

## Chapter 10

# SOUTH ASIA

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

ADB strengthened partnerships with key donors to deliver effective assistance and provided support to mitigate impacts of the global economic crisis. Regional cooperation and integration efforts were stepped up and the risk-based approach to portfolio management was strengthened. Climate change became a pillar of a country partnership strategy.

## OVERVIEW

**A**DB's performance in South Asia remained strong. ADB strengthened donor harmonization and aid effectiveness through donor partnership in formulating country strategies.

ADB made climate change a pillar of a country partnership strategy and provided substantial assistance in response to the global economic crisis.

## PORTFOLIO MANAGEMENT

ADB strengthened the risk-based approach to portfolio management. This focuses on complex and problematic projects and sectors; capacity development assistance to executing agencies; better project preparation and enhanced quality-at-entry review, including more rigorous assessment of project readiness; and closer monitoring of major deviations at all stages of the project cycle. As a result,

loan disbursements increased to \$2.8 billion from \$2.4 billion in 2008, while contract awards and commitments reached \$3.2 billion from \$2.4 billion in 2008 (Table 22).

## HIGHLIGHTS

- Included climate change as a pillar of Nepal's country partnership strategy
- Extended substantial financial assistance in response to the global economic crisis
- Further strengthened donor harmonization and aid effectiveness through partnership with key donors in formulating country partnership strategies in addition to undertaking country portfolio reviews
- Strengthened risk-based approach to portfolio management



ADB helped preserve spending on social welfare, including urban primary health care in Dhaka, Bangladesh

## The Global Economic Crisis: ADB's Response

### Bangladesh

- Helped the government stimulate economic recovery and improve social safety nets through the Countercyclical Support Facility
- Improved service delivery, boosted the efficiency of social safety net programs, promoted public-private partnerships, and strengthened public resource management through the parallel Public Expenditure Support Facility

### The Maldives

- Supported reform measures to arrest the deteriorating macroeconomic situation and help the country resume sustainable growth by providing concessional loans through the Economic Recovery Program
- Helped improve macroeconomic policy formulation and development effectiveness through technical assistance grants

### Nepal

- Mitigated the reduction of remittances and tourism income by increasing investments in the productive sectors, using resources allocated from the Asian Development Fund's additional liquidity for crisis response

**TABLE 21 South Asia: Grant-Financed Project Approvals by Country, 2009**  
(\$ million)

Country	ADF	CCF	Other Sources <sup>a</sup>	Total
<b>Bangladesh</b>				
Developing Inclusive Insurance Sector	–	–	2.0	2.0
Second Primary Education Development Program (Supplementary) <sup>b</sup>	–	–	30.0	30.0
Emergency Disaster Damage Rehabilitation (Supplementary) <sup>b</sup>	–	–	24.0	24.0
Post-Literacy and Continuing Education (Supplementary) <sup>b</sup>	–	–	2.5	2.5
<b>Bhutan</b>				
Road Network II	38.8	–	–	38.8
<b>India</b>				
Capacity Building and Livelihood Enhancement of Poor Water Users	–	–	2.0	2.0
<b>Nepal</b>				
Emergency Flood Damage Rehabilitation	25.6	–	–	25.6
Establishing Women and Children Service Centers	–	–	0.8	0.8
Second Small Towns Water Supply and Sanitation Sector	45.1	–	–	45.1
Education Sector Program – Subprogram III	70.0	–	–	70.0
Capacity Building for the Promotion of Legal Identity among the Poor	–	–	2.0	2.0
South Asia Tourism Infrastructure Development <sup>b</sup>	12.8	–	–	12.8
Air Transport Capacity Enhancement <sup>b</sup>	10.0	–	–	10.0
Energy Access and Efficiency Improvement <sup>b</sup>	–	0.3	4.2	4.5
Flour Fortification in Chakki Mills	–	–	1.8	1.8
<b>Sri Lanka</b>				
Clean Energy and Access Improvement <sup>b</sup>	–	4.2	–	4.2
Improving Connectivity to Support Livelihoods and Gender Equality	–	–	3.0	3.0
North East Community Restoration and Development Program II (Supplementary) <sup>b</sup>	–	–	7.3	7.3
<b>Total</b>	<b>202.2</b>	<b>4.5</b>	<b>79.5</b>	<b>286.2</b>

– = nil, ADF = Asian Development Fund, CCF = Climate Change Fund.

Note: Totals may not add up because of rounding.

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

b Grant component of a loan project.

**Table 22 South Asia: Portfolio Performance Indicators for Sovereign Lending, 2008–2009**

Country	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Bangladesh	59	1,209.4	506.2	1,068.0	615.6	–	2.0
Bhutan	6	75.6	18.8	31.0	4.3	16.7	–
India	53	1,657.1	1,154.0	1,339.8	1,507.7	5.7	9.1
Maldives	9	6.9	4.5	5.3	2.7	55.6	50.0
Nepal	17	94.0	64.5	73.5	60.9	5.9	5.0
Sri Lanka	40	157.4	611.0	245.6	249.5	15.0	4.9
<b>Total</b>	<b>184</b>	<b>3,200.5</b>	<b>2,358.9</b>	<b>2,763.2</b>	<b>2,440.7</b>	<b>8.7</b>	<b>7.1</b>

– = nil.

Note: Totals may not add up because of rounding.

## REGIONAL COOPERATION

ADB supported regional cooperation and integration in South Asia through the South Asian Association for Regional Cooperation (SAARC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and subregional initiatives. In April, ADB convened the first High Level Forum on Emerging Vision for Shared

**ADB convened the first High Level Forum on Emerging Vision for Shared Prosperity: South Asia and Beyond**

**TABLE 23 South Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2009**  
(\$ million)

Country	OCR	ADF	Total
<b>SOVEREIGN</b>			
<b>Bangladesh</b>			
Participatory Small-Scale Water Resources Sector	–	55.0	55.0
Small and Medium-Sized Enterprise Development	–	76.0	76.0
Urban Public and Environmental Health Sector Development Program			
– Program Loan	–	70.0	70.0
– Project Loan	–	60.0	60.0
Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program <sup>a, b</sup>	600.0	144.9	744.9
South Asia Tourism Infrastructure Development (Bangladesh, India, and Nepal)	–	12.0	12.0
Padma Multipurpose Bridge Design (Supplementary)	–	10.0	10.0
<b>India</b>			
Uttarakhand Power Sector Investment Program – Tranche 3	30.6	–	30.6
Rajasthan Urban Sector Development Investment Program – Tranche 2	150.0	–	150.0
India Infrastructure Tranche Financing Facility – Tranche 2	200.0	–	200.0
National Power Grid Development Investment Program – Tranche 2	200.0	–	200.0
Madhya Pradesh Power Sector Investment Program – Tranche 5	166.0	–	166.0
National Highway Corridor (Sector) I – (Supplementary)	100.0	–	100.0
North Eastern Region Capital Cities Development Investment Program – Tranche 1	30.0	–	30.0
Rural Roads Sector II Investment Program – Tranche 4	185.0	–	185.0
Mizoram Public Resource Management Program	94.0	–	94.0
Developing Public Resource Management Program in Mizoram	6.0	–	6.0
South Asia Tourism Infrastructure Development (Bangladesh, India, and Nepal)	20.0	–	20.0
Second India Infrastructure Tranche Financing Facility – Tranche 1	210.0	–	210.0
Assam Power Sector Enhancement Investment Program – Tranche 1	60.3	–	60.3
Jharkhand State Roads	200.0	–	200.0
Himachal Pradesh Clean Energy Development Investment Program – Tranche 2	59.1	–	59.1
<b>Maldives</b>			
Economic Recovery Program	–	35.0	35.0
Capacity Building for Economic Recovery (TA Loan)	–	1.5	1.5
<b>Nepal</b>			
Education Sector Program (Subprogram 3)	–	25.0	25.0
South Asia Tourism Infrastructure Development (Bangladesh, India, and Nepal)	–	12.8	12.8
Air Transport Capacity Enhancement	–	70.0	70.0
Energy Access and Efficiency Improvement	–	65.0	65.0
<b>Sri Lanka</b>			
Clean Energy and Access Improvement	135.0	25.0	160.0
Eastern and North Central Provincial Road	–	70.0	70.0
Greater Colombo Wastewater Management	80.0	20.0	100.0
<b>Subtotal</b>	<b>2,526.0</b>	<b>752.1</b>	<b>3,278.1</b>
<b>NONSOVEREIGN</b>			
<b>India</b>			
Small and Medium Enterprise Trade Finance Development Facility	100.0	–	100.0
<b>Subtotal</b>	<b>100.0</b>	<b>–</b>	<b>100.0</b>
<b>Total</b>	<b>2,626.0</b>	<b>752.1</b>	<b>3,378.1</b>

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

Note: Totals may not add up because of rounding.

a Consists of two ADF loans.

b Consists of two OCR loans.

FIGURE 7 South Asia: ADB Lending by Country, 2008–2009 (Sovereign and Nonsovereign)

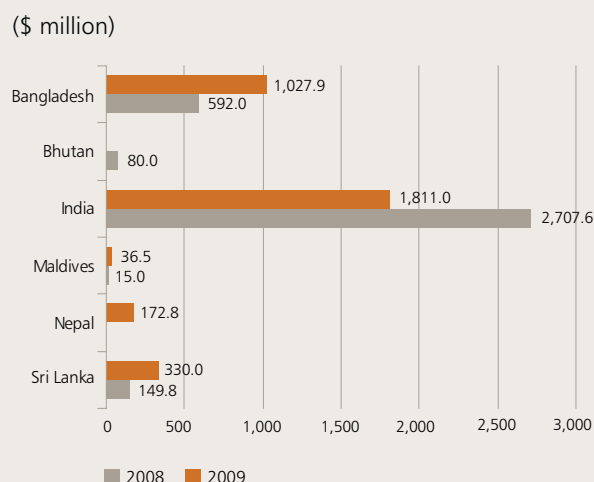
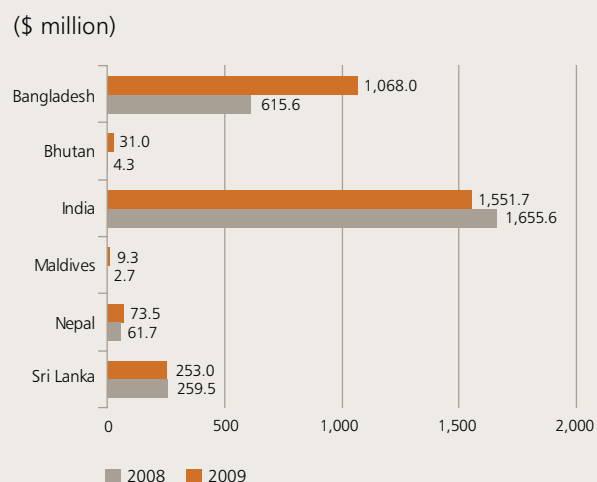


FIGURE 8 South Asia: ADB Disbursements by Country, 2008–2009 (Sovereign and Nonsovereign)



Prosperity: South Asia and Beyond, bringing together stakeholders from the finance and foreign ministries of South Asian countries, their neighbors, and the SAARC Secretariat to agree on approaches for advancing regional cooperation in South Asia and beyond.

ADB approved the second multi-country investment project in South Asia, which will create infrastructure for regional tourism; approved a road project for Bhutan, which has significant regional implications; and prepared the subregional transport infrastructure and trade facilitation project. ADB provided technical assistance to support resolutions of the SAARC Summit and the activities of the SAARC Secretariat, including regional food security initiatives. ADB also assisted networking among policy research institutes and think tanks involved with regional cooperation and integration.

ADB prepared the regional cooperation operations business plan for South Asia, 2010–2012, which provides \$1.6 billion for lending to regional and national projects with a regional dimension, and \$15.8 million for nonlending products and services. ADB prepared the completion report for the regional cooperation strategy and program 2006–2008 to help formulate the new strategy.

**ADB approved the second multi-country investment project in South Asia, which will create infrastructure for regional tourism**

TABLE 24 South Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)<sup>a, b</sup>

Country	Lending	Disbursements
Bangladesh	10,885.3	7,924.1
Bhutan	256.1	147.6
India	22,228.2	13,557.2
Maldives	152.8	80.8
Nepal	2,473.7	1,777.2
Sri Lanka	4,685.5	3,414.8
<b>Total</b>	<b>40,681.6</b>	<b>26,901.6</b>

Note: Totals may not add up because of rounding.

a. Loan component of regional projects distributed to the countries.

b. Includes nonsovereign (public and private) sector loans.

## COUNTRY HIGHLIGHTS

### Bangladesh

**Partnership priorities.** The midterm review of the country partnership strategy, 2006–2010, completed in August, validated its strategic pillars (sustainable economic growth, inclusive social development, and good governance) while underscoring the need for greater investment in basic infrastructure and further progress on economic and governance reforms.

ADB mobilized additional financing to support government efforts to stimulate economic recovery and improve social safety net programs, and funds were redirected from ongoing projects for emergency post-cyclone rehabilitation. ADB also extended its support

for small-scale water resources and small and medium-sized enterprises. Ten loans were approved totaling \$1 billion.

**Impact of operations.** ADB's support for primary education engendered progress in several key performance indicators. The sector-wide approach fostered

harmony among development partners and reduced transaction costs for the government. The design of the Padma Multipurpose Bridge was initiated with ADB support, and additional resources were provided through a supplementary loan to accelerate preparation of this high-priority project. The Northwest Crop Diversification Project substantially raised the incomes

## Birth Free of Worry

Women in towns and cities across Bangladesh can welcome their babies safely into the world as an ADB-funded partnership works to combat maternal and child mortality

**K**amrunnahar Akter says the birth of her third child at a well-equipped health care center was free of the stress she experienced in her previous deliveries.

"I have had two children at home in deliveries that had a lot of anxieties and difficulties, but here I have had no worries," Akter, who is 29, said as she rested after giving birth to a healthy boy at the center run by Progoti Samaj Kallyan Protisthan, a non-government organization (NGO) running health care centers in Dhaka operated under the Second Urban Primary Health Care Project in partnership with the Government of Bangladesh.

Akter's experience is typical of women across the country who have benefited from an innovative tie-up between local governments and NGOs to deliver primary health care to poor urban communities. Such public-private partnerships provide facilities and services to six city corporations and five municipalities across Bangladesh.

Building on an earlier ADB project, this initiative aims to reach underserved communities and, in particular, to improve child and maternal health in areas where mortality rates remain high. The under-5 child mortality is 65 per 1,000 births; 41% of children under 5 are underweight, 12% severely so.

Only 52% of pregnant women obtain antenatal care from a medically trained provider and only 15% of births take place in health care facilities.

"We believe our health centers have contributed to a substantial reduction in child and maternal mortality and morbidity in Bangladesh," said Kazi Nurun Nabi, project manager of Progoti Samaj Kallyan Protisthan, who oversees an average of five deliveries per day at the maternity center where Akter gave birth.

So far the project has established 116 primary health care centers and 9 comprehensive reproductive health care centers; 41 more health care facilities and 42 community toilets will be built before the project closes at the end of 2011.

The centers also provide other medical treatment, vaccinations, family planning and nutritional advice, and education on primary health care. The project targets care to the most needy: at least 30% of the health centers' free services reach the urban poor, and nutritional supplements are supplied to severely malnourished women and children. Satellite clinics in slum areas treat patients who cannot come to the main health centers. The project has assisted more than 100,000 institutional deliveries, and over 5 million have benefited so far from the project.

The government is responsible for devising and overseeing the program, while NGOs deliver the health care and family planning services.

The project is financed mainly by ADB with cofinance from the Department for International Development (DFID) of the United Kingdom, the Swedish International Development Cooperation Agency (Sida), and the United Nations Population Fund (UNFPA). ORBIS, an international NGO, helps the project provide primary eye care services.

**"We believe our health centers have contributed to a substantial reduction in child and maternal mortality and morbidity in Bangladesh"**

—Kazi Nurun Nabi,  
project manager of a maternity center



A baby gets treatment at an ADB-funded health center



of some 250,000 small and marginal farmers, and ADB began preparing a second phase.

## Bhutan

**Partnership priorities.** The July midterm review of the Bhutan country partnership strategy concluded that the strategy of poverty reduction through program and project assistance in four core sectors (roads, power and rural electrification, urban infrastructure, and financial and private sector development) and capacity development in these sectors is fully aligned with the government's Tenth Plan

and ADB's Strategy 2020. The review recommended continued implementation as planned.

**Impact of operations.** Accessibility is Bhutan's key development issue. The Road Network II Project increased passenger and freight transport within the country and with India, and integrated the southern region with its primary markets through the expanded road network and accessible border crossings. ADB's power interventions enabled poor households to establish income-generating microenterprises and strengthened small-scale cottage industries benefiting from

## Paving the Way to Prosperity

**Bhutan is upgrading and extending its roads and highways, dramatically improving road safety and livelihoods for farmers, business people, and transport workers**

**B**udhbir Tamang tells stories of close calls driving on Bhutan's treacherous mountain roads, white-knuckle experiences that left him inches from plunging to certain death.

The 27-year-old truck driver has fewer hair-raising tales after ADB assisted in the renovation and upgrading of 328 kilometers (km) of the East-West Highway, a vital passage that connects the two sides of the country. All-weather pavement was installed on the single highway bisecting the country, along with concrete barriers on the most dangerous curves.

"It's still dangerous," said Tamang, "but now my wife doesn't worry that I won't come home alive when I have to drive cross-country."

Vehicular transport in Bhutan, which did not have a single car until the 1960s, has grown rapidly in recent years, but the country's road network, comprising 4,153 km of drivable roads, provides only limited coverage and cannot meet the growing demands of larger and heavier vehicles.



Driving on Bhutan's highways is a lot safer these days, says truck driver Budhbir Tamang

The government partnered with ADB to meet Bhutan's transport needs. ADB has provided four loans and two grants totaling \$85.9 million, and has helped build or upgrade 346 km of roads and highways. The Bhutan Road Improvement Project has reduced vehicle operating costs by 19%–38%, cut travel time by 25%, and benefited nearly 100,000 people, according to an independent evaluation by ADB.

ADB is also working to improve about 140 km of the Trongsa–Gelephu highway—the vital route linking Bhutan to the India border—and about 100 km of other important road sections.

"The benefits of that project have been immense," says Pherub Phuntsho, an engineer with Bhutan's Department of Roads, who reports that heavy vehicle and bus accidents have fallen dramatically.

The impact of upgrading the East-West Highway is highly visible. Traffic in some sections of the highway has increased from as few as 4 or 5 vehicles per day before improvement to 300 or 400 vehicles per day, and twice as much in other sections.

Temphey, a 50-year-old farmer living near the western city of Wangdue, has also benefited immensely as a result of the highway improvement. The farmer of potatoes, radishes, and chili peppers used to spend more than a day hauling his goods to market by ox. Today, it takes about an hour to get his goods to market.

"I used to live like the ox in the field," Temphey says. "Now, my work is easier and I can spend more time with my family."

**"My wife doesn't worry that I won't come home alive when I have to drive cross-country"**

—Budhbir Tamang, truck driver

microcredit under ADB's Small and Medium Enterprises Sector Development Program. The finance sector was stronger because of sustained regulatory and policy development assistance. Access and electrification have allowed the government to establish schools and health units, increasing ADB's direct and indirect contribution to poverty reduction and achievement of the Millennium Development Goals.

## India

**Partnership priorities.** The country partnership strategy 2009–2012 will speed up poverty reduction and social development. It will strengthen ADB support for infrastructure development, promote public–private partnerships in infrastructure development, support climate change adaptation and mitigation, and encourage innovative financing. Results and knowledge creation will also be enhanced.

**Impact of operations.** The Chhattisgarh Irrigation Development Project improved irrigation infrastructure and agriculture extension services, leading to an estimated 50% yield increase in irrigated rice and 30% in wheat and the piloting of new cash crops. The \$100 million Assam Power Sector Development Program, 2003–2009, helped restructure the Assam State Electricity Board, developed tariff rules, funded an electric service billing system, and lowered transmission and distribution system losses. Power supply was made more reliable and 1,200 villages were connected to the grid. ADB financed 24 projects under the first tranche of the India Infrastructure Project Financing Facility, 2008–2010, leveraging more than 10 times its own resources from other commercial sources.

**The country partnership strategy 2009–2012 for India aims to speed up poverty reduction and social development, help build infrastructure, promote public–private partnerships, support climate change adaptation, and encourage innovative financing**

## The Maldives

**Partnership priorities.** Under the country partnership strategy, ADB and the government agreed to augment human resources capacity, a binding constraint in the Maldives; strengthen economic management; improve development effectiveness; and provide assistance for private sector development, energy, and transport with an emphasis on public–private partnership. The strategy contains a provision for ADB to respond quickly if circumstances change. The recent global economic slowdown has adversely affected the Maldives, and ADB approved quick-disbursing assistance to support the government's economic reform program.

**Impact of operations.** The Economic Recovery Program contributed \$35 million to a government emergency program supported by international financial institutions that sought to correct underlying economic distortions and restore a sustainable medium-term growth trajectory. By supporting structural reforms, the program facilitated progress toward more broad-based and sustainable development, thereby reducing vulnerability to external shocks.

## Nepal

**Partnership priorities.** The country partnership strategy, 2010–2012, was prepared based on consultations

### Donor Partnership in Formulating Country Strategies for Nepal

ADB's country partnership strategy for Nepal 2010–2012 was formulated through stakeholder consultations in partnership with the United Kingdom's Department for International Development and the World Bank. Consultations solicited feedback on Nepal's development priorities, and explored ways to ensure programs' development effectiveness.

A second round of consultations was held in December to provide feedback to stakeholders on the development partners' country strategies and discuss implementation challenges.

The donor partnership was extended to sector and thematic assessments, such as critical development constraints, gender equality and social inclusion, and climate change assessments. A "peace filter" was developed as a conflict-sensitive tool for project design and implementation.





ADB's country partnership in Nepal aims to sustain the gains of the peace process

with key stakeholders, including other development partners. It aims to sustain the gains of the peace process by promoting broad-based inclusive economic growth, inclusive social development, governance and capacity building, climate change adaptation, and environmental sustainability. The December participatory country portfolio review focused on development effectiveness. ADB approved six projects for \$336.2 million in Asian Development Fund (ADF) loans and grants and approved nine technical assistance grants for \$5.8 million.

**Impact of operations.** The Crop Diversification Project completed in December 2008 improved the productivity of secondary crops in 12 mid- and far-western districts. Extensive social mobilization, innovative agriculture extension services, and processing and marketing services helped increase production, raise incomes of participants, and improve nutritional status. An additional 14,963 person-years of employment were created. The ongoing Community-Based Water Supply and Sanita-

tion Project continued to provide improved water supply and sanitation services and better health and hygiene in remote areas.

## Sri Lanka

**Partnership priorities.** In line with the country partnership strategy, 2009–2011, ADB projects supported fiscal management, roads and transport, energy, water supply, and education. ADB focused on postwar development efforts when the long war against separatist rebels ended in mid-2009. ADB approved \$330 million in loans for three projects: the \$160 million Clean Energy and Access Improvement Project, the \$70 million Eastern and North Central Provincial Road Project, and the \$100 million Greater Colombo Wastewater Management Project.

**Impact of operations.** The Road Network Improvement Project improved 309 kilometers (km) of national roads and rehabilitated 450 km of flood-damaged roads. The Road Sector Development Project completed 800 km of provincial roads. A 153 km road, cofinanced by the European Union, connected the South and East of Sri Lanka. ADB continued to assist development in the previously conflict-affected northern and eastern provinces. Assistance for water supply and sanitation provided 2 million people with safe water. ADB supported the modernization of secondary education, the development of a distance education network, and expanded access to higher education.

**The end of the long conflict in Nepal in mid-2009 allowed ADB to focus development assistance on fiscal management, roads and transport, energy, water supply, and education**