

## ADB Operations in Third Quarter, 2006 Total \$1,433.81 Million

In the third quarter of 2006, the Asian Development Bank (ADB) approved a total of \$1,433.81 million for its operations—\$1,178.40 million for loans, \$25 million for technical assistance to its developing member countries (DMCs), \$22.41 million for regional technical assistance, and \$208 million in grants.

**Lending:** Sixteen loans totaling \$1,178.40 million were approved for eight DMCs. India got \$455 million or 39% of total lending, followed by the People's Republic of China (PRC) with \$370 million or 31%, and Bangladesh with \$96.10 million or 8%.

**Technical Assistance:** Technical assistance for the third quarter of 2006, excluding regional activities, amounted to \$25 million. The PRC topped the list of recipients of technical assistance with \$2,775 million. It was followed closely by Afghanistan with \$2,700 million, Viet Nam with \$2,485

million, Papua New Guinea with \$2,382 million, and Nepal and the Lao People's Democratic Republic both with \$2,250 million. Assistance for regional activities total \$22.40 million.

**Grants:** Grants totaled \$208 million, with Afghanistan receiving \$73.20 million or 35%, followed by Bangladesh with \$56.70 million or 27%, and Nepal with a close \$55.20 million.

**Equity Investments:** In its private sector operations, ADB approved three equity investments totaling \$55.20 million.

**Cofinancing:** Cofinancing in the third quarter of 2006 amounted to \$1,793 million.

**Loan Disbursements:** Lending disbursements amounted to \$1,082 million during the third quarter of 2006. Project loan disbursements accounted for 50%, while program loan disbursements, 20%. ■

## ADB Expands Water Cooperation Activities with \$3.2 Million Grant Package

The Asian Development Bank (ADB) is expanding its activities to address water issues in the Asia and Pacific region through a \$3.2 million grant package.

About 700 million people in Asia and the Pacific are without safe water supplies and some 2 billion have inadequate or no toilet facilities. In recognition of these issues and to accelerate the region's effort to reach the Millennium Development Goals, ADB's Management is giving higher priority to water investments in the medium term through its Water Financing Program 2006–2010 that seeks to double investments in water to well over \$2 billion annually starting this year. Investments include rural and urban water projects, and integrated water resources management in river basins.

The grant package, the fifth in a series, will continue to finance a coherent program of activities to support ADB's water operations by setting up pilot projects; supporting sector reforms; and building knowledge, awareness, cooperation, and coordination within and outside ADB.

Phase 5 focuses on putting into practice the experiences gained from the four previous regional technical assistance (RETA) projects in the water sector, explains WooChong Um, Director for the Energy, Transport, and Water Division.

"Under the earlier RETAs, we were able to achieve a lot in terms of raising awareness, establishing partnerships/networks, and demonstrating new and innovative approaches and ideas," he says. "The key difference this time is that we intend to use this RETA to turn some of these new and innovative approaches into expandable projects on the ground."

Activities will include the building of water partnerships, upgrading the skills of targeted agencies, producing and distributing information, and organizing networking events to disseminate good practices and new approaches. Support will also be given for water initiatives by civil society organizations, and national and subregional water partnerships.

The planned Water Financing Program conference in 2006 encouraged water investments, advocated reforms, and provided useful information for developing countries. The RETA will also support further development of ADB's water website and information products and services.

A grant of \$3 million comes from ADB's Cooperation Fund for the Water Sector. Established in 2001, the multidonor facility promotes effective water management policies and practices. As of May 2006, ADB had received committed contributions from the governments of the Netherlands (\$18.2 million) and Norway (\$2.1 million). The remaining \$200,000 for the technical assistance comes from ADB's own grant funding program, which is earmarked for water-related projects under an urban initiative for India's Jawaharlal Nehru National Urban Renewal Mission. ■

## Regional Technical Assistance by Sector Third Quarter 2006

Sector/Activity	Type	Amount (\$'000)	Date Approved
<b>Agriculture and Natural Resources</b>			
Partnership on Persistent Organic Pollutants Pesticides Management for Agricultural Production in Central Asian Countries	Study	400.00	25-Aug
<b>Education</b>			
Kyoto Annual Meeting Pre-event: Asian and Pacific Youth Forum on Sustainable Development	Others	150.00	14-Aug
<b>Finance</b>			
Support for APEC Fiscal and Financial Initiatives	Training	800.00	26-Jul
Capacity Building for Financial Institutions	Others	1,350.00	31-Jul
Minimizing Foreign Exchange Settlement Risk in the ASEAN + 3 Region	Study	700.00	25-Aug
ASEAN + 3 Regional Basket Currency Bonds	Study	650.00	30-Aug
<b>Industry and Trade</b>			
Support to Trade Facilitation and Capacity Building in the Greater Mekong Subregion	Research	1,300.00	19-Jul
<b>Law, Economic Management, and Public Policy</b>			
Third International Roundtable on Managing for Development Results	Conference	150.00	17-Jul
International Conference on Asia 2015: Promoting Growth, Ending Poverty (Supplementary)	Conference	150.00	18-Jul
Support for Strengthening the Tsunami Development Assistance Database	Training	800.00	28-Jul
Statistical Capacity Building in the Asia and Pacific Region	Others	600.00	31-Jul
Sixteenth Tax Conference	Conference	150.00	09-Aug
Public Sector Accounting Standards (Third Phase)	Conference	245.00	18-Aug
Support Preparations for the CAREC Business Development Forum	Conference	200.00	25-Aug
Seminars on Business Opportunities in 2006–2009	Training	400.00	11-Sep
Technical Training and Capacity Building for Selected ASEAN + 3 Countries on Regional Economic and Financial Monitoring	Training	900.00	12-Sep
<b>Multisector</b>			
External Forums for Selected Sectors and Thematic Priorities at the ADB	Others	400.00	18-Jul
Development Partnership Program for South Asia	Others	8,500.00	18-Aug
Developing National Consultants in Developing Member Countries	Training	400.00	11-Sep
<b>Transport and Communications</b>			
BIMSTEC Transport Infrastructure and Logistics Study	Study	960.00	14-Aug
<b>Water Supply, Sanitation, and Waste Management</b>			
Promoting Effective Water Management Policies and Procedures (Phase 5)	Others	3,200.00	14-Jul
<b>Total</b>		<b>22,405.00</b>	

## Loan Approvals Third Quarter 2006

Member/Project	Amount (\$ Million)	Terms (Years) including Grace Period	Interest	Date Approved
<b>Afghanistan</b>				
North-South Corridor Project	78.200	40 (10)	1.0	26-Sep
<b>Bangladesh</b>				
Second Rural Infrastructure Improvement	96.100	32 (8)	1.0/1.5	18-Aug
<b>Bhutan</b>				
Urban Infrastructure Development	24.600	32 (8)	1.0/1.5	27-Sep
<b>China, People's Republic of</b>				
Heilongjiang Road Network Development	200.000	25 (5)	LIBOR	26-Jul
Municipal Natural Gas Infrastructure Development	50.000	9		30-Aug
Inner Mongolia Autonomous Region Environment Improvement	120.000	25 (5)	LIBOR	29-Sep
<b>India</b>				
Rural Roads Sector II Investment Program	180.000	25 (5)	LIBOR	31-Jul
NTPC Capacity Expansion Financing Facility	75.000	11 (7)		27-Jul
SREI Infrastructure Finance Limited, India	50.000	10 (3)		27-Jul
Dahej Liquefied Natural Gas Terminal Expansion	150.000	11.5 (3.5)		30-Aug
<b>Indonesia</b>				
South Sumatra to West Java Phase II Gas Pipeline	75.000	15 (3)		10-Aug
<b>Lao People's Democratic Republic</b>				
Rural Finance Sector Development Program (Project Loan)	2.316	32 (8)	1.0/1.5	17-Aug
Rural Finance Sector Development Program	7.684	24 (8)	1.0/1.5	17-Aug
Northern Region Sustainable Livelihoods Through Livestock Development	9.300	32 (8)	1.0/1.5	29-Sep
<b>Uzbekistan</b>				
Land Improvement	32.600	25 (5)	LIBOR	24-Jul
Land Improvement	27.600	32 (8)	1.0/1.5	24-Jul
<b>Total</b>	<b>1,178.400</b>			

## Grant to Improve Rural Roads in the Solomon Islands

A \$16.2 million grant package should help improve the efficiency and effectiveness of the national network of rural roads in the Solomon Islands.

The package, comprising \$350,000 from the Asian Development Bank (ADB)'s Asian Development Fund, \$6.1 million from the Government of Australia, and \$9.75 million from the Government of New Zealand, will finance the rehabilitation of about 100 kilometers of provincial and secondary roads. The Government of the Solomon Islands will contribute \$650,000 equivalent toward the project's total estimated cost of \$16.85 million.

It will also fund improved road maintenance by developing and implementing management systems, helping implement a national transport fund, and involving private contractors and communities in the task.

Solomon Islands, one of the least developed of ADB's Pacific member countries, is characterized by high unemployment, especially among the youth, and one of the highest population growth rates in the world. Combined with slow economic growth, this situation is exacerbating poverty in the country.

Investment in the road network, which has never been adequate, has declined in recent years, leaving the sector badly underfunded. The present road network is sparse and does not reach 77% of the rural population. Many existing roads have deteriorated, leaving only a fifth in good condition, with the rest not passable by light vehicles.

"The rural economy needs to be revitalized if we are to ensure that sustainable economic growth that benefits the poor is created, and social and health indicators are improved," says Robert Guild, an ADB transport specialist. "Better transportation infrastructure and services will help remove barriers to market access and promote rural production."

The project will complement other ADB assistance that is under way—including road investments and technical assistance to improve interisland shipping and civil aviation—by creating an integrated transportation system to link rural areas to urban centers for access to markets and social services.

The Ministry of Infrastructure and Development is the executing agency for the 5-year project. ■

## ADB to Help PRC Tap into Multibillion Dollar CDM Potential

The Asian Development Bank (ADB) will help the People's Republic of China (PRC) set up a fund to help the country benefit from the potential multibillion dollar revenue from the Clean Development Mechanism (CDM), through a grant of \$600,000.

Established under the Kyoto Protocol, the CDM allows developed countries of the United Nations Framework Convention on Climate Change fulfill their greenhouse gas emission reduction obligations through investment in emissions reduction projects in developing countries such as the PRC.

By obtaining certified emission reductions (CERs) from projects in developing countries, the developed countries can meet their greenhouse gas targets at lower costs, while promoting sustainable development elsewhere.

"It is estimated that China could generate CER credits of between 150 to 225 million tons of carbon dioxide equivalent per year," says Anthony Maxwell, an ADB environment specialist. "This represents a potential annual revenue stream of up to \$2.25 billion."

To address this opportunity, the Government will establish a specialized facility—the CDM Fund. The decree setting up the fund sets a levy on the CER revenues generated by various CDM projects in the PRC that will be used to support domestic climate change-related activities.

Supported by international agencies, the fund will manage fees collected from CDM projects and promote domestic CDM projects and other climate change-related projects and activities.

The Government requested assistance from ADB in designing the governance structure and operational mechanism for the CDM Fund, in line with international experiences and best practices. Other agencies will provide assistance, including the World Bank, which will help prepare an operational strategy and make limited seed money available.

ADB has provided previous support to the PRC for CDM activities, including successfully brokering CER credits from a loan project in Liaoning, providing grant technical assistance for CDM capacity building in the energy sector, and supporting CDM development for a coal mine methane project and the Gansu Clean Energy Development. It is working on a Carbon Market Initiative that will provide innovative CDM financing for ADB-assisted projects and would complement the PRC's CDM Fund.

The Government will finance about \$200,000 of the technical assistance (TA) project's total cost of \$800,000. The TA will be carried out over about a year to end of July 2007. ■

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## Technical Assistance Third Quarter 2006

Country/Project Title	Type	Sources*	Amount (\$'000)	Date Approved
<b>Afghanistan</b>				
Road Rehabilitation and Capacity Building Cluster	PP		2,700.00	21-Aug
<b>Bangladesh</b>				
Development of Transport Corridors for Trade Facilitation	PP		950.00	26-Jul
Dhaka Water Supply (Supplementary)	PP	Cooperation Fund for the Water Sector (CFWS)	160.00	31-Jul
<b>Bhutan</b>				
SME/Microenterprise Development Program: Financing Component	PP		500.00	11-Sep
Capacity Building in Urban Infrastructure Planning and Management	AD		250.00	27-Sep
<b>Cambodia</b>				
Education Quality Improvement	PP		500.00	7-Aug
Implementation of Telecommunications Sector Policy Reforms and Capacity Building	AD		1,000.00	25-Aug
Financial Sector Development Program	PP		650.00	8-Sep
<b>China, People's Republic of</b>				
Gansu Baiyin Urban Development	PP		500.00	19-Jul
Energy Conservation and Resource Management	PP		300.00	19-Jul
Strengthening the Legal and Implementation Framework for Anti-money Laundering	AD		400.00	7-Aug
Henan Ecological Agriculture and Rural Productivity Improvement Project and the Central and Southern Shanxi Integrated Agricultural Development Project	PP		1,000.00	25-Aug
Lanzhou-Chongqing Railway Development	PP		500.00	15-Sep
Songhua River Water Quality and Pollution Management (Supplementary)	AD		5.00	15-Sep
Second ASEAN+3 Seminar on Poverty Reduction	AD	PRC	70.00	15-Sep
<b>Fiji Islands, Republic of</b>				
Preparing Economic Restructuring Program Loan	PP		150.00	15-Sep
<b>India</b>				
Orissa Integrated Irrigated Agriculture and Water Management	PP	UK/CFWS	700.00	18-Jul
Urban Transport Strategy	AD		1,000.00	12-Sep
<b>Lao, People's Democratic Republic of</b>				
Greater Mekong Subregion Northern Power Transmission	PP		800.00	19-Jul
Institutional Strengthening for Rural Finance	AD	Technical Assistance Special Fund (TASF)/Denmark	700.00	17-Aug
Agriculture and Natural Resources Sector Needs Assessment	AD		750.00	15-Sep
<b>Nepal</b>				
Capacity Building in Road Feasibility Study and Construction and Contract Management	AD		300.00	10-Aug
Information and Communications Technology Development	PP		600.00	30-Aug
Governance Reforms and Decentralization Cluster Program I	PP		500.00	31-Aug
North-South Fast Track Road	PP		850.00	15-Sep
<b>Pakistan</b>				
Capacity Building for Rural Development of Federally Administered Tribal Areas (Supplementary)	AD		20.73	11-Sep
Second Sindh Devolved Social Services Program	PP		600.00	15-Sep
Bahawalpur Rural Development - Phase II (Supplementary)	PP		180.00	25-Sep
<b>Papua New Guinea</b>				
Demographic and Health Survey in Papua New Guinea	AD	Australia/ New Zealand	2,232.00	7-Jul
Preparing Supplementary Financing for the Financial Management Project	PP		150.00	23-Aug
<b>Philippines</b>				
Metro Manila Urban Services for the Poor Project (MMUSP) (Supplementary)	PP	CA	500.00	7-Jul
Enhancing the Autonomy, Accountability, and Efficiency of the Judiciary, and Improving the Administration of Justice	AD		800.00	30-Aug
<b>Tajikistan</b>				
Farm Analysis and Awareness-raising for Debt Resolution (Supplementary)	AD	Canada	500.00	31-Aug
<b>Thailand</b>				
Supporting the Implementation of the Capital Market Development Master Plan	AD		750.00	16-Aug
<b>Uzbekistan</b>				
Implementation and Monitoring of Policy Reforms in the Agriculture Sector	AD	TASF/Poverty Reduction Cooperation Fund	800.00	24-Jul
Support Banking Sector Development	PP		150.00	2-Aug
<b>Viet Nam</b>				
Secondary Education for the Most Disadvantaged Regions	PP		600.00	19-Jul
Capacity Building for Water Resources Management (Supplementary)	AD	CFWS	150.00	28-Jul
Central Region Water Resources Sector (2 <sup>nd</sup> Supplementary in 2006)	PP		35.00	22-Aug
Support for Public-Private Development of the O Mon Thermal Power Complex	PP		1,700.00	29-Sep
<b>Total</b>			<b>25,002.73</b>	

\* TAs with no sources financed by TASF and Japan Special Fund.

# ADB Grant to Improve Road Connections Serving Nepal's Rural Poor

**A** \$55.2 million grant from the Asian Development Bank (ADB)'s concessional Asian Development Fund (ADF) will help expand and rehabilitate the feeder road system in Nepal to improve access to market, jobs, and health and education centers in rural areas.

Poor road connectivity is a major development constraint for the country, and inadequate feeder roads or access roads worsen the isolation of remote rural areas, mostly in northern hilly regions.

"Rehabilitating and expanding feeder roads will help promote inclusive social and economic development," says Nianshan Zhang, an ADB portfolio management specialist. "Improved access of remote people to social facilities and jobs in major towns will foster a social and economic development process that can lead to a steady decline in poverty."

The project will construct and upgrade 10 feeder roads and one bridge, to a total of about 490 kilometers, serving poor, isolated people mainly in hilly areas. This covers the construction of new roads to three district headquarters that are currently not connected to the national highway, and the upgrading of existing district roads to all-weather condition in 17 of the country's 75 districts, affecting about 1.4 million people. The prospective roads are included in the Government's 10-Year Road Sector Midterm Program.

In addition, a \$300,000 technical assistance grant accompanies the project to help the Department of Roads carry out road feasibility studies, and the local construction and consulting services industries in road construction and contract management.

The project is the first new investment to be approved by ADB for Nepal since December 2004, and the country's first to be financed under ADF grant financing.

The total cost of the project is estimated at \$80 million, with the OPEC Fund for International Development providing a \$10 million loan to finance civil works. The Government will shoulder the balance of \$14.8 million.

The Ministry of Physical Planning and Works is the executing agency for the project, which is due for completion around December 2012. ■

## Loan Disbursements

(1 July–30 September 2006)

	\$ Million	%
Private Sector	173.03	15.99
Program	217.18	20.08
Project	541.33	50.04
Sector	150.22	13.89
<b>Total</b>	<b>1,081.76</b>	<b>100.00</b>

## Cofinancing Arrangements Third Quarter 2006

	\$ million	Source
<b>Loans</b>		
<b>Afghanistan</b>		
Western Basins Water Resources Management *	13.20	Canada
<b>Bangladesh</b>		
Second Rural Infrastructure Improvement	60.90	United Kingdom (UKG)
	25.20	Germany
<b>China, People's Republic of (PRC)</b>		
Heilongjiang Road Network Development	148.80	China Development Bank, PRC
Municipal Natural Gas Infrastructure Development	668.00	Domestic banks in the PRC
	89.00	International banks
	75.00	Commercial banks under ADB's Complementary Financing Scheme (CFS)
Inner Mongolia Autonomous Region Environment Improvement	34.97	Domestic banks in the PRC
<b>India</b>		
NTPC Capacity Expansion Financing Facility	225.00	CFS
Dahej LNG Terminal Expansion Financing	124.00	Indian commercial banks
	75.00	Germany
<b>Indonesia</b>		
Acquisition and Securitization of Motor Loan Portfolios by Deutsche Bank AG	9.80	Commercial lenders under ADB's Partial Credit Guarantee
South Sumatra to West Java Phase II Gas Pipeline	125.00	CFS
	75.00	Islamic Development Bank
<b>Lao, People's Democratic Republic</b>		
Northern Region Sustainable Livelihoods through Livestock Development	3.00	International Fund for Agricultural Development
	3.50	Switzerland
<b>Solomon Islands</b>		
Road Improvement (Sector)	6.10	Australia (AUS)
	9.75	New Zealand
<b>Subtotal</b>	<b>1,758.02</b>	
<b>Grants</b>		
<b>Nepal</b>		
Road Connectivity Sector I	10.00	OPEC Fund for International Development
<b>Subtotal</b>	<b>10.00</b>	
<b>Technical Assistance</b>		
<b>Bangladesh</b>		
Dhaka Water Supply	0.16	Cooperation Fund for the Water Sector (CFWS)
<b>India</b>		
Preparing the Orissa Integrated Irrigated Agriculture and Water Management	0.11	CFWS
	0.59	United Kingdom
<b>Lao People's Democratic Republic</b>		
Institutional Strengthening for Rural Finance	0.30	Denmark
<b>Papua New Guinea</b>		
Demographic and Health Survey in Papua New Guinea	1.32	Australia
	0.66	New Zealand
<b>Philippines</b>		
Metro Manila Urban Services for the Poor Project	0.50	Cities Alliance (World Bank)
<b>Tajikistan</b>		
Farm Analysis and Awareness-Raising for Debt Resolution	0.50	Canada
<b>Uzbekistan</b>		
Implementation and Monitoring of Policy Reforms in the Agriculture Sector	0.60	Poverty Reduction Cooperation Fund
<b>Viet Nam</b>		
Capacity Building for Water Resources Management	0.15	CFWS
<b>Regional</b>		
Development Partnership Program for South Asia	8.50	AUS
Partnership on Persistent Organic Pollutants Pesticides Management for Agricultural Production in Central Asian Countries	0.40	PRC
Promoting Effective Water Management Policies and Practices	3.00	CFWS
Second ASEAN+3 Seminar on Poverty Reduction	0.07	PRC
Support Preparations for CAREC Business Development Forum	0.20	PRC
Support to Trade Facilitation and Capacity Building in the GMS (merged with Human Resources Development for Trade in the GMS)	0.65	PRC
Technical Training and Capacity Building for Selected ASEAN+ 3 Countries on Regional Economic and Financial Monitoring	0.50	PRC
<b>Subtotal</b>	<b>18.21</b>	
<b>Total Cofinancing Arrangements</b>	<b>1,786.23</b>	

\* ADB anchor loan was approved in December 2005.

## Loan Disbursements Third Quarter 2006

	\$ Million			
	OCR	ADF	TOTAL	%
Afghanistan	8.08	19.42	27.50	2.54
Azerbaijan	2.00	0.77	2.77	0.26
Bangladesh	23.77	36.72	60.48	5.59
Bhutan	—	1.39	1.39	0.13
Cambodia	—	9.76	9.76	0.90
China, People's Republic of	206.98	—	206.98	19.13
Cook Islands	—	—	—	—
Fiji Islands	3.93	—	3.93	0.36
India	146.00	—	146.00	13.50
Indonesia	98.15	24.69	122.83	11.36
Kazakhstan	75.94	—	75.94	7.02
Kiribati	—	—	—	—
Korea, Republic of	—	—	—	—
Kyrgyz Republic	—	10.91	10.91	1.01
Lao People's Democratic Republic	1.39	19.97	21.35	1.97
Malaysia	—	—	—	—
Maldives	—	1.56	1.56	0.14
Marshall Islands	—	0.10	0.10	0.01
Micronesia, Federated States of	0.01	0.95	0.96	0.09
Mongolia	—	6.70	6.70	0.62
Myanmar	—	—	—	—
Nauru	—	—	—	—
Nepal	—	12.17	12.17	1.13
Pakistan	166.04	88.89	254.93	23.57
Papua New Guinea	4.67	1.57	6.24	0.58
Philippines	22.57	—	22.57	2.09
Samoa	—	0.52	0.52	0.05
Solomon Islands	—	0.97	0.97	0.09
Sri Lanka	1.48	38.98	40.45	3.74
Tajikistan	—	8.80	8.80	0.81
Thailand	3.20	—	3.20	0.30
Tonga	—	—	—	—
Tuvalu	—	0.27	0.27	0.03
Uzbekistan	7.98	0.15	8.13	0.75
Vanuatu	—	—	—	—
Viet Nam	0.03	19.19	19.22	1.78
Regional	5.00	0.15	5.15	0.48
<b>TOTAL</b>	<b>777.18</b>	<b>304.58</b>	<b>1,081.76</b>	<b>100.00</b>

## Law Reform to Help the PRC Address Money Laundering

**T**he Asian Development Bank (ADB) will help strengthen the People's Republic of China (PRC)'s efforts against money laundering through a \$400,000 grant.

The PRC currently does not have a law to define and criminalize money laundering or specifically provide measures to address money laundering. The law would provide the guidance and center for developing the legal and implementation framework for anti-money laundering activities requiring effective coordination of more than two dozen authorities.

"With the increasingly dynamic activities in the PRC, and the deepening global integration of the PRC's economy, strengthening its anti-money laundering (AML) system is critical to meeting internationally accepted standards against money laundering and the financing of terrorism," says Rita O'Sullivan, senior counsel at ADB's Office of the General Counsel.

"A strong AML system will strengthen efforts to fight economic crimes and limit their damage to the economy."

The grant will provide technical expertise to help the Government finalize a proposed AML law, and help establish coordination and cooperation mechanisms among the various agencies involved. The grant will also develop an implementation manual and a comprehensive action plan.

The Government will contribute \$100,000 equivalent toward the project's total cost of \$500,000 in the form of counterpart staff, facilities, and other administrative needs. The project is due for completion at the end of December 2007. ■

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## ADB Transfers \$11 Million to Regional Partners in Bird Flu Fight

**T**he Asian Development Bank (ADB) has disbursed more than \$11 million to partner agencies—Association of Southeast Asian Nations (ASEAN), Food and Agriculture Organization (FAO), and World Health Organization (WHO)—to counter the immediate threat posed by avian influenza in the Asia and Pacific region.

The funds are from ADB's \$38 million regional project for Prevention and Control of Avian Influenza announced in March. The project aims to strengthen regional capacity and facilitate regional cooperation to prevent or rapidly control avian flu outbreaks among birds and to help countries manage cases of human influenza caused by the H5N1 virus.

The project will also help prepare the region for a possible pandemic by supporting regional interagency collaboration, regional cooperation in sharing information, and strengthening regional networks. To date, some \$99,000 has been transferred to the ASEAN, \$2.59 million to the United Nations FAO, and \$8.4 million to the WHO.

Besides underwriting the cost of experts, equipment, supplies, drugs, and services, the project includes a \$14.5 million avian influenza response facility to provide critical financing to contain outbreaks and meet countries' most urgent needs.

It forms part of \$69.2 million in grant assistance committed by ADB this year for three projects in member countries to help fight avian flu and improve the region's preparedness for an influenza pandemic.

The other two grant projects are a \$30 million regional project for long-term communicable disease control for Cambodia, Lao People's Democratic Republic, and Viet Nam; and \$1.2 million in technical assistance for Indonesia, Malaysia, and Philippines to combat communicable diseases.

ADB pledged about \$470 million in possible assistance on bird flu. Of this, about \$100 million could be derived from reallocations from existing loans, while some \$300 million

could be made available in new loans, if requested by affected countries, complementing World Bank and other donors' resources.

"These funds stand ready to assist our developing member countries in the fight against bird flu, if or when they require them," says Jacques Jeugmans, ADB principal health specialist.

In March, ADB made available \$50,000 in emergency funds to Azerbaijan for protective equipment and supplies to the Ministry of Agriculture, including 5,000 sets of disposable personal protective suits, disposable safety gloves and N-95 respirators, and 500 pairs of protective goggles.

The potential impact of a flu pandemic would be substantial and could cripple economic growth and poverty reduction across the world. Based on the WHO best-case estimates that up to 7 million people could die worldwide, a pandemic would cost Asia \$297 billion in a year and throw the world into recession, according to a recent ADB study. ■

# Two ADB Loans to Help Address Land Degradation in Uzbekistan

**T**wo loans from the Asian Development Bank (ADB) totaling more than \$60 million will help Uzbekistan farmers boost their incomes by addressing some of the country's worsening land degradation problems.

The project will tackle land degradation in about 162,300 hectares of irrigated land in nine districts of three provinces—Bukhara, Kashkadarya, and Navoi. These areas, where crop yields reportedly have declined by 30% since 1991, suffer the most serious forms of land degradation, directly affecting about 1.4 million rural people.

Poor water management, deteriorating irrigation and drainage systems, and policies that reduce incentives to invest in land improvement are seen to be causes of the problem.

"Land degradation is a serious economic, social, and environmental problem in Uzbekistan and the rest of Central Asia," says Plamen Bozakov, an ADB water resources specialist. "It directly affects livelihoods in rural areas by

reducing land productivity and causing massive losses in agriculture."

The project aims to improve land reclamation practices and set up three farms to demonstrate innovative farm technologies and enhanced agronomic practices. It will also rehabilitate drainage and irrigation to improve water control and efficiency.

Institutions at all levels—central, provincial, and community—will be strengthened so they can better address land degradation issues. The project will also promote policy reforms to help increase farmers' incentives to raise land productivity and invest in land, as well as improve rural governance.

ADB is lending \$32.6 million from its ordinary capital resources (OCR) and \$27.6 million from its concessional Asian Development Fund (ADF). The OCR loan carries a 25-year term, including a 5-year grace period, and an

interest rate to be determined. The ADF loan carries a 32-year term, including an 8-year grace period, an interest charge of 1% per year during the grace period, and 1.5% per year thereafter.

An \$800,000 technical assistance grant, cofinanced by the Poverty Reduction Cooperation Fund, from the Government of the United Kingdom, accompanies the loans to help the Government strengthen relevant institutions and prepare needed legislation.

The Government and project beneficiaries will contribute about \$16 million equivalent toward the project's estimated total cost of \$76.18 million. For the project, the Government will contribute \$200,000 in the form of office space, logistical support, and counterpart staff.

The Ministry of Agriculture and Water Resources is the executing agency for the project, which is due for completion in September 2012. ■

# Grant Project Launched to Upgrade Training and Skills in Mongolia's Construction Industry

**T**he Asian Development Bank (ADB) launched a grant project to enhance job and income-earning opportunities in the construction industry for Mongolia's unemployed youth and adults.

The project, backed by a grant of \$1 million from ADB's Japan Fund for Poverty Reduction (JFPR) and financed by the Government of Japan, will focus on boosting skills of those wanting to enter construction.

It will establish public-private partnerships to promote training, design, and test a new training system that utilizes such approaches as on-the-job training and placements in the industry, and upgrade selected public and private training centers, including facilities, and the teaching and learning environment.

The project is designed to complement a proposed ADB loan project—the Third Education Development Project (TEDP). But while TEDP will improve formal vocational and technical education (VTE) for youth enrolled in public VTE institutions, the JFPR project will focus on providing informal skills training for dropouts and poor adults living in Ulaanbaatar.

"The grant project's work to improve the relevance and quality of skills training in the construction sector will provide valuable lessons for the VTE system," says Megumi Araki, an ADB senior cofinancing specialist.

It is expected to develop, jointly with curriculum specialists and construction companies, 50 course modules for nine construction occupations and train about 2,500 out-

of-school youths and poor adults. About 50 teachers from training providers and 50 enterprise-based instructors will also receive training to upgrade their teaching and technical skills through coaching, workshops, on-the-job training, and work experience.

The Ministry of Education, Culture and Sciences will execute the Project.

The JFPR was set up in 2000 with an initial contribution of \$90 million, followed by additional contributions totaling \$155 million in 2002, and annual contributions up to 2006 bringing the total amount to \$360 million. ■

## Private Sector Operations Third Quarter 2006 (in \$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Partial Credit Guarantee	Political Risk Guarantee	Total ADB Approvals	Project Cost
<b>China, People's Republic of</b>								
Hangzhou City Commercial Bank	—	30.00	30.00	—	—	—	30.00	30.00
Municipal Natural Gas Development Project	50.00	25.00	75.00	75.00	—	—	150.00	1,157.00
<b>India</b>								
Loans to SREI International Finance Ltd.	50.00	—	50.00	—	—	—	50.00	50.00
NTPC Capacity Expansion Project <sup>a</sup>	75.00	—	75.00	225.00	—	—	300.00	4,000.00
Dahej LNG Terminal Expansion Project	150.00	—	150.00	—	—	—	150.00	336.00
<b>Indonesia</b>								
Motor Loan Portfolio by Deutsche Bank	—	0.20	0.20	—	9.80	—	10.00	64.00
SSWJ Phase 2 Gas Pipeline Project <sup>a</sup>	75.00	—	75.00	125.00	—	—	200.00	652.50
<b>Total</b>	<b>400.00</b>	<b>55.20</b>	<b>455.20</b>	<b>425.00</b>	<b>9.80</b>	<b>—</b>	<b>890.00</b>	<b>6,289.50</b>

<sup>a</sup> Nonsovereign public sector loans to state-owned enterprises.

## Grant-financed Projects Third Quarter 2006

Country/Project Name	Amount (\$'000)	Source	Date Approved
<b>Afghanistan</b>			
Western Basins Water Resources Management	13,200.00	Canada	25-Aug
North-South Corridor	20,000.00	JFPR	26-Sep
North-South Corridor	40,000.00	ADF IX	26-Sep
<b>Bangladesh</b>			
Second Rural Infrastructure Improvement	56,700.00	UK	18-Aug
<b>Lao People's Democratic Republic</b>			
Upgrading of ICT and MIS at the Agriculture Promotion Bank	472.00	JFICT	17-Aug
Catalyzing Microfinance for the Poor	1,980.00	JFPR	17-Aug
Northern Region Sustainable Livelihoods Through Livestock Development	3,500.00	Switzerland	29-Sep
Northern Region Sustainable Livelihoods Through Livestock Development	700.00	ADF IX	29-Sep
<b>Nepal</b>			
Road Connectivity Sector I	55,200.00	ADF IX	10-Aug
<b>Solomon Islands</b>			
Road Improvement (Sector)	9,750.00	New Zealand	08-Aug
Road Improvement (Sector)	6,100.00	Australia	08-Aug
Road Improvement (Sector)	350.00	ADF IX	08-Aug
<b>Total</b>	<b>207,952.00</b>		

## Management, Board of Directors, and Staff

as of 30 September 2006

Management	4
Board of Directors	23
Professional Staff <sup>a</sup>	868
National Officers <sup>b</sup>	417
Administrative Staff <sup>c</sup>	1,133
<b>Total</b>	<b>2,445</b>
Nationalities	53

a Includes 25 Director's Advisors and 43 staff on special leave without pay (SLWOP)/secondment status.

b Includes 6 staff on SLWOP status.

c Includes 5 staff on SLWOP status.

## ADB Proposes \$290 Million Support for Papua New Guinea's Medium-Term Development Strategy

The Asian Development Bank (ADB) will work with Papua New Guinea (PNG) on implementing its Medium-Term Development Strategy (MTDS) under a new Country Strategy and Program endorsed by ADB's Board of Directors. ADB will focus on supporting improvements in public financial management, private sector development, the transport sector, and health, including efforts to combat the spread of HIV/AIDS.

ADB's new PNG strategy and program (2006–2010) anticipates total grant and loan financing of \$290 million for 2006–2008, with one new major priority investment per year supplemented by grant assistance and additional funding for successful ongoing projects.

Support for PNG will include \$77 million from the Asian Development Fund, ADB's concessional lending window. Priority projects being discussed with the PNG Government include possible ADB participation in the PNG Gas Project, expansion of the capacity of Lae Port, and upgrading of sections of the Highlands Highway and additional feeder roads in the Highlands region.

"PNG is an important member of ADB and we are determined to help the country achieve its medium-term development goals," says Philip Erquiaga, Director General of ADB's Pacific Department.

The strategy notes that PNG's poor economic performance during the 1990s led to a significant increase in poverty in the country. Estimates suggest that in 2003, 54% of the population lived in poverty, up from 37.5% in 1996. Public surveys have identified the priorities of the poor as the creation of jobs and economic opportunities, and rebuilding the delivery of public services such as health and education. Deteriorating transport infrastructure has been identified as

a major impediment to development. Also, a generalized HIV/AIDS epidemic poses a significant threat to the country's development prospects.

"After a difficult period in the 1990s, the economy has performed well in recent years and the Government now has an opportunity to invest in rehabilitating roads and maritime infrastructure to rebuild health and education services and to strengthen PNG's governance," Mr. Erquiaga adds.

He notes that PNG's MTDS focuses on the right areas and has wide support throughout the country. "ADB will work with the Government and our development partners to ensure that our assistance supports the PNG Government's own efforts in these priority areas, is focused on our areas of expertise, and results in the greatest possible benefit to the people of PNG," he says.

The strategy suggests that to achieve broad-based and consistent development, PNG must address three critical challenges: it must find ways to convert its natural resources into sustainable, concrete development results for its people; it must work to broaden the base of the economy and its basis for growth and job creation; and it must improve its health and education services. In each area, firm action to strengthen governance will be required.

"We have noticed a clear improvement in the performance of a number of ADB-financed projects in the past 2 years," says ADB's Country Director in PNG Steven van der Tak. "With a new country strategy now in place, ADB and the Government can focus on building upon these recent successes and delivering even better results for the people of PNG. The recent approval of additional finance for repairing rural feeder roads in the Highlands is an example of this approach." ■

## Grant to Help Strengthen Financial Institutions

A \$1.35 million grant will help strengthen financial institutions in which the Asian Development Bank (ADB) invests to ensure that ADB's private sector transactions are as high impact as possible.

ADB works with financial institutions—banks, insurance companies, nonbank credit companies, leasing companies, exchanges, and depositories—to help further mobilize savings and extend credit, and to help deliver ADB funds to sectors that cannot efficiently be reached directly by its operations.

The financial institutions ADB chooses to work with are high-potential ones that would benefit both from financial assistance and knowledge transfer.

The grant will help improve corporate governance, combat money laundering and corruption, improve environment and social safeguards, and increase penetration into the small- and medium-sized enterprises market, with each activity customized to the needs of selected institutions.

The grant will target financial institutions that are or are expected to become ADB's borrowers and investees, likely based in key markets where ADB already has a dedicated staff for private sector operations, such as the People's Republic of China, India, Philippines, and Thailand.

"ADB's private sector operations will concentrate on transactions offering the right combination of financial and developmental opportunities," says William Willms, an ADB principal structured finance specialist.

The project will be carried out over about 2 years. ■

## Updated 3-Year Regional Program Proposes \$1.6 Billion in Lending for GMS

The Asian Development Bank (ADB)'s updated regional cooperation strategy for the Greater Mekong Subregion (GMS) proposes indicative lending totaling \$1.565 billion over for 2007–2009.

The final amount is subject to the availability of resources, the result of country performance assessments, and the outcome of discussions for the next replenishment of ADB's concessional lending instrument, the Asian Development Fund, among others.

"ADB will continue to focus on establishing cross-border physical infrastructure and related policy and regulatory reforms, and addressing shared concerns on issues such as communicable diseases and transboundary environmental issues," says Rajat M. Nag, Director General of ADB's Southeast Asia Department as well as Special Advisor to the President in charge of regional economic cooperation and integration.

ADB's strategy is in line with the commitment of GMS leaders to achieve the Millennium Development Goals by focusing subregional initiatives more directly on the poor, combating communicable diseases, and ensuring environmental sustainability. The strategy also takes into account ADB's priorities under the second Medium-Term Strategy (MTS II) (2006–2008) and the recent Regional Cooperation and Integration (RCI) Strategy.

MTS II identifies regional cooperation and integration as one of ADB's five strategic priorities for achieving its overarching goal of poverty reduction. In the RCI Strategy approved in July, ADB's support for the GMS program was cited as a showcase example of its involvement in promoting subregional cooperation among its developing member countries.

The indicative lending program covers broad areas of investment, including power interconnection and transmission, subregional roads and highways, sustainable tourism development, and flood management and mitigation.

The indicative grant program for the 3-year period totals \$16.2 million and consists of 19 projects, including 10 for investment project preparation and 9 to support advisory, research, and coordination work in the subregion.

Since 1992, ADB has extended \$1.8 billion of loans for 26 investment projects for the GMS in transportation, energy, health, and tourism. Also, 125 technical assistance projects with a total cost of about \$148 million have been completed or are under way, financing advisory work, project preparation, and coordination functions for the GMS Program.

The six GMS member countries are Cambodia, the People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam. ■

## ADB to Help Finance National Highway Rehabilitation in Afghanistan

An Asian Development Bank (ADB) loan and grant package totaling \$138.2 million will help finance the construction of a national highway in Afghanistan that will connect remote areas to the country's center.

The project will rehabilitate 140.3 kilometers (km) of the Mazar-e-Sharif-Dara-i-Suf road and 98.9 km of the Bamian-Yakawlang road, which comprise the north-south corridor connecting the ring road through central Afghanistan.

These roads pass through Balkh, Bamian, and Samangan provinces, at the center of the country and home primarily to rural farmers. About 10% of the collective 1.7 million population in these provinces lives in large cities, where the production of coal reserves and iron ore deposits is poised to boom.

"Afghanistan has made significant progress in the past few years; however, its economic and fiscal situation continues to be extremely fragile," says Dong-Soo Pyo, an ADB principal financial specialist. "To accelerate the country's transition, continued investment in the road sector is a prerequisite."

The project also entails installation of cross-border facilities in Spin Boldak and an HIV/AIDS prevention and anti-human trafficking awareness campaign.

Road rehabilitation efforts in the war-torn country have so far focused on regional highways, particularly on the ring road, with emphasis on trade links to neighboring countries. These road projects are expected to be completed by 2008.

The Government's next priority is the development of the north-south and east-west corridors, which connect the ring road to improve access for people living in remote areas at the center of the country. More than 90% of national highways and provincial roads are either earth or gravel, and more than 60% are in poor condition.

ADB's support—comprising a \$78.2 million loan and \$40 million grant—comes from its concessional Asian Development Fund and is financing 84% of the project's total estimated cost of \$140.9 million. The loan carries a 40-year term, including a grace period of 10 years, and an annual interest rate charge of 1%.

The Japan Fund for Poverty Reduction, an ADB trust fund financed by the Government of Japan, will provide a \$20 million grant for civil works for the Bamian-Yakawlang road. The Government will shoulder \$2.7 million to cover land acquisition and taxes and duties for the project.

The Ministries of Public Works, Finance, and Public Health are the executing agencies for the project, which is due for completion in December 2010. ■

## Supporting Next Phase of SME Development in Viet Nam

The Asian Development Bank (ADB) will further support small and medium enterprise (SME) development in Viet Nam through a technical assistance grant of \$600,000.

The grant will design an ADB investment project to develop the leasing industry and support the implementation of an ongoing ADB program.

ADB's SME Enterprise Development Program Cluster is supporting the Viet Nam Government's efforts to create an environment conducive to SME development. Actions being undertaken include addressing the country's policy framework for SMEs, institutional coordination, conducting business registration and licensing reforms, and enhancing access to resources for both land use and finance.

A first subprogram was backed by a \$60 million ADB loan, approved in 2004, along with the concept for a subprogram II assisted by a \$20 million loan. In the pipeline for 2007 is the investment project on leasing, for another \$20 million loan.

Under subprogram I, the Government formulated an SME development action plan, and drafted business licensing reforms and SME accounting guidelines. But their implementation requires further assistance.

The technical assistance (TA) will formulate the investment project to complement the policy actions of the Program Cluster, which aims to continue reforms to the business environment for SMEs and develop alternative channels of financial intermediation to banks. Subprogram II will be supported through technical support, capacity building, and coordination of stakeholders.

"Viet Nam has made substantial progress in improving its regulatory and business environment," says Jin Cyhn, an ADB economist. "But the many constraints still facing SMEs mean that their development requires vision, strategic direction, and effective coordination."

Access to finance remains one of the most critical issues for SMEs, while limited access to land use rights certificates reduces their use for collateral purposes. The legal and regulatory framework under which these are issued needs to be formalized and registration procedures for subsequent transactions need to be streamlined and unified.

The Government will finance \$150,000 of the TA's total cost of \$750,000 equivalent in counterpart services and facilities. The TA will be carried out over about a year to May 2007. ■

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