



ADB

ANNUAL REPORT 2008

VOLUME 1

Asian Development Bank

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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ASIAN DEVELOPMENT BANK
MANILA

7 April 2009

Chairman of the Board of Governors
Asian Development Bank

Dear Mr. Chairman,

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I hereby submit to the Board of Governors *Annual Report 2008*, which includes the activities of the Special Funds. *Annual Report 2008* also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely,


Haruhiko Kuroda
President and Chairman
Board of Directors

ADB

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THE RECORD

	1966–2008	2005	2006	2007	2008
OPERATIONAL ACTIVITIES					
LENDING (amount)	143,528	5,761	7,264	9,966	10,494
NUMBER OF PROJECTS ^{a, b, c}	2,147	63	64	79	86
Ordinary Capital Resources (OCR) Loans (amount)	107,176	4,398	5,992	8,073	8,705
Number of Loans	1,242	31	33	57	61
Disbursements (amount)	72,503	3,498	4,420	5,234	6,472
Asian Development Fund (ADF) Loans (amount)	36,352	1,362	1,272	1,893	1,790
Number of Loans	1,221	40	44	36	37 ^d
Disbursements (amount)	27,116	1,247	1,338	1,618	2,043
A. Sovereign Loans (amount)	138,403	5,248	6,814	9,240	8,714
Number of Projects ^{a, b, c}	2,018	58	58	61	72
Disbursements (amount)	96,729	4,541	5,399	6,361	7,921
OCR Loans (amount)	102,065	3,885	5,542	7,347	6,924
Number of Loans	1,110	25	26	38	46
Disbursements (amount)	69,628	3,294	4,061	4,743	5,878
ADF Loans (amount)	36,338	1,362	1,272	1,893	1,790
Number of Loans ^d	1,216	40	44	36	37 ^d
Disbursements (amount)	27,101	1,247	1,338	1,618	2,043
B. Nonsovereign Loans (amount)	5,125	513	450	725	1,780
Number of Projects ^{a, b}	130	6	6	18	14
Disbursements (amount)	2,891	204	359	491	594
Public Sector^e	385	—	75	10	300
Number of Projects ^{a, b}	4	—	1	1	2
Disbursements (amount)	85	—	1	30	54
OCR Loans (amount)	385	—	75	10	300
Number of Loans	4	—	1	1	2
Disbursements (amount)	85	—	1	30	54
Private Sector	4,740	513	375	715	1,480
Number of Projects ^{a, b}	127	6	5	18	12
Disbursements (amount)	2,806	204	358	461	540
OCR Loans (amount)	4,726	513	375	715	1,480
Number of Loans	128	6	6	18	13
Disbursements (amount)	2,790	204	358	461	540
ADF Loans (amount)	15	—	—	—	—
Number of Loans	5	—	—	—	—
Disbursements (amount)	14	—	—	—	—
EQUITY INVESTMENT^{h, i} (amount)	1,454	177	231	80	123
Number of Investments	153	7	12	5	7
EQUITY UNDERWRITING^{h, i} (amount)	40	—	—	—	—
Number of Commitments	6	—	—	—	—
GRANTS^g (amount)	4,085	1,152	534	673	811
Number of Projects ^{a, b, c}	263	50	41	39	49
TECHNICAL ASSISTANCE GRANTSⁱ (amount)	3,546	197	240	253	275
Number of Projects ^{a, b}	6,599	297	259	242	299
MULTITRANCHE FINANCING FACILITIES^h (amount)	15,072	1,520	3,810	4,024	5,718
Number of Facilities	29	2	8	7	12
COFINANCING^{h, i} (amount)	15,742	396	1,354	888	1,654
Number of Projects	1,221	111	101	77	101
Sovereign Operations (amount)	13,005	346	824	312	1,079
Number of Projects	1,175	110	95	72	97
Nonsovereign Operations (amount)	2,736	50	530	576	575
Number of Projects	46	1	6	5	4
Guarantees ^j (amount)	3,161	68	125	376	10
Number of Projects	30	2	3	4	1
Political Risk Guarantee (amount)	393	50	15	—	10
Number of Projects	9	1	1	—	1
Partial Credit Guarantee (amount)	2,768	18	110	376	—
Number of Projects	21	1	2	4	—
RESOURCES (as of period end)					
Ordinary Capital Resources					
Authorized Capital	54,890	50,163	53,169	55,978	54,890
Subscribed Capital	54,890	50,163	53,169	55,978	54,890
Borrowings (gross) (for the period)	83,356	4,230	5,576	8,854	9,372
Outstanding Debt	35,672	24,454	27,601	31,569	35,672
Ordinary Reserve	9,532	8,957	8,994	9,245	9,532
Special Reserve	210	194	198	203	210
Gross Revenue (for the period)	40,121	1,432	1,839	2,208	2,064
Net Income after Appropriation of Guarantee Fees to Special Reserve (for the period)	14,151 ^k	105	566	760	1,119
Special Funds Resources					
Asian Development Fund Total Resources	33,479	27,605	29,247	31,950	33,479
Technical Assistance Special Fund Total Resources	1,403	1,257	1,347	1,361	1,403
Japan Special Fund Total Resources					
Regular and Supplementary Contributions	974	904	929	956	974
Asian Currency Crisis Support Facility	151 ^l	151	151	151	151
ADB Institute Special Fund Total Resources	141	110	121	133	141
Asian Tsunami Fund Total Resources	626	579	594	617	626
Pakistan Earthquake Fund Total Resources	142	85	114	137	142
Regional Cooperation and Integration Fund Total Resources	43	—	—	41	43
Climate Change Fund Total Resources	41	—	—	—	41

— = nil.

Note: Totals may not add up because of rounding.

a Projects with multiple loans, or with combination of public and private lending are counted once. Cumulative number of projects excludes supplementary loans. Grant projects with multiple funds are counted once.

b Excludes terminated loans, equity investments, syndications and guarantees, technical assistance, and grants.

c Includes loans/grants arising from multitranchise financing facilities.

d Includes count for an earlier approved loan with supplementary financing in the current year.

e These are loans to companies in which public sector entities own more than 50% of the capital or over which they exert management control in other ways.

f Refers to nonsovereign operations only.

g Refers to grant-financed projects. Includes direct value-added cofinancing.

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

i Starting 2006, cofinancing statistics indicate direct value-added cofinancing: cofinancing with administrative or collaborative arrangements with ADB.

j Included in total cofinancing. Net of cancellations.

k Includes cumulative effect of FAS 157/159 adoption amounting to \$227.5 million, as an adjustment to the 1 January 2009 reserves.

l Net of \$90.0 million which was transferred to Japan Fund for Poverty Reduction in 2002.

TABLE 1 ASSISTANCE BY COUNTRY, 2008

(\$ million)

Country	Loans				Credit Enhancements		Equity Investment	Grants		Multitranche Financing Facility ^d
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a		Grant-Financed Projects ^b	Technical Assistance Grants ^c	
Central and West Asia	1,342.4	701.3	2,043.7	–	10.0	–	–	399.7	17.6	2,780.0
Afghanistan	60.0	–	60.0	–	10.0	–	–	266.0	3.0	970.0
Armenia	–	17.3	17.3	–	–	–	–	–	1.0	–
Azerbaijan	215.4	–	215.4	–	–	–	–	–	1.2	–
Georgia	–	110.0	110.0	–	–	–	–	–	0.6	–
Kazakhstan	340.0	–	340.0	–	–	–	–	–	0.3	700.0
Kyrgyz Republic	–	–	–	–	–	–	–	67.9	1.3	–
Pakistan	642.0	529.0	1,171.0	–	–	–	–	–	7.9	1,110.0
Tajikistan	–	–	–	–	–	–	–	61.3	0.9	–
Turkmenistan	–	–	–	–	–	–	–	–	–	–
Uzbekistan	85.0	45.0	130.0	–	–	–	–	4.5	1.6	–
East Asia	1,750.1	–	1,750.1	–	–	200.0	–	88.0	25.0	100.0
China, People's Republic of	1,750.1	–	1,750.1	–	–	200.0	–	5.7	19.5	100.0
Mongolia	–	–	–	–	–	–	–	82.3	5.5	–
Pacific	8.6	109.7	118.3	–	–	–	–	37.5	11.6	400.0
Cook Islands	8.6	6.9	15.5	–	–	–	–	–	0.4	–
Fiji Islands	–	–	–	–	–	–	–	–	0.1	–
Kiribati	–	–	–	–	–	–	–	–	0.8	–
Marshall Islands	–	–	–	–	–	–	–	–	–	–
Micronesia, Federated States of	–	–	–	–	–	–	–	1.0	0.8	–
Nauru	–	–	–	–	–	–	–	–	0.2	–
Palau	–	–	–	–	–	–	–	–	0.4	–
Papua New Guinea	–	100.0	100.0	–	–	–	–	–	3.0	400.0
Samoa	–	2.8	2.8	–	–	–	–	2.2	1.2	–
Solomon Islands	–	–	–	–	–	–	–	19.7	1.6	–
Timor-Leste	–	–	–	–	–	–	–	–	1.3	–
Tonga	–	–	–	–	–	–	–	11.3	0.7	–
Tuvalu	–	–	–	–	–	–	–	3.2	1.1	–
Vanuatu	–	–	–	–	–	–	–	–	–	–
South Asia	3,107.4	606.3	3,713.7	370.0	–	140.0	23.1	231.3	40.9	1,938.2
Bangladesh	82.0	510.0	592.0	80.0	–	–	–	18.5	4.5	–
Bhutan	51.0	29.0	80.0	–	–	–	–	26.3	2.5	–
India	2,876.9	–	2,876.9	290.0	–	140.0	18.6	–	27.4	1,938.2
Maldives	7.5	7.5	15.0	–	–	–	4.5	–	–	–
Nepal	–	–	–	–	–	–	–	159.3	4.5	–
Sri Lanka	90.0	59.8	149.8	–	–	–	–	27.2	1.9	–
Southeast Asia	2,496.2	372.3	2,868.5	554.6	–	225.0	–	54.9	62.7	500.0
Brunei Darussalam	–	–	–	–	–	–	–	–	0.6	–
Cambodia	–	53.8	53.8	7.0	–	–	–	36.9	5.0	–
Indonesia	925.0	160.0	1,085.0	–	–	225.0	–	–	13.0	500.0
Lao People's Democratic Republic	–	–	–	–	–	–	–	11.8	5.1	–
Malaysia	–	–	–	–	–	–	–	–	–	–
Philippines	940.0	–	940.0	30.0	–	–	–	1.0	9.4	–
Thailand	–	–	–	–	–	–	–	–	2.8	–
Viet Nam	631.2	158.5	789.7	517.6	–	–	–	5.2	26.9	–
Regional	–	–	–	–	–	–	100.0 ^e	–	116.8	–
TOTAL	8,704.7	1,789.6	10,494.3	924.6	10.0	565.0	123.1	811.4	274.5	5,718.2

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

Notes: (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 4a and 4b (Direct Value-Added Cofinancing Arrangements).

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

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

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

e Refers to the Asian Energy Private Equity Investment Project.

Message from the President and Chairman of the Board of Directors

The Asia and Pacific region is no stranger to troubled times. In 2008, on the heels of food, commodity and oil price shocks in the first half of the year, the global financial crisis broadened and deepened, feeding uncertainty across financial markets, including those in Asia. While most economies of the region are far more stable now than when the 1997–1998 financial crisis hit, plunging equity prices and shrinking credit markets imply tough times ahead. Most importantly for developing Asia is the spillover into the real economy, with sharply declining exports and production growth threatening to reverse the region's hard-won progress. The Asian Development Bank (ADB) responded quickly, allocating over \$4 billion of additional resources to support the efforts of its developing member countries to deal with these crises.

This rapidly shifting environment underscored the need for ADB to remain flexible and responsive. At the same time, another key development—the launch of ADB's long-term strategic framework 2008–2020 (Strategy 2020) clarified our priorities. Strategy 2020 sets a strategic direction for ADB, with a clearer focus on poverty reduction through inclusive growth, environmentally sustainable growth, and regional integration. Strategy 2020 further focuses our operations in the five core areas of infrastructure, environment, regional cooperation and integration, finance sector development, and education. It also highlights the need for greater private–public sector investments in the region. Responding to this need, we will increase our support for private sector development to 50% of our annual operations by 2020.

To carry out our work under Strategy 2020, ADB will need significantly more resources than in the past. I am pleased that we were able to successfully conclude ne-

gotiations for the ninth replenishment of the Asian Development Fund (ADF X) and the fourth regularized replenishment of the Technical Assistance Special Fund. The total replenishment amount of \$11.3 billion will enable ADB to make a greater contribution to poverty reduction in its lower-income developing member countries, particularly during this difficult period.

To deliver our mission of poverty reduction in all our developing member countries, however, we also need a substantial increase in our ordinary capital resources. This is demonstrated by the steady growth we have seen in our lending portfolio, which reached an unprecedented \$10.5 billion last year, and by the region's ever-increasing development finance demand. Negotiations with our shareholders on a general capital increase began in late 2008, and we hope to reach an agreement by May 2009.

In addition to financial resources, we need to continually improve our institutional effectiveness. In 2008, ADB became the first multilateral development bank to adopt a corporate-wide results framework, focusing on Asia-Pacific outcomes, ADB's contribution to country outcomes, ADB's operational effectiveness, and our organizational effectiveness. The results framework, which will be refined with experience, will focus all of us more clearly on the outcomes we wish to achieve, and hold us individually and collectively accountable for results.

ADB has made considerable efforts to become a more relevant, responsive, and results-oriented development partner



President Kuroda meets beneficiaries of a village road project in Nagapattinam, Tamil Nadu, southern India

Based on the results framework, ADB submitted its first Development Effectiveness Review to the Board in October 2008. The report showed that a higher proportion of ADB projects are delivering intended results than before and that the performance of ADB's ongoing loan projects is good and improving. Impressively, projects at risk have declined steadily from 26% in 2001 to 7% in 2008.

Progress is being made in other areas as well. Following the ADB-wide staff engagement survey, for instance, we commissioned an independent review of our human resources strategy, the recommendations of which have been submitted to Management for consideration. A comprehensive evaluation of our Operations Evaluation Department also led to recommendations to enhance the effectiveness and independence of the department. The ongoing review of our safeguard policies garnered much constructive input that will help strengthen these policies. We also continued to refine and improve our financing instruments and modalities and our business processes to better respond to the needs of our clients. While much remains to be done in all areas, clearly ADB has made considerable efforts to become a more relevant, responsive, and results-oriented development partner.

These results are encouraging, particularly given the very challenging agenda set out in Strategy 2020. Increasingly, our focus will be on climate change—an issue that has significant and complex implications for Asia's eco-

nomie and social development. We are working closely with our developing member countries to help them find low-carbon paths to economic growth, and to adapt to the already unavoidable impacts of climate change.

These and other large challenges lie ahead if we are to achieve our goal of eliminating poverty in the region. Asia and the Pacific must continue to grow to create a region free of poverty, but grow sustainably, contributing to the world's future health and well-being. Our immediate and most pressing challenge is to support our developing member countries through what will surely be another difficult year for the regional and global economies. But our efforts today must always be accompanied with a clear vision of the more distant horizon. By focusing our investments wisely, we can help ease the impact of the global downturn on the poor while moving the region to a more inclusive, balanced, and environmentally sustainable growth path. We look forward to working with our shareholders and partners to support the Asia and Pacific region's continued development and growing contributions to poverty reduction.

Haruhiko Kuroda

A handwritten signature in black ink, appearing to read 'H. Kuroda'.

President and Chairman
Board of Directors



BOARD OF DIRECTORS

The Board approved the long-term strategic framework 2008–2020 (Strategy 2020) to achieve greater development effectiveness, and began a review of the ordinary capital resources of the Asian Development Bank (ADB) in preparation for seeking a general capital increase.

The Board of Directors is responsible for the direction of the general operations of ADB, including the approval of policies and project loans. As the representative of ADB's shareholders, the Board plays a vital role in overseeing ADB's implementation of the guidance given by its shareholders.

In 2008, the Board approved Strategy 2020, which reaffirmed ADB's overarching mission of poverty reduction, while comprehensively responding to the fundamental changes in the region. Among the steps outlined in the Strategy 2020 to achieve greater development effectiveness are a sharper focus on lending priorities and the adoption of a comprehensive results framework to be applied across ADB.

In light of the requirements of Strategy 2020 and the need to maintain ADB's leading development role in a rapidly changing region, the Board began a review of ADB's ordinary capital resources in preparation for seeking a general capital increase. The directors also endorsed a dynamic new capital adequacy framework that brings ADB into line with the best practices of other multilateral institutions. In addition, the Board approved a reinterpretation of ADB's lending limitations to increase the funds available for lending.

The Board's meetings covered a broad range of policy, financial, and administrative issues, as well as a wide variety of projects and programs. The Board also endorsed new partnership strategies with several developing member countries. The total loan portfolio approved by the Board in 2008 exceeded \$10 billion (excluding official co-financing).

The Board approved comprehensive reforms to the technical assistance program to increase the impact of operations. Further, it approved mainstreaming the innovative multitranchise financing facility in response to rising demand from member countries. Revisions to the 1998 graduation policy, including a shift from debt repayment capacity to creditworthiness as one of the criteria for country classification, were also approved.

By pushing ahead with reforms in several key areas, the Board supported improving ADB's institutional effectiveness. It provided input for the comprehensive review of ADB's human resources strategy through a number of seminars and briefings. It was also directly involved in the review of the independence and effectiveness of the Operations Evaluation Department (OED) through an ad hoc working group chaired by an executive director. Subsequently, the

directors adopted several measures to strengthen OED's credibility as an independent evaluation unit. The name of the department was changed to the Independent Evaluation Department at the start of 2009. The Board also explored ways to improve the operations of ADB's resident missions.

To continue assisting the poorest and most vulnerable countries in the region, the Board participated in the successful replenishment of the Asian Development Fund (ADF), which was completed in Madrid in May. It also endorsed refinements to the performance-based allocation system for ADF resources.

The Board deliberated on ADB's annual financial statements, its budget and borrowing program for 2009, its work program and budget framework for 2009–2011, and the salaries and benefits of staff. It also reviewed the 3-year rolling work program and budget for 2009 of the Asian Development Bank Institute.

In response to soaring food prices, the Board discussed a paper on how ADB can act quickly in coordination with other development partners to meet the immediate needs of the hardest-hit countries, and subsequently approved emergency assistance totaling more than \$200 million.

Country Partnership Strategies

The country partnership strategy maps out the ways that ADB can most effectively work with its developing member countries, given each country's challenges and priorities. It also enables ADB to evaluate a country's development performance over the strategy period.

The Board endorsed five country partnership strategies: the People's Republic of China (2008–2010), Cook Islands (2008–2012), Samoa (2008–2012), Sri Lanka (2009–2011), and Tuvalu (2008–2012). It also endorsed an interim operational strategy (2008–2009) for ADB's newest member, Georgia.

Other Meetings

In October, the Board and management participated in a 1-day retreat covering three topics: recent macroeconomic

The Board supported improving ADB's institutional effectiveness, including by reviewing ADB's human resources strategy

To continue assisting the poorest and most vulnerable countries in the region, the Board participated in the successful replenishment of the Asian Development Fund

developments and their impact on ADB, the human resources strategy, and the general capital increase.

Board members also attended the donors' meetings on the ninth replenishment of the ADF (ADF X) held in Manila in March and in Madrid in May, contributing to the successful outcome of the ADF negotiations.

Board Group Visits

Members of the Board made three visits around the region to get a firsthand view of ADB projects and their impacts, and to meet with senior government officials, development partners, private sector leaders, and other stakeholders.

On 12–29 February, a team visited Cambodia, Lao People's Democratic Republic, and Viet Nam. Another team visited Bangladesh, Bhutan, and Nepal during 18 June–4 July. On 15–22 September, a third team visited Kiribati. The visits strengthened ADB's relationship with its development partners and generated valuable feedback.

BOARD COMMITTEES

Audit Committee

The committee assists the Board in its oversight of ADB's financial reporting and audits, including internal controls.

Among the topics deliberated on by the committee were the annual report of the Office of the Auditor General's Integrity Division, the audit recommendation and implementation report of the outside auditor, the recommendations of the internal audit division, the expiration of the contract of the outside auditor and selection of an outside auditor for 2009 onward, ADB's annual financial statements, the audit strategy memorandum, and implementation of the information systems and technology strat-

egy II and other information technology-related activities. The committee also reviewed ADB's risk management capability and the monitoring of progress in integrating stronger risk management in ADB, as well as the performance of ADB's nonsovereign portfolio.

The committee monitored and reviewed key issues and actions, including financial management and accounting standards, ordinary capital resources operating income and net income, and travel-related cost-saving measures. The committee also discussed the need to strengthen whistleblower protection and ongoing progress on attestation.

The committee met 11 times.

Budget Review Committee

The committee discussed the President's planning directions for preparing the work program and budget framework (WPBF) for 2009–2011. It noted the efforts to improve project implementation, focus on the Strategy 2020 priority sectors, enhance support for private sector development, implement the technical assistance reform agenda, and mobilize cofinancing. At midyear, the committee reviewed the progress of the 2008 operations, noting that the operations departments had reduced the percentage of at-risk projects. The committee was also briefed on the efforts to lower the number of technical assistance projects without compromising the demand and requests of developing member countries.

The committee met with the vice-presidents on ADB's draft WPBF (2009–2011). The committee noted the importance of sector and thematic alignment of the WPBF with Strategy 2020, and ADB's innovative knowledge and advisory services in the focus areas. With the greater and more varied resource requirements under Strategy 2020, the committee also underscored the need for human resources and skills mix alignment.

The committee discussed the 2009 draft budget and highlighted the need to provide adequate staffing and other budgetary resources to successfully carry out the priorities outlined in the WPBF. The committee also noted the importance of mainstreaming managing for development results, especially in project implementation and portfolio management. The committee confirmed that the 2009 budgets for ADB and the Asian Development Bank Institute are consistent with the work plans, and appropriate for consideration by the Board.

The committee met 10 times.



Executive Director Phil Bowen tries out a new village pump in Tonle Sap, part of an ADB-funded water supply project in Cambodia

Compliance Review Committee

The committee is responsible for clearing the terms of reference of the Compliance Review Panel (CRP) and the time frame for conducting each compliance review authorized by the Board, and reviewing the CRP's draft reports on monitoring the implementation of any remedial actions approved by the Board. The committee is mandated to meet as often as it considers necessary.

The committee met twice, once to discuss the CRP's fourth monitoring report (2007–2008) on implementation of Board-approved remedial actions of the Chashma Right Bank Irrigation Project in Pakistan, and once on the CRP's second annual monitoring report 2007–2008 on implementation of Board-approved remedial actions of the Southern Transport Development Project in Sri Lanka. All such monitoring reports are posted on the CRP website (www.compliance.adb.org). The committee also held several informal discussions with the CRP members on implementation of the accountability mechanism, especially on compliance review practices and procedures.

Development Effectiveness Committee

The committee reviewed 17 independent evaluation reports by OED. Some of the major findings and recommendations were considered in finalizing Strategy 2020 and the Donors' Report for ADFX. The committee also discussed OED's findings and recommendations on issues related

to ADB's institutional effectiveness, such as managing for development results, resident mission operations, and ADB's implementation of the Paris Declaration on Aid Effectiveness. Discussions on development effectiveness covered private sector operations and country assistance programs for Mongolia and the Philippines.

The committee discussed the inaugural Development Effectiveness Review, which was prepared in the context of ADB's new results framework. It also reviewed the work program and budget for OED.

The committee met 11 times in 2008.

Ethics Committee

The Board established the committee to address matters of ethics that may arise under the Code of Conduct adopted by the Board in September 2006. The code provisions apply to all Board members (directors, alternate directors, and temporary alternate directors) and to the President.

The committee is responsible for advising directors, alternate directors, or the President when they request guidance on actual or potential conflicts of interest or other ethical issues concerning themselves. The committee also considers any allegations of misconduct against directors, alternate directors, or the President that relate to the performance of their duties. It recommends appropriate action to the Board.

The committee held one meeting in 2008, and the chair met several times with the Office of the General Counsel to discuss related policies and procedures.

Board of Directors

EXECUTIVE DIRECTORS



Phil Bowen



Howard Brown



Curtis S. Chin



Md. Saad Hashim



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POLICY AND STRATEGY OVERVIEW

Strategy 2020 sets a strategic direction for ADB with a clearer focus on poverty reduction through inclusive growth, environmentally sustainable growth, and regional integration. Its implementation is a challenge requiring substantial resources, knowledge, and expertise. In May, ADB concluded the ninth replenishment of the Asian Development Fund and started discussion on a general capital increase. In September, ADB became the first multilateral development bank to adopt a corporate-wide results framework with specific performance indicators and targets. The framework will serve as a key management tool to monitor ADB's performance in realizing its vision of a region free of poverty by 2020.

LONG-TERM STRATEGIC DIRECTIONS

Strategy 2020

On 7 April, ADB adopted a new long-term strategic framework for 2008–2020. Known as Strategy 2020, the framework is based on a thorough examination of the region's challenges, a comprehensive review of ADB's past and ongoing operations, and extensive stakeholder consultations. Strategy 2020 reaffirms both ADB's vision of an Asia and Pacific free of poverty and ADB's mission to help developing member countries reduce poverty and improve living conditions and quality of life. It also lays out clear directions for planning ADB's operations and its organization and business processes to 2020.

To achieve its mission, ADB will focus on three strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration. ADB operations will emphasize five key drivers of change: private sector development and operations, good governance and capacity development, gender equity, knowledge solutions, and partnerships.

Strategy 2020 recognizes that ADB cannot and will not attempt to meet all needs of all developing member countries. To maximize results, efficiency, and impact, ADB will focus its financial and institutional resources in five core areas that best support its agenda, reflect developing member countries' needs and ADB's strengths, and complement the efforts of development partners. These five core operational areas are infrastructure; environment, including climate change; regional cooperation and integration; finance sector development; and education. In other areas, ADB will continue operations selectively and in close partnership with other agencies.

ADB will pursue its vision of an Asia and Pacific region free of poverty through three strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration

Approved in October, ADB's work program and budget framework for 2009–2011 outlines how ADB will align its operations, organization, and resources with Strategy 2020 over the medium term. Alignment of 80% of ADB operations with the five core operational areas will be achieved by 2011. Strategy 2020 also sets specific operational and institutional goals, which have been incorporated into ADB's corporate-wide results framework, which was formally adopted in September (Toward Greater Institutional and Development Effectiveness, ADB Results Framework, page 18).

Streamlining and Realigning ADB's Policies and Strategies

In tandem with refocusing its operations, ADB will promote greater coherence across its entire operational policy framework by streamlining its policies and strategies. A comprehensive inventory of all existing strategies and policies has begun, starting with the review of policies and strategies with substantive implications for achieving Strategy 2020's operational goals. Depending on the degree to which they are relevant to Strategy 2020, ADB's policies and strategies will be revised, consolidated, or retired. This will enhance ADB's operational efficiency, improve client responsiveness, and optimize the use of institutional resources, resulting in greater development impact.

RESOURCE MOBILIZATION

Strategy 2020 charts a new strategic course for ADB. Its successful implementation will require substantial resources in addition to knowledge and expertise.

Review of the 1998 Graduation Policy

ADB has two lending windows for channeling development assistance to its developing member countries: the Asian Development Fund (ADF) and ordinary capital resources (OCR). The eligibility criteria for access to both are stated in ADB's 1998 graduation policy, a review of which was completed in April. This review included the eligibility criteria for ADF and OCR, the country classification framework, and the procedures for graduation from ADF and OCR; and the country classification re-

view process and procedures. While the review concluded that the 1998 graduation policy remains broadly relevant and useful for guiding resource allocation and contributing to risk management, it also introduced some noteworthy changes. These include using the term “creditworthiness” in place of “debt repayment capacity” to ease communication with stakeholders and link ADB’s country classification framework more closely with the creditworthiness consideration under ADB’s recently approved income-planning framework; using a refined methodology to assess creditworthiness through analysis of both quantitative and qualitative indicators by a creditworthiness assessment committee; replacing the previous four-tier classification system with a three-tier system that identifies developing member countries as “ADF only,” “blend,” or “OCR only;” and further strengthening the classification review process.

ADF X Replenishment and Follow-Up Initiatives

In May, ADB successfully concluded negotiations for the ninth replenishment of ADF (ADF X) and the fourth regularized replenishment of the Technical Assistance Special Fund. These negotiations, held in Madrid, Spain, resulted in a total replenishment amount of SDR7.1 billion (about \$11.3 billion) for ADF X from 1 January 2009 to 31 December 2012. This amount, which is considerably larger than the ADF resources previously available, will enable ADB to make a greater contribution to poverty reduction in its lower-income developing member countries and fulfill its priorities as articulated in Strategy 2020.

In Madrid, donors endorsed the role and priorities of ADF, both of which are aligned with Strategy 2020. They also agreed on the allocation rules for ADF X, including refinements to the performance-based allocation system and the financial management and framework for ADF X. Discussions emphasized the importance of increasing ADB’s institutional effectiveness as a means of ensuring effective implementation of the ADF X program. To achieve this objective, the donors and ADB agreed on a time-bound implementation plan for ADF X. The donors likewise endorsed an ADF results framework with specific performance indicators and targets, and results-based performance reporting that is to be accomplished through annual

To maximize results, efficiency, and impact, ADB will focus resources in five core operational areas: infrastructure, environment, regional cooperation and integration, finance sector development, and education

development effectiveness reviews. Finally, donors authorized the use of ADF X contributions for grants. ADB has requested all donors for their consent to amend the ADF regulations to enable the use of all ADF resources, including reflows, for grants. Earlier in the year, ADB also adopted a policy allowing its participation in the Heavily Indebted Poor Countries Initiative for debt relief and approved associated relief to Afghanistan.

Optimizing the Use of Ordinary Capital Resources

Review of ADB’s ordinary capital resource requirements. On 6 May, the Board of Directors reported the status of ADB’s resources to the Board of Governors. The Board of Directors highlighted the need for a study of ADB’s financial resources. This led to a working paper that assessed ADB’s financial position over Strategy 2020’s implementation period and reviewed all possible avenues for resource mobilization. The analysis revealed that without a robust general capital increase, ADB would need to significantly reduce its lending level.

In their discussion of the working paper on 6 October, the Board of Directors requested a second working paper that would examine several issues more comprehensively. Examples include further analysis of demand, articulation of a clear strategy to tackle development issues in middle-income countries, analysis of the ramifications of an increased level of private sector operations, the progress achieved in carrying out ADB’s institutional reforms, analysis of all resource mobilization options, and a more detailed indication of the likely consequences of a delay in the general capital increase process as well as a contingency plan for addressing these consequences.



ADB's mission is to help developing member countries such as Bangladesh reduce poverty and improve living conditions and quality of life

Review of ADB's lending and borrowing limitations. During the Board of Directors' October meeting, directors requested a review of ADB's current interpretation of the lending limitation as set out in Article 12.1 of ADB's Charter. In December, the Board reviewed ADB's lending limitation and approved a new lending limitation policy. Under the policy, the total amount of disbursed loans, approved equity investments, and maximum amount that could be demanded from ADB under its guarantee portfolio must not exceed the total of ADB's unimpaired subscribed capital, reserves, and surplus. The policy allows ADB's existing

capital resources to be used more efficiently by reducing the likelihood that lending headroom will constrain future OCR operations. The Board also approved a borrowing limitation policy that prevents ADB's gross outstanding borrowings from exceeding the sum of callable capital of nonborrowing members, paid-in capital, and reserves (including surplus).

The Board approved a revision in the treatment of ADB guarantees. For purposes of accounting for lending headroom, guarantees are to be included only as and when they become payable, and only the actual amount that is contingently payable is to be included in the calculation. This revised treatment of ADB guarantees will more effectively leverage ADB's capital base without negatively impacting its ability to ensure compliance with the lending limitation.

In May, ADB successfully negotiated the ninth replenishment of the Asian Development Fund (ADF X) and the fourth regularized replenishment of the Technical Assistance Special Fund. The negotiations, concluded in Madrid, Spain, resulted in a total replenishment amount of SDR7.1 billion (about \$11.3 billion) for the period 1 January 2009–31 December 2012

Review of ADB's capital adequacy framework. In June, the Board of Directors approved an enhanced capital adequacy framework. Introduced in 2004, ADB's risk-based capital framework was used as the basis for both its capital adequacy assessment and income planning. The 2004 risk-based capital framework used a fixed equity–loan ratio initially set at 35% as an indicator of capital adequacy. In contrast, the new risk-based capital framework replaces the fixed equity–loan ratio with a stress test. This enables ADB to immediately capture the impact on its capital adequacy of positive and negative changes in portfolio credit quality. This modification, in turn, allows ADB to moni-

tor and plan its equity capital position in advance and thus avoid being over- or undercapitalized. ADB's new capital adequacy framework was reviewed by credit agencies and found to be consistent with the practices of other multilateral development banks.

TOWARD GREATER INSTITUTIONAL AND DEVELOPMENT EFFECTIVENESS

Strategy 2020 lays out the corporate pathway for reshaping ADB into a more effective and innovative development institution. However, many organizational changes outlined in Strategy 2020 build on the gains in institutional effectiveness that ADB achieved through the reform agenda it adopted in 2004. The key reforms that ADB implemented in 2008 are summarized below.

ADB Results Framework

In September, ADB became the first multilateral development bank to adopt a corporate-wide results framework. The framework consists of specific performance indicators and targets that fall into four groups: Asia-Pacific outcomes, contribution to country outcomes through key outputs, operational effectiveness, and organizational effectiveness (page 19).

While preparing the results framework was a comprehensive exercise that drew on a considerable amount of internal and external consultation, ADB will continue to refine its results framework over time on the basis of experience gained through its use. Overall, the purpose of the results framework is to focus ADB operations on development effectiveness as visualized by Strategy 2020 and promote a culture of results and performance management throughout the institution. It will thus be a key management tool in implementing Strategy 2020.

Development Effectiveness Review

One of the first tangible outputs of the results framework was ADB's first annual development effectiveness review, which was completed in November. The purpose of the review was to assess ADB's performance in achieving the

The purpose of the results framework is to focus ADB operations on development effectiveness as visualized by Strategy 2020

desired results and identify effectiveness issues requiring attention as well as actions for dealing with them. Management will regularly monitor the progress of such actions to ensure that they lead to improved operational effectiveness. As with the ADB results framework, the development effectiveness review will be refined over time.

Accra High-Level Forum on Aid Effectiveness

ADB continued to implement and monitor its own progress toward the Paris Declaration on Aid Effectiveness commitments. ADB was a sponsor of and key participant in the Third High-Level Forum on Aid Effectiveness held in Accra, Ghana, in September. The forum's major outputs included reaffirmation by the entire development community of the efficacy of the Paris Declaration and its

The Accra Agenda for Action

The Accra Agenda for Action identifies three major challenges to accelerating progress in aid effectiveness: enhanced country ownership, more effective and inclusive partnerships, and achievement of development results and accountability for them. Necessary actions identified by the agenda include enhancing the role of civil society organizations, the private sector, and other stakeholders in the development process; encouraging south-south cooperation; developing capacity in partner countries to ensure leadership of the development agenda and adequate use of country systems; achieving better division of labor between development partners; following good practices in international engagement in fragile and conflict situations; and delivering and accounting for results.

Many of the above issues are addressed by recent ADB initiatives, as they are specifically referred to in Strategy 2020. As a result, ADB has already incorporated many of the actions identified by the Accra Agenda for Action.

ADB's Results Framework

Strategy 2020 includes development of a results framework for monitoring ADB's performance in realizing its vision of a region free of poverty by 2020. ADB's results framework is in harmony with the results measurement systems of the International Development Association and the African Development Fund. It likewise contributes to the fulfillment of ADB's Paris Declaration on aid effectiveness, harmonization, and alignment commitments. The results framework is an important management tool for monitoring development effectiveness, and for promoting continuing operational and institutional improvement.

ADB's results framework has four levels:

Level 1: Asia-Pacific outcomes. The region's development progress is tracked through major outcomes to which ADB and its development partners contribute, including gross domestic product per capita, indicators of poverty and human development, regional cooperation and integration, access to basic infrastructure, governance, and environmental sustainability.

Level 2: Contribution to country outcomes through key outputs. ADB's contribution to country and regional outcomes is assessed through key outputs delivered to developing member countries through ADB projects in sectors given priority by Strategy 2020: education, energy, finance, transport, and water.

Level 3: Operational effectiveness. Improving ADB's operational performance increases its contribution to country outcomes. ADB's operational performance is measured by indicators falling into five major categories: operational quality and portfolio performance, financial mobilization, strategic focus in operations, knowledge development, and partnerships.

Level 4: Organizational effectiveness. ADB's progress in improving efficiency in the use of its internal resources, and in implementing reforms essential to maintaining its relevance, its focus on results, and its contribution to development effectiveness is measured by three major categories of indicators: use of human resources, use of budgetary resources, and business processes and practices.

The results framework is a management tool for monitoring development effectiveness, and promoting continuing operational and institutional improvement

principles; discussion of the expanded aid effectiveness agenda, including its political economy dimensions; and the Accra Agenda for Action (page 18).

Together with its development partners, ADB is working to localize the Paris Declaration in Asia and the Pacific. ADB measures the progress achieved via its own monitoring survey of Paris Declaration implementation. The second phase of the monitoring survey covers 17 countries, including three OCR borrowers.

As indicated in Strategy 2020, the purpose of the technical assistance reform program is to strengthen ADB's role as a knowledge institution to allow delivery of high-quality technical assistance with tangible development impact

Increasing the Impact of ADB's Technical Assistance Program

In May, the Board of Directors approved a paper outlining a reform program to increase the development effectiveness of ADB's technical assistance operations. As indicated in Strategy 2020, the purpose of the reform program is to strengthen ADB's role as a knowledge institution to allow delivery of high-quality technical assistance with tangible development impact. This is to be achieved by greater synergy between ADB lending and nonlending products at the country and regional levels, and greater developing member country involvement and ownership at all levels. The reform program is to be implemented over 2008–2011.

The various types of technical assistance to be offered by ADB were redefined as capacity development, policy and advisory, project preparatory, and research and development. As mandated in Strategy 2020, ADB is to engage in research activities that provide knowledge support to its developing member countries, best achieved through research and development technical assistance. At its first



An ADB loan of \$73.4 million is helping Tata Power Company in India become a major player in the renewable energy sector, a priority of Strategy 2020

strategic forum held in August, ADB established five strategic priorities for guiding ADB's research and development technical assistance: promote inclusive growth, deal with climate change for sustainable development, facilitate knowledge for regional integration, support efforts to tackle rising food and commodity prices, and assess and respond to demographic change. These strategic priorities likewise provide a means of establishing knowledge partnerships with external partners such as development institutions, research institutes, and private and civil society organizations.

Review of Resident Missions' Operations

In September, ADB completed its review of resident mission operations to identify options for improvement in

Evidence from a number of sources suggests that decentralization has positively impacted on ADB operations, thereby justifying the corresponding increase in both staff numbers and budgets of the resident missions

both the short and medium term. The review drew on the findings of an October 2007 special evaluation study of the resident mission policy and related operations by the Operations Evaluation Department (OED).

The review concluded that the 2000 resident mission policy succeeded in reorienting the work of the resident missions from a primary focus on project administration to a wider range of functions involving all aspects of ADB operations. Evidence from a number of sources suggests that decentralization has positively impacted on ADB operations, thereby justifying the corresponding increase in both staff numbers and budgets of the resident missions. This finding is consistent with OED's special evaluation study, which concluded that the resident mission policy was successful.

The review pointed to several areas where implementation of the resident mission policy could be strengthened, including identifying arrangements that would enable greater integration of the activities of headquarters and resident missions, further adjusting the number and skills mix of staff in selected resident missions to align with functional requirements, strengthening incentives for resident mission postings for both local and international staff, and further expanding bandwidth and improving connectivity.

The major conclusions of the review were that with some strengthening, the resident mission policy is sufficiently robust to support implementation of Strategy 2020;

and further delegation of responsibilities to resident missions is desirable, provided the improvements suggested are undertaken. To better position resident missions to implement Strategy 2020 successfully, the review recommended expanding resident missions' role in knowledge production and dissemination, strengthening resident mission skills in private sector development and nonsovereign operations, and clarifying resident missions' role with respect to regional cooperation and integration.

Mainstreaming the Multitranche Financing Facility and Expanding Nonsovereign Operations

Under the innovation and efficiency initiative, new financing instruments and modalities were approved in August 2005. Some were implemented on a pilot basis from September 2005 to August 2008 to allow ADB's management and Board of Directors to assess their viability, relevance, effectiveness, and uptake. The status of each new modality is as follows:

- The multitranche financing facility was mainstreamed into ADB's financing operations in July because of high demand and portfolio size, as well as the assessment that the instrument has created efficiency in implementing sovereign lending through shorter processing times and cost savings. As of 31 December, 29 multitranche financing facilities—representing total available financing of \$15.1 billion—had been approved.
- The pilot period for the subsovereign and nonsovereign public sector financing facilities were extended to 31 August 2011. Although the nonsovereign public sector financing facility is fully aligned with Strategy 2020, more time and transactions are required to evaluate both its ability to meet client needs and the efficiency and effectiveness of its delivery. As of 31 December, seven nonsovereign public sector financing facilities—representing total available financing of \$1.4 billion—had been approved. Three, however, were canceled.
- The refinancing facility, as defined in the pilot paper of 2005, was discontinued.
- A local currency loan mechanism was introduced into core ADB lending operations in August 2005 as an al-

ternative to US-dollar loans based on the London interbank offered rate. Local currency loans have since been extended to nonsovereign borrowers. As of 31 December, local currency loans were available to the People's Republic of China, India, Indonesia, Kazakhstan, and Philippines.

- Syndication and risk-sharing policy and operating frameworks were developed further since the introduction of the innovation and efficiency initiative, and were mainstreamed into ADB's financing operations.

With the mainstreaming of all areas under the innovation and efficiency initiative except for the nonsovereign public sector financing facility, the initiative's mandate and scope are now deemed completed.

Safeguard Policy Update

The purpose of the ongoing safeguard policy update is to strengthen the relevance and enhance the effectiveness of ADB's safeguard policies (environment, indigenous peoples, and involuntary resettlement). The policy update is intended to better articulate the safeguard policies to improve their clarity, coherence, and consistency; achieve a better balance between a front-loaded procedural approach and attention to delivery of results during project implementation; adapt policy implementation to an evolving range of lending products and innovative financing modalities; work toward greater harmonization with the safeguard practices of other multilateral financial institutions and tailor safeguard approaches to different clients with varying levels of capacity; and improve internal processes and resource allocation.

Between October 2007 and April 2008, ADB conducted 14 consultation workshops in developing and developed member countries on the consultation draft of the safeguard policy statement. ADB received widespread feedback and detailed suggestions. A second draft of the

As of 31 December, local currency loans were available to the People's Republic of China, India, Indonesia, Kazakhstan, and Philippines

safeguard policy statement was made available for public comment in October, and a multistakeholder consultation on the second draft was held in Manila in November. A working paper on the safeguard policy statement was circulated to the Board of Directors for guidance and posted on ADB's website in January 2009.

Review of the Independence and Effectiveness of the Operations Evaluation Department

In February, ADB committed to a comprehensive review of its Operations Evaluation Department (OED). An ad hoc working group, chaired by an executive director and comprising two additional executive directors and the managing director general, was created to undertake the review. Two external experts were engaged to assist in the process.

The review concluded that while ADB has a clearly articulated model of independent evaluation, OED's credibility as an independent evaluation unit could be further enhanced by adopting the following measures: expanding the nonrenewable term of OED's director general from 3 to 5 years; allowing OED's director general to be appointed by the Board of Directors upon recommendation by the Development Effectiveness Committee in consultation with the President; strengthening the selection process for OED's director general with the Development Effectiveness Committee leading the process and using an executive search firm and extensive media advertising; exempting OED's director general from the formal performance review process, with his or her salary determined by a formula; allowing OED's budget to be approved by the Board of Directors separately from ADB's overall administrative budget; and renaming OED the Independent Evaluation Department to reflect its more independent status. To further strengthen the department's effectiveness, the review urged that interaction between the department and operations staff be intensified to ensure ownership of evaluation results and accelerate the application of lessons learned; and that a more rigorous system for monitoring the progress achieved in implementing the department's recommendations be put in place.

A revised policy was approved by the Board on 15 December to give effect to the changes referred to above. This policy supersedes the 2003 policy on enhanc-

ing the independence and effectiveness of the department and the 2008 amendment of terms of appointment of the director general, with effect from 1 January 2009.

Review of ADB's Human Resources Strategy

Under the human resources strategy (2005–2007), ADB committed to conducting a review following the 3-year implementation period. The review, which was undertaken with the assistance of external experts, underscored the importance of linking ADB's human resources management to its business strategy to support and deliver the results required by Strategy 2020 (Finance and Administration, Human Resources, page 103). A Board paper on the subject was issued in December. As a next step, a detailed action plan will be drawn up, based on the external experts' recommendations and the Board's comments, among other inputs.

Disclosure

Since approval of its public communications policy in April 2005, ADB has become much more transparent in the way it communicates with the public and shares information with its stakeholders, particularly about ADB projects. In 2005, ADB disclosed on its website 876 operational documents; in 2008, the number increased by 70% to 1,512. Postings of project summary pages—the primary source of information about ADB operations—increased by 13% in 2008 alone. Overall, timeliness of disclosure has improved significantly since the policy's approval.

Policy and strategy papers, agendas, and minutes of meetings of ADB's Board of Directors, and summaries of Board discussions on strategy, policies, and regional and country partnership strategies were freely available to the public, as were documents prepared in the normal course of project design and implementation, including environmental assessments.

Timeliness of disclosure has improved significantly since the approval of the public communications policy



With education as one of the five priority sectors under Strategy 2020, ADB supported the construction of 1,000 computer learning centers in Sri Lanka's schools through the Secondary Education Modernization Project

Staff members were routinely briefed on the public communications policy, both to update knowledge about the policy and respond to staff turnover. Awareness-raising seminars on the policy were conducted for about 100 development partners, including officials of develop-

ing member countries and civil society organizations, at ADB headquarters and in Nepal. The public information and disclosure unit responded to all external requests in 7 days on average, the maximum time limit allowed by the policy being 30 days.



FINANCING OPERATIONS

ADB raised \$9.4 billion through public issues and private placements, with \$10.5 billion in loans approved for 86 projects. Thirteen nonsovereign loans were made to the private sector for \$1.5 billion, 107% more than the \$715.3 million in the previous year, and resources of \$4.3 billion were transferred from ADB to its developing member countries, compared with \$3.2 billion in 2007.

Authorized and subscribed capital stock amounted to \$54.9 billion. Ordinary capital resources (OCR) gross income, which includes revenue and net realized gains, amounted to \$2.0 billion, \$1.4 billion of which was generated from the loan portfolio, \$652.3 million from the investment portfolio, and \$25.7 million from other sources.

ADB's Special Funds are the Asian Development Fund (ADF) with 2008 committed contributions and revenue totaling \$0.7 billion, Technical Assistance Special Fund of \$41.3 million, Japan Special Fund of \$23.9 million, ADB Institute Special Fund of \$8.1 million, Asian Tsunami Fund of \$9.3 million, Pakistan Earthquake Fund of \$13.5 million, Regional Cooperation and Integration Fund of \$1.3 million, and Climate Change Fund of \$40.6 million.

FUNDING

ADB raised \$9.4 billion in medium- and long-term funds through public issues and private placements. Public offerings amounted to \$4.8 billion, of which \$2.3 billion was through two US-dollar global benchmarks. Private placements totaled \$4.6 billion.

OVERVIEW OF OPERATIONS

ADB approved 98 loans (86 projects) for \$10.5 billion, 7 equity investments for \$123.1 million, 1 guarantee for \$10.0 million, 3 B-loan projects for \$565.0 million, 49 grant projects for \$811.4 million, 299 technical assistance projects for \$274.5 million, and 12 multitranches financing facilities for \$5.7 billion.

LOANS

Sovereign lending amounted to \$8.7 billion for 83 loans (72 projects or programs), comprising 46 loans from ADB's OCR for \$6.9 billion and 37 loans from ADF for \$1.8 billion. These amounts include 14 OCR loans for \$1.8 billion and 5 ADF loans for \$178.0 million from multitranches financing facilities. Overall, sovereign lending of \$8.7 billion approved in 2008 decreased by about 6% compared to \$9.2 billion approved in 2007 (a decrease of about 6% for both OCR and ADF lending). Two nonsovereign public sector loans to state-owned enterprises for \$300.0 million were approved. Thirteen nonsovereign loans (12 projects) to the private sector for \$1.5 billion were also approved—107% more than the \$715.3 million for 18 loans (18 projects) in 2007.

Of the 86 projects and programs approved in 2008, 69 (80%) were general interventions and 17 (20%) were targeted interventions. Sustainable economic growth was the most prevalent theme and was associated with 70 projects. Transport and communications, among the sectors, received the largest share of lending (26%).

The 72 investment projects approved in 2008 will result in total investments of about \$34.1 billion—\$8.1 billion (24%) will be financed by ADB; \$9.3 billion (27%) by governments and borrowers; \$15.8 billion (46%) by cofinanciers, equity sponsors, and local financial institutions; and \$946.9 million (3%) by project beneficiaries. Four projects, amounting to \$279.3 million, are financed under sector lending, compared with five projects amounting to \$503.2 million in 2007.

The 14 policy-based programs approved in 2008 were valued at \$2.49 billion, compared with 13 programs for \$2.46 billion in 2007.

TABLE 2 Top Recipients by Approval, 2008
(\$ million)

	Loans		Technical Assistance	Grants	Total
	Sovereign	Nonsovereign			
India	1,808.3	1,068.6	27.4	—	2,904.3
China, People's Republic of	1,526.0	224.1	19.5	5.7	1,775.2
Pakistan	1,171.0	—	7.9	—	1,178.9
Indonesia	1,010.0	75.0	13.0	—	1,098.0
Philippines	620.0	320.0	9.4	1.0	950.4
Viet Nam	764.7	25.0	26.9	5.2	821.8
Bangladesh	592.0	—	4.5	18.5	615.0
Kazakhstan	340.0	—	0.3	—	340.3
Afghanistan	—	60.0	3.0	266.0	329.0
Azerbaijan	215.4	—	1.2	—	216.6
Regional	—	—	116.8	—	116.8
Other DMCs	666.7	7.5	44.8	515.0	1,234.0
Total	8,714.0	1,780.2	274.5	811.4	11,580.1

— = nil, DMC = developing member country.
Note: Totals may not add up because of rounding.

TABLE 3 Operations by Sector, 2007–2008

	Loans				Grants			
	2007		2008		2007		2008	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
Agriculture and Natural Resources	146.3	1	443.2	4	22.8	3	85.1	10
Education	145.0	1	130.0	1	61.0	9	27.8	3
Energy	1,403.7	14	2,462.5	23	25.4	4	259.9	32
Finance	1,063.0	11	117.8	1	2.0	0.3	1.0	0.1
Health, Nutrition, and Social Protection	50.0	1	210.6	2	31.0	5	15.7	2
Industry and Trade	50.0	1	167.5	2	17.0	3	10.0	1
Law, Economic Management, and Public Policy	1,179.5	12	1,945.0	19	16.5	2	122.4	15
Transport and Communications	3,925.8	39	2,734.1	26	319.9	48	169.1	21
Water Supply, Sanitation, and Waste Management	408.2	4	401.6	4	7.5	1	59.9	7
Multisector	1,594.1	16	1,882.0	18	169.7	25	60.5	7
Total	9,965.6	100	10,494.3	100	672.7	100	811.4	100

Note: Totals may not add up because of rounding.

EQUITY OPERATIONS

Seven equity investments for \$123.1 million were approved in 2008, compared with five for \$79.8 million in 2007.

COFINANCING AND CREDIT ENHANCEMENT OPERATIONS

Cofinancing was further integrated more formally into the 2009–2011 work programming and planning cycle and in annual operations review planning. A programmatic approach through framework agreements indicating areas for cooperation was more vigorously pursued. In addition, project-specific cooperation was further streamlined through the introduction of standardized cofinancing agreement templates. These approaches facilitated moving cofinancing upstream and provided greater predictability, beginning with an institutional understanding of major cofinancing partners' areas of cooperation and resource commitments, and, at the country programming stage, the identification of projects to be potentially cofinanced. The level of direct value-added (DVA) cofinancing against ADB's own lending was also introduced in 2008 as one of the indicators of ADB's development effectiveness in mobilizing additional resources for its assisted projects.

Total DVA cofinancing amounted to about \$1.7 billion for 101 projects, of which \$1.6 billion was for 25 investment projects and \$84.2 million was for 76 technical assistance projects. DVA cofinancing for invest-

ment projects comprised \$925.0 million for 6 official loan cofinancing operations, \$565.0 million in B-loans for 3 projects, \$10.0 million for 1 guarantee operation, and \$70.0 million for 17 grant operations (Tables 4a and 4b). Moreover, about \$14.0 billion discrete (non-DVA) cofinancing in the form of parallel loans and grants was expected for 21 ADB-financed projects and programs.

Three framework cofinancing agreements with the Government of the Republic of Korea and one with the Islamic Development Bank were signed. ADB worked closely on implementing the Accelerated Co-Financing Scheme of Japan with ADB and held discussions with Japan on refining the operation of the scheme. Efforts to match cofinanciers' priorities and regional departments' cofinancing requirements were stepped up, helping ensure prompt commitment of funds under these frameworks.

ADB further aligned its resource mobilization efforts by establishing trust and special funds that support the development agenda of Strategy 2020. A new initiative, the Future Carbon Fund, was established during the year to support projects that will use carbon credits generated beyond 2012 to provide urgently needed financing for clean energy projects in Asia and the Pacific. The initial target size of the fund is \$100 million and may be increased to \$200 million if uptake is sufficient. A special fund, the Climate Change Fund, which aims to slow the onset of climate change and help Asia and the Pacific adapt to the expected devastating impact of global warming, was also

TABLE 4a Direct Value-Added Cofinancing Arrangements,^a 2005–2008
(\$ million)

	2005			2006			2007			2008		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	18.4	50.0	68.4	0.0	124.8	124.8	0.0	376.0	376.0	0.0	10.0	10.0
Syndications	0.0	0.0	0.0	0.0	405.0 ^b	405.0	0.0	200.0 ^b	200.0	0.0	565.0	565.0
Grants	225.9	0.0	225.9	166.1	0.0	166.1	101.4	0.0	101.4	70.0	0.0	70.0
Official Loans	22.5	0.0	22.5	565.2	0.0	565.2	120.5	0.0	120.5	924.6	0.0	924.6
Subtotal	266.8	50.0	316.8	731.3	529.8	1,261.1	221.9	576.0	797.9	994.6	575.0	1,569.6
Technical Assistance Projects												
Grants	78.9	0.0	78.9	92.7	0.0	92.7	89.7	0.0	89.7	84.2	0.0	84.2
Total DVA Cofinancing	345.6	50.0	395.7	824.1	529.8	1,353.9	311.5	576.0	887.5	1,078.8	575.0	1,653.8

DVA = direct value-added.

Note: Totals may not add up because of rounding.

a Cofinancing for projects with administrative or collaborative arrangements with ADB.

b Net of cancellations.

TABLE 4b Direct Value-Added Cofinancing Arrangements,^a 2005–2008
(number of projects^b)

	2005			2006			2007			2008		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	1	1	2	0	3	3	0	4	4	0	1	1
Syndications	0	0	0	0	4 ^c	4	0	1 ^c	1	0	3	3
Grants	12	0	12	12	0	12	10	0	10	17	0	17
Official Loans	2	0	2	10	0	10	6	0	6	6	0	6
Subtotal	14	1	15	21	6	27	12	5	17	21	4	25
Technical Assistance Projects												
Grants	96	0	96	74	0	74	60	0	60	76	0	76
Total DVA Cofinancing	110	1	111	95	6	101	72	5	77	97	4	101

DVA = direct value-added.

a Cofinancing for projects with administrative or collaborative arrangements with ADB.

b A project with more than one source of cofinancing is counted once.

c Net of cancellations.

established in 2008. ADB provided an initial \$40 million to the fund, which is open for further contributions from countries, other development organizations, foundations, the private sector, and other sources. The fund will be used to provide grant financing for technical assistance, investment projects, research, and other activities that tackle the causes and consequences of global warming.

Japan made its initial contributions of \$23.1 million to the Asian Clean Energy Fund and \$11.5 million to the Investment Climate Facilitation Fund, the two new initiatives that were established in 2008 under the Clean Energy Financing Partnership Facility and Regional Cooperation and Integration Facility. Austria and Spain each contributed \$5.0 million to the Multidonor Water Trust Fund. Spain and Sweden made their first contributions of

TABLE 5 Top Recipients of Grants by Approval,^a 2008

	\$ million
Afghanistan	266.0
Nepal	159.3
Mongolia	82.3
Kyrgyz Republic	67.9
Tajikistan	61.3
Cambodia	36.9
Sri Lanka	27.2
Bhutan	26.3
Solomon Islands	19.7
Bangladesh	18.5
Other DMCs	46.0
Total	811.4

DMC = developing member country.

a Includes cofinanced grants.

TABLE 6 Top Recipients of Technical Assistance by Approval, 2008
(\$ million)

	TASF	JSF	RCIF	CCF	Others	Total	%
India	14.2	9.8	–	–	3.5	27.4	10.0
Viet Nam	6.5	5.6	–	–	14.8	26.9	9.8
China, People's Republic of	15.9	–	–	1.4	2.2	19.5	7.1
Indonesia	4.0	1.3	–	–	7.7	13.0	4.7
Philippines	3.9	3.2	–	–	2.4	9.4	3.4
Pakistan	6.2	1.6	–	–	0.1	7.9	2.9
Mongolia	1.3	3.2	–	–	1.0	5.5	2.0
Lao People's Democratic Republic	3.5	0.6	–	–	1.0	5.1	1.9
Cambodia	3.2	1.8	–	–	–	5.0	1.8
Nepal	2.6	1.3	–	–	0.6	4.5	1.7
Other DMCs	15.5	12.9	1.5	0.6	3.1	33.6	12.2
Regional	42.6	13.7	8.9	3.0	48.5	116.8	42.5
Total	119.3	55.0	10.5	5.0	84.8	274.5	100.0

– = nil, DMC = developing member country, CCF = Climate Change Fund, JSF = Japan Special Fund, RCIF = Regional Cooperation and Integration Fund, TASF = Technical Assistance Special Fund.

Note: Totals may not add up because of rounding.

TABLE 7 Resource Transfers to Developing Member Countries
(\$ million)

	2007	2008
OCR		
Loan Disbursements	5,234	6,472
Principal Repayments ^a	(1,454)	(1,923)
Payments of Interest/Charges	(1,395)	(1,416)
Net Equity Investment	(8)	57
Net	2,377	3,190
ADF		
Loan Disbursements	1,618	2,043
Principal Repayments	(586)	(677)
Payments of Interest/Charges	(210)	(256)
Net	821	1,110
TOTAL	3,198	4,300

() = resource inflow from developing member countries, ADF = Asian Development Fund, OCR = ordinary capital resources.

a Includes prepayments of \$277.1 million (\$80.1 million in 2007).

The total outstanding balances and undisbursed commitments of nonsovereign operations amounted to about \$3.8 billion. ADB's nonsovereign exposure is largest in the infrastructure sector, with a total of \$2.4 billion, followed by exposure to the finance sector of \$1.3 billion, and exposure to other sectors of \$79.5 million

\$5.0 million and \$4.7 million, respectively, to the Multi-donor Clean Energy Fund. Australia expressed its intent to make a total additional contribution of A\$25.0 million each to these multidonor funds by 2011.

GRANTS

ADB approved 49 grant projects for \$811.4 million. Of this amount, \$707.4 million was funded from the eighth replenishment of ADF and \$104.0 million from external sources with full or partial administration by ADB, comprising \$34.0 million from the Japan Fund for Poverty Reduction and \$70.0 million from other bilateral and multilateral sources.

Of the 49 grant projects, sustainable economic growth was the most prevalent theme, associated with 29 projects. Energy received the largest share among the sectors (32%).

Parallel grants of \$130.3 million, not administered by ADB, were provided from multilateral and bilateral institutions for four projects.

TECHNICAL ASSISTANCE

A total of 299 technical assistance projects for \$274.5 million, including 252 new projects and 47 supplementary projects, were approved, or 9% more than the 242 projects for \$252.8 million approved in 2007. Of the 299 projects, 93 are project preparatory, 104 advisory, and 102 for regional assistance. Of the total amount approved, \$119.3 million is financed from the Technical Assistance

TABLE 8 Cumulative Nonsovereign Operations by Top Countries, 1983–2008^{a, b}

	\$ million	%
India	2,268	23.9
China, People's Republic of	1,694	17.9
Indonesia	879	9.3
Philippines	768	8.1
Pakistan	721	7.6
Kazakhstan	550	5.8
Thailand	319	3.4
Viet Nam	305	3.2
Sri Lanka	280	3.0
Bangladesh	242	2.6
Afghanistan	208	2.2
Lao People's Democratic Republic	100	1.1
Other DMCs	87	0.9
Azerbaijan	66	0.7
Nepal	59	0.6
Regional	930	9.8
Total	9,476	100.0

DMC = developing member country.

a Includes nonsovereign projects processed by the Private Sector Operations Department and regional departments of ADB. Regional departments started nonsovereign operations in 2007.

b Net of facilities canceled in full before signing.

Special Fund, \$55.0 million from the Japan Special Fund, \$5.0 million from the Climate Change Fund, \$10.5 million from the Regional Cooperation and Integration Fund, and the remaining \$84.8 million from other multilateral and bilateral sources.

MULTITRANCHE FINANCING FACILITIES

Twelve multitranche financing facilities totaling \$5.7 billion were approved in 2008, compared with seven for \$4.0 billion in 2007.

RESOURCE TRANSFERS

During the year, there was a net transfer of resources of \$4.3 billion from ADB to its developing member countries, compared with \$3.2 billion in 2007. Of these, net resource transfers of \$3.2 billion and \$2.4 billion went to OCR borrowers and/or investors in 2008 and 2007, respectively. The four countries with the largest net resource transfers were India, Pakistan, People's Republic of China, and Philippines.

Loan disbursements totaled \$8.5 billion compared with \$6.8 billion in 2007. Of the total, OCR disbursements were \$6.5 billion or 76% and ADF disbursements

TABLE 9 Nonsovereign Operations, 2005–2008^{a, b} (\$ million)

	2005	2006	2007	2008
Nonsovereign Loans	513	450	725	1,780
– Private sector	513	375	715	1,480
– Public sector	–	75	10	300
Equity	177	231	80	123
Partial Credit Guarantee	18	110	376	–
Political Risk Guarantee	50	15	–	10
B-Loan	–	330	200	565
– Private sector	–	105	200	340
– Public sector	–	225	–	225
Total Nonsovereign Approvals	758	1,135	1,381	2,478
– Private sector	758	835	1,371	1,953
– Public sector	–	300	10	525
Total Project Cost	8,676	7,678	3,645	12,104

– = nil.

a Includes nonsovereign projects processed by the Private Sector Operations Department and regional departments of ADB. Regional departments started nonsovereign operations in 2007.

b Net of facilities canceled in full before signing.

were \$2.0 billion or 24%. Loan service payments totaled \$4.3 billion in 2008 compared to \$3.6 billion in 2007.

NONSOVEREIGN OPERATIONS

ADB approved a total of 16 financial market and infrastructure nonsovereign projects, providing \$2.5 billion in assistance (Table 9). The interventions are composed of 13 private sector loans of \$1.5 billion, 2 public sector nonsovereign loans of \$300.0 million, 7 equity investments of \$123.1 million, a political risk guarantee of \$10.0 million, and \$565.0 million in commercial loans under ADB's B-loan program, of which \$340.0 million is for a private sector project while \$225.0 million is for a public sector nonsovereign project.

As of 31 December, the total outstanding balances and undisbursed commitments of nonsovereign operations amounted to about \$3.8 billion, consisting of loans of \$2.4 billion, \$815.0 million in equity investments, and guarantees of \$571.8 million. ADB's nonsovereign exposure is largest in the infrastructure sector, with a total of \$2.4 billion, followed by exposure to the finance sector of \$1.3 billion, and exposure to other sectors of \$79.5 million.

Cumulative nonsovereign operations are largest in India (24%), followed by People's Republic of China (18%), Indonesia (9%), and Philippines (8%). Regional projects account for roughly 10% of the total.



SECTOR AND THEMATIC HIGHLIGHTS

ADB's sector and thematic priorities promote quality, knowledge, and innovation for inclusive and sustainable development.

REALIGNING FOR COHERENCE AND COHESIVENESS

The mandate of the Regional and Sustainable Development Department is to ensure corporate coherence in ADB's sector and thematic operations, and advance the knowledge and practices that underpin them. The department's strategic focus on enhancing key infrastructure sector operations, promoting sustainability and social inclusiveness, introducing innovative approaches, and facilitating knowledge management remained unchanged, but the department realigned its structure along sector and thematic lines to champion Strategy 2020. The new structure brought together related sectors and themes; created a climate change program coordination unit; and established an agriculture, rural development, and food security unit.

By means of its new structure and associated web-based relationships and processes, the department engaged the operations departments more proactively in country and regional programming. A greater degree of engagement was likewise achieved in the processing and administration of projects, communities of practice, steering committees, working groups, and task forces. Other new activities and engagement mechanisms included organizing seminars, hosting training and capacity development, and collaborating with regional knowledge hubs.

TACKLING CLIMATE CHANGE

Strategy 2020 aims to help developing member countries mitigate and adapt to climate change. ADB Management therefore established the climate change coordination unit in the Regional and Sustainable Development Department.

ADB made notable progress in its clean energy initiatives, surpassing the \$1 billion annual lending target set in 2005. It began to shift transport and urban investments to low-carbon alternatives, and established financing schemes in three areas: mobilizing concessional funds, catalyzing private sector capital, and maximizing the use of market mechanisms.

ADB helped establish the Climate Investment Funds and provided supplementary financing through its Clean Energy Financing Facility, with contributions from Aus-

Through the carbon market initiative, ADB provided upfront financing and technical support for more than 40 mitigation projects

tralia, Japan, Norway, Spain, and Sweden. ADB's Board of Directors approved the transfer of ADB's own net income to the Climate Change Fund. In addition to many low-carbon projects financed by the Private Sector Operations Department, ADB invested \$100 million as seed capital to help set up five private sector equity funds for clean energy projects, an investment that will likely catalyze \$1 billion in additional private sector capital.

Through the carbon market initiative, ADB provided upfront financing and technical support for more than 40 mitigation projects. In July, the Board of Directors approved the Future Carbon Fund.

ADB drew up a climate change adaptation program to help the region's economies mainstream adaptation and enhance their resilience to adverse impacts. It incorporates vulnerability risk management into countries' national development strategies and actions, increases the climate resilience of vulnerable sectors, climate-proofs projects, and deals with the social dimensions of climate change. Achievements included the design of five climate change risk-reduction projects financed through the Climate Change Fund, and approval of eight grants to implement adaptation interventions in nine developing member countries.

ADB also helped countries prepare climate change implementation plans to pave the way to incorporate mitigation and adaptation interventions into country partnership strategies.

INFRASTRUCTURE

Sector and thematic work on infrastructure was completed in water, transport, the urban sector, energy, and information and communication technology, with noteworthy deliverables in the first three areas. Loans approved under the Water Financing Program (2006–2010) totaled \$1.7 billion in 2008, an amount more than double the 2007

level of \$0.7 billion. In support of the Water Financing Program, the Water Financing Partnership Facility became fully operational, with contributions being committed from Australia, Austria, Netherlands, Norway, and Spain. A dozen water knowledge hubs relating to urban water management were confirmed. These relate to disaster risk reduction and flood management, water and climate change adaptation in Southeast Asia, river basin organization and management, water quality management in river basins, decision support systems for river basin management (hydroinformatics), water governance, integrated water resource management in Central Asia, integrated water resource management in the Pacific, erosion and sedimentation in river basins, healthy rivers and aquatic ecosystems, water resource management in mountainous regions, and irrigation service reform. In the energy sector, the energy-for-all initiative was launched to develop new approaches and methodologies for promoting greater access to reliable and affordable modern energy services for the region's poor.

The highlight of ADB's sector and thematic work on transport was the September Transport Forum on the theme of Asia on the Move: Energy Efficient and Inclusive Transport (www.adb.org/documents/events/2008/adb-transport-forum-2008), which was presented in collaboration with the Global Transport Knowledge Partnership and the South East Asia Community Access Programme. Attended by more than 250 participants from over 30 countries, the forum generated and disseminated knowledge solutions relating to urban mobility, rural transport, transport and climate change, governance in transport, social development and inclusive transport, road safety, and public-private partnerships.

Lastly, ADB's views on the urban sector were shared widely through large-scale participation at the Fourth World Urban Forum in Nanjing, People's Republic of

China, in November, and were simultaneously enriched by strategic technical assistance for managing Asian cities and sustainable urban development in Asia. The scope of the first technical assistance activity was expanded to include identifying and preparing projects in a dozen cities for possible financing by ADB and other partners under the Cities Development Initiative for Asia, key partners among which are Germany, Spain, and Sweden. Throughout the year, in-house seminars were used to disseminate key findings.

INCLUSIVE SOCIAL DEVELOPMENT

Incorporating Gender into ADB's Operations

ADB started implementing its gender and development plan of action (2008–2010) in January. It supports accelerating the integration of gender into country partnership strategies and projects, improving policy dialogue and capacity support to developing member countries, and increasing organizational effectiveness. In July, the President accepted the Millennium Development Goal 3 Gender Equality Torch and announced ADB's greater commitment to gender equality in the region. Country gender assessments were completed for Pakistan, Philippines, and Sri Lanka. ADB continued its established practice of monitoring the share of projects that have a significant gender component, aiming for 40% of ADB-wide public sector projects and 50% of Asian Development Fund projects by 2012.

Fostering Participation

ADB continued to update knowledge on consultation and participation through training and dialogue on thematic and sector assessments. Implementation of consultation and participation strategies improved the design and implementation of projects and technical assistance initiatives and strengthened stakeholder ownership and project sustainability. ADB published *From the Ground Up: Case Studies in Community Empowerment* (www.adb.org/documents/books/ground-up-community-empowerment/ground-up-community-empowerment.pdf).

ADB continued monitoring the share of projects that have a significant gender component, aiming for 40% of ADB-wide public sector projects and 50% of Asian Development Fund projects by 2012

Social Protection

Investment in social protection remained an important feature of promoting inclusive growth. ADB supported social protection interventions through loans and technical assistance. It eased policy dialogues and research and disseminated information and knowledge on social protection and safety nets. In August, ADB approved regional technical assistance to improve social protection initiatives in developing member countries, which will help them develop and adopt social protection policies and programs.

Community-Driven Development

Acting on recommendations made in *A Review of Community-Driven Development and Its Application to the Asian Development Bank* (www.adb.org/documents/participation/review-cdd-application-adb.pdf), technical assistance for supporting community-driven development was approved. This approval led to inception and implementation support for community-driven development activities in six projects. Knowledge products included four community-driven development country profiles and seven case studies. Other activities included information exchange among informal community-driven development network members, creation of a community-driven development database and website, presentation of two seminars, a study tour by a Mongolian team to the Kyrgyz Republic, and a field visit to community-driven development project sites in the Philippines. A forum on community-driven development and Strategy 2020 was held in December.

ENVIRONMENT AND SAFEGUARDS

ADB continued to include the environment in country partnership strategies, programs, and projects; strengthen

ADB continued to update knowledge on consultation and participation through training and dialogue on thematic and sector assessments

Environmental lending to 26 projects totaled about \$2,607 million—a nearly 200% increase from 2007 in terms of loan value, and the highest since 1995

developing member countries' environmental legal and institutional frameworks; support interventions to tackle global and regional environmental issues; collaborate with development partners; promote knowledge management; and integrate environmental and social safeguards in projects.

These efforts resulted in environmental lending to 26 projects with a total value of about \$2,607 million—a nearly 200% increase from 2007 in terms of loan value, and the highest since 1995. The projects include those that are expected to reduce CO₂ emissions through wind and hydropower energy projects in India, People's Republic of China (PRC), and Viet Nam. Other projects approved in the PRC will reduce water pollution, conserve biodiversity, and combat land degradation. Projects approved in India and the PRC are also expected to reduce air and water pollution and improve water supply, sanitation, and solid waste management systems. Projects approved in Georgia, Pakistan, and Sri Lanka will promote environmentally sustainable approaches to agriculture.

More than 50 technical assistance projects, approved for almost \$100 million, are expected to deal with the environment, including climate change-related issues. Other approved projects will design a sulfur dioxide trading system, prepare guidelines for payment for environmental services in river basins, provide seed funding for renewable energy and energy projects, and promote coastal and marine resource conservation in the Coral Triangle—the center of the world's coral reef biological diversity—which spans six developing member countries.

ADB continued to work with the Global Environment Facility (GEF) to prepare projects for GEF's endorsement, and mobilize financing for the Coral Triangle Initiative. It supported the Clean Air Initiative for Asian Cities' annual workshop on air quality and climate change, and hosted the meeting of the Poverty and



Through reforms in primary and secondary education in Bangladesh, poor and female students secured better access and the quality of education improved

Environment Partnership and the Multilateral Financial Institutions Working Group on Environment.

ADB implemented its environmental and social safeguard policies to avoid, minimize, and mitigate adverse impacts of projects. It organized training for staff and developing member countries on safeguard requirements and procedures. It worked with nongovernment organizations and other development partners to improve safeguard outcomes and allocated resources to improve indigenous peoples' legal frameworks in selected DMCs. It made significant progress with the

safeguard policy update. The Policy and Strategy Overview provides details.

EDUCATION AND SKILLS

Strategy 2020 confirms that inclusive growth requires investments in and access to education and vocational training. ADB completed *Education and Skills: Strategies for Accelerated Development in Asia and the Pacific* (www.adb.org/Documents/Studies/Education-Skills-Strategies-Development), a major study that analyzes the lessons, gaps, and policy challenges facing education, including equity, relevance, efficiency, and affordability. The study concludes that inclusive growth depends on the continuous development of an adequate human resources base, and provides a strategic framework for ADB's work. ADB continued to provide program and project lending to a range of countries, including preparing support for an important and innovative postharvest technology and skills-bridging

ADB implemented its environmental and social safeguard policies to avoid, minimize, and mitigate adverse impacts of projects

program for the rural poor in Cambodia, early childhood education for nomadic and migrant children in Mongolia, polytechnic support in Indonesia, and capacity development for madrasah education in Bangladesh. ADB also published *Skilling the Pacific: Technical and Vocational Education and Training in the Pacific* (www.adb.org/Documents/Books/Skilling-Pacific/Skilling-Pacific.pdf), a comprehensive and influential knowledge product.

IMPROVING HEALTH ACCESS AND OUTCOMES

Tangible progress was made in implementing Strategy 2020. The President approved the Operational Plan for Improving Health Access and Outcomes (www.adb.org/Documents/Policies/Strategy2020/Operational-Plan-For-Health.pdf), which sets out where, why, and how ADB will do things differently. ADB approved strategically focused program loans, including \$400 million to Pakistan to achieve the Millennium Development Goals related to maternal and child health, and one to the Philippines to reform health financing. ADB significantly strengthened partnerships that provide regional public goods. Related actions included formal collaboration with the United Nations Children's Fund (UNICEF), the United Nations Joint Programme on HIV/AIDS (UNAIDS), and the World Bank on a data hub for HIV/AIDS; costing tools for HIV/AIDS; joint case studies on preventing and mitigating HIV/AIDS in infrastructure; and collaboration with the Food and Agriculture Organization and the World Health Organization on building capacity to prepare for pandemics and control communicable diseases. ADB also analyzed the economics and financing of maternal, newborn, and child health, identifying "best buys" for increased, more cost-effective, and more equitable financing of essential health care for women and their children.

DISASTER AND EMERGENCY ASSISTANCE

In April, management approved an action plan supporting the policy governing disaster and emergency assistance. Components of the action plan include identifying disaster risks as part of country programming, building country

ADB achieved significant progress in promoting good governance and fighting corruption through its second governance and anticorruption action plan

disaster and hazard management capacity, taking disaster management and climate change issues into account when developing country programs or designing projects, and assisting regional disaster risk management coordination and institutionalization. At the Oslo Policy Forum, ADB staff members learned ways of mainstreaming disaster risk management and climate change adaptation into development programs.

Following the earthquake in Sichuan Province, at the request of the Government of the People's Republic of China, ADB prepared policy notes that assisted the recovery program; technical assistance was also provided. Disasters resulted in ADB participation in damage and needs assessments in several developing member countries, including the Kyrgyz Republic, Lao People's Democratic Republic, Myanmar, and Nepal. Both the conflict in Georgia and food security issues in Bangladesh and Cambodia were relieved by emergency assistance loans. A conference on catastrophe risk insurance for Asia and the Pacific was cosponsored with the Ministry of Finance of Japan in Tokyo.

GOVERNANCE AND ANTICORRUPTION INITIATIVES

ADB achieved significant progress in promoting good governance and fighting corruption through its second governance and anticorruption action plan. The plan is being implemented by incorporating risk assessments into country partnership strategies and project documents. In line with its commitment to the Paris Declaration on Aid Effectiveness, ADB's international, national, and local efforts included maximizing the impact from use of its resources, reinforcing the achievement of goals, and avoiding duplication. Regional and subregional initiatives were limited but promising.



CENTRAL AND WEST ASIA

Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, Uzbekistan

ADB helped improve regional transport connectivity, energy security, basic urban services, and the business climate for private sector investment and trade. New regional cooperation agreements were reached. Lending was close to \$2.5 billion; disbursements exceeded \$2.0 billion, a record by ADB in this region.

OVERVIEW

The ADB strategic stance in the region targets basic infrastructure (transport networks, logistics, and irrigation facilities); power and energy; urban services (water, sanitation, waste management, and urban transport); and public sector reforms (banking, nonbanking and financial resource management). ADB responded to long-term investment needs and also to short-term financing gaps in Georgia and Pakistan. Lending was close to \$2.5 billion, with disbursements at \$2.2 billion, a record high. ADB's nonsovereign approvals in the region totaled \$70.0 million plus an estimated portion of \$5.0 million from the Equity Investment in Asian Clean Energy Private Equity Funds, a regional project (Statistical Annex 10). The quality of the portfolio improved because of better project management. ADB operated mainly through investment programs rather than stand-alone projects. This increased efficiency and improved project management. ADB also increased its proximity to

clients through new offices in Armenia and Georgia and delegated more authority and people to field offices. The 7th Ministerial Conference on Central Asia Regional Cooperation (CAREC), held in Baku, Azerbaijan, deepened economic cooperation among the participating countries with new agreements on energy, transport, and trade. A flagship regional transport project was approved, creating a major east–west corridor through Kazakhstan. This will better connect all neighboring countries and open the way for future north–south corridors through Afghanistan, India, and Pakistan. It will also open routes into the Caspian and Black Sea.

PORTFOLIO MANAGEMENT

ADB increased contract awards and disbursements. By year-end, it exceeded annual targets for contract awards (\$2.1 billion) and disbursements (\$2.2 billion). ADB redoubled efforts to restructure its project and technical assistance portfolio, especially in Pakistan.

ADB improved portfolio management by introducing early warning systems; using better project management tools; and discontinuing automatic extensions of loans and technical assistance. More authority was delegated to resident missions, and field staff expanded. New working arrangements between field and headquarter teams were set up.

COUNTRY HIGHLIGHTS

Afghanistan

Partnership priorities. Development partners pledged \$14 billion in new assistance, adding to \$6 billion carried over from earlier pledges. The Afghanistan National Development Strategy paved the way for interim debt relief under the Highly Indebted Poor Countries Initiative. ADB's Board of Governors approved the use of ADF for debt relief.

The country partnership strategy (2009–2013) confirmed ADB's commitment to economic development through investments in energy, transport, and irrigation.

Impact of operations. Seventeen sovereign loan and grant projects remained under implementation; several projects were delayed because of poor security, weak government capacity, and bid and contract difficulties. Construction continued on the national ring road and north-south corridor, improving transport and easing domestic and regional trade and transit. Technical assistance to counterpart agencies supported institutional and capacity development. A transmission line was completed between Uzbekistan and Kabul, increasing electricity supply in the city from 2 to 12 hours a day, making a major difference to people and businesses.

Armenia

Partnership priorities. Priorities included transport and water services. ADB also partnered with the government on governance and anticorruption risk assessments and definition of associated mitigation measures.

Impact of operations. ADB began implementing the Rural Road Sector Project to upgrade 220 kilometers of roads, improve connectivity of town and villages to markets, and

HIGHLIGHTS

- Made major advances in regional cooperation on trade policy, transport, and energy, under the Central Asia Regional Economic Cooperation (CAREC) Program; CAREC participating countries endorsed the Action Plan for the Transport and Trade Facilitation, the Trade Policy Strategic Action Plan, the CAREC Energy Strategy, and the CAREC Institute Work Plan
- Invested more than \$600 million in power projects and almost \$500 million in transport infrastructure, including regional road projects
- Helped Pakistan with its short-term stabilization program arranged with the International Monetary Fund via a \$500 million loan
- Extended a \$70 million Emergency Assistance for Post-Conflict Recovery to Georgia, anchored on a joint needs assessment with other donors
- Provided a \$164 million grant to improve energy transmission and supply in Afghanistan and finance the construction of a 60-kilometer transmission line from Kunduz to Taloqan, power distribution in Kunduz and Baghlan municipalities, development of small hydropower plants, and a gas project in Sherberghan
- Improved portfolio quality, restructured or closed nonperforming loans and technical assistance. Contract awards and disbursements exceeded targets by 6% and 27%, respectively

benefit major sections of the community. The rural water supply project increased access to clean water and sanitation across the country.

Azerbaijan

Partnership priorities. ADB operations focused on transport, energy, and urban services. Flagship investments were approved in the first two sectors. The urban sector will figure in the 2009 business plan.

TABLE 10 Central and West Asia: Assistance by Country, 2008
(\$ million)

Country	Loans		Credit Enhancements		Grants			Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranche Financing Facility ^d
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a					
Afghanistan	60.0	–	60.0	–	10.0	–	–	–	266.0	3.0	970.0
Armenia	–	17.3	17.3	–	–	–	–	–	–	1.0	–
Azerbaijan	215.4	–	215.4	–	–	–	–	–	–	1.2	–
Georgia	–	110.0	110.0	–	–	–	–	–	–	0.6	–
Kazakhstan	340.0	–	340.0	–	–	–	–	–	–	0.3	700.0
Kyrgyz Republic	–	–	–	–	–	–	–	–	67.9	1.3	–
Pakistan	642.0	529.0	1,171.0	–	–	–	–	–	–	7.9	1,110.0
Tajikistan	–	–	–	–	–	–	–	–	61.3	0.9	–
Turkmenistan	–	–	–	–	–	–	–	–	–	–	–
Uzbekistan	85.0	45.0	130.0	–	–	–	–	–	4.5	1.6	–
Regional ^e	–	–	–	–	–	–	5.0	–	–	–	–
Total	1,342.4	701.3	2,043.7	–	10.0	–	5.0	399.7	17.6	2,780.0	

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

Notes: (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 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 4a and 4b (Direct Value-Added Cofinancing Arrangements).

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

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

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

e Refers to the Asian Energy Private Equity Funds Project. Amount is an estimate.

Impact of operations. The ongoing East–West Highway Improvement Project continued to rehabilitate a major transport and trade corridor, linking towns and cities, cutting transport costs, and creating better conditions for businesses and people.

Georgia

Partnership priorities. The strategic priorities for ADB and Georgia were transport, energy, urban services, and reforms. Georgia joined ADB in 2007 and by the end of 2008, ADB had approved a \$40 million municipal services project (to improve the quality of water and sanitation services to towns and villages), a \$25 million credit line to

The strategic priorities for ADB and Georgia were transport, energy, urban services, and reforms

the Bank of Georgia (to help finance small and medium-sized enterprises), and a \$70 million facility to the government help it cope with the economic crisis resulting from conflict with the Russian Federation and to fund various safety net programs. Two technical assistance projects (one advisory and one for project preparation) were also approved.

A transmission line between Uzbekistan and Kabul increased electricity supply in the city from 2 to 12 hours

Impact of operations. ADB's support helped meet social safety net programs and other post-conflict reconstruction expenditures. The projects helped provide better urban services and finance for small and medium-sized enterprises.

TABLE 11 Central and West Asia: Grant-Financed Project Approvals by Country, 2008
(\$ million)

Country	ADF	Other Sources ^a	Total
Afghanistan			
Agriculture Market Infrastructure	30.0	–	30.0
Development of Mini Hydropower Plants in Badakhshan and Bamyan Provinces	–	12.0	12.0
Energy Sector Development Investment Program – Tranche 1	164.0	–	164.0
Road Network Development Investment Program – Tranche 1	60.0	–	60.0
Kyrgyz Republic			
Southern Agriculture Area Development (Supplementary) ^b	–	2.5	2.5
Investment Climate Improvement Program (Subprogram 1)	12.5	–	12.5
Investment Climate Improvement Program System Support	2.9	–	2.9
Community-Based Infrastructure Services Sector	30.0	–	30.0
CAREC Transport Corridor 1 (Bishkek–Torugart Road)	20.0	–	20.0
Tajikistan			
Rural Development (Supplementary) ^b	–	3.5	3.5
Community Participatory Flood Management	–	3.0	3.0
Nurek 500 kV Switchyard Reconstruction	54.8	–	54.8
Uzbekistan			
Land Improvement ^b	–	3.0	3.0
Surkhandarya Water Supply and Sanitation ^b	–	1.5	1.5
Total	374.2	25.5	399.7

– = nil; ADF = Asian Development Fund; CAREC = Central Asia Regional Economic Cooperation; kV=kilovolt.

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

b Grant component of a loan project.

TABLE 12 Central and West Asia: Portfolio Performance Indicators for Sovereign Lending, 2007–2008

Country	No. of Ongoing Loans (as of 31 Dec 2008)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2008 (\$ million)	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (%)	2007 (%)
Afghanistan	11	53.2	121.9	51.8	95.5	9.1	–
Armenia	3	23.0	–	8.0	–	–	–
Azerbaijan	9	31.8	30.6	20.8	14.5	–	28.6
Georgia	2	69.9	–	69.9	–	–	–
Kazakhstan	4	10.6	6.1	8.3	2.6	–	–
Kyrgyz Republic	7	9.6	41.7	27.1	29.8	28.6	–
Pakistan	62	1,799.7	1,117.5	1,873.2	990.5	16.1	6.1
Tajikistan	13	66.8	57.9	50.0	38.3	7.7	–
Uzbekistan	19	58.7	59.1	49.0	51.4	–	–
Total	130	2,123.3	1,434.8	2,158.1	1,222.7	10.8	4.7

– = nil.

Note: Totals may not add up because of rounding.

Kazakhstan

Partnership priorities. Besides being actively involved in the private sector, ADB mainly focused on transport and urban services. ADB also provided financial advisory services. A \$700 million multitranches financing facility was approved—a flagship program under CAREC—to develop a major transport corridor across the country, linking countries in the east to those in the west, but also opening the way for north–south routes, including a link to the Caspian and Black Seas.

Impact of operations. ADB updated the economic modeling program at the National Bank of Kazakhstan to strengthen asset and risk management and inflation targeting.

Kyrgyz Republic

Partnership priorities. The strategic priorities were in transport, energy, irrigation infrastructure, urban services, and reforms. Regional cooperation was also at the heart of operations.

TABLE 13 Central and West Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2008
(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Armenia			
Rural Road Sector (Supplementary)	–	17.3	17.3
Azerbaijan			
Road Network Development Program – Tranche 2	55.4	–	55.4
Power Transmission Enhancement	160.0	–	160.0
Georgia			
Municipal Services Development	–	40.0	40.0
Emergency Assistance for Post-Conflict Recovery	–	70.0	70.0
Kazakhstan			
CAREC Transport Corridor I (Zhambyl Oblast Section)–Western Europe– Western People's Republic of China International Transit Corridor Investment Program – Tranche 1	340.0	–	340.0
Pakistan			
Barani Integrated Water Resources Sector	55.0	20.0	75.0
Preparing the Lahore Rapid Mass Transit System	–	6.0	6.0
Power Distribution Enhancement Investment Program – Tranche 1	242.0	10.0	252.0
Accelerating Economic Transformation Program (Subprogram 1)	300.0	200.0	500.0
Second Balochistan Resource Management Program (Subprogram 1)	45.0	55.0	100.0
Sindh Growth and Rural Revitalization Program (Subprogram 1)	–	100.0	100.0
Punjab Millennium Development Goals Program (Subprogram 1)	–	100.0	100.0
Sindh Cities Improvement Investment Program – Tranche 1	–	38.0	38.0
Uzbekistan			
Surkhandarya Water Supply and Sanitation	–	30.0	30.0
Water Resources Management Sector	85.0	15.0	100.0
Subtotal	1,282.4	701.3	1,983.7
NONSOVEREIGN			
Afghanistan			
Roshan Expansion Project (Phase III)	60.0	–	60.0
Subtotal	60.0	–	60.0
Total	1,342.4	701.3	2,043.7

– = nil, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, OCR = ordinary capital resources.

Impact of operations. ADB improved conditions in the transport sector and public financial resource management. It also helped improve education services through projects and advice and was a key player in the irrigation sector. ADB financing improved transport connectivity, supported policy actions to reduce investor entry and exit barriers, lowered compliance costs, and increased access to finance. The improved business and investment climate encouraged private sector participation in infrastructure development.

ADB updated the economic modeling program at the National Bank of Kazakhstan to strengthen asset and risk management and inflation targeting

TABLE 14 Central and West Asia: Cumulative Lending and Disbursements by Country as of end of 2008 (\$ million)^{a, b}

Country	Lending	Disbursements
Afghanistan	952.3	559.5
Armenia	83.9	8.0
Azerbaijan	585.4	87.9
Georgia	135.0	94.9
Kazakhstan	1,066.6	619.0
Kyrgyz Republic	603.5	552.2
Pakistan	19,761.8	14,234.6
Tajikistan	372.5	223.1
Uzbekistan	1,230.9	534.0
Regional	20.0	162.8
Total	24,812.0	17,076.0

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) sector loans.

Pakistan

Partnership priorities. Partnership centered on energy and transport, federal and provincial structural and institutional reforms, and urban services. A multitranche financing facility was approved to improve power distribution infrastructure, enabling distribution companies to operate and function according to best international practices. ADB processed, approved, and disbursed \$500 million to help cofinance an economic stabilization program prepared by the authorities and supported by the International Monetary Fund. ADB committed three provincial policy facilities to support fiscal and financial management reforms, achieve the Millennium Development Goals, and revitalize rural growth.

Impact of operations. ADB achieved record disbursement levels at \$1.9 billion. Portfolio quality and results also

ADB processed, approved, and disbursed \$500 million to help cofinance an economic stabilization program in Pakistan

FIGURE 1 Central and West Asia: ADB Lending by Country, 2007–2008 (\$ million)

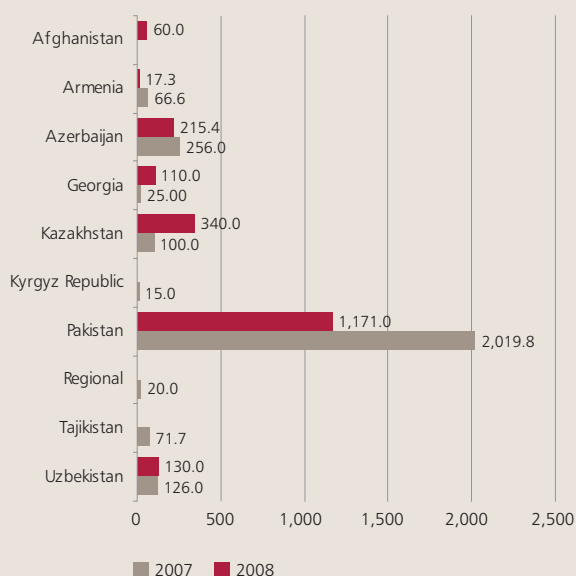


FIGURE 2 Central and West Asia: ADB Disbursements by Country, 2007–2008 (\$ million)



improved. Ongoing efforts rebuilt 71% of houses destroyed by a 2005 earthquake. A rehabilitated hydropower station grid improved the supply of electricity. A recently completed rural development project introduced a new participatory model that works with local nongovernment

organizations to provide natural resources management jobs for women. Another project trained unemployed tribal youth in diverse vocations. An urban development project in the North–West Frontier Province improved environmental and health conditions for low-income families through better access to water, sanitation, solid waste man-

agement, roads, and drainage. Farmers' incomes increased as a result of higher wheat prices attained by an ADB-supported policy action. The government rationalized national budget subsidies and released resources to capitalize a major cash transfer system that protects the poor from high commodity inflation. ADB strengthened social safe-

Getting Creative to Beat Poverty

An ADB project in the Kyrgyz Republic helps poor rural women use handicraft skills to support their families

For Jeenbek Kyzy Gulzat and her neighbors in Janbulak village, there are few choices in life. They don't have the skills to find jobs, and they are needed at home to care for their families.

An ADB-supported project is helping women like Ms. Gulzat join together, combine their skills and experience, and start small handicraft-making businesses. In her 10-member group, each woman supports at least three children. Working together, they teach each other new skills and earn much-needed money for their families.



An ADB and Japan Fund for Poverty Reduction project is helping poor rural women in the Kyrgyz Republic start small handicraft-making businesses

"Homemakers who don't have outside work experience have trouble finding a job," said Ms. Gulzat, who has five children. "This is an excellent opportunity for us to improve ourselves and express our creativity. I am earning money now that I couldn't if I was only working at home."

The ADB and Japan Fund for Poverty Reduction project that assists the people of Janbulak village seeks to improve livelihoods of rural women by developing handicraft industries. The project helps the government organize existing, mostly informal, rural handicraft centers.

When the Urmat Uz Cooperative Society was launched, 15 women were working on handicrafts. With the support of the ADB project, that number has grown to 120 today.

"Traditionally, the women of this area have been engaged in handicrafts," says Jamby Karybekova, who heads the organization. "I invite these women to join our group, and they even bring their daughters along. It is a chance for them to get out of poverty."

Another cooperative that has benefited from the project is located in the village of Talas. This group brings together single mothers, including those with disabled children.

"It is very difficult for them to raise their kids," said Ibadad Ergeshova, who heads the cooperative. "They don't have land or a business. After training with our cooperative, they make their own handicraft designs. So far, everybody has been pleased with the quality of the work. This project provides a lot of help for women."

"They don't have any financial means to survive, but they are ready to learn and they want to work."

Working together, women teach each other new skills and earn much-needed money for their families

guards through technical guidance, improved monitoring and resettlement actions, increased safeguard compliance, and accelerated physical progress of its projects.

Tajikistan

Partnership priorities. ADB assistance focused on road and energy infrastructure. Consultations started on a new country partnership strategy (2009–2012), under joint preparation with 20 other development partners.

Impact of operations. ADB's operations strengthened regional cooperation and connectivity in transport and expanded energy supplies and energy security. A series of projects rehabilitated agriculture and irrigation infrastruc-

ADB helped the Turkmenistan government identify new gas markets in South Asia

Easing the Burden

An ADB water and sanitation project lets Pakistani women use their heads for learning instead of carrying

Like other women and girls in the rural heartland of Punjab, Pakistan's most populous province, Bashiran Bibi once spent hours everyday collecting and carrying water on her head in heavy pots.

The water often came from uncovered wells, filthy rivers and streams, and stagnant ponds, putting their and their families' health at risk.

But—thanks to a project jointly funded by ADB and the provincial government—clean water and sanitation are now available to 2.5 million rural Punjabis.

The change has not just improved the health of many communities. It has also empowered women, freeing them from a back-breaking chore to engage in other more productive tasks.



Traditional water collection practices were time-consuming and physically demanding, and handled by women

"By fetching water 3 to 4 hours a day in scorching heat and carrying the pitchers on our heads, many of us were losing so much hair we were going bald," said Bibi, chairperson of the Women Community Organization in Dera Ghazi Khan. "We had to carry water even when we were pregnant."

The statistics on access to clean water and sanitation in rural Pakistan make for grim reading.

Of the country's population of 160 million, 84 million live in Punjab and about 60% of that number are rural dwellers. Half of this large rural group is forced to draw water from unsafe sources.

In a bid to address these issues, ADB joined the Punjab government on a project to fund water supply and drainage facilities for 1,085 rural communities. An initial ADB loan of \$46 million in 1995 was followed by another \$50 million in 2002.

The positive economic impact of freeing women and girls from their water collection chore to engage in other activities is unequivocal. Another beneficial spin-off is that girls now have time to attend school.

"I have started going to school for the first time and I like it. I don't mind sitting in class with girls several years younger. My mother and I used to fetch water. I started fetching water when I was only 5 years old. Thus, it has been 10 long years," says 15-year-old Shakeela.

"At times when I refused to go, everybody—including my grandmother—would admonish me as disobedient. Now that I don't have to go out to collect water, I will complete my education and become a teacher in the village school," Shakeela adds.

A beneficial spin-off is that girls now have time to attend school

ture. Japan Fund for Poverty Reduction–funded projects, technical assistance, and grants helped improve education and health services.

Turkmenistan

Partnership priorities. Periodic consultations were held to define the government’s development priorities and ADB’s potential role and assistance. A resident mission will soon be opened in Ashgabat. ADB helped the government identify new gas markets in South Asia. As acting secretariat for the proposed Turkmenistan–Afghanistan–Pakistan–India natural gas pipeline, ADB organized the third and fourth meetings of the pipeline’s technical working group, which pursued agreement on key issues. ADB also provided regional technical assistance for environmental protection.

Impact of operations. ADB has not yet had lending operations in Turkmenistan.

Uzbekistan

Partnership priorities. Transport, energy, and urban services were the strategic priorities. Operations focused on urban services.

Impact of operations. The Education Sector Development Program helped initiate a 4–5–3 education model aligned with international education systems, and introduced organizational audit and cost recovery to higher and secondary education. A water supply and sanitation workshop formulated a strategy to deliver water services more efficiently. Under the Public Finance Reform Management Project, the treasury improved expenditure controls by establishing a single account and streamlined budget execution mechanisms. The government closed thousands of fragmented budgetary unit accounts in commercial banks, introduced single treasury accounts for each territory, and developed and implemented a new budget classification system based on international standards of government finance.



EAST ASIA

People's Republic of China, Mongolia

Regional cooperation is a core element of the People's Republic of China's country partnership strategy with ADB and will also be prominent in Mongolia's new strategy. A high priority for ADB will be building cross-border infrastructure in both countries for better connectivity with Central Asia Regional Economic Cooperation members and the Greater Mekong Subregion.

OVERVIEW

ADB's operations in East Asia were fully aligned with Strategy 2020's core priorities and focused on achieving environmentally sustainable inclusive growth. Private sector development remained a strategic priority in both the People's Republic of China (PRC) and Mongolia. Further, ADB endeavored to promote nonsovereign lending and private-public partnerships in infrastructure. In both countries' finance sectors, ADB focused on providing technical assistance to increase access to financial services, improve financial infrastructure, and facilitate trade among neighboring countries.

East Asia sovereign lending operations (Table 18) comprised 13 loans to the PRC for \$1.5 billion, and five Asian Development Fund (ADF) grants to Mongolia for \$74.3 million. In addition, Mongolia also received \$8.0 million from Japan Fund for Poverty Reduction for four projects covering local roads, energy conservation, water supply for the poor, and community-based natural resource management.

ADB provided \$28.1 million in technical assistance consisting of \$19.5 million for the PRC, \$5.5 million for Mongolia, and \$3.2 million for regional technical assistance. ADB's nonsovereign approvals in the region totaled \$424.1 million plus an estimated portion of \$45.0 million from the Equity Investment in Asian Clean Energy Private Equity Funds, a regional project (Statistical Annex 10). The \$424.1 million includes a \$200 million B-loan provided by commercial lenders with ADB acting as lender of record.

PORTFOLIO MANAGEMENT

ADB has been making sustained efforts to promote results-based portfolio management, monitoring, and evaluation in East Asia. Notable initiatives in the PRC included assistance to the National Development and Reform Commission to establish a results-based project monitoring and evaluation system, and modern project management training programs for government project staff. The six-point portfolio management action plan was further

refined to focus on improving project readiness for better quality at entry, and streamlining government and ADB procedures. ADB also strengthened the resident missions to assume increased portfolio management responsibilities. Consequently, as of 31 December 2008, only one project (1.5% of all projects under implementation) was considered at risk (Table 17). Operational targets for project administration were fully met.

REGIONAL COOPERATION

As a key policy dialogue theme, regional cooperation was incorporated into the PRC's country partnership strategy and will be prominent in Mongolia's new strategy. ADB accorded high priority to building cross-border infrastructure in both countries for better connectivity with Central Asia Regional Economic Cooperation (CAREC) members and the Greater Mekong Subregion. To ease trade, ADB played a critical role in developing the Joint Transport and Trade Facilitation Action Plan and the Work Program for Integrated Trade Facilitation and Customs Cooperation. The CAREC Ministerial Conference recently endorsed both and prioritized a list of short- to medium-term activities to support them. ADB also contributed to the CAREC region's considerable progress in simplification and harmonization of customs procedures and documentation, customs modernization and the use of information technology,



In the People's Republic of China, a \$100 million ADB loan package means the Beijiao and Nanjiao Sewage Treatment Plants will treat about 70% of wastewater flowing into the Yiton River from Changchun City

risk management and post-entry audit, data exchange and joint customs control, and regional transit development.

COUNTRY HIGHLIGHTS

The People's Republic of China

Partnership priorities. The country partnership strategy for 2008–2010 was approved in April. It is closely aligned with the government's Eleventh Five-Year Plan (2006–2010) and Strategy 2020 priorities. The strategy aims to promote inclusive and balanced development; resource efficiency and environmental sustainability; regional cooperation, including regional public goods; and private sector development. It also emphasizes diversifying ADB operations in the PRC to reflect greater emphasis on the harmonious development of rural and urban areas, energy efficiency, and climate change. ADB will promote energy efficiency in urban transport systems and energy-efficient transport modes, and will encourage greater private sector participation in infrastructure projects in partnership with the public sector. ADB and the PRC's strategic partnership will be built on promoting knowledge and innovation as a crosscutting theme across all operations.

Impact of operations. To promote cleaner energy, ADB continued to implement the Coal Mine Methane Development Project with a loan of \$117.4 million approved in 2005. The project began coal-bed methane production in

HIGHLIGHTS

- A \$12 million grant to Mongolia for the Food and Nutrition Social Welfare Program and Project provided to protect at least 100,000 poor households threatened by the sharp increase in food prices and to improve the targeting and effectiveness of existing social safety nets
- About \$500 million in lending and technical assistance provided to support sustainable and inclusive urban development, urban environmental improvement, and river basin pollution control in the People's Republic of China
- An Asian Development Fund grant of \$37.6 million and a \$2.0 million Japan Fund for Poverty Reduction grant approved for the Western Regional Road Corridor Development Project in Mongolia to facilitate regional trade

TABLE 15 East Asia: Assistance by Country, 2008
(\$ million)

Country	Loans				Credit Enhancements		Equity Investment	Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a		Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranche Financing Facility ^d
China, People's Republic of	1,750.1	–	1,750.1	–	–	200.0	–	5.7	19.5	100.0
Mongolia	–	–	–	–	–	–	–	82.3	5.5	–
Regional ^e	–	–	–	–	–	–	45.0	–	–	–
Total	1,750.1	–	1,750.1	–	–	200.0	45.0	88.0	25.0	100.0

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

Notes: (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 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 4a and 4b (Direct Value-Added Cofinancing Arrangements).

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

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

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

e Refers to the Asian Energy Private Equity Funds Project. Amount is an estimate.

TABLE 16 East Asia: Grant-Financed Project Approvals by Country, 2008
(\$ million)

Country	ADF	Other Sources ^a	Total
China, People's Republic of			
Capacity Building for Energy Efficiency Implementation	–	0.8	0.8
Ningxia Integrated Ecosystem and Agricultural Development ^b	–	4.5	4.5
Dryland Sustainable Agriculture ^b	–	0.4	0.4
Mongolia			
Western Regional Road Corridor Development – Phase I	37.6	–	37.6
Community-Based Local Road Upgrading and Maintenance in the Western Region of Mongolia	–	2.0	2.0
Water Point and Extension Station Establishment for Poor Herding Families	–	2.0	2.0
Poverty Reduction through Community-Based Natural Resource Management	–	2.0	2.0
Energy Conservation and Emissions Reduction from Poor Households	–	2.0	2.0
Agriculture and Rural Development	14.7	–	14.7
Education Sector Reform	10.0	–	10.0
Food and Nutrition Social Welfare Program	9.0	–	9.0
Food and Nutrition Social Welfare – Capacity Development Project	3.0	–	3.0
Total	74.3	13.7	88.0

– = 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.

March 2008 from the Sihe mine in southern Shanxi to feed a 120-megawatt power plant—the largest methane-based plant in the world. The project is being considered for clean development mechanism benefits under the Kyoto Protocol. By demonstrating new drilling and gas collection technologies not used in the PRC, the project is expected to encourage similar investments, both private and public, in other methane-intensive coal mining areas.

ADB continued to provide assistance for road and railway projects in the PRC. In the railway sector, ADB focused on investing in areas where it can add value,

such as safety enhancement, adaptation of best management practices, and adoption of advanced clean technologies. In the road sector, emphasis was given to safety

To promote cleaner energy, ADB continued to implement the Coal Mine Methane Development Project with a loan of \$117.4 million

TABLE 17 East Asia: Portfolio Performance Indicators for Sovereign Lending, 2007–2008

Country	No. of Ongoing Loans (as of 31 Dec 2008)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2008 (\$ million)	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (%)	2007 (%)
China, People's Republic of	57	1,312.0	1,419.7	1,234.3	1,189.6	1.8	1.9
Mongolia	11	19.0	11.2	26.7	24.2	–	7.1
Total	68	1,331.0	1,430.9	1,261.0	1,213.8	1.5	3.0

– = nil.

Note: Totals may not add up because of rounding.

TABLE 18 East Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2008
(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
China, People's Republic of			
Gansu Baiyin Urban Development	80.0	–	80.0
Gansu Heihe Rural Hydropower Development Investment Program – Dagushan Hydropower Project – Tranche 2	28.0	–	28.0
Xinjiang Municipal Infrastructure and Environmental Improvement	105.0	–	105.0
Guangdong Energy Efficiency and Environment Improvement Program – Tranche 1	35.0	–	35.0
Integrated Ecosystem and Water Resources Management in the Baiyangdian Basin	100.0	–	100.0
Ningxia Integrated Ecosystem and Agricultural Development	100.0	–	100.0
Central Yunnan Roads Development	200.0	–	200.0
Lanzhou–Chongqing Railway Development	300.0	–	300.0
Dryland Sustainable Agriculture	83.0	–	83.0
Chongqing–Lichuan Railway Development	150.0	–	150.0
Songhua River Basin Water Pollution Control and Management	200.0	–	200.0
Guangxi Wuzhou Urban Development	100.0	–	100.0
Qingdao Water Resources and Wetland Protection	45.0	–	45.0
Subtotal	1,526.0	–	1,526.0
NONSOVEREIGN			
China, People's Republic of			
Municipal District Energy Infrastructure Development	200.0	–	200.0
Inner Mongolia Wind Power	24.1	–	24.1
Subtotal	224.1	–	224.1
Total	1,750.1	–	1,750.1

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

TABLE 19 East Asia: Cumulative Lending and Disbursements by Country as of the end of 2008
(\$ million)^a

Country	Lending	Disbursements
China, People's Republic of	21,004.2	13,437.5
Mongolia	676.5	579.5
Total	21,680.7	14,017.0

^a Includes nonsovereign (public and private) sector loans.

and strengthening regional cooperation and integration. Transport sector projects are in the less-developed central and western regions.

The Capacity Building to Combat Land Degradation Project, approved in June 2004 for \$8.7 million, was ADB's first project under the PRC–Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems. In 2008, the government acknowledged that this project has promoted the integrated ecosystem management concept; enhanced national and local capacities to plan and combat land degradation; enhanced multilevel and multiagency coordination, cooperation, and information exchange; and improved the legal and regulatory framework. Solving land degradation has been integrated into provincial planning and strategies, and pilot sites have demonstrated

Helping Keep the People's Republic of China Rolling

As the People's Republic of China (PRC) expands its rail network and adds high-speed trains, an ADB loan is helping upgrade technology and increase safety

In the crowded Beijing West Railway Station, Huo Quanfu, a 36-year-old migrant worker from Henan Province, is sitting on a pile of luggage. Each year since 2005, he journeys to Beijing to work with a crew maintaining the city's parks and gardens. Now returning to his hometown on the midnight train, he is one of millions throughout the PRC who depend on long-distance rail travel.

Over the past three decades, passenger volume on the PRC's railways has grown at an annual rate of 7%, topping 1 billion passengers in 2007. Rail is also the main mode of transport for freight, and traffic has been rising by an average of 5% a year, exceeding 3 billion tons in 2007.

The PRC's railways have the highest freight density in the world and the second-highest passenger transport volume after Japan. Their growth rates are putting great pressure on capacity, making the reduction of bottlenecks a key goal.



Rescue crew leader Wu Zhanlin says his base has carried out rescue missions more efficiently since receiving a new large-tonnage rescue crane

A review of three completed ADB railway projects shows that gross regional domestic product (GRDP), per capita GRDP, rural incomes, and average income per farmer all increased because of improved access to markets, new jobs, reduced costs of travel, and cheaper goods. GRDP increased in the first 3–5 years by 10%–12% annually and by about 18% annually over 10 years, after construction in these three railway project areas.

The government plans to extend and upgrade the PRC's rail network—which covers more than 78,000 kilometers—as well as provide more high-speed trains. Along with this rapid expansion, it seeks to increase security and enhance safety. The safety issue is a challenge, as trains crisscrossing the length and breadth of the country encounter difficult operating conditions amid varying geological features.

In 2007, ADB approved a \$100 million loan to help the government bring in modern technology for responding quickly to emergencies, provide capacity building for handling emergencies more efficiently, and develop an institutional framework for an efficient emergency rescue and restoration system.

As well as improving safety and reliability, the system's increased mobility and reduced downtime will help achieve higher productivity and capacity.

"This project is ADB's first stand-alone, sector-wide intervention to enhance railway safety on a network basis," says Manmohan Parkash, an ADB principal transport specialist. "The project will help improve the emergency management system by providing a quick, responsive rescue and restoration system."

The PRC's railways have the highest freight density in the world and the second-highest passenger transport volume after Japan

rural infrastructure improvement and empowered community members to reverse local land degradation. This has strengthened the pipeline of ADB's projects.

To improve living conditions in poverty-stricken, geographically remote, and vulnerable minority regions, ADB helped implement gender- and culturally sensitive programs in the country's central and west regions. An example is the \$80 million urban development project

for Baiyin, a medium-sized city in the autonomous Gansu Province that used to be the country's third-largest copper-producing city until resources were exhausted.

Mongolia

Partnership priorities. Mongolia was assessed to be eligible for 100% of grants under the new ADF grants framework.

FIGURE 3 East Asia: ADB Lending by Country, 2007–2008 (Sovereign and Nonsovereign) (\$ million)

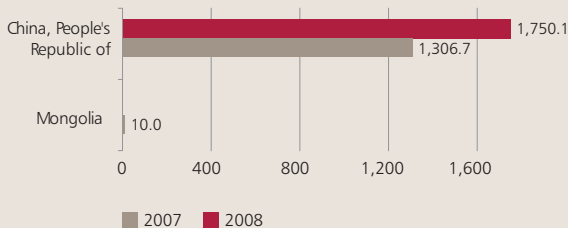
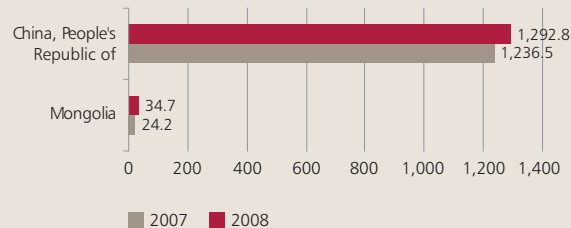


FIGURE 4 East Asia: ADB Disbursements by Country, 2007–2008 (Sovereign and Nonsovereign) (\$ million)



Education, health, environment management, and urban development were determined to be the priority sectors for ADB assistance. Decline in debt stress and growth in per capita income will improve the possibility of accessing ordinary capital resources (OCR) of ADB. Therefore, a strategic shift in ADB operations, in line with these developments, will be reflected in the new country partnership strategy, which is scheduled for management consideration by early 2010. It is expected to emphasize the creation of an enabling environment for the private sector and the promotion of private investment. The possibility of Mongolia borrowing both ADF and OCR will be considered.

Impact of operations. ADB spearheaded donor coordination efforts in the education sector based on the government's education sector master plan. In close collaboration with the Government of Japan, ADB helped finalize this plan and further assisted Mongolia in submitting a request for funding to the Education for All Fast Track Initiative, which resulted in a \$8.9 million grant in 2008 and a total commitment of \$29.4 million. In addition, a memorandum of understanding was signed to improve governance in the education sector, as a follow-up to a sector risk assessment.

Major investments in road transport and mining have recently created a high-risk HIV/AIDS environment. As part of ADB's renewed commitment to the health sector, a \$1.0 million advisory technical assistance project was directed toward HIV-prevention services along major transport routes, mining sites, and cross-border areas. The Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific financed this initiative in partnership with the Mongolian Employers' Federation, private mining companies, three ministries, and nongovernment organizations involved in education about HIV/AIDS.

To improve living conditions in poor, remote, and vulnerable minority regions, ADB helped implement gender- and culturally sensitive programs in central and western PRC

Emergency Response to Wenchuan Earthquake

An earthquake measuring 8.0 on the Richter scale—the worst that the People's Republic of China had witnessed in 30 years—struck Sichuan Province on 12 May with its epicenter in Wenchuan County. The disaster killed over 69,000 people and rendered millions homeless. Within 2 weeks of the earthquake, ADB extended a \$1 million technical assistance grant to fund essential equipment and supplies for basic services, review the disaster management framework for the earthquake-affected area, and conduct a preliminary physical and social infrastructure damage and needs assessment for possible ADB support. The grant featured flexible design and implementation arrangements for quick response to the substantial uncertainties and risks associated with a major disaster. The procurement was completed by 31 July, and the framework review and preliminary assessment were completed by 30 November. The preliminary assessment then provided the basis for preparing lending support for physical and social infrastructure rehabilitation in Sichuan and Shaanxi provinces, two of the most damaged. A \$400 million emergency assistance project was processed for consideration of the Board of Directors.

Education for All in Mongolia

An ADB education project gives children a better education and teachers decent pay

Winter is long and hard in Mongolia. Even on an early morning in mid-November, the temperature is -12° Celsius and the wind bitterly cold. Students bundled up in long coats and fur hats trudge down the frozen streets of Dzuunmod, a town of about 20,000, south of the Mongolian capital of Ulaanbaatar. The clanging of the School of Humanity's bell makes them sprint the last few meters to the school's door.

Cheeks ruddy from the cold, students welcome the warmth of the building, but heat is precious during Mongolian winters—and costly. Schools commonly spend a third of their budget on heating alone, leaving little money for paying teachers, buying textbooks, and maintaining facilities.

The School of Humanity received \$120,000 from the ADB-supported Second Education Development

Project to repair its badly decaying roof and provide everything from chemistry and physics laboratories, computers, and desks to chairs, chalkboards, and new books. Under ADB's Second Education Development Project, the School of Humanity also gained a newly built primary school.

Part of a comprehensive ADB-supported restructuring and reform program of the education system, the assistance finances basic building rehabilitation, textbook provision, and teacher training. Using a \$6.5 million loan from the Asian Development Fund, the government has reorganized schools to be more efficient.

The improved efficiency has freed resources for financing essential items, such as teachers' salaries. Today, Mongolia's teachers are enthusiastic and can expect to receive up to \$250 per month. By comparison, a doctor earns \$300 a month, so the teachers' salaries put them well ahead of counterparts in the region's other former socialist countries.

Schools are now more accessible for Mongolia's youth. Nyamdavaa Namjil, a 15-year-old student and dormitory resident at the School of Humanity, wants to be a doctor and live in a town.

"I don't want to be a herder. I want to be a professional. That's why I'm interested in science," he says.

Nyamdavaa's youngest sister, Byambadulam, loves animals and wants to take over caring for 150 sheep, 50 goats, 50 horses, 17 cattle, and 2 camels from her father, Zuudi Namjil, who is undaunted by this break from tradition.

"I prefer Nyamdavaa to continue his studies," said Mr. Namjil. "I want him to be an excellent student and become a doctor for the people of Mongolia."



Computer laboratories are popular additions to the school, and students get to learn more about computers while improving their English skills since there are no computer programs in Mongolia schools

Schools commonly spend a third of their budget on heating alone, leaving little money for paying teachers, buying textbooks, and maintaining facilities

ADB continued its support to transport through projects that improved pavement conditions, helped reduce vehicle operating costs and travel time, and promoted in-

ternational trade along the north-south arterial highway. ADB's assistance to the finance sector helped develop 16 private banks.



PACIFIC

Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu

With cumulative lending to the region amounting to \$2 billion, ADB expanded regional development, including new partnerships with the Global Environment Facility, the World Bank and bilateral partners, and other Pacific regional organizations. ADB's Pacific private sector development efforts tripled. The \$400 million Highlands Region Road Improvement Investment Program for Papua New Guinea became the first multitranche financing facility approved for the Pacific.

OVERVIEW

ADB helps 14 Pacific developing member countries tackle poverty by developing the private sector and physical and social infrastructure, and promoting good governance.

Under its revised Pacific strategy (2005–2009), ADB tackled the environmental, economic, and political fragilities of the region, promoting inclusive and sustainable economic growth. This assistance emphasized capacity building and good governance in public sector and development processes.

Pacific lending and nonlending operations expanded to \$118.3 million in loans and \$37.5 million in grants (Tables 20 and 21), with cumulative lending to the region amounting to \$2.0 billion (Table 24).

Thirty-one technical assistance activities worth \$24.2 million were approved. ADB's operations catalyzed \$125.0 million in cofinancing.

Jointly with Australia, New Zealand, and the World Bank, ADB established the Pacific Infrastructure Facility to coordinate donor assistance of up to \$200 million over 4 years to lessen economic infrastructure constraints. ADB also expanded its partnership with the Global Environment Facility to support coastal marine resource management in the Coral Triangle of the Pacific and promote renewable energy.

ADB continued to provide policy and technical advice through its knowledge products, such as its policy briefs on the impact of high oil and food prices, *Living With High Prices*, and on the implications of the global financial crisis in the Pacific, *Navigating the Global Storm*.

ADB strengthened its representation in the Pacific with a joint ADB–World Bank office in Solomon Islands, approval for similar offices in Samoa and Tonga, and increased specialist resources in its resident missions and headquarters.

PORTFOLIO MANAGEMENT

Actual performance against targets for sovereign loans was 89% for contract awards (\$34.2 million) and 103% for disbursements (\$38.4 million) (Table 22). Papua New Guinea and Fiji Islands contributed 47% and 18% of contract awards and 52% and 25% of disbursements, respectively. As regards ADF grants, actual contract awards and disbursements were 79% (\$15.7 million) and 89% (\$12.3 million), respectively. The number of projects “at risk” for sovereign loans was reduced from 23% in 2007 to 4% in 2008. The active technical assistance projects averaged 84 over the past 3 years. Technical assistance savings amounted to \$2.1 million. A total of 18 loans and 3 grant projects, and 27 technical assistance projects have been delegated to the resident missions, contributing to effective monitoring, strengthening partnerships with the Pacific developing member countries and development partners, and improving engagement in policy dialogue.

COUNTRY HIGHLIGHTS

Cook Islands

Partnership priorities. A country partnership strategy for 2008–2012 was approved to focus on environmentally sustainable economic development with assistance to support the private sector–led economy, by strengthening resilience of the environment and basic infrastructure. Country partnership strategy outcomes included improved economic infrastructure with the Avatiu Port Development Project approved to expand the operations of the only international port.

Impact of operations. Assisted rationalization of ministry responsibilities with respect to the management and delivery of infrastructure services.

Fiji Islands

Partnership priorities. ADB continued to monitor economic conditions, including poverty incidence, and provided advisory services to discuss necessary reforms. It also supported private sector development in the area of electronic transactions legislation and provided continued support to water and sanitation and the roads sector.

HIGHLIGHTS

- Fulfillment of the Pacific strategy (2005–2009), including a focus on capacity development in fragile environments through innovative approaches to technical assistance
- Approval of new country partnership strategies for Cook Islands, Samoa, and Tuvalu, as well as six new country operations business plans
- Expanded regional development, including new partnerships with the Global Environment Facility, the World Bank and bilateral partners, and other Pacific regional organizations
- Approval of the \$400 million Highlands Region Road Improvement Investment Program for Papua New Guinea, the first multitranche financing facility approved for the Pacific, with an initial loan of \$100 million
- Improved policy analysis for and advice to Pacific developing member countries

Delegating projects to resident missions improved monitoring, strengthened partnerships with developing member countries and development agencies, and promoted policy dialogue

Impact of operations. The Suva–Nausori Water Supply and Sewerage Project, which began in 2005, has provided improved water supplies to 150,000 people, or about 45% of the people in the capital area. The Third Fiji Road Upgrading (Sector) Project continues to connect remote communities with the mainstream economy.

Kiribati

Partnership priorities. ADB continued to help Kiribati overcome limited resources and geographic isolation, and achieve its economic growth priorities by emphasizing outer island growth and economic and financial planning. Technical assistance was approved to support economic management and public sector reforms.

TABLE 20 Pacific: Assistance by Country, 2008
(\$ million)

	Loans				Credit Enhancements			Grants		Multitranche Financing Facility ^d
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	
Cook Islands	8.6	6.9	15.5	–	–	–	–	–	0.4	–
Fiji Islands	–	–	–	–	–	–	–	–	0.1	–
Kiribati	–	–	–	–	–	–	–	–	0.8	–
Marshall Islands	–	–	–	–	–	–	–	–	–	–
Micronesia, Federated States of	–	–	–	–	–	–	–	1.0	0.8	–
Nauru	–	–	–	–	–	–	–	–	0.2	–
Palau	–	–	–	–	–	–	–	–	0.4	–
Papua New Guinea	–	100.0	100.0	–	–	–	–	–	3.0	400.0
Samoa	–	2.8	2.8	–	–	–	–	2.2	1.2	–
Solomon Islands	–	–	–	–	–	–	–	19.7	1.6	–
Timor-Leste	–	–	–	–	–	–	–	–	1.3	–
Tonga	–	–	–	–	–	–	–	11.3	0.7	–
Tuvalu	–	–	–	–	–	–	–	3.2	1.1	–
Vanuatu	–	–	–	–	–	–	–	–	–	–
Total	8.6	109.7	118.3	–	–	–	–	37.5	11.6	400.0

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

Notes: (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 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 4a and 4b (Direct Value-Added Cofinancing Arrangements).

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

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

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

Impact of operations. The Integrated Land and Population Development Program on Kiritimati Island continued to help the government prepare an improved legal and regulatory framework to enhance land allocation.

Marshall Islands

Partnership priorities. The country operations business plan for 2009–2011 was approved, prioritizing technical assistance and policy advice to increase public sector productivity, formulate climate and environment adaptation plans, and improve the government's financial management.

In Fiji, the Suva–Nausori Water Supply and Sewerage Project, which began in 2005, has provided improved water supplies to 150,000 people

Impact of operations. Since 2002, operation have been restricted to technical assistance because of the country's debt service arrears with ADB. A significant effort was made to strengthen private sector development, including supporting a land registration authority and a secured transactions law, and establishing a working group for private sector and government dialogue.

Federated States of Micronesia

Partnership priorities. The country operations business plan for 2007–2009 continued to focus on economic management and accountability, inclusive social development, and private sector–led growth. A new country operations business plan was initiated, which will be finalized during 2009.

Impact of operations. ADB's four ongoing loans and three ongoing technical assistance projects produced four small business development centers, better land court

TABLE 21 Pacific: Grant-Financed Project Approvals by Country, 2008
(\$ million)

	ADF	Other Sources ^a	Total
Micronesia, Federated States of			
Weno Water Supply Well Remediation	–	1.0	1.0
Samoa			
Sanitation and Drainage ^b	2.2	–	2.2
Solomon Islands			
Road Improvement Sector (Supplementary)	–	0.5	0.5
Domestic Maritime Support (Sector)	14.0	5.3	19.3
Tonga			
Integrated Urban Development Sector	11.3	–	11.3
Tuvalu			
Improved Financial Management Program	3.2	–	3.2
Total	30.8	6.7	37.5

– = nil, ADF = Asian Development 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 Pacific: Portfolio Performance Indicators for Sovereign Lending, 2007–2008

	No. of Ongoing Loans (as of 31 Dec 2008)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2008 (\$ million)	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (%)	2007 (%)
Cook Islands	3	–	1.7	1.3	0.1	–	–
Fiji Islands	2	6.20	5.6	9.7	12.6	50.0	100.0
Kiribati	–	0.10	0.1	–	–	–	100.0
Marshall Islands	–	–	–	–	0.1	–	–
Micronesia, Federated States of	4	1.60	3.7	3.6	3.6	–	–
Papua New Guinea	10	16.10	38.9	19.9	27.4	–	21.4
Samoa	5	9.60	0.4	2.6	1.4	–	–
Solomon Islands	–	0.02	0.1	0.1	3.7	–	–
Tuvalu	2	0.04	–	0.6	1.1	–	–
Regional	1	0.70	0.5	0.6	0.3	–	–
Total	27	34.20	50.9	38.4	50.3	3.7	22.6

– = nil.

Note: Totals may not add up because of rounding.

operations and legislation in Chuuk, policies for personnel recruitment and performance evaluation in health and education, a project management unit to deliver an infrastructure loan across all states, and the refurbishment of dispensaries and school facilities.

Nauru

Partnership priorities. ADB's country strategy and program continued to tackle the reform of state-owned enterprises, capacity building, and debt management.

Impact of operations. ADB's engagement was restricted to selective technical assistance because of the country's

TABLE 23 Pacific: Sovereign Loan Approvals by Country, 2008
(\$ million)

	OCR	ADF	Total
Cook Islands			
Avatiu Port Development	8.6	6.9	15.5
Papua New Guinea			
Highlands Region Road Improvement Investment Program – Tranche 1	–	100.0	100.0
Samoa			
Sanitation and Drainage (Supplementary)	–	2.8	2.8
Total	8.6	109.7	118.3

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

TABLE 24 Pacific: Cumulative Lending and Disbursements by Country as of the end of 2008
(\$ million)^{a, b}

	Lending	Disbursements
Cook Islands	45.0	27.9
Fiji Islands	249.9	192.5
Kiribati	15.1	13.7
Marshall Islands	78.1	64.2
Micronesia, Federated States of	75.1	46.3
Nauru	5.0	2.3
Papua New Guinea	1,127.0	710.6
Samoa	159.4	108.3
Solomon Islands	79.3	65.8
Tonga	57.8	52.3
Tuvalu	7.8	7.2
Vanuatu	51.3	49.0
Regional	1.5	162.8
Total	1,952.3	1,502.9

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) sector loans.

debt service arrears. Settlement of the arrears in 2008 triggered re-engagement by ADB. Most recently, a completed technical assistance project formed the basis for the government's utilities reform strategy. A country performance assessment was conducted for the first time and showed the need for improvement in most indicators. A country economic report was completed.

Palau

Partnership priorities. Palau joined ADB only in 2003. Assistance focused on economic and fiscal management, promotion of a private sector development strategy, and infrastructure development and management. The first country partnership strategy was initiated and will be finalized during 2009.

Impact of operations. Technical assistance supported medium-term strategic development, provided policy advice on the delivery and management of public utilities, and was designed to minimize operating costs and infrastructure maintenance. ADB developed a health insurance program to complement health care provided by the government and donor partners, and continued to help develop water supply.

FIGURE 5 Pacific: ADB Lending by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)

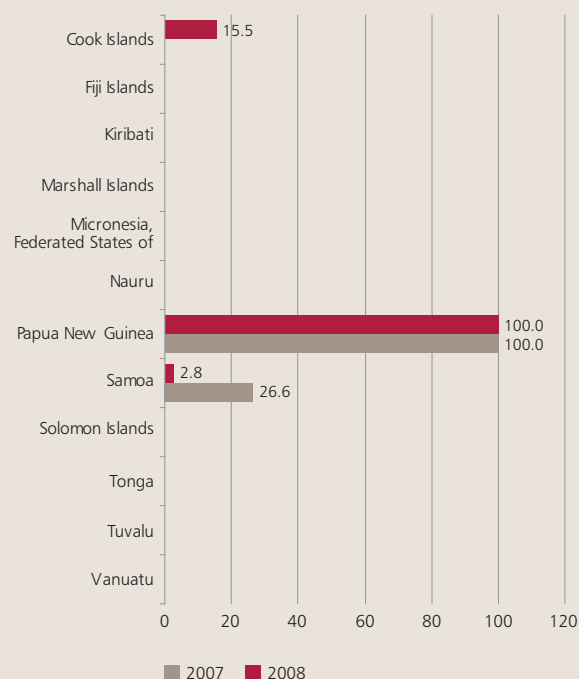
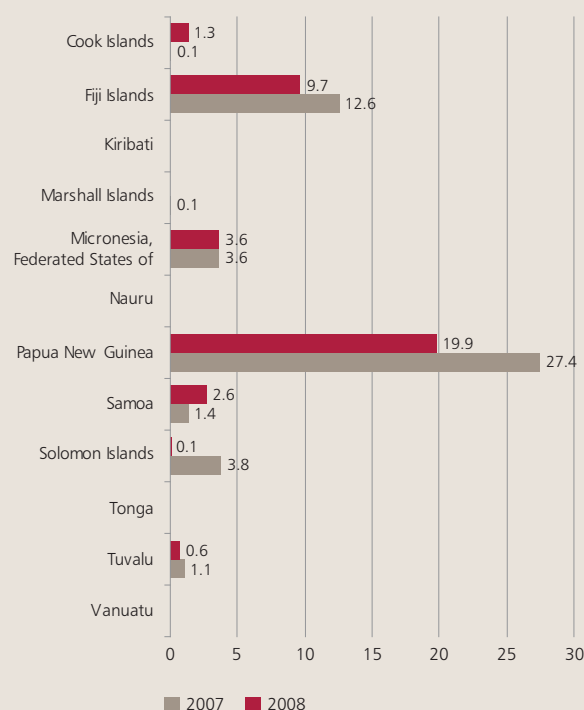


FIGURE 6 Pacific: ADB Disbursements by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)



Papua New Guinea

Partnership priorities. The midterm review of ADB's country strategy and program (2006–2010) confirmed the rationale and validity of the four strategic priorities: public financial management, private sector development, infrastructure, and health and HIV/AIDS.

Impact of operations. Ongoing ADB loans and technical assistance helped rehabilitate and maintain the Highlands Highway network and improved road safety nationally. The completed Rehabilitation of the Maritime Navigation Aids System Project eased distribution of goods and services to rural areas through safer and faster maritime transport, and enabled affordable, reliable, and safer sea travel for coastal communities, thus helping develop local markets and trade with mainstream commercial centers.

ADB strengthened support for private sector development, including through the preparation of a national public–private partnership policy, approved by the cabinet. A broader program to reform state-owned enterprises emerged and ADB produced a private sector assessment. An innovative ADB-supported project continued to pilot and demonstrate private sector participation in delivering rural health services, including HIV/AIDS prevention

In Palau, ADB developed a health insurance program and water supply project

and control. The private sector was tapped to improve the supply and distribution of medical supplies. An ADB-supported project strengthened the successful NationWide Microbank, which grew to eight branches.

Samoa

Partnership priorities. The country partnership strategy for 2008–2012 focuses on private sector and infrastructure development to improve education, power, water, and sanitation.

Impact of operations. A financing package supported the Electric Power Corporation's 8-year investment plan to improve the reliability and security of power supply. The Sanitation and Drainage Project mitigated floods in the capital. The Education Sector Project II harmonized donor activities in education, while the Small Business Development Project provided small business loan guarantees, microloans, and business training.



The ADB's \$16.7 million Solomon Islands Road Improvement Project is building and rehabilitating roads and bridges

Through the nonlending program, ADB helped privatize the Samoa Broadcasting Corporation and Samoa Shipping Services, and helped strengthen corporate governance of state-owned enterprises. ADB aided the government's drive to modernize the company registry, introduce a framework for secured transactions, and pilot-test ways to promote the productive and economic use of customary land. ADB helped formulate and implement a national development plan.

Ongoing ADB loans and technical assistance to Papua New Guinea helped rehabilitate and maintain the Highlands Highway network and improved road safety nationally

Refurbished Lighthouses Guide Mariners and Boost Catches

An ADB-supported project in Papua New Guinea is improving night fishing and trade by helping large and small vessels navigate treacherous waters

Some 38 recently renovated lighthouses are once again lighting the way across the vast waters surrounding Milne Bay Province, which include major shipping lanes between Australasia and the rest of the world, keeping them safe for seafarers. The lighthouses are also a magnet for fishers eager to increase catches.

"Fish take the bait more at night and, with the lighthouse to make sure I do not get lost, I catch two or three times as many fish at night than by day," says Jack Henry, a fisher at East Cape on the easternmost tip of mainland Papua New Guinea, as he squats in darkness on his outrigger canoe safely within sight of a lighthouse to beam him home. Night fishing has boosted Henry's income by 400 to 500 kina (\$160 and \$200) a week.



A lighthouse on the China Strait helps ships save time and fuel

It is a fish story repeated among other far-flung island communities, now crowned once more by their guiding lights. Just off Samarai Island, a former colonial seat of power and commerce because of its strategic location in the China Strait, a beacon again guides international and local vessels, thanks to the Rehabilitation of the Maritime Navigation Aids System Project. Supported by an ADB loan of \$19.8 million, it is a nationwide project to renovate 167 lighthouses fallen into neglect through vandalism, theft, and disuse.

At Samarai's bustling market, local ward councilor Perry Dotaona says the lighthouses enable more people to fish and travel at night with a resultant rise in living standards. On nearby Logea Island, where he lives, his neighbors now build solid homes of concrete and corrugated iron to replace huts of sago bark and leaves.

Often swept by storms, these dangerous waters remain 90% uncharted, concealing reefs and shoals, and the lighthouses help international and local mariners avoid catastrophe.

"When the lighthouses were not working, accidents were common and many lives were lost," says Andrew Sarto, a wiry workboat skipper who has plied inter-island routes for 35 years. "Some vessels would crash onto reefs, others would get lost and blown off course." The number of reported marine accidents has fallen, he says, since the lighthouses were fixed.

Often swept by storms, these dangerous waters remain 90% uncharted, concealing reefs and shoals, and the lighthouses help international and local mariners avoid catastrophe

The Road to Empowerment

ADB is a partner in a novel project that is paving the way to a brighter future for the women of Timor-Leste

It is almost the end of the rainy season in Timor-Leste, and in the lush green hills of the agriculturally rich district of Maliana, about 140 kilometers (km) west of the capital of Dili, a group of 11 villagers are stripping overgrown vegetation from the shoulders of a dirt road, clearing drains, and filling potholes. Some of them, like Adelina de Araujo, are women. "We feel we are doing something very important, helping our villages get great access to the major roads and towns," she says.

Ms. de Araujo is one of 30 women doing basic road maintenance under ADB's Road Sector Improvement Project. The consultative and pro-women aspects of this project, as well as the income-raising opportunities it promotes, make it unique and likely a model for future road rehabilitation and building.

The minister for infrastructure, Pedro Lay da Silva, says his government wanted to partner with ADB on the



Project road workers now have both skills and income

project because ADB is a leader in infrastructure in Timor-Leste. Another partner, CARE Australia, implemented the community empowerment initiative, an integral part of the Road Sector Improvement Project, which began in September 2005. Says CARE Australia's assistant country director (programs), Hana Mijovic, "We heard that ADB was looking to partner with nongovernment organizations to involve local communities in their road improvement projects in Timor-Leste. We spoke to ADB and both sides felt it would be a valuable partnership." The project is also committed to rehabilitating 123 km of road by resurfacing, stabilizing shoulders, and improving drainage systems. Another innovation under the project will be labor-intensive road maintenance on a 47 km stretch.

Under the project, 44 people participate in the community empowerment initiative, and more than 60% of these road workers are women. Paid \$4 a day, most are earning money for the first time in their lives. CARE's deputy project manager, Luis Bere Buti, says, "Most of the women we hired are widows. We gave priority to female heads of households and to young women in rural areas. We targeted them because they represent groups that are usually left out of income-generating opportunities." Ms. de Araujo buys food and clothes with her earnings and pays for her siblings' school fees. Fellow road worker Silvina de Jesus is happy to be working and making money and would like to see women all over Timor-Leste in road maintenance. "A pay rise would be good too," she laughs.

Most of the women are earning money for the first time in their lives

Solomon Islands

Partnership priorities. ADB continued helping the government improve transport infrastructure and services, and develop the private sector.

Impact of operations. With a \$14 million ADB grant, the government began improving shipping services to spur rural development and provide poor residents with greater access to markets and public services.

ADB's \$16.7 million Road Improvement Project

continued with cofinancing from Australian and New Zealand governments. The State-Owned Enterprise Act was developed and passed with ADB providing selective support, especially in monitoring performance standards.

An urban water project in Timor-Leste began to improve water services for households, businesses, and institutions in Dili

ADB continued to help prepare two privatization transactions and help the government prepare and submit to Parliament bills on new companies, secured transactions, and trustees.

Timor-Leste

Partnership priorities. ADB's country operations business plan for 2008–2010 continued to emphasize developing infrastructure and building capacity in areas such as project management, contract management, and procurement. The preparation of a new country partnership strategy was initiated to be finalized in 2009.

Impact of operations. Through the Asian Development Fund-funded Road Sector Improvement Project, ADB supported project management, design, and supervision; community empowerment; performance monitoring; and the development of road networks. An urban water project began to improve water services for households, businesses, and institutions in Dili.

Tonga

Partnership priorities. ADB's country partnership strategy for 2007–2012 continued to center on poverty reduction, prudent economic and fiscal management, infrastructure development, and private sector growth.

Impact of operations. The Youth Microenterprise Project continued developing pilot self-employment models.

Tuvalu

Partnership priorities. A country partnership strategy for Tuvalu was approved that emphasizes improved public expenditure and financial management. The strategy supports a set of fiscal performance benchmark indicators agreed upon by the government, ADB, Australian Agency for International Development (AusAID), and New Zealand's International Aid & Development Agency (NZAID).

Impact of operations. ADB continued to help upgrade the Tuvalu Maritime Training Institute to double the number of seafarers trained per year. Seafarers' remittances are an extremely important source of income for many.

With a \$14 million ADB grant, the Government of Solomon Islands began improving shipping services to spur rural development and provide poor residents with greater access to markets and public services

Vanuatu

Partnership priorities. ADB's assistance program continued to promote sustainable, private sector-led growth.

Impact of operations. ADB continued to improve access to financial services by strengthening the Financial Services Commission's institutional framework, including its corporate governance standards, supervisory capabilities, and organizational structure; reforming company and bankruptcy laws; modernizing the registry of companies; and establishing a framework for secured transactions and assisting the National Bank of Vanuatu to develop its rural outreach program, leveraging new technology.



A doctor examines patients at Mount Hagen General Hospital, part of an ADB-supported effort to stem Papua New Guinea's HIV/AIDS epidemic



SOUTH ASIA

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

After a successful 2007, ADB's performance in 2008 was exceptional. ADB further strengthened portfolio management, boosted lending and nonlending operations, and provided innovative and flexible financing to the region.

OVERVIEW

The South Asia Department led in mainstreaming the managing for development results approach in its operations and building a strong operational knowledge base in South Asia.

ADB's nonsovereign approvals in the region totaled \$1.2 billion plus an estimated portion of \$25.0 million from the Equity Investment in Asian Clean Energy Private Equity Funds, a regional project (Statistical Annex 10).

REGIONAL COOPERATION

Regional cooperation initiatives, including the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), received sustained support from ADB. As recommended in the SAARC Regional Multimodal Transport Study, model cross-border transport and transit agreements were developed with ADB's help. ADB

also provided technical assistance to support the SAARC energy sector dialogue, the implementation of key resolutions of SAARC Summit, and the activities of SAARC Secretariat. The second BIMSTEC summit acknowledged the ADB-supported BIMSTEC Transport Infrastructure and Logistics Study as an important first step in identifying connectivity bottlenecks and suggesting solutions.

The department's regional program centered on preparing two flagship projects in transport and trade, and infrastructure for regional tourism. ADB supported knowledge management activities such as networking among policy research institutes and think tanks, particularly in regional cooperation and integration. With the United Nations Conference on Trade and Development (UNCTAD), ADB did a study to quantify the benefits of economic cooperation in South Asia. ADB carried out regional studies on trade in services, key industries, and investment.

The Regional Cooperation Operations Business Plan for South Asia (2009–2010), with

\$11.7 million in technical assistance and \$80.5 million in multi country lending projects, was finalized in August.

PORTFOLIO MANAGEMENT

Major efforts in project administration and portfolio management paid dividends in 2008, as key portfolio indicators significantly improved. Disbursements reached a record-breaking \$2.4 billion, 25% better than in 2007. Of this amount, project disbursements accounted for \$2.0 billion, 33% more than in 2007. Contract awards and commitments were an unprecedented \$2.4 billion, and projects at risk dropped to an all-time low of 7% from 10% in 2007 (Table 27).

COUNTRY HIGHLIGHTS

Bangladesh

Partnership priorities. In line with the country strategy and program (2006–2010), reforms and investments in energy, transport, education, and urban infrastructure continued to receive ADB support. ADB increased assistance to agriculture and rural infrastructure to raise agricultural productivity and crop production, and strengthen food security amid the global surge in food prices. Given the country's vulnerabilities, projects that included measures for mitigating and adapting to climate change were de-

veloped. To enhance growth and development prospects over the long term, ADB also initiated support for small and medium-sized enterprises and the finance sector while seeking partnerships to strengthen the private sector's role in infrastructure development. Six loans totaling \$592 million were approved in 2008.

HIGHLIGHTS

- Continuous engagement with borrowers and executing agencies, yielding a record-breaking \$2.4 billion in disbursements, with contract awards exceeding projections and projects at risk below the ADB-wide average
- New lending of \$3.7 billion surpassed the previous record and included many new lending modalities and approaches
- Substantial assistance extended to the Government of Bangladesh to help ease the food crisis
- Managing for development results enhanced, operationalized, and mainstreamed, and the development effectiveness of the South Asia Department's operations increased
- Significant progress made in preparing the South Asia Regional Climate Change Implementation Plan, the basis for interventions to mitigate and adapt to climate change

TABLE 25 South Asia: Assistance by Country, 2008
(\$ 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	Multitranchise Financing Facility ^d
Bangladesh	82.0	510.0	592.0	80.0	–	–	–	18.5	4.5	–
Bhutan	51.0	29.0	80.0	–	–	–	–	26.3	2.5	–
India	2,876.9	–	2,876.9	290.0	–	140.0	18.6	–	27.4	1,938.2
Maldives	7.5	7.5	15.0	–	–	–	4.5	–	–	–
Nepal	–	–	–	–	–	–	–	159.3	4.5	–
Sri Lanka	90.0	59.8	149.8	–	–	–	–	27.2	1.9	–
Regional ^e	–	–	–	–	–	–	25.0	–	–	–
Total	3,107.4	606.3	3,713.7	370.0	–	140.0	48.1	231.3	40.9	1,938.2

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

Notes: (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 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 4a and 4b (Direct Value-Added Cofinancing Arrangements).

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

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

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

e Refers to the Asian Energy Private Equity Funds Project. Amount is an estimate.

Impact of operations. The ongoing Good Governance Program helped the interim government strengthen the Anti-corruption Commission, separate the judiciary from the

executive branch, create a supreme judicial commission, and reorganize the public service commission. A national integrity strategy was also drafted to instill good governance throughout government.

The Urban Governance and Infrastructure Improvement Project demonstrated that urban infrastructure and service delivery can improve if linked to governance reforms and appropriate incentives. The performance-based allocation of investment funds pushed municipalities to reform governance, encouraged citizens to participate, and mobilized more local resources, making infrastructure investments more cost-effective and sustainable.

Disbursements reached a record-breaking \$2.4 billion, 25% better than in 2007. Of this amount, project disbursements accounted for \$2.0 billion, 33% more than in 2007

TABLE 26 South Asia: Grant-Financed Project Approvals by Country, 2008
(\$ million)

Country	ADF	Other Sources ^a	Total
Bangladesh			
Emergency Disaster Damage Rehabilitation (Sector) ^b	–	10.0	10.0
Post-Literacy and Continuing Education (Supplementary) ^b	–	2.5	2.5
Skills Development ^b	–	6.0	6.0
Bhutan			
Green Power Development ^b	25.3	–	25.3
Green Power Development ^b	–	1.0	1.0
Nepal			
Education Sector Program Cluster (Subprogram II)	8.0	–	8.0
Information and Communication Technology Development	25.0	–	25.0
Governance Support Program (Subprogram 1)	106.3	–	106.3
Rural Reconstruction and Rehabilitation Sector Development Project (Supplementary)	–	20.0	20.0
Sri Lanka			
Improvement of Rural Access Roads and Livelihood Development for the Poor	–	2.0	2.0
Dry Zone Urban Water and Sanitation ^b	23.2	2.0	25.2
Total	187.8	43.5	231.3

– = 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 27 South Asia: Portfolio Performance Indicators for Sovereign Lending, 2007–2008

Country	No. of Ongoing Loans (as of 31 Dec 2008)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2008 (\$ million)	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (%)	2007 (%)
Bangladesh	50	506.2	446.8	615.6	346.1	2.0	2.1
Bhutan	6	18.8	13.4	4.3	8.9	–	–
India	44	1,154.0	1,436.9	1,507.7	1,363.5	9.1	7.9
Maldives	8	4.5	4.1	2.7	5.1	50.0	28.6
Nepal	20	64.5	88.4	60.9	96.8	5.0	14.3
Sri Lanka	41	611.0	116.0	249.5	137.8	4.9	15.2
Total	169	2,358.9	2,105.7	2,440.7	1,958.2	7.1	9.7

– = nil.

Note: Totals may not add up because of rounding.

TABLE 28 South Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2008
(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Bangladesh			
Emergency Disaster Damage Rehabilitation Sector	–	120.0	120.0
Skills Development	–	50.0	50.0
Emergency Assistance for Food Security	–	170.0	170.0
Public–Private Infrastructure Development Facility	82.0	83.0	165.0
Second Urban Governance and Infrastructure Improvement (Sector)	–	87.0	87.0
Bhutan			
Green Power Development	51.0	29.0	80.0
India			
Uttarakhand Urban Sector Development Investment Program – Tranche 1	60.0	–	60.0
Rural Roads Sector II Investment Program – Tranche 2	77.7	–	77.7
National Power Grid Development Investment Program – Tranche 1	400.0	–	400.0
Assam Governance and Public Resource Management Sector Development Program (Subprogram 2)	100.0	–	100.0
Bihar State Highways	420.0	–	420.0
Orissa Integrated Irrigated Agriculture and Water Management Investment Program – Tranche 1	47.2	–	47.2
Rural Roads Sector II Investment Program – Tranche 3	130.0	–	130.0
Khadi Reform and Development Program	150.0	–	150.0
Urban Water Supply and Environmental Improvement in Madhya Pradesh (Supplementary)	71.0	–	71.0
Uttarakhand State-Road Investment Program – Tranche 2	140.0	–	140.0
Himachal Pradesh Clean Energy Development Investment Program – Tranche 1	150.0	–	150.0
Uttarakhand Power Sector Investment Program – Tranche 2	62.4	–	62.4
Maldives			
Private Sector Development	–	7.5	7.5
Sri Lanka			
Southern Transport Development Project (Supplementary)	90.0	–	90.0
Dry Zone Urban Water and Sanitation	–	59.8	59.8
Subtotal	2,031.3	606.3	2,637.5
NONSOVEREIGN			
India			
Gujarat Paguthan Wind Energy Financing Facility (Samana Phase I)	45.0	–	45.0
Mundra Ultra Mega Power	450.0	–	450.0
CLP Wind Farms Private Limited (Samana Phase II and the Saundatti Project)	60.0	–	60.0
GTL Infrastructure Limited Phase II Telecommunication Infrastructure	150.0	–	150.0
National Highway 1 Panipat–Jalandhar Toll Road	100.0	–	100.0
Columbia Asia Hospitals Development	38.6	–	38.6
Rural Electrification Corporation of India	225.0	–	225.0
Maldives			
Housing Development Finance Corporation	7.5	–	7.5
Subtotal	1,076.1	–	1,076.1
Total	3,107.4	606.3	3,713.7

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

The Participatory Livestock Development Project, in its second phase, carried on livelihood and income improvements for around 660,000 rural households (mostly women). The second phase of the Small-Scale Water Resources Development Sector Project further increased crop and fisheries production and, thus, the incomes of the poor.

Systemic reforms were introduced in primary and secondary education, poor and female students secured better access, and the quality of education improved.

Bhutan

Partnership priorities. Guided by the results-based country partnership strategy developed in close consultation with the government and other development partners, ADB continued to direct its lending at energy, roads, urban development, and financial and private sector development. ADB's investment support, sector reform, and capacity development operations in these core areas are meant to sustain development impact with the help of monitoring. On the nonlending side, technical support for sector policy-making and executing agencies in improving their institutional, policy, and regulatory capacities

helped achieve the government's key development targets and, thus, the Millennium Development Goals.

Impact of operations. Rural electrification remained a priority. ADB supported Bhutan's first power generation project with private sector participation. The Green Power Development Project has both clean-power trading and rural electrification components. Rural electrification enabled poor households to establish small-scale cottage industries; process food; practice small trades more efficiently; and set up small shops,

The ongoing Good Governance Program in Bangladesh helped the interim government strengthen the Anticorruption Commission

TABLE 29 South Asia: Cumulative Lending and Disbursements by Country as of the end of 2008 (\$ million)^{a, b}

Country	Lending	Disbursements
Bangladesh	9,857.5	6,856.1
Bhutan	256.1	116.6
India	20,586.5	12,005.4
Maldives	116.3	71.5
Nepal	2,301.0	1,703.7
Sri Lanka	4,355.5	3,161.7
Total^c	37,472.9	23,915.0

^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.

FIGURE 7 South Asia:
ADB Lending by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)

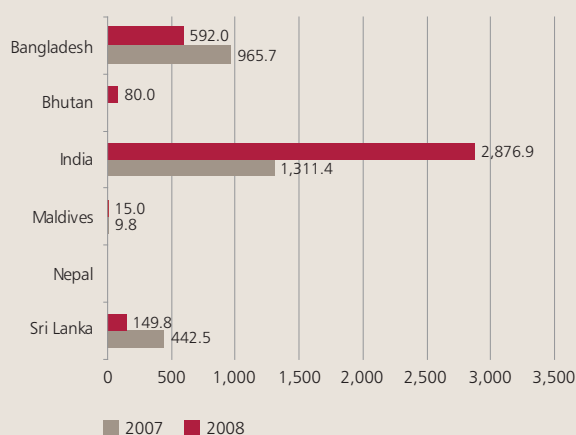
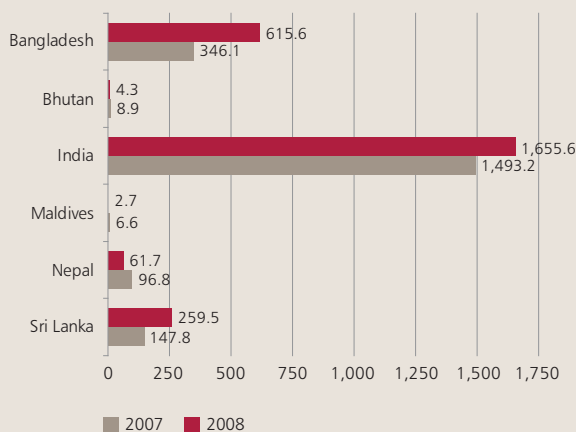


FIGURE 8 South Asia:
ADB Disbursement by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)



Cleaning Up Kolkata

An innovative infrastructure project in India is fixing sewerage and drainage systems for millions of families, with support from ADB, while helping organize community assistance groups

Pushpa Das is a shy young woman who married at 18 and went through her first pregnancy without eating properly, taking supplements, or seeing a doctor. Her first baby arrived prematurely and underweight—and died less than 2 weeks later.

Standing in the doorway of her dark shanty in the Kulia Tangra slum in east Kolkata, India, Das says she is pregnant again. But this time she is getting advice from a self-help group and is consulting a doctor.

“The group has taught me the importance of anti-tetanus shots and iron folic acid,” she says. “I have also learned how to eat better.”

Das is benefiting from an innovative infrastructure project in one of India’s most congested cities. With more than \$250 million in ADB loans, the Kolkata Environmental Improvement Project is renovating dilapidated sewerage and drainage systems and

mobilizing self-help groups in affected slums to address social and environmental issues. Now Das’s household not only has clean water and a modern sewerage system but also access to community groups that can help her family.

The upgraded facilities will serve around 1.5 million people. Before the project, only about 0.2 million (17% of the population in the project area) were connected to a sewerage system and less than half of the area had adequate drainage.

Kolkata’s environmental management capacity is also growing. An associated capacity-building program, funded with a separate grant of \$42 million from the Department for International Development of the United Kingdom, is improving the service delivery system of the Kolkata Municipal Corporation (KMC) and communities’ access to basic services.

Under KMC’s social development unit, several nongovernment organizations (NGOs) are mobilizing and advising self-help groups (*sangha*) of women in nearly 100 slums. “Once you convince women to meet, these groups multiply,” says Bipasha Keshri, a coordinator for CINI ASHA, an NGO that works in the slums.

Many self-help groups now exist in Kolkata, and not just in Das’s neighborhood. The goal is that they will continue on their own after the project. The hope is that other slums will adopt the self-help approach, inspired by their success.



Women from Narkeldanga learn how to open a bank account and obtain a loan at a class given by the NGO Tiljala SHED

With more than \$250 million in ADB loans, the Kolkata Environmental Improvement Project is renovating dilapidated sewerage and drainage systems

Rural electrification in Bhutan has enabled poor households to establish small-scale cottage industries; process food; practice small trades more efficiently; and set up small shops, and restaurants

and restaurants. As more people used electric lights and stoves rather than kerosene lamps and cooking fires, their health improved.

ADB’s road sector interventions allowed farmers to bring their produce to market, among other benefits. Banking efficiency improved; regulation was strengthened; and micro, small, and medium-sized enterprises received targeted assistance. ADB started to help transform the credit information unit into a full-fledged bureau to provide transparent and re-

liable credit information and thus help mitigate risk, lower the transaction costs of financial institutions, and increase overall efficiency in the finance sector.

India

Partnership priorities. The preparation of the country partnership strategy (2009–2012) was substantially completed. With the aim of helping the government reduce poverty and achieve inclusive growth as emphasized in its Eleventh Five-Year Plan, the strategy rests on four strategic pillars: inclusive and environmentally sustainable growth, investment catalysis through innovative business and financing modalities, stronger results orientation in project design and implementation and emphasis on knowledge solutions, and regional cooperation.

ADB's lending assistance through its multitranche financing facility totaled \$2.2 billion in 2006–2008. Regular loan approvals reached \$1.8 billion in 2008. ADB approved new financing of \$1.0 billion (\$140.0 million in complementary financing and equity of \$18.6 million) under its private sector window. This amount covered direct loans, equity investments, cofinancing for wind and ultra-mega power generation projects, rural telecommunications infrastructure development, toll road expansion with private sector participation, and development of residential mortgage guarantees. ADB approved a \$225.0 million nonsovereign loan to the Rural Electrification Corporation of India to strengthen the rural transmission network.

Impact of operations. Overall portfolio performance has improved significantly in recent years. Contract awards rose from \$550.5 million in 2004 to \$1.2 billion in 2008, and loan disbursements from \$381.0 million to \$1.5 billion over the same period. Tripartite portfolio review meetings have now moved beyond tracking inputs to tracking outputs. The Madhya Pradesh State Roads Sector Development Program, the Tsunami Emergency Assistance (Sector) Project, and the recently approved Orissa Integrated Irrigated Agriculture and Water Management Investment Program, among others, had good development impact. The Madhya Pradesh program helped establish the Madhya Pradesh Road Development Corporation as the state highway authority, develop computerized financial management and accounting systems,

ADB's lending assistance to India through its multitranche financing facility totaled \$2.2 billion in 2006–2008

and build capacity to develop and maintain roads in partnership with the private sector. The tsunami assistance project helped rebuild safer houses, roads, bridges, and other public infrastructure in Kerala and Tamil Nadu. As part of the Orissa program, tenure reforms were made in the legal framework of water users' associations, and higher representation of women was advocated, for more sustainable institutions.

Maldives

Partnership priorities. To help achieve national goals and overcome institutional and resource constraints, ADB and the government agreed on the two-phase assistance strategy outlined in the country partnership strategy. In phase 1, ADB would help build capacity in economic management and structure partnerships between the public and private sectors in the three phase-2 sectors of transport, power, and private sector development. ADB also approved a \$12.0 million private sector operation for the Housing Development Finance Corporation and a technical assistance loan of \$7.5 million for micro, small, and medium-sized enterprise development.

Impact of operations. The main commercial harbor, Malé North Harbor, improved access to markets and social services for the 70% of the population living on the outer atolls, where poverty is most intense. The Private Sector Development Project continued to develop micro, small, and medium-sized enterprises to encourage inclusive growth that is broad-based, private sector-led, and sustainable.

As a main development partner, ADB continued to help the government formulate development plans and set development priorities. Limited institutional capacity, however, has drawn out implementation and diluted some intended benefits. The country partnership strategy therefore emphasizes capacity development to sustain the development impact of projects.

Building Roads and Peace in Nepal

An ADB-funded project in rural areas is helping bring peace and livelihoods to conflict-affected communities

Phurba Temba Sherpa used to live with his family in a bamboo shed. Today, he lives in a house of stone and mortar.

"No one ever thought that people like me could buy a house," says Sherpa, who paid for his with earnings from a job in road construction. "People now look up to me and I feel really good."

Sherpa's work is part of the Decentralized Rural Infrastructure and Livelihood Project, which ADB has funded since September 2004.

The \$40 million project helps communities in 18 conflict-affected districts, in support of Nepal's ongoing peace process. Rural infrastructure is being developed, livelihoods restored, jobs created, and excluded communities empowered to participate in development.

Nearly 150,000 unskilled local laborers are now building 91 kilometers of district roads and 54 trail bridges.



Bugal Shrestha of Todke started vegetable farming on his own land and earns about Rs12,000 (\$157) a year by selling surplus vegetables. He looks forward to increased income once the road connects his village to the district headquarters

People in the project areas with little or no previous income now earn about NRs300 (about \$4) a day as members of building groups, the vast majority of them poor women and the disadvantaged.

"In the 6 months since I started working, I have saved NRs22,000 (about \$290)," says Panchamaya B.K., a widow who is raising two children. "With this money and some contribution from my parents, I have bought a piece of land."

The project has raised awareness among women in the building groups, giving them the confidence to actively participate in community development and thus gain social status, leadership roles, and autonomy. Better cash incomes have increased their self-esteem and widened recognition of women's contributions to the improved livelihoods of poor households.

Intensive social mobilization under the project has embedded the practice of participation in rural communities, changed cultural attitudes that used to inhibit development, and included and empowered formerly excluded and vulnerable groups. With all communities in conflict-affected areas represented, the project was able to operate even during the conflict period. The project has helped create social capital, and thereby smooth transition to the present post-conflict environment.

Encouraged by the progress made under the project, ADB used a similar participatory approach to expand rural infrastructure investment in 20 other districts under the Rural Reconstruction and Rehabilitation Sector Development Program, which began implementation in 2007.

The project has raised awareness among women members of the building groups and given them the confidence and leadership to participate in community development

Nepal

Partnership priorities. The comprehensive midterm review of the country strategy and program (2005–2009), completed in consultation with stakeholders in July, validated its strategic pillars—broad-based economic growth, inclusive social development, and good governance—while stressing the importance of state building, inclusive growth, and results orientation.

Consultations with a broad range of stakeholders were also held in partnership with the Department for International Development of the United Kingdom and the World Bank to prepare for a new country partnership strategy to be completed in 2009. The annual country portfolio review with the government and key development partners in November was intended to strengthen country systems by identifying generic implementation issues and establishing results-based monitoring mechanisms

and a time-bound action plan for dealing with implementation constraints.

Impact of operations. The ongoing Education Sector Program I contributed significantly to educational development. In the first year of implementation, the net enrollment ratio in primary education increased from 87% to 89%. The percentage of children in grade 1 with early childhood development experience increased from 18% to 33%; the grade-5 survival rate, from 80% to 81%; and the gender parity index for the net enrollment ratio, from 0.94 to 0.96. The percentage of trained teachers improved as well.

The ongoing Road Network Development Project opened up 62 kilometers (km) of new track roads to remote district headquarters, and upgraded 121 km of feeder and district roads and 342 km of the East–West Highway. The rural population now has better access to basic social services and wider economic opportunities.

Sri Lanka

Partnership priorities. The country partnership strategy (2009–2011), formulated in close consultation with the government and reflecting its priorities, was approved by ADB in October. Road, power, and water supply projects were in the pipeline. A fiscal management program and a standby project in education—areas supported earlier by ADB—were also planned.

ADB approved two projects. The \$90 million Southern Transport Development Project (supplementary financing, from ordinary capital resources) will complete the construction of an expressway between the south and Colombo. The \$83 million Dry Zone Urban Water and Sanitation Project, funded entirely from the Asian Development Fund, will pipe water to four towns—two in the conflict-affected Northern Province and two in the North Western Province.

Impact of operations. ADB continued to help modernize secondary education by developing computer laboratories, training teachers, developing curricula, and introducing school-based assessment and management systems. With the help of the distance education network developed under the Distance Education Modernization Project, students in less-developed districts, including two eastern districts, acquired remote access to study materials through a central hub in Colombo and could complete entrance examinations from their districts.

ADB also tackled physical, institutional, and policy constraints in transport, with its contribution over the last two decades “substantial” by a recent country assistance program evaluation. Four projects rehabilitated and upgraded 1,265 km of national roads, leading to expected efficiency gains and cost savings. Traffic on the completed roads was adequate and grew in step with the economy. Vehicle operating costs and travel times were reduced and transport services improved.



Through the ADB-supported Dhaka Clean Fuel Project, all 25,000 auto rickshaws in Bangladesh's capital now run on clean compressed natural gas



SOUTHEAST ASIA

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

With 117 ongoing projects, the achievement of 199% of the annual projection for contract awards and 216% of its disbursement targets, ADB is exceeding 2007 performance in the region while strengthening regional cooperation.

OVERVIEW

ADB's operations in Southeast Asia were closely aligned to Strategy 2020 and its other major policies. ADB approved 25 loans and 12 grants (30 projects) amounting to \$2.9 billion for the region. ADB also provided 77 technical assistance projects for \$93.0 million. ADB's nonsovereign approvals in the region totaled \$645.0 million plus an estimated portion of \$25.0 million from the Equity Investment in Asian Clean Energy Private Equity Funds, a regional project (Statistical Annex 10).

ADB's operations in 2008 aimed to help developing member countries institute legal and regulatory reforms, formulate and implement economic and public policy, improve urban and rural infrastructure, ensure environmentally sustainable natural resources management, and improve education systems.

ADB's operations continued to emphasize development results. All programs and projects ad-

ressed quality-at-entry and project readiness throughout preparation, rigorously monitoring portfolio indicators and identifying delays and other risk factors.

PORTFOLIO MANAGEMENT

As of 31 December, ADB had 140 ongoing loans and Asian Development Fund grants (equivalent to 117 ongoing projects), with a net amount of \$10.6 billion. ADB had achieved 199% of its annual projections for contract awards and 216% of its disbursement targets, exceeding 2007 performance by 96% and 107%. The technical assistance portfolio had 194 active projects with a total revised amount of \$284.3 million.

Advance actions and tracking systems enabled timely closure of loans and technical assistance projects and early detection of projects at risk. Improvements in the automation of performance reports highlighted problem areas. Rigorous monitoring of the portfolio continued.

REGIONAL COOPERATION

ADB strengthened cooperation within archipelagic South-east Asia (aSEA), which includes 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). It also further improved coordination with the Association of Southeast Asian Nations (ASEAN) secretariat.

ADB supported the Third GMS Summit in Vientiane, Lao People’s Democratic Republic (Lao PDR), in March; the First GMS Economic Corridors Forum in Kunming, Yunnan Province, People’s Republic of China, in June; and the completion of the GMS regional cooperation operations business plan for 2009–2011. This plan has 39 proposed sub-regional investment projects amounting to around \$1.9 billion and nonlending products and services totaling almost \$23.0 million.

ADB intensified its assistance to subregional institutions within BIMP–EAGA and to helping the private sector communicate with development partners. Studies for streamlined customs, immigration, quarantine, and security procedures and harmonized border-crossing formalities were completed, along with a comprehensive midterm review of the BIMP–EAGA road map for 2006–2010.

ADB worked closely with the three IMT–GT countries to implement the IMT–GT road map for 2007–2011. ADB supported IMT–GT connectivity corridor development through studies on logistical costs and constraints on maritime link development. ADB also assisted the Center for IMT–GT Subregional Cooperation.

COUNTRY HIGHLIGHTS

Brunei Darussalam

Partnership priorities. The country joined ADB in 2006, but has been an active member of BIMP–EAGA since its inception in 1994. ADB approved the country’s first reimbursable technical assistance project, Development of the Capital Market and a Modernized Payment and Settlement System, in April, providing for diagnostic studies and a capital market master plan.

HIGHLIGHTS

- Proactively monitored portfolio status, resulting in a ratio of projects at risk lower than the ADB average, and contract awards and disbursements significantly above projected amounts
- Provided an emergency loan and grant of \$35 million to the Government of Cambodia and participated in a joint post-assessment of the damage caused by Cyclone Nargis in Myanmar
- Successfully leveraged resources through co-operation with other development partners, resulting in record amounts of \$1.4 billion co-financing for loan programs and \$44.0 million for technical assistance projects
- Raised regional cooperation to greater heights with a landmark third Greater Mekong Subregion (GMS) summit, which adopted a 5-year forward program of priority GMS projects to further improve connectivity and competitiveness
- Adopted the first integrated water resources management program for Indonesia and ADB using the multitranche financing facility, and the first nonsovereign loan to a private commercial bank for leasing in Viet Nam

ADB approved Brunei Darussalam’s first reimbursable technical assistance project, Development of the Capital Market and a Modernized Payment and Settlement System

Rich in oil but with declining output, the country faces limited human resources and skills; dependency on foreign contract workers; and large public sector operations, including many free or heavily subsidized services. Economic diversification and gradually decreasing the dominance of the public sector are government priorities.

Cambodia

Partnership priorities. The country strategy and program for 2005–2009 was extended to 2010 through the country

TABLE 30 Southeast Asia: Assistance by Country, 2008
(\$ million)

	Loans				Credit Enhancements		Equity Investment	Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a		Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranche Financing Facility ^d
Brunei Darussalam	–	–	–	–	–	–	–	–	0.6	–
Cambodia	–	53.8	53.8	7.0	–	–	–	36.9	5.0	–
Indonesia	925.0	160.0	1,085.0	–	–	225.0	–	–	13.0	500.0
Lao People's Democratic Republic	–	–	–	–	–	–	–	11.8	5.1	–
Malaysia	–	–	–	–	–	–	–	–	–	–
Philippines	940.0	–	940.0	30.0	–	–	–	1.0	9.4	–
Thailand	–	–	–	–	–	–	–	–	2.8	–
Viet Nam	631.2	158.5	789.7	517.6	–	–	–	5.2	26.9	–
Regional ^e	–	–	–	–	–	–	25.0	–	–	–
Total	2,496.2	372.3	2,868.5	554.6	–	225.0	25.0	54.9	62.7	500.0

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

Notes: (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 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 4a and 4b (Direct Value-Added Cofinancing Arrangements).

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

c For reference, see Statistical Annex 16 (Technical Assistance Grant Approvals by Country and Regional Activities).

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

e Refers to the Asian Energy Private Equity Funds Project. Amount is an estimate.

TABLE 31 Southeast Asia: Grant-Financed Project Approvals by Country, 2008
(\$ million)

	ADF	Other Sources ^a	Total
Cambodia			
Road Asset Management ^b	–	4.8	4.8
Health Sector Support (Supplementary) ^b	–	1.8	1.8
Emergency Food Assistance ^b	17.5	–	17.5
Public Financial Management for Rural Development Program (Subprogram 1)	6.7	–	6.7
Public Financial Management for Rural Development Project	4.1	–	4.1
Capacity Development in Sanitary and Phytosanitary Standards (SPS) Management Systems ^b	2.0	–	2.0
Lao People's Democratic Republic			
Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province	–	1.8	1.8
Greater Mekong Subregion Sustainable Tourism Development ^b	10.0	–	10.0
Philippines			
Developing Microinsurance	–	1.0	1.0
Viet Nam			
Community-Based Early Childhood Care and Development	–	1.9	1.9
Livelihood Improvement of Vulnerable Ethnic Minority Communities Affected by the Song Bung 4 Hydropower Project in Quang Nam Province ^b	–	2.0	2.0
Demand-Driven Skills Training for Poverty Reduction in the Cuu Long (Mekong) River Delta	–	1.3	1.3
Total	40.3	14.6	54.9

– = 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.

operations business plan for 2008–2010, consistent with the national strategic development plan for 2006–2010. The operations business plan emphasizes poverty reduction through agriculture and rural development, private sector development, and intensified governance and capacity development. These priorities are aligned with the government's Rectangular Strategy II of September

2008 and the priorities of all development partners as reflected in the 13th meeting of the Government Development Partner Coordination Committee in October.

Cambodia sought and obtained emergency assistance from ADB amounting to \$35 million to help its poor population harmed by food price inflation. Continuing ADB interventions in agriculture and rural development

TABLE 32 Southeast Asia: Portfolio Performance Indicators for Sovereign Lending, 2007–2008

	No. of Ongoing Loans (as of 31 Dec 2008)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2008 (\$ million)	2007 (\$ million)	2008 (\$ million)	2007 (\$ million)	2008 (%)	2007 (%)
Cambodia	19	109.7	74.3	106.4	56.8	5.3	9.1
Indonesia	31	1,031.2	1,187.1	949.6	1,136.3	–	6.1
Lao People's Democratic Republic	17	30.9	43.7	49.1	73.9	11.8	4.3
Philippines	13	632.2	373.9	653.2	419.2	7.7	11.1
Viet Nam	39	390.5	261.0	264.6	229.9	10.3	4.8
Total	119	2,194.3	1,940.1	2,022.9	1,916.0	6.7	6.5

– = nil.

Note: Totals may not add up because of rounding.

centered on the Tonle Sap Basin, where rural poverty is most acute.

ADB supported private sector development by emphasizing the continued health of the finance sector and promoting public–private partnerships and economic diversification. ADB coordinated development partners to promote anticorruption and fiduciary risk management initiatives.

Impact of operations. The Emergency Food Assistance Project temporarily assisted the poorest families in seven rural provinces and selected urban slums. It also supported the development of sustainable emergency response systems. Beneficiaries used a robust and transparent complaints procedure reinforced by independent monitors.

Indonesia

Partnership priorities. The country strategy and program for 2006–2009 was fully aligned with the government's medium-term development plan. ADB assistance focused on macroeconomic management, infrastructure, finance sector deepening, decentralized development, education, and environmental and natural resource management.

Indonesia graduated from the Asian Development Fund at the end of 2008, and now faces the complex development needs of a middle-income country. More than 80% of ADB sovereign lending was through three policy-based operations, which advanced reforms in macroeconomic management, infrastructure provision, and decentralized public financial management.

Impact of operations. The Second Infrastructure Reform Sector Development Program sought to simplify infra-

Indonesia graduated from the Asian Development Fund at the end of 2008, and now faces the complex development needs of a middle-income country

structure investment and increase access to infrastructure services. The Fourth Development Policy Support Program introduced streamlined investment regulations and enhanced access to credit for small and medium-sized enterprises.

The Second Local Government Finance and Governance Reform Program supported decentralization, including improvement of regional autonomy and local governance; greater equity, predictability, and transparency in the release of fiscal transfers and shared revenues; and access of regional governments to own-source revenues.

The \$6.8 billion government-led reconstruction program to rebuild Aceh Province and Nias Island after the December 2004 tsunami neared completion. ADB grant assistance of \$300.0 million helped rebuild social and economic infrastructure and recover livelihoods and economic activities in rural areas. Poverty in Aceh dipped below the pre-tsunami level.

Lao People's Democratic Republic

Partnership priorities. The country partnership strategy for 2007–2011 is aligned with the Sixth Five-Year National Socio-Economic Development Plan (2006–2010) and promotes pro-poor sustainable growth by creating jobs through private sector development, fostering in-

TABLE 33 Southeast Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2008
(\$ million)

	OCR	ADF	Total
SOVEREIGN			
Cambodia			
Road Asset Management	–	6.0	6.0
Emergency Food Assistance	–	17.5	17.5
Financial Sector Program II Cluster (Subprogram 2)	–	10.3	10.3
Promoting Economic Diversification Program (Subprogram 1)	–	20.0	20.0
Indonesia			
Vocational Education Strengthening	–	80.0	80.0
Rural Infrastructure Support to PNPM Mandiri	–	50.0	50.0
Infrastructure Reform Sector Development Program (Subprogram 2)	280.0	–	280.0
Second Local Government Finance and Governance Reform Program Cluster (Subprogram 1)	350.0	–	350.0
Fourth Development Policy Support Program	200.0	–	200.0
Integrated Citarum Water Resources Management Investment Program – Tranche 1	20.0	30.0	50.0
Philippines			
Development Policy Support Program (Subprogram 2)	250.0	–	250.0
Agrarian Reform Communities Project II	70.0	–	70.0
Governance in Justice Sector Reform Program (Subprogram 1)	300.0	–	300.0
Viet Nam			
Song Bung 4 Hydropower	196.0	–	196.0
Ho Chi Minh City–Long Thanh–Dau Giay Expressway Construction	410.2	–	410.2
Greater Mekong Subregion Sustainable Tourism Development	–	10.0	10.0
Greater Mekong Subregion (GMS) Ha Noi–Lang Son, GMS Ha Long–Mong Cai, and Ben Luc–Long Thanh Expressways Technical Assistance	–	26.0	26.0
Health Care in the South Central Coast Region	–	72.0	72.0
Emergency Rehabilitation of Calamity Damage (Supplementary)	–	25.5	25.5
Support for the Implementation of the Poverty Reduction Program V (Subprogram 1)	–	25.0	25.0
Subtotal	2,076.2	372.3	2,448.5
NONSOVEREIGN			
Indonesia			
Bank Mandiri (Persero)	75.0	–	75.0
Philippines			
Acquisition and Rehabilitation of the Masinloc Coal-Fired Thermal Power Plant	200.0	–	200.0
Privatization and Refurbishment of the Calaca Coal-Fired Thermal Power Plant	120.0	–	120.0
Viet Nam			
Saigon Thuong Tin Bank (Sacombank)	25.0	–	25.0
Subtotal	420.0	–	420.0
Total	2,496.2	372.3	2,868.5

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

ADB grant assistance helped reduce poverty in Aceh to below the pre-tsunami level

clusive social development, accelerating achievement of the Millennium Development Goals, and fostering good governance. The country operations business plan for 2009–2011 noted that implementation is on track.

Impact of operations. Despite severe flooding in August and high inflation rates, yearly economic growth was 7.5%, driven mainly by mining, hydropower, tourism, and financial services. The government's revenue collection in fiscal year 2008 (ending 30 September 2008) exceeded the planned budget by 11.0%. Headline inflation subsided from a peak of 10.3% in May to 3.1% in December and averaged 7.6% for the year.

TABLE 34 Southeast Asia: Cumulative Lending and Disbursements by Country as of the end of 2008
(\$ million)^{a, b}

	Lending	Disbursements
Cambodia	1,001.1	789.3
Indonesia	23,523.3	18,401.0
Lao People's Democratic Republic	1,211.3	1,134.3
Malaysia	1,997.5	1,414.0
Myanmar	530.9	411.8
Philippines	10,772.8	8,389.5
Singapore	181.1	144.4
Thailand	5,388.1	4,207.6
Viet Nam	6,294.1	2,633.7
Total^c	50,900.3	37,525.7

– = nil.

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.

The Private Sector and Small and Medium-Sized Enterprises Development Program Cluster, Subprogram 1 reduced business registration time and cost, and enhanced access to credit for small and medium-sized enterprises. Strengthened monitoring and evaluation of public expenditure programs directed the benefits of public expenditures toward the poor and raised the quality of public health care services. ADB-supported banking reforms lessened the economy's vulnerability to external shocks.

Malaysia

Partnership priorities. ADB discussed a new country partnership strategy with the government, aiming to relieve key development constraints as identified in the Ninth Malaysia Plan. ADB considered supporting the government's private financing initiative in the transport sector, and helping relevant agencies compile state statistics and use macroeconomic modeling. Under the BIMP-EAGA and IMT-GT initiatives, ADB continued to support greater transport connectivity and smoother trade with other countries in the region.

Myanmar

Partnership priorities. ADB supported the Tripartite Core Group, comprising ASEAN, the government, and the Unit-

FIGURE 9 Southeast Asia: ADB Lending by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)

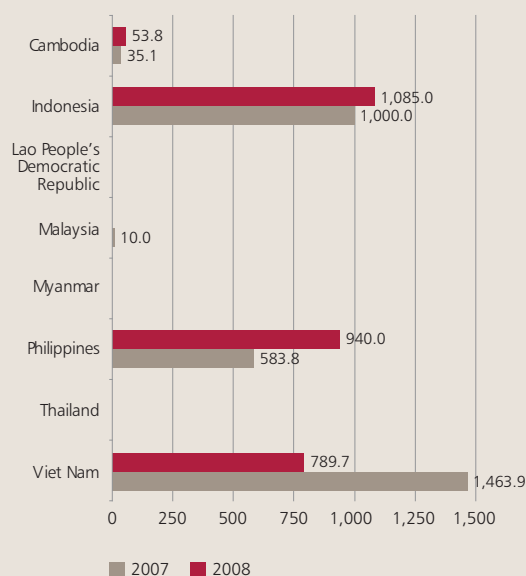
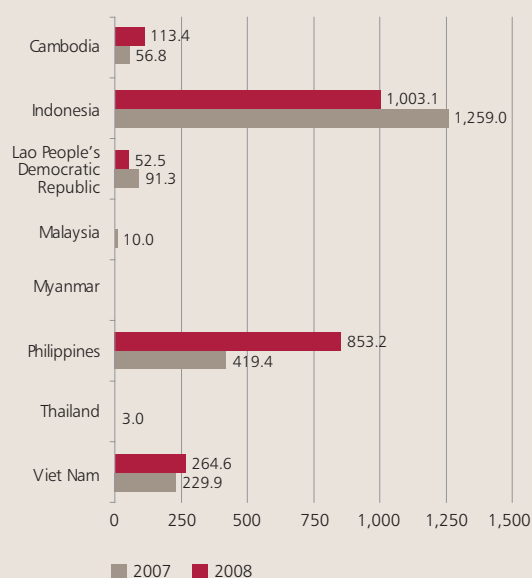


FIGURE 10 Southeast Asia: ADB Disbursements by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)



ed Nations, in assessing the damage following Cyclone Nargis. ADB continued to monitor economic development and will formulate an operational strategy when appropriate. Myanmar has participated in the major GMS meetings, in-

cluding the Third GMS Summit, and in some regional technical assistance projects. ADB approved the last loan projects in 1986 and the last technical assistance projects in 1987.

Philippines

Partnership priorities. The country strategy and program for 2005–2007 is aligned with the government's Medium Term

Philippine Development Plan, 2004–2010. The strategy and program emphasize 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 2009–2010.

Impact of operations. ADB approved five sovereign and nonsovereign loans for \$940.0 million and 11 technical

Supporting Sustainable Tourism in the Mekong Region

The project helps local communities develop and manage pro-poor, community-based, socially responsible tourism

The Mekong Tourism Development Project, which began in 2002 with ADB support, helped improve and reconstruct the Louangnamtha Airport in Louangnamtha Province, situated on the North–South Economic Corridor that links the Lao People's Demo-

cratic Republic (Lao PDR) to the People's Republic of China and Thailand. The project also financed the rehabilitation of access roads to key tourist destinations, such as the Kuang Si waterfalls in Luang Prabang Province and Konglor Cave in Khammouan Province. Small-scale tourism-related infrastructure was built, benefiting residents and tourists. Local communities now own and operate some of these facilities. Tourist information centers near borders with neighboring countries in the Greater Mekong Subregion were constructed and tourist facilities at border posts were improved. These village-based activities are providing more jobs and income to the poor, and are helping conserve cultural and natural heritage and promote gender equity and the participation of ethnic groups.

The project is supported by three separate ADB loans to Cambodia, Lao PDR, and Viet Nam, amounting to \$35.0 million. The governments' contributions of \$12.1 million bring the total project cost to \$47.1 million.

The project has four components: tourism-related infrastructure, community-based tourism development, subregional cooperation for sustainable tourism, and implementation assistance and institutional strengthening. The loan component for the Lao PDR was completed in August 2008, while those for Cambodia and Viet Nam, which experienced initial delays, are continuing.

Small-scale tourism-related infrastructure was built, benefiting residents and tourists. Local communities now own and operate some of these facilities



Visitors dock at Ban Talee Nok village in the Andaman Sea in Thailand

ADB support strengthened and stabilized the capital market, deepening Thailand's integration with Asian financial markets

assistance grants for \$9.4 million. It supported policy-based operations in governance and justice reform, improving the investment climate, enhancing governance in public expenditure management, and reducing poverty and achieving greater social inclusion. These programs significantly helped fiscal consolidation. ADB also helped strengthen agrarian reform to benefit poor and marginalized groups in the target communities. The net resource transfer from ADB to the Philippines continued to remain positive (\$195.0 million). Performance indicators for active loans remained sound. Undisbursed loan balances were reduced, and the government paid significantly less in commitment fees. The portfolio had only one project at risk and more satisfactory ratings on overall performance.

Thailand

Partnership priorities. The country operations business plan for 2008–2010 reaffirmed that the country partnership strategy for 2007–2011 remains closely aligned with the government's economic and social policies and action plans.

Notwithstanding the political uncertainty, ADB's countrywide operations expanded. ADB public sector op-

erations emphasized greater private sector participation in financing the country's huge infrastructure needs, particularly through public–private partnerships. ADB support strengthened and stabilized the capital market, deepening the country's integration with Asian financial markets. ADB private sector operations also grew, primarily through the application of direct loans and credit guarantees to support private investments in energy.

Impact of operations. ADB continued supporting the implementation of an integrated ticketing system for the Bangkok mass rapid transit network. Three major technical assistance projects were completed. The first helped the government prepare a strategic development plan for southern Thailand. The second one provided assistance for implementing the capital market development master plan. The third project was designed to strengthen Thailand as a regional development partner.

Viet Nam

Partnership priorities. Fully aligned with Viet Nam's Five-Year Socio-Economic Development Plan 2006–2010, the country strategy and program for 2007–2010 expanded ADB operations through support to pro-poor, business-led economic growth; social inclusiveness; and environmental protection and management. Governance and regional cooperation were also key priorities. ADB helped increase private sector investment and employment through assistance to develop physical infrastructure; improve the business environment (encompassing reforms in regulation, state-owned enterprises, and governance); strengthen market institutions; and develop human resources. Regional cooperation through the GMS Program was promoted to develop cross-border trade and new economic opportunities in otherwise isolated border areas, and tackle cross-border concerns such as communicable diseases and adverse development impacts. In the face of rising inflation and current account deficit, ADB also provided reliable macroeconomic policy advice.



Financed with a \$100 million ADB loan, the Second Education Development Project is improving access to formal education for 4.2 million children, and skills training for 3.3 million underemployed youth

ADB helped prepare a national program to mitigate the effects of climate change on Viet Nam

Educating Viet Nam's Future Professionals

An ADB-supported education project is helping Viet Nam meet the labor demands of its booming economy

Inside newly built libraries in upper secondary schools in Lao Cai, scores of students can often be found each afternoon, poring over rented books and hunched over their homework. The schoolwork is difficult, says Nguyen Thu Trang, but fun.

The new libraries and books are part of a \$55 million project approved by ADB in 2002.

"The government's goal is to expand upper secondary education by 2010, focusing on industrialization and economic modernization," says Eiko K. Izawa, an ADB



Eleven provinces now have a new diversified curriculum, new textbooks and workbooks, and modern teachers' guides, giving thousands of Viet Nam's youth the best training to get better jobs

education specialist and the project leader. "Quality improvement is of highest priority."

Only one out of every three Vietnamese teens aged 15–17 years had access to upper secondary education, and ethnic minorities fared even worse. Disparities in enrollment were also significant between rural and urban areas, the poor and nonpoor, and boys and girls.

Today, in 22 disadvantaged provinces, over 800 new classrooms have been constructed, with about 1,200 more on the way.

"The classrooms have enough space for group study activities, and teachers can manage the lessons more effectively with the instructional materials and equipment provided by the project," said the Si Ma Cai No. 1 school principal.

The project is supporting the government's dissemination of a new diversified curriculum—along with the accompanying textbooks, teachers' guides, and workbooks—to 11 provinces. Over 8,500 teachers and 300 school principals have now been trained in student-centered teaching methods—far beyond the target of 2,700 teachers and 55 principals.

"Students can learn much more actively by this method," said Mr. Trinh Khac Binh, a math teacher in Si Ma Cai No. 1.

By project completion in 2009, Viet Nam will have over 100,000 new, skilled workers, and hence over 100,000 Vietnamese children will have been given a chance to fulfill their dreams.

The project has built over 800 new classrooms in 22 disadvantaged provinces

Impact of operations. A program cluster loan, financed jointly with several development partners, supported the government's poverty reduction program. The government undertook a midterm review of its poverty reduction program based on a results framework developed with ADB support.

ADB supported a number of projects to improve health services in provinces and districts and to strengthen the government's preventive health care system and communicable disease control. The Rural Health Project improved the quality of and accessibility to health care in 14 poor rural provinces.

ADB support in the transport sector helped combat infrastructure bottlenecks restraining economic growth. It also continued to reduce costs and improve connectivity with other GMS countries.

With other development partners, ADB helped prepare a national program to address climate change. ADB continued several ongoing initiatives to mitigate climate change. Analytical work included assessments of the impact of climate change and the rising sea level on Ho Chi Minh City and its economic impact on Viet Nam, based on the methodology of the Stern Review on the Economics of Climate Change issued by the Government of the United Kingdom.



NONSOVEREIGN OPERATIONS

Strategy 2020 reinforces ADB's philosophy that development and poverty reduction can be attained only with a vibrant, confident, and healthy private sector. Beyond providing money, ADB assists host countries and private companies by creating a conducive investment climate, mitigating risks, facilitating regulatory dialogue, and providing technical expertise.

The adoption of Strategy 2020 is a milestone for nonsovereign operations. As ADB's paramount strategic document that covers 2008–2020, it defines the directions and framework for the planning and financing of ADB's operations, organization, and business processes. It prioritizes private sector development as a key driver of change in ADB's operations. By 2020, 50% of ADB's lending operations will be in private sector development and operations.

In support of these objectives, ADB assumes greater, thoroughly assessed risks and acts as a catalyst for investments that the private sector does not normally make. It

helps developing member countries attract direct private sector investments that support inclusive growth and improve the environment. To do so, ADB's tools include direct financing, credit enhancements, risk mitigation guarantees, and innovative new financial instruments.

The Private Sector Operations Department (PSOD) directly assists developing member countries through projects with development impact that may have limited access to capital. The department participates in projects through nonsovereign loans (loans to private and/or public sector entities, including state-owned enterprises, without sovereign counter guarantees); equity investments; and credit

Banking on Afghanistan

An ADB-backed bank supports local businesses that put people back to work and reduce violence

Habibullah Hamidi has seen the number of his employees nearly double this year. His construction company, Ariana Saz, now employs 56 people, compared with 32 the previous year. This is thanks to a \$79,000 loan from the Afghanistan International Bank (AIB), partly owned by ADB.

In Afghanistan, these jobs don't just put food on the table for the families of workers, they also stabilize the nation and decrease violence.

"Instability and unemployment are very closely linked," Mr. Hamidi said. "If people have work they won't fight. If there's no work, they will take up arms to survive."

The ADB-backed AIB has issued \$7.6 million in loans



Construction companies are among local businesses benefiting from ADB-backed Afghanistan International Bank loans

to small and medium-sized enterprises (SMEs), with at least eight new applications arriving each month. The bank has established eight branches nationwide and plans are under way to open six new branches in 2009, growing to 28, by 2013.

AIB was founded in 2003, when ADB brought together three members of the Afghan diaspora to create Afghanistan's first private bank. Today, AIB is set to have a capital of \$20 million, mostly from the retention of earnings.

Kabul's best-known bakery has also benefited from AIB. The family firm is famous citywide for its cakes and cookies. The 30-year old business borrowed \$40,000 to open a new store in Khair Khana, an upmarket suburb north of the capital. It's their fifth shop in the city.

"After we took the loan, we increased our employees from 50 to 70," said Assadullah, one of owners of the business. "We are well known in Afghanistan and we have a really good product. People come from other provinces, even from other countries, to buy our cakes." The company now boasts a turnover of more than \$50,000 a month.

"I believe that SME loans are one of the main contributors to rural development in Afghanistan," said Khalil Sediq, AIB's chief executive. "This is a private bank, but we don't only look for profit. At AIB, we want to play a role in Afghanistan's development."

"If people have work, they won't fight. If there's no work, they will take up arms to survive"

Nonsovereign projects are being administered in 20 developing member countries

enhancement products (including guarantees and B-loans, where ADB arranges a complete financing package for a project and thus encourages local and international commercial banks to participate). Entities seeking assistance from ADB for a private sector project benefit not only from financial assistance but also from the expertise and guidance of the ADB team. PSOD's operations focus principally on the finance and infrastructure sectors.

As in the previous year, the focus of ADB's nonsovereign operations was on core priority sectors aligned with Strategy 2020, such as energy, urban infrastructure, and finance. Also included were strategic interventions through public-private partnerships, focusing on broadening partnerships in energy, energy efficiency, transport, water, wastewater treatment and disposal, and power distribution. Nonsovereign projects are being administered in 20 developing member countries.

Nonsovereign operations have grown, with new financing reaching \$2.5 billion (including a \$225.0 million loan

processed by the South Asia Department) from \$1.4 billion in 2007. The Board of Directors approved 15 PSOD projects, consisting of \$1.5 billion in loans, \$123.1 million in equity investments, \$10.0 million in political risk guarantees, and \$565.0 million in B-loans. Fourteen projects focused on infrastructure, capital markets, and finance sectors. In line with Strategy 2020, seven of these projects (representing 62% of the approved amount) concentrated on energy, five of which relate to renewable and clean energy. Four projects, representing 16%, were in the finance sector, while two were in telecommunications (10%), one in transport (10%), and one in health (2%). Credit enhancement products—such as guarantees and B-loans—supplemented direct loan financing and equity investments. The average size of projects increased from \$44.0 million for 9 projects in 2000 to \$150.0 million for 15 projects in 2008.

ADB targets projects with significant development impact and focuses on initiatives that stimulate the private sector and lead to accelerated, sustainable, and inclusive growth. One example is the financing of Roshan, the leading mobile telecommunications services provider in Afghanistan. ADB's first financing to Roshan was in 2004, soon after start-up. After its enormous business and development success, ADB supported Roshan's expansion with new debt and guarantee facilities in 2006 and 2008. The most recent assistance is a \$60 million loan to help Roshan reach even more remote communities, introduce the first mobile banking facility in Afghanistan and the entire region, and make its operations more environment-friendly by installing solar power generation at many of its telecommunications towers. Roshan also undertakes important charitable operations through telemedicine, soup kitchens, and education for street children. The most recent Roshan financing took only 4 months from client approach to first disbursement, showing how market-responsive ADB can be with an equally responsive client.

Another example of how ADB seeks to promote and support innovative transactions and financing structures is through the financing of a toll road in India. This major highway helps connect key agrarian, industrial, and manu-



Afghanistan's communications system is getting a boost through an expansion of its cellular phone services and a nationwide mobile phone infrastructure, with funds from ADB's private sector operations

By 2020, 50% of ADB's lending operations will be in private sector development and operations

A Breath of Fresh Air in India

An ADB-supported Petronet expansion project in Gujarat state is providing households and industry with cleaner, cheaper fuel

The downtown streets of Vadodara pulsate with buses and auto-rickshaws but, unlike some other Indian cities, the air is breathable.

Vishinath Jagtap is a big part of the reason why. The auto-rickshaw driver has switched from a petrol-run three-wheeler to a compressed natural gas (CNG)-powered one. He has doubled his earnings: not only is CNG cheaper than petrol but many passengers also prefer less-polluting vehicles.

Narendra Rana also plays a part. He is the manager of a privately owned fleet of nearly 100 CNG-powered buses that ferry passengers to and from downtown. The buses cost 15% more than those that run on diesel, he says, but they are cheaper to fuel, need less maintenance, and cause less air and noise pollution.



Like 70% of auto-rickshaw drivers in Vadodara, India, Vishinath Jagtap has doubled his income since switching to compressed natural gas

Around the city, factories are switching to cleaner natural gas, and households are making the change as well, giving up the more expensive and polluting kerosene.

The transformation to a cleaner fuel source is driven by government policy as India switches from oil and coal to natural gas to meet energy needs that grew at a yearly average of 4.5% over the past decade. Natural gas contributes only 8% to the country's energy requirement, compared with nearly 90% by oil and coal. The government wants to lift the share of natural gas to 15% by 2012 and 20% by 2025.

To support this effort, in April 2004, the country's first liquefied natural gas (LNG) import and regasification terminal at Dahej started operations. The project, owned by Petronet LNG Limited and supported by equity and debt financing by ADB, imports LNG, mostly from Qatar, converts it back to gas, and sells the gas to industry and household consumers.

Vadodara uses more gas than most other cities in India because of its proximity to gas pipelines and to Petronet's terminal at Dahej, 150 kilometers away on the coast.

Since Delhi, Mumbai, and Vadodara were chosen to pilot-test CNG vehicles, the number of gas-fueled vehicles has soared. Today, an estimated 70% of Vadodara's three-wheelers and all its inner-city buses run on CNG.

As other urban centers and industries increasingly follow Vadodara's example, natural gas will continue to displace oil-based fuels to the benefit of industry, agriculture, and transport. And it will give people in the participating cities a breath of fresh air.

Today, an estimated 70% of Vadodara's three-wheelers and all its inner-city buses run on CNG

facturing areas and will be India's first toll road financed on a design-build-finance-operate structure basis. The project also employs a revenue-sharing model with the National Highways Authority of India—a first for an Indian road project. This model allows resources to be leveraged, allocates risks efficiently, and potentially controls project development time and costs. If successful, the project could be a model for other public-private partnerships.

A final example of ADB's role in structuring and executing new transactions in the market was the call for proposals for clean energy funds—the first of its kind in the Asian market. In a process that spanned several months, ADB solicited proposals from fund managers to establish clean energy private equity funds. Then, through a competitive process, 5 funds from the 19 submissions were selected to receive funding of up to \$20 million each, or

\$100 million in total. This effort successfully catalyzed interest from new funds and has helped the industry evolve toward higher-caliber, more experienced fund managers.

ADB responds on an ongoing basis to the shifts in the role required from the private sector in developing member countries. In the People's Republic of China, as financing for traditional power generation became more widely available, PSOD focused its efforts on financing renewable energy generation and energy-efficiency initiatives.

The innovative work planned for 2009 supports ADB's overall focus on public-private partnerships, the

water sector, and urban renewal. ADB is developing several possible water supply and wastewater projects in three cities of Gujarat, India. It is taking the lead in developing public-private partnership projects that are equitable and sustainable in severely underserved sectors. ADB is providing assistance in initial project development, which includes identification and selection of suitable projects, development of a concession structure, establishment of a bidding process, and project marketing. This will enable successful private sector participation in an open and transparent manner. ADB may separately support successful bids through equity, loans, and/or guarantees.

The innovative work planned for 2009 supports ADB's overall focus on public-private partnerships, the water sector, and urban renewal

COFINANCING

ADB's policy is to fund no more than 25% of the total cost of any one project directly. However, in rare circumstances where small transactions are accepted for their high development impact, it will directly support a higher percent-



"Petronet represents a classic example of a public-private partnership that operates as commercially as a private sector entity with an independent board"—Shantanu Chakraborty, ADB senior investment specialist



"The Manila North Tollways project encouraged private sector involvement in infrastructure that resulted in a major, modern toll road with international standards in technology, safety, and operations"—Mary Abad, ADB investment specialist

age of the overall financing. It is therefore important that PSOD build a close and collaborative relationship with the finance community, which is enhanced by ADB's various guarantee and cofinancing products. The demand for these products has increased substantially, particularly given recent finance market turmoil.

ADB helped mobilize cofinancing from partners (using ADB's cofinancing instruments), catalyzing \$565.0 million of direct new money for developing member countries, which went to three projects with an aggregate cost of \$2.7 billion.

MOVING FORWARD

ADB's nonsovereign operations will continue to prioritize projects with strong and long-term economic benefits within the finance and infrastructure sectors, especially

ADB helped mobilize cofinancing from partners, catalyzing \$565.0 million of direct new money for developing member countries, which went to three projects with an aggregate cost of \$2.7 billion

those that promote the cost-effective supply of basic needs and services to a wide segment of the population. It will continue to promote technology transfer and know-how to developing member countries as well as expand the private sector's role or improve the quality of private sector participation or finance sector intermediation.



GENERATING AND SHARING KNOWLEDGE

Under Strategy 2020, knowledge management is one of five key drivers of change that allow ADB to stimulate growth, synergize broader development assistance, and become a more active and better development partner. ADB launched a number of new initiatives that underscore the importance of knowledge management and learning.

ENHANCING KNOWLEDGE MANAGEMENT UNDER STRATEGY 2020

In light of its mandate to advance ADB's knowledge agenda both internally and externally, the Regional and Sustainable Development Department (RSDD) reviewed Knowledge Management in ADB (www.adb.org/documents/policies/knowledge-management/knowledge-management.pdf). While the review found ADB's knowledge management framework to be farsighted and sound, it articulated a plan of action for upgrading knowledge management to meet the requirements of Strategy 2020.

The review concluded that knowledge generated by ADB and other entities must be closely linked and embedded in ADB operations. Therefore, ADB resolved that the Technical Assistance Strategic Forum would emphasize improving coordination between its knowledge and operations departments, and that this would be done based on five key areas for ADB's research activities for 2009–2011. On a pilot basis, each of ADB's regional departments would formulate country partnership strategies that analyze developing member country knowledge requirements. Preparation of these strategies was to involve ADB's knowledge departments, regional knowledge hubs, communities of practice, and informal networks hosted by ADB. Likewise, on a pilot basis, operational papers—such as reports and recommendations of the President and technical assistance reports—were henceforth to analyze the knowledge products reviewed.

The review recommended that ADB's communities of practice and informal networks become integral to ADB's business processes; that the budget of the communities of practices be increased based on a clear set of objectives and terms of reference for each; that a new agriculture, rural development, and food security community of practice be created by upgrading the existing informal network that tackles these issues; and that the communities of practice engage in external partnerships wherever possible.

ADB decided early on to encourage research and networking on innovative knowledge products and services, and this led to the establishment of seven regional knowledge hubs. The Asian Development Bank Institute (ADBI), Economics and Research Department (ERD), Office of Regional Economic Integration (OREI), and RSDD have created knowledge, engaged in knowledge net-

working, and informed external audiences. Several regional departments have likewise initiated strategic and policy research partnerships with institutes both within and outside the region. (Appendix 14 lists the selected knowledge products of the knowledge and regional departments.)

RSDD reviewed the regional knowledge hubs and recommended that their forms and functions should be better defined within the context of ADB operations. The review reasoned that the working relationships between the knowledge hubs and ADB should be operationally defined. This would require that ADB develop criteria to select knowledge hubs and ensure that expected outputs and outcomes are specified during the selection process. The review concluded that resident missions should be actively involved in selecting and partnering with knowledge hubs wherever possible, and that nonregional institutions from ADB member countries should be identified as potential knowledge hubs in accordance with ADB's sector and thematic priorities. Agreements with all knowledge hubs should require dissemination of information within ADB and its developing member countries.

Numerous initiatives were launched to ensure that ADB staff members fully understood the importance of knowledge products to ADB operations. For example, ADB's induction program for new staff began to include briefings on knowledge management and learning. Early steps to design training programs in knowledge management and learning were taken. The role that narrative and story might play in ADB was tested. ADB introduced the *Knowledge Solutions* series (www.adb.org/knowledgesolutions) to popularize tools, methods, and approaches to drive development and improve its effects. ADB also launched the *Knowledge Showcase* series (www.adb.org/knowledgeshowcase), which highlights innovative ideas from technical assistance initiatives and other knowledge products. This series has strong potential for use in communities of practice. RSDD also conceptualized the Forum on Learning to raise awareness of the importance of knowledge management and learn-

The Technical Assistance Strategic Forum emphasized improving coordination between the knowledge and operations departments

ing, advance knowledge generation and sharing, strengthen the link between knowledge and ADB operations, and build and enhance skills relating to knowledge management. The knowledge departments also explored ways to better disseminate ADB's knowledge products in coordination with the Department of External Relations.

Knowledge management is not the sole responsibility of any particular department or unit. However, the Knowledge Management Center facilitates and coordinates the knowledge initiatives under ADB's knowledge management framework. In 2008, the center formulated the plan of action mentioned above.

INFORMING EXTERNAL AUDIENCES

The Regional Economic Outlook

The global economy is facing a major downturn. Worsening financial problems have caused economic activity to stall and the outlook for global growth to dim. With the major industrial countries already in or near recession, the global slowdown is expected to be deeper and much longer than previously anticipated. To meet the need for more timely regional economic projections amid rapidly unfolding developments on the global economic front, ERD established the Regional Economic Outlook Task Force. The task force produced a special note to *Asian Development Outlook 2008 Update*, *Developing Asia's Prospects in the Global Slowdown* (www.adb.org/Documents/Reports/developing-Asia-growth-forecast/AEM-Report.pdf), which revised gross domestic product (GDP) growth projections downward for developing Asia in 2008 and 2009. The special

note was released in tandem with the issue of *Asia Economic Monitor* (aric.adb.org) on 11 December. This work was enriched by ADBI's Managing Capital Flows project (<http://www.adbi.org/research.managing.capital.flows/>) (p. 95).

Building Knowledge and Capacity for Regional Economic Integration

OREI published a groundbreaking study, *Emerging Asian Regionalism: A Partnership for Shared Prosperity* (aric.adb.org/emergingasianregionalism/), which received substantial coverage from international and local media. The study examined issues in trade and investment, money and finance, macroeconomic interdependence, and the forces shaping a new regional economic architecture. OREI further addressed key developments in emerging East Asia in *Asia Economic Monitor*, July and December 2008 (aric.adb.org), and in *Asia Bond Monitor*, April and November 2008 (asianbondsonline.adb.org). It also issued guidelines on how to design, negotiate, and implement a free trade agreement in Asia (www.adb.org/documents/manuals/fta).

Restructuring Beyond the Subprime—a conference organized by OREI the week that Lehman Brothers filed for bankruptcy—gave financial regulators, rating agencies, international financial institutions, market participants, and academic and research institutions an opportunity to exchange points of view concerning the global financial crisis. OREI also organized a number of training programs and seminars. The seminars under the Asia-Pacific Economic Cooperation (APEC) Financial Regulators Training Initiative aimed to encourage appropriate prudential standards, supervision, and regulation, and build institutional capacity to support them. The initiative has trained about 2,300 participants in banking supervision and securities regulation. Two training programs on regional economic and financial monitoring provided staff from ministries of finance and central banks of selected Association of Southeast Asian Nations (ASEAN)+3 countries with knowledge, practical tools, and skills concerning the detection and prevention of financial vulnerabilities, early warning systems, financial programming, monetary and exchange rate policy coordination, and regional integration systems. OREI offered training courses to strengthen the managerial and strategic skills of officials involved in designing, ne-

The Restructuring Beyond the Subprime conference allowed financial regulators, rating agencies, international financial institutions, market participants, and academic and research institutions to exchange opinions on the global financial crisis

gotiating, and implementing free trade agreements. This was primarily achieved by providing participants with a better understanding of economic, trade, legal, and institutional policy issues.

Researching Food Prices and Inflation in Developing Asia

Food prices have increased sharply since mid-2007 and accelerated alarmingly in early 2008. Rice and wheat prices spiked to levels not seen in more than three decades. Such price rises worsen poverty in developing Asia by reducing the real incomes of the already poor, and push many others below the poverty line. ERD investigated the impact of elevated global commodity prices on developing Asia in its special report, *Food Prices and Inflation in Developing Asia: Is Poverty Reduction Coming to an End?* (www.adb.org/documents/reports/food-prices-inflation/). This report, which was released at ADB's annual meeting, proposed policy responses to elevated food prices that would prevent reversal of the region's gains in poverty reduction. Because this report was one of the first responses to the current economic crisis, it was widely referenced by international organizations, newspapers with global distribution, and universities. Taking the analysis of commodity prices further, the *Asian Development Outlook 2008 Update* (www.adb.org/documents/books/ado/2008/update/) examined the causes of the recent food and oil price rises, their likely future direction, and their expected macroeconomic impacts on the price of globally traded commodities. The update received significant coverage in the global media, thus continuing ERD's efforts to influence policy making by creating and disseminating knowledge.

Purchasing Power Parities for Poverty Measurement

The demand for internationally comparable estimates of poverty, such as the widely known \$1-a-day poverty counts, is considerable among policy analysts, researchers, and donor agencies. Key to generating internationally comparable poverty estimates are purchasing power parities (PPPs)—conversion factors that ensure that different currencies have a common purchasing power over a given set of goods and services. Experts have debated for some time that the particular set of PPPs used since 1990 for

international comparisons of poverty may have deficiencies. ADB examined the sensitivity of poverty estimates to different approaches to PPP construction using data from 16 countries. In addition to more conventional PPPs, the study generated poverty-specific PPPs based on comparisons of the prices of goods and services purchased by the poor across the 16 countries. The conclusion was that the approach to generating PPPs matters a great deal. For example, the difference between the number of poor estimated on the basis of poverty-specific PPPs and the so-called consumption PPPs that have traditionally been used to estimate poverty can be higher than 20% in some cases. ADB therefore recommended that the next round of the International Comparisons Project—the global statistical project that generates PPPs—tentatively scheduled for 2011, collect information on the prices of goods and services the poor pay and compile poverty-specific PPPs. ADB's 2008 Key Indicators for Asia and the Pacific (www.adb.org/Documents/Books/Key_Indicators/2008/) contains a chapter describing ADB's study.

The Impact of the Global Financial Crisis on Asia

The global economy now faces a deep and prolonged recession triggered by the financial crisis in the United States (US). US Financial Crisis, Global Financial Turmoil, and Developing Asia: Is the Era of High Growth at an End? (www.adb.org/Documents/Working-Papers/2008/Economics-WP139.pdf) examined the roots of the global financial crisis and its spread from the US to the rest of the world. The paper concludes that economic growth in developing Asia in 2008 and 2009 should be expected to deteriorate seriously, as the rapid growth the region's export-oriented economies have enjoyed has largely been fueled by external demand. The paper argues that if developing Asia is to

Seminars under the APEC Financial Regulators Training Initiative have trained about 2,300 participants in banking supervision and securities regulation

mitigate the impact of financial contagion, sharp contraction in demand in global markets, and slowing growth in world trade, it must restore confidence in markets and reorient growth toward domestic demand through judicious use of monetary and fiscal policies. The paper sees reorienting Asia's growth toward consumption-led domestic demand, infrastructure investment, and improved health and social security programs as being critical to cushion the impact of the current recession in the industrialized economies. The paper's emphasis on reorienting growth in developing Asia sets the tone of the 2009 *Asian Development Outlook*.

ADB's conferences on The Global Financial Turmoil and its Impact on Asia, jointly organized with the Japan Resident Office, and Asia's Response to the Global Financial Crisis were other quick reactions to the crisis. ADB's annual conference on Asia's Contribution to Global Economic Development and Stability also focused on the global financial crisis, food and commodity prices, and Asia's pivotal role in an open, transparent trading system.

KNOWLEDGE NETWORKING

Knowledge networking is a dynamic process by which knowledge is shared, developed, and evolved. ADB's support for knowledge networking with clients and partners continued to evolve and expand. Whereas the first generation of knowledge hubs was established in direct agreement

with ADB as their client and main beneficiary, subsequent efforts have seen ADB support the establishment of knowledge hubs under the auspices of regional cooperation networks such as the Asia-Pacific Water Forum. Collaboration resulted in the formulation of key operating principles for knowledge hubs as part of the region's knowledge networking infrastructure.

Knowledge Networking and HIV/AIDS

Most Asian countries face the potential for HIV and AIDS epidemics. The AIDS Commission's March report for Asia reaffirmed that the region would have both the opportunity and the means to stop HIV and AIDS if resources were to be targeted at the most at-risk populations. Regardless of how well-designed national HIV and AIDS programs are, however, if they are to be successful they must be based on accurate data and sound analyses, and must incorporate the experience of other countries. The HIV and AIDS Data Hub for Asia-Pacific (www.aidsdatahub.org), which is a joint project of ADB, the Joint United Nations Programme on HIV/AIDS (UNAIDS), and the United Nations Children's Fund (UNICEF), made Asian data and analyses of various aspects of HIV and AIDS available on one website. This valuable information—which includes national plans, surveillance reports, population-based surveys, special studies, and epidemiological fact sheets, as well as identified gaps in data collection—can be used by stakeholders, including policy makers, researchers, and donors, in their efforts to deal with the negative impact of HIV and AIDS on developing countries in Asia and the Pacific.

Building Knowledge for Sustainable Development

Highlights of ADB's work were conferences on the evolving financial and economic crisis, managing capital flows, and infrastructure and regional cooperation. The financial and economic crisis conferences examined the unfolding global financial and economic crisis originating from the US subprime crisis. They suggested national and regional responses to make Asian economies resilient to global shocks and reinforce existing regional cooperation mechanisms. The series of gatherings under the second discussed the extent of capital account liberalization in the region and analyzed regional cooperation options to mini-

ADB's kHub

Knowledge networking is an effective way of combining individuals' knowledge and skills in the pursuit of personal and organizational objectives. To encourage knowledge networking, ADB's library was transformed into a knowledge hub (kHub). The kHub hosts book launches and activities of communities of practice, and provides kinesthetic informational resources such as a touch screen that allows staff members to show project locations. In addition to its self-service information resources, the kHub provides timely information support to ADB staff engaged in project design and development. Demand for the kHub's services is driven by the human need for connectivity, collaboration, and storytelling. The kHub created new staff positions to align its operations with the information requirements of Strategy 2020.

Capacity building and training to support private sector development focused on public-private partnerships in infrastructure investment and development

mize the negative impacts of expanding capital inflows into Asia. Country reports were discussed at a follow-up workshop on financial instability in Viet Nam and neighboring countries.

ADB I helped prepare a position paper by Asian think tanks for the forthcoming Association of Southeast Asian Nations (ASEAN), ASEAN+3, and East Asia summits

Knowledge-Enriched ADB Operations in East Asia

ADB's knowledge products and services were planned in close consultation with local partners to meet demand and enrich other loan and technical assistance projects and capacity-building activities. A full range of client-driven awareness-raising and multimedia materials, journal articles, policy notes, reports, sector and thematic papers, technical notes, and training and instructive materials was produced (Appendix 14). In the People's Republic of China, the knowledge products covered issues such as transition from disaster response to recovery; inclusive growth toward a harmonious society; climate change, energy security, and worker safety; and promotion of environmentally sustainable transport. Other knowledge products helped shape policy on rising food prices, rural safety net and development-based poverty reduction programs, earthquake insurance, post-disaster rehabilitation and reconstruction, and impact of nonsovereign lending. In Mongolia, better use of research and evidence shed light on risk assessment and risk management plans in education and infrastructure and how successful financial reforms eased the transition to a market economy. In both countries, the objective was to distill powerful policy messages from research; use networks, hubs, and partnerships and embed knowledge in operations; and develop and maintain long-term knowledge programs.

that are to identify swift and effective responses to the crisis. Joint ADB and ADB I work on infrastructure and regional cooperation progressed, with five conferences inviting critical feedback on the flagship book, *Infrastructure for Seamless Asia*. The ASEAN Surveillance Report (August) used the capital inflow issues papers from the Managing Capital Flows project. The paper on managing capital flows in the People's Republic of China (PRC) and other country papers were used as input to a PRC Resident Mission's policy note to PRC policy makers. Other research that generated good feedback was the Contract Farming and Market Facilitation for the Rural Poor project.

ADB I's distinguished-speaker series encourages debate and knowledge sharing. Thirteen presentations were held at which internationally known economists, including one Nobel Prize winner, spoke on policy and development issues in the region, including global governance reform, global imbalances, and integration strategies for ASEAN.

Over 1,000 participants, about 70% of whom were officials from ADB's developing member countries, attended 21 ADB I courses and workshops to improve management capacity. About 45% of participants held senior positions. Capacity building and training to support private sector development focused on public-private partnerships in infrastructure investment and development, with five workshops conducted for more than 350 government officials. Eight workshops were held to aid regional cooperation and integration initiatives to promote trade. Five workshops advanced better governance and improved government policies and their implementation, covering areas such as competition policies, tax administration, and media reporting.

The Developing Asia Journalism Awards program attracted 240 entries from journalists in developing member countries. To enhance the capacity of the media in monitoring the performance of governments and their policies, and encouraging public debate on these issues, the program included, for the first time, a workshop that introduced 22 participating journalists to emerging economic and development issues and deepened their understanding of them.

JRO's move to ADB I's location smoothed communication and cooperation with ADB headquarters and strengthened internal networking. During this productive year, ADB I held 57 conferences, seminars, and workshops, and published 9 books and about 50 research papers and disseminated them to policy makers.



INDEPENDENT EVALUATION

The Operations Evaluation Department conducted independent evaluations of ADB policies, strategies, and assistance with the goal of improving the institution's effectiveness and accountability.



Evaluation findings show that ADB's support for finance sector reforms helped improve financial intermediation for private sector development

Following the comprehensive review of ADB's Operations Evaluation Department (OED), the Board of Directors approved measures in December to further improve OED's independence and effectiveness. As an outcome of the review, it was renamed the Independent Evaluation Department effective 1 January 2009 (*Policy and Strategy Overview, Toward Greater Institutional and Development Effectiveness, Review of the Independence and Effectiveness of the Operations Evaluation Department*)(page 22).

EVALUATION STUDIES TO INFORM STRATEGY 2020 IMPLEMENTATION

OED conducted a special evaluation study of the previous long-term strategic framework. The study, which the Development Effectiveness Committee discussed on 6 February, provided crucial inputs into the preparation of Strategy 2020. Similarly, special evaluation studies on the seventh and eighth replenishments of the Asian Development Fund (ADF) were vital to informing the ninth replenishment (ADF X) meetings. A series of other evaluation studies, which assessed the performance of ADB assistance and identified actions to improve operations in Strategy 2020's priority areas, was also completed.

OED performed several other high-level evaluations relating to private sector development, finance, regional cooperation, and education. It completed two special evaluation studies on ADB operations in support of private equity funds and domestic capital market development, and one evaluation update on ADB assistance to financial intermediation for the private sector, with special reference to small and medium-sized enterprises. The regional cooperation assistance program evaluation of the Greater Mekong Subregion was also completed, drawing on seven sector- or thematic-level evaluations.

OED completed two other ADB-wide special evaluation study updates: a midterm review process to inform ADB's business process and portfolio management; and a policy implementation and impact of agriculture and natural resources research evaluation, which will

The Board of Directors approved measures to further improve the department's independence and effectiveness, renaming it the Independent Evaluation Department effective 2009

provide inputs to future agriculture research support. OED explored what worked well and why in a multi-development-partner assistance program for primary education in Bangladesh, and assessed the performance of ADB assistance to nonformal and secondary education.

Two country assistance program evaluations were completed, providing valuable inputs into the preparation of new country partnership strategies for Mongolia and the Philippines. Three annual reports (an annual evaluation review, an annual report on acting on evaluation recommendations, and an annual report on portfolio performance) were also completed and circulated, and subsequently discussed by the Development Effectiveness Committee.

OED completed 12 project or program performance evaluation reports, comprising six project or program evaluations of sovereign operations and six performance evaluations of nonsovereign operations. OED finalized 29 project completion report validation reports.

The review of OED's independence and effectiveness recommended a more rigorous system for monitoring

implementation of OED recommendations. In response, OED developed the management action record system, which will be operationalized in 2009.

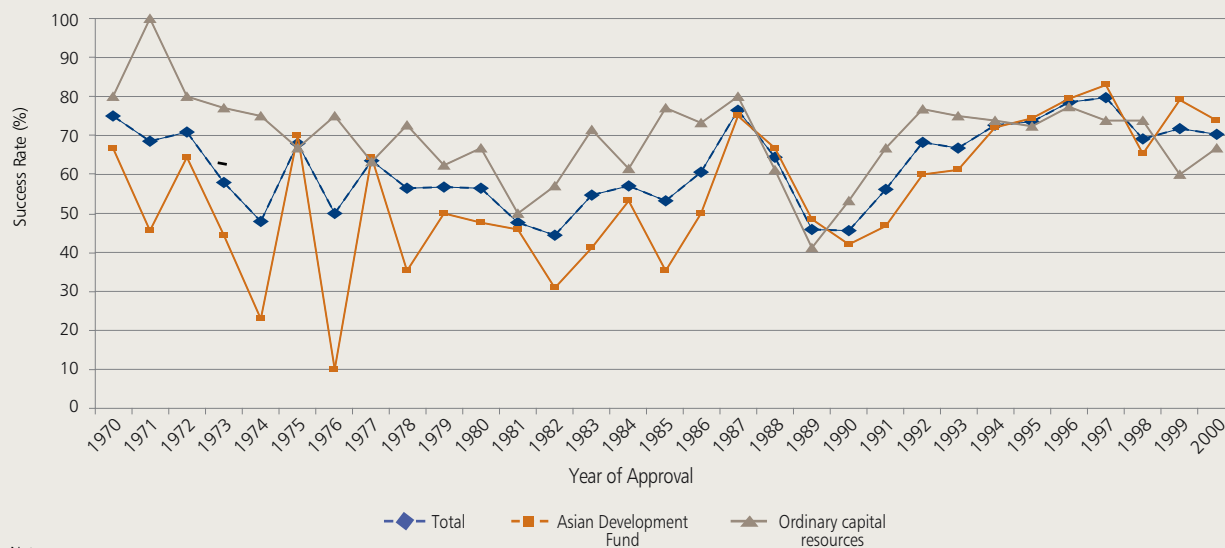
FEEDBACK AND DISSEMINATION OF EVALUATION FINDINGS

In addition to preparing formal evaluation reports, OED provided feedback to operations departments by hosting seminars on selected evaluations; maintaining the Evaluation Information System (a searchable database of evaluation lessons, recommendations, and management responses [evis.adb.org]); commenting on draft operations documents; and participating in management review meetings. OED commented on about 500 operations, policy, and strategy documents.

OED actively promoted and disseminated its knowledge products and services. It held a number of seminars for the purpose of receiving feedback on major evaluation reports. In addition to issuing *Learning Curves* and *Evaluation Alerts*, OED also introduced *Evaluation Presentations* (brief presentations relating to evaluation topics) and *Evaluation News*, which reports on monitoring and evaluation-related events.

OED actively promoted and disseminated its knowledge products and services

FIGURE 11 Percentage of Sovereign Operations (Projects/Programs) Deemed Successful By Source of Funds



Notes:
Based on completed projects/programs evaluated from 1973 to 2008.
Project/program implementation: 4–7 years
Completion report: 1–2 years after completion
Project/program evaluation: 3 years or more after completion

ADB'S SOVEREIGN PROJECT SUCCESS RATE

Figure 11 on page 98 shows the 30-year trend in the success rate of sovereign projects and programs. (For further information, see ADB. 2008. *Annual Evaluation Review: Lessons from a Decade of ADB Country Assistance Program Evaluations*. Manila.)

The generally improved evaluation ratings in the 1990s possibly indicate continued learning, effectiveness of initiatives in strengthening project quality, and stronger institutions and policies in developing member countries. Tables 35 and 36 disaggregate the results shown in Figure 11 by country and sector.

TABLE 35 Evaluation Results^a for Sovereign Operations by Country
Cumulative from Evaluation Year 1973 to 2008

Country	Total Rated Projects/ Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Bangladesh	105	58.1	33.3	8.6
Bhutan	13	84.6	7.7	7.7
Cambodia	17	88.2	11.8	0.0
China, People's Republic of	78	85.9	9.0	5.1
India	43	67.4	23.3	9.3
Indonesia	184	63.0	30.4	6.5
Kazakhstan	8	87.5	12.5	0.0
Kyrgyz Republic	17	88.2	11.8	0.0
Lao People's Democratic Republic	42	71.4	23.8	4.8
Malaysia	57	64.9	29.8	5.3
Maldives	8	75.0	12.5	12.5
Mongolia	18	72.2	27.8	0.0
Myanmar	11	63.6	27.3	9.1
Nepal	74	56.8	33.8	9.5
Pacific DMCs	97	47.4	34.0	18.6
Pakistan	130	56.9	35.4	7.7
Papua New Guinea	35	31.4	60.0	8.6
Philippines	114	45.6	36.8	17.5
Sri Lanka	70	54.3	38.6	7.1
Tajikistan	7	85.7	14.3	0.0
Thailand	64	89.1	10.9	0.0
Uzbekistan	7	57.1	42.9	0.0
Viet Nam	34	79.4	17.6	2.9
Graduate Economies ^b	61	86.9	11.5	1.6
Total	1,294	63.7	28.4	7.9

DMC = developing member country, GS = generally successful, HS = highly successful, PS = partly successful, S = Successful, US = unsuccessful.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where both PCR and PCRVR or PPER ratings are available.

^b Hong Kong, China; Republic of Korea; and Singapore.

Note: Totals may not add up because of rounding.

EVALUATION CAPACITY DEVELOPMENT

OED's commitment to improving developing member countries' self-evaluation capacity is demonstrated by its ongoing technical assistance initiative for monitoring and evaluating capacity building in Cambodia, Lao People's Democratic Republic, and Viet Nam.

EVALUATION NETWORKING

OED actively participated in the Evaluation Cooperation Group and the Evaluation Network of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD). It provided secretariat and website support to the Evaluation Cooperation Group of multilateral development banks and participated in various projects including those relating to harmonization, benchmarks, and good-practice standards for evaluation of public and private sector operations, country strategies, and technical assistance; joint evaluations; meta-evaluations; and peer reviews of Evaluation Cooperation Group members' evaluation functions.

OED completed an Evaluation Cooperation Group project that developed good-practice standards for country assistance evaluations. OED also participated in joint evaluation exercises with other development partners including the Department for International Development of the United Kingdom, European Bank for Reconstruction and Development, Norwegian Agency for Development Cooperation, Japan Bank for International Cooperation, Japan International Cooperation Agency, OECD, and World Bank.

The generally improved evaluation ratings in the 1990s possibly indicate continued learning, effectiveness of initiatives in strengthening project quality, and stronger institutions and policies in developing member countries

Road to a Better Life

An ADB-funded road project is improving the lives of many in the Greater Mekong Subregion

Khamkong, a rice farmer from Dansavan in the Lao People's Democratic Republic (Lao PDR), faced the same hardships supporting his family of seven as his neighbors. Much of the profit from their crops was eaten up by the costs of the long journey over potholed and frequently washed-out roads to rice markets, which also made it prohibitively expensive to bring in badly needed farm machinery and fertilizers to improve yield.

That was before the East–West Corridor Road Project passed by their farms, linking Thailand and Viet Nam across the Lao PDR. A flagship initiative of the Greater Mekong Subregion (GMS) program, the road project received substantial assistance from ADB. The GMS program has received an aggregate funding of \$3.3 billion from ADB for improving the transport infrastructure in five GMS countries. Today, Khamkong and his fellow rice farmers bring their rice to market themselves on the



After improvement of the East–West Corridor, economic activity rose in Dansavan, as it did in many towns along the route

new road, securing the best possible price, and their paddies are now tilled with modern machinery and improved with much-needed fertilizers.

Using the criteria of relevance, effectiveness, efficiency, and sustainability, ADB's Operations Evaluation Department rated the project "successful." The project improved road transport efficiency in the Lao PDR and Viet Nam in three ways: reducing vehicle operating costs, reducing travel time, and increasing vehicle speeds (www.adb.org/Documents/Reports/SAPE/REG/SAP-REG-2008-86/SAP-REG-2008-86.pdf).

The project has been less effective, however, in enabling cross-border movement. Cross-border trade has been constrained since the cross-border transport agreement has not been fully implemented.

Along with the positive developments, some negative impacts have come to light. Road improvement has brought an attendant deterioration in road safety. For example, the Lao PDR's local transport department in Champasack Province estimated the number of accidents has increased by 71% since project completion in 2001. Resettlement issues have emerged in Cambodia owing to widening of the Phnom Penh–Ho Chi Minh City road. There has also been a perceptible rise in the spread of HIV/AIDS and an emergence of issues relating to labor movement and migration. Outside of strengthening the capacity of the affected countries to tackle these concerns, ADB needs to continue generating multilateral and multi-organization efforts to mitigate such problems.

Using the criteria of relevance, effectiveness, efficiency, and sustainability, ADB's Operations Evaluation Department rated the project "successful"

ALIGNING EVALUATION WITH STRATEGY 2020

To align its operations with Strategy 2020, OED modified both its internal organization and its evaluation and knowledge dissemination activities to make them consistent with Strategy 2020's strategic agendas, driv-

ers of change, and core specializations. Evaluation activities were aligned with operations groups 1 and 2, adjustments were made in the staff skill mix effective in the new year, and OED's work program was refined.

The department's 2009 work program (www.adb.org/evaluation/about/workprograms.asp) is thus driven by three considerations: aligning with Strategy 2020 and

TABLE 36 Evaluation Results^a for Sovereign Operations by Sector
Cumulative from Evaluation Year 1973 to 2008

Sector	Total Rated Projects/ Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Agriculture and Natural Resources	305	42.6	41.0	16.4
Education	94	74.5	24.5	1.1
Energy	192	79.7	18.2	2.1
Finance	110	50.9	40.9	8.2
Health, Nutrition, and Social Protection	40	55.0	42.5	2.5
Industry and Trade	72	62.5	26.4	11.1
Law, Economic Management, and Public Policy	30	46.7	46.7	6.7
Multisector	141	65.2	27.0	7.8
Transport and Communications	224	84.8	9.8	5.4
Water Supply, Sanitation, and Waste Management	86	60.5	34.9	4.7
Total	1,294	63.7	28.4	7.9

GS = generally successful, HS = highly successful, PS = partly successful, S = Successful, US = unsuccessful.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where both PCR and PCRVR or PPER ratings are available.

Note: Totals may not add up because of rounding.

ADF X, and providing input to the formulation of ADB policies, strategies, and programs; providing feedback and capacity building in evaluation to operations departments and developing member countries; and contributing to knowledge solutions through special evaluation studies on cross-country and thematic topics. Country assistance program evaluations will continue to be a cornerstone of the department's work as country partnership strategies are key to ADB's resource allocation decisions.

OED modified both its internal organization and its evaluation and knowledge dissemination activities to make them consistent with Strategy 2020's strategic agendas, drivers of change, and core specializations



New textbooks, science laboratory kits, and computers funded under the Education Sector Development Program for Mongolia provided students with a broader, more hands-on learning experience



FINANCE AND ADMINISTRATION

A review of the human resources strategy stressed that human resources management must be linked to business strategy. Numerous innovative information technology solutions increased efficiency.

The human resources strategy (2005–2007) sought to establish a more merit-based human resources management system to support ADB’s vision and objectives. These included an ADB-wide competency framework, an improved recruitment and selection system, a consolidated curriculum-based learning and development program, and a new performance management system. Many of the actions completed under the strategy were continuously improved to better support the needs of ADB.

ADB committed to reviewing the strategy after the 3-year implementation period. A staff engagement survey was conducted in March by external experts with the goal of promoting positive organizational change. With more than 80% of staff participating, the results identified categories perceived favorably, such as ADB’s goals and objectives, work environment, job satisfaction, and working relationships. The results also identified a number of key priority areas for ADB to focus on to raise the level of staff engagement, such as the reward system, career development, performance management, and communication. ADB took interim follow-up actions for a number of these key priority areas, including salaries and benefits, performance management, learning and development, work-life balance, and career progression. To assess progress in human resources management, it was decided that a staff engagement survey would be conducted every 2 years, with the next scheduled for 2010.

The survey results were considered in ADB’s comprehensive review of the strategy, which was conducted with the assistance of external experts. The review underscored the importance of linking ADB’s human resources management to its business strategy to support and deliver the results required by Strategy 2020. A Board paper on the subject was issued in December. As a next step, a detailed action plan will be drawn up, based on the external experts’ recommendations and the Board of Director’s comments, among other inputs.

ADB decided to conduct a staff engagement survey every 2 years to assess progress in human resources management



As of 31 December, ADB’s staff totaled 2,506 from 57 of its 67 members

STAFFING

ADB’s staff as of 31 December totaled 2,506 from 57 of its 67 members: 5 members of Management, and 874 professional and 1,627 local staff, of whom 494, or about 20%, were in field offices. Appointments and departures numbered 1 each in Management, 115 and 88 among professional staff, and 144 and 108 among local staff. Although ADB is working hard on gender balance, the representation of women professional staff decreased from 29% (248 out of 847) at the end of 2007 to 28% (248 out of 874) of total professional staff at the end of 2008. Women at senior levels, however, increased from 14% (17 out of 125) at the end of 2007 to 18% (25 out of 137) of total senior professional staff at the end of 2008.

COMPENSATION AND BENEFITS

Consistent with ADB’s market-based compensation system, the Board approved a 4.3% average increase in the professional staff salary structure effective 1 January 2009 and a 5.1% performance-related salary increase. The performance bonus pool remained unchanged from 2008. The Board also approved an average increase of 9.0% for national officers and administrative staff at headquarters for 2009 and an overall weighted average increase of 16.1% for national officers and administrative staff in 28 field offices. The online salary increase and bonus distribution process was introduced, improving timeliness and efficiency.

For greater efficiency and better service delivery to clients, several initiatives to streamline benefits administration were introduced. The leave management system was fully implemented at headquarters and field offices. An electronic medical file management system project for the Medical Center was initiated to improve efficiency. The online pension statement was rolled out in September, reducing staff time and mailing costs of sending out the monthly pension pay slips.

INTERNAL ADMINISTRATIVE EXPENSES

Internal administrative expenses totaled \$347.7 million, compared to the budget of \$357.2 million. Of the savings of \$9.5 million or 2.7%, \$7.1 million or about 2% is being carried forward to 2009. The overruns in certain budget items in operational and administrative budget categories were fully met through reallocations from savings within the same budget categories, while the overrun in the offices of the directors under the Board of Directors budget category was met through reallocation from the general contingency. Key drivers contributing to the overall savings were staff vacancies, closer adherence to the staff consultant cost accrual methodology, and restructuring of the various contractual services and equipment maintenance agreements. These savings

were partly offset by overrun in the staff benefits, which was primarily because of additional contributions to the staff retirement plan to meet increasing funding requirements.

For 2009, the net internal administrative expenses budget is \$388.9 million, including the independent evaluation department budget of \$8 million. The increase of \$31.7 million or 8.9% over the 2008 budget reflects a price growth of 6.6% and a volume growth of 2.3%. The 2009 budget is net of \$5.2 million of service charges estimated to be recoverable from administering trust funds of multilateral and bilateral institutions.

In addition to internal administrative expenses, the 2009 budget also includes an annual capital budget of \$4.1 million, mainly to fund cyclical capital expenditures for headquarters and field offices as well as allocation for security and safety-related expenditures.

ADMINISTRATIVE SERVICES

The Office of Administrative Services (OAS) improved overall service delivery and efficiencies by upgrading workplace safety and environment, rehabilitating buildings, optimizing costs, and reducing staff.

The in-country business continuity facility was completed and inaugurated in August. It serves as the backup facility for ADB headquarters' critical business operations



In March, more than 80% of staff participated in a staff engagement survey with the goal of promoting positive organizational change

in case of emergencies. The offshore facility was commissioned as part of the business continuity management strategy.

To improve travel services through competition, OAS established the dual-agency model, with two new in-plant agencies in place since October. The events management unit, which became fully operational in July, organized over 50 events. A hotelling facility for consultants was set up to increase space for staff.

OAS and the Office of Information Systems and Technology jointly launched Electronic Storage and Retrieval (eSTAR), an enterprise-wide electronic documents repository system, to make records management more efficient while ensuring security of information. OAS used information technology in communication and printing to boost service delivery. To support knowledge management under Strategy 2020, information coordinators were appointed to support research on the environment, education, finance, infrastructure, and regional cooperation.

OAS launched its first greenhouse gas emissions report in June to help set emission reduction targets. Its conservation and environmental initiatives saved over \$110,000 in electricity, water, and paper consumption.

OAS continued to identify ways to upgrade efficiency and service. It strengthened crisis management and disaster-preparedness capabilities, and collaboration to deal with field office building safety and security issues.

INFORMATION SYSTEMS AND TECHNOLOGY

The Office of Information Systems and Technology made progress in information technology (IT) governance, and information management and collaboration.

The office extensively reviewed and improved its IT governance processes and controls of financial systems to comply with industry standards on ensuring the integrity of ADB financial data. Strengthening the security of these information systems continued to be a priority, with new processes and policies put in place for the secure access of internal and external users. As a result, risk management and change management practices were introduced, together with the proper documentation and validation of internal controls. A new business continuity facility was established to ensure that ADB's critical operations would

Financial and administrative audits at headquarters and in resident missions assessed the reliability of financial data and the effectiveness of operations

be functional in the event of a major disruption at headquarters.

New channels on information sharing, such as instant messaging, web conferencing, and collaboration workspaces, were explored to enable more direct and efficient communication among ADB staff members, and between ADB and external partners. Aside from rolling out a new electronic document repository system, the office continued delivering innovative IT solutions to minimize the need for business travel and improve administrative efficiency.

Extensive training and workshops on the new information systems were provided to staff members at headquarters and in field offices. Significant efforts were made to update IT staff skills.

While expanding the time and geographic coverage of IT services, the office also developed a number of major IT solutions to support ADB's growing operations, including a new facility for consultants and suppliers to register online for ADB business opportunities. Connectivity was significantly improved for a number of field offices, and a new connection was made to support the establishment of the field office in Armenia.

OFFICE OF THE AUDITOR GENERAL

Financial, Administrative, and Information Systems Division

The division conducted independent audits of ADB's loan, grant, and technical assistance operations; financial, accounting, risk management, and administrative processes; and information systems. The audits were based on a risk assessment and geared to strengthen internal control, risk management, and governance processes; ensure compliance with ADB policies, procedures, and regulations; and enhance effectiveness, efficiency, and economy in the operational, financial, and IT areas. The



Raising awareness of ADB's anticorruption policy among stakeholders is an important part of the Integrity Division's work

division also worked with PricewaterhouseCoopers, ADB's external auditors, to ensure proper coordination of audit activities.

The division completed 24 audits in 2008. Loan, grant, and technical assistance portfolios of selected headquarters divisions, countries, and resident missions were reviewed in terms of compliance with ADB policies and procedures and with relevant contractual agreements; accuracy, reliability, and timeliness of significant financial, managerial, and operating information; timely achievement of significant loan and grant objectives; propriety of disbursements of operational activities; and safeguarding of assets. Financial and administrative audits were conducted at headquarters and in selected resident missions to assess the reliability of financial data and effectiveness of operations. Information system reviews covered the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system, IT infrastructure and security of the Asian Development Bank Institute, and independent verification and validation of several IT systems. Business continuity review and disaster recovery testing of critical systems were conducted at the new fallback sites.

Developing member countries formed part of the audit team for the procurement-related audits, enabling the transfer of vital anticorruption skills and knowledge

The division reviewed selected borrowing, loan disbursement, and administrative expense transactions. Several consultant contracts were audited to ensure the authenticity of consultant claims.

The division issued five internal audit certifications to donors of trust and grant funds, upon the request of the Office of Cofinancing Operations and in compliance with the technical assistance letters of agreement and/or memoranda of understanding.

The division continually monitored the progress of outstanding recommendations, with an emphasis on high-risk recommendations.

Integrity Division

The division received 186 complaints, conducted and finalized 89 investigations, conducted 4 project procurement-related audits, and raised awareness of ADB's anticorruption policy among staff, partners, borrowers, participants, and stakeholders. The division concluded investigations of 13 complaints against ADB staff members during the year, and recommended to the Budget, Personnel, and Management Systems Department disciplinary action and enhancements to operational procedures.

ADB debarred 41 firms and 38 individuals from participating in ADB-financed activity for designated periods. It recommended ways to deter and prevent fraud and corruption to departments, resident missions, borrowers, and service providers. The procurement-related audits identified potential indications of fraudulent and corrupt activity, and recommended ways to deter abuse in ADB-financed projects. Significantly, representatives of the supreme audit institution of some developing member countries formed part of the audit team for the procure-

ment-related audits, enabling the transfer of vital anticorruption skills and knowledge.

Division-sponsored anticorruption workshops in the Kyrgyz Republic and Papua New Guinea were attended by ADB resident mission staff, government officials, project officers, and supreme audit institution representatives. In the countries where procurement-related audits were conducted, supreme audit institution representatives attended training workshops that drew on their procurement-related audit experience.

The division published its inaugural quarterly e-newsletter in April and *Frequently Asked Questions on Anticorruption and Integrity* in July. It updated the Operations Manual anticorruption section, and translated ADB's anticorruption policy and *Integrity Principles and Guidelines* into Lao.

The division continued to collaborate with the Joint International Financial Institutions Anticorruption Task Force. The resultant harmonized efforts and shared information created a united front against corruption. The division regularly reviewed its activities and approaches to ensure its outputs were aligned with ADB's stated direction and strategy.



APPENDIXES

APPENDIX 1

Members, Capital Stock, and Voting Power
(as of 31 December 2008)

Member	Year of Membership	Subscribed Capital ^a (% of Total)	Voting Power ^b (% of Total)
REGIONAL			
Afghanistan	1966	0.034	0.325
Armenia	2005	0.298	0.537
Australia	1966	5.773	4.917
Azerbaijan	1999	0.444	0.653
Bangladesh	1973	1.019	1.114
Bhutan	1982	0.006	0.303
Brunei Darussalam	2006	0.351	0.580
Cambodia	1966	0.049	0.338
China, People's Republic of	1986	6.429	5.442
Cook Islands	1976	0.003	0.301
Fiji Islands	1970	0.068	0.353
Georgia	2007	0.341	0.571
Hong Kong, China	1969	0.543	0.733
India	1966	6.317	5.352
Indonesia	1966	5.434	4.646
Japan	1966	15.571	12.756
Kazakhstan	1994	0.805	0.942
Kiribati	1974	0.004	0.302
Korea, Republic of	1966	5.026	4.320
Kyrgyz Republic	1994	0.298	0.537
Lao People's Democratic Republic	1966	0.014	0.310
Malaysia	1966	2.717	2.472
Maldives	1978	0.004	0.302
Marshall Islands	1990	0.003	0.301
Micronesia, Federated States of	1990	0.004	0.302
Mongolia	1991	0.015	0.310
Myanmar	1973	0.543	0.733
Nauru	1991	0.004	0.302
Nepal	1966	0.147	0.416
New Zealand	1966	1.532	1.524
Pakistan	1966	2.174	2.037
Palau	2003	0.003	0.301
Papua New Guinea	1971	0.094	0.373
Philippines	1966	2.377	2.200
Samoa	1966	0.003	0.301
Singapore	1966	0.340	0.570
Solomon Islands	1973	0.007	0.304
Sri Lanka	1966	0.579	0.761
Taipei, China	1966	1.087	1.168
Tajikistan	1998	0.286	0.527
Thailand	1966	1.358	1.385
Timor-Leste	2002	0.010	0.306
Tonga	1972	0.004	0.302
Turkmenistan	2000	0.253	0.501
Tuvalu	1993	0.001	0.300
Uzbekistan	1995	0.672	0.836
Vanuatu	1981	0.007	0.304
Viet Nam	1966	0.341	0.571
Subtotal		63.390	65.040

Member	Year of Membership	Subscribed Capital ^a (% of Total)	Voting Power ^b (% of Total)
NONREGIONAL			
Austria	1966	0.340	0.570
Belgium	1966	0.340	0.570
Canada	1966	5.219	4.474
Denmark	1966	0.340	0.570
Finland	1966	0.340	0.570
France	1970	2.322	2.156
Germany	1966	4.316	3.752
Ireland	2006	0.340	0.570
Italy	1966	1.803	1.741
Luxembourg	2003	0.340	0.570
The Netherlands	1966	1.023	1.117
Norway	1966	0.340	0.570
Portugal	2002	0.340	0.570
Spain	1986	0.340	0.570
Sweden	1966	0.340	0.570
Switzerland	1967	0.582	0.764
Turkey	1991	0.340	0.570
United Kingdom	1966	2.038	1.929
United States	1966	15.571	12.756
Subtotal		36.610	34.960
TOTAL		100.000	100.000

Note: Figures may not add up because of rounding. For other details, see tables on pages 46 and 47.

a Subscribed capital refers to a member's subscription to shares of the capital stock of ADB.

b The total voting power of each member consists of the sum of its basic votes and proportional votes. The basic votes of each member consist of such number of votes as results from the equal distribution among all members of 20% of the aggregate sum of the basic votes and proportional votes of all members. The number of proportional votes of each member is equal to the number of shares of the capital stock of ADB held by that member.

APPENDIX 2

Resolutions of the Board of Governors Adopted in 2008

Resolution No.	Subject	Date Adopted
329	Providing Heavily Indebted Poor Countries Relief from Asian Development Fund Debt	7 April
330	Financial Statements and Independent Auditors' Reports	6 May
331	Allocation of Net Income	6 May
332	Place and Date of Forty-Second Annual Meeting (2009)	6 May
333	Ninth Replenishment of the Asian Development Fund and Fourth Regularized Replenishment of the Technical Assistance Special Fund	18 August

APPENDIX 3

Selected Policy, Strategy, and Financial Papers Discussed by the Board in 2008

Title	Board Discussion Date
General Review of Salaries and Benefits for Headquarters National Officers and Administrative Staff	14 February
Policy for Providing Heavily Indebted Poor Countries Relief from Asian Development Fund Debt and Proposed Debt Relief to Afghanistan	7 March
Review of the Asian Development Bank's Capital Adequacy Framework	18 March
Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020	7 April
Review of the Asian Development Bank's Loan Charges and Allocation of 2007 Net Income	8 April
Increasing the Impact of the Asian Development Bank's Technical Assistance Program	28 May
Review of the Asian Development Bank's Capital Adequacy Framework	27 June
Mainstreaming the Multitranches Financing Facility	11 July
Establishing the Legal Framework for the Use of Asian Development Fund Resources for Grants	18 July
ADB Results Framework	8 September
Refining the Performance-Based Allocation of Asian Development Fund Resources	3 October
Review of the Asian Development Bank's Ordinary Capital Resources	6 October
Work Program and Budget Framework, 2009–2011	7 October
Refining the Performance-Based Allocation of Asian Development Fund Resources	11 November
2007 Development Effectiveness Review	13 November
General Review of Salaries and Benefits of Professional Staff	14 November
Borrowing Program for 2009	9 December
Budget for the Asian Development Bank for 2009	12 December
Review of the Asian Development Bank's Lending Limitation	15 December
Review of the Independence and Effectiveness of the Operations Evaluation Department	15 December

APPENDIX 4

Board of Governors
(as of 15 February 2009)

	Sri Mulyani Indrawati (Indonesia) Chair	Nika Gilauri (Georgia) Vice Chair
Susan Ulbæk (Denmark) Vice Chair		
Member	Governor	Alternate Governor
Afghanistan	Anwar Ul-Haq Ahady	Mohammad Mustafa Mastoor ¹
Armenia	Nerses Yeritsyan ²	Vahram Ghushchyan ³
Australia	Wayne Swan ⁴	Bob McMullan MP ⁵
Austria	Josef Pröll ⁶	Marcus Heinz
Azerbaijan	Shahin Mustafayev ⁷	Samir Sharifov
Bangladesh	Abul Maal A. Muhith ⁸	Md. Musharraf Hossain Bhuiyan ⁹
Belgium	Didier Reynders	Gino Alzetta
Bhutan	Wangdi Norbu ¹⁰	Nim Dorji ¹¹
Brunei Darussalam	Pehin Dato Abdul Rahman Ibrahim	Dato Ali Apong
Cambodia	Keat Chhon	Aun Porn Moniroth
Canada	Lawrence Cannon ¹²	James A. Haley
China, People's Republic of	Xie Xuren	Li Yong
Cook Islands	Terepai Maoate	Sholan Ivaiti
Denmark	Susan Ulbæk ¹³	Martin Bille Hermann ¹⁴
Fiji Islands	Josaia Voreqe Bainimarama ¹⁵	Savenaca Narube
Finland	Marjatta Rasi	Pasi Hellman ¹⁶
France	Christine Lagarde	Xavier Musca
Germany	Karin Kortmann	Rolf Wenzel
Georgia	Nika Gilauri	George Arveladze
Hong Kong, China	John Tsang Chun-wah	Joseph Yam
India	P. Chidambaram	Ashok Chawla ¹⁷
Indonesia	Sri Mulyani Indrawati	Paskah Suzetta
Ireland	Brian Lenihan, T.D. ¹⁸	Carmel Keane ¹⁹
Italy	Mario Draghi	Carlo Monticelli ²⁰
Japan	Shoichi Nakagawa ²¹	Masaaki Shirakawa ²²
Kazakhstan	Bakhyt Turlykhanovich Sultanov ²³	Ruslan Erbolatovich Dalenov ²⁴
Kiribati	Natan Teewe ²⁵	Teea Tira
Korea, Republic of	Jeung-Hyun Yoon ²⁶	Seongtae Lee
Kyrgyz Republic	Sultanov Marat Abdyrazakovich ²⁷	Japarov Akylbek Usenbekovich ²⁸
Lao People's Democratic Republic	Somdy Douangdy	Somphao Phaysith
Luxembourg	Jean-Louis Schiltz	Arsène Jacoby
Malaysia	Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak ²⁹	Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

1 Succeeded Wahidullah Sharani in January 2009.

2 Succeeded Vardan Khachatryan in April 2008.

3 Succeeded David Avetissian in April 2008.

4 Succeeded Peter Costello in January 2008.

5 Succeeded Greg Hunt in February 2008.

6 Succeeded Wilhelm Molterer in February 2009.

7 Succeeded Heydar Babayev in October 2008.

8 Succeeded A.B. Mirza Md. Azizul Islam in January 2009.

9 Succeeded Md. Aminul Islam Bhuiyan in November 2008.

10 Succeeded Dasho Yanki T. Wangchuk in July 2008.

11 Succeeded Sonam Wangchuk in January 2008.

12 Succeeded David Emerson in November 2008; Emerson succeeded Maxime Bernier in August 2008.

13 Succeeded Ole Moesby in October 2008.

14 Succeeded Susan Ulbæk in October 2008.

15 Succeeded Mahendra Chaudhry in December 2008.

16 Succeeded Ilkka Heiskanen in October 2008.

17 Succeeded D. Subbarao in September 2008.

18 Succeeded Brian T. Cowen in August 2008.

19 Succeeded Robert Bradshaw in August 2008.

20 Succeeded Ignazio Angeloni in August 2008.

21 Succeeded Bunmei Ibuki in October 2008.

22 Succeeded Toshihiko Fukui in April 2008.

23 Succeeded Natalya Artemovna Korzhova in February 2008.

24 Succeeded Daulet Sovetovich Saudabayev in December 2008.

25 Succeeded Nabuti Mwemwenikarawa in February 2008.

26 Succeeded Man Soo Kang in February 2009.

27 Succeeded Kalimbetova Tajikan Borbugulovna in January 2009.

28 Succeeded Sabyrek A. Moldokulov in February 2008.

29 Succeeded Dato' Seri Abdullah Haji Ahmad Badawi in September 2008.

Member	Governor	Alternate Governor
Maldives	Ali Hashim ³⁰	Ahmed As-ad ³¹
Marshall Islands	Jack J. Ading ³²	Amon Tibon
Micronesia, Federated States of	Finley S. Perman	Lorin Robert
Mongolia	Bayartsogt Sangajav ³³	Alag Batsukh
Myanmar	Hla Tun	Daw Myo Nwe
Nauru	Kieren Keke, MP ³⁴	Adrian Chippendale ³⁵
Nepal	Babu Ram Bhattarai ³⁶	Rameshore Prasad Khanal ³⁷
The Netherlands	Bert Koenders	Yoka Brandt ³⁸
New Zealand	Bill English ³⁹	John Whitehead
Norway	Hakon Arald Gulbrandsen ⁴⁰	Henrik Harboe
Pakistan	Shaukat Tarin ⁴¹	Farrukh Qayyum ⁴²
Palau	Kerai Mariur ⁴³	Marino Rechesengel
Papua New Guinea	Patrick Pruaitch	Simon Tosali
Philippines	Margarito B. Teves	Amando M. Tetangco, Jr.
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Samoa	Nickel Lee-Hang	Hinauri Petana
Singapore	Tharman Shanmugaratnam	Teo Ming Kian
Solomon Islands	Snyder Rini	Shadrach Fanega ⁴⁴
Spain	Pedro Solbes Mira	David Vegara Figueras
Sri Lanka	Mahinda Rajapaksa	Sumith Abeysinghe ⁴⁵
Sweden	Joakim Stymne	Anders Bengtén ⁴⁶
Switzerland	Beatrice Maser Mallor ⁴⁷	Jürg Benz ⁴⁸
Taipei, China	Fai-nan Perng	Ming-Chung Tseng ⁴⁹
Tajikistan	Matlubkhon S. Davlatov	Kh.Kh. Tagoimurodov ⁵⁰
Thailand	Korn Chatikavanij ⁵¹	Suparut Kawatkul
Timor-Leste	Emilia Pires	Joao Mendes Goncalves
Tonga	Feleti Vaka'uta Sevele ⁵²	Aisake Eke
Turkey	İbrahim H. Çanakcı ⁵³	Memduh Aslan Akçay ⁵⁴
Turkmenistan	Guvanchmurad Geoklenov ⁵⁵	Muhammetgeldi Atayev
Tuvalu	Lotoala Metia	Aunese Makoi Simati
United Kingdom	Douglas Alexander ⁵⁶	Michael Foster ⁵⁷
United States	Henry M. Paulson, Jr.	Reuben Jeffery III
Uzbekistan	Saidakhmat Rakhimov	Ulugbek Rozukulov
Vanuatu	Willie Jimmy Tapangararua	Simeon Malachi Athy
Viet Nam	Nguyen Van Giau	Nguyen Van Binh ⁵⁸

30 Succeeded Mohamed Jaleel in January 2009.

31 Succeeded Riluwan Shareef in January 2009.

32 Succeeded Benson S. Wase in April 2008.

33 Succeeded Chultem Ulaan in September 2008.

34 Succeeded Frederick Pitcher in January 2008.

35 Succeeded Jonathan Kirkby in January 2008.

36 Succeeded Ram Sharan Mahat in August 2008.

37 Succeeded Vidyadhar Mallik in September 2008.

38 Succeeded Ruud Treffers in November 2008.

39 Succeeded Michael Cullen in November 2008.

40 Succeeded Anne Fagertun Stenhammer in February 2008.

41 Succeeded Naveed Qammar in December 2008.

42 Succeeded Junaid Iqbal Ch in December 2008, who succeeded M. Akram Malik in

August 2008.

43 Succeeded Elbuchel Sadang in January 2009.

44 Succeeded Luma Darcy in January 2008.

45 Succeeded P.B. Jayusendra in September 2008.

46 Succeeded Johanna Brismar Skoog in February 2008.

47 Succeeded Jorg Al Reding in December 2008.

48 Succeeded Editha Vokral in December 2008.

49 Succeeded Teng-Cheng Liu in September 2008.

50 Succeeded Nagmatjon Kh. Buriev in February 2008.

51 Succeeded Suchart Thada-Thamrongvech in December 2008.

52 Succeeded Siosua T.T. 'Utoikamanu in March 2008.

53 Succeeded Mehmet Simsek in July 2008.

54 Succeeded Ibrahim H. Çanakcı in July 2008.

55 Succeeded Geldymurat Abilov in April 2008.

56 Succeeded Hilary Benn in June 2007.

57 Succeeded Shahid Malik October 2008.

58 Succeeded Phung Khac Ke in April 2008.

APPENDIX 5

Board of Directors and Voting Groups
(as of 9 February 2009)

Executive Directors	Alternate Executive Directors	Members Represented
Phil Bowen	Dereck Rookan-Smith	Australia; Azerbaijan; Cambodia; Georgia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Palau; Solomon Islands; Tuvalu
Howard Brown	Torben Bellers ¹	Canada, Denmark, Finland, Ireland, The Netherlands, Norway, Sweden
Curtis S. Chin	Paul W. Curry	United States
Md. Saad Hashim	Siew Juan Aw	Brunei Darussalam, Malaysia, Myanmar, Nepal, Singapore, Thailand
Marita Magpili-Jimenez	Siraj S. Shamsuddin ²	Kazakhstan, Maldives, Marshall Islands, Mongolia, Pakistan, Philippines, Timor-Leste
Kyung-Hoh Kim	Tsuen-Hua Shih	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Ashok K. Lahiri	Md. Aminul Islam Bhuiyan ³	Afghanistan, Bangladesh, Bhutan, India, Lao People's Democratic Republic, Tajikistan, Turkmenistan
Michele Miari Fulcis ⁴	João Simões de Almeida	Belgium, France, Italy, Portugal, Spain, Switzerland
Masakazu Sakaguchi ⁵	Yasuto Watanabe ⁶	Japan
Ceppie Kurniadi Sumadilaga	C.J. (Stan) Vandersyp ⁷	Cook Islands, Fiji Islands, Indonesia, Kyrgyz Republic, New Zealand, Samoa, Tonga
Eduard Westreicher ⁸	Richard Edwards ⁹	Austria, Germany, Luxembourg, Turkey, United Kingdom
Wencai Zhang	Fangyu Liu	People's Republic of China

¹ Torben Bellers succeeded Patrick Brandt in September 2008.

² Siraj S. Shamsuddin succeeded Sibtain Fazal Halim in December 2008.

³ Md. Aminul Islam Bhuiyan succeeded Nima Wangdi in November 2008.

⁴ Michele Miari Fulcis succeeded Patrick Pillon in October 2008.

⁵ Masakazu Sakaguchi succeeded Masaki Omura in July 2008.

⁶ Yasuto Watanabe succeeded Atsushi Mizuno in June 2008.

⁷ C.J. (Stan) Vandersyp succeeded Richard Stanley in January 2008.

⁸ Eduard Westreicher succeeded Sebastian Paust in February 2009.

⁹ Richard Edwards succeeded Andrew McSkimming in August 2008.

APPENDIX 6

Committees of the Board of Directors

Standing Committees

Audit Committee

Kyung-Hoh Kim (*Chair*)
 Curtis S. Chin
 Michele Miari Fulcis
 Richard Edwards
 Md. Aminul Islam Bhuiyan
 C.J. (Stan) Vandersyp

Budget Review Committee

Ceppie Kurniadi Sumadilaga (*Chair*)
 Phil Bowen
 Masakazu Sakaguchi
 Paul W. Curry
 Siraj S. Shamsuddin
 Fangyu Liu

Compliance Review Committee

Howard Brown (*Chair*)
 Md. Saad Hashim
 Marita Magpili-Jimenez
 João Simões de Almeida
 Dereck Rookan-Smith
 Tsuen-Hua Shih

Development Effectiveness Committee

Ashok K. Lahiri (*Chair*)
 (*vacant*)
 Wencai Zhang
 Siew Juan Aw
 Torben Bellers
 Yasuto Watanabe

Ethics Committee

Md. Saad Hashim (*Chair*)
 Howard Brown
 (*vacant*)
 Ceppie Kurniadi Sumadilaga
 Wencai Zhang

Working Group on the Annual Report for 2008

Fangyu Liu (*Chair*)
 Torben Bellers
 Paul W. Curry
 Dereck Rookan-Smith
 Siraj S. Shamsuddin
 Yasuto Watanabe

APPENDIX 7

ADB Institute Advisory Council

(As of 31 December 2008)

Masahiko Aoki	President, International Economic Association, Japan
K.M. Chandrasekhar	Cabinet Secretary, Government of India
Gang Fan	Director, National Economic Research Institute, People's Republic of China
Victor H. Frank, Jr.	President, Asian Programs Foundation, United States
Eric Girardin	Professor of Economics, Université de la Méditerranée, Aix-Marseille, France
Andrew MacIntyre	Director, Crawford School of Economics and Government, Australian National University, Australia
Jong-Wha Lee	Officer-in-Charge, Office of the Chief Economist, ADB

ADB Institute Dean

Masahiro Kawai (January 2007–present)

Peter McCawley (January 2003–January 2007)

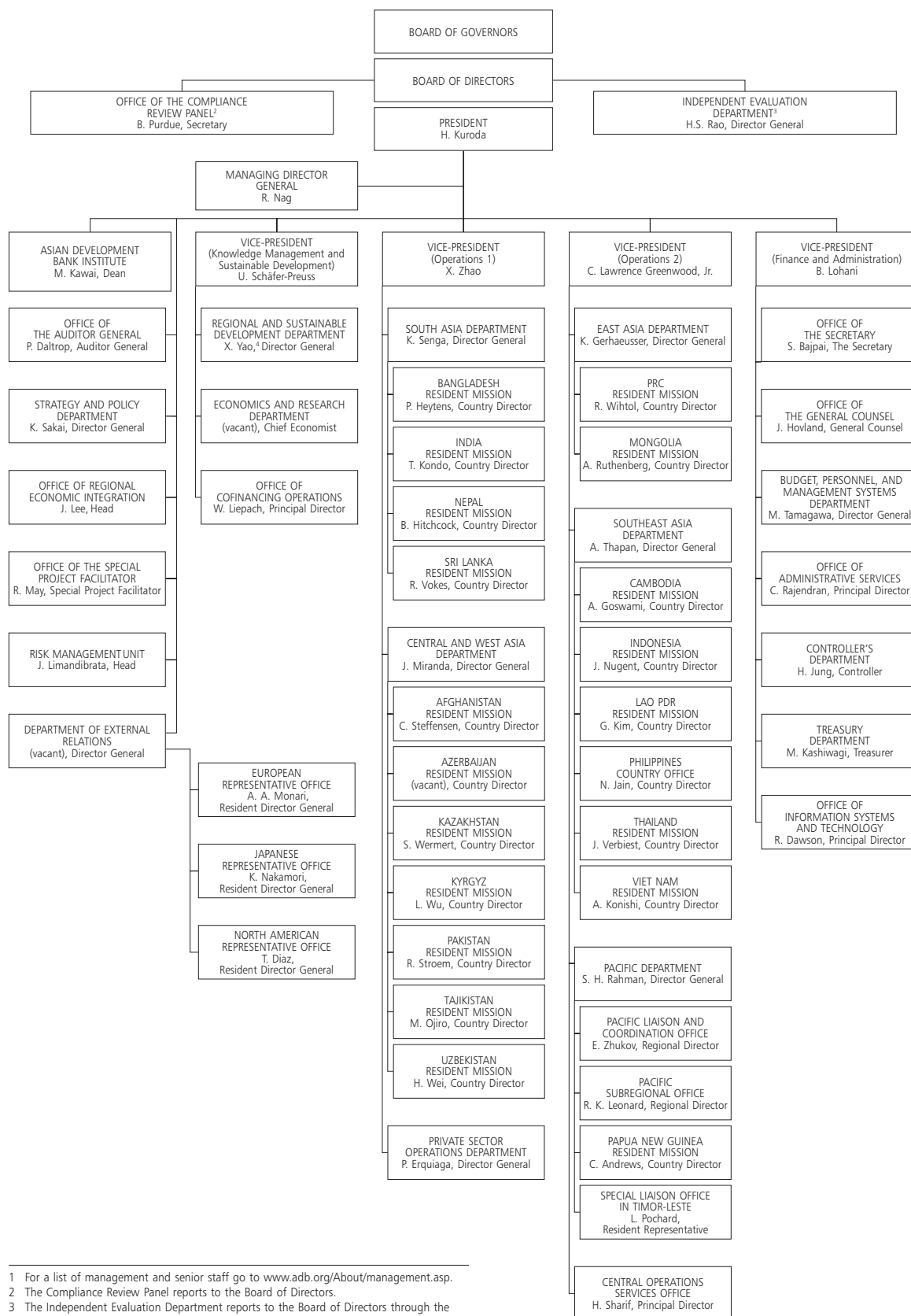
Masaru Yoshitomi (January 1999–January 2003)

Jesus P. Estanislao (December 1997–January 1999)

APPENDIX 8

Organizational Structure¹

(as of 15 February 2009)



¹ For a list of management and senior staff go to www.adb.org/About/management.asp.

² The Compliance Review Panel reports to the Board of Directors.

³ The Independent Evaluation Department reports to the Board of Directors through the Development Effectiveness Committee.

⁴ Concurrent Chief Compliance Officer.

APPENDIX 9

Former ADB Presidents and Vice-Presidents
 (As of 31 December 2008)

PRESIDENTS

Takeshi Watanabe	24 November 1966–24 November 1972
Shiro Inoue	25 November 1972–23 November 1976
Taroichi Yoshida	24 November 1976–23 November 1981
Masao Fujioka	24 November 1981–23 November 1989
Kimimasa Tarumizu	24 November 1989–23 November 1993
Mitsuo Sato	24 November 1993–15 January 1999
Tadao Chino	16 January 1999–31 January 2005

VICE-PRESIDENTS

C.S. Krishna Moorthi	19 December 1966–31 March 1978
A.T. Bambawale	1 April 1978–28 October 1985
M. Narasimham	1 November 1985–31 July 1988
S. Stanley Katz	1 April 1978–28 September 1990
In Yong Chung	1 August 1988–31 July 1993
William R. Thomson	1 October 1990–30 June 1994
Günther G. Schulz	1 April 1983–30 June 1995
Bong-Suh Lee	1 August 1993–31 July 1998
Pierre Uhel	1 July 1995–24 November 1998
Peter H. Sullivan	6 July 1994–20 September 2000
Myoung-Ho Shin	1 August 1998–31 July 2003
John Lintjer	18 January 1999–16 January 2004
Joseph B. Eichenberger	15 December 2000–23 December 2005
Geert H.P.B. van der Linden	1 September 2003–31 August 2006
Khempheng Pholsena	5 April 2004–4 April 2007
Liqun Jin	1 August 2003–18 July 2008

APPENDIX 10

Summary of Internal Administrative Expenses

2008 and Budget for 2009

(\$ thousand)

Item	2008			Budget 2009
	Budget	After Transfers ^a	Actual	
A. Board of Governors	1,656	1,656	1,584	1,629
B. Board of Directors	23,184	24,147	23,147	25,140
Offices of the Directors	13,672	14,635 ^b	14,635	14,850
Accountability Mechanism	2,107	2,107	1,856	2,328
Operations Evaluation	7,405	7,405	6,657	7,962
C. Operational Expenses	270,384	270,384	267,343	295,474
Salaries	141,021	132,965	132,964	150,541
Benefits	77,304	88,057	88,057	88,103
Staff Development	4,028	4,028	3,832	4,400
Relocation	5,986	5,986	4,938	6,544
Consultants	20,144	17,177	15,385	21,629
Business Travel	21,570	21,840	21,877	23,883
Representation	331	331	290	374
D. Administrative Expenses	63,503	63,503	60,845	67,896
Communications	6,244	5,930	5,831	6,479
Office Occupancy	15,318	15,318	15,177	19,047
Library	965	997	996	1,150
Office Supplies	1,805	1,805	1,513	1,708
Equipment/Maintenance and Support	5,725	5,725	4,868	5,683
Contractual Services	13,890	13,890	12,963	15,502
Insurance	2,790	2,790	2,471	3,037
Depreciation	16,109	16,391	16,390	14,597
Miscellaneous	657	657	634	693
E. Total Before General Contingency	358,727	359,690	352,920 ^c	390,139
F. General Contingency	3,587	2,624 ^b	0	3,901
G. Less: Reimbursements from Trust Funds	(5,164)	(5,164)	(5,239) ^d	(5,172)
Net IAE	357,150	357,150	347,681	388,868
H. Carryover of IAE Budget	–	–	7,100 ^e	–
I. Net IAE after Carryover	357,150	357,150	354,781	388,868

– = no data available or not calculated, "0" = magnitude zero, () = negative, IAE = internal administrative expenses.

Totals may not add up because of rounding.

^a Transfers were made between budget items without exceeding the original amount of each category as well as from general contingency to meet overrun in the Board of Directors..

^b An amount of \$963,000 was transferred from the general contingency to the offices of the directors under the Board of Directors budget category to meet overrun.

^c Includes \$1,372,000 in expenses associated with Japan Special Fund (\$1,290,000) and Japan Scholarship Program (\$82,000). Excludes the following adjustments incorporated in the financial statements to comply with the generally accepted accounting principles recording and reporting requirements: (i) postretirement medical benefits (\$10,931,000); (ii) actuarial assessment of costs associated with pension benefit obligations (-\$3,810,000); (iii) expenses charged to the budget carryover (\$3,731,000); (iv) accumulated compensated absences (\$839,000); (v) accrued resettlement and repatriation allowances (\$589,000); and (vi) other miscellaneous adjustments (-\$104,000). The total adjusted administrative expenses of \$329,557,000 reflected in the financial statements is allocated between OCR, \$141,047,000 (\$176,587,000 less \$35,540,000 of front-end fee); ADF, \$187,138,000 and Japan Special Fund and Japan Scholarship Program, \$1,372,000.

^d This amount (\$5,239,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.

^e In 2006, the Board approved a proposal to allow up to 2% of net IAE budget to be carried over to the next year beginning with the 2007 budget. Accordingly, \$7.1 million (2% of the 2008 net IAE budget) has been carried over to 2009.

APPENDIX 11

Management and Staff Representation of ADB Members
 (As of 31 December 2008)

Member	Management	Professional Staff	National Officer/ Administrative Staff	Total
REGIONAL				
Afghanistan	0	0	10	10
Armenia	0	0	2	2
Australia	0	49	7	56
Azerbaijan	0	0	4	4
Bangladesh	0	9	47	56
Bhutan	0	3	0	3
Brunei Darussalam	0	0	0	0
Cambodia	0	0	18	18
China, People's Republic of	1	57	40	98
Cook Islands	0	0	0	0
Fiji Islands	0	2	9	11
Georgia	0	0	1	1
Hong Kong, China	0	3	0	3
India	0	66	40	106
Indonesia	0	34	35	69
Japan	1	125	2	128
Kazakhstan	0	5	6	11
Kiribati	0	0	0	0
Korea, Republic of	0	36	1	37
Kyrgyz Republic	0	4	7	11
Lao People's Democratic Republic	0	1	11	12
Malaysia	0	23	0	23
Maldives	0	0	0	0
Marshall Islands	0	0	0	0
Micronesia, Federated States of	0	0	0	0
Mongolia	0	4	9	13
Myanmar	0	3	0	3
Nauru	0	0	0	0
Nepal	1	4	27	32
New Zealand	0	13	0	13
Pakistan	0	21	41	62
Palau	0	0	0	0
Papua New Guinea	0	1	5	6
Philippines	0	27	1,216	1,243
Samoa	0	1	1	2
Singapore	0	8	0	8
Solomon Islands	0	1	0	1
Sri Lanka	0	11	20	31
Taipei, China	0	6	0	6
Tajikistan	0	1	10	11
Thailand	0	11	9	20
Timor-Leste	0	0	3	3
Tonga	0	2	0	2
Turkmenistan	0	0	0	0
Tuvalu	0	0	0	0
Uzbekistan	0	5	15	20
Vanuatu	0	1	0	1
Viet Nam	0	5	26	31
Subtotal	3	542	1,622	2,167

Member	Management	Professional Staff	National Officer/ Administrative Staff	Total
NONREGIONAL				
Austria	0	6	0	6
Belgium	0	6	0	6
Canada	0	44	0	44
Denmark	0	3	0	3
Finland	0	6	1	7
France	0	26	0	26
Germany	1	35	2	38
Ireland	0	2	0	2
Italy	0	15	0	15
Luxembourg	0	2	0	2
The Netherlands	0	15	0	15
Norway	0	4	0	4
Portugal	0	2	0	2
Spain	0	8	0	8
Sweden	0	8	0	8
Switzerland	0	4	0	4
Turkey	0	5	0	5
United Kingdom	0	33	0	33
United States	1	108	2	111
Subtotal	2	332	5	339
Total	5	874	1,627	2,506

APPENDIX 12

Number of Authorized Positions in Resident Missions
2008

Country	Professional Staff ^a	National Officers	Analysts and Administrative Staff ^b	Total
Resident Missions				
Bangladesh	7	16	22	45
India	13	21	24	58
Nepal	3	12	11	26
Sri Lanka	4	12	7	23
Afghanistan	6	7	5	18
Azerbaijan	1	3	1	5
Kazakhstan	2	5	6	13
Kyrgyz Republic	2	5	3	10
Pakistan (incl. Extended Mission)	8	17	20	45
Tajikistan	3	5	6	14
Uzbekistan	3	5	7	15
Armenia		2	1	3
Georgia		2	1	3
Turkmenistan		1	1	2
China, People's Republic of	10	18	21	49
Mongolia	3	6	3	12
Cambodia	4	8	6	18
Indonesia	13	15	16	44
Extended Mission to Sumatra				–
Lao People's Democratic Republic	4	6	5	15
Philippines	4	3	4	11
Thailand	6	6	3	15
Viet Nam	10	12	9	31
Pacific Liaison and Coordination Office in Sydney ^c	3	4	4	11
Pacific Subregional Office in Fiji Islands ^d	5	4	8	17
Papua New Guinea	3	5	4	12
Special Office in Timor-Leste	1	2	1	4
Subtotal	118	202	199	519
Resident Offices				
Europe	2	1	2	5
Japan	2	1	2	5
North America	2	1	2	5
Subtotal	6	3	6	15
Headquarters^e	724	288	866	1,878
TOTAL	848	493	1,071	2,412

– = nil.

^a Includes outposted positions.^b Excludes contractuals.^c Covers Nauru, Solomon Islands, and Vanuatu.^d Covers Cook Islands, Fiji Islands, Kiribati, Samoa, Tonga, and Tuvalu.^e Excluding Young Professionals and Board of Directors.

APPENDIX 13

Growth in Resident Missions (RMs) and Authorized Staff Positions at RMs

	Number of Resident Missions and Authorized Positions								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of Resident Missions (RMs)	13	17	18 ^a	20 ^b	22	23	23	23	26
Total Authorized Positions at RM (= 1 + 2 + 3)	163	279	317	361	389	437	448	489	519
Professional Staff (PS) and National Officer (NO) Positions at RM (= 1 + 2)	94	169	190	223	240	270	267	299	320
1. Professional Staff ^c	40	65	72	80	87	107	96	111	118
2. National Officers	54	104	118	143	153	163	171	188	202
3. Administrative Staff	69	110	127	138	149	167	181	190	199
Total Authorized Positions at ADB (= 1 + 2 + 3)	1,936	2,055	2,116	2,187	2,229	2,310	2,340	2,381	2,412
PS and NO Positions at ADB (= 1 + 2)	924	1,020	1,071	1,153	1,189	1,253	1,271	1,304	1,341
1. Professional Staff ^d	699	729	759	791	797	824	824	836	848
2. National Officers ^e	225	291	312	362	392	429	447	468	493
3. Administrative Staff	1,012	1,035	1,045	1,034	1,040	1,057	1,069	1,077	1,071
% of Authorized Positions at RM to Total Authorized Positions at ADB	8.4	13.6	15.0	16.5	17.5	18.9	19.1	20.5	21.5
% of PS and NO Positions at RMs to Total PS and NO Positions at ADB	10.2	16.6	17.7	19.3	20.2	21.5	21.0	22.9	23.9
Professional Staff	5.7	8.9	9.5	10.1	10.9	13.0	11.7	13.3	13.9
National Officers	9.9	16.1	18.1	20.1	21.1	22.2	23.0	24.5	26.0
Administrative Staff	6.8	10.6	12.2	13.3	14.3	15.8	16.9	17.6	18.6

a Includes Special Office in Timor-Leste (SOTL); but excludes Thailand Resident Mission (TRM).

b Excludes Thailand Resident Mission (TRM), Azerbaijan Resident Mission (AZRM), Pacific Subregional Office in Fiji Islands (SPSO), and Pacific Liaison and Coordination Office in Australia (PLCO).

c Includes outposted positions.

d Excludes Young Professionals and Board of Directors.

e Classification of national officers and administrative assistants started in 2003.

APPENDIX 14

Selected Knowledge Products of ADB

ADB produced many “knowledge products” during 2008: operational departments produced numerous studies, and built knowledge into operations. In addition, large numbers of technical assistance and regional technical assistance reports generated and disseminated knowledge. In addition to that extensive work, the four designated Knowledge Departments—Asian Development Bank Institute, Economics and Research Department, Office of Regional Economic Integration, and Regional and Sustainable Development Department—together with Independent Evaluation Department and the Private Sector Operations Department, and the five Regional Departments—Central and West Asia Department, East Asia Department, Pacific Department, South Asia Department, and Southeast Asia Department—produced the following products in 2008:

ASIAN DEVELOPMENT BANK INSTITUTE

Books

Asian Development Bank Institute. *ADB Year in Review: 2007*. June.

Agni Prasad Kafle, ed. *Workforce Development in Nepal: Policies and Practices*. February.

Distance Learning Course on e-Learning Policies. February.

Douglas H. Brooks and David Hummels, eds. *Infrastructure's Role in Lowering Asia's Trade Costs*. Cheltenham, UK: ADBI-Edward Elgar. December.

Douglas H. Brooks and Jayant Menon, eds. *Infrastructure and Trade in Asia*. Cheltenham, UK: ADBI-Edward Elgar. September.

Industrial Development Planning: Cluster-based Approach Policy Seminar. February.

Masahiro Kawai and Susan Stone, eds. *A Decade of Developments: Annual Conference Proceedings*. December.

Pilot Course on Infrastructure Workforce Development: Computer Courseware Development. February.

Shyamal Majumdar. *Workforce Development in India: Policies and Practices*. December.

Discussion Paper Series/Working Paper Series

No. 85: The Trend of Regional Income Disparity in the People's Republic of China – Zhaoyuan Xu and Shantong Li. January.

No. 86: Managing Capital Flows: The Case of Singapore – Hwee Kwan Chow. February.

No. 87: Central Banks and Capital Flows – Stephen Grenville. February.

No. 88: Managing Capital Flows: The Case of the Republic of Korea – Doo Yong Yang and Soyoung Kim. February.

No. 89: Global Partnership in Poverty Reduction: Contract Farming and Regional Cooperation – Sununtar Setboonsarng. February.

No. 90: Rice Contract Farming in Lao PDR: Moving from Subsistence to Commercial Agriculture – Adam Stefan, PingSun Leung, and Sununtar Setboonsarng. February.

No. 91: Managing Capital Flows: The Case of the Philippines – Josef Yap. March.

No. 92: International Financial Integration through the Law of One Price: The Role of Liquidity and Capital Controls – Neeltje Van Horen, Sergio Schmukler, and Eduardo Levy Yeyati. March.

No. 93: Managing Capital Flows: The Case of Malaysia – K.K. Foong. March.

No. 94: Managing Capital Flows: The Case of Indonesia – Raymond Atje and Ira S. Titiheruw. March.

No. 95: Managing Capital Flows: The Case of Thailand – Kanit Sangsubhan. March.

No. 96: Managing Capital Flows: The Case of the People's Republic of China – Yongding Yu. March.

No. 97: Managing Large Capital Inflows: Taking Stock of International Experiences – Susan Schadler. March.

No. 98: Managing Capital Flows: The Case of India Ila Patnaik – Ajay Shah. May.

No. 99: Managing Recent Hot Money Inflows in Asia – Robert McCauley. March.

No. 100: A Survey of the Literature on Managing Capital Inflows – Shinji Takagi and Masahiro Kawai. March.

No. 101: Organic Crops or Energy Crops? Options for Rural Development in Cambodia and the Lao People's Democratic Republic – Sununtar Setboonsarng and Anil Markandya. April.

No. 102: Macroeconomic Management Amid Ethnic Diversity: Fifty Years of Malaysian Experience – Jayant Menon. April.

No. 103: Managing Capital Flows: Experiences from Central and Eastern Europe – Iulia Siedschlag and Jürgen von Hagen. April.

No. 104: Microfinance and the Millennium Development Goals in Pakistan: Impact Assessment using Propensity Score Matching – Ziyodullo Parpiev and Sununtar Setboonsarng. April.

No. 105: Managing Capital Flows: The Case of Viet Nam – Pham Chi Quang and Vo Tri Thanh. May.

No. 106: Market-Based Certification and Management of Non-Timber Forest Products in Bhutan: Organic Lemongrass Oil, Poverty Reduction, and Environmental Sustainability – Kesang Tshomo, Sununtar Setboonsarng, Irmela Krug, and Karma Yangzom. May.

No. 107: Standards and Agricultural Trade in Asia – Timothy Purcell and Daniele Giovannucci. May.

No. 108: Armington Meets Melitz: Introducing Firm Heterogeneity in a Global CGE Model of Trade – Fan Zhai. May.

No. 109: Rice Contract Farming in Cambodia: Empowering Farmers to Move Beyond the Contract Toward Independence – PingSun Leung, Sununtar Setboonsarng, Luyana Ung, and Junning Cai. June.

No. 110: The Impact of Rural Infrastructure and Agricultural Support Services on Poverty: The Case of Agrarian Reform Communities in the Philippines – Sununtar Setboonsarng. June.

No. 111: Macroeconomic Policy and Poverty – Iwan Azis. July.

No. 112: Overview of Contract Farming in Thailand: Lessons Learned – Aree Wiboonpoongse and Songsak Sriboonchitta. July.

No. 113: The Impact of Terrorism and Conflicts on Growth in Asia, 1970–2004 – Todd Sandler and Khusrav Gaibulloev. July.

No. 114: Managing Prolonged Low Fertility: The Case of Singapore – Amarendu Nandy and Mukul Asher. August.

No. 115: Can Ethical Trade Certification Contribute to the Attainment of the Millennium Development Goals? A Review of Organic and Fair-Trade Certification – Sununtar Setboonsarng. August.

No. 116: Regional Monetary Units for East Asia: Lessons from Europe – Eric Girardin and Alfred Steinherr. September.

No. 117: Sources of FDI Flows to Developing Asia: The Roles of Distance and Time Zones – Ramkishan Rajan. October.

No. 118: No Through Road: The Limitations of Food Miles – Els Wynen and David Vanzetti. October.

No. 119: ASEAN Open Skies and the Implications for Airport Development Strategy in Malaysia – Siew Yean Tham. November.

No. 120: Global and Regional Shocks: Challenges to Asian Economies – Kwanho Shin. November.

No. 121: Crises, Capital Controls, and Financial Integration – Eduardo Levy Yeyati, Sergio Schmukler, and Neeltje Van Horen. November.

No. 122: Asian Trade and Global Linkages – Douglas Brooks, Changchun Hua. December.

- No. 123: Regional Cooperation, Infrastructure, and Trade Costs – Douglas Brooks. December.
 No. 124: The Unfolding Turmoil of 2007–2008: Lessons and Responses – Remolona Cohen. December.
 No. 125: Reconstruction after a Major Disaster: Lessons from the Post-Tsunami Experience in Indonesia, Sri Lanka, and Thailand – Sisira Jayasuriya, Peter McCawley. December.
 No. 126: Asia's Infrastructure Challenges: Issues of Institutional Capacity – Susan Stone. December.
 No. 127: Regional Integration and Trade Costs in South Asia – Nilanjan Banik, John Gilbert. December.
 No. 128: Linking Asia's Trade, Logistics, and Infrastructure – Douglas Brooks. December.
 No. 129: Does Organic Agriculture Lead to Better Health among Poor Farmers? An Investigation of Health Expenditure among Organic and Conventional Farmers in Thailand – Sununtar Setboonsarng, Rouselle F. Lavado. December.

Policy Briefs

Research Policy Briefs

- No. 25: Evolving Regional Financial Architecture in East Asia – Masahiro Kawai. February.
 No. 26: Managing Capital Flows in Asia: Policy Issues and Challenges – Masahiro Kawai and Mario Lamberte. June.
 No. 27: Infrastructure and Asia's Trade Costs – Douglas Brooks. June.
 No. 28: Small- and Medium-Sized Enterprise Development in the People's Republic of China: A Strategy for the National Innovation System – Tracy Yang, Jamus Jerome Lim, and Toshiki Kanamori. September.
 No. 29: Organic Crops or Energy Crops? Options for Rural Development in Cambodia and the Lao People's Democratic Republic – Anil Markandya and Sununtar Setboonsarng. November

Research Paper

- No. 73: Strategies for the People's Republic of China's Small and Medium Enterprise Development within the National Innovation System – Tracy Yang, Jamus Jerome Lin, Toshiki Kanamori. November.

CENTRAL AND WEST ASIA DEPARTMENT

Awareness-Raising and Multimedia Materials

- CAREC Brochure: Connections to Prosperity (Transport and Trade Facilitation in the CAREC Program)
 CAREC Note 2: Potential Economic Impact of CAREC Corridor 1b, November

DEPARTMENT OF EXTERNAL RELATIONS

Awareness-Raising Materials

- ADB Review
 Asian Development Fund Brochure
 Country Fact Sheets
 Development Asia, June and December
 Fighting Poverty in Asia and the Pacific (corporate brochure)
 In-Briefs

Report

- Assessment of the Implementation of the Public Communications Policy 2008

EAST ASIA DEPARTMENT

Awareness-Raising and Multimedia Materials

- Addressing Climate Change, Energy Security, and Worker Safety – Utilization of Fugitive Emission of Methane from Coal Mines
 Making Capitalism Work for the Poor and Society: A Review Essay
 EARD Knowledge Management Initiatives in 2007

Journal Articles

- Inclusive Growth Toward a Harmonious Society in PRC.
 Income Inequality in the People's Republic of China and Its Decomposition: 1990–2004.
 China's Income Inequality at the Provincial Level: Trends, Drivers, and Impacts.
 Environmental Kuznets Curves in China: Turning Points and Regional Differences.

Policy Notes

Policy Notes Series

- Observations and Suggestions on Recommendations for Dealing with Transition from Disaster Response to Recovery.
 Observations and Suggestions on Policy Responses to Rising Food Prices.
 Observations and Suggestions on A New Era for Rural Poverty Reduction in the PRC: Suggestions on Aligning Safety Net and Development-based Poverty Policies.
 Observations and Suggestions on Earthquake Insurance: Lessons from International Experience and Key Issues for Developing Earthquake Insurance in the PRC.
 Observations and Suggestions in International Experience and Suggestions on Post-Disaster. Rehabilitation and Reconstruction.
 Policy Note on Impact of Nonsovereign Lending.
 Reducing Poverty and Hunger in Asia: The Role of Agricultural and Rural Development.

Reports

Building Railways in the People's Republic of China: Changing Lives.
 Managing Microfinance Risks.
 Quarterly Macroeconomic Analysis Reports.

Sector/Thematic Paper Series

2007 MIX Asia 100: Ranking of Microfinance Institutions.
 Combating Climate Change in the People's Republic of China: An Overview of Recent Policies and Efforts.
 Education Sector Assessment.
 Financial Sector in Mongolia—Transition to a Market Economy Built on Successful Financial Reforms.
 Promoting Environmentally Sustainable Transportation in the People's Republic of China
 Results-based Funding Mechanism: A Recommended Approach to Improving Wastewater Management in the PRC.
 Reviving Lakes and Wetlands: Lessons Learned from the People's Republic of China.
 Risk Assessment and Risk Management Plans for National Systems and the Education and Infrastructure Sectors in Mongolia.
 Soaring Food Prices: Response to the Crisis.
 The Railways of the People's Republic of China: An Agenda for Action.

Technical Notes Series

PRC Toll Roads Corporatization Strategy—Towards Better Governance.

Training and Instructive Materials

Knowledge Showcase #1: Smart Urban Transport in the PRC.
 Knowledge Showcase #2: Using Economic Instruments to Promote Environmentally Sustainable Transport in the PRC.

ECONOMICS AND RESEARCH DEPARTMENT**Working Papers***ADB Economics Working Paper Series*

- No. 111: Asian Textile and Apparel Trade: Moving Forward with Regional Integration – William E. James. January.
 No. 112: Has Inflation Hurt the Poor? Regional Analysis in the Philippines – Hyun H. Son. May.
 No. 113: Do Minimum Wages Reduce Employment and Training? – Guntur Sugiyarto and Benjamin Endriga. May.
 No. 114: Price Dynamics in the US Market for Apparel Imports: Impact of Quota Elimination Under the Agreement on Textiles and Clothing
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GLOSSARY

B-loan. A tranche of a direct loan nominally advanced by ADB, subject to eligible financial institutions' taking funded risk participations within such a tranche and without recourse to ADB. It complements an A-loan funded by ADB.

Direct value-added cofinancing. Cofinancing with active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB (such as for credit enhancement, syndication, or financial administration) to facilitate mobilization, administration, or participation in cofinancing.

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ABBREVIATIONS

ADB	– Asian Development Bank
ADF	– Asian Development Fund
ADF X	– Ninth replenishment of the Asian Development Fund
ERD	– Economics and Research Department
Lao PDR	– Lao People's Democratic Republic
OED	– Operations Evaluation Department
OREI	– Office of Regional Economic Integration
PRC	– People's Republic of China
PSOD	– Private Sector Operations Department
RSDD	– Regional and Sustainable Development Department

ADB CONTACT ADDRESSES

(as of February 2009)

Afghanistan Resident Mission

House No. 126, Street 2
Haji Yaqub Roundabout, Shar-e-now
Next to District 10 Police Department
P.O. Box 3070
Kabul, Afghanistan
Tel +93 0 20 210 3602
www.adb.org/afirm
ADB local 5535

Armenia Resident Mission

Erebuni Plaza Business Centre
Yerevan 0010, Vazgen Sargsyan 26/1
Armenia
Tel +374 10 54 63 74
Fax +374 10 54 63 74
www.adb.org/armenia
ADB local 5549

Azerbaijan Resident Mission

44, Jafar Jabbarly Street, Caspian Plaza,
1st Floor, Baku AZ1065, Azerbaijan
Tel +994 12 437 3477
Fax +994 12 437 3475
adbazrm@adb.org
www.adb.org/azrm
ADB local 5588

Bangladesh Resident Mission

Plot E 31, Sher-e Bangla Nagar
Dhaka 1207, Bangladesh
GPO Box 2100, Dhaka, Bangladesh
Tel +880 2 815 6000 to 6008
+880 2 815 6009 to 6016
Fax +880 2 8156 018 to 6019
adbbrm@adb.org
www.adb.org/brm
ADB Local 5512

Cambodia Resident Mission

Asian Development Bank
29 Suramarit Blvd. St. 268, Phnom Penh
Cambodia
Tel +855 23 215 805 to 806
Fax +855 23 215 807
adbcarml@adb.org
www.adb.org/carm
ADB local 5509

People's Republic of China Resident Mission

7th Floor, Block D, Beijing China Merchants
International Financial Center
156 Fuxingmennei Ave., Beijing 100031
People's Republic of China
Tel +86 10 6642 6601
Fax +86 10 6642 6606
adbprcm@adb.org
www.adb.org/prcm
ADB local 5521

India Resident Mission

4 San Martin Marg
Chanakyapuri
New Delhi 110 021
India
Tel +91 11 2410 7200
Fax +91 11 2687 0955
adbirm@adb.org
www.adb.org/inrm
ADB local 5514

Indonesia Resident Mission

Gedung BRI II, 7th floor
Jl. Jend. Sudirman Kav 44-46
Jakarta 10210, Indonesia
P.O. Box 99 JKPSA
Jakarta 10350A, Indonesia
Tel +62 21 251 2721
Fax +62 21 251 2749
adbirm@adb.org
www.adb.org/irm
ADB local 5511

Kazakhstan Resident Mission

12 Samal Microdistrict
Astana Tower Business Center, 10th floor
Astana, Kazakhstan
Tel +7 7172 325053/325054/221619
Fax +7 7172 328343
adbkarm@adb.org
www.adb.org/karm
ADB local 5506

20A Kazybek Bi Street, Arai Building, 4th floor
Almaty, Kazakhstan
Tel +7 727 2917344/2582223
Fax +7 727 2918670
ADB local 5342

Kyrgyz Resident Mission

52 54 Orozbekov Street, 720040
Bishkek, Kyrgyz Republic
Tel +996 312 627343/627345/900445/900447
Fax +996 312 627344
adbkyrm@adb.org
www.adb.org/kyrm
ADB local 5542

Lao People's Democratic Republic

Resident Mission
Vientiane, Lao PDR
P.O. Box 9724
Tel +856 21 250444
Fax +856 21 250333
adblrm@adb.org
www.adb.org/lrm
ADB local 5544

Mongolia Resident Mission

MCS Plaza Building, 2nd Floor
Seoul Street 4, Ulaanbaatar
Mongolia
Tel +976 11 329836/313440/323507
Fax +976 11 311 795
adbmnrm@adb.org
www.adb.org/mnrm
ADB local 5505

Nepal Resident Mission

Srikunj, Kamaldi, Ward No. 31
P.O. Box 5017, Kathmandu, Nepal
Tel +977 1 4227779
Fax +977 1 4225063
adbmrn@adb.org
www.adb.org/nrm
ADB local 5515

Pacific Liaison and Coordination Office

Level 18, 1 Margaret Street (corner of Clarence
and Margaret streets)
Sydney, NSW 2000, Australia
Tel +612 8270 9444
Fax +612 8270 9445
adbplco@adb.org
www.adb.org/plco
ADB local 5589

Pakistan Resident Mission

Overseas Pakistanis Foundation Building
Shahrah e Jamhuriyat, G 5/2 Islamabad
GPO Box 1863, Islamabad, Pakistan
Tel +92 51 2825011 to 5016/2087300
Fax +92 51 2823324/2274718
adbprml@adb.org
www.adb.org/prm
ADB local 5513

Papua New Guinea Resident Mission

Level 13, Deloitte Tower
Douglas Street
P O Box 1992
Port Moresby, NCD
Papua New Guinea
Tel +675 321 0400/0408
Fax +675 321 0407
adbpnrm@adb.org
www.adb.org/pnrm
ADB local 5565

Philippines Country Office

6 ADB Avenue, Mandaluyong City 1550
Metro Manila, Philippines
Tel. + 632 683 1000
Fax. + 632 683 1030
phco@adb.org
www.adb.org/phco
ADB local 1000

South Pacific Subregional Office

Asian Development Bank
Private Mail Bag or
91 Gordon Street, Suva, Fiji
Tel +679 3318101
Fax +679 3318074
adbspso@adb.org
www.adb.org/spso
ADB local 5520

Sri Lanka Resident Mission

49/14 15 Galle Road
Colombo 3, Sri Lanka
Tel +94 11 2387055
Fax +94 11 2386527
adbslrm@adb.org
www.adb.org/slrm
ADB local 5507/5533

Tajikistan Resident Mission

107 5, Nozim Hikmat Street
Dushanbe 734001, Tajikistan
Tel +992 372 271895/271897/210558
Fax +992 372 244900
adbtjrm@adb.org
www.adb.org/tjrm
ADB local 5539

Thailand Resident Mission

23rd Floor, The Offices at Central World
999/9 Rama 1 Road, Wangmai, Pathumwan
Bangkok 10330, Thailand
Tel +662 263 5354
Fax +662 263 5301
adbtrm@adb.org
www.adb.org/trm
ADB local 5526

Special Office in Timor-Leste

IMF/World Bank/ADB Building
Rua Direitos dos Humanos
Leci Dere, Dili, Timor-Leste
Tel +670 332 4801
Fax +670 332 4132
lpochard@adb.org
www.adb.org
ADB local 5250

Uzbekistan Resident Mission

1 A. Khodjaev Street
Tashkent 100027, Uzbekistan
Tel +998 71 1401920/25
Fax +998 71 1401976
adburm@adb.org
www.adb.org
ADB local 5508

Viet Nam Resident Mission

Units 701 706, Sun Red River Building
23 Phan Chu Trinh Street
Hoan Kiem District
Ha Noi, Viet Nam
Tel +84 4 3933 1374 to 76
Fax +84 4 3933 1373
adbvrm@adb.org
www.adb.org/vrm
ADB local 5519

European Representative Office

Rahmhofstrasse 2
60313 Frankfurt, Germany
Tel +49 69 2193 6400
Fax +49 69 2193 6444
adbero@adb.org
www.adb.org/ero
ADB local 5517

**Asian Development Bank,
Japanese Representative Office**

Kasumigaseki Building 8F
3 2 5 Kasumigaseki, Chiyoda-ku
Tokyo 100-6008, Japan
Tel +81 3 3504 3160
Fax +81 3 3504 3165
adbjron@adb.org
www.adb.org/jro
adbjro@adb.org
ADB local 5518

North American Representative Office

815 Connecticut Avenue, NW, Suite 325
Washington, DC 20006, USA
Tel +1 202 728 1500
Fax +1 202 728 1505
naro@adb.org
www.adb.org/naro
ADB local 5516

Asian Development Bank Institute

Kasumigaseki Building 8F
3 2-5 Kasumigaseki
Chiyoda-ku
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www.adbi.org
ADB local 5503

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Editorial and Creative Manager

Carolyn Dedolph Cabrera

Managing Editor

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Design and Production

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About the front cover

Residents of Kinjipi village in Papua New Guinea's Western Highlands stop a basketball game to discuss how life will change when they have a paved road. ADB has financed the upgrading of several roads in the area.

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Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines

Tel +63 2 632 4444
Fax +63 2 636 2444
information@adb.org
www.adb.org

Treasury Department
Fax +63 2 632 4707
+63 2 632 4120
SWIFT Address ASDBPH MM



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