

ADB

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Asian Economies More Resilient

As Asia's recovery consolidates, its quality is improving, leaving affected countries in a stronger position to absorb shocks, according to the October issue of the *Asia Recovery Report* released by the Asian Development Bank (ADB).

While net exports had generally led recovery, domestic demand and intra-regional trade are now adding depth to it, making the affected countries less vulnerable to gyrations in external demand outside the region. Foreign exchange reserves provide ample cover for short-term obligations, and the maturity structure of external debt is improving.

Not only is recovery occurring quickly and becoming more broad-based, the

region's economies are potentially more resilient, says the report. There is now greater clarity and coherence in macroeconomic management policies. Most affected countries have abandoned the precrisis informal dollar pegs and are moving toward explicit inflation, targeting frameworks that are likely to promote greater transparency and independence in monetary policy.

Some headway is also being made on bank and corporate restructuring, with nonperforming loan ratios, in general, falling and capital adequacy ratios strengthening as banks slowly return to profitability. Even the property markets show signs of bottoming out, the report says.

Among the five countries most affected by the crisis, the Republic of Korea remains

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Joseph Eichenberger Appointed ADB Vice-President

The Board of Directors of ADB, acting on the recommendation of ADB President Tadao Chino, appointed Joseph B. Eichenberger as Vice-President (Region East) with effect from 15 December 2000. Eichenberger, who is from the United States (US), succeeds Vice-President Peter Sullivan, who retired from the service of ADB on 20 September.

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ADB's New V-P East: Joseph Eichenberger

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Initiatives to Bridge the Digital Divide

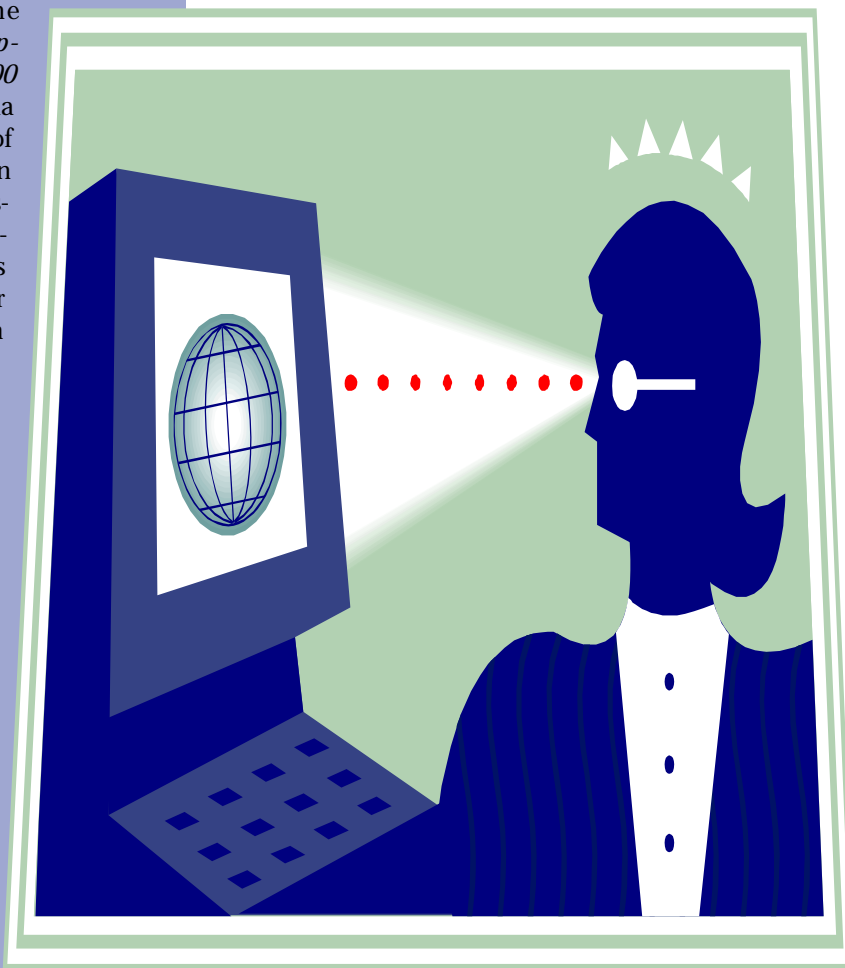
According to the *Asian Development Outlook 2000 Update* released in Manila in September, a majority of developing economies in Asia will remain on the losing side of the digital divide unless conscious policy efforts are made for developing information technology (IT).

The report, which describes IT's prospects and policies in the region and its impact on developing economies, emphasizes that the Asian and Pacific region as a whole has tremendous potential for self-sustaining rapid growth in IT in coming years. The region possesses the market, technological capability, and awareness for achieving this.

With the encouragement of the Okinawa G8 Summit Charter and the proposed Japanese fund, the prospects for development are much improved. However, while countries such as Japan; Republic of Korea; Singapore; and Taipei, China earned high marks for developing telecommunications infrastructure that has made the information revolution possible, many developing economies in the region are in danger of being stranded on the wrong side of the digital divide due to lack of "e-readiness" and a weak "info-structure."

The report advocated that a two-pronged approach should be adopted in the overarching public policy for developing the industry: promote the growth and spread of IT and prevent the worsening of inequities both within and across economies.

Policy frameworks, at the minimum, should ensure that proper incentives encouraging the growth and dynamism of a competitive private sector—the engine of IT expansion—remain in place.



The report said that an open and outward-looking policy stance, combined with the maintenance of macroeconomic balances, are public policy requirements for IT's development and diffusion.

To address the digital divide, the report outlined the following elements as crucial in policies for IT diffusion.

- **Enable the telecommunications infrastructure to grow:** As IT cannot grow in the absence of a dynamic telecommunications sector, the public sector restrictions on developing the industry should be removed.
- **Develop human resources:** While computer literacy in the public services should be increased, it is also important to develop basic science and technology capabilities to understand, adopt, and adapt it in sector-specific applications.
- **Encourage private enterprise participation:** Appropriate fiscal incentive should be provided to encour-

age the private sector to promote IT.

- **Provide adequate safety nets:** It is especially vital to assist those who have been adversely affected by IT's diffusion.
- **Establish good governance:** Consistency in policy and greater transparency will support the growth of IT.

If the digital divide is left unchecked, the powerful digital communications tools—which many hope will enrich lives—will only serve to further historic divides among societies in developing nations.

The report said that in establishing policies for robust IT development, developing economies should focus on four critical factors: support higher education in science and mathematics; promote research and development; safeguard intellectual

property rights; and ensure standardization, regulation, and quality assurance.

The Asian Development Bank (ADB) has taken steps to ensure that some of the positive impacts of IT are captured in its program and sector projects. ADB can play a greater role in improving the provision of international public goods and services to help the region fully exploit its IT potential.

This includes coordinating IT regulatory practices and standards; standardizing hardware, software, and communication components; and mobilizing necessary resources to build the region's info-structure through wider access to education, health care services, and resources to encourage high-tech development in the region.

This will contribute directly to not only bridging the digital divide, but also to addressing the important issue of reducing poverty in the region by spurring economic growth, said the report. ■

the frontrunner in recovery, already surpassing its precrisis per capita income peak. Recovery there is improving the cash flow positions of banks and corporations, prompting the flow of bank credit, which in turn is fueling recovery. Other countries have yet to experience this "virtuous circle." Malaysia and the Philippines are expected to regain lost ground in per capita income this year, while the process could take another year or so in Thailand and even longer in Indonesia, the report says.

But recovery is far from complete, warns the report. The fiscal positions of Indonesia, Philippines, and to a lesser extent Thailand, leave cause for concern, while the pace of bank and corporate restructuring has been uneven. Also, political uncertainties and concerns about peace and order are inhibiting several countries' efforts at reform and recovery. External risks to the recovery include the possibility (although receding) of a hard landing of the US economy, and the threat to the region's net oil importers (Republic of Korea, Philippines, and Thailand) posed by rising oil prices. The report says that the adverse impacts arising from the current high oil price levels, which have tripled in little more than a year, would be manageable if they are maintained only up to the first quarter of next year.

"Reforms must be completed if Asia is to be put on track toward a new era of high economic growth and reduced vulnerability to external shocks," concludes the report. The complete *Asia Recovery Report*, a bi-annual report produced by ADB's Regional Economic Monitoring Unit, may be viewed on the Asia Recovery Information Center web site at <http://aric.adb.org/> ■

Joseph Eichenberger (continued from page 1)

Mr. Eichenberger was former Director of the Office of Multilateral Development Banks in the US Treasury Department. He had direct responsibility for a range of policy and operational issues for all the multilateral development banks as well as the Global Environmental Facility and International Fund for Agricultural Development.

Before that posting, Mr. Eichenberger was Acting US Executive Director for the World Bank. He will be joining two other Vice-Presidents on ADB's management team: Vice-President (Region West) Myoung-Ho Shin and Vice-President (Finance and Administration) John Lintjer. ■

Fund to Spur Small- and Medium-Scale Enterprise Growth in the PRC

The Asian Development Bank (ADB) has approved an equity investment of up to US\$25 million in the Liberty New World China Enterprises Investments Limited Partnership, a fund to help spur the growth of small- and medium-scale enterprises (SMEs) in the People's Republic of China (PRC).

In addition to the capital contribution, ADB will help structure the fund to ensure best corporate governance and management practices in the fund itself and in the investee companies of the fund. Through the fund, ADB will catalyze foreign investments in the PRC in support of the Government's efforts to stimulate the growth of SMEs in the country. "A dynamic private sector will contribute to economic growth and help create employment opportunities," said Jong Haw Lee, ADB's Senior Investment Officer working on the project.

The fund will have two sponsors: New World Group (NWG), one of the largest conglomerates in Hong Kong, China, and Liberty Financial Group (LFG), one of the largest insurance and asset management companies in the United States.

The fund will be managed by the general partner, Newport Private Equity Asia, Inc., an affiliate of LFG. NWG will help identify and manage the investee companies for the fund. In addition, NWG is committed to match, dollar-for-dollar, investments made by the fund in all of its investee companies.

The target is to raise US\$100 million for the fund at initial closing. Through subsequent closing, the fund's size could be increased to US\$300 million, subject to demand. The fund will invest in nonstate manufacturing and service companies in the PRC, mostly located in regions where NWG has a business presence. These include inland provinces such as

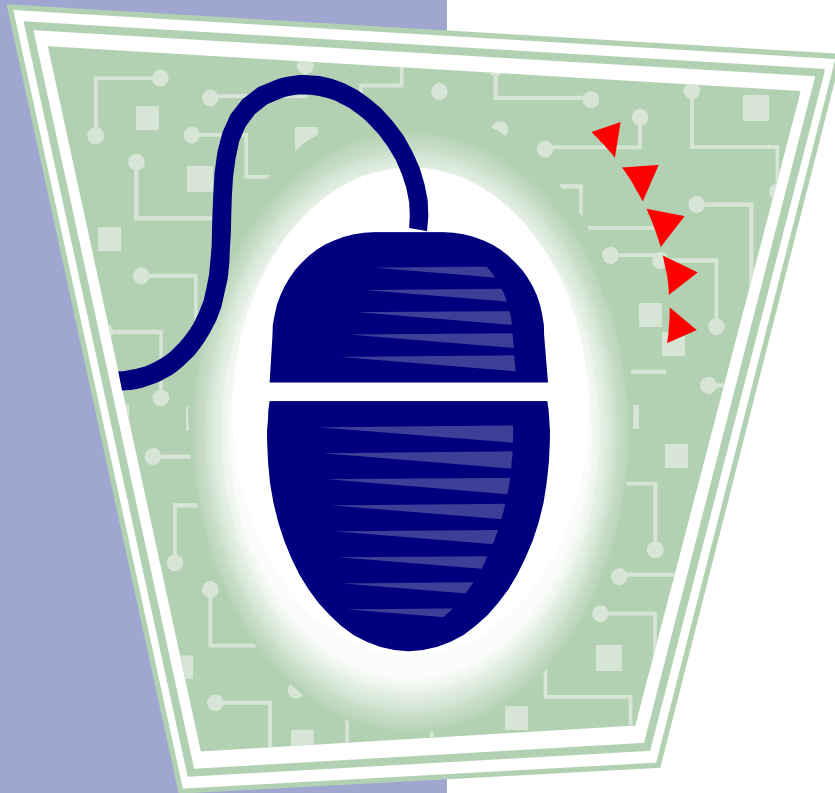
Hubei, Jiangxi, Sichuan, and Yunnan. These enterprises will be assisted not only by the provision of equity capital but also by the infusion of know-how in modern marketing, management, and governance techniques. Leading international companies will be invited to coinvest in individual projects as strategic partners.

Investments will be made in 20–30 new and existing enterprises with good growth prospects. The initial size of investment by the fund in each company is expected to fall largely between US\$1 million and US\$5 million. Additional investments may be made in companies with viable expansion projects. ■

WOMEN POWER: Females often lead small enterprise development.



E-Business: Big Business or Bermuda Triangle?



A conference on e-business, run by the International Bankers Forum e.V. of Germany in association with the Maleki Group, took place in Frankfurt, Germany earlier this year. The conference was organized in the context of Global 24, a series of innovative fora that are held every year in the world's major financial centers. In Frankfurt, this conference attracted about 300 participants from a broad spectrum of society. The conference also reached viewers via television and the Internet. The special topics addressed by the panel members were E-Markets: Creative Chaos?, E-Labor: The Future of Work?, and E-Politics and E-Security: Controlling the Uncontrollable?

E-Markets: Creative Chaos? The panel members agreed that the Internet is applying strong pressure on markets by putting the accent on interconnectivity, transparency, and risk intermediation. They saw that, in banking, more complex financial services are in demand, and that this will force increased fragmentation of activity. Banks that cannot manage the tran-

sition will not survive, and scaling up (as in Germany and Japan) is not a solution. In general, the Internet calls for developing a whole new range of management reporting, budgeting, and planning software, as well as associated support services. The age of five-year business plans is over, and individual business strategies now have to integrate knowledge optimization, and application and system development.

There are implications, too, for organizational structures and corporate cultures, which all too frequently obstruct change. One panel member remarked that established organizations employ highly capable people and then set them to work within business processes and business models that doom them to failure. An immediate requirement of management is knowledge of the Internet and a good measure of courage. But the panel members accepted that, while new business processes and business models are already available, or can be developed without difficulty, the main obstacle faced by organizations lies in identifying clearly their respective roles in

the value chain. Still, the members concluded that e-markets will in any event surely accelerate the shift of power toward consumers, causing fundamental changes in the way organizations relate to their customers and compete with one another.

E-Labor: The Future of Work? The panel members noted the Internet's remarkable ability to provide both free items and generate information, and predicted that the new supply of and demand for information will have an impact on labor. First and foremost, highly qualified labor is required. This has implications for human capital formation and institutional arrangements for work. To address the former, continuous incubation of ideas and talent is necessary. But people will increasingly be judged on results because the Internet greatly facilitates location of expertise thereby favoring the development of consultancies.

Second, some panel members fretted about a possible rise in the number of keyboard slaves, especially among those involved in B2B (business-to-business) transactions. But they recognized that individualizing work will place a higher premium on human touch in B2C (business-to-consumers) transactions.

Third, since the nature of work will change, they wondered also whether we might not be at risk of creating digital elites, thereby accentuating further the divide between the young and the aged, and between developed and developing countries. One panel member remarked that the Internet was bypassing developing countries, and that poverty and the looming water crisis, for example, draw more attention there. He recognized, however, that information and communication technologies can promote economic growth. No consensus arose on this issue, beyond an acceptance that a digital divide will appear if human capital is not leveraged, irrespective of age differences or the stage of development of national economies. The panel members also observed that the rate of change of technology had, thus far and in general, outstripped the rate of learning, even in developed countries.

Fourth, on a related theme, some panel members worried that universities in the United States and Europe are not investing enough to continue to exist in the digital age.

Fifth, they observed that the Internet has implications for trade unions, too. Unions will, for example, need to pay more attention to distance learning and to the es-

tablishment of labor standards appropriate for changed work environments. Lastly, the panel members wondered whether the Internet might not exacerbate unemployment among unskilled workers. But, they could only express general expectations that the new economy will boost demand and thus create additional employment opportunities throughout. In the opinion of the panel members, there will, after all, always be a need for manufacturing and delivering physical products.

E-Politics and E-Security: Controlling the Uncontrollable? Apropos e-security, the panel members reflected on the Internet's power to change the world into

a global marketplace and examined whether it has to be regulated. In the affirmative, how can the right balance be struck? They identified trust to be a key issue, underpinned by the need for security. One panel member identified that the main difficulty lies in defining the kind of security desired, which in turn defines the kind of trust necessary. He noted that the Internet is used for a variety of purposes, thus compounding infinitely the difficulties of ensuring security.

The panel members agreed that the need for security has grown most recently, despite early sentiments in favor of *laissez-faire*. This warrants the early introduction of encryption products, a measure that the European Union supports, too. But they drew distinctions between the various dimensions of security, which they identified broadly as technical, economic, social, political, and cultural. In the immediate, this means that formulation and enforcement of regulations must start at the national level, although later on regulations will surely need to be transnational. One panel member remarked that in the United States, discussions about security are now carried out at the state level. This, however, does not offer the promise of an early consensus at the national level.

The panel members cautioned, however, that there is no universal solution to e-security. It is necessary that each user decide on the security required. This security varies according to the value given to the information exchanged, which means that trust does not have an exclusively technical

dimension. Therefore, it is more appropriate to have market forces accomplish as much of the regulation as possible.

■ **E-markets will force organizations to rethink their products, relationships, and even their core capabilities.** ■

On the subject of hackers, whom the panel members did not see as a major issue, there was a consensus that the adoption of simple rules of behavior by users—e.g., refraining from opening e-mail attachments sent by unknown parties—will reduce risks considerably.

On the more elusive subject of e-politics, the panel members contended that there is no sign that the involvement of start-ups in politics (as in the United States) will supplant the political process. In all probabil-

ity, people will still favor representation and will not wish to vote on each and every issue via the Internet. However, the panel members concurred that e-politics will force politicians and governments to better inform themselves, and that this will arguably lead to better decision making.

The conference covered much ground and the global moderator pulled together very different threads. The moderator's task was not made easy by the professional orientations of the panel members, which colored arguments somewhat and prevented a multidisciplinary assessment of how the Internet will impact on markets, labor, security, and politics.

I wish in particular that clearer conclusions could have been drawn on e-markets. Irrespective of industry, e-markets will force organizations to rethink their products, relationships, and even their core capabilities. Once again, a conference to discuss this subject did not succeed in defining the new paradigm underpinning competition and strategy.

Practicing Syndication. To my mind, many of the new rules about competition and strategy can be found in reference to the practice of syndication, a way of doing business restricted earlier to the world of entertainment but which is now moving from the periphery of business to its center. Syndication refers to the sale of the same good to many customers, who integrate it with other goods and redistribute it. So far, syndication has been rare in business because fixed physical assets and slow-moving information have made it dif-

ficult, if not impossible, to establish fluid networks. But fluid networks are becoming possible and essential. It is then helpful to depict organizations as fulfilling one or more of three roles. These are acting as originator, syndicator, or distributor. Originators create content, syndicators package content, and distributors deliver content. (The Asian Development Bank, one could say, plays all three roles simultaneously.)

Through this lens, one can see how organizations need to rethink their strategies and relationships in radical ways using hubs and webs. Core capabilities, for example, would become products to sell, not hide. The syndication lens would also help an organization identify where it needs to integrate its virtual and physical operations, and where it needs to keep them distinct. ■

Olivier Serrat, Liaison Officer, European Representative Office, Asian Development Bank, contributed this article.



Key Indicators of Developing Asian and Pacific Countries 2000

Published for the Asian Development Bank (ADB) by Oxford University Press (China), Ltd., *Key Indicators of Developing Asian and Pacific Countries 2000* is the 31st in a series of annual statistical publications of ADB. It provides historical and current economic, financial, environmental, and social statistics on ADB's 39 developing member countries (DMCs).

Key Indicators contains two parts: regional tables, where selected indicators are compared across DMCs; and the country tables, where annual population, economic, and financial statistics of each DMC from 1982 to 1999 are presented.

The tables are available on the ADB web site <http://www.adb.org>.

Books may be ordered through the ADB Publications Unit by sending an e-mail to adbpub@adb.org or by contacting Oxford University Press.

(ISBN: 0-19-592534-3, Price US\$38)

Challenges to the International Order

A top-ranking official of the World Trade Organization (WTO) visited Frankfurt, Germany earlier this year at the invitation of the Konrad Adenauer Foundation. Mike Moore, WTO Director-General, was asked to discuss “Challenges to the International Economic Order: Nation States, Private Enterprises, and Nongovernment Organizations in the Age of Globalization,” but elected instead to speak on globalization and the social market economy.

Even then, however, his speech veered from the new subject to present arguments in defense of WTO. He stressed that globalization, like European integration, offers fantastic opportunities.

“Volkswagen makes cars in Mexico,” “Mannesmann has been taken over by Britain’s Vodafone Airtouch,” and “Daimler Benz has snapped up America’s Chrysler.” Other arguments promised that freer trade helps to pay for the things valued most, such as jobs, health, education, and a cleaner environment. The remainder aimed to correct WTO’s image as an impersonal and dogmatic bureaucracy pursuing globalization without regard to negative or difficult impacts on its constituents. To my mind, the presentation underscored the difficulties facing the organization after the collapse of the third WTO Ministerial Conference in Seattle.

Internationalism. At first, the problems besetting WTO seem strange. Ten



years ago, when communism collapsed, it looked as though the world community had entered a new era in which borders would not mean much. Corporations would become global, and trade would become free.

In that perspective, the creation of WTO represented an important event in history: for the first time, an international organization would exist to manage an increasingly integrated and global economy. Many issues have paralyzed the organization since. It deals, for example, with a range of very complex agricultural concerns.¹ But it is also tasked with addressing labor, health, education, and environmental concerns, among others.

Regionalism. However, there is a more serious feature to lower expectations: that is, WTO is prey to the deepening desynchronization of the global economy. In late 1997, the collapse of financial and stock markets in Asia represented a significant shift in the fundamentals of that region.

The collapse was not accidental but rooted in public policies and economic processes. If the growth of international trade had really promoted interdependence, the Asian crisis would have affected the United States and Europe severely. Yet, it sparked a massive shift of financial resources out of Asia and into the United States that increased capital formation in that country and, in point of fact, fueled growth there.

Investors did not perceive a global economy but, rather, a series of linked regional markets that could behave both differently and in opposite ways. As the Asian crisis showed, they could even cannibalize one another.

¹ Typically, the United States wants European countries to cut subsidies of farm products so that it may sell more farm products in Europe. European countries do not agree because freer trade with the United States would probably overwhelm European farmers.

In parallel, developing countries prefer to refrain from further liberalizing their trade policies since they still have not recovered from the benefits of the last round of cuts. Implementing a strict free trade regime on agriculture would put countless farmers out of business in Europe and Asia, leading to protests that governments in those two regions would not survive.

Thus, the very liberalization of capital flows has created processes that could weaken one region and strengthen another. And if one considers that the Republic of Korea's economy is quite different from that of Japan, one can observe desynchronization within regions, too.

Every step taken by one region can now affect others substantially. Because the international trade and financial policies that benefit one region can harm others, politics will in all probability take precedence over economics in the foreseeable future. In light of this, the inability to develop an agenda for the third WTO Ministerial Conference in Seattle was not surprising: WTO meetings may have become a no-win proposition.

■ Internationalism, regionalism, and tribalism are shaping a world without precedent. ■

Tribalism. Internationalism and regionalism confront the nation-state from the outside. But tribalism challenges from within. In the United States, it manifests itself in the ever greater weight attached to diversity rather than unity. In Europe, it tore Yugoslavia apart. In Asia, it is stretching the fabric of Indonesia and Pakistan.

One explanation of why tribalism as a phenomenon has become worldwide is that size confers few advantages now that nuclear capabilities proliferate. And it is also true that the economic success stories of the last 40 years are those of small countries or territories such as Hong Kong, China; Singapore; and Taipei, China. But the main reason for tribalism is neither political nor economic. It is that, in a confusing transnational world, people feel increasingly the need for roots in a local community. So the more integrated and global the world becomes, and the closer its regions cooperate, the more tribalism will raise its head.

Coevolving internationalism, regionalism, and tribalism are shaping a world without precedent. Each force pulls in a different direction. There is no unique solution. To meet both external and internal challenges to the international order in this decade, the world will need great imagination, courage, and leadership from its intellectual, business, and political leaders. ■

Olivier Serrat, Liaison Officer, European Representative Office, Asian Development Bank, contributed this article.

"Silk Road" Between Kazakhstan and Kyrgyz Republic Facilitates Regional Cooperation

The road linking the Central Asian republics of Kazakhstan and the Kyrgyz Republic will be rehabilitated with the help of a US\$70 million loan from the Asian Development Bank (ADB). It is ADB's first subregional cooperation project in Central Asia.

The road not only connects Almaty in Kazakhstan with Bishkek in the Kyrgyz Republic but it also forms part of the famous Silk Road and a conduit between Europe and the People's Republic of China. Twenty-five percent of the traffic—largely agricultural and industrial goods—is international. The project aims to develop an efficient and safe subregional road link for moving people, goods, and vehicles.

"An efficient regional road system will contribute significantly toward regional economic cooperation, which will help realize the development aspirations of the landlocked Central Asian republics," says Sangpa Tamang, ADB's mission leader for the project.

The project will repair 204 kilometers (km) of the road in Kazakhstan and 41 km in the Kyrgyz Republic. To encourage privatization as the countries move toward market-based economies, the project will establish a pool of equipment that can be rented out to private contractors competing for road construction and maintenance work. Importantly, the project will also modernize border control facilities and procedures, including the customs post at the Akhzhol-Chu border.

In addition, ADB will provide technical assistance grants of US\$750,000 for Kazakhstan and US\$440,000 for the Kyrgyz Republic to help implement a cross-border agreement and improve coordination and management of road safety. The grant will come from the Japan Special Fund.

The total cost of the road project is estimated at

US\$119.1 million: the Kazakh component will be US\$112.4 million and the Kyrgyz part US\$6.7 million. The US\$65 million loan for the Kazakh stretch will come from ADB's ordinary capital resources. This loan will have an interest rate determined in accordance with ADB's pool-based variable lending rate system for US dollar loans. It is repayable over 24 years, including a grace period of 4 years.

The US\$5 million loan for the Kyrgyz part will come from ADB's concessional Asian Development Fund. The loan is repayable over 32 years, including a grace period of 8 years, and carries a 1 percent interest during the grace period and 1.5 percent thereafter. The Ministries of Transport and Communications of both countries will be the executing agencies for the project. The Kyrgyz part is due for completion by the end of 2003, and the Kazakh component by the end of 2004. ■

ROUGH ROAD: Traveling the Silk Road has not always been a pleasure cruise.



A Study of Rural Asia

First three volumes in five-part series released

Rural Asia: Beyond the Green Revolution

(Volume 1)

An economic transformation has occurred in much of rural Asia during the last two decades. Large parts of the region have made remarkable progress with substantial gains in food security, per capita income, quality of life, and poverty reduction. Yet, rural Asia remains home to 700 million people living in poverty, many of whom have no access to safe water and sanitation. To explore new opportunities and challenges facing rural society in Asia, a Study of Rural Asia was undertaken by the Asian Development Bank (ADB).

Oxford University Press (OUP) is publishing the output of the study in five volumes. This publication provides an overview of the study. The main results and recommendations contained in the five volumes have been included in the overview and should prove useful to all

those concerned with improving the economic and social conditions of rural populations in Asia through sustainable development.

ISBN: 971-561-272-5 (paperback)

Price: US\$10 per copy, 187 pages

The Growth and Sustainability of Agriculture in Asia

(Volume 2)

Central to the progress of Asian agriculture has been the green revolution package that resulted in remarkable increases in crop yields. This volume, the second in a series of five volumes copublished by OUP, investigates the sustainability of the post-green revolution era.

It probes the second-generation problems caused by this revolution and the results of overexploitation of natural resources.

Early indications of unsustainability in major staple food crops, the livestock sector, and marine fisheries have been detected, attributable to a combination of technological, market, and policy failures. The technological and natural resource constraints in increasing production are assessed. Strategies and policies are proposed to achieve sustainable agricultural development.

ISBN: 0-19-592450-9 (paperback)

Price: US\$35 per copy, 303 pages

ISBN: 0-19-592449-5 (hardback)

Price: US\$55 per copy, 303 pages

Rural Financial Markets in Asia: Policies, Paradigms, and Performance

(Volume 3)

Rural financial markets have lagged behind in the progress of the rural economy in Asia. This volume, the third in a series copublished by OUP, presents a summary of the conceptual evolution that has occurred in rural financial markets since the 1970s.

The development of rural financial markets in Asia has been a movement from mandates to markets: the failure of directed credit in many developing Asian countries and the development of microfinance contributed to the emergence of a new market-based paradigm. However, many Asian countries have yet to adopt the new paradigm. The transitional economies need to create financial markets involving transformation from a state-planned to a market-based economy. Based on the experiences of three Asian flagship financial institutions and analysis of other financial institutions, a three-pronged framework for building financial markets is developed: creating the policy environment, building financial infrastructure, and institutional development.

ISBN: 0-19-592452-9 (paperback)

Price: US\$35 per copy, 401 pages

ISBN: 0-19-592451-7 (hardback)

Price: US\$55 per copy, 401 pages

For these and other publications, contact the ADB Publications Unit, P.O. Box 789, 0980 Manila, Philippines, Fax: (632) 636-2648, E-mail: adbpub@adb.org, or contact Oxford University Press. ■



Turkmenistan: 59th ADB Member

Turkmenistan became the 59th member of the Asian Development Bank (ADB) on 31 August 2000. ADB will soon send an Economic Mission to Turkmenistan to help decide how it can best assist its newest member.

ADB, which seeks to reduce poverty in Asia and the Pacific, expects to focus on giving the poor better access to income-generating opportunities and to basic social services in the country. ADB will also support the Government in reforming the economy.

State-owned enterprises still comprise 90 percent of the Turkmenistan economy, which is undergoing transition from a command to a market economy. The economy mainly depends on the production of primary goods, especially natural gas, oil, and cotton. Turkmenistan has the world's fourth largest reserves of natural gas and possesses substantial oil resources.

It was the largest natural gas producer in Central Asia during the Soviet era, but production declined due to reduced market access; currently, it is the second largest

producer in the region. It is also the world's 10th largest producer of cotton, which is grown on half of the country's arable land. However, Turkmenistan depends heavily on food imports. Textiles and hydrocarbon processing dominate the industrial sector.

Turkmenistan, which gained independence from the Soviet Union in October 1991, is the fourth largest territory among the former Soviet countries. It lies south of Kazakhstan and Uzbekistan, has common borders with Iran and Afghanistan, and has a large coastline on the Caspian Sea. The Kara Kum desert occupies 90 percent of its territory. Turkmenistan has a population of more than 4.7 million, and its population growth rate is around 3.6 percent. The capital Ashgabat has a population of more than 500,000 and is located on the Kara Kum Canal, which is 1,100 kilometers long and was developed during the Soviet era to supply water from the Amu Darya River to the southern part of the country. The people are predominantly Turkmen,

but other ethnic groups (Russian, Uzbek, Kazak, Tartar, and others) make up one third of the population. A decline in income since independence in 1991 has been accompanied by a deterioration in social indicators. Per capita income is estimated at US\$640 per year. ■



Expressway Being Upgraded in the Philippines

One of the Philippines' main road arteries, the North Luzon Expressway (NLE), will be rehabilitated and widened with the support of US\$70 million in loans approved in October by the Asian Development Bank (ADB).

The total cost of upgrading 84 kilometers of the expressway will be US\$377 million. ADB is the lead coordinating bank. Other lenders are the Export Finance and Insurance Corporation of Australia, International Finance Corporation, and seven international commercial banks.

The expressway is at present narrow, congested, and poorly maintained. Its upgrading will spur development of central and northern Luzon, the Philippines' biggest island, especially between Metro Manila and the Clark Special Economic Zone, Angeles City, and San Fernando.

Significantly, the project has been structured as a public-private partnership. It will be undertaken by the Manila North Tollways

Corporation (MNTC) on a rehabilitate-operate-transfer basis. At the end of the concession period in 2030, the expressway will be transferred to the Government without cost.

MNTC is a limited liability company jointly held by First Philippine Infrastructure Development Corp., a private infrastructure development firm; Egis Projects, a unit of the largest French tollway operator; and Philippine National Construction Corporation, a government-controlled company that has the original franchise for the construction and operation of the NLE.

The project will help decentralize economic activities in Metro Manila and support the Government's thrust to develop the national road network with private sector participation. The upgrading work will include the construction and/or rehabilita-

tion of 14 interchanges, 24 bridges, and 31 overpasses between Manila and the Clark Special Economic Zone.

■ **The project will support the Government's thrust to develop the national road network with private sector participation.** ■

The NLE is part of a three-phased integrated road development plan that also calls for construction of the northern extension of the Circumferential Road 5 (C-5) in Metro Manila and expansion of the expressway to the Subic Special Economic Zone. ADB's funding support consists of a loan of US\$45 million

from its ordinary capital resources through the market-based lending facility and a complementary loan of US\$25 million funded by international commercial banks. These loans will have a term of 13 years, including a grace period of 3.5 years. ■

ERO and OECD Development Center Launch Joint Publication

On 20 November 2000, European Representative Office (ERO) Regional Representative Keon-Woo Lee and Organisation for Economic Co-operation and Development (OECD) Development Center Director Ulrich Hiemenz introduced a joint publication of the Asian Development Bank (ADB) and OECD's Development Center at ERO in Frankfurt. This European launch of the publication *Sustainable Recovery in Asia: Mobilizing Resources for Development*, coincided with other launches in Tokyo and Singapore.

The sixth International Forum on Asian Perspectives, held in Paris on 2-3 July 2000 at the French Ministry of the Economy, Finance and Industry had as its theme "Mobilizing Resources for Development." The publication contains

many of the contributions made to the theme, including research papers from ADB and OECD Development Center staff, as well as commentaries from prominent European and Asian personalities.

Speaking in ERO on 20 November 2000, Mr. Hiemenz emphasized the new role of the private sector in supporting development projects. "What is now needed is a response from the private sector, in partnership with the public sector, to ensure that the most vulnerable people in Asian societies are protected and cared for," he said. New and innovative solutions leading to such public-private partnerships are now necessary to ensure that recovery from the crisis is sustainable. Mr. Lee reminded the participants that ADB has long recognized the needs of the poor in Asia. "The private sector is now

the main player, especially in the provision of basic infrastructure services such as electricity, water, and education. This even applies to social security," he told the audience.

"This paradigm shift has transformed the role of the public sector into one of creating a conducive environment for private initiatives and supporting business opportunities. In Asia, ADB spearheads the entry of the private sector into infrastructure projects through project finance."

The next International Forum on Asian Perspectives will be held in June 2001 in Paris with the theme "Technology and Development." The publication is available from ADB offices worldwide or from OECD Centers in Bonn, Berlin, Mexico, Paris, Tokyo, and Washington DC for US\$42 or online from www.oecd.org/bookshop. ■



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September 2000

ADB Establishes Office Dedicated to Philippine Operations (1 September)
Giving Children of Samoa a Better Education (5 September)
Higher Crop Yields and Income for Cambodian Farmers (5 September)
ADB Donors Agree to Replenish Asian Development Fund (8 September)
Shipping to be Made Safer in Papua New Guinea Waters (12 September)
Water and Sanitation Upgrade to Improve Nepal's Health Profile (12 September)
ADB Helps Modernize Sri Lanka's Secondary Education System (12 September)
Stronger Domestic Demand Lifts ADB's Growth Forecast for Asia (18 September)
ADB to Step Up Information Technology Initiatives to Bridge Digital Divide (18 September)
Reforms Crucial to Stimulate Philippines' Growth (18 September)
Sri Lanka Strengthens Water Resources Management (19 September)
Tax Conference in Tokyo (20 September)
Reforming Bhutan's Health Sector (21 September)
Market-Based Housing Finance for Low-Income Households (21 September)
ADB Conference on Central Asian Regional Cooperation in Transportation (25 September)

October 2000

Bhutan to Improve Main Highway with ADB Support (3 October)
India Steps Up Power Sector Reforms (6 October)
ADB Finalizing Flood Assistance, President Will Tell Cambodia (7 October)
The Asian Development Bank is Committed to Assisting Azerbaijan to Fight Poverty (10 October)
Investment Fund to Spur the Growth of Small- and Medium-Scale Enterprises in the PRC (10 October)
Asian Economies More Resilient, Says ADB Economic Recovery Report (18 October)
Falling Currencies, Equity Prices Unlikely to Trigger New Crisis, Says Report (18 October)
Sri Lanka Adopts Strategic Approach to Wildlife Conservation (19 October)
Microfinance Institutions to be Strengthened in Papua New Guinea (19 October)
Over One Million Indonesians to Benefit from Rural Development Project (19 October)
Poverty Reduction Seminar (24 October)
Joseph Eichenberger Appointed ADB Vice-President (26 October)
Grant for Regional Research to Boost Food Production (26 October)

Helping Tribal People of Bangladesh's Chittagong Hill Tracts (26 October)
Philippines' North Luzon Expressway to be Upgraded (26 October)
Helping Local Government in Indonesia Take Over Coastal Resource Management (26 October)
Modernizing Uzbekistan's Railway Will Boost Local and International Trade (31 October)
Orientation Program for Government Officials (31 October)
"Silk Road" Between Kazakhstan and Kyrgyz Republic Facilitates Regional Cooperation (31 October)

November 2000

Japan Fund Will Help Female Street Children in Indonesia (1 November)
Local Governments and Small-Scale Farmers in Southern Philippines to be Empowered (3 November)
Private Extension Workers to Help Farmers Grow Cash Crops in Nepal (9 November)
Health Care Project Will Save Lives in Rural Viet Nam (9 November)
Viet Nam Water Resource Management Given Boost (9 November)
Helping Vietnamese Farmers Grow More Fruit and Tea (14 November)
Making Farms Profitable in Kazakhstan (14 November)
Encouraging Small Businesses in Samoa (21 November)
PRC Poised for 8 Percent Economic Growth in 2000 (21 November)
Helping Bangladeshi Farmers to Grow Higher-Value Crops (21 November)
New Road in People's Republic of China Will Link Poor Communities to Cities (21 November)
ADB Supports Private Sector Forum of South Asia Growth Initiative (22 November)
Asian Economic Outlook Workshop on 27-28 November (23 November)
ADB and Government of Thailand to Commission Independent Review of Samut Prakarn Wastewater Management Project (24 November)
ADB to Set Up Office in Mongolia (27 November)
Helping Farmers Rehabilitate and Manage Irrigation Systems in Lao PDR (28 November)
Helping Rural Communities, Notably Women, in Dry Regions of Pakistan (28 November)
Kyrgyz to Reform Vocational Training (28 November)
Viet Nam's Growth to Pick Up, but Deeper Reforms Needed (29 November)
Skills Training Improvement in the Marshall Islands (29 November)
ADB to Improve Roads Nationwide in Bangladesh (29 November)
Indonesia to Prioritize Development of Technological and Professional Skills (30 November)

ERO Calendar 2000–2001

Date	Title	Venue	Contact E-Mail Address
1 November	Business Opportunities Seminar	Glasgow, Scotland	oserrat@adb.org
6-7 November	Business Opportunities Seminar	Brussels, Belgium	oserrat@adb.org
8 November	ERO Presentation on ADB	Frankfurt, Germany	oserrat@adb.org
16-17 November	UNEP International Roundtable on Globalization and Sustainable Development: Opportunities and Challenges for the Financial Services Sector	Frankfurt, Germany	oserrat@adb.org
20 November	Book Launch on the Sixth International Forum on Asian Perspectives Organized by ADB and the OECD Development Center	Frankfurt, Germany	dzemlitz@adb.org
27 November	World Bank-National Highway Authority of India Workshop on Transport Infrastructure	Paris, France	keonwoolee@adb.org
30 November	ERO Presentation on the Social Impact of the Asian Crisis	Frankfurt, Germany	oserrat@adb.org
13 December	ERO Presentation on Co-opting Nongovernment Organizations and Fighting Poverty in Asia and the Pacific	Vienna, Austria	oserrat@adb.org
23-24 January	1 st European Congress on Participation in Global Infrastructure	Frankfurt, Germany	oserrat@adb.org
8-11 February	World Life Sciences Forum	Lyon, France	oserrat@adb.org
20 February	Turin Chamber of Commerce Seminar on AFTA Countries 3 Years After the Asian Crisis	Turin, Italy	keonwoolee@adb.org
To be determined	Herbert & Smith Project Finance Seminar	Frankfurt, Germany	keonwoolee@adb.org
To be determined	ADB Day	Lyon, France	oserrat@adb.org

For the latest ERO Calendar, visit <http://www.adb.org/ERO/events.asp>

In Our Next Issue

News from ERO will feature an article on

Opportunities for Private Environmental Investment

Don't miss it!

link
<http://www.adb.org/ERO>
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Season's Greetings

On behalf of all at ERO, I would like to thank you for the support you gave us in 2000.

Your opinion is important! Please continue to send comments to help improve this Newsletter.

We wish you a prosperous and happy new year!

Keon-Woo Lee
Regional Representative