



Operations Overview

Through operations, knowledge, and partnerships, ADB helps reduce poverty, social exclusion, and vulnerability, and makes growth more inclusive. In 2007, 27% of ADB's sovereign loans (20% of loan investments) and 18% of all technical assistance (TA) projects (14% of TA resources) were “targeted interventions.”

Of sovereign lending, about 17% supported inclusive social development and 11% supported gender as strategic development goals. The *2006 Annual Poverty Reduction Report* states that ADB improved its implementation of the poverty reduction strategy. In developing the new long-term strategic framework, ADB prepared various reports on inclusive growth and inequality. An international conference, Poverty Reduction and Inclusive Growth in the New Asia and Pacific, recommended better alignment of inclusive growth with ADB's operational activities and internal capabilities. The new poverty website features a database with more than 800 ADB-specific documents and operational reports published in the last 3 years.

Supporting the Millennium Development Goals

In partnership with the United Nations Development Programme (UNDP) and the UN Economic and Social Commission for Asia and the Pacific (UNESCAP), ADB published the Millennium Development Goals update report, and organized regional conferences on Millennium Development Goals in Central Asia and Southeast Asia.

Strengthening Poverty and Social Analysis

ADB updated its policy on incorporating social dimensions into ADB operations, revised the templates for poverty and social impact analysis for ADB-assisted projects, and prepared a new *Handbook on Social Analysis*. Together with the *Poverty Handbook* published in 2006, these instruments are expected to make ADB-assisted activities in developing member countries more effective and inclusive. Staff members were trained to use these tools.

Making Social Services More Inclusive

ADB prepared an issues paper on social protection, developed a social protection index for 23 countries in the Asia and Pacific region, and supported various social protection-related technical assistance and sovereign and nonsovereign projects in Bangladesh (for female garment workers affected by globaliza-

tion), Indonesia (as part of programmatic lending for the Millennium Development Goals), Pakistan (pension reform), Viet Nam (agriculture insurance), and elsewhere. In Nepal, an innovative mechanism for transferring cash and in-kind support to scheduled-caste households is being tested along with an Asian Development Fund-financed project involving gender equality and women's empowerment. In Viet Nam, a small technical assistance helped develop a mechanism for channeling earmarked resources from hydropower generation to affected communities.

Gender and Development Plan of Action

The second gender and development plan of action (2008–2010) recommends increasing the number of loans that directly reduce gender disparities, diversify the sector and geographic coverage of projects that explicitly bring gender into the development mainstream, and improve the implementation of gender-related project design features and policy dialogue on emerging issues such as climate change, human trafficking, and communicable diseases.

REGIONAL COOPERATION AND INTEGRATION

ADB continued to implement the regional cooperation and integration strategy. Progress was steady in Central and West Asia, East Asia, the Pacific, South Asia, and Southeast Asia (see the respective chapters for details).

ADB played a leading role in the World Trade Organization's Aid for Trade initiative in the Asia and Pacific region. ADB cohosted the conference Mobilizing Aid for Trade: Focus on Asia and the Pacific, at ADB headquarters in September, and advocated more aid for trade for the region.

ADB's flagship research project dealing with emerging Asian regionalism assesses progress made a decade after the 1997/98 Asian financial crisis and identifies challenges facing the region. ADB also conducted a study on East Asia–South Asia economic relations, which covered the potential benefits of closer integration.

ADB, in collaboration with the Japan International Cooperation Agency, conducted in Tokyo the first training program in bond market development in Association of Southeast Asian Nations (ASEAN) members, bringing together officials from 15 central banks and ministries of finance. ADB also organized the Asia Bond Clearing and Settlement Conference in April in Singapore, and the ASEAN+3 (ASEAN plus the People's Republic of China [PRC], Japan, and the Republic of Korea) Investing in Asia Bonds Conference in November in Tokyo. ADB

ADB updated its policy on incorporating social dimensions into ADB operations



The lungs of the Mekong, the waterways of the Tonle Sap must be preserved

advanced the ASEAN+3 Asian Bond Markets Initiative by helping design a plan to establish a regional credit guarantee and investment mechanism, and by building consensus among ASEAN+3 to implement the plan.

Besides promoting environmental protection, clean energy, and good governance, ADB used resources from a Swedish cooperation fund to integrate HIV/AIDS interventions into infrastructure investments. With the ASEAN Secretariat, the Food and Agriculture Organization, and the World Health Organization, and in consultation with other development partners, ADB helped developing member countries prevent and control the spread of avian influenza and prepare for a potential influenza pandemic.

ADB made progress in combating human trafficking, especially in the Greater Mekong Subregion. Two regional technical assistance projects, started in 2005 and completed in 2007, significantly aided regional and national research, monitoring actions, training, and policy dialogues.

The Board of Directors approved the establishment of the Regional Cooperation and Integration Fund (RCIF) and the RCI Trust Funds under the RCI Financing Partnership Facility. The facility helps pool and provide financial and knowledge resources to sup-

port RCI. Thirteen projects (\$12.6 million total) were approved for funding under the RCIF.

MANAGING THE ENVIRONMENT

ADB continued to promote environmentally sustainable development. ADB integrated environmental and social safeguards into projects, strengthened the legal and institutional frameworks of developing member countries (DMCs), supported environmental and natural resource management interventions, promoted interventions to address global and regional environmental issues, and bolstered partnerships.

To ensure compliance with safeguards for 86 projects before Board approval, ADB reviewed the safeguard plans and frameworks for the projects (64 on the environment, 41 on involuntary resettlement, and 25 on indigenous peoples). Training courses were organized for staff and DMCs to increase awareness of safeguards, and nine reports were published on resettlement risk management. ADB also engaged nongovernment organizations (NGOs) and other development partners in improving safeguard outcomes.

Technical assistance projects were approved to enhance Viet Nam's legal framework for involuntary

resettlement and to improve the capacity of the resident missions and of government in Indonesia, Pakistan, and Viet Nam to see to it that safeguards are complied with.

ADB supported the initiatives of DMCs to conserve environmental and natural resources. Of the 82 projects (excluding equity investments) approved, 15 (18%) had environmental sustainability as theme. Half of the \$909 million for these environmental and resource conservation projects will improve water supply, wastewater and solid waste management systems, and heating, transport, and flood control services in the PRC and Indonesia. The rest will promote cleaner production through the installation of wind power plants in India and a combined cycle gas-fired power plant in Pakistan, and natural resource conservation in Indonesia, the Kyrgyz Republic, and the Philippines.

Environmental sustainability is also the theme of nearly 60 approved technical assistance project grants (\$80 million). Some of these will promote clean energy in the PRC, India, and Viet Nam, and natural resource conservation in Indonesia, Lao People's Democratic Republic, and Sri Lanka.

To mitigate greenhouse gas (GHG) emissions and help DMCs adapt to climate change, ADB continued its clean energy and environment programs. Its energy efficiency, carbon market, and sustainable transport initiatives provided access to new investment financing mechanisms, and built capacity for energy efficiency improvements, renewable energy, waste-to-energy, sustainable transport, and other GHG mitigation projects. A regional technical assistance was also approved to include adaptation issues in investment planning, develop national capacity, and strengthen international response to adaptation.

ADB published reports on urban air quality management in Asia covering 17 countries and one city, and maintained the Poverty Environment.Net website, which shares knowledge about incorporating environmental issues into the mainstream of development.

ADB continued to work with the Global Environment Facility (GEF) on policy and other corporate matters, and prepared projects for GEF endorsement. It established the Clean Air Initiative Asia Center and implemented the Poverty and Environment Program;

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it also helped the partners of the Central Asian Countries Initiative for Land Management adapt to future climate changes in the arid region. Support for the Asian Environmental Compliance and Enforcement Network was renewed.

IMPROVING GOVERNANCE AND PREVENTING CORRUPTION

Seventeen of 82 approved sovereign and nonsovereign loan projects and 68 out of 242 technical assistance projects were aimed at strengthening governance. Over \$3 billion in assistance was provided to governance projects, including a good governance program in Bangladesh, a local government financing and budget reform program in the Philippines, and the strengthening of performance audit in the PRC.

ADB's five regional departments made good progress in implementing the second governance and anti-corruption action plan. Governance risk assessments have been undertaken in 14 developing member countries in preparation for the drafting of country partnership strategies; 30 national, subnational, and sector assessments were completed or near completion at the end of 2007.

ADB supported regional efforts to ratify and implement the United Nations Convention Against Corruption and the approaches to governance assessments developed by the Organisation for Economic Co-operation and Development (OECD)-Development Assistance Committee Governance Network. The ADB-OECD Anti-Corruption Initiative for Asia and the Pacific continues to be useful. Regional seminars on conflict of interest, mutual legal assistance and asset recovery, and ways to combat bribery in public procurement were conducted.

The capacity development medium-term framework and action plan, approved in 2007, guides ADB in engaging client countries in developing capacities critical for sustainable and equitable development. The extensive study of capacity development in the Pacific produced a framework and a set of guidance notes and checklists.

ADB revised its project implementation and administration manuals to further streamline and harmonize procedures on procurement and consultant recruitment.

Executing agencies continued to assess their capacity to evaluate project risks that may hinder effective, efficient, and transparent procurement. Procurement risk assessments were introduced into the preparation of country partnership strategies and will be expanded in 2008.

ADB's NGO and Civil Society Center approved \$150,000 in small grants to NGOs in Mongolia, Pakistan, and the Philippines to pilot-test models that strengthen civil society's voice in promoting good governance.