

Chapter 11

# SOUTHEAST ASIA

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

The promotion of regional cooperation saw two subregional programs  
pass significant milestones and strengthened ADB's relationship with  
the Association of Southeast Asian Nations.



## OVERVIEW

**A**DB helped mitigate the impact of the global financial crisis and to alleviate the plight of communities affected by natural calamities. ADB's operations also sought to improve transport, electricity supply, access to clean water and sanitation, education, and primary health care, particularly for the poor and disadvantaged. ADB activities further prioritized sustainable natural resource use, enhanced public service delivery, and finance sector and public expenditure management reform.

Indonesia, Viet Nam, and the Philippines were among the top five recipients of ADB support (Table 3).

Regional cooperation accelerated, expanding into new areas to improve connectivity. ADB intensified its emphasis on the quality of projects at entry, portfolio

performance, results monitoring, and knowledge management.

## PORTFOLIO MANAGEMENT

Portfolio performance continued to improve due to a sustained focus on efficient project management and closer monitoring, greater delegation to resident missions, and country-specific actions to address systemic issues (Table 26).

### HIGHLIGHTS

- Almost doubled lending, compared with 2008, to \$5.4 billion—41% of total loans approved—especially to help countries affected by the global financial crisis and to sustain social sector spending
- Supported developing member countries' crisis responses with Countercyclical Support Facility loans, and a loan and guarantee to enhance access to commercial financing sources
- Facilitated the adoption of a new strategic vision for cooperation between countries of the Greater Mekong Subregion toward increased connectivity, and an accelerated agenda of infrastructure investments in the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area and the Indonesia–Malaysia–Thailand Growth Triangle
- Significantly aligned operations with Strategy 2020 to achieve ADB's operational targets for education, environment, infrastructure, finance, and regional cooperation
- Improved the quality of the portfolio, with contract awards/commitments and disbursements exceeding projections, and program loans timely disbursed, boosting achievement of outcomes and enhancing impact

### The Global Economic Crisis: ADB's Response

#### Cambodia

- Helped alleviate adverse impacts on the poor in the Tonle Sap Basin by modifying the Emergency Food Assistance Project to expand the cash-for-work program

#### Indonesia

- Supported access to commercial financing by providing the \$1 billion Public Expenditure Support Facility
- Supported countercyclical spending with the \$500 million Countercyclical Support Facility

#### The Lao People's Democratic Republic

- Helped the government mitigate the budgetary impacts by expediting disbursements of ongoing operations and providing an additional \$35.3 million grant for 2009–2010

#### The Philippines

- Helped the government mitigate the impact of the crisis through policy-based operations, by approving three loans amounting to \$975 million including the \$500 million Countercyclical Support Facility

#### Viet Nam

- Supported crisis response policy measures through the \$500 million Countercyclical Support Facility, especially for infrastructure, irrigation, and transport development
- Mobilized commercial bank financing for the power sector through a \$325 million guarantee

**TABLE 25 Southeast Asia: Grant-Financed Project Approvals by Country, 2009**  
(\$ million)

Country	ADF	APDRF	Other Sources <sup>a</sup>	Total
<b>Cambodia</b>				
Piloting the Post-Harvest Technology and Skills Bridging Program for Rural Poor	–	–	2.0	2.0
Second Rural Water Supply and Sanitation Sector	21.0	–	–	21.0
Strengthening Technical and Vocational Education and Training	24.5	–	–	24.5
Tonle Sap Poverty Reduction and Smallholder Development <sup>b</sup>	27.3	–	12.4	39.7
Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia <sup>b</sup>	–	–	21.5	21.5
<b>Indonesia</b>				
Rice Fortification for the Poor	–	–	2.0	2.0
West Sumatera Earthquake Disaster	–	3.0	–	3.0
<b>Lao People's Democratic Republic</b>				
Small Towns Water Supply and Sanitation Sector	23.0	–	5.8	28.8
Sustainable Natural Resource Management and Productivity Enhancement	20.0	–	15.0	35.0
Developing Model Healthy Villages in Northern Lao People's Democratic Republic	–	–	3.0	3.0
Private Sector and Small and Medium-Sized Enterprises Development Program (Subprogram 2)	15.0	–	–	15.0
Strengthening Higher Education	24.8	–	–	24.8
Health Sector Development Program				
– Program Grant	10.0	–	–	10.0
– Project Grant	10.0	–	–	10.0
<b>Philippines</b>				
Philippine Energy Efficiency <sup>b</sup>	–	–	1.5	1.5
Enhancing Midwives' Entrepreneurial and Financial Literacy <sup>b</sup>	–	–	0.4	0.4
Typhoon Ketsana (Ondoy) under the Asia Pacific Disaster Response Fund	–	3.0	–	3.0
<b>Viet Nam</b>				
Thanh Hoa City Comprehensive Socioeconomic Development <sup>b</sup>	–	–	2.0	2.0
Formalizing Microfinance Institutions	–	–	1.5	1.5
<b>Total</b>	<b>175.6</b>	<b>6.0</b>	<b>67.1</b>	<b>248.7</b>

– = nil, ADF = Asian Development Fund, APDRF = Asia Pacific Disaster Response Fund.

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

b Grant component of a loan project.

**TABLE 26 Southeast 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 (%)
Cambodia	16	30.8	109.7	61.1	106.4	6.3	5.3
Indonesia	30	721.9	1,031.2	732.7	949.6	10.0	–
Lao People's Democratic Republic	15	24.1	30.9	37.0	49.1	6.7	11.8
Philippines	11	1,314.1	632.2	1,317.5	653.2	–	7.7
Thailand	1	–	–	–	–	–	–
Viet Nam	43	1,782.0	390.5	1,093.4	264.6	2.3	10.3
<b>Total</b>	<b>116</b>	<b>3,873.1</b>	<b>2,194.3</b>	<b>3,241.7</b>	<b>2,022.9</b>	<b>5.2</b>	<b>6.7</b>

– = nil.

Note: Totals may not add up because of rounding.

**ADB intensified its emphasis on the quality of projects at entry, portfolio performance, results monitoring, and knowledge management**

The number of loans and grants in the region increased from 154 to 168, with a net amount of \$11.1 billion. Contract awards were 142% of projections and 172% of the 2008 level. Disbursements were 168% of projections and 158% of the 2008 performance. The technical assistance portfolio consisted of 200 active projects, for a total of \$293.2 million, of which 87% were rated “satisfactory.”

**TABLE 27 Southeast Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2009**  
(\$ million)

Country	OCR	ADF	Total
<b>SOVEREIGN</b>			
<b>Cambodia</b>			
Greater Mekong Subregion: Cambodia Northwest Provincial Road Improvement	–	16.3	16.3
Second Financial Sector Program (Subprogram 3)	–	10.0	10.0
Tonle Sap Poverty Reduction and Smallholder Development	–	3.4	3.4
Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia (Supplementary)	–	42.0	42.0
<b>Indonesia</b>			
Indonesian Infrastructure Financing Facility	100.0	–	100.0
Public Expenditure Support Facility Program	1,000.0	–	1,000.0
Countercyclical Support	500.0	–	500.0
Rural Infrastructure Support to PNPM Mandiri Project II	84.2	–	84.2
Capital Market Development Program Cluster (Subprogram 2)	300.0	–	300.0
Fifth Development Policy Support Program	200.0	–	200.0
<b>Lao People's Democratic Republic</b>			
Decentralized Irrigation Development and Management Sector (Supplementary)	–	0.1	0.1
<b>Philippines</b>			
Philippine Energy Efficiency	31.1	–	31.1
Credit for Better Health Care	50.0	–	50.0
Countercyclical Support	500.0	–	500.0
Development Policy Support Program (Subprogram 3)	250.0	–	250.0
Local Government Financing and Budget Reform Program (Subprogram 2)	225.0	–	225.0
<b>Thailand</b>			
Greater Mekong Subregion: Highway Expansion	77.1	–	77.1
<b>Viet Nam</b>			
Thanh Hoa City Comprehensive Socioeconomic Development	–	72.0	72.0
Quality and Safety Enhancement of Agricultural Products and Biogas Development	–	95.0	95.0
Renewable Energy Development and Network Expansion and Rehabilitation for Remote Communes Sector	–	151.0	151.0
Countercyclical Support	500.0	–	500.0
Support for the Implementation of the Poverty Reduction Program V (Subprogram 2)	–	100.0	100.0
Secondary Education Sector Development Program	–	–	–
– Program Loan	–	20.0	20.0
– Project Loan	–	40.0	40.0
Central Regions Rural Water Supply and Sanitation	–	45.0	45.0
Mong Duong 1 Thermal Power –Tranche 2	902.9	–	902.9
<b>Subtotal</b>	<b>4,720.3</b>	<b>594.8</b>	<b>5,315.1</b>
<b>NONSOVEREIGN</b>			
<b>Philippines</b>			
Visayas Base-Load Power Development	120.0	–	120.0
<b>Thailand</b>			
Biomass Power	5.0	–	5.0
<b>Subtotal</b>	<b>125.0</b>	<b>–</b>	<b>125.0</b>
<b>Total</b>	<b>4,845.3</b>	<b>594.8</b>	<b>5,440.1</b>

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources, PNPM = Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment).

## REGIONAL COOPERATION

ADB achieved new milestones in its subregional programs within the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP–EAGA), the Indonesia–Malaysia–Thailand Growth Triangle (IMT–GT), and the Greater Mekong Subregion (GMS), and enhanced collaboration with the Association of Southeast Asian Nations (ASEAN) Secretariat. The BIMP–EAGA member countries agreed to facilitate interstate transport and to accelerate infrastructure development, and ADB helped them identify projects and prepare a program of

12 high-priority transport and energy projects for 2010–2011, worth about \$1 billion, and fast-track implementation of these projects.

Leaders of the IMT–GT countries agreed to accelerate the implementation of connectivity corridors. ADB helped identify and include eight priority projects in the IMT–GT pipeline with an estimated total cost of \$2.5 billion. A midterm review of the IMT–GT Road Map and a parallel review of IMT–GT business processes are being undertaken to ensure effective implementation. ADB supported and provided advice to the Center for IMT–GT Cooperation.

In the GMS, ADB continued to prioritize infrastructure projects to expedite development of integrated transport networks in the region's economic corridors and the implementation of cross-border transport agreement and trade facilitation measures. ADB organized the 15th GMS Ministerial Conference in Thailand and facilitated the Second Economic Corridors Forum in Cambodia.

ADB and the ASEAN Secretariat discussed the review of their memorandum of understanding and undertook a strategic comparison of ADB's programs in BIMP–EAGA and the GMS with the ASEAN integration framework to enhance synergies.

## COUNTRY HIGHLIGHTS

### Brunei Darussalam

**Partnership priorities.** Brunei Darussalam chaired the BIMP–EAGA ministerial and senior officials meetings, confirmed two connectivity projects between Brunei Darussalam and Malaysia in the subregional priority pipeline, and partnered with ADB to develop its finance sector in pursuit of economic diversification and reduced public sector dominance.

**Impact of operations.** ADB's first reimbursable technical assistance helped establish a strategy and action plan to develop the country's capital market. ADB collaborated with Brunei Darussalam to determine follow-on technical assistance on a reimbursable basis.

### Cambodia

**Partnership priorities.** ADB's country operations business plan 2009–2012 was fully aligned with the government's 2008 Rectangular Strategy, Phase II. It aims to achieve more inclusive, diversified economic growth and greater poverty reduction through more targeted interventions in agriculture and rural development; private sector, governance, and capacity development; and regional economic integration.

**Impact of operations.** The Emergency Food Assistance Project continued to help 89,000 poor households cope with food price hikes, and the cash-for-work program

assisted 24,000 additional poor households in the Tonle Sap Basin. The Tonle Sap Rural Water Supply and Sanitation Sector Project expanded access to safe water and sanitation, resulting in better health and greater convenience, especially for women and girls, and helping achieve Cambodia's Millennium Development Goals.

### Indonesia

**Partnership priorities.** The country strategy and program for 2006–2009 was fully aligned with the government's medium-term development plan, which aimed to increase economic growth, create jobs, and accelerate the achievement of the Millennium Development Goals. ADB's largest interventions focused on mitigating the impact of the global economic crisis.

**Impact of operations.** ADB's combined assistance of \$1.5 billion under the Public Expenditure Support Facility and the Countercyclical Support Facility helped maintain capital flows and financed a temporary fiscal expansion to protect social spending and support poverty reduction programs. These facilities, coupled with prudent macroeconomic management, enabled Indonesia to weather the global financial crisis. The Development Policy Support Program improved the investment climate through a range of measures, increased access to credit, strengthened public financial management and governance, and improved public service delivery to the poorest sub-districts.

### The Lao People's Democratic Republic

**Partnership priorities.** The midterm review of ADB's country strategy and program for 2007–2011 affirmed its continued relevance to the country's development

**ADB subregional programs achieved new milestones, accelerating infrastructure development and enhancing collaboration with the Association of Southeast Asian Nations Secretariat**

FIGURE 9 Southeast Asia: ADB Lending by Country, 2008–2009 (Sovereign and Nonsovereign)

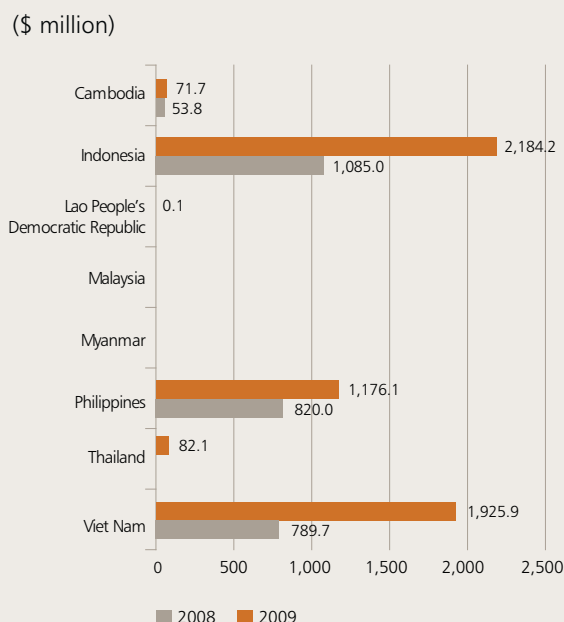
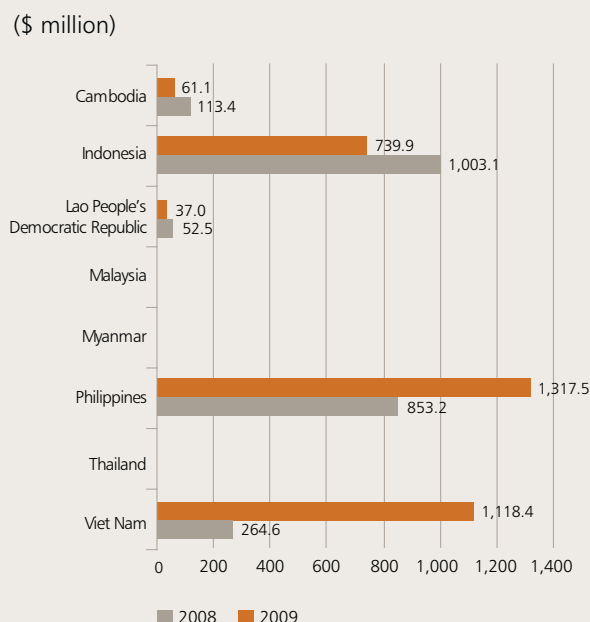


FIGURE 10 Southeast Asia: ADB Disbursements by Country, 2008–2009 (Sovereign and Nonsovereign)



context. Priorities supported include agriculture, health, education, and infrastructure which are core sectors in the Sixth Five-Year National Socio-Economic Development Plan, 2006–2010.

**Impact of operations.** During the first half of the country strategy and program, income growth and poverty reduction targets were surpassed, and the business environment improved significantly. The Rural Financial Sector Development and Banking Sector Reform programs strengthened the banking system and bank oversight, recapitalized state banks, improved credit quality, and significantly reduced the number of nonperforming loans. The entry of new private banks during 2007–2009 fostered competition and efficiency and helped establish the banking system as the main credit source for agriculture and small and medium-sized enterprises.

## Malaysia

**Partnership priorities.** Malaysia expanded its partnership with ADB under BIMP–EAGA and the IMT–GT, contributing projects that form part of a fast-track pipeline of priority infrastructure projects in the subregions. This demonstrated the country's commitment

TABLE 28 Southeast Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)<sup>a, b</sup>

Country	Lending	Disbursements
Cambodia	1,072.8	850.5
Indonesia	25,707.5	19,140.9
Lao People's Democratic Republic	1,211.5	1,171.3
Malaysia	1,997.5	1,414.0
Myanmar	530.9	411.8
Philippines	11,828.9	9,706.9
Thailand	5,470.2	4,207.7
Viet Nam	8,195.0	3,752.0
<b>Total<sup>c</sup></b>	<b>56,014.3</b>	<b>40,655.1</b>

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) sector loans.

c Excludes Singapore which has graduated from regular ADB assistance.

**Malaysia worked closely with ADB to develop regional finance markets, including support given to the Islamic Financial Services Board to foster international prudential standards and liquidity management**



to promoting private financing for infrastructure in the subregions. Malaysia worked closely with ADB to develop regional finance markets, including support given to the Islamic Financial Services Board to foster international prudential standards and liquidity management for Islamic financing systems. It also discussed support to the ASEAN capital market integration implementation plan.

## Myanmar

**Partnership priorities.** ADB continued to monitor economic development in coordination with the development partner community and will formulate an operational strategy when appropriate. Myanmar participated in major GMS meetings and in some regional technical assistance projects. ADB's last loan project to Myanmar

## Cambodian Women: Improving Skills to Boost Income

**At women's development centers across Cambodia, women learn to turn a profit by using local materials to produce goods for growing markets**

**T**hav Heat's stilted, wooden house in the province of Siem Reap looks out onto verdant rice paddies. But life is not as idyllic as it may seem in the luscious Cambodian countryside.

"It can be very tough to feed my four children, especially in the rainy season," Thav Heat, a widow, says. "When the harvest season comes, we have food or rice to keep us going for just 5 months. But after that we have to earn money to buy food."

Women across Cambodia face a similar challenge to make the money they need, with husbands absent because of death, divorce, or migration for work in other provinces or abroad.



Thav Heat and others earn extra money by weaving local grass into mats and purses

While women are a mainstay of the informal economy, there is little formal employment for them outside agriculture or the garment factories in and around Phnom Penh.

"The problem is poverty—and access to opportunities," says Ing Kantha Phavi, the minister for women's affairs. But at new women's development centers, women like Thav Heat are learning how to earn money and overcome a lack of skills.

Women's development centers, overseen by Ing Kantha Phavi's ministry, and supported by partners, including ADB, train women in life skills and entrepreneurship. They also facilitate access to microcredit.

This may have some impact on developing the informal economy, which has received little attention from either the government or international donors, according to the ministry.

The women's development centers focus initially on enhancing existing skills and using locally available materials to help clients improve their livelihoods.

The opening of a women's development center in Leang Dey, Siem Reap, gave Thav Heat the opportunity to learn not only improved mat-weaving and design techniques but also how to produce bags and purses for the growing tourism market in Siem Reap.

"People used to spend up to 6 days making one mat—and then they would sell it for \$5. Lots of labor to make very little money," says Uch Sarom, a training adviser with the ministry. "Now they can make \$3–\$4 a day depending on how fast they work. We are teaching them marketing and design, and also giving general business training."

Her new skills mean that Thav Heat can stay close to home while earning the extra money her family needs. Even the raw material for the bags she makes, a grass known locally as *rom-chek*, grows right on her doorstep.

**Her new skills mean that Thav Heat can stay close to home while earning the extra money her family needs**

## Chasing Buses, Chasing Profits

Building a new bus and jeepney terminal in Panabo City not only benefited travelers but also created space and extra income for the hawkers who make a living serving refreshments

**H**elen Dolino used to chase buses up and down the main road of Panabo City, scrambling on board to hawk her wares like many other women offering refreshments to travelers in the Philippines.

"We would run from one bus to the other to sell our merchandise since there was no designated terminal for provincial buses and jeepneys," says Dolino. It was chaotic, and did not result in many sales, she recalls.

Today, Dolino and other vendors proudly display their snacks, drinks, and souvenirs at small stalls they occupy at an integrated terminal for buses and jeepneys—local mini-buses—built with ADB's help along a main highway in this southern Philippine city.

In addition to this welcome benefit, the terminal, opened by the city's government with funding from the

Mindanao Basic Urban Services Sector Project, streamlines the loading and unloading of passengers and goods.

While vendors, most of whom are women, are not charged rental for the stalls, they must first undergo training at the Women's Resource Center, constructed with the aid of a \$1 million grant from ADB's Japan Fund for Poverty Reduction.

The center teaches poor women in Panabo City new ways to increase their incomes, and helps them set up small stores to sell their products. So far, it has trained more than 100 women, including Dolino. Training modules include food processing for native delicacies, fruit processing, ice cream making, and simple accounting and bookkeeping. The center plans to train 1,600 poor women in the city.

Before she attended the Women's Resource Center, there were times when Dolino, 43, and her friends earned so little money that they had to resort to asking the local social welfare office for rice and dried fish to feed their families. Now, thanks to her training, Dolino earns extra income by selling native delicacies that women at the center produce. "We now can earn \$2 to \$6 (P100 to P300) more each day," she says.

The Women's Resource Center also operates a preschool where busy vendors can leave their children, knowing that they are safely learning nearby. In 2009, 37 students were enrolled.

The Japan Fund for Poverty Reduction is financing the construction of women's resource centers in six other provinces in Mindanao.



Women vendors used to chase buses up and down the main road of Panabo, scramble aboard and hawk their wares

**Dolino earns extra income by selling native delicacies that women at the center in Panabo City, Davao del Norte, produce**

was approved in 1986 and its last technical assistance project was approved in 1987.

### The Philippines

**Partnership priorities.** ADB continued to align its strategy and program for 2005–2007 with the government's Medium-Term Philippine Development Plan, 2004–2010, emphasizing fiscal consolidation, an improved investment climate, and accelerated attainment of the Millennium Development Goals. ADB and the government agreed on a country operations business plan for 2010–2012.

**Impact of operations.** ADB helped the government mitigate the impact of the global financial crisis through policy-based operations and a \$500 million Countercyclical Support Facility loan. ADB also helped promote

**ADB provided a \$3 million grant under the Asia Pacific Disaster Response Fund to help people in the Philippines affected by typhoon Ondoy**





Pipes in Negros Occidental, Philippines, are part of a project that brings water to the poor

energy efficiency and health care, particularly for mothers and children. ADB provided a \$3 million grant under the Asia Pacific Disaster Response Fund to assist people affected by typhoon Ondoy, and participated with partner agencies in a post-disaster needs assessment to determine the extent of losses caused by typhoons Ondoy and Pepeng and to identify recovery and reconstruction measures.

## Thailand

**Partnership priorities.** The country partnership strategy for 2007–2011 remained aligned with the government's policies and action plans to promote long-term, sustainable economic growth and social development. The GMS Highway Expansion Project aimed to reduce logistics costs along the East–West and Southern economic corridors and to help the government plan an intercity motorway network.

**Impact of operations.** An ADB-supported capital market master plan laid the basis for the government's

strategic direction to deepen the Thai capital market. A study on an integrated ticketing system provided important recommendations for an expansion of Bangkok's mass rapid transit.

## Viet Nam

**Partnership priorities.** ADB's country partnership strategies and operational programs continued to focus on economic growth, social development, and environmental management. ADB's engagement achieved these priorities by enhancing transport networks and improving management, increasing power supply and connectivity, developing the private sector, establishing a diversified market-based financial system, improving efficiency in public administration and governance, and fostering regional cooperation and integration. ADB approved a \$630 million multitranchise financing facility for reform of state-owned enterprises.

**Impact of operations.** ADB provided a \$500 million Countercyclical Support Facility to augment the government's existing measures to ameliorate the adverse impacts of the global economic crisis. Trade and economic development increased dramatically with the completion of ADB-supported road construction and rehabilitation and bridge construction, and the implementation of a cross-border agreement and simplified border formalities in the East–West Economic Corridor.

**ADB supported Thailand's strategic direction to deepen its capital market, and a study to expand mass rapid transit in Bangkok**