



Southeast Asia

Brunei Darussalam, Cambodia, Indonesia,
Lao People's Democratic Republic,
Malaysia, Myanmar, Philippines,
Singapore, Thailand, Viet Nam

Lending reached a record level of \$3.2 billion for 17 sovereign and 6 nonsovereign loan projects (Table 35), almost 72% higher than the approvals in 2006. The sovereign loans include eight program loans for \$1.6 billion to support the financial and capital market sectors, poverty reduction, development policy reforms, and local government financing.



ADB's nonsovereign approvals in the region totaled \$158 million (Statistical Annex 10). The nonsovereign loans include one project for the public sector, the first for the region, and five projects for the private sector in Cambodia, Indonesia, Malaysia, and Viet Nam.

Grants approved amounted to \$144.3 million for 11 projects, with funding through the Asian Development Fund (ADF), cofinancing, and the Japan Fund for Poverty Reduction (Table 33). Technical assistance amounted to \$30.1 million for 44 projects, including 7 supplementary ones, funded through the Technical Assistance Special Fund, Japan Special Fund, and cofinancing (Table 32).

Key measures were introduced to strengthen the accountability of administering units and quality control mechanisms. A management-driven monitoring system was put in place to raise the profile of and improve portfolio management work.

More attention was paid to broader structural issues affecting project performance, such as alignment of annual project work plans with government budget cycles. Systemic issues in project implementation were addressed through close collaboration with governments and development partners, and the role of resident missions was further enhanced.

The Declaration of Support for the Heart of Borneo was signed by Brunei Darussalam, Indonesia, and Malaysia, which all share Borneo Island. With support from the World Wildlife Fund, the initiative aims to conserve a total of 220,000 square kilometers of equatorial rainforest through a network of protected areas.

ADB also supported increasingly active engagement in the subregional economic initiative by the private sector, local governments, media, and other stakeholders of the Brunei Darussalam–Indonesia–Malaysia–Philippines–East ASEAN (Association of Southeast Asian Nations) Growth Area (BIMP-EAGA).

HIGHLIGHTS

- Lent a record-high \$3.2 billion arising from, among others, approval of the largest project loan in ADB's history (\$1.1 billion), for the Kunming–Hai Phong Transport Corridor–Noi Bai–Lao Cai Highway to Viet Nam to improve connectivity in the Greater Mekong Subregion (GMS)
- Deepened cooperation with subregional associations such as ASEAN, BIMP-EAGA, GMS, and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) to support reforms and facilitate investments
- Raised portfolio quality by introducing several key measures to improve portfolio management and performance, closed 102 dormant technical assistance projects, and achieved larger net resource transfers to all active borrowers than in the previous year
- Sustained the responsiveness and relevance of country and regional programs with the approval of country strategies, programs, and business plans, including the country partnership strategy for Thailand, the first strategic development partnership forged by ADB and a middle-income country
- Further delegated operations to resident missions, supported by closer coordination with ADB headquarters, helping deliver development results more effectively and improve in-country donor coordination

REGIONAL COOPERATION

ADB continued to lead in promoting regional and sub-regional cooperation. It participated in the 12th ASEAN Summit in January, and organized and participated in the first ASEAN Secretariat–ADB high-level consultation meeting held in June in Indonesia, which discussed the joint 2007–2008 work plan for implementing the ADB-ASEAN memorandum of understanding.

A regional cooperation operations business plan for the Greater Mekong Subregion (GMS) Program was completed and endorsed by Management in September.

A new Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) road map, prepared with ADB assistance, was endorsed by the Second IMT-GT Leaders' Summit in January. ADB helped establish a permanent secretariat, the Center for IMT-GT Subregional Cooperation, in Selangor, Malaysia. The Third IMT-GT Leaders' Summit, held alongside the ASEAN meetings in Singapore in November, commended ADB's participation as a development partner and made three specific proposals for ADB assistance.

With ADB assistance, BIMP-EAGA greatly improved transport connectivity with the signing of three key transport agreements. ADB provided technical assistance (TA) for the ongoing effort to streamline customs, immigration, quarantine, and security

ADB continued to lead in promoting regional and subregional cooperation

TABLE 32 Southeast 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	Multitranches Financing Facility ^d
Brunei Darussalam	–	–	–	–	–	–	–	–	–	–
Cambodia	8.0	27.1	35.1	–	–	–	–	46.5	3.0	–
Indonesia	995.0	50.0	1,045.0	–	–	–	–	–	6.2	–
Lao People's Democratic Republic	–	–	–	11.0	–	–	–	60.0	4.1	–
Malaysia	10.0	–	10.0	–	–	–	–	–	–	–
Philippines	583.8	–	583.8	–	–	–	–	9.0	2.7	–
Thailand	–	–	–	–	–	–	–	–	1.0	–
Viet Nam	968.9	515.0	1,483.9	52.0	–	–	–	28.8	13.1	930.7
Total	2,565.7	592.1	3,157.8	63.0	–	–	–	144.3	30.1	930.7

– = 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 Statistical Annex 7 (Direct Value-Added Cofinancing Arrangements).

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

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

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

procedures, and to harmonize border formalities in selected BIMP-EAGA ports and border crossings. It also processed TA for an environment program for the subregion to preserve its exceptional land and marine biodiversity. ADB increased its TA for the BIMP-EAGA economic initiative, from \$700,000 in 2006 to close to \$3 million in 2007 and 2008.

Southeast Asia, with a net loan amount of \$10.5 billion, while the TA portfolio had 215 active projects with a total revised amount of \$253.4 million. ADB, by the end of 2007, had achieved 99% of its annual projections for contract awards (for loans and ADF grants) and 105% of its disbursement targets (for loans and ADF grants).

PORTFOLIO MANAGEMENT

As of 31 December, ADB had 155 ongoing loans and ADF grants (equivalent to 149 ongoing projects) in

ADB has maintained a single-digit projects-at-risk ratio in the subregion since 2005

TABLE 33 Southeast Asia: Grant-Financed Project Approvals by Country, 2007
(\$ million)

Country	ADF	Other Sources ^a	Total
Cambodia			
Enhancing Education Quality	27.1	–	27.1
Greater Mekong Subregion Southern Coastal Corridor (Cambodia and Viet Nam) ^b	–	8.0	8.0
Tonle Sap Lowlands Rural Development ^b	9.9	–	9.9
Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin	–	1.5	1.5
Lao People's Democratic Republic			
Enhancing Capacity of Local Government Agencies and Lao Women's Union for Sustainable Poverty Reduction in Northern Lao People's Democratic Republic	–	0.5	0.5
Health System Development	13.0	–	13.0
Northern Greater Mekong Subregion Transport Network Improvement	27.0	14.5	41.5
Private Sector and Small and Medium-sized Enterprises Development Program Cluster (Subprogram 1)	5.0	–	5.0
Philippines			
Integrated Coastal Resources Management ^b	–	9.0	9.0
Viet Nam			
Integrated Rural Development Sector Project in the Central Provinces ^b	–	1.3	1.3
Thanh Hoa Province Small Scale Infrastructure Investments and Services in Urban and Peri-Urban Areas	–	2.0	2.0
Greater Mekong Subregion Southern Coastal Corridor (Cambodia and Viet Nam) ^b	–	25.5	25.5
Total	82.0	62.3	144.3

– = 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 34 Southeast 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 (%)
Cambodia	22	74.3	39.1	56.8	54.6	9.1	4.8
Indonesia	33	1,187.1	781.0	1,136.3	861.5	6.1	–
Lao People's Democratic Republic	23	43.7	56.2	73.9	76.1	4.3	8.0
Malaysia	–	–	–	–	0.7	–	–
Philippines	18	373.9	844.1	419.2	833.0	11.1	9.5
Thailand	–	–	5.3	–	5.2	–	–
Viet Nam	42	261.0	252.1	229.9	184.1	4.8	10.8
Total	138	1,940.1	1,977.8	1,916.0	2,015.0	6.5	6.5

– = nil.

Note: Totals may not add up because of rounding.

TABLE 35 Southeast Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2007

(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Cambodia			
Greater Mekong Subregion Southern Coastal Corridor (Cambodia and Viet Nam)	–	7.0	7.0
Tonle Sap Lowlands Rural Development	–	10.1	10.1
Second Financial Sector Program Cluster (Subprogram 1)	–	10.0	10.0
Indonesia			
Nutrition Improvement through Community Empowerment	–	50.0	50.0
Poverty Reduction and Millennium Development Goals Acceleration Program (Subprogram 1)	400.0	–	400.0
Capital Market Development Program Cluster (Subprogram 1)	300.0	–	300.0
Third Development Policy Support Program (Subprogram 2)	200.0	–	200.0
Philippines			
Integrated Coastal Resources Management	33.8	–	33.8
Development Policy Support Program (Subprogram 1)	250.0	–	250.0
Local Government Financing and Budget Reform Program Cluster (Subprogram 1)	300.0	–	300.0
Viet Nam			
Mong Duong 1 Thermal Power (Subproject 1)	27.9	–	27.9
Support the Implementation of the Poverty Reduction Program IV	–	15.0	15.0
Integrated Rural Development Sector Project in the Central Provinces	–	90.0	90.0
Greater Mekong Subregion Southern Coastal Corridor Project (Cambodia and Viet Nam)	–	75.0	75.0
Ho Chi Minh City–Long Thanh–Dau Giay Expressway Technical Assistance	–	10.0	10.0
Third Financial Sector Program Loan (Subprogram 1)	–	75.0	75.0
Lower Secondary Education for the Most Disadvantaged Regions	–	50.0	50.0
Greater Mekong Subregion: Kunming–Hai Phong Transport Corridor–Noi Bai–Lao Cai Highway Project	896.0	200.0	1,096.0
Subtotal	2,407.7	592.1	2,999.8
NONSOVEREIGN			
Cambodia			
Power Transmission Lines Co., Ltd. Power Transmission	8.0	–	8.0
Indonesia			
PT Semen Andalas Indonesia for the Reconstruction of the Cement Production Facility in Aceh	45.0	–	45.0
West Jakarta Water Supply Development	50.0	–	50.0
Malaysia			
Eucalypt Mortgages Sdn. Bhd.	10.0	–	10.0
Viet Nam			
Vietnam Technological and Commercial Joint-stock Bank	25.0	–	25.0
The Bank for Foreign Trade of Viet Nam	20.0	–	20.0
Subtotal	158.0	–	158.0
Total	2,565.7	592.1	3,157.8

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

Thanks to several key initiatives to improve portfolio management, ADB has maintained a single-digit projects-at-risk ratio in the subregion since 2005 (Table 34). A rigorous monitoring system with monthly meetings on TA performance and strict screening of

TA extensions was instituted. Results-oriented country portfolio review missions were undertaken in Indonesia, the Philippines, and Viet Nam, all led by the resident missions.

TABLE 36 Southeast Asia: Cumulative Lending and Disbursements by Country as of the end of 2007 (\$ million)^{a, b}

Country	Lending	Disbursements
Cambodia	947.3	675.9
Indonesia	22,558.3	17,397.8
Lao People's Democratic Republic	1,211.3	1,081.8
Malaysia	1,997.5	1,414.0
Myanmar	530.9	411.8
Philippines	9,832.8	7,536.3
Thailand	5,388.1	4,207.7
Viet Nam	5,524.4	2,369.1
Total^c	47,990.7	35,094.4

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) loans.

c Totals may not add up because of rounding.

COUNTRY HIGHLIGHTS

Brunei Darussalam

Partnership priorities. Brunei Darussalam joined ADB in 2006. Since its inception in 1994, Brunei Darussalam has been an active member of BIMP-EAGA, which has received increased support from ADB over the last few years. The Government has expressed interest in Brunei-funded and ADB-executed technical assistance, initially in capital market development.

Rich in oil, but with declining output over the medium term, the country faces a number of challenges. Human resources and skills are in short supply, and the country is heavily dependent on foreign contract workers, both for menial jobs and for skilled labor. The economy is dominated by the public sector, with many services provided for free or heavily subsidized. Economic diversification away from energy and gradually decreasing dominance of the public sector are high on the Government's agenda. ADB will provide technical advice where required and continue assistance through the BIMP-EAGA program.

Cambodia

Partnership priorities. Continued political stability provided the backdrop for another year of stellar economic growth (9.6%). While agricultural production again performed strongly, however, economic development continued to be mostly urban-based and rural poverty remained a priority area. Accordingly, the Government reemphasized rural development as a top priority.

The country strategy and program (CSP) (2005–2009), which is fully in line with the Government's National Strategic Development Plan (2006–2010), aims to foster sustainable pro-poor growth, inclusive

FIGURE 9 Southeast Asia: ADB Lending by Country, 2006–2007 (Sovereign and Nonsovereign) (\$ million)

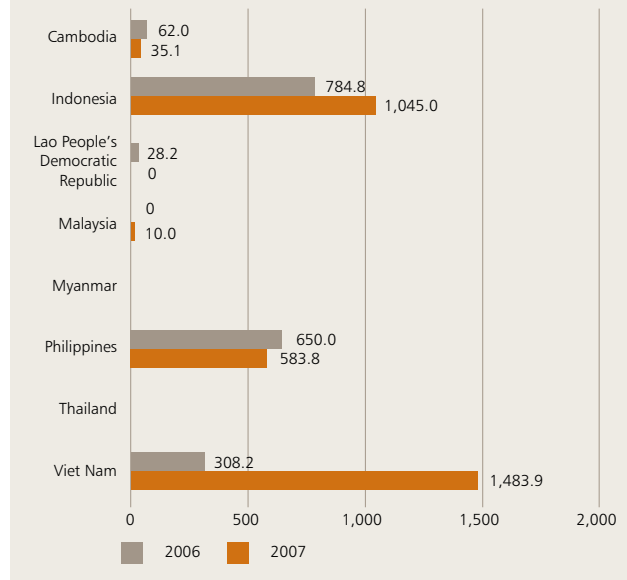
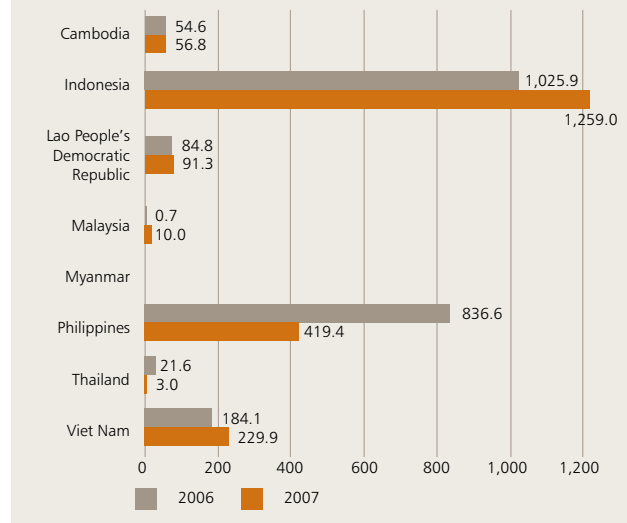


FIGURE 10 Southeast Asia: ADB Disbursements by Country, 2006–2007 (Sovereign and Nonsovereign) (\$ million)



social development, and improved governance and service delivery. The CSP midterm review endorsed the overall strategic approach but identified the need for a sharper focus on agricultural and rural development.

ADB's interventions in the agriculture and rural sector centered on the Tonle Sap basin area, where 38% of the population falls under the official poverty line. ADB's social development priorities were education reform and better health and communicable disease control. Private

sector development priorities included second-generation support to strengthen and deepen the financial sector and create more backward value-chain-type links between private sector and rural development. ADB focused on risk management initiatives, particularly in public financial management, procurement, and other efforts to reduce corruption.

Impact of operations. The Tonle Sap Rural Water Supply and Sanitation Sector Project continued to help reach Cambodia's Millennium Development Goal of 50% coverage of safe water supply and 30% coverage of sanitation in rural areas by 2015.

Under the Second Education Sector Development Program, the Education Law was passed and a related legislative instrument action plan drafted, the recurrent budget allocation for education increased by more than

23% over 2006, and 100 new lower secondary schools were built, benefiting 32,000 students in remote and disadvantaged areas. Under the Health Sector Support Project, the Health Sector Strategic Plan (2008–2015) was reviewed, the construction and rehabilitation of six additional health facilities and four referral hospitals were financed, and actual recurrent health spending increased by an estimated 31.4% over 2006.

ADB continued to help improve the investment climate, through such means as the continued implementation of the Small and Medium-Sized Enterprise Development Program Loan, which helped streamline business registration and licensing procedures, and the Financial Sector Program Loan, which strengthened the legal foundations for banking, insurance, and commercial development; tightened supervision and surveillance of financial institutions; and developed the financial market.

Clean Water for Tonle Sap's Poor



Clean water for villagers

The Tonle Sap in Cambodia is the largest freshwater lake in Southeast Asia, but provinces around it have limited access to safe water and sanitation. An ADB project is providing a solution.

Farmer Vorn Mao used to collect water for her family from foul-smelling and hazardous streams in a remote village. In the dry season, the 36-year-old mother of two had to dig for water, or trek 2 km or more to streams where many people also washed their clothes or bathed. Without the means to treat the water, she and her family often suffered from diarrhea, fever, and skin problems.

Now, times have changed and Vorn Mao and her family and neighbors have safe, clean, and accessible water, thanks to a deep-well pump installed as part of the Tonle Sap Rural Water Supply and Sanitation Sector Project. Funded by ADB through an \$18 million grant from the Asian Development Fund, the project is part of the Tonle Sap initiative launched by ADB in 2002.

"I'm very happy we now have a water well," Vorn Mao says. "Because of the reduction in sickness, we spend less on medicine."

Since 1989, more and more people have gained access to safe water and sanitation, mainly because of external assistance. Yet rural water supply coverage remains the second lowest in Asia.

By the time it is completed in 2011, the Tonle Sap project aims to provide water supply and sanitation facilities to about 1,760 villages or 1.8 million people in the five target provinces.

A key element of the project is the active participation of the communities, which help select, plan, share the cost, implement, operate, and maintain the facilities.

In the case of deep-well pumps, which cost an average of \$1,800 to set up, the beneficiaries shoulder 10% of the cost in cash or in kind and take part in managing the facility through a water and sanitation user group.

Drawn from the heads of user households, group members contribute to the capital and maintenance costs of the facilities.

"We have a plan to protect the facility from mold. Then I also collect money from the user families to cover maintenance costs. So if there are minor problems, we can have the facility fixed," said Vorn Mao, who is a group board member.

"Because of the reduction in sickness, we spend less on medicine"

ADB helped improve the central Government's public financial management and decentralize authority to local governments. Technical assistance strengthened the capacity of the Ministry of Economy and Finance to manage and monitor public sector debt. ADB also carried out governance risk assessments of two ministries and recommended specific corruption mitigation measures.

Indonesia

Partnership priorities. The country strategy and program (2006–2009) is fully aligned with the Government's medium-term development plan. It addresses a number of constraints on achieving higher pro-poor sustainable economic growth and improving social development.

The focus was on infrastructure development, financial sector deepening, decentralized development, faster achievement of the Millennium Development Goals, and environmental and natural resource management. Particular attention was given to supporting the Government's reform programs and to increasing private sector participation in financing development needs, especially infrastructure. To support these reforms and initiatives, ADB assisted the country with several key conferences and seminars.

Impact of operations. The Third Development Policy Support Program, approved by the Board in December, is part of the development policy loan series being coordinated by the World Bank in Indonesia to support the transition from postcrisis stabilization to long-term development. At the request of the Government, ADB has been engaged in the development policy loan series since 2005.

The development policy loan program helped advance reform and improve the investment climate by shortening value-added tax refund times, rolling out a national single window with online clearance on merchandise, and reducing the time needed to start a business. Core government cash operations were consolidated into the Treasury Single Account, blanket guarantees on deposits were eliminated in phases, and legislation set up an independent national procurement office.

The Earthquake and Tsunami Emergency Support Program, with a total grant of \$300 million, completed its third year of assistance in rebuilding Aceh and Nias. Cumulative contract awards reached \$138 million, with disbursements at \$120 million. The program also reached out to citizens affected by the 30-year conflict that has held back Aceh's development. To better sustain recovery efforts, ADB provided technical assistance for institutional strengthening.

Lao People's Democratic Republic

Partnership priorities. A country operations business plan (COBP) was prepared. ADB's country strategy and program (CSP) (2007–2011) began implemen-

tion. The CSP reflects lessons learned from ADB's experience in the country and introduces greater sector selectivity and focus, and proposes a move toward a programmatic approach. The CSP is aligned with and anchored on the Government's development framework and seeks to promote pro-poor sustainable growth, foster social inclusiveness, and improve governance.

The framework is embodied in the Government's Sixth Five-Year Development Plan (SEDP6), which includes a strategy for poverty reduction and sustainable development and continued to be implemented successfully. Steps were taken to create a more enabling environment for business and investment and a more open trade regime.

Impact of operations. The country continued to witness robust economic growth and to make progress in achieving its income-related Millennium Development Goals (MDGs), but not its non-income MDG commitments. The COBP largely supported SEDP6 and CSP implementation through ADB's performance-based ADF allocation, regional ADF allocations, and selective ordinary capital resources and private sector operations. The COBP was designed to help mobilize public-private partnerships, cofinancing operations, ADB-administered trust funds, and special initiatives from ADB's Regional and Sustainable Development Department, and to promote the broader use of financial instruments and further partnerships with the ADB Institute and other development partners.

Malaysia

Partnership priorities. The development plan (the Ninth Plan) calls for increased cooperation with ADB, particularly in exchanging development experiences in other countries. ADB proposed a country partnership strategy to identify broad areas for collaboration to strengthen the country's competitiveness and private sector development, such as private sector financing of infrastructure investments, capital market development, and environmentally sustainable development. ADB provided technical assistance for economic modeling and forecasting in the Ministry of Finance.

Malaysia continued to actively participate in BIMP-EAGA and IMT-GT and in technical assistance activities in the ASEAN+3 Bond Market Initiative and the ASEAN Surveillance Process. The draft archipelagic Southeast Asia (aSEA) regional cooperation strategy includes a central role for Malaysia in cross-border transport and energy projects with Indonesia, and in a range of technical assistance activities. The regional cooperation strategy was designed to complement the country partnership strategy and focus on tackling development constraints that can be dealt with regionally.

Myanmar

ADB continued to monitor economic development and will formulate an operational strategy when appropriate. ADB approved the last loan projects in 1986 and the last technical assistance projects in 1987.

Philippines

Partnership priorities. The country operations business plan (2007–2008) extended the country strategy and program (CSP) (2005–2007) by 1 year, after an assessment revealed that the CSP's core elements remain relevant, especially their explicit alignment with the Government's strategy and priorities.

The accelerating pace and quality of fiscal consolidation and sector reforms enabled ADB to move to its high-case lending scenario. In 2006, lending and disbursement were the highest since 1998, and the net resource transfer continued to be positive for the second year since 1997. In 2007, ADB approved a more favorable cost-sharing and expenditure eligibility for investment projects in order to increase project borrowing and the use of new lending modes such as the multitranche financing facility, for which some operations were planned.

Impact of operations. Since the East Asian crisis of 1997, the Philippines has had limited capacity to budget large infrastructure projects such as power, roads, and airports. ADB has responded with support for reforms in key sectors, including power, finance, local government finance and budgeting, judicial reform, and microfinance. Since 1998, 72% of new lending has been for policy-based operations, and both new loans in 2006 were for policy support. Much of the assistance is designed to reduce the fiscal imbalance.

While the impact of ADB-supported reforms is likely to be revealed over time, the sharply improved fiscal situation has allowed the authorities to reorient priorities to more directly reduce poverty and joblessness, and increase access to services. ADB continued to support better public expenditure management, a strengthened regulatory framework, greater certainty in the rule of law, and improved service delivery by local authorities. As reforms gain traction, it is expected that investment will revive, jobs will be created, growth will accelerate, and faster inroads into poverty will be possible.

Thailand

Partnership priorities. In May, the Board endorsed the 5-year country partnership strategy (CPS) to support Thailand's efforts to enhance its global competitiveness and increase private investment. The CPS was designed to increase Thailand's role, capacity, and effectiveness as a regional development partner through cofinancing

projects in neighboring countries; promote subregional trade and investment; and further develop Asian bond markets. ADB and Thailand shared experiences and expertise in supporting subregional cooperation programs and regional economic integration. Core strategic areas of partnership were infrastructure development, capital markets, and environmental sustainability.

ADB's private sector operations expanded. The Thailand Resident Mission and the Private Sector Operations Department continued to work closely to support private sector development and investment flows in energy, infrastructure development, and capital markets.

Impact of operations. Three technical assistance (TA) projects were completed. The first helped the Ministry of Finance and the Ministry of Transport structure private concessions for proposed lines to expand the Bangkok rail mass rapid transit network. The second supported capital market development by covering the positioning of the Stock Exchange of Thailand in the medium and long term. Under the third TA project, ADB proposed a framework of economic instruments to reduce environmental pollution. An ongoing project is helping look at rules and regulations on borrowings and bond issuance by local governments and build the capacity of local governments for borrowing and bond issuance.

Viet Nam

Partnership priorities. The country strategy and program (2007–2010) was designed to significantly expand ADB's operations; support pro-poor, business-led economic growth, social inclusiveness, and environmental protection and management; and emphasize governance and regional cooperation as key crosscutting priorities.

Impact of operations. ADB supported a broad range of sectors. It provided a fourth program loan to cofinance the implementation of the Poverty Reduction Program, through the Poverty Reduction Support Credit financed by several development partners, as part of the Government's Socio-Economic Development Plan for 2006–2010.

A lead donor in the education sector, ADB has promoted inclusive development by providing five loans totaling \$220 million to enhance the quality, equity, effectiveness, and sustainability of secondary education. Ongoing operations have shown an overwhelmingly positive trend in expansion of schooling, and greatly helped achieve the Government's priority sector goal of universal lower secondary education by 2010.

Road improvements and bridge construction under the Greater Mekong Subregion's (GMS) East–West Economic Corridor Project, completed in 2007, along with the Phnom Penh–Ho Chi Minh City Highway Improvement Project, completed in 2006, improved Viet Nam's

connectivity with other GMS countries and helped increase trade between the country and its Mekong neighbors. In 1992–2006, Viet Nam's combined exports to the other Mekong countries grew by 24.0% per year, on average, and the share of such exports in total exports increased from 6.5% to 8.8%. ADB substantially supported the power sector through the ongoing Northern Power Transmission Sector Project.

Governance improvements are supported through the entire portfolio of ADB operations in Viet Nam. For example, the ongoing Third Financial Sector Program helped improve governance by making progress in meeting its goals of expanding the nonbank financial sector through improved capital markets, introducing a wide range of legal and regulatory structures, and creating a

more diversified, extensive, and resilient financial sector. ADB continued to work with other donors to help the Government apply results-based management. It helped organize the Third International Roundtable in Ha Noi and develop the monitoring and evaluation framework for the Socio-Economic Development Plan, which was approved in May. Through the joint activities of the Six Banks (ADB, Agence Française de Développement, Japan Bank for International Cooperation, Korea Eximbank, Kreditanstalt für Wiederaufbau, and the World Bank), ADB helped strengthen government systems for the management of public investment and official development assistance, including systems for project processing, procurement management, public financial management, and environmental and social safeguards.

Back to Basics in Indonesia



Girls with a brighter future

On Bali's west coast, 3 hours from the tourist crowds of the island's capital Denpasar, is a hidden world of poverty that visitors rarely get to see.

Jembrana, about 120 km west of these tourist areas, is Bali's poorest district, where poverty levels approach 40%. Outwardly, it is deceptively picture perfect, with stunning rice terraces overshadowed by distant volcanoes.

But this is a district where unemployment and underemployment are high, wages are low, and many people depend on casual or seasonal labor, mostly in the fields and on fishing boats, earning the equivalent of little more than \$1 per day.

One such laborer is Antiri, who is in her mid-30s but looks much older, her skin hardened by years of outdoor toil. "I am from a poor family," she said. "I have to work hard if I want to put aside some money to pay for schooling of my children."

One of her children, Susilo, while a student at Jembrana's Negara 4 Junior Secondary School, received a

scholarship supported by the ADB-funded Decentralized Basic Education Project, which operates in the province.

"We give the parents Rp60,000 (rupiah) (\$6.50) for equipment and clothes," explained Juminah, the school's headmistress. "Three days later, the parents are required to report back to us what they have bought—bags, shoes, books, or uniforms." These funds go to the neediest children who are identified by the village head, school committee, and teachers.

The scholarships are just one small part of the project. Supported by an ADB loan of \$100 million and a Government contribution of \$25 million, the education project was approved in November 2001 and is designed to encourage poor families to send their children to school and allow them to complete at least 9 years of basic education.

A key plank is the refurbishing and rebuilding of schools, including some destroyed by the December 2004 tsunami. Cofinancing support has come from the Netherlands, which in March 2006 committed \$28 million to expand the project into six more districts in Nusa Tenggara Timur. A total of 5,273 schools—including Islamic madrasah—have been earmarked for support by the time the loan closes at the end of 2008.

Stakeholders say the project is bearing fruit. Education officials noted that dropout rates are falling and enrollment rates rising. For headmistress Juminah, that provides a ray of hope. "They are beginning to respond. I hope that these children in the future can have a better life than their parents."

**Dropout rates are falling
and enrollment rates rising**