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OPERATIONAL PRIORITIES

Two years ago, the Asian Development Bank (ADB) rededicated itself to reducing poverty in the Asian and Pacific region. Its strategy—Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy—approved in 1999, provided the direction for all new ADB operations and activities. In 2001, ADB approved the framework to support the implementation of the poverty strategy—the Long-Term Strategic Framework (LTSF) 2001–2015 and the Medium-Term Strategy (MTS) 2001–2005.

In the 2 decades prior to adopting the strategy and framework, Asia had experienced high, sustained economic growth rates and lower population pressures, which led to better living conditions and less poverty. Between 1990 and 1998, the percentage of people in Asia and the Pacific living below the dollar-a-day poverty line fell from 29% to 24%. The sharpest reductions were in the market economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China) and the People's Republic of China (PRC), with the number of people living on less than a dollar a day decreasing by 100 million in the PRC.

The advances, however, were not evenly distributed. Many people continued to live in poverty

and several countries faced additional problems. For example, rapid urbanization increased urban poverty. As populations aged in Asia, protection of the elderly became a new challenge. The transitional economies of Central Asia were severely affected by the breakup of the Soviet Union and their adjustment to becoming market economies has not led to reduced poverty. Many Pacific developing member countries (DMCs) struggled also to transform their economies from subsistence to market-based economies and, as in the Central Asian republics, the reduction in poverty has not been significant.

The impact of the financial and political crises in Asia and the Pacific much more severely affected the poor than those above the poverty line. The 1997 Asian financial crisis revealed the extreme volatility of capital and the consequent vulnerability of a large portion of the region's population. In Indonesia, for example, the incidence of poverty decreased continuously from 1980 to 1996, from 28.6% to 11.3%. But in 1998, the incidence of poverty increased to 24.2%, back to the levels of the 1980s. Between 1996 and 1998, the number of poor people in Indonesia increased by 27 million. In Thailand, the 1997 crisis sent 1 million people back into poverty. This was the climate in which ADB sharpened its focus on poverty.

Reducing poverty

Tackling poverty is a complex business. Economic policy and management must be oriented toward the goal of reducing poverty and there must be development of robust markets and institutions; special provision for vulnerable groups; and improved governance to ensure that economic, social, and other gains are sustained. Poverty reduction also requires having committed leadership and setting priorities with adequate resource allocation.

To implement its Poverty Reduction Strategy, ADB hired new staff, trained existing staff, reclassified lending, strengthened operations, and began work on reorganizing itself. Detailed poverty analyses were conducted in nearly all DMCs, the majority of the high-level forums on poverty were completed in Asia, 8 DMC partnership agreements on poverty reduction were signed, and 13 more were prepared. Projects are now designed to either accelerate pro-poor growth or to focus directly on reducing poverty. A Presidential Committee, chaired by ADB's President, monitors these interventions.

Long-term strategic framework

The LTSF, approved in 2001, responds to the development challenges in the Asian and Pacific region, including the need for investments in infrastructure and growth-promoting activities for ensuring sustainable economic growth, inclusive social development, and good governance; policy reforms; and institution and capacity building. The LTSF also addresses the International Development Goals and the more recently endorsed Millennium Development Goals.

The LTSF addresses three core strategic areas:

- sustainable economic growth that covers broad-based growth-promoting activities, including investments in physical and social infrastructure; an

environment program that promotes environmentally sound development; and active private sector development;

- inclusive social development, with investments in social support programs and a policy and reform agenda that promotes equity and empowerment, especially for women and disadvantaged groups; and
- governance for effective policies and institutions, which includes support for public sector management at all levels, legal and judicial reform, and improving public accountability. The

Assessing Poverty

Collaboration in the Pacific

Poverty assessment for all Pacific developing member countries (DMCs), conducted by ADB in 2001, built on existing databases and further identified preliminary country-specific poverty reduction strategies. Essential to the process is government commitment to examining poverty in this multidimensional context. Civil society participation and stakeholder consultations on poverty as well as the collaboration of funding agencies continue to be critical in conducting regional poverty assessment.

In Papua New Guinea, ADB is collaborating with the Australian Agency for International Development, United Nations Development Programme (UNDP), and World Bank in conducting poverty analyses for socioeconomic development strategies. Participatory assessment is occurring at the national and community levels.

In East Timor, ADB is collaborating with the United Nations Transitional Administration in East Timor, UNDP, and World Bank in conducting a comprehensive poverty assessment to develop the country's socioeconomic development strategies. In 2001, a village-level survey was completed, and the household survey and participatory poverty assessment were begun.

Participation in India

ADB started its participatory poverty assessment (PPA) in three states in India—Gujarat, Kerala, and Madhya Pradesh—in 2001 with technical assistance administered by the India Resident Mission's staff. ADB worked closely with other funding agencies to develop synergies in the process. Stakeholder consultations involving state governments and nongovernment organizations ensured ownership and provided feedback for determining the themes for India's PPA. The PPA covers urban and rural areas and includes the socially, ecologically, and economically vulnerable groups in over 300 villages spread over 30 districts in the 3 states.

Field-level PPAs will be documented in a state poverty assessment report. A quantitative study is being conducted simultaneously in the 3 states by the National Institute of Rural Development to consolidate the results of the PPA. The findings will be discussed at various stakeholder forums and incorporated in future strategies for India. Based on the state governments' response to the assessment, a fact-finding mission visited 4 more states in 2001 to assess the possibility of extending the PPA.

processes and procedures for more effective participation in decision making, which would lead to equitable and inclusive growth especially by civil society, are also promoted.

Several operating principles—to ensure selectivity at the country level and to enhance the development impact of ADB’s support to its DMCs—guide the implementation of the LTSF. Among these are ensuring country leadership and ownership of the development agenda, enhancing strategic alliances and partnerships, and measuring the impact of development.

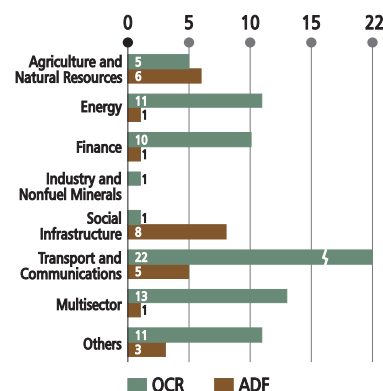
Sustainable economic growth

Building and upgrading physical and social infrastructure throughout the region is a precondition for sustained growth. Extensive unfulfilled demand exists across the region, ranging from the basic to the more sophisticated infrastructure, services, and skills. The region’s investment needs are substantial: physical infrastructure alone is estimated at close to \$3 trillion over the next 15 years.

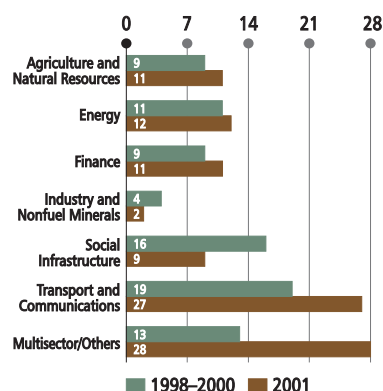
Although the role of private capital and markets is expanding rapidly, public investment in providing physical infrastructure will continue to be important. Many areas of investment—all too often those where poverty is most persistent—are perceived by private investors as entailing high risks and low financial returns, and thus do not attract private investment. Because of fragile capital markets, ADB’s role in helping DMCs mitigate high sovereign risk and obtaining capital to finance development will continue, as will its traditional role of providing finance for public investment in infrastructure. As the region’s economies, capital markets, and financial institutions and instruments develop and diversify, ADB will increasingly act as a catalyst in mobilizing private sector resources and facilitating public-private partnerships for infrastructure.

Large investments will also be required in the social infrastructure sector, particularly education, health, housing, and water supply and sanitation. Investments in education and health are needed for

Sector Distribution of Loan Approvals from OCR and ADF, 2001 (percent)



Sector Distribution of Loan Approvals: 1998–2000 (average) and 2001—By Value (percent)



sustaining growth and productivity and for promoting human development. Providing efficient social services to the poor and women is essential.

The nature of the social infrastructure and investment required evolves in response to changing demographics and technology. For example, providing basic education is a continuing investment challenge in many DMCs, especially when a large proportion of the population is young. On the other hand, providing educational systems and curricula that raise the levels of technical knowledge and skills carries different challenges as a result of globalization, accelerating industrialization, and rapidly evolving information and communication technology (ICT).

To maximize the benefits of growth, ADB focuses its resources where the poverty impact is likely to be greatest. Rural development remains an important focus of ADB support: the majority of the region’s poor are likely to continue to reside in rural areas over the next 15 years, and agriculture and agro-industry continue to be vital to the region’s growth. Rapid growth, along with increasing population and rural-urban migration, has resulted in extensive

urbanization and worsening congestion and pollution in major cities. This, in turn, has led to deteriorating living conditions and lower quality of life for many. ADB’s role in providing urban infrastructure, especially to serve the new urban poor and disadvantaged groups, will be a priority over the next 15 years. Similarly, providing the ICT to promote development and close the gap between the information-rich and the information-poor is becoming more important to ADB. More and better access to information will allow the society’s less privileged and the region’s less developed areas to gain wider options and to play a greater role in determining their future.

Inclusive social development

Growth that results in pervasive inequalities in income and wealth is neither desirable nor sustainable.

Equitable access to assets and opportunities and a stake in the outcome are essential for ensuring growth that leads to development and addresses poverty. Development, in turn, must be inclusive. Its benefits must reach all groups that make up the poor in the region—including

women, children, minority groups, the extremely poor in rural areas, the growing numbers of urban poor, and those vulnerable to being pushed below the poverty line. An important dimension of inclusive development—and a key area of ADB's long-term focus—involves

strengthening the participation of people and institutions that are affected by or have an interest in ADB's interventions, beginning early in the design stage to ensure that projects and programs are relevant and feasible.

Working Toward Development Goals¹

Following the agreements and resolutions of various conferences organized in the first half of the 1990s, world leaders identified the following broad International Development Goals.

- Reduce the incidence of extreme poverty by half between 1990 and 2015.
- Attain 100% primary school enrollment by 2015.
- Eliminate gender disparities in primary and secondary education by 2005.
- Reduce infant and child mortality by two thirds between 1990 and 2015.²
- Reduce maternal mortality ratio³ by three quarters between 1990 and 2015.
- Provide access for all to reproductive health services by 2015.
- Ensure that every country implements a national sustainable development strategy by 2005, and reverses the loss of environmental resources by 2015.

1 More recently, the International Development Goals were subsumed into a set of eight goals at the Millennium Summit of the United Nations (UN). These goals, known as the Millennium Development Goals, have the formal endorsement of the entire UN body.

2 Infant mortality rate is the annual number of deaths of children less than 1 year of age expressed per 1,000 live births.

3 Maternal mortality ratio is the number of deaths per 100,000 births attributable to pregnancy, childbearing, or puerperal complications, i.e., within 6 weeks following childbirth.

Governance

Governance encompasses the institutional arrangements through which governments are chosen and the authorities' ability to form and implement policies effectively. It also encompasses the extent to which constituents are able to voice their opinions and influence decisions that affect their lives. For example, the local governments in Bangladesh, Nepal, and Pakistan are responsible for planning and implementing development projects, and for resolving local disputes through arbitration committees. Women have only recently begun to participate in local government in these countries, and little has been done to prepare them effectively for their roles in government. An ADB regional technical assistance aims to better prepare women leaders for their roles in local government and to promote efficient and transparent public service delivery. It also aims to promote linkages between gender, poverty reduction, and good governance in local government, and to identify regional gender and governance issues in the context of local government for policymakers. An ADB-financed Governance Reform Program in Nepal aims to make the country's civil service and public sector organizations more results oriented, more responsive to people's needs, and more gender balanced. The Government's ability to lead the

Infrastructure Development and Poverty Reduction

Poverty can be reduced substantially if the poor are provided opportunities to participate in the nation's growth process. Building and upgrading basic infrastructure facilities throughout the region is a prerequisite for private, employment-generating investments, which provide the poor with access to jobs, increased incomes, and the ability to participate in decision-making and political processes.

Initial findings of a major research project—by ADB in collaboration with the World Bank and the Department for International Development of the United Kingdom, to assess impact of transport and energy infrastructure on reducing poverty—indicate that roads are the single most important sector investment in pursuing a rural poverty reduction program. Rural roads and electrification infrastructure have significant effects on the quality of life of the rural poor, as they increase employment opportunities and contribute to economic and social progress at the local and national levels. Community-based, income-generating activities such as agro-processing activities, production of higher value crops, and local small trades and industries are sustained, with a well-developed infrastructure network to link these activities to larger, new, as well as export markets.

reform agenda will be developed. Expected outcomes are improved civil service efficiency, reduced corruption, and improved governance. In Papua New Guinea, a Public Service Program is expected to support the Government's broader reform agenda. Policy reform measures are planned in building a performance-oriented public service, reorienting personnel management systems and processes, strengthening probity and oversight agencies, and improving delivery of major services. Basic services at the national and provincial levels will be improved. *For more on governance, see Supporting Law and Policy Reform on page 38.*

Medium-term strategy

The MTS 2001–2005 is the bridge between the LTSF and ADB's activities in its DMCs over the next 5 years. The MTS defines operational priorities within the context of the strategic agenda that directly address the medium-term challenges for the region. The MTS also identifies the organizational changes and requirements necessary for implementing ADB's operational priorities and operating principles with greater efficiency. The MTS is designed to enhance the development impact of ADB assistance.

The MTS supports policy and institutional strengthening of DMCs; investments in several key areas will be supplemented by this support. These areas include physical infrastructure necessary to promote growth and increase productivity in rural and urban areas, and social infrastructure and services for human development to support pro-poor growth. Agriculture and natural resource management will be supported to promote growth and environmental sustainability. Financial infrastructure and systems will be strengthened—as will public and private sector governance systems—to support broad-based growth,

enhance job creation through private sector development, and increase development effectiveness. These operational priorities will be implemented selectively at the country and subregional levels. Identifying the needs and priorities of each DMC for addressing poverty reduction and achieving the International Development Goals will help determine the choices

Energy Strategy in Kazakhstan Focuses on the Poor

Kazakhstan is rich in natural resources, but its power subsector needs considerable rehabilitation and upgrading if the country is to improve the efficiency of energy production and use. In 2001, ADB approved a \$150,000 technical assistance grant to Kazakhstan to prepare an energy strategy that will focus on increasing investment and expanding power supply to the poor and to remote areas of the country. A further \$95,000 grant from the Government of Finland will be administered by ADB to support a study, expected to produce a policy framework to improve reliability and efficiency, determine priorities for rehabilitation and maintenance, and encourage the development of renewable energy resources in remote areas not currently served by the national power grid. The study will also identify barriers to market-oriented development and recommend measures to improve the environment.

Rapid Urbanization Addressed in ADB Projects in 2001

Mongolia has experienced rapid urbanization over the past 30 years, with more than half the country's population now living in urban areas. But very little housing has been built in Mongolia, and many of the poor live in informal urban settlements or *ger* housing areas. A lack of long-term financing and an inadequate legal framework for property rights have kept commercial banks from lending for housing. The major sources of housing finance for low- and middle-income households have been their own savings and family assets. In 2001, ADB approved a project that will have a catalytic impact on improving the access of low- and middle-income households to housing finance by increasing the capacity of participating commercial banks and other financial intermediaries to respond to their housing finance needs. The project will also generate construction-related employment opportunities for the poor. In addition, the project will support the Government's Housing Area Action Plan to improve low-income housing, and households' income-earning potential and access to basic infrastructure and services.

Rapid urbanization in and around Bangkok and in some cities in the northeast corridor of Thailand has also caused considerable environmental and social problems. In 2001, ADB approved a technical assistance grant to formulate a sustainable urbanization strategy; establish monitoring systems at national and local levels; assist pilot urban centers in collaborative planning; and identify and design priority urban projects for funding considerations—all with the goal of providing sustainable urbanization and reducing urban poverty.

that ADB makes in each country and for each subregion.

ADB helps DMCs meet the medium-term challenges by providing investments combined with technical assistance support; economic, sector, and thematic studies; and policy dialogue. ADB's unique strength as a

development financier is its knowledge of the region and experience at the country and subregional levels. ADB will strengthen this knowledge and use it to supplement its investments by addressing critical institutional constraints, and economic and sector management issues; and improving policy and

regulatory frameworks. ADB's financial support alone is not enough to meet DMCs' capital requirements; but by packaging and supplementing its loans appropriately, ADB can address the critical constraints to the region's development over the medium term and provide strong leverage for the overall investment undertaken by DMCs and external partners.

In selecting interventions, ADB is guided by several operating principles specified in the LTSF, including ensuring country leadership and ownership of the development agenda, enhancing strategic alliances and partnerships, and measuring the impact of development.

The country strategy and program (CSP) for each DMC is the mechanism by which ADB's strategic agenda is operationalized at the country level. ADB will develop a CSP for each DMC, catering to the specific needs and conditions of the DMC and reflecting the operational priorities of the MTS. The CSP for each country in a subregion will also specify the regional cooperation activities that ADB will undertake at the subregional level. Based on these activities, an ADB-wide regional cooperation plan will be developed.

To implement the country and regional programs effectively and to ensure the desired impact of ADB interventions in terms of its strategic objectives, ADB needs to select its interventions strategically and align the organization to increase efficiency. Several internal changes must be undertaken in the medium term to make ADB more efficient and responsive to its client needs. *For more on these changes, see*

Bridging the Digital Divide

ADB is committed to helping bridge the growing digital divide within and across its developing member countries (DMCs). As noted in the Okinawa Charter on Global Information Society,¹ ICT will help accelerate social and economic development in the DMCs, improve governance through the free flow of information and knowledge, and support the fight against poverty.

ADB's assistance for ICT development encourages regional cooperation and networking to enhance local efforts in promoting private sector participation in developing ICT capacity. ADB also encourages DMCs to manage their own ICT strategies and activities to achieve their own development agenda. ADB proposes to

- create an enabling environment by developing innovative sector policies; strengthening public institutions; and developing ICT facilities, related infrastructure, and networks;
- build human resources to improve knowledge and skills and promote ICT literacy, E-learning, and awareness programs; and
- develop ICT applications and information content for ADB-supported projects/activities, such as governance and poverty reduction.

¹ The Okinawa Charter on Global Information Society was agreed by Canada, European Union, France, Germany, Italy, Japan, Russia, United Kingdom, and United States at the G8 Kyushu-Okinawa Summit Meeting on 22 July 2000.

Reducing Poverty through Education

Improving education services, particularly for women, disadvantaged groups, and the poor, is a critical component of ADB's operations. Projects that provide primary education, basic skills education and training, teacher training, and education system reforms benefit those who have been underserved by education in the past by improving their literacy and productivity, thus enhancing their potential income-earning capability. Through loans, ADB supported policy reforms to ensure adequate resources and financial sustainability and through technical assistance, improved the planning capacity of education ministries. ADB focused on providing support for education planning, particularly to improve secondary education, and continuing learning for adults who had recently obtained literacy.

Education investments help eliminate poverty through skills development in rural areas, literacy training of rural adults, teacher training to increase the number of qualified women teachers, and improving the level of general academic skills taught in rural secondary schools. By linking education and training closely with the occupational needs of poor communities, ADB helped narrow the gap between the supply and demand for skilled labor, leading to greater employment opportunities for rural youth.

Strategic Planning and Support Activities on page 102, and Institutional Matters on page 107.

Social protection strategy

In September 2001, after 3 years of consultations with governments and nongovernment organizations (NGOs) in the Asian and Pacific region and with other international organizations, ADB approved its Social Protection Strategy—another key weapon in the battle to halve poverty in Asia and the Pacific by 2015. The strategy is aimed to help the region's most vulnerable groups.

Half of the world's population—3.2 billion people—live in the Asian and Pacific region. Of these, 900 million people are poor, representing 70% of the world's poor; about 60% of the region's total population live in rural areas; and about 40% of the population are below 19 years of age.

The rural population remains highly vulnerable to risks and lacks access to social security schemes. The same applies to the youth. Additionally, the youth often do not find jobs because of the large number of entrants into the labor market and insufficient economic activity in the region. One challenge for the region is to achieve sustainable growth to absorb the poor and these new entrants into the labor market.

However, growth alone cannot generate inclusive societies. Populations, households, and individuals face various risks that can plunge them into poverty: natural disasters, civil conflicts, economic downturns, and household reversals, such as crop failures, unemployment, or illness can all threaten the future of the household. Globalization can help promote renewed opportunities for growth but, at the same time, may increase a country's vulnerability to external shocks. Globalization requires the development of effective social protection systems.

ADB's Social Protection Strategy provides a strong rationale for increased investments in the sector. Welfare systems have not been a priority for most Asian policymakers;

social protection has been largely neglected, or addressed with inadequate tools and insufficient funds. However, economic history shows that several economies of the region—Hong Kong, China; Japan; Republic of Korea; Singapore; and Taipei, China—built development policies through active public or public-private interventions in medical care, social and housing assistance, minimum retirement levels, and education. Investing in social protection was an essential part of the modernization programs of these wealthier societies at the early stages of their development. Higher levels of social security allowed high productivity gains in the workforce, expanded domestic demand, and increased economic growth. Lack of adequate social protection may severely limit future economic growth. In children, malnutrition and poverty damage health, cause death, harm reproduction, reduce intelligence, and lower productivity and opportunities for the future adults—a high tax on future economic development. Social protection is an economic need in the Asian and Pacific region.

Defining Social Protection

Social protection refers to the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption or loss of income. Social protection consists of five major elements:

- labor market policies and programs designed to facilitate employment, ensure good working conditions including core labor standards, and promote the efficient operation of labor markets;
- social insurance programs to cushion the risks associated with unemployment, health, disability, work injury, and old age;
- social assistance and welfare service programs for the most vulnerable groups;
- micro- and area-based schemes to address vulnerability at the community level, including microinsurance, agricultural insurance, and social funds and programs to manage natural disasters; and
- child protection to ensure the healthy and productive development of the future Asian workforce.

Social protection is an integral part of social development, one of the three pillars of ADB's Poverty Reduction Strategy. Social risk is a dynamic concept—insecurity means exposure to risks of events that may worsen vulnerability. The poor and persons near the poverty line are particularly at risk since they have fewer assets, reserves, and other opportunities. While the long-term solution to vulnerability depends on social and economic development decisions that address the structural causes of vulnerability, social protection offers various instruments to deal with the diversity of risks. Considering these issues, ADB has developed a definition of social protection based on labor markets and small-scale agriculture to help reduce poverty in the Asian and Pacific region.

Improving Nutrition of Children in Central Asia

Iodine and iron are micronutrients essential for the normal development of the body and brain. Millions of mothers and children in Asia lack these micronutrients and are unaware of their importance. In the Central Asia and Trans-Caucasus region, more than half the women of reproductive age and children suffer from iodine deficiency or anemia. Anemic women are more likely to die in pregnancy or childbirth and iodine-deficient women give birth to infants with diminished cognitive and motor skills. This catastrophic loss of human potential can be averted with relatively small amounts of investment. A few cents a year worth of iodine and iron is all a person needs.

In 2001, ADB approved a \$6.9 million special grant facility, financed by ADB's Japan Fund for Poverty Reduction, to reverse the alarming increase in physically and mentally retarded children in some developing member countries. The grant will improve nutrition for poor mothers and children in Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. ADB assistance will be used for a regional program to promote the fortification of salt with potassium iodate and flour with an iron-based premix. ADB's partners in the program include the United Nations Children's Fund and the Kazakh Academy of Nutrition. The project supports ADB's goal of reducing poverty by raising intelligence, school achievement, adult productivity and wages, and the health of mothers who can care properly for their children. The project will also build public-private, government-NGO, and intraregional partnerships.

ADB's new strategy identifies common issues to be addressed in the region as well as individual country needs—the region is too broad and diverse to generalize. For instance, in Pakistan, where 50% of the population are children and youth, the programs will be very different from those in the PRC, after its “one child policy.” ADB's strategy provides a menu of options and possible social protection programs and the criteria to prioritize them. Country initiatives will be developed based on a country's needs, available resources, and institutions. Selected social protection interventions should provide adequate coverage and benefits, target vulnerable groups, and promote good governance. Prioritized programs should be selected in a transparent and participatory manner, through institutions such as the National Commission for Social Protection.

ADB, together with other development partners, can finance these prioritized social protection programs. Since 1985—when social protection projects made up only about 1% of total ADB lending—the portfolio has been expanding. In 1998–2000, it represented 13% of the total ADB lending volume, a significant increase resulting from the support to safety net interventions

after the 1997 Asian financial crisis. The demand for rapid, short-term social support projects will hopefully not be necessary in the future. Instead, ADB and its DMCs should concentrate on developing more comprehensive and effective social protection systems to help countries reduce poverty and vulnerability. In addition, social protection measures will be included, where feasible, in ADB's regular projects and programs: for instance, components to reduce child labor could be added to education projects. In its policy dialogue, ADB will encourage governments to improve social protection systems and shift from funding activities that benefit the wealthy upper income groups or have low benefit-cost ratios.

As exemplary practice, ADB will comply with internationally recognized core labor standards in designing and formulating its projects. It will also take steps to ensure that for ADB-financed procurement of goods and services, contractors, subcontractors, and consultants comply with the country's labor legislation (e.g., minimum wages, safe working conditions, and social security contributions) and core labor standards.

Supporting gender and development

In 2001, ADB continued to strengthen institutional mechanisms for mainstreaming gender equity in ADB projects and programs. Dialogue and cooperation between ADB and civil society were improved.

An ADB-wide Gender and Development (GAD) Action Plan was finalized, operationalizing ADB's strategic objective and policy on GAD. An External Forum on Gender consisting of experts on GAD and women's rights representing various disciplines and perspectives held its first meeting in Manila. The Forum will advise ADB on specific gender issues in Asia and the Pacific and provide feedback on ADB activities related to GAD.

Two gender sector checklists (Urban Development and Housing, and Agriculture) were published to assist and guide staff in mainstreaming gender in all ADB assistance. New country-focused briefing papers on

women were published for Bangladesh, Maldives, Pakistan, and Uzbekistan.

The importance of the links between good governance and GAD was reflected in several loan and technical assistance projects approved in 2001, including a regional technical assistance on Gender and Governance Issues in Local Government in Bangladesh, Nepal, and Pakistan. The technical assistance aims at promoting and facilitating pro-poor governance through capacity building of elected women officials in local government. To ensure pro-poor and well-targeted public policies, it also assists these governments in formulating strategies to strengthen effective delivery of public services and to promote accountability and transparency at local levels.

In recent years, global attention on trafficking of women and children has increased. The problem has grown in intensity and expanded geographically with increased poverty, globalization, war and political conflicts, natural disasters, and improved regional transport networks and communications systems. A regional technical assistance on combating trafficking of women and children in South Asia—including Bangladesh, India, and Nepal—was implemented in 2001. This technical assistance supports, among other things, the compilation of a database on key issues related to trafficking of women and children, pull-push factors leading to trafficking, and stakeholder mapping. Support is also provided to DMCs to build their capacity in combating trafficking of women and children.

For more on GAD, see <http://www.adb.org/gender/>.

Cooperating with nongovernment organizations

ADB recognizes NGOs as significant players in the development process, and cooperates with them to improve the impact, sustainability, and quality of its services.

In 2001, ADB approved the Task Force Report on Institutional Arrangements for Cooperation with NGOs. The report—prepared by a high-level committee appointed by ADB President Tadao Chino—recommended several actions, including the creation and staffing of a centralized unit to coordinate ADB relations with civil society. This unit—the NGO Center—began operations in February 2001. It interacts with humanitarian and relief agencies, community-based organizations, advocacy NGOs, mobilization networks, foundations, trade unions, and other institutions; and coordinates a network of ADB staff responsible for NGO issues in operational departments, resident and regional missions, and representative offices.

ADB cooperates with NGOs along two parallel streams: institutional cooperation on strategies and themes, whereby ADB engages NGOs in continuous consultation on crosscutting issues; and operational cooperation whereby ADB includes NGOs as partners in its operations at the country and project levels, and at the conceptual, design, and implementation stages.

NGOs participated in 43 of 76 loan projects (57%) in 2001. More than half were social infrastructure, and agriculture and natural resource projects. Most participating NGOs were local and community-based groups, able to enhance project quality by identifying the specific needs of their community and encouraging participation of direct beneficiaries. NGO involvement in projects took place primarily in consultation workshops and meetings, although NGOs also performed technical tasks.

NGOs also played an important role in implementing technical assistance projects. As in the case of loan projects, the social infrastructure and agriculture and natural resource sectors accounted for over half of the technical assistance projects involving NGOs. ADB carried out 32 technical assistance projects in 15 DMCs with NGO involvement. NGOs were also involved in 9 regional technical assistance projects in 2001.

During the year, ADB participated in several forums involving NGOs. These workshops, conferences, and consultation missions provided the opportunity to solicit NGO views and raise NGOs' awareness of ADB policies, practices, and development objectives.

The NGO Center organized a series of topical consultations at the 34th Annual Meeting of ADB's Board of Governors in Honolulu in May 2001. Ninety-two NGO representatives participated in the meeting. In a private session with NGOs, President Chino reaffirmed ADB's commitment to strengthening its partnership with NGOs. He also accepted an invitation to meet with antiglobalization protesters on the street outside the conference center where the Annual Meeting took place.

ADB was the leading sponsor of the International Conference on NGO Poverty Reduction Policy, held in October 2001 in Beijing. This event brought together for the first time more than 200 representatives of local and international NGOs, bilateral and multilateral funding agencies, universities, and government institutions. Participants discussed NGO experiences with poverty reduction in the PRC over the past 2 decades, and the challenges confronting NGOs in areas such as recruitment, training, fund-raising, internal management, and capacity building.

ADB recognizes that an essential ingredient in strengthening its partnership with NGOs is good communications, and took several steps to further disseminate information and enhance two-way communications with civil society. A centralized E-mail account was created to receive general queries from NGOs, and the NGO pages on ADB's web site were redesigned and expanded. By the last quarter of 2001, files on the NGO pages of ADB's web site were among the most frequently accessed, reflecting high interest in ADB's cooperation with NGOs.

In September, ADB published the first issue of *Partnership*, an electronic news bulletin for NGOs. The bimonthly publication provides NGOs with information about policy developments, projects, conferences, documentation, and educational and training opportunities in Asia and the Pacific. *Partnership* also cites the latest ADB documents made available to the public. ADB fulfilled over 200 requests from NGOs for documentation under its Policy on Confidentiality and Disclosure of Information and dispatched nearly 2,000 documents.

Among the NGO Center's major endeavors was setting up a database management system, "NGO Link," to centralize all NGO-related information within ADB for staff use. This Intranet database aims to promote information flows across the institution, raise staff awareness of NGO interests and expertise, and improve coordination in the interaction of ADB offices with NGOs. For more on NGOs, see <http://www.adb.org/NGOs>.

Crosscutting strategic themes

Several crosscutting themes—law and policy reform, promoting the role of the private sector in development, addressing environment sustainability, and supporting regional cooperation—broaden and deepen the impact of ADB's core interventions.

Supporting law and policy reform

Law and policy reform is at the heart of good governance, supporting the legal and institutional framework for predictability, transparency, accountability, and participation. Over the years, ADB has provided numerous loan and technical

assistance projects with law and policy reform components. In addition, stand-alone technical assistance grants focusing on law and policy reform have been provided for judicial reform; private sector development, particularly for finance, banking, and corporate governance; legal training; dissemination of legal information; and environmental protection.

In 2001, ADB continued to pursue law and policy reform as a means of reducing poverty and strengthening good governance with its first stand-alone loans for judicial reform. Two policy loans to Pakistan amounting to \$330 million will bolster the Government's Access to Justice Program, which will strengthen legal protection for all, and is specifically designed to empower the poor and other vulnerable groups. ADB's assistance also includes a \$20 million technical assistance loan to translate the program's legal and policy framework into institutional and organizational arrangements.

Other activities in judicial reform in 2001 included a regional judicial independence project and a technical assistance to the Philippines to strengthen the independence of the judiciary. The regional project will improve awareness of the importance of judicial independence and the means to achieve it in selected DMCs; it will also include surveys on judicial independence and challenges in these DMCs and selected

Delivering Justice to the Poor in Pakistan

A new program—Access to Justice Program—will give greater meaning to the rule of law in Pakistan. It will help the poor, support gender sensitization, and provide resources to reform policy and the judiciary.

The program will enable the poor to exercise their legal rights and protect their property from being taken away by the bureaucratic or political elite. Through a legal empowerment fund, the program will provide free legal advice and advocacy for the poor by civil society, including lawyers and nongovernment organizations, and promote awareness campaigns about legal rights in the national language, Urdu. The program will promote opportunities to encourage the appointment of women judges and provide training courses in gender sensitization for the judiciary and the police.

The program will also strengthen judicial independence by separating the judiciary from the executive branch of government and ensuring adequate funds for the judiciary to meet its mandate.

The program aims for an independent, accountable, transparent, and professional police force that is free of political interference. It will help establish a prosecution service and a police complaints authority, which will both be independent. In addition, it will improve police-citizen relations and raise awareness of gender and human rights issues. Finally, by helping create a legal and judicial system that can uphold the rule of law, check bureaucratic excesses, and enforce contracts, the program will contribute to an enabling environment for private sector-led growth.

developed countries, and a workshop and conference on conceptual and practical aspects of judicial independence (e.g., guidelines and methods for evaluating judicial independence and compensation for judges and other court staff). The technical assistance for the Philippine judiciary will support its independence, accountability, impartiality, and competence. A framework for the judiciary's fiscal and administrative autonomy will be designed; the appointment process and the accountability and incentive system, under which the judges and justices function, will be improved; and the capacity of the judicial training academy will be strengthened.

ADB continued its support for good governance and anticorruption in 2001 through a regional project to counter money laundering. This project will help DMCs establish a sound financial framework to avoid becoming easy targets of money launderers. The project will also strengthen regional cooperation in collaboration with the Secretariat of the Asia-Pacific Group on Money Laundering. The importance of united efforts to fight money laundering became more evident following the 11 September terrorist attacks on the United States.

In promoting law and policy reform in the financial sector, ADB continued to contribute to the regional debate on issues of insolvency and secured transactions law reform in Asia and the Pacific. ADB assistance to the PRC, in connection with the country's entry into the World Trade Organization, includes strengthening the legal capacity of key government organizations and legal professionals—a hallmark of ADB's law and policy reform activities. Also, ADB financed training for government lawyers, judges, and prosecutors in Bhutan, Cambodia, India, Indonesia, Lao People's Democratic Republic (Lao PDR), Maldives, Mongolia, Nepal, Pakistan, Tajikistan, Thailand, and Viet Nam. *For more on law reform, see <http://www.adb.org/law>.*

Promoting the role of the private sector in development

The development of many Asian economies has been driven to a large extent by private investment, both domestic and foreign. However, the role of the private sector in assisting DMCs remains limited. As governments face complex development choices and resource constraints, private sector participation is needed to help release scarce resources for public budgets. The private sector, thus, has an increasingly vital role in development, directly and indirectly through public-private partnerships, of physical and social infrastructure.

However, the private sector's contribution to development, particularly in infrastructure, has been hampered by institutional shortcomings, weak corporate governance, unclear rules and regulations, and corruption—all of which increase the costs and risks of doing business.

Having the capacity for both public and private sector operations, ADB is uniquely positioned to broker public and private sector linkages to support the development process. These linkages allow ADB to strengthen the capacity of DMCs to create an effective, enabling environment for the private sector and to encourage the development of innovative public-private partnerships. ADB helps its DMCs design policies and reforms that support socially responsible private sector development and activities consistent with its pro-poor agenda. ADB assists individual DMCs in strengthening commercial, regulatory, and legal frameworks; reforming taxation systems; supporting efficient and competitive markets; and establishing environmental and labor standards.

ADB also helps broker partnerships between the public sector and private investors in DMCs, where such partnerships allow risks and development costs to be shared. Promoting such partnerships, particularly in agriculture and other activities in the rural areas, where the greatest concentration of poor people live, can contribute to development and poverty reduction. ADB's activities will help finance the public investment portion of such initiatives, assist in building the long-term capacity of governments, design the partnerships, and provide risk mitigation for private investors.

In implementing its LTSF, ADB will emphasize the domestic private sector in DMCs. Strengthening entrepreneurship of small- and medium-sized enterprises and the informal sector—major sources of employment and income contributors to a broader tax base—can help reduce poverty.

Although private sector operations are currently a small part of ADB's total portfolio, its private sector investments are expected to increase in the years ahead, partly as a result of the increasingly important development role of the private sector in DMCs. To support this role, ADB's public and private sector activities need to become more integrated. The elements of the strategy to promote the development role of the private sector will be tailored to the particular needs of each DMC.

ADB's strategy for private sector operations

In 2001, ADB approved a strategy to enhance the impact of its private sector operations. The strategy calls for focusing on private sector participation in

Implementing the Private Sector Development Strategy

In 2001, ADB began implementing the Private Sector Development Strategy. Progress was made in creating enabling environments, generating business opportunities, and catalyzing private sector investment.

Private sector assessments were initiated in seven developing member countries (DMCs). These assessments provide information necessary for developing a country-specific private sector development strategy for each DMC.

Monitoring and measuring progress in implementing the strategy were initiated. Each DMC's potential for private sector development was considered, and the private sector potential in various public sector projects assessed. A matrix for measuring private sector development potential in ADB operations was introduced, and the creation of a scorecard for monitoring private sector activity in public sector projects began.

Best practices in private sector development were disseminated through a series of seminars and workshops, and through publication of the five-volume *Developing Best Practices for Promoting Private Sector Investment in Infrastructure*. A series of workshops enhanced ADB-wide networking and helped disseminate sector-specific private sector development initiatives in public sector operations.

An education and awareness program for ADB staff on private sector development was initiated. ADB also established a Management steering committee to oversee and monitor implementation.

Public-Private Infrastructure Advisory Facility

ADB joined the Public-Private Infrastructure Advisory Facility (PPIAF) in 2001 to promote private sector participation in infrastructure in line with its Private Sector Development Strategy. The PPIAF is a multiple-donor technical assistance facility, established in July 1999, to help eliminate poverty and achieve sustainable development by facilitating private sector involvement in infrastructure and delivery of basic services. It finances studies and activities that promote private sector involvement in infrastructure. Two ADB initiatives were approved by the PPIAF in 2001: Indonesia—Pekanbaru Water Regulatory Study (\$75,000) and regional—Framework for Financing Merchant Power Plants in Asia (\$450,000). ADB's membership in the PPIAF demonstrates its commitment to promote the private sector as an engine of growth for the economies of its developing member countries.

infrastructure and capital markets, broadening country and sector reach, increasing financing limits, expanding the use of credit enhancement instruments such as guarantees, and forging strategic alliances with other development agencies.

Under the strategy, ADB is building on its existing strength in infrastructure development, particularly energy, water, telecommunications, and transport projects. In capital markets, the emphasis is on investments in key market institutions and investment

funds that can mobilize resources to finance infrastructure, and small- and medium-sized enterprises. ADB will gradually extend its reach to new sectors, such as education and health care, selectively and on a pilot basis initially.

ADB's prudential limit for private sector risk was raised from \$50 million to \$75 million per project, but still subject to a maximum of 25% of project cost. This will enhance ADB's capacity to catalyze investments in larger infrastructure projects that the region will need as economic recovery proceeds. To ensure that commercial lenders and investors are not crowded out, ADB will also aim to make use of its political risk guarantees and partial credit guarantees to attract long-term lenders such as banks, pension funds, and insurance companies.

Under the strategy, alliances with other international financial institutions will be intensified to facilitate knowledge and risk sharing to make challenging projects bankable. Joint support also signals greater confidence in the DMCs' investment environment and paves the way for further private capital flows.

ADB's private sector operations deliver development impacts, catalyze funding from other sources eight to nine times its own commitment, create employment, and promote governance and environmental protection. While ADB's support is diversified in private enterprises in developing and emerging markets,

the comparative performance of its private sector portfolio, benchmarked against other institutions and investment funds, has been satisfactory.

Such performance has generally mirrored the trends in the Asian markets, particularly the downturns over the last 5 years since 1997. The majority of private sector loans are being fully serviced in terms of interest payments and principal repayments. ADB exits from equity investments where it is evaluated that ADB's developmental role has been played out. Cumulative net

Private Sector Operations: Pioneering Projects in the Social Sectors

ADB's new strategic directions led to project initiatives in its private sector operations in 2001. For example, two pilot projects in the social sectors were supported in Viet Nam—one in health care and another in education.

The first pilot project is the Franco-Vietnamese Hospital (Far East Medical Vietnam Ltd.), promoted by a group of French doctors and investors. The hospital will provide state-of-the-art facilities in tertiary health care. Improved health care in Viet Nam can lead to substantial economic gains in terms of improved productivity. In addition, quality medical facilities can help induce further private investment. The project will also transfer medical technology and expertise.

The second pilot project, the RMIT (Royal Melbourne Institute of Technology) International University, will be the first international standard university in the country, providing a model for the standards of higher education and training. Sponsored by RMIT, the project will bring into Viet Nam expertise in vocational and higher education that will have a positive impact on education in local universities and will help enhance tertiary education in information technology, engineering, and business administration.

These projects could demonstrate that commercially viable, social infrastructure projects can be undertaken by the private sector. To ensure project sustainability, the pricing of services must generate sufficient revenues for self-sustenance and cost recovery. The indirect impact of these projects on the economy as a whole is substantial: private sector involvement frees public sector fiscal resources for the underserved population; private sector providers can also promote efficiency by increasing competition and strengthening accountability; and the private sector can introduce expertise and technology in the developing member country with a positive impact on social infrastructure.

Investing in capital markets

ADB also helped launch two new vehicles: a private equity fund in Thailand and a new housing bank in Sri Lanka.

ADB agreed to invest up to \$25 million in the Lombard Thailand Intermediate Fund, LLC, a private equity fund that will assist Thai private companies recovering from the 1997 Asian financial crisis to restructure, expand, and

generate jobs. This will raise investor confidence in Thailand and generate reasonable risk-adjusted returns. The fund manager will also focus on establishing and introducing best corporate governance practices.

The funds will be channelled through an onshore fund, Thailand Equity Fund, which will then invest directly in Thai enterprises and provide debt and debt-linked instruments such as convertible bonds, preferred shares, and subordinated debt. The onshore fund will identify priority sectors and industries, particularly those that have strong growth prospects and those that need to be restructured. The fund will have a diversified portfolio that helps improve corporate performance and supports the recovery of Thailand's industry and services sectors.

Apart from ADB, the investors include the California Public Employees Retirement System (CalPERS) through Lombard Pacific Partners II, L.P.; and the International Finance Corporation (IFC). The participation of CalPERS, regarded as a champion of corporate governance, is consistent with ADB's capital markets strategy to coinvest with institutional investors.

ADB also approved an equity investment of \$360,000 in the National Development Bank (NDB) Housing Bank Limited, a new market-based financial institution in Sri Lanka. Investment in this type of private sector institution brings a range of benefits. The NDB Housing Bank will help alleviate housing constraints and will contribute to capital market development in Sri Lanka.

The NDB Housing Bank Limited is the first private sector housing bank investment in Sri Lanka. The main sponsor is NDB, which receives technical assistance and equity support from the leading housing finance institution in neighboring India—the Housing Development Finance Corporation—the pioneer and market leader in housing finance in India. Further investment support is being provided locally by the Employee Provident Fund and Eagle Insurance, the IFC, and the Netherlands Development Finance Company.

The NDB Housing Bank Limited will provide loans to low- and medium-income borrowers, initially in the Colombo region. It will diversify and cover most of Sri Lanka, providing loan products designed to meet the funding needs of low- and medium-income home owners.

realized gains from divestments and dividends receipts have reached \$150 million as of December 2001.

Like other financial institutions, ADB has its share of nonperforming assets in private sector lending and equity investment operations. These are mostly of earlier

discontinued investments in manufacturing and industry. The proactive rehabilitation and restructuring of impaired assets have averted further deterioration of asset quality. The impaired accounts have remained stable over the past 5 years, hovering around

12–13 accounts out of a portfolio of around 100 active investments. In addition to specific provisions for impaired assets, ADB's conservative 8% general provisioning policy for the balance of the private sector portfolio ensures a sufficient loss reserve cover, currently at 20% of the outstanding portfolio.

ADB promotes a risk management culture in its private sector operations, monitors early warning signals closely, and reports to the Board of Directors quarterly, in detail. ADB is committed to learning lessons to improve the assessment of development impacts, remove impediments to private sector investment in DMCs, and identify further needs for regulation and capacity building. ADB aims to apply these lessons from impaired and nonperforming projects.

Addressing environmental sustainability

Asia's remarkable growth was accompanied by resource depletion and environmental degradation. Air and water pollution, water scarcity, desertification, and the depletion of natural resources are beginning to affect agricultural productivity, causing increasingly frequent disasters, such as floods and landslides; and impairing the quality of life in the region. As the population grows, demands on the environment and the natural resource base increase. The challenge for development planners and institutions in the region is not only to preserve and protect the environment, but also to reverse environmental degradation while maintaining robust economic growth. Recognizing that environmental sustainability is essential for development and poverty reduction in the region's resource-based economies, ADB addresses the social and environmental aspects of development. In 2001, ADB provided resources, shared knowledge, developed capacity, and

forged partnerships with the public and private sectors, including NGOs and civil society.

Progress was made in mainstreaming the environment within ADB's Poverty Reduction Strategy by institutionalizing new requirements in ADB's

Linking Environmental Protection to Poverty Reduction

Protecting the environment and managing natural resources, on which most of the poor depend for their livelihood, help reduce poverty. In 2001, ADB financed several projects in line with this thrust.

A project in the People's Republic of China (PRC) will control acid rain and air pollution in Anhui Province, thereby reducing adverse health impacts, improving agricultural productivity, and protecting the environment. These improvements will be achieved through an action plan to reduce sulfur dioxide and other acid rain-causing gas emissions, investment support for cleaner production subprojects, and strengthened institutions for environmental monitoring and enforcement, including human resource development. A second project in the PRC will improve the environment and enhance protection of the poor against flood hazards. The project will reduce flooding and damage in the lower Yellow River by providing sound river management and flood protection.

A project in the Cook Islands will facilitate the adoption of sustainable and appropriate solid waste management practices in Rarotonga and Aitutaki. Aside from safeguarding public health and the environment, the project will also support private sector participation and increase public awareness.

A project in the Lao People's Democratic Republic will improve environmental and social safeguards in the energy and transport sectors by strengthening the associated national policy and regulatory framework; enhancing implementation capacity at sectoral and provincial levels; improving compliance and enforcement; promoting river basin management as a planning framework for hydropower and roads; and establishing an environment fund.

A project in Tajikistan will help restore the irrigation and household water supply systems damaged by the 2001 earthquake.

Building New Partnerships for the Environment

On 26 September 2001, ADB signed a memorandum of understanding (MOU) with the World Wide Fund for Nature (WWF), a conservation organization with a growing involvement in the Asian and Pacific region. Under the MOU, the two agencies formed a partnership for sustainable management of natural resources in the region. ADB and WWF will develop collaborative ventures to address poverty and environmental challenges. Stakeholders such as local communities, government agencies, and nongovernment organizations will be involved in this process through forums and stakeholder consultations. To be reviewed annually, the MOU will also include information sharing, knowledge management, and capacity building by transferring skills and tools to target groups and exchanging staff and documentation between the two organizations.

Protecting Ecosystems and Livelihoods

India, Maldives, Pakistan, and Sri Lanka have extensive coastal and marine ecosystems that have acquired regional and global significance because of their diversity as vital habitats for a wide range of marine and coastal fauna and flora. Unfortunately, a fast-growing human population, combined with inadequate infrastructure and management capacity, is placing heavy pressure on South Asia's coastal and marine resource base. These coastal areas provide the sole source of subsistence and livelihood for millions of people, most living below the poverty line. Environmental mismanagement has caused severe pollution, depleting the coastal waters of aquatic life to the extent of eliminating some species and depriving the poor of their only source of income—fishing in the coastal waters.

In 2001, ADB approved a technical assistance grant of \$600,000 to promote coastal and marine resource management and poverty reduction in South Asia. Implemented with the global environment NGO, World Conservation Union (IUCN), and cofinanced from the Japan Special Fund, the project aims to promote regional cooperation among the participating countries to strengthen management of environmentally sensitive coastal and marine resources. A regional strategic plan will be prepared, which will include recommendations for information exchange, database development and management, and capacity building.

At the national level, the plan will identify areas of the highest environmental and ecological significance and sensitivity; and analyze and address barriers to collaborative approaches to integrated coastal zone management. The plan will propose a strategy that applies integrated coastal zone management in the identified areas; and estimate the required financial and human resources, and other needs to implement the strategy with suggestions for possible institutional arrangements. Poor coastal communities will participate in implementing pilot projects aimed at testing for achieving integrated coastal zone management approaches.

Renewable Energy, Energy Efficiency, and Climate Change Initiatives

ADB's program of assistance to its developing member countries (DMCs) for promoting initiatives related to renewable energy, energy efficiency, greenhouse gas abatement, and adaptation to climate change was strengthened in 2001 with support from the governments of Canada, Denmark, and The Netherlands. The Renewable Energy, Energy Efficiency, and Climate Change (REACH) program, cofinanced by The Netherlands (\$4.5 million) and ADB (\$0.5 million) on a grant basis, will strengthen participating DMCs' capacities to access financial resources and technology transfers to mitigate emissions of greenhouse gases and to achieve sustainable development in their own economies. The Canadian Cooperation Fund on Climate Change (\$3.2 million) focuses on reducing greenhouse gases in the People's Republic of China and India, carbon sequestration in Indonesia, and adapting to climate change in the Pacific DMCs. The Danish Cooperation Fund (\$3 million) focuses on promoting renewable energy and energy efficiency for development of rural areas and small towns in DMCs.

business processes. For example, when preparing a poverty analysis—a major input in preparing the country strategy and program—new environmental considerations need to be taken into account. These include analysis of the geographic and environmental characteristics, details on areas with high poverty incidence, the state of the natural resource base, the presence of environmental threats to the poor, or conflicts between the needs of the poor and environmental concerns. Thus, poverty analysis facilitates the determination of priorities and the sequence of environmental interventions with the greatest impact on poverty.

In 2001, ADB provided resources for five loan projects, totaling \$323 million, designed to alleviate the plight of the poor, and protect and conserve environmental resources. These projects were identified based on ADB's new loan classification system, designed to assist in monitoring performance against the poverty target and to enable it to track its lending in support of thematic priorities.

Two new ADB-Global Environment Facility (GEF) proposals entered the formal GEF pipeline in 2001: the Biodiversity Conservation and Sustainable Livelihoods in the Indian Sundarbans Project, and the GEF-PRC Strategic Partnership for Land Degradation in Dryland Ecosystems. A GEF grant of \$6.4 million to cofinance the Efficient Utilization of Agricultural Wastes Project in the PRC was approved by the GEF Council in 2001. The project promotes the reduction of greenhouse gas emissions by expanding the use of small- and medium-scale biomass-based renewable energy technologies (BIORETS) in rural agricultural areas. This replaces the use of coal, straw, and firewood for household fuel and reduces open field burning of crop

residues. Once completed, the project will reduce carbon dioxide emissions by about 78,338 tons annually and will lead to further expansion and adoption of similar BIORETS in other PRC provinces.

Technical assistance activities were undertaken in 2001 to build DMCs' capacity for sound environmental planning and management, covering urban, coastal, and marine ecosystems, and strengthening environmental and social management in their operations. Similarly, some DMCs will receive help in implementing the Kyoto Protocol and in evaluating national and subregional achievements in preparation for the 2002 World Summit on Sustainable Development in South Africa. Others will receive help in integrating cleaner production technologies into their industrial development policies.

ADB supports projects with direct benefits to the environment, and ensures that its projects and programs are environmentally sound. In this regard, the impacts of loan projects and programs are reviewed to ensure that environmental risks, especially to the poor, are minimized. For environmentally sensitive projects, public consultation starting from the early stage of project processing is undertaken, and ADB requirements concerning disclosure are satisfied. Compliance with these environmental safeguards is monitored and ensured through field visits during project implementation. To mainstream environmental considerations into ADB operations, work on the Environmental Assessment Guidelines continued. Moreover, preparation of an environment policy was pursued in 2001, along with broad-based public consultations

that covered more than 20 countries within and outside the Asian and Pacific region.

Environmental strategic partnerships were further enhanced in 2001. The

public and private sectors, development agencies, NGOs, and civil societies participated in conferences, interagency consultations, and senior-level meetings in regional, subregional, and international forums that addressed common and emerging environmental issues. Environmental awareness of ADB staff and DMC officials was further enhanced through workshops, seminars, and publications dealing with emerging environmental issues.

Supporting regional cooperation

ADB's support for regional cooperation involves three related dimensions: facilitating the economic development of participating countries through cooperation and integration; providing key regional public goods that address shared constraints and opportunities; and encouraging—through processes associated with broader and deeper cooperation—regional stability, which is necessary for developing the region.

ADB supports several broad-based regional economic cooperation initiatives, discussed in more depth in the special theme chapter on page 14.

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