	24	27	3	54
Livestock			1	1		1	1	2		1	2	3	1	1		2				1	3	4	8	
Forestry					2	1		3	2		1	3	1	1		2		1		1	5	3	1	9
Agricultural Support Services	3	3		6	1			1	2	2	1	5		1		1	1	7	2	10	7	13	3	23
Fertilizer	3	1	1	5					1			1								4	1	1	6	
<b>Energy</b>	12	6		18	2	1		3	8	3	1	12	7	2		9	4			4	33	12	1	46
Electric Power	11	6		17	2	1		3	7	2	1	10	6	2		8	4			4	30	11	1	42
Natural Gas/Refinery	1			1					1	1		2	1			1					3	1		4
<b>Industry and Nonfuel Minerals</b>					2		1	3	2			2					3	1	1	5	7	1	2	10
<b>Transport and Communications</b>	10	1		11	2	1	1	4	1		1	2	4	1	1	6	4	2		6	21	5	3	29
Airports and Civil Aviation	2			2	1			1				1				1				1	4			4
Ports and Shipping	3			3	1	1		2	1		1	2			1	1	1			1	6	1	2	9
Telecommunications	3			3																	3			3
Roads and Road Transport	2			2			1	1					4	1		5	2	2		4	8	3	1	12
Railways		1		1																		1		1
<b>Social Infrastructure</b>	3	3		6	3	3	1	7	4	9	1	14		6	1	7	1	7		8	11	28	3	42
Education	3			3	2	1		3	2	3	1	6		2		2	1	4		5	8	10	1	19
Water Suply and Sanitation		3		3	1	2	1	4	1	2		3		1		1		2		2	2	10	1	13
Urban Development and Housing										1		1			1	1		1		1		2	1	3
Health and Population									1	3		4		3		3					1	6		7
<b>Finance</b>		5		5		6	1	7	2	6	3	11						4	1	5	2	21	5	28
Capital Market Development																		1	1	2		1	1	2
Development Finance Institution		5		5		6	1	7	2	6	3	11					3		3		2	20	4	26
<b>Multisector</b>									2			2	3		3	6	2			2	7		3	10
<b>Total</b>	<b>39</b>	<b>33</b>	<b>5</b>	<b>77</b>	<b>16</b>	<b>17</b>	<b>7</b>	<b>40</b>	<b>34</b>	<b>30</b>	<b>12</b>	<b>76</b>	<b>21</b>	<b>22</b>	<b>6</b>	<b>49</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>48</b>	<b>130</b>	<b>126</b>	<b>34</b>	<b>290</b>

ADF = Asian Development Fund, GS = generally successful, PS = partly successful, SF = Special Funds, US = unsuccessful.

**Table A10.4: Number of Projects Rated by Lending Modality**

Lending Modality	SF/ADF I 1969-1975				ADF II 1976-1978				ADF III 1979-1982				ADF IV 1983-1986				ADF V 1987-1991				Cumulative 1969-1991			
	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total	GS	PS	US	Total
Project	39	28	5	72	15	11	6	32	26	22	9	57	18	13	6	37	15	6		21	113	80	26	219
Program					1			1	5	3		8		5		5	2	12	3	17	8	20	3	31
DFI		5		5		6	1	7	2	5	3	10	2			2		2		2	4	18	4	26
Sector									1			1	1	4		5	2	4		6	4	8		12
Others																	1		1	2	1		1	2
<b>Total</b>	<b>39</b>	<b>33</b>	<b>5</b>	<b>77</b>	<b>16</b>	<b>17</b>	<b>7</b>	<b>40</b>	<b>34</b>	<b>30</b>	<b>12</b>	<b>76</b>	<b>21</b>	<b>22</b>	<b>6</b>	<b>49</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>48</b>	<b>130</b>	<b>126</b>	<b>34</b>	<b>290</b>

ADF = Asian Development Fund, DFI = development finance institution, GS = generally successful, PS = partly successful, SF = Special Funds, US = unsuccessful.

**PERFORMANCE RATINGS OF POSTEVALUATED ADF I-V PROJECTS (MEAN RATING)<sup>a</sup>**

**Table A11.1: Mean Rating by Eligibility Classification**

Eligibility Classification	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
<b>Group A</b>	<b>48</b>	<b>1.4</b>	<b>34</b>	<b>1.2</b>	<b>66</b>	<b>1.3</b>	<b>45</b>	<b>1.3</b>	<b>31</b>	<b>1.4</b>	<b>224</b>	<b>1.3</b>
Bangladesh	10	1.3	9	0.9	15	1.4	7	1.4	7	1.3	48	1.3
Bhutan							2	1.0	1	1.0	3	1.0
Cook Islands					1	1.0					1	1.0
Kiribati							2	1.0			2	1.0
Lao People's Dem. Rep.	2	1.5	1	1.0	2	1.0	2	1.5	4	1.3	11	1.3
Maldives					1	0.0	1	2.0	3	2.0	5	1.6
Mongolia									1	2.0	1	2.0
Myanmar	4	1.3	1	2.0	5	1.6	1	2.0			11	1.5
Nepal	8	1.9	6	1.7	10	1.0	9	1.6	4	1.0	37	1.4
Pakistan	7	1.9	6	1.3	13	1.4	9	1.1	6	1.5	41	1.4
Samoa	5	1.2	3	1.3	3	1.0	1	0.0	1	1.0	13	1.1
Solomon Islands			3	0.7	3	0.7	1	1.0			7	0.9
Sri Lanka	6	1.0	3	1.0	10	1.5	6	1.5	4	1.3	29	1.3
Tonga	1	2.0	2	1.5	2	2.0	2	2.0			7	1.9
Vanuatu					1	0.0	2	0.5			3	0.3
Viet Nam	5	1.0									5	1.0
<b>Group B</b>	<b>26</b>	<b>1.5</b>	<b>6</b>	<b>1.3</b>	<b>10</b>	<b>1.4</b>	<b>4</b>	<b>1.0</b>	<b>17</b>	<b>1.3</b>	<b>63</b>	<b>1.4</b>
Indonesia	18	1.4	1	2.0	1	2.0			6	1.2	26	1.4
Papua New Guinea	2	1.5	4	1.3	4	1.3	4	1.0	2	1.5	16	1.3
Philippines	4	1.5			2	1.0			9	1.3	15	1.3
Thailand	2	2.0	1	1.0	3	1.7					6	1.7
<b>Group C</b>	<b>3</b>	<b>1.7</b>									<b>3</b>	<b>1.7</b>
Korea, Rep. of	1	2.0									1	2.0
Malaysia	1	1.0									1	1.0
Singapore	1	2.0									1	2.0
<b>Total</b>	<b>77</b>	<b>1.4</b>	<b>40</b>	<b>1.2</b>	<b>76</b>	<b>1.3</b>	<b>49</b>	<b>1.3</b>	<b>48</b>	<b>1.3</b>	<b>290</b>	<b>1.3</b>

ADF = Asian Development Fund, N = number of projects, R = mean rating, SF = Special Funds.

<sup>a</sup> Average project/program performance audit report (PPAR) rating weighted by number of projects. The three-level PPAR rating categories were assigned numerical values on an integer scale as follows: 2 = generally successful, 1 = partly successful, and 0 = unsuccessful.

Table A11.2: Mean Rating by Region/Country

Region/Country	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
<b>Southeast Asia</b>	<b>38</b>	<b>1.4</b>	<b>4</b>	<b>1.5</b>	<b>13</b>	<b>1.5</b>	<b>3</b>	<b>1.7</b>	<b>19</b>	<b>1.3</b>	<b>77</b>	<b>1.4</b>
Indonesia	18	1.4	1	2	1	2			6	1.2	26	1.4
Korea, Rep. of	1	2									1	2
Lao People's Dem. Rep.	2	1.5	1	1	2	1	2	1.5	4	1.3	11	1.3
Malaysia	1	1									1	1
Myanmar	4	1.3	1	2	5	1.6	1	2			11	1.5
Philippines	4	1.5			2	1			9	1.3	15	1.3
Singapore	1	2									1	2
Thailand	2	2	1	1	3	1.7					6	1.7
Viet Nam	5	1									5	1
<b>South Asia</b>	<b>31</b>	<b>1.5</b>	<b>24</b>	<b>1.2</b>	<b>49</b>	<b>1.3</b>	<b>34</b>	<b>1.4</b>	<b>25</b>	<b>1.4</b>	<b>163</b>	<b>1.4</b>
Bangladesh	10	1.3	9	0.9	15	1.4	7	1.4	7	1.3	48	1.3
Bhutan							2	1	1	1	3	1
Maldives					1	0	1	2	3	2	5	1.6
Nepal	8	1.9	6	1.7	10	1	9	1.6	4	1	37	1.4
Pakistan	7	1.9	6	1.3	13	1.4	9	1.1	6	1.5	41	1.4
Sri Lanka	6	1	3	1	10	1.5	6	1.5	4	1.3	29	1.3
<b>Central Asia</b>									<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>
Mongolia									1	2	1	2
<b>Pacific</b>	<b>8</b>	<b>1.4</b>	<b>12</b>	<b>1.2</b>	<b>14</b>	<b>1.1</b>	<b>12</b>	<b>1</b>	<b>3</b>	<b>1.3</b>	<b>49</b>	<b>1.1</b>
Cook Islands					1	1					1	1
Kiribati							2	1			2	1
Papua New Guinea	2	1.5	4	1.3	4	1.3	4	1	2	1.5	16	1.3
Samoa	5	1.2	3	1.3	3	1	1	0	1	1	13	1.1
Solomon Islands			3	0.7	3	0.7	1	1			7	0.7
Tonga	1	2	2	1.5	2	2	2	2			7	1.9
Vanuatu					1	0	2	0.5			3	0.3
<b>Total</b>	<b>77</b>	<b>1.4</b>	<b>40</b>	<b>1.2</b>	<b>76</b>	<b>1.3</b>	<b>49</b>	<b>1.3</b>	<b>48</b>	<b>1.3</b>	<b>290</b>	<b>1.3</b>

ADF = Asian Development Fund, N = number of projects, R = mean rating, SF = Special Funds.

Table A11.3: Mean Rating by Sector/Subsector

Sector/Subsector	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
<b>Agriculture</b>	<b>37</b>	<b>1.2</b>	<b>16</b>	<b>1.3</b>	<b>33</b>	<b>1.3</b>	<b>21</b>	<b>1.3</b>	<b>18</b>	<b>1.2</b>	<b>125</b>	<b>1.3</b>
Fisheries	5	0.8	2	0.5	5	1.6	1	1.0	1	1.0	14	1.1
Industrial Crops	6	1.2	2	1.0	2	1.0	1	2.0			11	1.2
Irrigation and Rural Development	14	1.4	6	1.5	14	1.4	14	1.2	6	1.8	54	1.4
Livestock	1		2	0.5	3	0.3	2	1.5			8	0.6
Forestry			3	1.7	3	1.3	2	1.5	1	1.0	9	1.4
Agricultural Support Services	6	1.5	1	2.0	5	1.2	1	1.0	10	0.9	23	1.2
Fertilizer	5	1.4			1	2.0					6	1.5
<b>Energy</b>	<b>18</b>	<b>1.7</b>	<b>3</b>	<b>1.7</b>	<b>12</b>	<b>1.6</b>	<b>9</b>	<b>1.8</b>	<b>4</b>	<b>2.0</b>	<b>46</b>	<b>1.7</b>
Electric Power	17	1.7	3	1.7	10	1.6	8	1.8	4	2.0	42	1.7
Natural Gas/Refinery	1	2.0			2	1.5	1	2.0			4	1.8
<b>Industry and Nonfuel Minerals</b>			<b>3</b>	<b>1.3</b>	<b>2</b>	<b>2.0</b>			<b>5</b>	<b>1.4</b>	<b>10</b>	<b>1.5</b>
<b>Transport and Communications</b>	<b>11</b>	<b>1.9</b>	<b>4</b>	<b>1.3</b>	<b>2</b>	<b>1.0</b>	<b>6</b>	<b>1.5</b>	<b>6</b>	<b>1.7</b>	<b>29</b>	<b>1.6</b>
Airports and Civil Aviation	2	2.0	1	2.0					1	2.0	4	2.0
Ports and Shipping	3	2.0	2	1.5	2	1.0	1		1	2.0	9	1.4
Telecommunications	3	2.0									3	2.0
Roads and Road Transport	2	2.0	1				5	1.8	4	1.5	12	1.6
Railways	1	1.0									1	1.0
<b>Social Infrastructure</b>	<b>6</b>	<b>1.5</b>	<b>7</b>	<b>1.3</b>	<b>14</b>	<b>1.2</b>	<b>7</b>	<b>0.9</b>	<b>8</b>	<b>1.1</b>	<b>42</b>	<b>1.2</b>
Education	3	2.0	3	1.7	6	1.2	2	1.0	5	1.2	19	1.4
Water Supply and Sanitation	3	1.0	4	1.0	3	1.3	1	1.0	2	1.0	13	1.1
Urban Development and Housing					1	1.0	1		1	1.0	3	0.7
Health and Population					4	1.3	3	1.0			7	1.1
<b>Finance</b>	<b>5</b>	<b>1.0</b>	<b>7</b>	<b>0.9</b>	<b>11</b>	<b>0.9</b>			<b>5</b>	<b>0.8</b>	<b>28</b>	<b>0.9</b>
Capital Market Development									2	0.5	2	0.5
Development Finance Institution	5	1.0	7	0.9	11	0.9			3	1.0	26	0.9
<b>Multisector</b>					<b>2</b>	<b>2.0</b>	<b>6</b>	<b>1.0</b>	<b>2</b>	<b>2.0</b>	<b>10</b>	<b>1.4</b>
<b>Total</b>	<b>77</b>	<b>1.4</b>	<b>40</b>	<b>1.2</b>	<b>76</b>	<b>1.3</b>	<b>49</b>	<b>1.3</b>	<b>48</b>	<b>1.3</b>	<b>290</b>	<b>1.3</b>

ADF = Asian Development Fund, N = number of projects, R = mean rating, SF = Special Funds.

**Table A11.4: Mean Rating by Lending Modality**

Lending Modality	SF/ADF I		ADF II		ADF III		ADF IV		ADF V		Cumulative	
	1969-1975		1976-1978		1979-1982		1983-1986		1987-1991		1969-1991	
	N	R	N	R	N	R	N	R	N	R	N	R
Project	72	1.5	32	1.3	57	1.3	37	1.3	21	1.7	219	1.4
Program			1	2.0	8	1.6	5	1.0	17	0.9	31	1.2
DFI	5	1.0	7	0.9	10	0.9	2	2.0	2	1.0	26	1.0
Sector					1	2.0	5	1.2	6	1.3	12	1.3
Others									2	1.0	2	1.0
<b>Total</b>	<b>77</b>	<b>1.4</b>	<b>40</b>	<b>1.2</b>	<b>76</b>	<b>1.3</b>	<b>49</b>	<b>1.3</b>	<b>48</b>	<b>1.3</b>	<b>290</b>	<b>1.3</b>

ADF = Asian Development Fund, DFI = development finance institution, N = number of projects, R = mean rating, SF = Special Funds.

## FACTORS AFFECTING PROJECT PERFORMANCE

1. As indicated by the project ratings, a number of factors could have affected project performance. They include eligibility classification, regional location, sector, and lending modality. Using a chi-square ( $\chi^2$ ) test statistic, the hypothesis that there were no significant differences in mean rating among the different categories within a grouping was tested. Categories by project cost, as a measure of size, were also tested. The results are in Table A12.1.

**Table A12.1: Test of Significance of Differences of Means in Performance Ratings of Selected Project Categories**

Type of Classification	No. of Projects	No. of Cells <sup>a</sup>	% of Cells with Expected Count of Less Than 5	$\chi^2$	Degree of Freedom	Significance (computed $\alpha$ )
By eligibility <sup>b</sup>	287	6	0.0	8.98	2	.011 (significant)
By region <sup>c</sup>	289	9	0.0	9.01	4	.061 (significant)
By sector <sup>d</sup>	290	18	22.2	63.50	10	.000 (significant)
By lending modality <sup>e</sup>	290	12	25.0	20.85	6	.002 (significant)
By project cost	290	12	6.7	2.69	8	.952 (not significant)

Level of significance:  $\alpha = 0.05$  (two-sided); significant if computed level of significance is less than 0.05.

<sup>a</sup> Refers to number of "cells" in a matrix.

<sup>b</sup> Excluding Group C (Republic of Korea, Malaysia, and Singapore had one project each).

<sup>c</sup> Significant at  $\alpha = 0.06$ . Excluding one project in Mongolia, which is part of central Asia.

<sup>d</sup> Combining industry sector with multisector projects.

<sup>e</sup> Combining sector loan with others.

Source: Estimates from project/program performance audit report ratings.

2. In evaluating project performance, the project/program performance audit reports cited certain factors that affected the projects either favorably or adversely. The frequency count of these factors is shown in Table A12.2.

**Table A12.2: Factors Affecting Project Performance**

Factor	No. of Projects Assessed for Factor		Positive Effect (i.e., Project Strength)		Negative Effect (i.e., Project Weakness)	
	N	%	n <sub>1</sub>	%	n <sub>2</sub>	%
Preparatory studies	270	100.0	147	54.4	123	45.6
Monitoring mechanism	251	100.0	80	31.9	171	68.1
Capability-building component	237	100.0	159	67.1	78	32.9
Accounting and financial system	236	100.0	112	47.5	124	52.5
Management information system	231	100.0	61	26.4	170	73.6
Skills of staff	225	100.0	113	50.2	112	49.8
Policy environment	201	100.0	111	55.2	90	44.8
Budget for operation and maintenance	193	100.0	73	37.8	120	62.2
Executing arrangements	191	100.0	121	63.4	70	36.6
Continuity of project management	184	100.0	105	57.1	79	42.9
Institutional capacity of executing agency	191	100.0	95	49.7	96	50.3
Bidding procedures	138	100.0	45	32.6	93	67.4
Familiarity with ADB procedures	120	100.0	64	53.3	56	46.7
Consultation with beneficiaries	112	100.0	39	34.8	73	65.2
Political environment	108	100.0	46	42.6	62	57.4
Coordination with cofinanciers	71	100.0	48	67.6	23	32.4
Participation of NGOs	66	100.0	29	43.3	37	55.2
World market supply/demand prices	62	100.0	26	41.9	36	58.1
Timing of hiring/appointment of consultants	48	100.0	4	8.3	44	91.7
Forces of nature	48	100.0	8	16.7	40	83.3
Country's culture	40	100.0	14	34.1	26	63.4
Interagency coordination	37	100.0	14	37.8	23	62.2
Counterpart fund	16	100.0	4	25.0	12	75.0
Supply of materials	12	100.0	2	16.7	10	83.3
Currency fluctuation	12	100.0	7	58.3	5	41.7
Geography	9	100.0	1	11.1	8	88.9

ADB = Asian Development Bank, N = total number of projects out of 290 assessed for the factor, n<sub>1</sub> = number of projects where effect of factor is positive or factor is a strength, n<sub>2</sub> = number of projects where effect of factor is negative or factor is a weakness, NGO = nongovernment organization.

**DISTRIBUTION OF PROJECTS, PROJECT COSTS, AND LOAN AMOUNTS UNDER ADF I-V**

**Table A13.1: Number of Projects by Sector/Subsector and by Region/Country**

<b>Region/Country</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>	<b>K</b>	<b>L</b>	<b>M</b>	<b>N</b>	<b>O</b>	<b>P</b>	<b>Q</b>	<b>R</b>	<b>S</b>	<b>T</b>	<b>Total</b>	<b>%</b>
<b>Southeast Asia</b>																						
Cambodia								1													1	0.2
Indonesia	3	2	7			1	3	6		1		2			1	1	4		1		32	6.6
Korea, Rep. of																	1				1	0.2
Lao People's Dem. Rep.			2		2		2	4			5				2		1		1		19	3.9
Malaysia			1																		1	0.2
Myanmar	5	3	4		2		1	2	1	1	1	1			2			2	2		27	5.5
Philippines		1	11		2	1	2				1	1			2		2		1	3	27	5.5
Singapore																	1				1	0.2
Thailand		1	2												1	2					6	1.2
Viet Nam		1	3											1	1						7	1.4
<b>Subtotal</b>	<b>8</b>	<b>8</b>	<b>30</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>14</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>2</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>122</b>	<b>25.0</b>
<b>South Asia</b>																						
Afghanistan			3				1	1			1										6	1.2
Bangladesh	1	4	22	2	2	2	9	8	5	4	6	1			1	3	6	3	6		85	17.4
Bhutan			1	1						1	1						1		1	2	8	1.6
Maldives								2				2								1	5	1.0
Nepal	5	2	14	2	4		10	8	1	1	4		3		2		4				60	12.3
Pakistan	1	4	17	3	1	2	5	11	1	2	2	1			3	2	3	3	6	1	68	13.9
Sri Lanka	5	3	6	1	1	1	7	6			4			2	1	1	3	1	9	1	52	10.7
<b>Subtotal</b>	<b>12</b>	<b>13</b>	<b>63</b>	<b>9</b>	<b>8</b>	<b>5</b>	<b>32</b>	<b>36</b>	<b>7</b>	<b>8</b>	<b>18</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>6</b>	<b>17</b>	<b>7</b>	<b>22</b>	<b>5</b>	<b>284</b>	<b>58.2</b>
<b>Central Asia</b>																						
Mongolia										1											1	0.2
<b>Subtotal</b>										<b>1</b>											<b>1</b>	<b>0.2</b>
<b>Pacific</b>																						
Cook Islands														1					1	2	4	0.8
Kiribati								2				2							1		5	1.0
Marshall Islands		1																			1	0.2
Papua New Guinea			4				2	1		1	2	1			2		1	2	3	2	21	4.3
Samoa	4			1	1		1	4			2		1	2					5	1	22	4.5
Solomon Islands		2		1			1	2			1	2			1				2		12	2.5
Tonga		1						1		1				1					2	5	11	2.3
Vanuatu							1					1							2	1	5	1.0
<b>Subtotal</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>16</b>	<b>11</b>	<b>81</b>	<b>16.6</b>
<b>Total</b>	<b>24</b>	<b>25</b>	<b>97</b>	<b>11</b>	<b>15</b>	<b>7</b>	<b>45</b>	<b>60</b>	<b>8</b>	<b>13</b>	<b>30</b>	<b>14</b>	<b>4</b>	<b>7</b>	<b>18</b>	<b>8</b>	<b>29</b>	<b>11</b>	<b>43</b>	<b>19</b>	<b>488</b>	<b>100.0</b>
<b>% of Total</b>	<b>4.9</b>	<b>5.1</b>	<b>19.9</b>	<b>2.3</b>	<b>3.1</b>	<b>1.4</b>	<b>9.2</b>	<b>12.3</b>	<b>1.6</b>	<b>2.7</b>	<b>6.1</b>	<b>2.9</b>	<b>0.8</b>	<b>1.4</b>	<b>3.7</b>	<b>1.6</b>	<b>5.9</b>	<b>2.3</b>	<b>8.8</b>	<b>3.9</b>	<b>100.0</b>	

A = industrial crops and agroindustry, ADF = Asian Development Fund, B = fisheries, C = irrigation and rural development, D = livestock, E = forestry, F = fertilizer, G = agricultural support services, H = electric power, I = natural gas/refinery, J = industry and nonfuel minerals, K = roads and transport, L = ports and shipping, M = airports and civil aviation, N = telecommunications, O = water supply and sanitation, P = urban development and housing, Q = education, R = health and sanitation, S = development finance institution, T = multisector.

**Table A13.2: Loan Amount by Sector/Subsector and by Region/Country**  
(\$ million)

Region/Country	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	Total	%
<b>Southeast Asia</b>																						
Cambodia								1													1	0.0
Indonesia	19	8	135			10	108	25		78		11			10	54	109		47		614	5.5
Korea, Rep. of																	4				4	0.0
Lao People's Dem. Rep.			1		13		28	47			121				15		13		25		263	2.3
Malaysia			3																		3	0.0
Myanmar	74	39	73		46		14	24	5	5	34	15			31			25	19		404	3.6
Philippines		52	175		81	35	39				52	1			31		81		35	170	752	6.7
Singapore																	3				3	0.0
Thailand		11	13													18	18				60	0.5
Viet Nam		2	12					6						0	3						23	0.2
<b>Subtotal</b>	<b>93</b>	<b>112</b>	<b>412</b>		<b>140</b>	<b>45</b>	<b>189</b>	<b>103</b>	<b>5</b>	<b>83</b>	<b>207</b>	<b>27</b>		<b>0</b>	<b>90</b>	<b>72</b>	<b>228</b>	<b>25</b>	<b>126</b>	<b>170</b>	<b>2,127</b>	<b>19.0</b>
<b>South Asia</b>																						
Afghanistan			19				8	0			0										27	0.2
Bangladesh	14	47	712	56	46	146	257	564	219	145	441	0			13	154	149	81	99		3,143	28.1
Bhutan			1	5						1	5						6		2	14	34	0.3
Maldives								16				8								3	27	0.2
Nepal	11	14	167	16	34		192	157	11	51	122		42		24		39				880	7.9
Pakistan	42	84	1,261	40	24	19	375	483	46	145	151	11			101	133	79	42	226	39	3,301	29.5
Sri Lanka	104	24	148	14	10	33	182	165			89			39	35	21	55	7	252	11	1,189	10.6
<b>Subtotal</b>	<b>171</b>	<b>169</b>	<b>2,308</b>	<b>131</b>	<b>114</b>	<b>198</b>	<b>1,014</b>	<b>1,385</b>	<b>276</b>	<b>342</b>	<b>808</b>	<b>19</b>	<b>42</b>	<b>39</b>	<b>173</b>	<b>308</b>	<b>328</b>	<b>130</b>	<b>579</b>	<b>67</b>	<b>8,601</b>	<b>76.8</b>
<b>Central Asia</b>																						
Mongolia										31											31	0.3
<b>Subtotal</b>										<b>31</b>											<b>31</b>	<b>0.3</b>
<b>Pacific</b>																						
Cook Islands														5					2	4	11	0.1
Kiribati								2				1							1		4	0.0
Marshall Islands		4																			4	0.0
Papua New Guinea			44				81	6		9	30	8			18		8	33	16	11	264	2.4
Samoa	8			0	2		16	13					3	11					17	6	76	0.7
Solomon Islands		4		4			7	9			2	6			2				3		37	0.3
Tonga		2						7		0				1					6	11	27	0.2
Vanuatu							1					9							4	4	18	0.2
<b>Subtotal</b>	<b>8</b>	<b>10</b>	<b>44</b>	<b>4</b>	<b>2</b>		<b>105</b>	<b>37</b>		<b>9</b>	<b>32</b>	<b>24</b>	<b>3</b>	<b>17</b>	<b>20</b>		<b>8</b>	<b>33</b>	<b>49</b>	<b>36</b>	<b>441</b>	<b>3.9</b>
<b>Total</b>	<b>272</b>	<b>291</b>	<b>2,764</b>	<b>135</b>	<b>256</b>	<b>243</b>	<b>1,308</b>	<b>1,525</b>	<b>281</b>	<b>465</b>	<b>1,047</b>	<b>70</b>	<b>45</b>	<b>56</b>	<b>283</b>	<b>380</b>	<b>564</b>	<b>188</b>	<b>754</b>	<b>273</b>	<b>11,200</b>	<b>100.0</b>
<b>% of Total</b>	<b>2.4</b>	<b>2.6</b>	<b>24.7</b>	<b>1.2</b>	<b>2.3</b>	<b>2.2</b>	<b>11.7</b>	<b>13.6</b>	<b>2.5</b>	<b>4.2</b>	<b>9.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>2.5</b>	<b>3.4</b>	<b>5.0</b>	<b>1.7</b>	<b>6.7</b>	<b>2.4</b>	<b>100.0</b>	

A = industrial crops and agroindustry, ADF = Asian Development Fund, B = fisheries, C = irrigation and rural development, D = livestock, E = forestry, F = fertilizer, G = agricultural support services, H = electric power, I = natural gas/refinery, J = industry and nonfuel minerals, K = roads and transport, L = ports and shipping, M = airports and civil aviation, N = telecommunications, O = water supply and sanitation, P = urban development and housing, Q = education, R = health and sanitation, S = development finance institution, T = multisector.

**Table A13.3: Project Cost by Sector/Subsector and by Region/Country**  
(\$ million)

Region/Country	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	Total	%
<b>Southeast Asia</b>																						
Cambodia								1													1	0.0
Indonesia	82	19	651			86	262	56		153		23			41	167	291		247		2,078	9.0
Korea, Rep. of																	18				18	0.1
Lao People's Dem. Rep.			2		34		30	78			142				21		17		25		349	1.5
Malaysia			16																		16	0.1
Myanmar	214	114	177		101		39	53	7	21	127	37			149			33	19		1,091	4.7
Philippines		82	380		149	35	57				102	15			51		192		100	218	1,381	6.0
Singapore																	14				14	0.1
Thailand		37	74													45	40				196	0.8
Viet Nam		2	25					11							34						72	0.3
<b>Subtotal</b>	<b>296</b>	<b>254</b>	<b>1,325</b>		<b>284</b>	<b>121</b>	<b>388</b>	<b>199</b>	<b>7</b>	<b>174</b>	<b>371</b>	<b>75</b>			<b>296</b>	<b>212</b>	<b>572</b>	<b>33</b>	<b>391</b>	<b>218</b>	<b>5,216</b>	<b>22.5</b>
<b>South Asia</b>																						
Afghanistan			14				8														22	0.1
Bangladesh	25	64	979	80	55	994	353	1,263	368	162	638	17			21	194	171	108	106		5,598	24.1
Bhutan			1	9							1	9					7		2	25	54	0.2
Maldives								17				17								3	37	0.2
Nepal	18	21	231	22	38		224	213	12	107	155		62		28		54				1,185	5.1
Pakistan	54	108	1,359	59	30	441	598	3,427	237	286	197	481			263	186	107	55	425	48	8,361	36.0
Sri Lanka	315	16	256	17	11	192	221	247			120			69	44	36	76	8	253	15	1,896	8.2
<b>Subtotal</b>	<b>412</b>	<b>209</b>	<b>2,840</b>	<b>187</b>	<b>134</b>	<b>1,627</b>	<b>1,404</b>	<b>5,167</b>	<b>617</b>	<b>556</b>	<b>1,119</b>	<b>515</b>	<b>62</b>	<b>69</b>	<b>356</b>	<b>416</b>	<b>415</b>	<b>171</b>	<b>786</b>	<b>91</b>	<b>17,153</b>	<b>73.9</b>
<b>Central Asia</b>																						
Mongolia										31											31	0.1
<b>Subtotal</b>										<b>31</b>											<b>31</b>	<b>0.1</b>
<b>Pacific</b>																						
Cook Islands														7				1	4		12	0.1
Kiribati								2				1						1			4	0.0
Marshall Islands		4																			4	0.0
Papua New Guinea			101				134	52		11	72	16			32		29	48	16	15	526	2.3
Samoa	17		1		4		16	34					5	22					17	18	134	0.6
Solomon Islands		12	8				11	11			7	9			2				3		63	0.3
Tonga		3						10		1					2				7	12		0.0
Vanuatu							2					7							6	7	22	0.1
<b>Subtotal</b>	<b>17</b>	<b>19</b>	<b>110</b>		<b>4</b>		<b>163</b>	<b>109</b>		<b>12</b>	<b>79</b>	<b>33</b>	<b>5</b>	<b>31</b>	<b>34</b>		<b>29</b>	<b>48</b>	<b>51</b>	<b>56</b>	<b>800</b>	<b>3.4</b>
<b>Total</b>	<b>725</b>	<b>482</b>	<b>4,275</b>	<b>187</b>	<b>422</b>	<b>1,748</b>	<b>1,955</b>	<b>5,475</b>	<b>624</b>	<b>773</b>	<b>1,569</b>	<b>623</b>	<b>67</b>	<b>100</b>	<b>686</b>	<b>628</b>	<b>1,016</b>	<b>252</b>	<b>1,228</b>	<b>365</b>	<b>23,200</b>	<b>100.0</b>
<b>% of Total</b>	<b>3.1</b>	<b>2.1</b>	<b>18.4</b>	<b>0.8</b>	<b>1.8</b>	<b>7.5</b>	<b>8.4</b>	<b>23.6</b>	<b>2.7</b>	<b>3.3</b>	<b>6.8</b>	<b>2.7</b>	<b>0.3</b>	<b>0.4</b>	<b>3.0</b>	<b>2.7</b>	<b>4.4</b>	<b>1.1</b>	<b>5.3</b>	<b>1.6</b>	<b>100.0</b>	

A = industrial crops and agroindustry, ADF = Asian Development Fund, B = fisheries, C = irrigation and rural development, D = livestock, E = forestry, F = fertilizer, G = agricultural support services, H = electric power, I = natural gas/refinery, J = industry and nonfuel minerals, K = roads and transport, L = ports and shipping, M = airports and civil aviation, N = telecommunications, O = water supply and sanitation, P = urban development and housing, Q = education, R = health and sanitation, S = development finance institution, T = multisector.

## IMPACT OF ADF I-V PROJECTS ON SELECTED BORROWER DMCs

1. The Study assessed the impact of the Asian Development Fund (ADF) operations in borrowing developing member countries (DMCs). To better gauge such impact, the ADF I-V inputs in terms of number of projects, loan amount, and total project cost were tabulated by sector and by strategic development objective (SDO), with the corresponding project performance ratings. The SDO classes were used for convenience (there was no SDO classification at the time) to provide a rough guide in correlating the ADF I-V inputs with economic and social development indicators (Appendix 2). It should be pointed out, however, that it would not be fair to expect a strong correlation between the ADF inputs and the corresponding indicators because the latter are measures at the national level while the former provided inputs only to certain sectors or subsectors at certain points in time. Nevertheless, the broad national indicators are useful in the sense that they put in perspective the ADF I-V inputs in each of the DMCs. More detailed information as to how the number of projects, loan amount, and project cost were distributed by country and by sector is given in Appendix 13.

### A. The Major ADF Borrowers in South Asia

2. The major ADF borrowers initially were all South Asian DMCs including Bangladesh, Nepal, Pakistan, and Sri Lanka. Together they received \$8.5 billion in net loan amount representing 77 percent of the total. This amount funded 265 projects or 54 percent of the total number of projects, with a total project cost of \$17 billion.

#### 1. Bangladesh

3. Bangladesh received the second largest share of ADF I-V resources, amounting to \$3.1 billion or about 28 percent of the total. The net ADF transfer accounted for 7.7 percent of the country's total net resource flows from external sources during 1969-1991. The ADF loan proceeds funded 85 projects with a total cost of \$5.6 billion. The Government shouldered 44 percent of the total project cost. The distribution of this amount, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.1.

**Table A14.1: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Bangladesh**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>48</b>	<b>1,344.9</b>	<b>2,742.4</b>	<b>100.0</b>	<b>37.5</b>	<b>52.1</b>	<b>10.4</b>	<b>100.0</b>
Agriculture	22	686.0	1,795.5	65.5	45.5	50.0	4.5	100.0
Energy	7	227.1	409.3	14.9	57.1	42.9		100.0
Industry	3	128.8	136.5	5.0	33.3	33.3	33.3	100.0
Transport and Communications	4	72.9	141.0	5.1	50.0	25.0	25.0	100.0
Social Infrastructure	7	154.7	178.3	6.5	14.3	85.7		100.0
Finance	5	75.4	81.9	3.0		60.0	40.0	100.0
<b>Primary SDO</b>	<b>48</b>	<b>1,344.9</b>	<b>2,742.4</b>	<b>100.0</b>	<b>37.5</b>	<b>52.1</b>	<b>10.4</b>	<b>100.0</b>
Economic Growth	31	1,010.3	2,249.9	82.0	35.5	48.4	16.1	100.0
Poverty Reduction	9	174.6	305.6	11.1	55.6	44.4		100.0
Human Development	7	154.7	178.3	6.5	14.3	85.7		100.0
Women in Development	1	5.3	8.7	0.3	100.0			100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

4. Owing to the economy's heavy dependence on agriculture, ADF assistance was heavily concentrated in that sector. The majority of the projects funded were for the construction and/or rehabilitation of irrigation and flood control and drainage facilities. Combined with inputs necessary for irrigated cropping, the infrastructure increased food grains production. However, less than 50 percent of the projects were rated generally successful. The projects in the energy sector, which performed well, focused on augmenting power generation capacity and developing indigenous energy resources, such as natural gas and coal. Projects in industry increased current production capacity, while those in transport and communications linked rural with urban centers and increased port handling capacity. In social infrastructure, investments were focused on education as well as health and urban development and housing, but project performance was well below potential as indicated by the very high percentage of projects rated partly successful.

5. The impact of the ADF on the economic growth of Bangladesh, which averaged 2.4 percent during the 1970s and 5 percent in the 1980s, was expected to be mainly through its contribution to the growth of agriculture and energy, as about two thirds of the resources went to these sectors. Beset by frequent natural disasters, agricultural production grew by 1.9 percent per annum, a little lower than the average population growth of 2.2 percent per annum, resulting in a declining per capita production. Energy production, on the other hand, grew at a rapid rate of 10.3 percent per annum. The performance of projects in these sectors, together with other growth-oriented projects in industry, transport and communications, and finance, which had a high proportion of partly successful ratings, indicates that the ADF's contribution to overall economic growth may not have been very significant.

6. Despite a modest economic growth, there was a significant drop in the incidence of poverty from an average of 78 percent in the 1980s to about 48 percent in 1992. The relatively good performance of projects with poverty reduction as primary SDO contributed to this achievement. Other social indicators, however, did not show much improvement during the period. Adult literacy remained low at about 35 percent in 1990. Gross primary enrolment even went down from 73 percent in 1975 to 59 percent in 1990. Infant mortality declined from 140 in 1975 to 96 in 1989, while life expectancy at birth increased from 42 to 51 during the same period, respectively. Given the performance of ADF projects in social infrastructure, which had a very high proportion of partly successful ratings, the contribution in these areas needed to be more effective.

## **2. Nepal**

7. Nepal received a cumulative net loan amount of \$880 million or about 8 percent of the total under ADF I-V. The net ADF transfer during this period contributed 11 percent to Nepal's aggregate net resource flows from external sources. The proceeds from ADF loans funded 60 projects with a total project cost of \$1.2 billion to which the Government contributed about 26 percent. The distribution of these resources, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.2.

**Table A14.2: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Nepal**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>37</b>	<b>495.7</b>	<b>753.9</b>	<b>100.0</b>	<b>59.5</b>	<b>24.3</b>	<b>16.2</b>	<b>100.0</b>
Agriculture	22	245.8	339.8	45.1	50.0	31.8	18.2	100.0
Energy	6	90.9	124.2	16.5	83.3		16.7	100.0
Industry	1	50.7	107.4	14.2			100.0	100.0
Transport and Communications	5	87.6	156.6	20.8	100.0			100.0
Social Infrastructure	3	20.8	25.9	3.4	33.3	66.7		100.0
<b>Primary SDO</b>	<b>37</b>	<b>495.7</b>	<b>753.9</b>	<b>100.0</b>	<b>59.5</b>	<b>24.3</b>	<b>16.2</b>	<b>100.0</b>
Economic Growth	19	325.9	506.9	67.2	78.9	10.5	10.5	100.0
Poverty Reduction	9	75.0	123.0	16.3	33.3	33.3	33.3	100.0
Human Development	5	60.5	85.5	11.3	40.0	40.0	20.0	100.0
Environment	4	34.4	38.4	5.1	50.0	50.0		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

8. As in the other South Asian DMCs, the allocation pattern of ADF I-V resources in Nepal focused on agriculture, specifically irrigation and rural development, and agricultural support services. Agricultural production grew at 2.3 percent per annum. Benefits, however, were disproportionately distributed to medium and large farm owners. Electric power, and transport and communications subsectors also received significant allocations. These investments contributed significantly to building Nepal's basic infrastructure. Project performance in these sectors has been mixed, with a good proportion of projects rated generally successful but also a relatively high proportion rated unsuccessful. Projects in social infrastructure—mainly in education, and water supply and sanitation—performed well in both cases.

9. The high success rate of ADF projects with economic growth as primary SDO, i.e., mainly irrigation, electric power, and transport and communications, suggest a positive contribution to Nepal's economic growth, which averaged 2.2 percent in the 1970s and 4.8 percent in the 1980s. The incidence of poverty, which stood at a high of 60 percent in the 1980s, went down to about 40 percent in the 1990s. The indirect effect of growth-oriented projects and projects with poverty reduction as primary SDO partly contributed to that. Other social indicators suggest a still big challenge ahead. Although adult literacy rate increased from 13 percent in 1970 to 26 percent in 1990, it remained low, with a great disparity between male and female and among regions. Infant mortality remained high at 101 in 1990 from 173 in 1970 while life expectancy remained low at 53 years in 1990, from 41 in 1970. These suggest that significantly more investments in human development than what was provided during ADF I-V are required.

### 3. Pakistan

10. Pakistan received the largest share of ADF I-V resources, totaling \$3.3 billion or 29.5 percent of total net loan amount. Excluding payment of principal and interest, the net loan amount contributed 6.5 percent to Pakistan's aggregate net resource flows from external sources. The ADF loans funded 68 projects with a total project cost of \$8.4 billion. Pakistan's share in the project cost was about 60 percent. About 60 percent of the projects have so far

been postevaluated, and their distribution by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.3.

**Table A14.3: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Pakistan**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>41</b>	<b>1,454.8</b>	<b>4,433.7</b>	<b>100.0</b>	<b>51.2</b>	<b>39.0</b>	<b>9.8</b>	<b>100.0</b>
Agriculture	15	580.2	1,517.9	34.2	53.3	40.0	6.7	100.0
Energy	9	328.9	1,381.7	31.2	100.0			100.0
Industry	2	145.2	286.4	6.5	100.0			100.0
Transport and Communications	2	48.6	534.9	12.1	50.0	50.0		100.0
Social Infrastructure	8	215.2	368.7	8.3		62.5	37.5	100.0
Finance	4	97.3	296.3	6.7		100.0		100.0
Multisector	1	39.4	47.8	1.1	100.0			100.0
<b>Primary SDO</b>	<b>41</b>	<b>1,454.8</b>	<b>4,433.7</b>	<b>100.0</b>	<b>51.2</b>	<b>39.0</b>	<b>9.8</b>	<b>100.0</b>
Economic Growth	25	963.7	3,599.6	81.2	64.0	32.0	4.0	100.0
Poverty Reduction	6	184.1	262.0	5.9	50.0	50.0		100.0
Human Development	9	264.5	519.3	11.7	22.2	44.4	33.3	100.0
Women in Development	1	42.6	52.9	1.2		100.0		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

11. The bulk of ADF assistance to Pakistan was in agriculture, mainly in irrigation and rural development. The relatively good performance of projects in this sector contributed to the rapid growth of agricultural production averaging 3.8 percent during 1970-1990. Irrigation infrastructure, such as the Tarbela Dam, combined with increased use of phosphate fertilizer significantly improved food grains production. The fisheries projects also resulted in increased catch of marine fish and shrimps for local and foreign markets. Projects in the energy sector, in which all postevaluated projects were rated generally successful, significantly augmented the industry's operating capacity, which grew at an average of 7.6 percent during 1970-1990, thereby helping meet the increased demand of the residential, commercial, and industry sectors for electricity. Projects in development finance institutions, however, faced a number of problems in their subprojects, specifically in the collection of loan repayments, and did not perform as well. Projects in social infrastructure had the lowest performance. The desired human development impact in terms of quality education, better health, improved water supply and sanitation were not achieved as planned due to lack of qualified personnel, lack of funds for maintenance and operating expenses, among many other reasons.

12. Considering that a great majority of the projects funded, and which performed well, were growth-oriented or designed to increase the economy's productive capacity, it can be said that the ADF contributed to Pakistan's economic growth, which averaged 5.3 percent during the 1970s and 6.2 percent during the 1980s, and per capita gross national product growth of 2.4 percent per annum during the same period. Other than the indirect contribution of economic growth in reducing the incidence of poverty, which stood at around 28 percent during the 1980s, the relatively good performance of projects with poverty reduction as primary SDO made a further, but limited, contribution to this objective. Women and environment were not among Pakistan's priorities during ADF I-V.

13. Despite the high growth rates, however, the social indicators remained poor. Adult literacy rate, which stood at 21 percent in 1975, increased to only 35 percent in 1990, still way below that in other DMCs in Southeast Asia. Gross primary enrolment even went down from 51 percent in 1975 to 40 percent in 1989. Infant mortality dropped marginally from 143 deaths per 1,000 live births in 1970 to 111 in 1990 while life expectancy at birth increased from 46 to 55 years during the same period. The poor performance of projects in social infrastructure did not appear to have helped much in these respects.

#### 4. Sri Lanka

14. Although a far third in terms of share in ADF I-V resources, Sri Lanka still received a significant \$1.2 billion or 10.6 percent of the total net loan amount. The net ADF transfer represented 7.2 percent of Sri Lanka's aggregate net resource flows during 1969-1991. ADF I-V funded 52 projects with a total project cost of about \$1.9 billion, of which the Government's contribution was about 37 percent. The distribution of this amount, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.4.

**Table A14.4: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Sri Lanka**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>29</b>	<b>582.7</b>	<b>1,152.5</b>	<b>100.0</b>	<b>41.4</b>	<b>48.3</b>	<b>10.3</b>	<b>100.0</b>
Agriculture	17	343.9	796.2	69.1	17.6	64.7	17.6	100.0
Energy	5	83.8	181.6	15.8	100.0			100.0
Transport and Communications	2	45.7	64.4	5.6	50.0	50.0		100.0
Social Infrastructure	1	7.2	8.1	0.7	100.0			100.0
Finance	4	102.1	102.1	8.9	50.0	50.0		100.0
<b>Primary SDO</b>	<b>29</b>	<b>582.7</b>	<b>1,152.5</b>	<b>100.0</b>	<b>41.4</b>	<b>48.3</b>	<b>10.3</b>	<b>100.0</b>
Economic Growth	22	521.0	1,033.4	89.7	40.9	50.0	9.1	100.0
Poverty Reduction	5	44.6	100.3	8.7	20.0	60.0	20.0	100.0
Human Development	1	7.2	8.1	0.7	100.0			100.0
Environment	1	9.8	10.6	0.9	100.0			100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

15. ADF assistance to Sri Lanka likewise focused on agriculture, particularly irrigation; industrial crops and agro-industry; and agricultural support services increasing the irrigated cropping areas, cropping intensity, and diversification. The relatively high proportion of projects rated partly successful and unsuccessful did not help much in boosting agricultural production, which grew at an average of 1.4 percent per annum. Projects in energy, however, performed very well, thus strengthening the country's power system and its capacity to supply electricity even to remote villages. Projects in the finance sector likewise performed relatively well particularly in supporting investments in small and medium industries. The projects in social infrastructure improved the supply of technical manpower as well as access to health care in the rural areas.

16. The ADF's impact on Sri Lanka's modest economic growth, which averaged around 4.4 percent during the 1970s and 1980s, was mainly through the energy and finance sectors and other infrastructure, which supported the country's shift in economic strategy from import

substitution to export promotion. Despite such modest economic growth, Sri Lanka's social indicators have been impressive. The income ratio of the highest 20 percent to the lowest 20 percent dropped significantly from 11.7 in the early 1980s to 4.4 in 1990. Gross primary enrolment ratio rose from 77 percent in 1975 to 107 percent in 1989, and adult literacy rate increased from 78 to 89 percent during the same period. Infant mortality rate, on the other hand, went down from 90 in 1970 to 19 in 1990, while life expectancy rose from 64 to 71 during the same years. While ADF's investments in the social infrastructure sector has not been that extensive, they are likely to have had positive contributions to these achievements.

## B. The Major ADF Borrowers in Southeast Asia

17. The 10 Southeast Asian borrowing DMCs received \$2.1 billion or 19 percent of the total net loan amount under ADF I-V. Three, however—Korea, Malaysia, and Singapore—have since graduated from access to concessional resources. The development impact of the ADF in four DMCs—Indonesia, Lao People's Democratic Republic, Myanmar, and Philippines—which together accounted for about 96 percent of the total net loan amount to the region, is described in this section.

### 1. Indonesia

18. Indonesia received \$614 million from ADF I-V, which financed 32 projects with a total cost of \$2.1 billion, of which the Government's share was 70 percent. The distribution of postevaluated projects, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.5.

**Table A14.5: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Indonesia**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>26</b>	<b>477.4</b>	<b>1,526.0</b>	<b>100.0</b>	<b>42.3</b>	<b>53.8</b>	<b>3.8</b>	<b>100.0</b>
Agriculture	13	181.9	678.9	44.5	38.5	61.5		100.0
Energy	5	24.4	55.9	3.7	40.0	60.0		100.0
Industry	1	78.1	153.1	10.0	100.0			100.0
Transport and Communications	1	5.5	14.8	1.0	100.0			100.0
Social Infrastructure	5	140.4	376.3	24.7	40.0	60.0		100.0
Finance	1	47.0	247.0	16.2			100.0	100.0
<b>Primary SDO</b>	<b>26</b>	<b>477.4</b>	<b>1,526.0</b>	<b>100.0</b>	<b>42.3</b>	<b>53.8</b>	<b>3.8</b>	<b>100.0</b>
Economic Growth	18	307.8	984.5	64.5	33.3	61.1	5.6	100.0
Poverty Reduction	3	29.1	165.2	10.8	100.0			100.0
Human Development	5	140.4	376.3	24.7	40.0	60.0		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

19. The bulk of investments from ADF I-V loans went to the irrigation and rural development, agricultural support services, and education subsectors. Project performance is considered satisfactory: only one project was rated unsuccessful and the rest generally successful and partly successful. Projects in agriculture contributed to higher crop yields through irrigation infrastructure and the introduction of high-yielding crop varieties, especially rice. The results were increased household farm incomes and employment, increased demand for agricultural labor, and stimulated secondary business activities within and around the irrigation schemes.

The fisheries projects increased the production of shrimp and milkfish from brackishwater aquaculture and generated employment that exceeded the appraisal estimate. The energy projects expanded the base load capacity, increasing the number of rural connections, which encouraged small-scale industrialization. Additional employment was created, while the ports project expanded the cargo-handling capacity of ports. Projects in social infrastructure contributed to human development by turning out skilled workers (most of whom come from poor families), enhancing access of the poor to potable water supplies, and improving the living conditions of low-income families. Indonesia's economic and social indicators during the period under study, particularly for economic growth, poverty reduction, participation rate in basic education, have been impressive. ADF I-V projects, though small relative to the total picture, gave positive contributions.

## 2. The Lao People's Democratic Republic

20. The Lao People's Democratic Republic received \$263 million of concessional loans under ADF I-V, the net flows of which accounted for about 6 percent of its total net flows from external sources. The loan funded 19 projects costing \$349 million, of which the Government's share was about 25 percent. The distribution of postevaluated projects, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.6.

**Table A14.6: Performance by Sector and by SDO of ADF I-V Projects with PPAR in the Lao People's Democratic Republic**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>11</b>	<b>113.0</b>	<b>186.6</b>	<b>100.0</b>	<b>45.5</b>	<b>36.4</b>	<b>18.2</b>	<b>100.0</b>
Agriculture	3	35.7	55.6	29.8		33.3	66.7	100.0
Energy	4	34.9	74.9	40.1	75.0	25.0		100.0
Transport and Communications	2	27.4	35.3	18.9	100.0			100.0
Social Infrastructure	2	15.1	20.9	11.2		100.0		100.0
<b>Primary SDO</b>	<b>11</b>	<b>113.0</b>	<b>186.6</b>	<b>100.0</b>	<b>45.5</b>	<b>36.4</b>	<b>18.2</b>	<b>100.0</b>
Economic Growth	8	92.1	157.8	84.6	62.5	25.0	12.5	100.0
Poverty Reduction	1	5.8	8.0	4.3			100.0	100.0
Human Development	2	15.1	20.9	11.2		100.0		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

21. Most of the ADF I-V loan proceeds were invested in basic infrastructure, particularly roads and electric power. The road projects generated increased traffic volume, in terms of goods and people associated with farm-to-market access, significantly improving the income of farm households. The electric power projects, notably the Xeset Hydropower, increased the country's generation capacity, conserved foreign currency, and earned foreign exchange through export of excess power to Thailand. Projects in agriculture increased the irrigated areas and helped improve crop yields, especially of rice, resulting in better living conditions around well-irrigated areas. Projects in education increased access to primary and secondary schools, while the water supply project boosted the supply of safe drinking water, which helped minimize the incidence of waterborne diseases such as dysentery and cholera.

### 3. Myanmar

22. ADF I-V provided \$404 million of concessional loans to Myanmar, the net flows of which accounted for about 7 percent of the country's total flows from external sources during the period. The loan proceeds financed 27 projects costing \$1.1 billion, of which the Government's share was 63 percent. The distribution of postevaluated projects, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.7.

**Table A14.7: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Myanmar**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>11</b>	<b>158.8</b>	<b>468.3</b>	<b>100.0</b>	<b>63.6</b>	<b>27.3</b>	<b>9.1</b>	<b>100.0</b>
Agriculture	5	71.2	185.5	39.6	60.0	20.0	20.0	100.0
Energy	2	14.5	30.6	6.5	50.0	50.0		100.0
Industry	1	5.2	20.9	4.5	100.0			100.0
Transport and Communications	1	34.4	127.1	27.1	100.0			100.0
Social Infrastructure	2	33.5	104.2	22.3	50.0	50.0		100.0
<b>Primary SDO</b>	<b>11</b>	<b>158.8</b>	<b>468.3</b>	<b>100.0</b>	<b>63.6</b>	<b>27.3</b>	<b>9.1</b>	<b>100.0</b>
Economic Growth	8	115.5	343.2	73.3	62.5	25.0	12.5	100.0
Human Development	3	43.3	125.0	26.7	66.7	33.3		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

23. Projects in agriculture, which received the largest share of the loan amount, significantly improved paddy production and yield mainly through the increased application of fertilizer, greater self-sufficiency in jute products although achieved at high economic cost, increased the income of fishermen through the introduction of an incentive scheme in the fisheries project, and substantially increased teak and hardwood production. Social infrastructure projects improved health care services due to the enhanced diagnostic and surgical capacity of hospitals and increased the supply of better quality water to 52 percent of the population but a large portion of whom belonged to the higher income group.

### 4. The Philippines

24. Of the \$753 million total net loan amount of the Philippines from ADF I-V, \$633 million or 84 percent was received during ADF V. During this period, the Asian Development Bank (ADB) granted the country, together with Indonesia, temporary renewed access to ADF due to the severe economic crisis it was undergoing at the time. The loan was intended to support the wide-ranging economic reforms that the Government was implementing and which were designed to address urgent problems of high poverty incidence, poor infrastructure, environmental degradation, among many others. The net ADF transfer contributed 1.7 percent to the aggregate net resource flows to the Philippines from all sources during the period. The distribution of postevaluated projects, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.8.

**Table A14.8: Performance by Sector and by SDO of ADF I-V Projects with PPAR in the Philippines**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>15</b>	<b>327.6</b>	<b>745.4</b>	<b>100.0</b>	<b>33.3</b>	<b>66.7</b>		<b>100.0</b>
Agriculture	8	121.4	282.8	37.9	37.5	62.5		100.0
Transport and Communications	2	52.7	116.3	15.6	50.0	50.0		100.0
Social Infrastructure	3	98.0	218.9	29.4		100.0		100.0
Finance	1	35.3	100.3	13.5		100.0		100.0
Multisector	1	20.2	27.1	3.6	100.0			100.0
<b>Primary SDO</b>	<b>15</b>	<b>327.6</b>	<b>745.4</b>	<b>100.0</b>	<b>33.3</b>	<b>66.7</b>		<b>100.0</b>
Economic Growth	5	120.4	301.7	40.5	40.0	60.0		100.0
Poverty Reduction	6	56.9	142.4	19.1	50.0	50.0		100.0
Human Development	3	98.0	218.9	29.4		100.0		100.0
Environment	1	52.4	82.4	11.1		100.0		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

25. Investments of loan proceeds from ADF I-V were more spread out among sectors although agriculture received the largest share. On the whole, project performance is satisfactory considering that no project was rated unsuccessful. Irrigation and rural development projects contributed to increased agricultural output in both upland and lowland areas through the expanded irrigated area, while the fisheries project increased deep-sea commercial fishing and aquaculture production. The port project improved the efficiency and cost of handling of containerized cargo, while the project in finance helped promote the development of small and medium enterprises. The good repayment records were indicative of profitable business operations. All the projects helped stimulate economic growth and created employment and income opportunities, thereby contributing to poverty reduction. Investment in social infrastructure, particularly in agricultural education, contributed to human development by providing a range of courses that produced a range of skills. The water supply projects, however, fell far short of expectation in reducing nonrevenue water and in increasing the supply of safe drinking water.

### C. The Pacific DMCs

26. The Pacific DMCs received \$471 million of concessional loans under ADF I-V, or 4.2 percent of the total. The loan amount helped finance 81 projects costing \$800 million, of which the share of Pacific DMC governments was about 45 percent. This section describes the impact of ADF I-V projects in Papua New Guinea and the other Pacific DMCs as a group.

#### 1. Papua New Guinea

27. Of the total ADF I-V loan to Pacific DMCs, \$264 million or about 60 percent went to Papua New Guinea. The net flows accounted for 1.6 percent of the country's total flows from external sources during the period. The loan proceeds funded 21 projects with a total cost of \$526 million. The Government's share was about 50 percent. The distribution of the postevaluated projects, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.9.

**Table A14.9: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Papua New Guinea**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>16</b>	<b>163.7</b>	<b>368.2</b>	<b>100.0</b>	<b>31.3</b>	<b>62.5</b>	<b>6.3</b>	<b>100.0</b>
Agriculture	5	66.1	130.0	35.3	40.0	40.0	20.0	100.0
Energy	1	6.0	51.7	14.0		100.0		100.0
Transport and Communications	3	37.9	88.5	24.0	66.7	33.3		100.0
Social Infrastructure	4	37.5	81.7	22.2	25.0	75.0		100.0
Finance	3	16.2	16.2	4.4		100.0		100.0
<b>Primary SDO</b>	<b>16</b>	<b>163.7</b>	<b>368.2</b>	<b>100.0</b>	<b>31.3</b>	<b>62.5</b>	<b>6.3</b>	<b>100.0</b>
Economic Growth	9	97.9	214.2	58.2	22.2	66.7	11.1	100.0
Poverty Reduction	3	28.3	72.2	19.6	66.7	33.3		100.0
Human Development	4	37.5	81.7	22.2	25.0	75.0		100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

28. Projects in agriculture, particularly the East and West New Britain Smallholder Development projects, resulted in higher cocoa and oil palm production, which generated substantial foreign exchange earnings and consequently increased eightfold the annual farm income. Around 75 percent of the farmers have repaid their loans. Another project improved food gardening, promoted village rubber plantings, and increased cash income from cacao. The road projects gave savings in vehicle operating cost, reduced travel time, and reduced maintenance cost, while the port project increased port capacity, which enhanced the country's export competitiveness. In social infrastructure, the project in technical education established the necessary infrastructure and improved the quality of technical education although at the time of postevaluation, it was experiencing a decline in enrolment; the health project improved access of the rural population to basic health services but was hampered by dwindling budgetary support after completion. The water supply projects contributed to the well-being of the low-income urban residents in particular. In general, the ADF I-V assistance to Papua New Guinea helped in diversifying the nation's export base and expanded the nonmining sector of the economy to create more employment and income opportunities, particularly for the poor.

## 2. Other Pacific DMCs

29. The seven other Pacific DMCs shared the balance of \$177 million loan amount, but Samoa, Solomon Islands, and Tonga received a relatively larger share. Taken as a group, the loan proceeds financed 60 projects costing \$274 million or an average of \$4.5 million per project. The average local counterpart was about 35 percent. The distribution of the postevaluated projects, by sector and by SDO, and the corresponding project performance ratings are shown in Table A14.10.

**Table A14.10: Performance by Sector and by SDO of ADF I-V Projects with PPAR in Other Pacific Developing Member Countries**

Item	No. of Projects	Net Loan Amount (\$ million)	Total Project Cost		Project Performance Rating (%)			
			Amount (\$ million)	Share (%)	GS	PS	US	Total
<b>Sector</b>	<b>33</b>	<b>85.6</b>	<b>132.9</b>	<b>100.0</b>	<b>39.4</b>	<b>36.4</b>	<b>24.2</b>	<b>100.0</b>
Agriculture	6	28.6	47.2	35.5	16.7	33.3	50.0	100.0
Energy	4	12.2	16.1	12.1	50.0	50.0		100.0
Industry	1	0.4	0.6	0.4	100.0			100.0
Transport and Communications	5	9.4	16.7	12.6	80.0		20.0	100.0
Social Infrastructure	2	1.5	1.8	1.4	50.0	50.0		100.0
Finance	9	18.6	18.5	13.9		77.8	22.2	100.0
Multisector	6	14.9	32.0	24.1	66.7		33.3	100.0
<b>Primary SDO</b>	<b>33</b>	<b>85.6</b>	<b>132.9</b>	<b>100.0</b>	<b>12.0</b>	<b>12.0</b>	<b>9.0</b>	<b>100.0</b>
Economic Growth	28	72.1	99.3	74.7	12.0	10.0	6.0	100.0
Poverty Reduction	2	9.4	25.2	19.0			2.0	100.0
Human Development	2	2.5	4.1	3.1		2.0		100.0
Environment	1	1.7	4.3	3.2			1.0	100.0

ADF = Asian Development Fund, GS = generally successful, PPAR = project/program performance audit report, PS = partly successful, SDO = strategic development objective, US = unsuccessful.

30. The Coconut Mill Project in Samoa, which processed coconut oil and copra meal for export, helped in generating foreign exchange, provided employment opportunities, and created linkages with other economic activities in the country. The other projects in agriculture, however, such as fisheries in Solomon Islands and forestry in Samoa, fell far short of expectations. Projects in the energy sector, particularly hydroelectric power, largely succeeded in expanding generation capacity and displacing the more costly diesel generation. The reliability of power supply was enhanced and stimulated new business investments, which further created employment opportunities. Other infrastructure projects resulted in increased cargo-handling capacity and reduced ship waiting time in the Solomon Islands port, increased the volume of international passenger and cargo traffic in Samoa due to the improved airport facility, and expanded trade and commerce and tourism in Samoa and Tonga following the improvement in their telecommunication facilities. Projects in the finance sector in Cook Islands, Solomon Islands, and Tonga were partly successful in establishing a framework for mobilizing private capital to support business expansion and modernization. The multisector projects in Tonga substantially increased the cash income of a thousand small farmholders and fishermen, improved education opportunities and access to better health services and facilities, and promoted the development of small industries.

## D. Other Development Impacts

### 1. Institutional Development

31. In about 85 percent of ADF I-V projects, there was some form of capacity-building component aimed at strengthening the technical, financial, and administrative capacity of the executing agencies (EAs) and/or beneficiaries. Depending on the sector, it consisted of training and fellowships, streamlining of the organization structure and functions of organizational units, and design and installation of management systems such as financial and accounting system, project supervision and monitoring system, and operation and maintenance system. Projects in agriculture have provided fellowships and training to staff of EAs and to farmers to help them in adapting to new technologies. The electric power utility projects have strengthened the

capabilities of staff in power system planning and financial management, including designing the tariff structure. In social infrastructure projects, training and consulting services enhanced the capabilities of management and staff in formulating sector policies, plans, and programs; establishing a management information system; and developing cost recovery schemes. While in general the results have been satisfactory, the project/program performance audit reports also cited certain problems that lessened the effectiveness of the capacity-building components:

- (i) short duration of the management of the international consultants who were supposed to serve as agents to transfer technology to local counterparts;
- (ii) lack of competent counterpart staff;
- (iii) inability to retain trained staff because of an inadequate compensation and reward system; and
- (iv) highly centralized and rigid structures of EAs, which were not open to change.

The project/program performance audit reports also noted that the capacity-building components of most projects focused mainly on achieving quantitative targets, such as number of participants to be trained, with little or no attention given to the qualitative aspect of institutional development.

## **2. Policy Environment**

32. Policy dialogue, to which ADB has given more emphasis with the start of ADF V, has provided useful support to the DMCs in their efforts to improve their policy environments at the macro and sector levels. Such dialogue has touched a wide range of sensitive areas. In agriculture, the policy issues discussed included agricultural pricing policies, subsidies for agricultural inputs, promotion of crop diversification, cost-recovery mechanism, deregulation of agricultural trade, among many others. In energy, the focus has been on pricing and maintaining the financial soundness of electric utilities and strengthening the organization structure and management systems. In transport and communications, the policy discussions covered cost accounting system and the establishment of tariffs and charges so that the EAs can operate without subsidy, road safety, and maintenance system. In social infrastructure, the recurring themes have been on cost recovery, cross-subsidization or government subsidy, improvement of the financial management of the EAs, and staff development. In the finance sector, focus of discussions included interest rate policies, relending policies of development finance institutions, strengthening the management system, role of the private sector, and related policy issues. In all the discussions, the results have been mixed, achieving satisfactory progress in certain areas in some DMCs but no significant progress in others. A number of institutional and political constraints DMC governments face oftentimes resulted in failure to comply with loan agreements. Although the impacts of the macroeconomic and sector policy frameworks are difficult to measure, it is widely recognized that such frameworks are crucial in promoting economic growth and in improving project performance.