



South Asia

Bangladesh, Bhutan, India, Maldives,
Nepal, Sri Lanka

Overall, 2007 was a successful year for South Asia. The South Asia Department aimed to improve portfolio management, increase the size and improve the relevance of lending and nonlending operations, and introduce innovative and flexible financing instruments to its clients.



Efforts to adopt the managing for development results approach in all aspects of operations and build a strong operational knowledge base in South Asia were significantly expanded.

Lending was robust, surpassing previous levels and including significantly more new lending products and modes in the power, education, rural and urban infrastructure, and financial sectors. ADB approved 23 sovereign loan and Asian Development Fund grant projects for \$2.8 billion (of which 11 were subprojects coming from multitranches financing facilities [MFFs], and 2 were blend loan and grant projects) and 1 nonsovereign public sector loan for \$10 million (Table 27). Cumulative lending for the region as of the end of 2007 amounted to \$33.9 billion (Table 31). ADB's assistance also included technical assistance of \$36.9 million, four new MFFs of \$1.7 billion, four grants from other sources of \$21.5 million, and loans of \$176.3 million through its private sector operations. ADB's nonsovereign approvals in the region totaled \$411.3 million (Statistical Annex 10).

REGIONAL COOPERATION

In line with the South Asia Regional Cooperation Strategy and Program (2006–2008), ADB continued to support three main regional cooperation initiatives: the South Asian Association for Regional Cooperation (SAARC), the South Asia Subregional Economic Cooperation (SASEC), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

ADB supported the SAARC Regional Multimodal Transport Study, whose recommendations were endorsed by the 14th SAARC Summit. ADB also provided technical assistance

Highlights

- Stepped up efforts in project administration and management through deeper engagement with borrowers and executing agencies, yielding record level of disbursements, with contract awards exceeding projections, and projects at risk declining to their lowest level
- Surpassed previous levels of assistance through a robust lending program that included more new lending products and modes, and realized the South Asia Department's first nonsovereign project, a joint effort with the Private Sector Operations Department
- Started the first regional investment project to develop information and communication technology in South Asia, with the support of the four countries of the South Asia Subregional Economic Cooperation program
- Substantially assisted the Government of Nepal to sustain peace through reconstruction and economic development
- Intensified managing for development results at all levels of operations to boost results orientation and maintain effective-results partnerships, and strongly supported the capacity to manage for development results in all South Asia developing member countries

to generate policy dialogue for the regional energy market and helped build technical capacity within the SAARC Energy Center.

The Fourth SASEC Country Advisors' Meeting was held at ADB headquarters in Manila on 4–5 June. Apart from the SASEC Information Highway Project, the first regional investment project undertaken jointly by four SASEC countries, ADB also supported SASEC initiatives to develop regional tourism, improve transport logistics, facilitate trade, and promote cooperation on the environment through technical assistance.

ADB supported the implementation of the BIMSTEC Transport Infrastructure and Logistics Study, which proposed the transport and logistics policy framework and strategies, and implementing mechanisms.

PORTFOLIO MANAGEMENT

ADB intensified its efforts in project administration and portfolio management, which significantly improved key portfolio indicators. New records were reached in disbursement (\$2.0 billion, 48% better than in 2006; \$1.5 billion of this total were disbursements under projects); contract awards and commitments (\$2.1 billion, a 26% increase over projections and close to the \$2.3 billion achieved in 2006); and projects at risk were reduced to 9.7% from 12.3% in 2006 (Table 29).

ADB assistance significantly improved key portfolio indicators

TABLE 27 South Asia: Assistance by Country, 2007

(\$ million)

Country	Loans				Credit Enhancements			Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranche Financing Facility ^d
Bangladesh	500.0	465.7	965.7	–	–	–	–	–	7.7	–
Bhutan	–	–	–	–	–	–	–	21.7	2.7	–
India	1,386.4	–	1,386.4	–	–	225.0	–	–	10.8	1,693.0
Maldives	4.5	5.3	9.8	–	–	–	–	–	–	–
Nepal	–	–	–	10.0	–	–	–	111.0	7.2	–
Sri Lanka	327.5	115.0	442.5	–	–	–	–	32.5	0.6	–
Total	2,218.4	586.0	2,804.4	10.0	–	225.0	–	165.2	29.0	1,693.0

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources.

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 6a and 6b (Direct Value-Added Cofinancing Arrangements).

b For reference, see Statistical Annex 2 (Grant-Financed Project Approvals by Country).

c For reference, see Statistical Annex 17 (Technical Assistance Grants). Excludes regional technical assistance grants.

d Multitranchise financing facilities are facilities that will give rise to loans. Loans arising from the facilities are included under loans when approved by ADB.

In Bangladesh, earlier improvements in portfolio performance were sustained and even advanced in some areas through concerted effort and ADB's engagement with the Government, and strong collaboration with development partners. Portfolio performance in India also improved markedly in project preparedness, project implementation, and capacity building, enabling increased award of contracts and faster disbursement.

In Nepal, specific actions focused on improving project readiness, harmonizing procurement, improving financial management, and rationalizing loan and technical assistance portfolios. Project implementation in Sri Lanka continued to face security challenges, but progress was made on several fronts in ongoing post-tsunami reconstruction and rehabilitation, as evidenced by increased contract awards.

TABLE 28 South Asia: Grant-Financed Project Approvals by Country, 2007
(\$ million)

Country	ADF	Other Sources ^a	Total
Bhutan			
Rural Skills Development	–	2.0	2.0
Micro, Small, and Medium-Sized Enterprise Sector Development Program			
– Program Grant	6.0	–	6.0
– Project Grant	9.0	–	9.0
South Asia Subregional Economic Cooperation Information Highway (Regional) ^b	4.7	–	4.7
Nepal			
Strengthening Decentralized Support for Vulnerable and Conflict-Affected Families and Children	–	2.0	2.0
Rural Reconstruction and Rehabilitation Sector Development Program			
– Program Grant	50.0	–	50.0
– Project Grant	50.0	–	50.0
South Asia Subregional Economic Cooperation Information Highway (Regional) ^b	9.0	–	9.0
Sri Lanka			
North East Community Restoration and Development II (Supplementary) ^b	–	1.5	1.5
Tsunami Affected Areas Rebuilding (Supplementary) ^b	–	16.0	16.0
Education for Knowledge Society ^b	15.0	–	15.0
Total	143.7	21.5	165.2

– = nil, ADF = Asian Development Fund.

a Officially cofinanced by external sources, and fully or partially administered by ADB.

b Grant component of a loan project.

TABLE 29 South Asia: Portfolio Performance Indicators for Sovereign Lending, 2006–2007

Country	No. of Ongoing Loans (as of Dec 2007)	Contract Awards/Commitments		Disbursements		Loans at Risk	
		2007 (\$ million)	2006 (\$ million)	2007 (\$ million)	2006 (\$ million)	2007 (%)	2006 (%)
Bangladesh	48	446.8	367.9	346.0	321.7	2.1	10.0
Bhutan	5	13.4	2.6	8.9	4.6	–	–
India	38	1,436.9	1,714.7	1,363.5	701.4	7.9	6.3
Maldives	7	4.1	7.6	5.1	4.9	28.6	14.3
Nepal	21	88.4	101.6	96.8	108.0	14.3	17.4
Sri Lanka	46	116.0	144.9	137.8	180.4	15.2	17.0
Total^a	165	2,105.7	2,339.4	1,958.2	1,321.1	9.7	12.3

– = nil.

a Totals may not add up because of rounding.

TABLE 30 South Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2007
(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Bangladesh			
Railway Sector Investment Program (Subproject 1)	100.0	30.0	130.0
Sustainable Power Sector Development Program			
– Program Loan	–	60.0	60.0
– Project Loan	400.0	5.0	405.0
Good Governance Program	–	150.0	150.0
Padma Multipurpose Bridge Design	–	17.6	17.6
Dhaka Water Supply Sector Development Program			
– Program Loan	–	50.0	50.0
– Project Loan	–	150.0	150.0
South Asia Subregional Economic Cooperation Information Highway	–	3.1	3.1
India			
Uttaranchal State–Road Investment Program (Subproject 1)	50.0	–	50.0
Uttaranchal Power Sector Investment Program (Subproject 1)	41.9	–	41.9
North Karnataka Urban Sector Investment Program (Subproject 1)	33.0	–	33.0
Madhya Pradesh Power Sector Investment Program (Subproject 1)	106.0	–	106.0
Madhya Pradesh Power Sector Investment Program (Subproject 2)	45.0	–	45.0
Madhya Pradesh Power Sector Investment Program (Subproject 3)	144.0	–	144.0
Madhya Pradesh Power Sector Investment Program (Subproject 4)	90.0	–	90.0
Madhya Pradesh State Roads Sector Project II	320.0	–	320.0
Jammu and Kashmir Urban Sector Development Investment Program (Subproject 1)	42.2	–	42.2
Rajasthan Urban Sector Development Investment Program	60.0	–	60.0
India Infrastructure Project Financing Facility (Subproject 1)	300.0	–	300.0
Maldives			
Domestic Maritime Transport	–	5.3	5.3
Sri Lanka			
Colombo Port Expansion	300.0	–	300.0
Education for Knowledge Society	–	65.0	65.0
Small and Medium Enterprise Regional Development	–	50.0	50.0
Subtotal	2,032.1	586.0	2,618.2
NONSOVEREIGN			
India			
Small and Medium–Sized Enterprises Financing Facility Project	75.0	–	75.0
Tata Power Wind Energy Financing Facility	79.3	–	79.3
Maldives			
South Asian SME Leasing Facility	4.5	–	4.5
Sri Lanka			
South Asian SME Leasing Facility	10.0	–	10.0
Commercial Leasing Company Limited	7.5	–	7.5
People’s Leasing Company Limited	10.0	–	10.0
Subtotal	186.3	–	186.3
Total	2,218.4	586.0	2,804.4

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources, SME = small and medium-sized enterprise.

TABLE 31 South Asia: Cumulative Lending and Disbursements by Country as of the end of 2007

(\$ million)^{a, b}

Country	Lending	Disbursements
Bangladesh	9,265.5	6,240.4
Bhutan	176.1	112.3
India	17,834.6	10,349.8
Maldives	101.3	68.8
Nepal	2,301.0	1,642.0
Sri Lanka	4,205.8	2,902.2
Total^c	33,884.2	21,315.5

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private sector) loans.

c Totals may not add up because of rounding.

COUNTRY HIGHLIGHTS

Bangladesh

Partnership priorities. Under its program for 2008–2010, ADB continues to support infrastructure development and policy, governance, and institutional reforms in energy, transport, education, and integrated urban infrastructure, including urban health, urban water supply, and urban transport sectors. Led by ADB, several development agencies are supporting the Primary Education Development Program.

The Good Governance Program, in cooperation with other development partners, will help the Government reduce critical constraints on core governance, develop a national integrity strategy, and adopt governance improvement measures in line ministries and agencies; reform the judiciary, with a focus on performance, transparency, and accountability; and build governance management capacity.

Impact of operations. The Jamuna–Meghna River Erosion Mitigation Project developed an innovative, cost-effective, and sustainable riverbank erosion management and operations and maintenance system; and also strengthened supporting institutions to protect the livelihoods of over 2 million people.

The ongoing Road Network Improvement and Maintenance Projects I and II helped the Government implement the national land transport policy, develop missing links in the road network, and prepare a sustainable mechanism to fund road maintenance. The projects continued to improve regional and district roads where poverty incidence is the highest to connect rural farmers to national markets, schools, and health facilities.

FIGURE 7 South Asia: ADB Lending by Country, 2006–2007 (Sovereign and Nonsovereign) (\$ million)

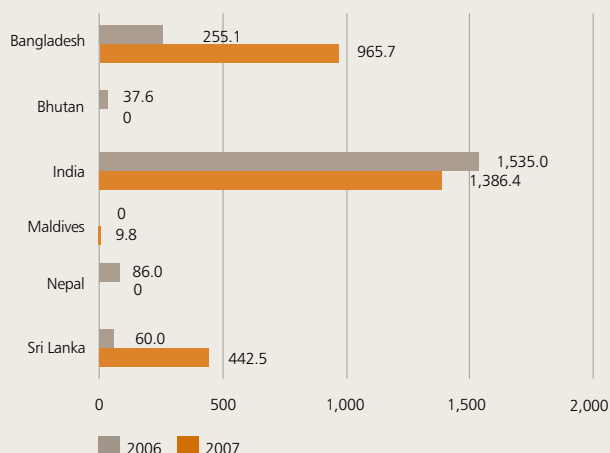
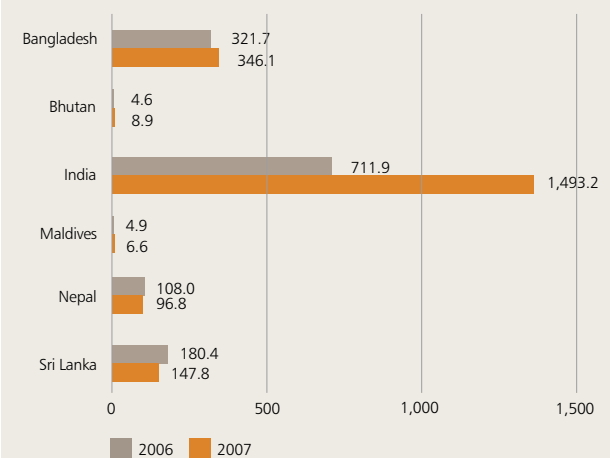


FIGURE 8 South Asia: ADB Disbursements by Country 2006–2007 (Sovereign and Nonsovereign) (\$ million)



The second phase of the Urban Primary Health Care Project continued to target the poor and combat HIV/AIDS and other communicable diseases.

Bhutan

Partnership priorities. ADB is guided by the results-based country partnership strategy (CPS) of September 2005 and the Government's National Poverty Reduction Strategy. The CPS has two thrusts: assistance for

Clean Fuel Cuts Pollution and Boosts Incomes in Bangladesh



Auto rickshaw fueling up

Dhaka, a teeming city of more than 10 million people, has roads that are noisy and busy, filled with buses, cars, “auto rickshaws,” cycle rickshaws, and trucks. Yet in recent years it has managed to cut pollution down drastically—by about 60% between 2001 and 2004, said Abdul Wadud, managing director, Rupantarita Prakritik Gas Company Limited (RPGCL).

RPGCL can certainly take some of the credit for this. With support from ADB’s Dhaka Clean Fuel Project, RPGCL has opened the first compressed natural gas (CNG) filling stations in the country and set up conversion workshops for vehicles so that they can switch to the environment-friendly fuel.

About 1,400 buses now use CNG, making a tremendous difference to air quality. All of Dhaka’s 25,000 auto rickshaws now run on CNG, which is much cheaper than petrol or even diesel.

Mohammad Nasimuddin, 60, has been driving auto rickshaws for 15 years. When the vehicle owner

switched to CNG some years ago, he increased Nasimuddin’s rent fourfold to recoup the cost of conversion. And yet Nasimuddin’s profit shot up from Tk150 (taka) to Tk400 (about \$2.20–\$5.80) a day! This is mainly because his fuel costs have come down from Tk300 to Tk70 a day.

Life is still hard for Nasimuddin’s family of four, but it is certainly better than before, he said. “We can buy more food, and if we can eat better, that’s enough,” he added.

Before the introduction of CNG, the pollution was really bad, he said. “My eyes and face would burn and I would fall ill very often. I would continue to work, but I’d feel ill,” Nasimuddin said. “But now I don’t have that problem.”

Now more than 80,000 private cars and jeeps as well as 12,000 taxis are running on CNG.

The very popularity of CNG, combined with greed, has given rise to an unforeseen and serious problem. *The Daily Star*, a Dhaka-based newspaper, reported recently that cheap, substandard, and potentially deadly CNG cylinders were being made in some unauthorized workshops.

Under the ADB-supported project, RPGCL is running a public awareness program to warn people that they should use only authorized workshops for conversions. The company runs some of the 72 authorized conversion workshops in Dhaka.

“It took 20 years to convince people that CNG is economic, it is safe, and it is replaceable,” said Abdul Wadud. But it is finally done.

About 1,400 buses now use CNG, making a tremendous difference to air quality

programs and projects in core sectors, and capacity development in ADB operational sectors and for overall development management. ADB’s assistance to the four core sectors—roads, power, urban infrastructure development, and financial and private sector development—supports an integrated package of investment operations, sector reform, and capacity development to ensure that interventions are sustainable and that development is effective and with discernible impacts. ADB aims to open opportunities for domestic entrepreneurs while making the domestic financial system more efficient so that it can offer a broader array of

financial services, not only to established enterprises but also to rural small and medium-sized enterprises.

Impact of operations. ADB assistance was channeled mainly to the energy (rural electrification) and transport (roads) sectors to reduce remoteness and isolation, which are among the major causes of poverty. Poor households were able to use electric lighting and appliances, and to establish small-scale cottage industries, process food, and engage more efficiently in small trades such as carpentry and tailoring. Health standards rose as households stopped

using kerosene lamps. ADB upgraded the main road network, ensured adequate maintenance of the existing road network, increased rural accessibility, supported institutional strengthening, promoted private sector participation, improved road technology and productivity, and supported subregional links. ADB helped establish a debt management system, enact and implement a law to create private sector jobs, strengthen the public resource management system, and deepen capacity development of the autonomous Auditor General's Office.

India

Partnership priorities. The country partnership strategy for 2008–2012 is being prepared. It will follow a results-based framework, and will be closely aligned with the development priorities and sector strategies laid down in the Eleventh Five-Year Plan. ADB's lending assistance to India increased from an annual average of around \$1.3 billion in 2000–2005 to \$2.4 billion in 2006–2007 on a multitranche financing facility full-facility basis. Actual approvals (subprojects and regular loans) were \$1.5 billion in 2006 and \$1.4 billion in 2007 (Figure 7).

ADB's nonsovereign operations in India amounted to \$379.3 million. This included an Indian rupee-denominated private sector loan equivalent to \$79.3 million to set up and operate wind energy facilities in India. The project is ADB's first financing in the wind power sector.

The Eleventh Five-Year Plan recognizes that growth cannot be sustained or made more inclusive without supporting physical and social infrastructure. Support for infrastructure development of the transport, energy, and urban sectors will, therefore, remain the focus of ADB's assistance program for 2008–2010.

Impact of operations. ADB's urban sector projects improved access to water supply, sewerage, drainage, and solid waste management in several states such as Karnataka, Rajasthan, and Madhya Pradesh. Assistance to Tamil Nadu and Kerala for reconstruction after the tsunami helped rebuild essential urban infrastructure and improve livelihood security.

ADB supported the National Highway Development Program and the Government's Rural Roads Program. The two projects are expected to promote rural development by improving connectivity and creating jobs in five states—Assam, Chhattisgarh, Madhya Pradesh, Orissa, and West Bengal.

ADB's energy sector assistance has focused on upgrading the transmission and distribution network and supporting power sector reform across selected states. The two power sector loans to Madhya Pradesh, approved in 2001 and 2007, helped operationalize an independent state electricity regulatory commission, facilitate the unbundling of the State Electricity Board, and improve the overall governance of the power sector. At the national level, ADB has been assisting the Power Grid Corporation of India Ltd. in strengthening the national transmission grid.



Microfinance beneficiaries' income rose more than threefold

Maldives

Partnership priorities. In October, ADB endorsed a new country partnership strategy (CPS) for the Maldives. The CPS recognized that capacity gaps in institutions and human resources have constrained achievement of national goals and objectives. ADB support would therefore follow a sequenced approach.

During phase I, a holistic set of capacity development interventions will be supported. For this purpose, technical assistance loans will be provided to strengthen economic and financial management in areas such as internal audit capacity, tax administration, development of a multiyear fiscal framework, debt management, and strengthening of project management capacities. Capacity development will be supported to structure public-private partnerships in transport, power, and other areas, including improving the enabling environment for small and medium-sized enterprises in the private sector.

Once readiness is secured, ADB's second phase of assistance will include strategic support for investments and sector reform in transport, power, and small and medium-sized enterprise development. In each sector, ADB will combine investment support with measures to foster public-private partnerships and develop the capacities of core sector agencies. The first private sector project in the Maldives was approved in the first quarter: a \$4.5 million private sector loan for financing facilities for a leasing company.

Impact of operations. Over nearly two decades, ADB has contributed greatly to economic development and poverty reduction. The Operations Evaluation Department noted that ADB's contributions to the country's development results were particularly useful. Sector outcomes were achieved in transport and energy, which accounted for about half of the total ADB lending during the review period.

Increasingly, however, implementation capacity constraints hamper ADB's ability to contribute to development results in a timely manner. The tsunami and the ensuing relief effort, while handled courageously, placed a heavy burden on the civil service and the nascent domestic construction industry. Although the economy is recovering, the large backlog of unfinished development projects and reconstruction initiatives and the large buildup of public debt require that ADB support for new public investments be phased in gradually and judiciously.

Nepal

Partnership priorities. The country operations business plan (COBP) reviewed the implementation of the country strategy and program (CSP) and adjusted ADB's assistance program for 2008–2010 based on the

Government's development priorities, performance of specific sectors, and project preparedness. The CSP and COBP remain in line with the priorities of Nepal's Three-Year Interim Plan (FY2008–FY2010), which was approved in December 2007 and is a continuation of the Tenth Plan concluded in FY2007.

ADB started a comprehensive midterm review of the CSP, to be completed in 2008. ADB also undertook a country portfolio review mission in partnership with the Government, the World Bank, the Japan Bank for International Cooperation, and the Department for International Development of the United Kingdom in August, which reviewed the effectiveness of measures to reduce project implementation bottlenecks and sustain the improved portfolio performance in recent years.

Impact of operations. The ongoing Community Groundwater Irrigation Sector Project, approved in February 1998, was completed in July 2007. The project installed 10,767 group shallow tubewells providing year-round irrigation to about 54,000 hectares of agricultural land, benefiting about 70,000 farm households. Most beneficiary households are now producing wheat, while 44% of them are also growing cash crops and 45% are cultivating twice as many vegetables than before the project.

The ongoing Decentralized Rural Infrastructure and Livelihood Project (approved in September 2004) has constructed a total of 50 km of district roads and 34 trail bridges, using labor-based, environment-friendly, and participatory approaches, and directly employing about 82,000 unskilled local laborers. Some 68 savings and credit groups have also been formed from among the laborers, with more than 40% participation by women, to promote livelihood and income-generating activities.

The \$20.0 million Rural Microfinance Project, approved by ADB in 1998, was completed in June 2007. The Rural Microfinance Development Centre, established in October 1998 as the implementing agency, provided microfinance services worth 19.4 billion Nepalese rupees (\$302.2 million) through 58 microfinance institutions to more than 500,000 families spread over a third of Nepal's 75 districts. The project beneficiaries' average annual per capita income rose more than threefold by the end of the project, which helped reduce poverty, especially among women.

Sri Lanka

Partnership priorities. ADB processed the Colombo Port Expansion Project, the country's biggest public-private partnership to date, which will substantially impact on overall economic growth. Education and small and medium-sized enterprise regional development were also key, and two loans to support them

Funding a Microcredit Revolution in Nepal



Musuni Shrestha took a loan to buy buffaloes

In a picturesque village in Bhaktapur district, 30 km from the capital Kathmandu, 50 women—all members of the Lamadanda Women's Self-Help Center—recite their oath. They resolve, among others, not to discriminate against members of lower castes, to spend wisely, to save, and to abstain from tobacco or alcohol. They then get down to business.

"*Namaste, sisters,*" says 37-year-old Mana Kumari Shrestha. "I need to borrow NRs4,000 (Nepalese rupees) (\$63). I need some money to pay my children's school fees," she explains, when asked by the coordinator why she needs more after borrowing NRs18,000 (\$286) previously. After a chorus of "yeas" from the assembled group, the funds are approved.

The scene is typical of rural microcredit schemes that have sprung up all over the countryside in recent years, with women at the forefront. Observers say they have been pivotal in empowering women and breaking down gender barriers in Nepal's largely patriarchal rural society.

The Rural Microfinance Development Center Ltd. (RMDC), a private sector development bank set up in 1999, says that 47 out of Nepal's 75 districts have a microcredit program through its 60 partner organizations.

"Such programs are making good contributions to reducing both urban and rural poverty across Nepal," says RMDC senior manager Meghraj Gajurel. "The microfinance programs also have a very good loan recovery rate of 99–100%," he adds. Many commercial banks, by contrast, typically have high loan default levels.

One of the key groups at the forefront of the microcredit revolution is the Kathmandu-based Center for Self-Help Development, a nonprofit organization running programs in at least seven hill districts, including Lamadanda in the adjoining Bhaktapur district, one of its first success stories. Funded by ADB's Rural Microfinance Project, it now has over 22,000 members—all poor women—in remote villages across the country.

Sanjamaya Lama is testimony to that success. The 41-year-old member of the Lamadanda Women's Self-Help Center lost her husband nearly a year ago but, thanks to a loan, she is coping. "I took about NRs18,000 in a loan. ... Rearing goats and buffaloes and investing in my children's education is helping slowly."

Like her fellow group members, she is clear about how she will pay the loan back. "We make some income. And I also got work at a construction site. No worries. I will have no problem saving so that I can pay it back."

Microfinance programs are helping reduce both urban and rural poverty across Nepal

were processed and approved. The first portfolio review mission was undertaken with the Government actively introducing readiness criteria. Portfolio management proved respectable, given the difficult circumstances, including a resurgent civil conflict.

Priorities include transport, water supply, power, education, post-conflict rehabilitation, and economic management (fiscal management and public sector banks). A new country partnership strategy also needs to be formulated; this has now been postponed to 2008.

A private sector loan of \$10.0 million was approved to strengthen the leasing industry and expand the funding resources and financial services available to

small and medium-sized enterprises. A nonsovereign project for leasing companies was delivered jointly by the South Asia Department and the Private Sector Operations Department.

Impact of operations. Government improved tax administration and revenue collection, and closed tax loopholes with support of ADB's fiscal management reform project.

ADB assistance was also helpful in supporting and building trust in conflict-affected areas. Ongoing projects in the east of the country are picking up again (such as the Batticaloa water supply), bringing urgently needed basic social infrastructure to badly neglected areas.