



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)

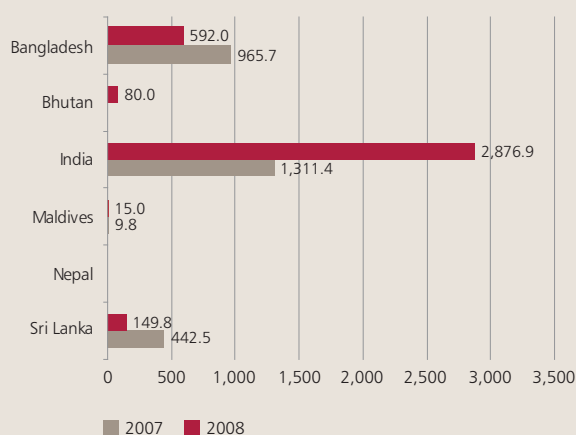
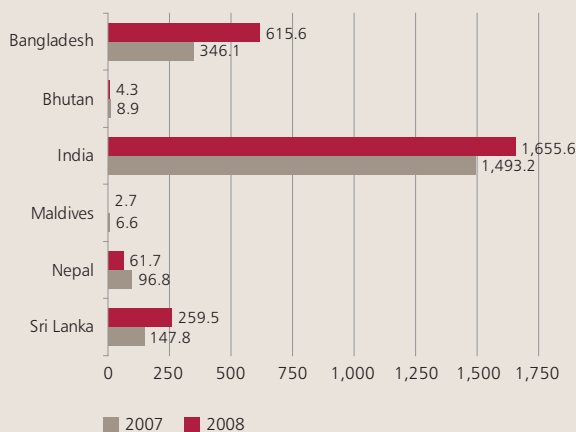


FIGURE 8 South Asia:
ADB Disbursement by Country, 2007–2008
(Sovereign and Nonsovereign)
(\$ million)



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