

# ADB Operations in First Quarter of 2006 Total \$286.57 million

In the first quarter of 2006, the Asian Development Bank (ADB) approved a total of \$286.57 million for its operations—\$202.00 million for loans, \$14.11 million for technical assistance to its developing member countries (DMCs), \$24.57 million for regional technical assistance, and \$45.89 million for grant-financed projects.

Its private sector operations amounted to \$724.10 million while cofinancing totaled \$10.87 million.

**Lending:** Four loans totaling \$202.00 were approved for two countries—Lao People's Democratic Republic and Pakistan—with Pakistan getting 97% of the loans.

**Technical Assistance:** Technical assistance by country amounted to \$14.11 million, with Indonesia receiving

\$4.58 million (or 33%) followed by India's \$3.58 million (26%). Regional technical assistance totaled \$24.57 million, with the energy sector getting 21% followed by the transport sector at 19%.

**Grant-financed Projects:** Grant-financed projects amounted to \$45.89 million, with \$25.00 million or 54.5% going to regional projects. ■

## Regional Technical Assistance by Sector First Quarter 2006

Sector/Activity	Type	Amount (\$'000)	Date Approved
<b>Energy</b>			
Energy Efficiency Initiative Consultation Workshop (Supplementary)	Conference	300	1 Feb
Developing the Greater Mekong Subregion Energy Sector Strategy	Others	900	3 Jan
GMS Regional Power Trade Coordination and Development	Others	1,200	16 Jan
<b>Finance</b>			
ASEAN+3 Regional Guarantee Mechanism (Supplementary)	Study	35	9 Jan
Workshop on Proposed South Asian Association for Regional Cooperation Development Fund	Training	150	3 Jan
Regional Seminars on Anticorruption 2006–2007	Training	300	28 Mar
<b>Health, Nutrition, and Social Protection</b>			
Strengthening Epidemiological Surveillance and Response for Communicable Diseases in Indonesia, Malaysia, and Philippines	Others	1,200	18 Jan
Scaling Up the Social Protection Index for Committed Poverty Reduction	Study	900	6 Mar
Prevention and Control of Avian Influenza in Asia and the Pacific*	Others	13,000	14 Mar
<b>Law, Economic Management, and Public Policy</b>			
Mainstreaming Managing for Development Results in Support of Poverty Reduction in South Asia	Others	1,800	27 Jan
Regional Workshops in Preparation for the Second High-Level Forum on Harmonization and Alignment for Aid Effectiveness (Supplementary)	Conference	30	24 Mar
<b>Transport and Communications</b>			
Subregional Economic Cooperation in South and Central Asia (SECSCA) II	Others	950	3 Jan
Implementation of the GMS Cross-Border Transport Agreement	Others	800	6 Mar
Maintenance of Regional Road Transport Corridors	Others	500	9 Mar
<b>Water Supply, Sanitation, and Waste Management</b>			
Promoting Best Practices in Private Sector Participation in Urban Infrastructure in South Asia	Conference	500	3 Jan
<b>Multi-sector</b>			
Development Study of the North South Economic Corridor	Study	600	20 Mar
Selected Evaluation Studies for 2006	Study	1,400	28 Mar
<b>TOTAL</b>		<b>24,565</b>	

\* In addition, \$25 million from ADF IX. See table on Grant-financed Projects.

## Bringing Micro-insurance to the Poor in Sri Lanka

The Asian Development Bank (ADB) will help provide insurance products to poorer households in Sri Lanka through a \$600,000 technical assistance (TA) grant from its Poverty Reduction Cooperation Fund, financed by the Government of the United Kingdom.

Almost no formal insurance service is currently available for poor households, and to cushion the effects of shocks such as illness, fire, or theft, they often resort to borrowing from informal sources, withdrawing their savings, or selling their assets.

The Government's insurance schemes for the poor are not based on actuarial principles and are deemed unsustainable without government refinancing, while private insurance companies cater mainly to the corporate sector and the urban middle- or upper-income groups.

A few microfinance nongovernment organizations provide insurance services to their members, but they are also largely informal and are often subsidized by donor funds. With no means to regulate informal schemes such as these, there is growing concern about the protection of policy holders and the viability of the providers.

The TA will help the Government develop the microinsurance sector in Sri Lanka by reviewing the existing insurance policies in the country and recommending improvements based on successful microinsurance schemes in other countries. The TA will also assess the capacity of the Insurance Board of Sri Lanka and provide capacity building support if necessary.

A comprehensive market assessment will be conducted to provide government agencies, insurance companies, and microfinance institutions with a thorough inventory of existing and potential clients. In selected conflict- and tsunami-affected areas, where there is a greater sense of vulnerability among households, an insurance awareness campaign will be carried out.

A pilot microinsurance scheme will also be tested to identify cost-effective means of providing insurance services especially to households in selected conflict- and tsunami-affected areas.

The Government will contribute \$155,000 toward the TA's total estimated cost of \$755,000. The Ministry of Finance and Planning is the executing agency for the TA, which will be carried out over 8 months to September 2006. ■

**Private Sector Operations, First Quarter 2006 (In \$ millions)**

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Partial Credit Guarantee	Political Risk Guarantee	Total ADB	Project Cost Approvals
<b>AZERBAIJAN, REPUBLIC OF</b>								
Private Banks and Leasing Companies	10.00	5.00	15.00	–	–	–	15.00	15.00
<b>INDIA</b>								
Central Uttar Pradesh Gas Limited	–	2.60	2.60	–	–	–	2.60	71.10
IDFC Private Equity Fund II	–	45.00	45.00	–	–	–	45.00	300.00
<b>REGIONAL</b>								
ADM Maculus Fund II	–	25.20	25.20	–	–	–	25.20	338.00
<b>Total</b>	<b>10.00</b>	<b>77.80</b>	<b>87.80</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>87.80</b>	<b>724.10</b>

**Loan Approvals First Quarter 2006**

Member/Project	\$ Million	Terms (years) including grace period	Interest/Service Charge	Date Approved
<b>Lao People's Democratic Republic</b>				
Forest Plantations	7.00	32 (8)	1.0/1.5	16 Jan
<b>Pakistan</b>				
TA Loan – Mega City Development	10.00	32 (8)	1.0/1.5	2 Feb
TA Loan – Rural Enterprise Modernization	5.00	32 (8)	1.0/1.5	7 Feb
National Highway Development Sector Investment Program – Project 1	180.00	25 (5)	LIBOR	15 Feb
<b>TOTAL</b>	<b>202.00</b>			

**Grant-Financed Projects First Quarter 2006**

Country/Project Name	Amount (\$'000)	Source	Date Approved
<b>Azerbaijan</b>			
Affordable Services and Water Conservation for the Urban Poor	1,000	JFPR	20 Feb
<b>Indonesia</b>			
Supporting Community Health Care Initiatives in Nanggroe Aceh Darussalam	2,000	JFPR	18 Jan
<b>Lao People's Dem Rep</b>			
Forest Plantations Development	3,000	ADF IX	16 Jan
<b>Mongolia</b>			
Nonformal Skills Training for Unemployed Youth and Adults	1,000	JFPR	20 Feb
<b>Pakistan</b>			
Iron and Folic Acid Fortification in Small-scale Milling to Improve the Lives of the Poor, especially Women and Children	1,998	JFPR	17 Mar
Immediate Support to Poor and Vulnerable Households in Inaccessible Areas Devastated by the 2005 Earthquake	5,000	JFPR	27 Mar
<b>Philippines</b>			
Supporting Information Sharing and Exchange among Civil Servants	500	JFICT	14 Mar
Developing Financial Cooperatives	900	JFPR	14 Mar
<b>Tajikistan</b>			
Community-based Rural Power Supply	2,000	JFPR	15 Mar
<b>Uzbekistan</b>			
Basic Education for Children with Special Needs	1,500	JFPR	17 Mar
<b>Viet Nam</b>			
Nutritious Food for 6–24 Month Old Children Vulnerable to Malnutrition in Poor Areas	1,995	JFPR	17 Jan
<b>Regional</b>			
Prevention and Control of Avian Influenza in Asia and the Pacific*	25,000	ADF IX	14 Mar
<b>Total</b>	<b>45,892</b>		

\* In addition, \$10 million from JSF and \$3 million from TASF. See table on Regional Technical Assistance.

**\$2 Million Grant to Supply Power to Rural Areas in Tajikistan**

The Asian Development Bank (ADB) aims to help improve the quality of life for rural residents in Tajikistan, especially during winter, by improving their electric supply services through a \$2 million grant.

The grant, from ADB's Japan Fund for Poverty Reduction, provided by the Government of Japan, will establish a community-based "run-of-river" micro-hydropower supply system in six poor communities in remote rural areas, with each system capable of supplying electricity to about 400 households.

Electricity supply in the country's remote rural areas is deteriorating. In addition, supply is low during the harsh winter season as about 95% of the country's internally generated electricity comes from hydropower from mountain streams, which have a lower flow during the winter months.

This leads households, particularly women and children, to resort to using fuel wood, animal dung, and kerosene for heating, cooking, and lighting, causing respiratory diseases and environmental damage.

The project will target ongoing ADB-financed road project areas. The beneficiary communities will be chosen based on their level of poverty as well as their commitment and involvement in the project.

A community-based organization in each project site will be incorporated and, with adequate training and support, will be tasked with operating the micro-hydropower plants and distributing electricity to households.

To promote energy efficiency, a household model introducing energy-saving bulbs and other extensively used appliances will also be established in each project site.

The Government and the beneficiary communities will contribute \$398,970 equivalent toward the project's total estimated cost of \$2,398,970. The Ministry of Energy is the executing agency for the project, which will be carried out over about 17 months. ■

# ADB Boosting Indonesia's Local Government Planning and Budgeting for Poverty Reduction

The Asian Development Bank (ADB) will help improve the decentralized planning and budgeting process of Indonesia's local governments to reduce poverty, through a \$2.1 million technical assistance (TA) grant.

The TA, cofinanced by the United Kingdom, will help local governments develop local poverty reduction strategies that are linked to the budget process. The TA will design a capacity development program to assist at least 12 district governments in two provinces to produce local strategies that address resource planning and allocation for poverty reduction and achievement of the Millennium Development Goals.

"Local budgets are the fundamental tool for planning and managing resources in Indonesia's decentralized context," says Karin Schelzig Bloom, an ADB poverty reduction specialist (social development). "Ensuring that budget processes are pro-poor and participatory will help boost service delivery and accelerate poverty reduction."

While local planning and pro-poor budgeting are key steps in the fight against poverty, national-level support is also required. The TA will also contribute to institutional development for poverty reduction at the central level, and will support ongoing development of a nationwide conditional cash transfer (CCT) program that will provide income support to the poor while building human capital.

CCT programs, which have been proven effective in Latin America, involve providing money to poor families contingent upon certain behavior, usually investments in human capital such as regularly sending children to school or making periodic visits to health centers. The income support provides immediate relief, while human capital investments reduce the risk of future poverty.

"This component will support the Government's efforts to cushion the impact on the poorest of the October 2005 removal of fuel subsidies and subsequent price increases," explains Ms. Bloom.

The total cost of the TA is estimated at \$2.625 million, of which the Government of the United Kingdom will provide \$300,000 in cofinancing. The Government will shoulder the balance of \$525,000 equivalent.

Indonesia's National Development Planning Agency (BAPPENAS) is the executing agency for the TA, which will be carried out over about 18 months beginning May 2006 under the Deputy Minister for Poverty Reduction, Labor, and SMEs. ■

# Finland Contributes Euro 4.5 Million to ADB's Pakistan Earthquake Fund

The Government of Finland has made an initial contribution of Euro 4.5 million to ADB's Pakistan Earthquake Fund (PEF).

The PEF was established in November 2005 to pool and promptly deliver emergency grant financing for projects that support immediate reconstruction, urgent rehabilitation, and other associated development activities in earthquake-affected areas in the country. ADB made an initial contribution of \$80 million to the fund.

"We are very grateful for this contribution from Finland that will support much-needed interventions to rehabilitate and reconstruct areas damaged by the earthquake in Pakistan," says Werner Liepach, Principal

Director of ADB's Office of Cofinancing Operations. "We hope that this will set a precedent for other donors to follow."

A preliminary damage and needs assessment report released by ADB and the World Bank estimates that Pakistan needs about \$5.2 billion to effectively implement a relief, recovery, and reconstruction strategy. Of this, \$3.5 billion is for physical reconstruction of housing, schools, health facilities, roads, and other public infrastructure.

ADB had pledged a total of \$1 billion in concessional support for the rehabilitation and reconstruction of earthquake-hit Pakistan. ■

## Technical Assistance Approvals First Quarter 2006

Country/Project Title	Type	Sources	Amount (\$'000)	Date Approved
<b>Bhutan</b>				
Accelerated Rural Electrification	AD	—	700	28 Feb
<b>China, People's Rep. of</b>				
Xinjiang Regional Road Improvement	PP	—	600	21 Mar
<b>Fiji Islands</b>				
Renewable Power Sector Development	PP	—	650	31 Jan
<b>India</b>				
Chhattisgarh State Roads Sector Development (Supplementary)	PP	—	1,600	1 Feb
Support for the Jawaharlal Nehru National Urban Renewal Mission	AD	—	2,000	24 Mar
<b>Indonesia</b>				
Urban Air Quality Improvement Sector Development Program (Supplementary)	PP	—	280	3 Mar
Pro-Poor Planning and Budgeting	AD	—	2,100	16 Jan
Metropolitan Sanitation Management and Health	PP	—	1,200	16 Jan
<b>Kyrgyz Republic</b>				
A Study of the Impact of Land Reform on Agriculture, Poverty Reduction, and Environment (Supplementary)	AD	PRF	130	25 Jan
<b>Lao People's Democratic Republic</b>				
Promoting Governance in Financial Transactions	AD	Luxembourg	650	10 Mar
<b>Malaysia</b>				
Support of Improved Economic Modeling	AD	—	150	8 Mar
<b>Nepal</b>				
Enhancing Poverty Reduction Impact of Road Projects	AD	PRF	350	3 Jan
Operationalization of Managing for Development Results	AD	SMfDRCF	400	13 Feb
Capacity Building for Gender Equality and Empowerment of Women	AD	GDCF	300	28 Feb
Preparation of Civil Aviation Sector Strategy	AD	—	150	20 Mar
Economic and Social Inclusion of the Disadvantaged Poor Through Livelihood Enhancement with Micro-irrigation	AD	PRF	450	20 Mar
Enabling the Private Sector to Undertake Poverty-focused Water Distribution and Strengthening of Institutional reforms in Kathmandu Valley	AD	PRF	720	28 Mar
<b>Sri Lanka</b>				
Microinsurance Sector Development	AD	PRF	600	3 Jan
<b>Thailand</b>				
Infrastructure Investment Advisory Assistance to Public Debt Management Office of Thailand (Supplementary)	AD	—	131	10 Feb
<b>Viet Nam</b>				
Power Market Design	AD	—	500	1 Mar
Support Implementation of Public Administration Reform Master Program (Subprogram II)	PP	—	450	10 Mar
<b>Total</b>			<b>14,111</b>	

ADB Online: [www.adb.org](http://www.adb.org)

## Cofinancing Arrangements, First Quarter 2006

	\$ million	Source
<b>Loan</b>		
Forest Plantations Development	0.65	Government of Malaysia
<b>Total Loans</b>	<b>0.65</b>	
<b>Technical Assistance</b>		
<b>Bhutan</b>		
Accelerated Rural Electrification	0.30	Finland
<b>India</b>		
Chhattisgarh State Roads Sector Development	1.60	United Kingdom
<b>Indonesia</b>		
Pro-Poor Planning and Budgeting	0.30	United Kingdom
<b>Kyrgyz Republic</b>		
A Study of the Impact of Land Reform on Agriculture, Poverty Reduction, and Environment (Supplementary)	0.13	Poverty Reduction Cooperation Fund (PRF)
<b>Lao People's Democratic Republic</b>		
Promoting Governance in Financial Transactions	0.15	Luxembourg
<b>Nepal</b>		
Capacity Building for Gender Equality and Empowerment of Women	0.30	Gender and Development Cooperation Fund
Economic and Social Inclusion of the Disadvantaged Poor Through Livelihood Enhancement with Micro-Irrigation	0.45	PRF
Enabling the Private Sector to Undertake Poverty-Focused Water Distribution and Strengthening of Institutional Reforms in Kathmandu Valley	0.57	PRF
Enhancing Poverty Reduction Impact of Road Projects	0.35	PRF
Operationalization of Managing for Development Results	0.40	Cooperation Fund in Support of Managing for Development Results
<b>Sri Lanka</b>		
Microinsurance Sector Development	0.60	PRF
<b>Regional</b>		
ASEAN+3 Regional Guarantee Mechanism	0.04	People's Republic of China (PRC)
Development Study of the North South Economic Corridor	0.40	PRC Regional Cooperation and Poverty Reduction Fund (RCPRF)
Energy Efficiency Initiative Consultation Workshop	0.30	United Kingdom
GMS Power Trade Coordination and Development	1.20	France
Implementation of the GMS Cross-Border Transport Agreement	0.40	PRC RCPRF
Mainstreaming Managing for Development Results in Support of Poverty Reduction in South Asia	1.80	PRF
Regional Workshops in Preparation for the Second High-Level Forum on Harmonization and Alignment for Aid Effectiveness	0.03	World Bank
Scaling Up the Social Protection Index for Committed Poverty Reduction	0.90	PRF
<b>Total Technical Assistance</b>	<b>10.22</b>	
<b>TOTAL</b>	<b>10.87</b>	

## Promoting Water-saving Rice Production in South Asia

The Asian Development Bank (ADB) will help develop and disseminate water-saving rice technologies in the drought-prone and water-short region of South Asia through a \$1 million technical assistance (TA) grant.

Current rice production systems consume a high amount of water. It takes about 3,000 liters of water to produce one kilogram of rice. Irrigated nonagricultural areas, which provide 75% of total Asian rice production, consume 50% of all freshwater diversions.

"This profligate usage of water in irrigated rice production is unsustainable, given the increasing demand for freshwater due to growth in rice demand and growing competition from other sectors," says Tumurdavaa Bayarsaihan, an ADB senior agricultural economist.

"With the present rate of water usage, even maintaining productivity in many currently irrigated areas will be difficult unless more water-efficient rice production technologies suitable for irrigated areas are developed."

In South Asia, by 2025, an estimated 12 million hectares of irrigated rice may suffer from severe water shortage, with serious effects on the food security and social stability of the region.

The Philippines-based International Rice Research Institute (IRRI) estimates that a 10% reduction in water use for rice irrigation would free 150 billion cubic meters, or 25% of the total freshwater used in Asia for nonagricultural purposes.

The TA will support the development of new water-saving rice production technologies based on improved varieties at IRRI that will be distributed to national agricultural research centers in Bangladesh, India, Nepal, and Pakistan.

These centers will further refine, evaluate, and then disseminate the developed varieties, validating them at selected target fields with the participation of farmers.

The TA will also help national agricultural and extension systems in four participating countries develop locally adapted water-saving rice technologies, including by sponsoring visits to IRRI, organizing an international workshop, and conducting a series of training courses.

Last, the TA will develop a regional network for information exchange to ensure the broader impacts of the project.

The total cost of the TA is estimated at \$2.306 million. IRRI will contribute \$566,000, while the national research institutes of the four participating countries will shoulder the balance of \$740,000 in the form of staff time, land, and research facilities.

IRRI is the executing agency for the TA, which will be carried out over about 3 years. ■