

ADB

ANNUAL REPORT
2007



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. Nearly 1.7 billion people in the region live on \$2 or less 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. In 2007, it approved \$10.1 billion of loans, \$673 million of grant projects, and technical assistance amounting to \$243 million.

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The term "country," as used in the context of ADB, refers to a member of ADB and does not imply any view on the part of ADB as to the member's sovereignty or independent status.

In this publication, \$ refers to US dollars.

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ASIAN DEVELOPMENT BANK
MANILA

8 April 2008

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 2007*, which includes the activities of the Special Funds. *Annual Report 2007* also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely,



Haruhiko Kuroda
President and Chairman
Board of Directors



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AND CHAIRMAN OF THE BOARD OF
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The *ADB Annual Report 2007* comprises two separate volumes: Volume 1 is the main report and Volume 2 contains the financial statements and statistical annexes.

THE RECORD

	1966–2007	2004	2005	2006	2007
OPERATIONAL ACTIVITIES					
LENDING (amount)	133,299	5,039	5,761	7,389	10,106
Number of Projects ^{a, b, c}	2,080	62	63	66	82
Ordinary Capital Resources (OCR) Loans (amount)	98,736	3,797	4,398	6,117	8,213
Number of Loans	1,186	31	31	35	60
Disbursements (amount)	66,031	2,508	3,498	4,420	5,234
Asian Development Fund (ADF) Loans (amount)	34,563	1,242	1,362	1,272	1,893
Number of Loans	1,185	47	40	44	36
Disbursements (amount)	25,074	1,055	1,247	1,338	1,618
A. Sovereign Loans (amount)	129,689	4,947	5,248	6,814	9,240
Number of Projects ^{a, b, c}	1,959	58	58	58	61
Disbursements	88,808	3,454	4,541	5,399	6,361
OCR Loans (amount)	95,141	3,705	3,885	5,542	7,347
Number of Loans	1,064	27	25	26	38
Disbursements (amount)	63,749	2,399	3,294	4,061	4,743
ADF Loans (amount)	34,548	1,242	1,362	1,272	1,893
Number of Loans	1,180	47	40	44	36
Disbursements (amount)	25,059	1,055	1,247	1,338	1,618
B. Nonsovereign Loans (amount)	3,610	93	513	575	865
Number of Projects ^{a, b}	121	4	6	8	21
Disbursements (amount)	2,296	109	204	359	491
Public Sector^d	255	–	–	150	105
Number of Projects ^{a, b}	5	–	–	2	3
Disbursements (amount)	31	–	–	1	30
OCR Loans (amount)	255	–	–	150	105
Number of Loans	5	–	–	2	3
Disbursements (amount)	31	–	–	1	30
ADF Loans (amount)	–	–	–	–	–
Number of Loans	–	–	–	–	–
Disbursements (amount)	–	–	–	–	–
Private Sector (amount)	3,355	93	513	425	760
Number of Projects ^{a, b}	117	4	6	6	19
Disbursements (amount)	2,265	109	204	358	461
OCR Loans (amount)	3,340	93	513	425	760
Number of Loans	117	4	6	7	19
Disbursements (amount)	2,251	109	204	358	461
ADF Loans (amount)	15	–	–	–	–
Number of Loans	5	–	–	–	–
Disbursements (amount)	14	–	–	–	–
EQUITY INVESTMENT^{b, e} (amount)	1,381	164	197	251	80
Number of Investments	160	11	8	13	5
EQUITY UNDERWRITING^g (amount)	40	–	–	–	–
Number of Commitments	6	–	–	–	–
GRANTS^f (amount)	3,273	104	1,152	534	673
Number of Projects ^{a, b}	221	27	50	41	39
TECHNICAL ASSISTANCE^h (amount)	3,263	192	197	241	243
Number of Projects ^{a, b}	6,347	317	297	259	242
MULTITRANCHE FINANCING FACILITIES^h (amount)	9,354	–	1,520	3,810	4,024
Number of Facilities	17	–	2	8	7
COFINANCINGⁱ (amount)	14,451	295	396	1,479	1,113
Number of Projects	1,127	110	111	102	78
Sovereign Operations (amount)	12,005	285	346	824	312
Number of Projects	1,084	109	110	95	72
Nonsovereign Operations (amount)	2,446	10	50	655	801
Number of Projects	43	1	1	7	6
Guarantees ^j (amount)	3,151	10	68	125	376
Number of Projects	29	1	2	3	4
Political Risk Guarantee (amount)	383	10	50	15	–
Number of Projects	8	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	55,978	54,162	50,163	53,169	55,978
Subscribed Capital	55,978	54,162	50,163	53,169	55,978
Borrowings (gross) (for the period)	73,984	1,629	4,230	5,576	8,854
Outstanding Debt	31,569	24,212	24,454	27,601	31,569
Ordinary Reserve	9,245	8,865	8,957	8,994	9,245
Special Reserve	203	190	194	198	203
Gross Revenue (for the period)	38,057	1,313	1,432	1,839	2,208
Net Income after Appropriation of Guarantee Fees to Special Reserve (for the period)	12,804	427	105	566	760
Special Funds Resources					
Asian Development Fund Total Resources	31,950	29,571	27,605	29,247	31,950
Technical Assistance Special Fund Total Resources	1,361	1,062	1,257	1,347	1,361
Japan Special Fund Total Resources					
Regular and Supplementary Contributions	956	877	904	929	956
Asian Currency Crisis Support Facility	241	241	241	241	241
ADB Institute Special Fund Total Resources	133	96	110	121	133
Asian Tsunami Fund Total Resources	617	–	565	594	617
Pakistan Earthquake Fund Total Resources	137	–	85	114	137
Regional Cooperation and Integration 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.

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

c Includes loans arising from multitranchise financing facilities.

d 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.

e Refers to nonsovereign operations only.

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

g Includes direct value-added cofinancing.

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

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

j Included in total cofinancing. Excludes terminated guarantees.

TABLE 1 ASSISTANCE BY COUNTRY, 2007

(\$ million)

Country	Loans				Credit Enhancements			Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranche Financing Facility ^d
Central and West Asia	2,052.0	648.1	2,700.1	3.5	269.0	–	22.8	297.2	32.9	1,400.0
Afghanistan	–	–	–	–	–	–	–	188.8	4.5	–
Armenia	–	66.6	66.6	–	–	–	–	–	0.9	–
Azerbaijan	246.0	10.0	256.0	–	–	–	–	–	–	500.0
Georgia	25.0	–	25.0	–	–	–	–	–	0.1	–
Kazakhstan	100.0	–	100.0	–	225.0	–	–	–	0.7	–
Kyrgyz Republic	–	15.0	15.0	–	–	–	–	53.6	1.7	–
Pakistan	1,565.0	454.8	2,019.8	–	44.0	–	22.8	32.0	20.2	900.0
Tajikistan	–	71.7	71.7	3.5	–	–	–	22.8	3.3	–
Turkmenistan	–	–	–	–	–	–	–	–	0.2	–
Uzbekistan	96.0	30.0	126.0	–	–	–	–	–	1.4	–
Regional	20.0	–	20.0	–	–	–	–	–	–	–
South Asia	2,218.4	586.0	2,804.4	10.0	–	225.0	–	165.2	29.0	1,693.0
Bangladesh	500.0	465.7	965.7	–	–	–	–	–	7.7	–
Bhutan	–	–	–	–	–	–	–	21.7	2.7	–
India	1,386.4	–	1,386.4	–	–	225.0	–	–	10.8	1,693.0
Maldives	4.5	5.3	9.8	–	–	–	–	–	–	–
Nepal	–	–	–	10.0	–	–	–	111.0	7.2	–
Sri Lanka	327.5	115.0	442.5	–	–	–	–	32.5	0.6	–
East Asia	1,316.7	–	1,316.7	–	107.0	200.0	57.0	19.5	23.0	–
China, People's Republic of	1,306.7	–	1,306.7	–	107.0	200.0	57.0	–	20.5	–
Mongolia	10.0	–	10.0	–	–	–	–	19.5	2.6	–
Pacific	60.0	66.6	126.6	44.0	–	–	–	46.5	25.8	–
Cook Islands	–	–	–	–	–	–	–	–	0.7	–
Fiji Islands	–	–	–	–	–	–	–	–	0.3	–
Kiribati	–	–	–	–	–	–	–	–	–	–
Marshall Islands	–	–	–	–	–	–	–	–	–	–
Micronesia, Federated States of	–	–	–	–	–	–	–	–	0.4	–
Nauru	–	–	–	–	–	–	–	–	–	–
Palau	–	–	–	–	–	–	–	–	1.7	–
Papua New Guinea	60.0	40.0	100.0	6.0	–	–	–	2.3	1.9	–
Samoa	–	26.6	26.6	38.0	–	–	–	29.3	2.5	–
Solomon Islands	–	–	–	–	–	–	–	9.0	2.8	–
Timor-Leste	–	–	–	–	–	–	–	6.0	15.0	–
Tonga	–	–	–	–	–	–	–	–	–	–
Tuvalu	–	–	–	–	–	–	–	–	–	–
Vanuatu	–	–	–	–	–	–	–	–	0.6	–
Southeast Asia	2,565.7	592.1	3,157.8	63.0	–	–	–	144.3	30.1	930.7
Brunei Darussalam	–	–	–	–	–	–	–	–	–	–
Cambodia	8.0	27.1	35.1	–	–	–	–	46.5	3.0	–
Indonesia	995.0	50.0	1,045.0	–	–	–	–	–	6.2	–
Lao People's Democratic Republic	–	–	–	11.0	–	–	–	60.0	4.1	–
Malaysia	10.0	–	10.0	–	–	–	–	–	–	–
Philippines	583.8	–	583.8	–	–	–	–	9.0	2.7	–
Thailand	–	–	–	–	–	–	–	–	1.0	–
Viet Nam	968.9	515.0	1,483.9	52.0	–	–	–	28.8	13.1	930.7
Regional	–	–	–	–	–	–	–	–	102.7	–
TOTAL	8,212.8	1,892.8	10,105.6	120.5	376.0	425.0	79.8	672.7	243.4	4,023.7

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

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 6a and 6b (Direct Value-Added Cofinancing Arrangements).

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

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

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

Message from the President and Chairman of the Board of Directors

The year 2007 proved to be, overall, another banner year for developing Asian economies. Again led by strong growth in the People's Republic of China and India, the economies of developing Asia and the Pacific expanded by 8.7%, slightly faster than in the previous year. This growth was widespread, with countries such as Indonesia and the Philippines picking up momentum.

In the latter half of the year, storm clouds began to gather on the international economic horizon. Asia has managed to weather the storm, buoyed by macro-economic fundamentals that have been substantially strengthened since the financial crisis of 1997/98. However, the region is by no means immune to international shocks. External instability demands that developing Asian countries continue to implement reforms to anchor and increase their resilience to external risks.

This is particularly important given the difficult development challenges that still lie ahead. Asia and the Pacific remain a region of two faces, with hundreds of millions still mired in poverty and growing economic disparities among and within countries. These disparities threaten both future growth and regional and global stability. Continued rapid economic growth is essential to reduce poverty, but it must be inclusive, to provide jobs for the poor and generate investment in the critical areas of health, education, and social safety net systems.

Another crucial challenge facing the region is to put growth on an environmentally sustainable footing. Alongside the environmental degradation that has accompanied the region's development, the growing reality of climate change puts at risk the lives and livelihoods of millions of the region's poor. In recent years, and certainly in 2007, the 10th anniversary of the Kyoto Protocol, the issue of climate change has risen to the top of the international development agenda, and the Asia and Pacific region must play a significant role in generating and implementing regional and global solutions.

The report of the Eminent Persons Group, tabled at ADB's 40th Annual Meeting last May, marked the launch of an extensive consultation on ADB's new long-term strategic framework, Strategy 2020. This

charts an exciting course for ADB from now until 2020. With inclusive growth, environmental sustainability, and regional cooperation and integration gaining momentum in recent years, ADB is prepared to focus its efforts to eradicate poverty on these three agendas, and our long history in the region gives us a distinct comparative strength with which to do so. Helping developing member countries pursue these agendas will ensure stability and more widely shared prosperity benefiting not only the Asia and Pacific region but the entire world.

ADB and its donor members began negotiations on the ninth replenishment of the Asian Development Fund (ADF X). The region can only prosper and achieve its full potential if its poorest nations are helped to reach their aspirations. An expanded ADF X is essential to support the fight against poverty and to progress toward the Millennium Development Goals in this part of the world, and will be used to the benefit of our poorer countries in full alignment with Strategy 2020.

Looking to operations, it was a very busy, productive, and exciting year for ADB. Our annual loan approvals grew from \$7.4 billion in 2006 to \$10.1 billion in 2007, clearly demonstrating the growing demand for ADB assistance in all parts of the region. Our relevance as a development institution depends on

Continued rapid economic growth is essential to reduce poverty, but it must be inclusive, to provide jobs for the poor and generate investment in the critical areas of health, education, and social safety net systems



ADB President Haruhiko Kuroda meets villagers in Shaanxi province in the arid loess plateau region of western People's Republic of China to better understand their trials and aspirations

our ability to respond effectively to such demands as the region continues to develop.

Recognizing the important role of the private sector in generating jobs and growth, ADB is placing more emphasis on private sector operations. In 2007, our private sector operations totaled \$1.7 billion, significantly above recent levels. The private sector will continue to play an increasingly vital role in the region, and we expect private sector operations to become a leading part of ADB operations by 2020.

As the Asia and Pacific region changes, so must ADB to stay responsive and focused on achieving development results. Since adopting the managing for development results framework in 2004, all of ADB's country strategies have been designed to link our interventions more clearly to expected development outcomes. Our growing portfolio reflects the continued improvements we are making in, among others, the quality of ADB projects; the financing options we offer; the processing time for projects and consultant recruitment; and our partnerships with nongovernment organizations, the private sector, and other development partners.

Of course, ADB's talented and dedicated staff members are central to these efforts. To ensure our ongoing

effectiveness, we continue to emphasize staff development. We recently completed our 2008 staff engagement survey and look forward to the review of ADB's human resource strategy, which will be undertaken this year. It is essential that we ensure ADB's continued ability to attract and retain the high-quality staff members needed to support the next phase of Asia's economic and social development.

We face the future with hope and confidence. We believe that our assistance, and our useful, timely, and relevant knowledge products, will significantly help our developing member countries toward transforming the region into one free of poverty, where all citizens can participate in and benefit from inclusive, environmentally sustainable growth. We look forward to the continued support of all our partners and shareholders as we take the next steps on this exciting journey.

HARUHIKO KURODA

President and Chairman
Board of Directors



Board of Directors

In keeping with ADB's ongoing and comprehensive reform agenda, the Board of Directors undertook a series of reviews that expanded ADB's capacity to assist member countries, and to do so more efficiently and with better results. It endorsed new country partnership strategies with several countries, and paid special attention to the situation and challenges facing the region's weakest and most vulnerable economies and societies.

The Board also supported revisions to ADB's grant framework linking a country's eligibility for grants to its debt status, and explored more appropriate and more reliable ways of assessing creditworthiness.

To strengthen ADB's internal capabilities and institutional effectiveness, the Board pressed on with reforms intended to bolster ADB's financial position, improve the capabilities of its staff, and enable ADB to operate more efficiently. These reforms were made even more urgent by the continuing growth in ADB's operations: the total loan portfolio approved by the Board in 2007 exceeded \$10 billion for the first time.

With the second medium-term strategy period drawing to a close and the new long-term strategic framework set to take effect in 2008, the Board was acutely aware of the need to realign ADB's policies and programs with the emerging new scenario in the Asia and Pacific region.

Board Meetings

The Board meetings covered a broad range of policy, financial, and administrative concerns, among them, ADB's approach to engaging with weakly performing countries and to providing debt relief to heavily indebted poor countries.

The Board reviewed ADB's prudential exposure limits on nonsovereign operations, the 1998 graduation policy, and the loan charges and allocation of 2006 net income. It discussed possible revisions in the framework for Asian Development Fund (ADF) grants and the borrowing program for 2008.

The Board met on ADB's annual financial statements, its budget for 2008, its work program and budget framework (2008–2010), and the salaries and benefits for national officers and administrative staff at headquarters, as well as those for professional staff.

It reviewed the 3-year rolling work program for 2008–2010 and budget for 2008 of the Asian Development Bank Institute. It discussed a paper on the resources of ADB and recommended its consideration by the Board of Governors at the Fortieth Annual Meeting.

Other Meetings

In September, a delegation from the World Bank's Board of Directors met with ADB's Board of Directors to discuss board effectiveness and other issues of mutual interest.

In October, the ADB Board held a retreat with Management to discuss the long-term strategic framework. The retreat proved helpful in getting early feedback on the framework.

Members of the Board also attended the first donors' meeting on the ninth replenishment of the

ADF (ADF X) in Sydney, Australia, in September, and the second meeting in Vientiane, Lao People's Democratic Republic, in November.

Country Partnership Strategies

The country partnership strategy or CPS (formerly the country strategy and program) maps out the ways that ADB can best partner with its member countries over the time frame of the CPS (usually 5 years), given each country's situation, challenges, and priorities. The CPS also enables ADB to evaluate the country's development performance over the CPS period.

The Board endorsed three CPSs—for the Maldives (2007–2011), Thailand (2007–2011), and Tonga (2007–2012)—as well as a joint country support strategy for the Kyrgyz Republic (2007–2010).

Board Group Visits

Members of the Board made two visits around the region to get a firsthand view of ADB projects and their impact, and to meet with government officials and other development stakeholders.

On 15–28 February, a team visited Papua New Guinea, Solomon Islands, and Vanuatu. Another team visited Uzbekistan and the Kyrgyz Republic on 16–26 June.

The visits strengthened ADB's relationship with its development partners and generated valuable feedback.

BOARD COMMITTEES

The Board is supported in its work by standing committees on audit, budget review, compliance review, development effectiveness, and ethics.

Audit Committee

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

Among the review and discussion topics taken up 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 auditors (June and December), ADB's annual financial statements, the review of private fund activities and analysis of the performance of fund managers, the audit strategy memorandum, and the audit risk assessment methodology. The committee also reviewed ADB's risk management capability and the monitoring of progress in integrating risk management in ADB.

The committee monitored and reviewed key issues and actions, including financial management and

accounting standards, information technology issues affecting key financial and accounting systems, and travel-related cost-saving measures.

The committee met 10 times.

Budget Review Committee

The committee discussed the President's planning directions in preparation for the drafting of the work program and budget framework (2008–2010). Later in the year, the committee met with the vice presidents and exchanged views on the draft highlights of the work program and budget framework. The committee also promoted a demand-driven approach to knowledge management, value addition to clients, and a clear strategic direction in ADB's knowledge products to achieve better results.

The committee discussed the 2008 draft budget, and noted the continuing efforts of regional departments to boost portfolio performance by improving disbursements and reducing at-risk projects. The committee noted that the growth in the work program was paralleled by the departments' efforts to improve efficiency, skills mix, and staff redeployment. The committee confirmed that the draft budget for 2008 was

consistent with the work plans and appropriate for consideration by the Board.

The committee met 10 times.

Compliance Review Committee

Set up under ADB's accountability mechanism, the committee clears the Compliance Review Panel's proposed terms of reference and time frame for compliance reviews. The committee also comments on the draft monitoring reports of the panel on the implementation of remedial actions approved by the Board.

The committee confirmed that the draft budget for 2008 was consistent with the work plans and appropriate for consideration by the Board



Board members visit Papua New Guinea to support skills development



Board members visit Gold Ridge Mine, Solomon Islands

The committee reviewed the draft monitoring reports of the panel on the implementation of the Board-approved remedial actions in the Southern Transport Development Project in Sri Lanka and the Chashma Right Bank Irrigation Project (Stage III) in Pakistan. The monitoring reports are posted on the panel's website (www.compliance.adb.org). The committee also informally discussed the compliance review process with the panel members.

The committee met twice.

Development Effectiveness Committee

The committee was created in 2001 to help the Board ensure the development effectiveness of ADB programs and operations.

The committee reviewed and discussed 12 evaluation reports prepared by the Operations Evaluation Department, and three Management reports on the implementation of the poverty reduction strategy and progress in managing for development results. The committee also deliberated administrative issues.

The four country assistance program evaluations reviewed and discussed by the committee were those for the People's Republic of China, India, Pakistan, and Sri Lanka. The five special evaluation studies covered the performance of technical assistance, indigenous peoples

safeguards, private sector development and operations, the energy policy 2000 review, and the Global Environment Facility. Two annual reports were taken up: the annual report on the performance of the 2006 portfolio and the annual evaluation review in 2007.

While taking note of the general progress made, the committee recommended improvements in ADB's performance in its programs and operations.

The committee met 13 times.

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 advises the directors, alternate directors, or the President on actual or potential conflicts of interest or other ethical issues concerning themselves. The committee also considers allegations of misconduct against directors, alternate directors, or the President that relate to the performance of their duties, and it recommends appropriate action to the Board.

The committee met several times to discuss policies and procedures.

Board of Directors

EXECUTIVE DIRECTORS



Masaki Omura



Marita
Magpili-Jimenez



Patrick Pillon



Md. Saad Hashim



Phil Bowen



Wencai Zhang



Curtis S. Chin

ALTERNATE EXECUTIVE DIRECTORS



Richard Stanley



Nima Wangdi



Atsushi Mizuno



Sibtain Fazal Halim



Paul W. Curry



Siew Juan Aw



João Simões de
Almeida

PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS

Haruhiko Kuroda



Sebastian Paust



Ceppie K.
Sumadilaga



Howard Brown



Ashok K. Lahiri



Kyung-Hoh Kim



Tsuen-Hua Shih



Fangyu Liu



Uğur Salih Uçar



Dereck Rookens-
Smith



Patrick Brandt

MANAGEMENT



Rajat M. Nag



Ursula Schaefer-
Preuss



Bindu N. Lohani



Liqun Jin



C. Lawrence
Greenwood, Jr.



Shyam P. Bajpai

A photograph of two women, likely of Southeast Asian descent, wearing red sarongs. They are both looking down at a smartphone held by the woman on the left. The background is blurred, suggesting an indoor setting. The image is framed by a white border, which is itself set against a larger orange background.

Policy and Strategy Overview

ADB formally began a comprehensive review of its long-term strategic framework to keep the institution relevant and effective as a regional development bank. It convened a panel of six eminent persons in 2006 to provide insights on the future of the region and the role of ADB.

The Eminent Persons Group's report, commissioned by President Kuroda and made public in March 2007, envisioned a dramatically transformed Asia by 2020: most countries would have conquered widespread absolute poverty but would be facing formidable development challenges, stemming largely from unprecedented growth and economic successes.

The report urged ADB to become better prepared to help members meet these challenges by adopting three mutually complementary strategic directions— inclusive growth, environmentally sustainable growth, and shift from a national to a regional and global focus. To become more responsive and enhance institutional effectiveness, the report also urged ADB to be more selective in its operations and to streamline its business processes further.

Internal and external stakeholders were consulted extensively on the way forward for ADB. Several in-house studies, notably on inclusive growth, and a special evaluation study by the Operations Evaluation Department on the implementation of the long-term strategic framework (2001–2015) during 2001–2006, were produced to aid discussion and build consensus. A retreat was organized in October with ADB's Board of Directors and Management to deliberate on the new long-term strategic framework until 2020 and on measures to enhance ADB's institutional effectiveness.

The vision of an Asia and Pacific region free of poverty continues to be the foremost aspiration of ADB's member countries. Preliminary analysis and consultations, however, have revealed the changing nature of poverty in the region and the need to place much greater and concerted attention on inclusive growth: creating opportunities through economic growth and private sector development, and giving all citizens more chances to participate in and benefit from growth. The increasing importance of environmental sustainability and the role of regional cooperation and integration have also been noted.

Under the new long-term strategic framework to be adopted in 2008, ADB will define its role and strategic directions to guide operations in 2008–2020, with strong emphasis on achieving development impact in developing member countries in association with a wide range of partners within and outside the region.

REPLENISHMENT AND MANAGEMENT OF ASIAN DEVELOPMENT FUND RESOURCES

On the sidelines of the 2007 Annual Meeting in Kyoto, Japan, ADB met informally with donors to the Asian

Development Fund (ADF) in preparation for the negotiation of the ninth replenishment of the ADF (ADF X).

At the first meeting in Sydney, Australia, in September, ADB called for an ADF X significantly larger than ADF IX, as this replenishment covering 2009–2012 would be the last chance to have an impact on the Millennium Development Goals by the target date of 2015. New challenges such as climate change, the plight of weakly performing countries, and the potential for enhanced regional cooperation also need to be given special attention. The role and priorities of the ADF in the international aid architecture were examined, and the conclusion was that poverty reduction should be the goal of ADF X. Meeting participants agreed that ADF operations should be more selective, and endorsed the proposed sector focus on infrastructure (including rural and social infrastructure) and education.

Both the meeting in Sydney and the one that followed in Vientiane, Lao People's Democratic Republic, in November noted that operational effectiveness had improved, and highlighted the need to increase institutional effectiveness. Managing for development results was seen as crucial to this quest, along with human resource reforms, streamlined business processes, continued strengthening of resident missions, and further decentralization of decision making. Discussions also centered on the performance-based allocation of ADF resources, the new grants framework based on the debt-repayment capacity of recipient countries, and ADB's participation in the debt relief initiative for heavily indebted poor countries. The Operations Evaluation Department presented preliminary findings of a special evaluation study on ADF VIII (2001–2004) and ADF IX (2005–2008), which was critical of the targeting-of-the-poor approach applied under ADF VIII but more positive about ADB's present approach to poverty reduction. The study recommended that the ADF be enlarged to accelerate the achievement of the Millennium Development Goals.

The ADF X replenishment negotiations are expected to be concluded by early May 2008, ahead of the Annual Meeting in Madrid, Spain.

**An Asia and Pacific
region free of poverty
continues to be the
foremost aspiration
of ADB's member
countries**

DEVELOPMENT EFFECTIVENESS

Managing for Development Results

ADB continued to implement the managing for development results (MfDR) initiative as the cornerstone of its reform agenda. In line with the MfDR Action Plan for 2006–2008, implementation rests on three key pillars: supporting the capacity of developing member countries to manage for development results, enhancing ADB's results orientation, and maintaining effective results partnerships.

Supporting the capacity of developing member countries to manage for development results. With the introduction of results-based country partnership strategies, ADB's regional departments have enhanced national dialogue on MfDR, with particular attention to country systems and capacity to manage for outcomes. Technical assistance in support of national MfDR agendas, including pilot initiatives financed from the MfDR Cooperation Fund, continued. In parallel, ADB's Economics and Research Department is pursuing a new approach to statistical capacity building (SCB), paying closer attention to weak developing member countries (DMCs), as well as identifying longer-term financing for SCB via the Fund for Asia-Pacific Statistical Capacity Building.

The Community of Practice on Managing for Development Results (CoP-MfDR), established in March 2006 with ADB sponsorship, has emerged as an important initiative to build sustainable partnerships and networks in participating DMCs. The CoP-MfDR

now comprises more than 80 active members from 18 DMCs, development partners, private sector and civil society organizations, and over 200 peripheral members.

Improving ADB's results orientation. Results-based operational tools are now in place and widely used across ADB. The country programming and related business processes have been strengthened with revised guidelines, the design and monitoring frameworks for results-based projects and country partnership strategies have improved, and results are increasingly monitored and discussed with governments during country portfolio reviews, now more often held jointly with other development partners. The results orientation was further enhanced in institution-wide reports and planning documents, including the annual report on the implementation of the poverty reduction strategy, the reform agenda, and the progress report on the MfDR Action Plan. In the interest of greater clarity and simplicity, starting in 2008, ADB will consolidate these reports into a single review on development effectiveness.

ADB continued to implement the managing for development results initiative as the cornerstone of its reform agenda



The long-term strategic framework will guide ADB operations in 2008–2020



ADF X participants agreed that operations should be more selective and center on infrastructure and education

To support the new development effectiveness reporting system and the ADF X replenishment process, ADB also started to prepare country briefs on development effectiveness to give development partners a better sense of ADB's key contributions to national development outcomes and aid effectiveness. A more comprehensive MfDR curriculum was developed for staff learning and development. So far, 11 MfDR learning programs, including three programs for director-level staff and above, have been implemented.

Maintaining effective results partnerships. ADB remained a lead member of the emerging global partnership on MfDR, in particular by cochairing the Organisation for Economic Co-operation and Development (OECD)–Development Assistance Committee Joint Venture on MfDR, contributing to the annual editions of the Common Performance Assessment System (COMPAS) developed by multilateral development banks, cosponsoring the Third International Roundtable on MfDR (Ha Noi, Viet Nam, February), and sharing knowledge of and experience in MfDR with other multilateral development banks.

The Operations Evaluation Department independently evaluated the progress of MfDR, and, among other things, concluded that ADB's progress and challenges were generally comparable to those of other multilateral development banks.

Implementing the Paris Declaration

ADB has worked closely with other funding agencies and partner countries in supporting the Paris Declaration on Aid Effectiveness and Harmonization.

To harmonize reporting on implementation with its partners, ADB is using a quantitative and qualitative monitoring framework similar to that of the World Bank and OECD. The declaration commitments are tracked through a set of 12 indicators to measure implementation status against global targets set for 2010. A first round of monitoring, by OECD in 2006, covered six ADB member countries. A second round, by the Strategy and Policy Department in 2007, dealt with 13 countries.

The monitoring has revealed mixed results thus far. For some indicators—coordinated technical support, the use of country public financial management and procurement systems, aid predictability, and joint analytic work—the results are reassuring, and with some extra effort the 2010 targets are likely to be achieved. However, for others—the use of program-based approaches and parallel implementation structures and joint missions—much more needs to be done to reach the desired goals. ADB is actively engaged with its partner countries in the run-up to the Third High Level Forum on Aid Effectiveness (Accra HLF), scheduled in 2008, to help present a regional perspective and report on progress made in the Asia and Pacific region.

A special evaluation study by the Operations Evaluation Department on ADB's approach to partnering and harmonization found ADB's achievements to be substantially under-recorded. Its principal recommendations were to clarify what qualifies (and what does not) as meeting the Paris declaration commitments, particularly for program-based approaches, and to strengthen ADB's management information systems related to its activities in support of the Paris

declaration. ADB, through its relevant departments and resident missions, is now working closely with OECD to consider these recommendations.

ADB's Approach to Weakly Performing Countries

On 30 May, ADB's Board of Directors endorsed an approach to dealing with weakly performing countries (WPCs). ADB identifies WPCs based on country performance assessments carried out under the performance-based allocation policy, and taking into account conflict or post-conflict situations in the countries. A WPC is either ranked in the fourth or fifth quintile during country performance assessments for 2 of the most recent 3 years or considered to be in, or recovering from, conflict and thus fragile. Weak performance and fragility do not disappear when a country shows a small improvement in performance scores that might move it slightly above a cutoff point. Higher-income or higher-performing countries in vulnerable post-conflict or political transition situations, as well as countries with fragile areas that could have spillover effects on neighboring countries, also require particular types of engagement.

ADB takes a selective approach to WPCs: it will generally support a limited number of major reforms to extend the benefits of development, and augment capacity so as to strengthen ownership and the ability to absorb and manage assistance, for more effective development. Thus, in these countries, ADB will increase technical assistance and other grant-funded operations, and strengthen partnerships, including cofinancing opportunities. In parallel, ADB will keep refining its approach to identifying weak performance, rethinking its operational planning, and adapting its business processes and instruments to suit the needs and capabilities of individual WPCs.

ADB intends to further strengthen its operations in WPCs by increasing coordination, mutual learning, and networking with partners through the newly established WPC committee and a WPC focal point. ADB's work program and budget framework for 2008–2010 indi-

cates that ADB will step up the use of grant resources, including those from the Japan Fund for Poverty Reduction, for WPCs, and allocate 20% more technical assistance to these countries than in 2004–2006.

IMPROVING INSTITUTIONAL EFFICIENCY

Review of Technical Assistance Management

The comprehensive review of ADB technical assistance (TA) operations proceeded, with a view to increasing their development effectiveness.

While developing member countries generally appreciate ADB's TA, the special evaluation study of the Operations Evaluation Department on TA performance concluded that only about two thirds of ADB's TA activities have been successful. This is below the 70% success rate target established under the poverty reduction strategy, indicating considerable room for improvement in development effectiveness.

The ongoing review has systematically covered strategy, planning, quality, implementation, ownership, and financial management issues. The proposed reforms combine product and procedural changes and pay particular attention to defining responsibility and accountability for decisions and outcomes at various steps, shifting decision-making responsibility (and accountability for the results of the decision) to the lowest appropriate level, while clarifying the type of oversight that higher levels in the organization should provide. The review is expected to be completed in 2008.

The TA reforms also present an opportunity to tackle some concerns related to TA financial management. In recent years, TA financing has increasingly been sourced from externally funded trust funds. While more diversified funding has allowed ADB to maintain a sizable and stable program in the face of fluctuating financial flows, overreliance on trust funds also carries some risks. First, the objectives of the suppliers of funds may not match ADB's or the region's priorities. Second, ADB staff and developing member countries can incur substantial transaction costs in aligning to different guidelines, procedures, and reporting requirements.

ADB has responded to these trends through a financing partnership approach, with the creation of facilities to support broad themes that address the priorities of ADB and the Asia and Pacific region. So far, such facilities have been established for water (November 2006), regional cooperation (February 2007), and clean energy (April 2007). By the end of 2007, over \$85 million had been mobilized, \$40 million of this

ADB will strengthen its operations in weakly performing countries by increasing coordination, mutual learning, and networking with partners

from ADB's resources. ADB will also try to harmonize guidelines across funds and encourage contributors to bilateral trust funds to merge their funds with the broader facilities as far as possible.

Strengthening Resident Mission Operations

ADB started to review its resident mission operations in 2007, to assess the extent to which the objectives and expectations of the 2000 resident mission policy are being achieved, to identify issues and constraints on effective implementation, and to find ways of resolving them. The ongoing review is also looking into recent changes in ADB's strategic and operational context, and assessing how these changes have affected or might affect resident mission operations. The ultimate objective of the exercise is to come up with short- and medium-term options for improving resident mission operations. The review also draws on the findings of the Operations Evaluation Department's Special Evaluation Study on Resident Mission Policy and Related Operations: Delivering Services to Clients, which included extensive survey work.

The preliminary findings of this review show that resident mission activities have significantly expanded to meet the broad objectives of the 2000 resident mission policy (Table 2). Evidence from various sources suggests that delegation to resident missions has had a positive impact on ADB operations. To sustain and amplify the encouraging results, the Strategy and Policy Department will recommend ways to further strengthen the implementation of the policy over the short to medium term. The final paper on the review is expected to be completed by the first half of 2008.

TABLE 2 Evolution of Resident Mission Responsibilities since the Approval of the Resident Mission Policy

Resident Mission Activities	ADB Total			
	2000		2007	
	No.	%	No.	%
Resident Missions Leading Country Programming	3	23	21	91
Public Sector Projects Processed	5	7	5	7
Technical Assistance Processed	6	2	26	11
Public Sector Projects Administered	67	15	187	39
Technical Assistance Administered	65	6	147	16

Sources: Budget, Personnel, and Management Systems Department; 2002 Review of the Implementation of Resident Mission Policy; budget document; project performance report system; technical assistance performance system; project processing information system; regional departments.

Delegation to resident missions has had a positive impact on ADB operations

Innovation and Efficiency Initiative

ADB continued to implement the innovation and efficiency initiative, which is aimed at improving ADB's business model and aligning services, products, and practices more closely with client priorities and market trends.

Cost sharing and eligibility of expenditures. New country cost-sharing ceilings and financing parameters for 13 developing member countries have been agreed on and approved. In most cases, the new portfolio ceilings (which define the share of project cost that ADB can finance) are higher than the old project ceilings. Depending on the project and the sector, the new ceilings can

Multitranchise Financing Facility for the Rural Roads Sector II Investment Program in India

This multitranchise financing facility (MFF) supports a program to bring economic growth to the rural communities of Assam, Orissa, and West Bengal. All-weather roads are to be built to give people better access to markets and social services. The total cost of the investment program is estimated at \$2.1 billion. ADB has agreed to make available up to \$750.0 million in several tranches over 5 years.

Advance action was allowed with the first MFF financing request and, in accordance with the new policy on eligibility of cost sharing and expenditures, retroactive financing was permitted for contracts awarded as early as 12 months before loan signing. This allows the executing agency to contract services and goods well before the first loan is signed. The size of the financing request can then be based on the volume of contracts already awarded. This MFF was approved in December 2005. In 2006, contracts worth about \$172.0 million were awarded, and the first loan for \$180.0 million was signed in August and took effect in October. The entire amount of the loan has been contracted out and \$110.4 million, or close to 61.3% of the loan amount, has been disbursed.

go up to 99%. The financing of reasonable taxes is now generally allowed for both loans and grants, as is the financing of recurrent costs, subject to sustainability.

New financing instruments and modes. Among the new financing instruments, the multitranche financing facility (MFF) has emerged as the most-used and most-sought-after product. As of 31 December, 17 MFFs, with total available financing of \$9.4 billion, had been

approved. Flexibility, lower costs, and a programmatic approach under a partnership agreement are all attractive features of the MFF.

Several of these facilities have been performing well in terms of contract awards and disbursements. In view of the large volume of MFFs that have been approved or are in the pipeline, the incorporation of this pilot instrument into ADB's operational tool kit by the first half of 2008 is being proposed.

With respect to the other instruments, as of the end of 2007, five nonsovereign public sector financing facilities had been processed (all of them corporate loans to state-owned enterprises), and one transaction was being considered under the refinancing facility. While ADB expects few proposals for refinancing transactions, the facility is still useful where public interest is involved or where demonstration projects are needed to establish a precedent in the market. Local-currency loan products were made available to five countries—the People's Republic of China, India, Indonesia, Kazakhstan, and the Philippines—with a total of 13 loans (all of them for the private sector) worth \$779.5 million approved. By extending or guaranteeing long-term local-currency loans, ADB can play an important role in selected developing member countries in ensuring the sustainability of companies and projects, particularly those that generate revenues only in local currency.

Country strategies and business processes. For the effective implementation of ADB's new business processes in preparing country partnership strategies (CPSs), Management approved on 21 February the revised Operations Manual section on CPSs and the new CPS guidelines, which emphasize results orientation, selectivity, and the participation of governments, the private sector, and civil society. Two workshops were held in September to familiarize staff with the new guidelines.

Safeguard Policy Update

The Operations Evaluation Department 2006 studies on the three safeguard policies (environment, indigenous people, and involuntary resettlement) highlighted the need to improve safeguard implementation, clarify policy principles, streamline procedures, and better align ADB's safeguard requirements with those of its developing member countries. The ongoing safeguard policy update is aimed at making ADB's safeguard policies more effective and more relevant to changing client needs. In particular, the policy update will include clearer, more coherent, and more consistent safeguard requirements; a better balance between a front-loaded approach and attention to the delivery of results during

Reducing the Cost of Doing Business with ADB

Through the innovation and efficiency initiative and the broader reform agenda, ADB has become better able to respond to clients, and the results are becoming apparent. For example, business process streamlining has reduced processing time (Table 3).

TABLE 3: Average Processing Time from Loan or TA Fact Finding to Board Approval (months)

Year	Sovereign Loan Projects	Nonsovereign Operations ^a	Grants
1998	21	9	—
1999	26	14	—
2000	26	9	—
2001	24	10	—
2002	25	9	—
2003	27	6	—
2004	23	6	—
2005	23	12	8
2006	22	8	12
2007	20	8	9

— = not applicable, TA = technical assistance.

^a Concept clearance date is used where the loan or TA fact-finding date is not available.

In parallel, the Board approved on 7 December simplified and reduced loan charges for new loans from ordinary capital resources to sovereign borrowers or borrowers with sovereign guarantee, negotiated on or after 1 October. Under the new loan pricing structure, the effective contractual spread has been reduced to 0.20% per year and the annually approved waiver mechanism abolished. All new London interbank offered rate (LIBOR)-based loans will carry a small commitment charge of 0.15%, down from 0.75% for program loans and 0.35% for project loans. Front-end fees have also been eliminated.



Experience in managing for development results was shared at the Shanghai International Program for Development Evaluation Training

project implementation; safeguard practices that are more in harmony with those of other multilateral financial institutions, and approaches tailored to the varying safeguard systems and implementation capacities of ADB's developing member countries; safeguard policies that are more adaptable to new lending modes and instruments; and improved internal processes and resource allocation. An overarching safeguard policy statement covering the three safeguard policies is expected to be presented for Board consideration in the fourth quarter of 2008.

Disclosing Information on ADB Operations

The public communications policy, adopted in April 2005, has increased ADB's accountability and transparency. The policy commits the institution to proac-

tively making information available and to responding to ad hoc requests for information. ADB has taken a firm stand in favor of disclosure. The information on ADB-assisted projects that is disclosed on the ADB website has increased continuously since the policy was adopted (from an average of 73 documents posted monthly in 2005, after the policy took effect, to 86 in 2006 and 104 in 2007). The public disclosure advisory committee has so far received no complaints or petitions to review denied requests.

A significantly greater number of project summaries have been posted on the ADB website. Compliance with the circulation of documents, including social and environmental information, to the Board continues to be high but could be more timely. Project appraisal reports of private sector operations are disclosed after confidential information is excised, in a significant step toward increased transparency. The minutes of all ADB Board meetings and the chair's summaries of Board discussions on ADB policies and strategies are posted on the ADB website. Country partnership and regional cooperation strategies are also circulated in draft form to increase country ownership. ADB's core administrative documents, such as the budget, are posted online.

ADB, along with 30 other organizations, was recently assessed in 2007 *Global Accountability Report*, published by One World Trust, and received a perfect (100%) score for good practice in transparency because of its public communications policy.

ADB aims to make safeguard policies more effective and more relevant to changing client needs and new modes of lending



Financing Operations

Authorized and subscribed capital stock amounted to \$56.0 billion. ADB raised funds totaling \$8.9 billion, of which \$2.0 billion was raised through two US dollar global public offerings. Ordinary capital resources (OCR) gross income, which includes revenue and net realized gains, amounted to \$2.2 billion, \$1.4 billion of which was generated from the loan portfolio, \$680.4 million from the investment portfolio, and \$104.5 million from other sources, of which \$80.7 million came from equity investment operations.

ADB's Special Funds are the Asian Development Fund (ADF) with 2007 committed resources amounting to \$0.6 billion, Technical Assistance Special Fund of \$14.4 million, Japan Special Fund of \$39.7 million, ADB Institute Special Fund of \$11.8 million, Asian Tsunami Fund of \$22.6 million, Pakistan Earthquake Fund of \$22.6 million, and Regional Cooperation and Integration Fund of \$41.2 million.

FUNDING

ADB raised funds totaling \$8.9 billion, of which \$2.0 billion was raised through two US dollar global public offerings.

OVERVIEW OF OPERATIONS

ADB approved 96 loans (82 projects) for \$10.1 billion, 5 equity investments for \$79.8 million, 4 guarantees for \$376.0 million, 2 syndication operations for \$425.0 million, 39 grant projects for \$672.7 million, 242 technical assistance projects for \$243.4 million, and 7 multitranchise financing facilities for \$4.0 billion.

LOANS

Sovereign lending amounted to \$9.2 billion (Table 4) for 74 loans (61 projects and programs), comprising 38 loans from ADB's OCR for \$7.4 billion, and 36 loans from the ADF for \$1.9 billion. These amounts include 15 OCR

Transport and communications received the largest share of lending

loans for \$2.0 billion and three ADF loans for \$50.0 million from multitranchise financing facilities. Overall, sovereign lending increased 36% over the \$6.8 billion approved in 2006 (an increase of 33% for OCR lending and increase of 49% for ADF lending). Three nonsovereign public sector loans to state-owned enterprises for \$105.0 million were approved. Nineteen nonsovereign loans (19 projects) to the private sector for \$760.3 million were also approved—79% more than the \$425.0 million for seven loans (six projects) in 2006.

Of the 82 projects and programs approved in 2007, 62 (76%) were general interventions, and 20 (24%) were targeted interventions. Sustainable economic growth was the most prevalent theme and was associated with 71 projects. Transport and communications, among the sectors, received the largest share of lending (39%) (Table 5).

The 71 projects approved in 2007 will result in total investments of about \$17.3 billion: \$7.8 billion (45%) will be financed by ADB; \$4.2 billion (24%) by governments and borrowers; \$5.3 billion (30%) by

TABLE 4 Top Recipients by Approval, 2007

(\$ million)

Recipient	Loans		TA	Grants	Total
	Sovereign	Nonsovereign			
Pakistan	1,869.8	150.0	20.2	32.0	2,072.0
Viet Nam	1,438.9	45.0	13.1	28.8	1,525.8
India	1,232.1	154.3	10.8	—	1,397.2
China, People's Republic of	1,146.7	160.0	20.5	—	1,327.2
Indonesia	950.0	95.0	6.2	—	1,051.2
Bangladesh	965.7	—	7.7	—	973.4
Philippines	583.8	—	2.7	9.0	595.5
Sri Lanka	415.0	27.5	0.6	32.5	475.6
Azerbaijan	200.0	56.0	—	—	256.0
Afghanistan	—	—	4.5	188.8	193.3
Regional	—	20.0	102.7	—	122.7
Other DMCs	438.3	157.5	54.5	381.6	1,032.0
Total	9,240.3	865.3	243.4	672.7	11,021.8

— = 0, DMC = developing member country, TA = technical assistance.

Note: Totals may not add up because of rounding.

cofinanciers, equity sponsors, and local financial institutions; and \$111.2 million (1%) by project beneficiaries. Five projects amounting to \$503.2 million will be financed under sector lending, compared with four projects amounting to \$314.2 million in 2006.

The 11 policy-based programs approved in 2007 were valued at \$2.5 billion, compared with 15 programs for \$3.1 billion in 2006. Three program loans approved in 2007 were coupled with an investment project loan or a technical assistance loan.

EQUITY OPERATIONS

Five equity investments for \$79.8 million were approved in 2007, compared with 13 for \$250.5 million in 2006.

COFINANCING AND GUARANTEE OPERATIONS

Total direct value-added cofinancing amounted to \$1.1 billion for 78 projects, of which \$1.0 billion was for 18 investment projects and \$89.7 million was for 60 technical assistance projects. Direct value-added cofinancing for investment projects comprised \$376.0 million for 4 guarantee operations, \$425.0 million in B-loans for 2 projects, \$101.4 million for 10 grant operations, and \$120.5 million for 6 official loan cofinancing operations (Tables 6a and 6b). Nondirect value-added cofinancing amounted to about \$2.2 bil-

lion in the form of parallel grants and loans for 11 ADB-financed projects and programs.

In 2007, Australia, Norway, and the Netherlands committed a total of \$56.5 million to the innovative Water Financing Partnership Facility, or more than 50% of the original target of \$100.0 million by the end of 2008. ADB started to manage the Asia Pacific Carbon Fund to acquire future flows of certified emission reduction credits on behalf of participants, in return for up-front cofinancing payments. By the end of 2007, a total of \$151.8 million had been remitted to this fund through Instruments of Contributions from Belgium, Finland, Luxembourg, Portugal, Spain, Sweden, and Climate Cent Foundation. Two new facilities were established: the Clean Energy Financing Partnership Facility, with contributions of \$5.9 million from Australia and \$5.6 million from Norway; and the Regional Cooperation and Integration Financing Partnership Facility.

ADB agreed with Japan on a strategic partnership called Enhanced Sustainable Development in Asia (ESDA) to improve investment climates, including regional cooperation and energy efficiency, in Asia. Under the ESDA framework, the Japan Bank for International Cooperation, through the Accelerated Co-Financing scheme with ADB (ACFA), agreed to provide concessional yen loans for an aggregate \$1 billion–\$2 billion over the next 5 years to jointly cofinance ADB projects. Japan also established two trust funds linked to the new financing partnership facilities: the Asian Clean Energy Fund and the Investment

TABLE 5 Operations by Sector, 2006–2007

Sector	Loans				Grants			
	2006		2007		2006		2007	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
Agriculture and Natural Resources	800.2	11	146.3	1	130.6	24	22.8	3
Education	250.9	3	145.0	1	46.7	9	61.0	9
Energy	1,369.5	19	1,403.7	14	3.0	1	25.4	4
Finance	1,787.0	24	1,158.0	11	72.1	13	2.0	0.3
Health, Nutrition, and Social Protection	–	–	50.0	0.5	72.0	13	31.0	5
Industry and Trade	10.0	0.1	95.0	1	0.5	0.1	17.0	3
Law, Economic Management, and Public Policy	220.0	3	1,179.5	12	8.3	2	16.5	2
Transport and Communications	1,433.2	19	3,925.8	39	131.4	25	319.9	48
Water Supply, Sanitation, and Waste Management	638.8	9	408.2	4	–	–	7.5	1
Multisector	879.7	12	1,594.1	16	69.9	13	169.7	25
Total	7,389.3	100	10,105.6	100	534.4	100.0	672.7	100

– = 0.

Note: Totals may not add up because of rounding.

TABLE 6a Direct Value-Added Cofinancing Arrangements,^a 2004–2007

(\$ million)

	2004			2005			2006			2007		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	0.0	10.0	10.0	18.4	50.0	68.4	0.0	124.8	124.8	0.0	376.0	376.0
Syndications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	530.0	530.0	0.0	425.0	425.0
Grants	68.2	0.0	68.2	225.9	0.0	225.9	166.1	0.0	166.1	101.4	0.0	101.4
Official Loans	142.0	0.0	142.0	22.5	0.0	22.5	565.2	0.0	565.2	120.5	0.0	120.5
Subtotal	210.2	10.0	220.2	266.8	50.0	316.8	731.3	654.8	1,386.1	221.9	801.0	1,022.9
Technical Assistance Projects												
Grants	75.2	0.0	75.2	78.9	0.0	78.9	92.7	0.0	92.7	89.7	0.0	89.7
Total DVA Cofinancing	285.4	10.0	295.4	345.7	50.0	395.7	824.1	654.8	1,478.9	311.5	801.0	1,112.5

DVA = direct value-added.

Note: Totals may not add up because of rounding.

a Cofinancing under administrative or collaborative arrangements with ADB.

TABLE 6b Direct Value-Added Cofinancing Arrangements,^a 2004–2007 (number of projects^b)

	2004			2005			2006			2007		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Investment Projects												
Guarantees	0	1	1	1	1	2	0	3	3	0	4	4
Syndications	0	0	0	0	0	0	0	5	5	0	2	2
Grants	6	0	6	12	0	12	12	0	12	10	0	10
Official Loans	7	0	7	2	0	2	10	0	10	6	0	6
Subtotal	13	1	14	14	1	15	21	7	28	12	6	18
Technical Assistance Projects												
Grants	96	0	96	96	0	96	74	0	74	60	0	60
Total	109	1	110	110	1	111	95	7	102	72	6	78

DVA = direct value-added.

a Cofinancing under administrative or collaborative arrangements with ADB.

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

Climate Facilitation Fund. The first ADB project under ACFA was approved with a loan of \$38 million for the Power Sector Expansion Project in Samoa.

GRANTS

ADB approved 39 grant projects for \$672.7 million in 2007 (Table 7). Of this amount, \$519.3 million was funded from ADF IX; \$30.0 million from the Pakistan Earthquake Fund; and \$123.4 million from external sources with full or partial administration by ADB, comprising \$22.0 million from the Japan Fund for Poverty Reduction, and \$101.4 million from other bilateral and multilateral sources (Australia, Canada, Finland, France, Norway, European Commission, Global Environment Facility, HIV/AIDS Cooperation Fund).

Of the 39 grant projects, sustainable economic growth was the most prevalent theme and was

TABLE 7 Top Recipients of Grants by Approval,^a 2007

Recipient	\$ million
Afghanistan	188.8
Nepal	111.0
Lao People's Democratic Republic	60.0
Kyrgyz Republic	53.6
Cambodia	46.5
Sri Lanka	32.5
Pakistan	32.0
Samoa	29.3
Viet Nam	28.8
Tajikistan	22.8
Other DMCs	67.4
Total	672.7

DMC = developing member country.

a Includes cofinanced grants.

associated with 25 projects. Transport and communications received the largest share among the sectors (48%).

In addition, \$126 million in parallel grants, not administered by ADB, were provided from multilateral and bilateral institutions for a project in Viet Nam.

TECHNICAL ASSISTANCE

A total of 242 technical assistance (TA) projects for \$243.4 million, including 197 new projects and 45 supplementary projects, were approved in 2007. This amount is 0.9% more than the 259 projects for \$241.2 million approved in 2006. Of the 242 TA projects, 66 were for project preparation, 94 were advisory, and 82 were for regional assistance. Of the total amount approved, \$101.3 million will be financed from the Technical Assistance Special Fund, \$43.1 million from the Japan Special Fund, \$2.0 million from the Pakistan Earthquake Fund, \$7.4 million from the Regional Cooperation and Integration Fund, and the remaining \$89.7 million from other multilateral and bilateral sources (Table 8).

Sustainable economic growth was the most prevalent theme

MULTITRANCHE FINANCING FACILITIES

Seven multitranche financing facilities totaling \$4.0 billion were approved in 2007, compared with eight for \$3.8 billion in 2006.

TABLE 9 Resource Transfers to Developing Member Countries

(\$ million)		2006	2007
OCR			
Loan Disbursements	4,420	5,234	
Principal Repayments ^a	(1,736)	(1,454)	
Payments of Interest/Charges	(1,185)	(1,395)	
Net Equity Investment	(14)	(8)	
Net	1,486	2,377	
ADF			
Loan Disbursements	1,338	1,618	
Principal Repayments	(468)	(586)	
Payments of Interest/Charges	(203)	(210)	
Net	666	821	
TOTAL	2,152	3,198	

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

a Includes prepayments of \$80.1 million (\$460.3 million in 2006).

TABLE 8 Top Recipients of Technical Assistance by Approval, 2007

(\$ million)

Recipient	TASF	JSF	PEF	RCIF	Others	Total	%
China, People's Republic of	17.3	–	–	–	3.2	20.5	8.4
Pakistan	5.7	1.0	2.0	–	11.5	20.2	8.3
Timor-Leste	3.0	–	–	–	12.0	15.0	6.2
Viet Nam	3.3	6.7	–	–	3.1	13.1	5.4
India	3.5	6.8	–	–	0.5	10.8	4.4
Bangladesh	4.9	1.8	–	–	1.0	7.7	3.2
Nepal	4.9	2.0	–	0.3	0.1	7.2	3.0
Indonesia	4.5	0.9	–	–	0.8	6.2	2.5
Afghanistan	2.8	–	–	–	1.7	4.5	1.9
Lao People's Democratic Republic	1.4	2.3	–	–	0.5	4.1	1.7
Other DMCs	11.8	14.6	–	–	5.0	31.4	12.9
Regional	38.3	7.0	–	7.1	50.3	102.7	42.2
Total	101.3	43.1	2.0	7.4	89.7	243.4	100.0

– = 0, DMC = developing member country, JSF = Japan Special Fund, PEF = Pakistan Earthquake Fund, RCIF = Regional Cooperation and Integration Fund, TASF = Technical Assistance Special Fund.

Note: Totals may not add up because of rounding.

TABLE 10 Cumulative Nonsovereign Operations by Top Countries, 1983–2007^{a, b}

	\$ million	%
India	1,401	18.3
China, People's Republic of	1,290	16.8
Indonesia	824	10.8
Pakistan	721	9.4
Kazakhstan	550	7.2
Philippines	448	5.8
Thailand	319	4.2
Viet Nam	300	3.9
Sri Lanka	280	3.7
Bangladesh	242	3.2
Afghanistan	138	1.8
Lao People's Democratic Republic	100	1.3
Other DMCs	75	1.0
Azerbaijan	66	0.9
Nepal	59	0.8
Regional	850	11.1
Total	7,663	100.0

DMC = developing member country.

Note: Totals may not add up because of rounding.

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

b Net of facilities cancelled in full before signing.

RESOURCE TRANSFERS

The year showed significant improvement in disbursement, compared with the past 10 years. In discussions with borrowers, countries highlighted the need for ADB to expand support for poverty reduction programs. The Board discussed a range of new financial mechanisms and business procedure reforms under the innovation and efficiency initiative to respond to client demands.

During the year, there was a net transfer of resources of \$3.2 billion from ADB to its developing member countries, compared with \$2.2 billion in 2006. Of these net resource transfers, \$2.4 billion went to OCR borrowers and investors in 2007, and \$1.5 billion went to them in 2006. The four countries with largest net resource transfers were India, the PRC, Pakistan, and Indonesia.

Loan disbursements totaled \$6.8 billion compared with \$5.7 billion in 2006. Of the total, OCR disbursements were \$5.2 billion or 76%, and ADF disbursements were \$1.6 billion or 24% (Table 9).

Loan service payments totaled \$3.6 billion in 2007, about the same level as that in 2006.

TABLE 11 Nonsovereign Operations, 2004–2007^{a, b}
(\$ million)

	2004	2005	2006	2007
Nonsovereign Loans	93	513	575	865
– Private sector	93	513	425	760
– Public sector	–	–	150	105
Equity	164	197	251	80
Partial Credit Guarantee	–	18	110	376
Political Risk Guarantee	10	50	15	–
B-Loan	–	–	455	425
– Private sector	–	–	105	200
– Public sector	–	–	350	225
Total Nonsovereign Approvals	267	778	1,406	1,746
– Private sector	267	778	906	1,416
– Public sector	–	–	500	330
Total Project Cost	2,228	8,776	8,581	4,123

– = 0.

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

b Net of facilities cancelled in full before signing.

NONSOVEREIGN OPERATIONS

ADB approved a total of 27 financial markets and infrastructure nonsovereign projects providing \$1.746 billion in assistance in 2007 (Table 11). The interventions are composed of 19 private sector loans of \$760.3 million, 3 public sector loans of \$105.0 million, 5 equity investments of \$79.8 million, 4 credit guarantees of \$376.0 million, and \$425.0 million in commercial loans under ADB's B-loan program, of which \$200.0 million is for a private sector project while \$225.0 million is for a public sector project.

The Board of Directors increased the ceiling for ADB's nonsovereign operations to \$5.0 billion. As of 31 December, the overall exposure of nonsovereign operations amounted to about \$3.0 billion, consisting of loans of \$1.5 billion, \$1.1 billion in equity investments, and guarantees of \$530.7 million. ADB's nonsovereign exposure is largest in the infrastructure sector with a total of \$1.4 billion, followed by exposure to the financial sector of \$1.1 billion, investment funds and capital markets of \$486.3 million, and exposure to other sectors at \$89.8 million.

Cumulative nonsovereign operations are largest in India (18%), followed by the PRC (17%), Indonesia (11%), and Pakistan (9%). Regional projects account for roughly 11% of the total (Table 10).



Operations Overview

Through operations, knowledge, and partnerships, ADB helps reduce poverty, social exclusion, and vulnerability, and makes growth more inclusive. In 2007, 27% of ADB's sovereign loans (20% of loan investments) and 18% of all technical assistance (TA) projects (14% of TA resources) were “targeted interventions.”

Of sovereign lending, about 17% supported inclusive social development and 11% supported gender as strategic development goals. The *2006 Annual Poverty Reduction Report* states that ADB improved its implementation of the poverty reduction strategy. In developing the new long-term strategic framework, ADB prepared various reports on inclusive growth and inequality. An international conference, Poverty Reduction and Inclusive Growth in the New Asia and Pacific, recommended better alignment of inclusive growth with ADB's operational activities and internal capabilities. The new poverty website features a database with more than 800 ADB-specific documents and operational reports published in the last 3 years.

Supporting the Millennium Development Goals

In partnership with the United Nations Development Programme (UNDP) and the UN Economic and Social Commission for Asia and the Pacific (UNESCAP), ADB published the Millennium Development Goals update report, and organized regional conferences on Millennium Development Goals in Central Asia and Southeast Asia.

Strengthening Poverty and Social Analysis

ADB updated its policy on incorporating social dimensions into ADB operations, revised the templates for poverty and social impact analysis for ADB-assisted projects, and prepared a new *Handbook on Social Analysis*. Together with the *Poverty Handbook* published in 2006, these instruments are expected to make ADB-assisted activities in developing member countries more effective and inclusive. Staff members were trained to use these tools.

Making Social Services More Inclusive

ADB prepared an issues paper on social protection, developed a social protection index for 23 countries in the Asia and Pacific region, and supported various social protection-related technical assistance and sovereign and nonsovereign projects in Bangladesh (for female garment workers affected by globaliza-

tion), Indonesia (as part of programmatic lending for the Millennium Development Goals), Pakistan (pension reform), Viet Nam (agriculture insurance), and elsewhere. In Nepal, an innovative mechanism for transferring cash and in-kind support to scheduled-caste households is being tested along with an Asian Development Fund-financed project involving gender equality and women's empowerment. In Viet Nam, a small technical assistance helped develop a mechanism for channeling earmarked resources from hydropower generation to affected communities.

Gender and Development Plan of Action

The second gender and development plan of action (2008–2010) recommends increasing the number of loans that directly reduce gender disparities, diversify the sector and geographic coverage of projects that explicitly bring gender into the development mainstream, and improve the implementation of gender-related project design features and policy dialogue on emerging issues such as climate change, human trafficking, and communicable diseases.

REGIONAL COOPERATION AND INTEGRATION

ADB continued to implement the regional cooperation and integration strategy. Progress was steady in Central and West Asia, East Asia, the Pacific, South Asia, and Southeast Asia (see the respective chapters for details).

ADB played a leading role in the World Trade Organization's Aid for Trade initiative in the Asia and Pacific region. ADB cohosted the conference Mobilizing Aid for Trade: Focus on Asia and the Pacific, at ADB headquarters in September, and advocated more aid for trade for the region.

ADB's flagship research project dealing with emerging Asian regionalism assesses progress made a decade after the 1997/98 Asian financial crisis and identifies challenges facing the region. ADB also conducted a study on East Asia–South Asia economic relations, which covered the potential benefits of closer integration.

ADB, in collaboration with the Japan International Cooperation Agency, conducted in Tokyo the first training program in bond market development in Association of Southeast Asian Nations (ASEAN) members, bringing together officials from 15 central banks and ministries of finance. ADB also organized the Asia Bond Clearing and Settlement Conference in April in Singapore, and the ASEAN+3 (ASEAN plus the People's Republic of China [PRC], Japan, and the Republic of Korea) Investing in Asia Bonds Conference in November in Tokyo. ADB

ADB updated its policy on incorporating social dimensions into ADB operations



The lungs of the Mekong, the waterways of the Tonle Sap must be preserved

advanced the ASEAN+3 Asian Bond Markets Initiative by helping design a plan to establish a regional credit guarantee and investment mechanism, and by building consensus among ASEAN+3 to implement the plan.

Besides promoting environmental protection, clean energy, and good governance, ADB used resources from a Swedish cooperation fund to integrate HIV/AIDS interventions into infrastructure investments. With the ASEAN Secretariat, the Food and Agriculture Organization, and the World Health Organization, and in consultation with other development partners, ADB helped developing member countries prevent and control the spread of avian influenza and prepare for a potential influenza pandemic.

ADB made progress in combating human trafficking, especially in the Greater Mekong Subregion. Two regional technical assistance projects, started in 2005 and completed in 2007, significantly aided regional and national research, monitoring actions, training, and policy dialogues.

The Board of Directors approved the establishment of the Regional Cooperation and Integration Fund (RCIF) and the RCI Trust Funds under the RCI Financing Partnership Facility. The facility helps pool and provide financial and knowledge resources to sup-

port RCI. Thirteen projects (\$12.6 million total) were approved for funding under the RCIF.

MANAGING THE ENVIRONMENT

ADB continued to promote environmentally sustainable development. ADB integrated environmental and social safeguards into projects, strengthened the legal and institutional frameworks of developing member countries (DMCs), supported environmental and natural resource management interventions, promoted interventions to address global and regional environmental issues, and bolstered partnerships.

To ensure compliance with safeguards for 86 projects before Board approval, ADB reviewed the safeguard plans and frameworks for the projects (64 on the environment, 41 on involuntary resettlement, and 25 on indigenous peoples). Training courses were organized for staff and DMCs to increase awareness of safeguards, and nine reports were published on resettlement risk management. ADB also engaged nongovernment organizations (NGOs) and other development partners in improving safeguard outcomes.

Technical assistance projects were approved to enhance Viet Nam's legal framework for involuntary

resettlement and to improve the capacity of the resident missions and of government in Indonesia, Pakistan, and Viet Nam to see to it that safeguards are complied with.

ADB supported the initiatives of DMCs to conserve environmental and natural resources. Of the 82 projects (excluding equity investments) approved, 15 (18%) had environmental sustainability as theme. Half of the \$909 million for these environmental and resource conservation projects will improve water supply, wastewater and solid waste management systems, and heating, transport, and flood control services in the PRC and Indonesia. The rest will promote cleaner production through the installation of wind power plants in India and a combined cycle gas-fired power plant in Pakistan, and natural resource conservation in Indonesia, the Kyrgyz Republic, and the Philippines.

Environmental sustainability is also the theme of nearly 60 approved technical assistance project grants (\$80 million). Some of these will promote clean energy in the PRC, India, and Viet Nam, and natural resource conservation in Indonesia, Lao People's Democratic Republic, and Sri Lanka.

To mitigate greenhouse gas (GHG) emissions and help DMCs adapt to climate change, ADB continued its clean energy and environment programs. Its energy efficiency, carbon market, and sustainable transport initiatives provided access to new investment financing mechanisms, and built capacity for energy efficiency improvements, renewable energy, waste-to-energy, sustainable transport, and other GHG mitigation projects. A regional technical assistance was also approved to include adaptation issues in investment planning, develop national capacity, and strengthen international response to adaptation.

ADB published reports on urban air quality management in Asia covering 17 countries and one city, and maintained the Poverty Environment.Net website, which shares knowledge about incorporating environmental issues into the mainstream of development.

ADB continued to work with the Global Environment Facility (GEF) on policy and other corporate matters, and prepared projects for GEF endorsement. It established the Clean Air Initiative Asia Center and implemented the Poverty and Environment Program;

ADB supported the initiatives of developing member countries to conserve environmental and natural resources

it also helped the partners of the Central Asian Countries Initiative for Land Management adapt to future climate changes in the arid region. Support for the Asian Environmental Compliance and Enforcement Network was renewed.

IMPROVING GOVERNANCE AND PREVENTING CORRUPTION

Seventeen of 82 approved sovereign and nonsovereign loan projects and 68 out of 242 technical assistance projects were aimed at strengthening governance. Over \$3 billion in assistance was provided to governance projects, including a good governance program in Bangladesh, a local government financing and budget reform program in the Philippines, and the strengthening of performance audit in the PRC.

ADB's five regional departments made good progress in implementing the second governance and anti-corruption action plan. Governance risk assessments have been undertaken in 14 developing member countries in preparation for the drafting of country partnership strategies; 30 national, subnational, and sector assessments were completed or near completion at the end of 2007.

ADB supported regional efforts to ratify and implement the United Nations Convention Against Corruption and the approaches to governance assessments developed by the Organisation for Economic Co-operation and Development (OECD)-Development Assistance Committee Governance Network. The ADB-OECD Anti-Corruption Initiative for Asia and the Pacific continues to be useful. Regional seminars on conflict of interest, mutual legal assistance and asset recovery, and ways to combat bribery in public procurement were conducted.

The capacity development medium-term framework and action plan, approved in 2007, guides ADB in engaging client countries in developing capacities critical for sustainable and equitable development. The extensive study of capacity development in the Pacific produced a framework and a set of guidance notes and checklists.

ADB revised its project implementation and administration manuals to further streamline and harmonize procedures on procurement and consultant recruitment.

Executing agencies continued to assess their capacity to evaluate project risks that may hinder effective, efficient, and transparent procurement. Procurement risk assessments were introduced into the preparation of country partnership strategies and will be expanded in 2008.

ADB's NGO and Civil Society Center approved \$150,000 in small grants to NGOs in Mongolia, Pakistan, and the Philippines to pilot-test models that strengthen civil society's voice in promoting good governance.



Central and West Asia

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

The Central and West Asia Department consolidated and expanded operations. Sixteen sovereign loan, eight nonsovereign loan, and twelve grant projects totaling \$3.0 billion were approved for nine countries (Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, and Uzbekistan). The total was twice the annual average of \$1.5 billion in 2002–2006.



About 66% of sovereign approvals (70% including nonsovereign approvals) involved ordinary capital resources (OCR), and the other 34% (30% including nonsovereign approvals) were Asian Development Fund (ADF) loans and grants. ADF grants totaled \$247.4 million (Table 13). Lending operations started in Armenia in the transport and water supply sectors. The transport, finance, and energy sectors have the biggest share of the program.

Pakistan continued to be the main client, with six sovereign loan projects and one non-sovereign loan project valued in total at \$2.0 billion. Lending to Pakistan targeted greater inclusiveness and access to financial services, policy reforms for capital market development, and improved government efficiency. Lending was also directed at providing \$400 million in long-term investment financing to clear bottlenecks in transport and to support energy, irrigation, and earthquake rehabilitation projects.

Two multitranche financing facilities (MFFs) for \$1.4 billion were approved: one for the Azerbaijan road network development and another for the Pakistan trade corridor highway program (Table 12). The second tranche of a Pakistan power transmission MFF was also approved. These projects represented ADB's continuing effort to adopt a programmatic approach to doing business.

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 approved a regional transport and trade facilitation strategy
- Invested more than \$1.1 billion in transport infrastructure, including regional road projects in Central Asia and the National Trade Corridor Highway in Pakistan
- Helped Central Asian governments prepare a framework agreement, binding the countries involved to share water resources on the Syr Darya River, and created the Chu Talas Joint River Commission for bilateral cooperation in transboundary water management, with the help of the governments of Kazakhstan and the Kyrgyz Republic
- Extended the first loans to Armenia for rural roads and water supply
- Strengthened accounting and auditing standards in Pakistan and supported provincial reforms under the resource management programs in Balochistan and Punjab
- Greatly improved portfolio quality, with the nonperforming portfolio restructured and 22 sovereign loans closed; increased contract awards by 17% and disbursements by 22%, and greatly reduced at-risk projects

Nonsovereign operations reached record levels in 2007, in line with the transition of the subregion to a market economy and efforts to develop the private sector. ADB's nonsovereign approvals in the region totaled \$642.8 million (Statistical Annex 10).

Georgia joined ADB, and an interim operational strategy was prepared for the country. For the Kyrgyz Republic, ADB and four other development partners—the Department for International Development of the United Kingdom, Swiss Cooperation, United Nations agencies, and the World Bank Group—drew up a joint country support strategy. Country partnership strategies were prepared for Afghanistan and Pakistan.

PORTFOLIO MANAGEMENT

ADB spent much time and resources managing its 129 ongoing loan projects in the region. A hugely important “spring cleaning” exercise in Pakistan resulted in the closing and cancellation of loans for slow-moving and problem projects. ADB stepped up work on contract awards and disbursements and kept a watchful eye on projects at risk. By year-end, it had exceeded the year's targets for contract awards (\$1.4 billion, or 113%) and

ADB stepped up work on contract awards and disbursements and kept a watchful eye on projects at risk

TABLE 12 Central and West Asia: Assistance by Country, 2007
(\$ million)

Country	Loans				Credit Enhancements			Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranche Financing Facility ^d
Afghanistan	–	–	–	–	–	–	–	188.8	4.5	–
Armenia	–	66.6	66.6	–	–	–	–	–	0.9	–
Azerbaijan	246.0	10.0	256.0	–	–	–	–	–	–	500.0
Georgia	25.0	–	25.0	–	–	–	–	–	0.1	–
Kazakhstan	100.0	–	100.0	–	225.0	–	–	–	0.7	–
Kyrgyz Republic	–	15.0	15.0	–	–	–	–	53.6	1.7	–
Pakistan	1,565.0	454.8	2,019.8	–	44.0	–	22.8	32.0	20.2	900.0
Tajikistan	–	71.7	71.7	3.5	–	–	–	22.8	3.3	–
Turkmenistan	–	–	–	–	–	–	–	–	0.2	–
Uzbekistan	96.0	30.0	126.0	–	–	–	–	–	1.4	–
Regional	20.0	–	20.0	–	–	–	–	–	–	–
Total	2,052.0	648.1	2,700.1	3.5	269.0	–	22.8	297.2	32.9	1,400.0

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

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 6a and 6b (Direct Value-Added Cofinancing Arrangements).

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

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

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

TABLE 13 Central and West Asia: Grant-Financed Project Approvals by Country, 2007
(\$ million)

Country	ADF	PEF	Other Sources ^a	Total
Afghanistan				
Road Employment Project for Settlement and Integration of Returning Refugees and Displaced Persons (Supplementary) ^b	–	–	12.8	12.8
Road Network Development 1	176.0	–	–	176.0
Kyrgyz Republic				
Improving Livelihoods of Rural Women through Development of Handicrafts Industry	–	–	2.0	2.0
Southern Agriculture Area Development ^b	5.0	–	–	5.0
Vocational Education and Skills Development	10.0	–	–	10.0
Improving Access to Quality Basic Education for Children with Special Needs	–	–	1.0	1.0
Tax Administration Reform and Modernization	10.0	–	–	10.0
CAREC Regional Road Corridor Improvement (Kyrgyz Republic and Tajikistan) ^b	25.6	–	–	25.6
Pakistan				
Microfinance for the Poorest	–	–	2.0	2.0
Earthquake Emergency Assistance (Supplementary) ^b	–	30.0	–	30.0
Tajikistan				
Rural Development ^b	8.3	–	–	8.3
Sustainable Access for Isolated Rural Communities	–	–	2.0	2.0
CAREC Regional Road Corridor Improvement (Kyrgyz Republic and Tajikistan) ^b	12.5	–	–	12.5
Total	247.4	30.0	19.8	297.2

– = nil, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, PEF = Pakistan Earthquake Fund.

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

b Grant component of a loan project.

TABLE 14 Central and West Asia: Portfolio Performance Indicators for Sovereign Lending, 2006–2007

Country	No. of Ongoing Loans (as of Dec 2007)	Contract Awards/Commitments		Disbursements		Loans at Risk	
		2007 (\$ million)	2006 (\$ million)	2007 (\$ million)	2006 (\$ million)	2007 (%)	2006 (%)
Afghanistan	11	121.9	44.4	95.6	67.2	–	9.1
Armenia	2	–	–	–	–	–	–
Azerbaijan	7	30.6	20.7	14.5	4.1	28.6	40.0
Kazakhstan	3	6.1	–	2.6	2.4	–	–
Kyrgyz Republic	10	41.7	36.9	29.8	42.8	–	10.0
Pakistan	66	1,117.5	1,048.4	990.5	790.2	6.1	12.5
Tajikistan	14	57.9	28.3	38.3	35.2	–	8.3
Uzbekistan	16	59.1	49.3	51.4	59.3	–	11.8
Total	129	1,434.8	1,227.9	1,222.7	1,001.4	4.7	12.2

– = nil.

Note: Totals may not add up because of rounding.

disbursements (\$1.2 billion, or 120%), and “projects at risk,” at 5%, were at an all-time low. ADB redoubled its efforts to close overdue technical assistance projects in close coordination with project consultants and the Controllers Department. Teams communicated constantly with consultants and firms, setting deadlines to conclude pending financial transactions.

Innovations were introduced to improve portfolio management. These included early warning systems (i.e., implementation issues anticipated, given past performance and the changing environment); a new policy of not extending loans or technical assistance automatically, especially to those with no chance of meeting

targets on time and within budget; a division workload audit to clarify accountabilities and responsibilities, maintain transparency, and plan the delegation of projects to resident missions; and a joint venture of headquarters and resident missions that builds on the synergy between sector expertise and local knowledge for effective loan supervision.

Innovations were introduced to improve portfolio management

TABLE 15 Central and West Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2007

(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Armenia			
Rural Road Sector	–	30.6	30.6
Water Supply and Sanitation Sector Project	–	36.0	36.0
Azerbaijan			
Road Network Development Program (Subproject 1)	190.0	10.0	200.0
Kyrgyz Republic			
Southern Agriculture Area Development	–	15.0	15.0
Pakistan			
Sindh Coastal Community Development	–	36.0	36.0
Earthquake-Displaced People Livelihood Restoration Program	–	400.0	400.0
Second Generation of Capital Market Reform Program	400.0	–	400.0
Capacity Building for Punjab Government Efficiency Improvement	–	8.8	8.8
Punjab Government Efficiency Improvement Program (Subprogram 1)	250.0	–	250.0
National Trade Corridor Highway Investment Program (Subproject 1)	545.0	10.0	555.0
Power Transmission Enhancement Investment Program (Subproject 2)	220.0	–	220.0
Tajikistan			
Rural Development Project	–	8.8	8.8
Khatlon Province Flood Risk Management Project	–	22.0	22.0
CAREC Regional Road Corridor Improvement Project	–	40.9	40.9
Uzbekistan			
Public Finance Management Reform	20.7	–	20.7
Rural Basic Education Project	–	30.0	30.0
CAREC Regional Road Project	75.3	–	75.3
Subtotal	1,701.0	648.1	2,349.1
NONSOVEREIGN			
Azerbaijan			
Debt Financing to Bank of Baku	6.0	–	6.0
Bank Respublika Open Joint Stock Company	10.0	–	10.0
International Bank of Azerbaijan	40.0	–	40.0
Georgia			
Joint Stock Commercial Bank of Georgia	25.0	–	25.0
Kazakhstan			
JSC Kazkommertsbank	50.0	–	50.0
JSC Bank CenterCredit	50.0	–	50.0
Pakistan			
KESC Postprivatization Rehabilitation, Upgrade, and Expansion	150.0	–	150.0
Regional			
Micro- and Small Enterprise Financing Facility	20.0	–	20.0
Subtotal	351.0	–	351.0
Total	2,052.0	648.1	2,700.1

– = nil, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, JSC = joint stock company, KESC = Karachi Electric Supply Corporation, OCR = ordinary capital resources.

TABLE 16 Central and West Asia: Cumulative Lending and Disbursements by Country as of the end of 2007
(\$ million)^{a, b}

Country	Lending	Disbursements
Afghanistan	892.3	479.0
Armenia	66.6	–
Azerbaijan	370.0	67.1
Georgia	25.0	25.0
Kazakhstan	726.6	610.7
Kyrgyz Republic	603.5	525.0
Pakistan	18,590.8	12,311.2
Tajikistan	372.5	173.1
Uzbekistan	1,100.9	485.0
Regional	20.0	–
Total	22,768.3	14,676.2

– = nil.

Note: Totals may not add up because of rounding.

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private sector) loans.

COUNTRY HIGHLIGHTS

Afghanistan

Partnership priorities. ADB and the Government agreed that assistance should continue to center on transport, energy, and agriculture. Such assistance would contribute to the Government's infrastructure development priorities and be fully consistent with the Afghanistan National Development Strategy. Several background assessments were undertaken to prepare for the drafting of the 2008–2011 country partnership strategy.

Impact of operations. ADB resumed operations in Afghanistan only in 2002. Rehabilitation of key sections of the national “ring road,” including connections to neighboring countries, continued to greatly improve domestic transport and facilitate trade and transit between Central Asian countries and the Gulf. Grant funding of \$176 million was provided for continued road development work. ADB invested in energy transmission and distribution networks to increase the supply of electricity to Kabul, and in provision of important links to regional energy producers. The rehabilitation of traditional irrigation works helped expand agricultural production and lay the foundation for improved agricultural management returns and better management of scarce water resources. ADB supported the commercialization of agriculture. Technical assistance contributed significantly to the institutional and capacity development of counterpart agencies, including improved budgeting and overall fiscal management by the Ministry of Finance.

FIGURE 1 Central and West Asia: ADB Lending by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)

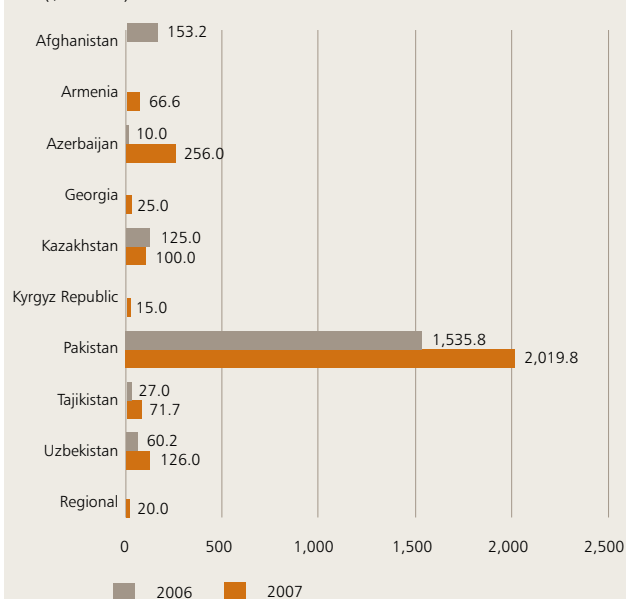
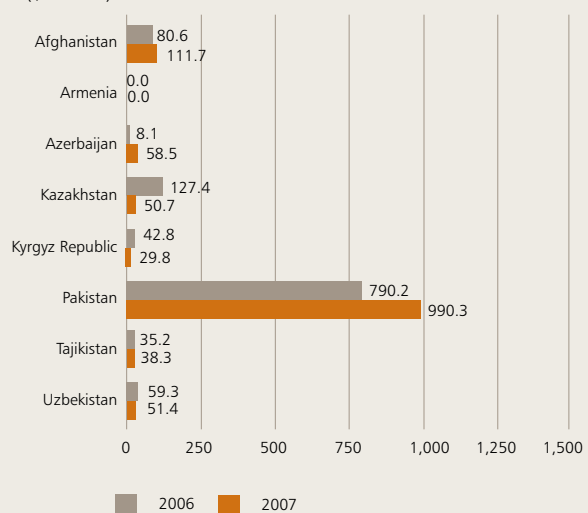


FIGURE 2 Central and West Asia: ADB Disbursements by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)



Armenia

Partnership priorities. The strategic priorities are accelerated rural development, private sector participation, and enhanced regional cooperation.

Impact of operations. ADB's operations in Armenia are relatively new. The implementation of the Rural



Road works improved transport and trade in Afghanistan

Road Sector Loan Project and the Water Supply and Sanitation Sector Loan Project will start in 2008.

Azerbaijan

Partnership priorities. ADB significantly increased its private sector operations in the country.

ADB was active in transport sector development. A \$500 million multitranche financing facility for the road network development program marked a new milestone in ADB-Azerbaijan cooperation.

Impact of operations. The ongoing flood mitigation project greatly helped the Government manage recurring floods in the main flood-prone areas, which are inhabited mostly by the poor, providing protection to 5 major towns and 43 villages and supporting the livelihood of about 215,000 people.

Georgia

Partnership priorities. The interim operational strategy was prepared for presentation to the Board in the first quarter of 2008. Likely areas of ADB assistance are municipal infrastructure services, highway network development, energy infrastructure upgrading and development, and private sector development.

Kazakhstan

Partnership priorities. Assistance was extended to private sector development, environmentally sustainable development, and regional cooperation. Private sector operations, which started in 2006, continued to be the core of ADB strategy, complemented by public sector lending programs in rural water supply, irrigation, and transport.

Impact of operations. ADB loans supported water resource management, rural water supply and sanitation, road rehabilitation, and the banking sector.

ADB set up an anti-inflation monetary regime with the National Bank of Kazakhstan. ADB issued its first tenge (T) bonds in the amount of T6 billion (\$50 million), becoming the first supranational issuer of such bonds. The proceeds will be used to develop small and medium-sized enterprises. ADB also helped the Government improve rural living and health conditions through a \$34.6 million loan for basic water supply services and capacity building.

Kyrgyz Republic

Partnership priorities. Under their just-approved joint country support strategy, ADB and other development partners will support the country's development strategy (2007–2010) with \$100 million in ADB assistance to promote environmental sustainability, private sector development, and regional cooperation.

Impact of operations. Overall, ADB's sectoral and thematic focus was in line with the priorities set in the national poverty reduction strategy. ADB's portfolio performance was satisfactory, with a success rate of 95%. Regional road development was a major part of ADB activities, and improved domestic transport connectivity benefiting the country significantly. Most recently, the Almaty–Bishkek road was completed. Three Bishkek–Osh road projects were completed with ADB financing. Work under two ongoing projects will



Iodized salt is tested for a food project in the Kyrgyz Republic

More than Infrastructure



Asylbek Kalimbetov says driving is easier now

For the Kyrgyz Republic, a vibrant Central Asian country of 5 million, the road linking the capital city of Bishkek to the neighboring capital of Almaty in Kazakhstan is much more than infrastructure. Every day thousands of people and vehicles cross the Akzhol–Chu border to trade goods, do business, and visit friends. Since 1998, the volume of traffic on this road has increased by 25% even as exports from the Kyrgyz Republic to Kazakhstan have gone up 160%. The inclusion of this road in the Transport and Trade Facilitation Strategy endorsed at the 6th Central Asia Regional Economic Cooperation Ministerial Conference underlined its importance as a regional transport corridor.

Six days a week for the past 7 years, 47-year-old Asylbek Kalimbetov of Bishkek has worked as a taxi driver, driving clients to Almaty in his car. The recently completed Almaty–Bishkek Road Rehabilitation Project improved 245 km of road—and Asylbek's livelihood. "Driving has definitely become easier," he says. "Each trip used to take me 4 or 5 hours. Now it takes only 2 or 3. I can return home by nightfall."

Asylbek is also saving on his car's maintenance. The chassis or shock absorbers used to need repair every month or so; now he goes to the shop only twice a year. "I can't complain about the road or the road workers," Asylbek says. "The road authorities do a good job. When the road gets icy they spread sand over the dangerous sections to make them less slippery." In his 7 years as a taxi driver, Asylbek has earned enough to buy a second car and a plot of land, and to send his children to school.

The people of the Lake Issyk-Kul region, a magnificent tourism destination in the heart of Central Asia, have also benefited. A million tourists now come, most of them from Kazakhstan. This is 50% more than the number of visitors in 2005. Jobs are plentiful, not just in the hospitality service sector. There have been major developments as well in accommodations, roads, camping sites, and banking. Tourism contributed 4.3% to the Kyrgyz Republic's gross domestic product in 2006, up from 2.9 % in 2001. "There are more tourists from Kazakhstan because the Issyk-Kul hotels and resorts provide better services," Esen Arykbaev, director of Goluboi Issyk-Kul health resort, points out. "And since the Almaty–Bishkek road was rebuilt, travel time has been reduced."

Every day thousands of people and vehicles cross the Akzhol–Chu border to trade goods, do business, and visit friends

help connect Osh to Kashgar in the People's Republic of China (PRC), and Dushanbe in Tajikistan.

Pakistan

Partnership priorities. ADB promoted sustained, inclusive, and private sector-led economic growth to create jobs and reduce poverty. Key priority areas were second-generation reforms to improve competitiveness, governance, and financial services; the development of the urban and the rural economies in support of inclusive growth and balanced development; reforms and investment in major infrastructure sectors; and implementation for development effectiveness and results.

ADB strengthened aid effectiveness by leading a capacity-building working group established by the Government and by supporting the harmonization and alignment of approaches to development assistance. A new country partnership strategy was being prepared for Board consideration in 2008 to further strengthen ADB's long-standing development partnership with Pakistan.

Impact of operations. Disbursements were a record \$990.5 million and contract awards \$1.1 billion, with about 95% of the loans expected to either exceed or meet most of their development objectives. The Second Science Education Project, completed in June, improved access to secondary school science and mathematics



ADB is funding a flood risk management system in Khatlon, Tajikistan

facilities, especially for girls. A women's health project, completed in October, gave women and children better access to health workers, supported the vaccination of women of reproductive age, and improved physical and other facilities for maternal and child health.

The flood protection sector project was supported to improve policy and build capacity to plan, design, and implement flood protection works, and improve flood forecasting, warning, and preparedness systems. The Access to Justice Program, completed in August, engaged civil society in improving justice delivery, strengthening public oversight over the police, and establishing specialized and independent prosecution services.

Tajikistan

Partnership priorities. ADB assistance emphasized rural development and regional cooperation, as well as policy reforms in the agriculture, energy, transport, and social sectors.

Impact of operations. ADB was intensively involved in the road sector, with a transport portfolio consisting of three ongoing loans to rehabilitate the Dushanbe–Kyrgyz Border–PRC road corridor, the recently completed Dushanbe–Kurgan–Tyube–Dangara–Kulyab road rehabilitation project, and a number of technical assistance projects.

Two major loans for agriculture rehabilitation and irrigation rehabilitation projects helped improve irrigation efficiency, enterprise returns, and livelihood. ADB continued to do a significant amount of work on the cotton farm debt issue, including the preparation of the proposed Agri-Cotton Sector Restructuring Program.

Turkmenistan

Partnership priorities. In November, a seminar on ADB operational policies and procedures was held in Ashgabat to familiarize government officials with ADB's country strategy and modes of assistance, project processing and implementation, experience in infrastructure development, and contribution to regional cooperation. Consultations on the development priorities of the Government, and ADB's potential role and assistance in programs and projects, continued.

ADB kept up its support for energy sector development by organizing the first technical meeting on the proposed Turkmenistan–Afghanistan–Pakistan–India Gas Pipeline in Ashgabat in April. ADB also provided regional technical assistance for environmental protection and rural development.

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

Uzbekistan

Partnership priorities. The country strategy and program for 2006–2010 defines the four key areas of ADB's assistance: rural development, promotion of private sector development, regional cooperation in transport and trade, and improved social services with

ADB assistance emphasized rural development and regional cooperation

emphasis on early childhood development and basic education.

The ninth country portfolio review—jointly undertaken by ADB, the World Bank, and the Government—identified systemic portfolio performance issues and corrective measures to improve individual project implementation and broader portfolio performance.

Impact of operations. ADB was the largest funder of education in Uzbekistan. Investment of ordinary capital resources in education—about 19% of ADB's total portfolio in the country—supported, among others, sector

reforms, rehabilitation of schools, curriculum development, introduction of modern information technology, provision of textbooks, and training of teachers.

Under the successfully completed Railway Modernization Project, 341 kilometers of double-track railway between Samarkand and Bukhara were rehabilitated, and modern track and telecommunications equipment was provided. This, together with ADB's first railway project, led to the development of a fast-train service from Tashkent to Samarkand and from there to Bukhara, improving transport connectivity for both people and cargo.

Rising from the Rubble in Pakistan



A house is rebuilt after the earthquake

Mushtaq Ahmed was collecting firewood on the morning of 8 October 2005 when the earth began shaking around him. Within just a few minutes, the world he had known for years was shattered. "My wife perished in the rubble but then almost everybody in the village lost a dear one. For a moment, I thought it was the end of the world," the 55-year-old recalls.

The earthquake that obliterated Mushtaq's village of Lamnia in the lower western ridges of the Himalayas was one of the most debilitating natural disasters to ever strike Asia. More than 75,000 people perished and about 3.5 million were left homeless in mountainous terrain spanning 30,000 square kilometers.

Given the scale of the disaster—and with a brutal Himalayan winter fast approaching—the Government appealed for immediate help in a bid to avert even more loss of life.

Responding to the challenge, ADB pledged \$1 billion for reconstruction and rehabilitation. To date, ADB has committed about \$740.0 million in Asian Development Fund loans and grants, while leveraging another \$180 million in the form of bilateral grant funds for the ADB-funded Pakistan Earthquake Fund and through cofinancing.

"We mobilized support swiftly, assembling a dedicated team which has since been working with the Earthquake Reconstruction and Rehabilitation Authority and counterpart regional and provincial bodies to assess the extent of damage, identify priority areas, and to channel funds for the rehabilitation process," says ADB country director Peter Fedon.

To rebuild more than half a million destroyed or badly damaged rural houses, more than 400,000 rural grant beneficiaries each received 150,000 Pakistan rupees (about \$2,400). "The decision to let people take charge and build their own houses has paid off," Shaukat Shafi, senior ADB project implementation officer, says.

ADB has also set aside a total of \$163.5 million for rebuilding more than 1,000 kilometers of roads. To rehabilitate the power sector, about \$9 million worth of contracts for equipment and civil works have been awarded and most of the power and grid stations have now been rebuilt.

Rehabilitation work is also ongoing in education and health. ADB is investing \$110 million to rebuild 454 primary and middle schools. It will provide another \$33.2 million to rebuild hospitals and rural health centers.

Topping up these efforts, ADB is also supporting the restoration of government institutions such as the judiciary and the police, and others that provide special assistance to the earthquake victims.

"The decision to let people take charge and build their own houses has paid off"

A photograph of a woman with dark hair, wearing a light-colored cardigan over a dark top, focused on working with a large, light-colored sheet of material, possibly fabric or paper, in a dimly lit environment. The image is slightly blurred, emphasizing the motion or concentration of the work.

East Asia

People's Republic of China, Mongolia

The People's Republic of China (PRC) has emerged as a leading producer of manufactured exports, with strong growth occurring across a range of sectors. Mongolia has also experienced strong growth recently. Both countries are active in regional cooperation programs.



A new country partnership strategy for 2008–2010 was drafted for the PRC in consultation with the Government. The strategy focuses on resource efficiency and environmental sustainability, inclusive growth and balanced development, regional cooperation, and private sector development. Knowledge, innovation, and governance support are crosscutting themes. In Mongolia, ADB's assistance is directed mainly at private sector-led economic growth and inclusive social development to achieve the country's Millennium Development Goals. Infrastructure projects remain a key component of the program. ADB's nonsovereign approvals in the region totaled \$534 million (Statistical Annex 10).

The PRC has been active in regional cooperation programs and initiatives, including the Central Asia Regional Economic Cooperation (CAREC) Program and the Greater Mekong Subregion (GMS). Demand from the PRC has strengthened economies in the region and beyond. Regional transport development is a focus of Mongolia's participation in CAREC. Mongolia also participates in CAREC's Coordination Committee on Trade Facilitation to promote cross-border trade and customs cooperation. Both the PRC and Mongolia have participated as well in subregional cooperation initiatives to prevent sand and dust storms and reduce transboundary pollution in Northeast Asia. Technical assistance to the PRC and Mongolia has helped develop investment regulations, economic development strategies, competition policy, laws, and standards.

The comprehensive project performance management system and portfolio management action plan of the East Asia Department have constantly guided project processing and implementation, and have improved project design from concept design to project completion. Project-readiness filters and checklists specific to countries are an important component

HIGHLIGHTS

- Reinforced ADB's leading role in advancing health sector reforms in Mongolia through the Third Health Sector Development Project
- Encouraged policy discussion with the Government on sustainable development and environmental management through three loans and six technical assistance projects in the PRC urban sector
- Provided knowledge products and services to the PRC, including a policy note on food safety submitted to senior officials and a study on inclusive growth
- Supported efforts to lower the carbon intensity of energy development in the PRC by promoting renewable energy and energy efficiency projects in Gansu and Guangdong provinces
- Promoted interprovincial cooperation, knowledge sharing, and public-private partnership in the energy, and water supply and waste management sectors

of the action plan. In the case of the PRC, a six-point portfolio management action plan was reconfirmed with the Government during the country portfolio review mission in August. A strong focus on project administration and more mission days spent on problem projects helped resolve implementation issues.

At the end of December, 52 loans were under administration in the PRC. Contract awards and disbursements under sovereign loans reached 118% and 108% of projections, respectively. In Mongolia, 14 loans were under administration (Table 19). Contract awards and disbursements under sovereign loans reached 52% and 100% of projections, respectively. Two loans—the

A strong focus on project administration and more mission days spent on problem projects helped resolve implementation issues

TABLE 17 East Asia: Assistance by Country, 2007
(\$ million)

Country	Loans				Credit Enhancements			Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranchise Financing Facility ^d
China, People's Republic of	1,306.7	–	1,306.7	–	107.0	200.0	57.0	–	20.5	–
Mongolia	10.0	–	10.0	–	–	–	–	19.5	2.6	–
Total	1,316.7	–	1,316.7	–	107.0	200.0	57.0	19.5	23.0	–

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

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 6a and 6b (Direct Value-Added Cofinancing Arrangements).

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

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

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

TABLE 18 East Asia: Grant-Financed Project Approvals by Country, 2007
(\$ million)

Country	ADF	Other Sources ^a	Total
Mongolia			
Community-Driven Development for Urban Poor in Ger Areas	–	1.5	1.5
Community-Based Heating Supply in Rural Remote Areas	–	2.0	2.0
Third Health Sector Development	14.0	–	14.0
Access to Health Services for Disadvantaged Groups in Ulaanbaatar	–	2.0	2.0
Total	14.0	5.5	19.5

– = nil, ADF = Asian Development Fund.

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

TABLE 19 East Asia: Portfolio Performance Indicators for Sovereign Lending, 2006–2007

Country	No. of Ongoing Loans (as of Dec 2007)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2007 (\$ million)	2006 (\$ million)	2007 (\$ million)	2006 (\$ million)	2007 (%)	2006 (%)
China, People's Republic of	52	1,419.7	733.7	1,189.6	984.8	1.9	2.1
Mongolia	14	11.2	52.4	24.2	28.6	7.1	5.6
Total	66	1,430.9	786.1	1,213.8	1,013.4	3.0	3.1

TABLE 20 East Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2007

(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
China, People's Republic of			
Anhui Hefei Urban Environment Improvement	150.0	–	150.0
Eastern Sichuan Roads Development	200.0	–	200.0
Western Guangxi Roads Development	300.0	–	300.0
Jilin Urban Environmental Improvement Project	100.0	–	100.0
Kunming Qingshuihai Water Supply Project	80.0	–	80.0
Railway Safety Enhancement Project	100.0	–	100.0
Henan Sustainable Agriculture and Productivity Improvement Project	66.7	–	66.7
Xinjiang Regional Road Improvement Project (Korla-Kuqa Section)	150.0	–	150.0
Subtotal	1,146.7	–	1,146.7
NONSOVEREIGN			
China, People's Republic of			
Central and Western Airports Development Project	160.0	–	160.0
Mongolia			
Khan Bank	10.0	–	10.0
Subtotal	170.0	–	170.0
Total	1,316.7	–	1,316.7

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

TABLE 21 East Asia: Cumulative Lending and Disbursements by Country as of the end of 2007

(\$ million)^a

Country	Lending	Disbursements
China, People's Republic of	19,254.1	12,144.7
Mongolia	676.5	544.8
Total	19,930.6	12,689.5

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

PRC's Southern Gansu Roads Development Project and Mongolia's Urban Development Sector Project—were at risk because of delays in loan effectiveness.

COUNTRY HIGHLIGHTS

People's Republic of China

Partnership priorities. High priority was accorded to removing infrastructure bottlenecks and supporting policy and institutional reforms in the road and railway sectors. To help meet the various challenges resulting from the PRC's rapid growth, ADB diversified its support, increasingly emphasizing urban development and environmental management. ADB also supported developments in energy efficiency, urban infrastructure, and financial services. To strengthen the legal framework for sound environmental management, ADB

Contract awards and disbursements under sovereign loans reached 117% and 108% of projections

FIGURE 3 East Asia:
ADB Lending by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)

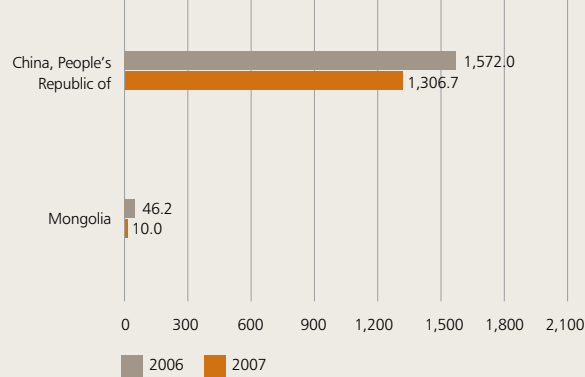
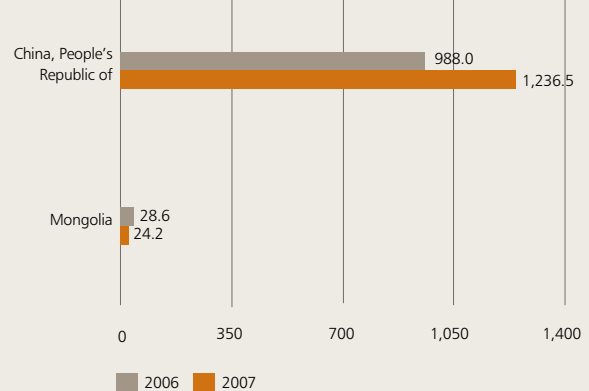


FIGURE 4 East Asia:
ADB Disbursements by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)



helped improve the skills and institutional capacity of environmental protection agencies. ADB's assistance dealt with climate change, subregional cooperation, and knowledge sharing. Technical assistance helped the National Development and Reform Commission devise new strategies of using foreign capital. A new country partnership strategy to cover the remaining 3 years of the Eleventh Five-Year Plan (2008–2010) was prepared.

Impact of operations. Having helped develop transport corridors in the eastern region, ADB's activities in the road sector have shifted to the poorer western

and central provinces. In the railway sector, priority has been given to projects in poor regions, supporting the development of selected strategic corridors in the national railway system, and enhancing safety on the national railway network.

ADB continued to support small and medium-sized enterprises (SMEs) by making a follow-on investment in Credit Orienwise Group, a credit guarantee company for SMEs. This investment complements the \$10 million that ADB invested in the company in 2005.

ADB also supported urban environment improvement and water pollution control projects and policy



ADB supports health projects such as HIV/AIDS prevention in Yunnan, PRC

Developing the Carbon Market in the People's Republic of China



Residents use clean energy

Carbon emissions trading has become an important tool for achieving the objectives of the Kyoto Protocol, which took effect in 2005 to ease global warming. With over 91 million average annual carbon emission reductions, or 48% of the total registered under the clean development mechanism of the Kyoto Protocol, the People's Republic of China (PRC) has become the leading supplier in the international carbon market. The PRC has therefore announced policies, targets, and measures to promote clean energy technologies, improve energy efficiency, and conserve resources.

ADB's assistance to the PRC energy sector is mainly in the carbon market. The Asia Pacific Carbon Fund, recently established by ADB under the Carbon Market Initiative, contracted the purchase of carbon emission reductions from the Erlongshan Hydropower Project in Gansu province, with payment to be made to the project company in advance of clean power generation. ADB also extended an aggregate of over \$2 million in nonlending assistance to encourage more clean energy projects. These projects should improve planning and management of clean energy development in Gansu, and measuring and evaluation of energy conservation nationally. They should also lead to more biomass-based power generation in Heilongjiang province, the promotion of shallow ground geothermal energy technology, and better use of external assistance to improve energy efficiency and develop renewable energy in the PRC.

The People's Republic of China has become the leading supplier in the international carbon market

reforms in water supply, sanitation, and waste management. Wastewater management made significant progress through tariff and enterprise reforms, a stronger legal and regulatory framework, and better private sector participation. A key achievement of ADB's urban infrastructure projects was corporate governance reform, particularly in the urban water and wastewater sector, where private sector participation is increasing.

ADB continued to help the PRC develop clean and renewable energy supplies through hydropower, biomass, landfill methane, geothermal, and coal mine methane (CMM) projects. It is financing a CMM power plant in Shanxi, the largest in the world. To tackle the problem of climate change, up-front financing from the ADB-managed Asia Pacific Carbon Fund for the Erlongshan Hydropower Project—a medium-sized hydropower development in remote, rural Gansu province—was approved in exchange for future emission reduction credits. Strategic studies on a medium-

term wind power development in Gansu and biomass power generation in Heilongjiang were started. A joint seminar with the Private Sector Operations Department was held in Gansu to showcase ADB's ability to promote commercially viable, clean energy projects through loans and credit enhancement to enterprises with no need for sovereign guarantees.

Since late 2004, ADB has been providing advisory technical assistance to the PRC's State Food and Drug Administration in cooperation with the World Health Organization and various stakeholders to improve national food safety. ADB's advice to senior officials on a range of technical and policy issues was well received. In August, the State Council formed a leading group to look into product quality and food safety; and in October, it endorsed a draft food safety law that substantially departs from earlier legislation to provide a comprehensive, overarching legal framework.

ADB's Economics and Research Department and East Asia Department carried out a joint study on inclusive



Education remains a priority in Mongolia

growth in the PRC. The study helped clarify characteristics of the PRC's growth over the last three decades, examined the challenges posed by increasing inequalities, and discussed policy options for the future.

ADB supported the Ministry of Civil Affairs in drafting a policy document for the State Council on establishing a system to protect minimum rural living standards (*dibao*). The nationwide *dibao* system, which was subsequently set up, is a fundamentally new antipoverty tool directly targeting the hard-to-reach,

destitute poor (e.g., the elderly, the chronically ill, and others without productive capacity).

The sharing of knowledge and experience based on interprovincial cooperation and partnership by showcasing success stories is proving effective in capacity building. ADB helped organize the first showcase workshop to enable Hebei share its experience in improving wastewater management with other provinces. ADB funded a workshop attended by central and provincial officials to share the experiences of the five best-practice advisory technical assistance projects selected by the Ministry of Finance.

ADB has cooperated closely with the Government of Mongolia in identifying and implementing reform priorities, and in upgrading health service infrastructure in mainly poor rural areas

Mongolia

Partnership priorities. ADB's country operations business plan for 2008–2010 was discussed with the Government in June. Education, health, finance, urban development, transport, and natural resources remain priority sectors. Mongolia was eligible for Asian Development Fund grant resources in 2007 and will be so in 2008. Private sector operations in capital market development, transportation and communication, and urban infrastructure are expected to grow.

Agriculture Sector Development Program in Mongolia Benefits Rural Poor



Tsogt Batsukh and *aimag* officials

Approved in 2000, the Agriculture Sector Development Program was designed to spur growth in private agriculture. A \$7 million program loan was aimed at limiting the role of the Government to providing essential support services and enabling the private sector to take over functions that used to be carried out by the state, such as supplying inputs, processing and marketing outputs, and providing financial services. An investment loan of \$10 million was directed at four relatively poor provinces in the country's western region. The results were positive and dramatic. Over 7,900 vegetable growers benefited from the seed and equipment supplied by the program.

Six years ago, Tsogt Batsukh was jobless and his family of five had to survive on social security payments. He decided to establish the Uran Zurvas cooperative with nine members in November 1999. The cooperative grew potatoes, vegetables, and fodder crops.

In 2002, the program started in Uvs *aimag* (province), and Mr. Batsukh attended a training course on developing a business plan. With equipment and credit supplied through commercial banks, Mr. Batsukh and the other cooperative members harvested bumper crops of vegetables. By 2004, the cooperative members totaled 53 and the program had created 35 new jobs for low-income people. Mr. Batsukh now also manages a cooperative training center and runs demonstration training for locals who want to learn how to grow vegetables. Further support from the program and a commercial bank enabled the cooperative to establish a vegetable-processing factory, which now supplies the market in Uvs. Mr. Batsukh says he owes his success to the program.

Over 7,900 vegetable growers benefited from the seed and equipment supplied by the program

ADB started to prepare its country partnership strategy for 2009–2013. The strategy will be closely aligned with the National Development Strategy of Mongolia for 2008–2021, which the Parliament approved in February 2008 and which emphasizes the achievement of Mongolia's Millennium Development Goals. ADB approved technical assistance to help improve government investment planning.

Impact of operations. Overall, ADB's program contributed significantly to Mongolia's transition. Since 2000, poverty reduction has been the primary focus. The program has had important impact on policy development,

institution building, and economic growth, laying the foundation for a sustained effort to reduce poverty.

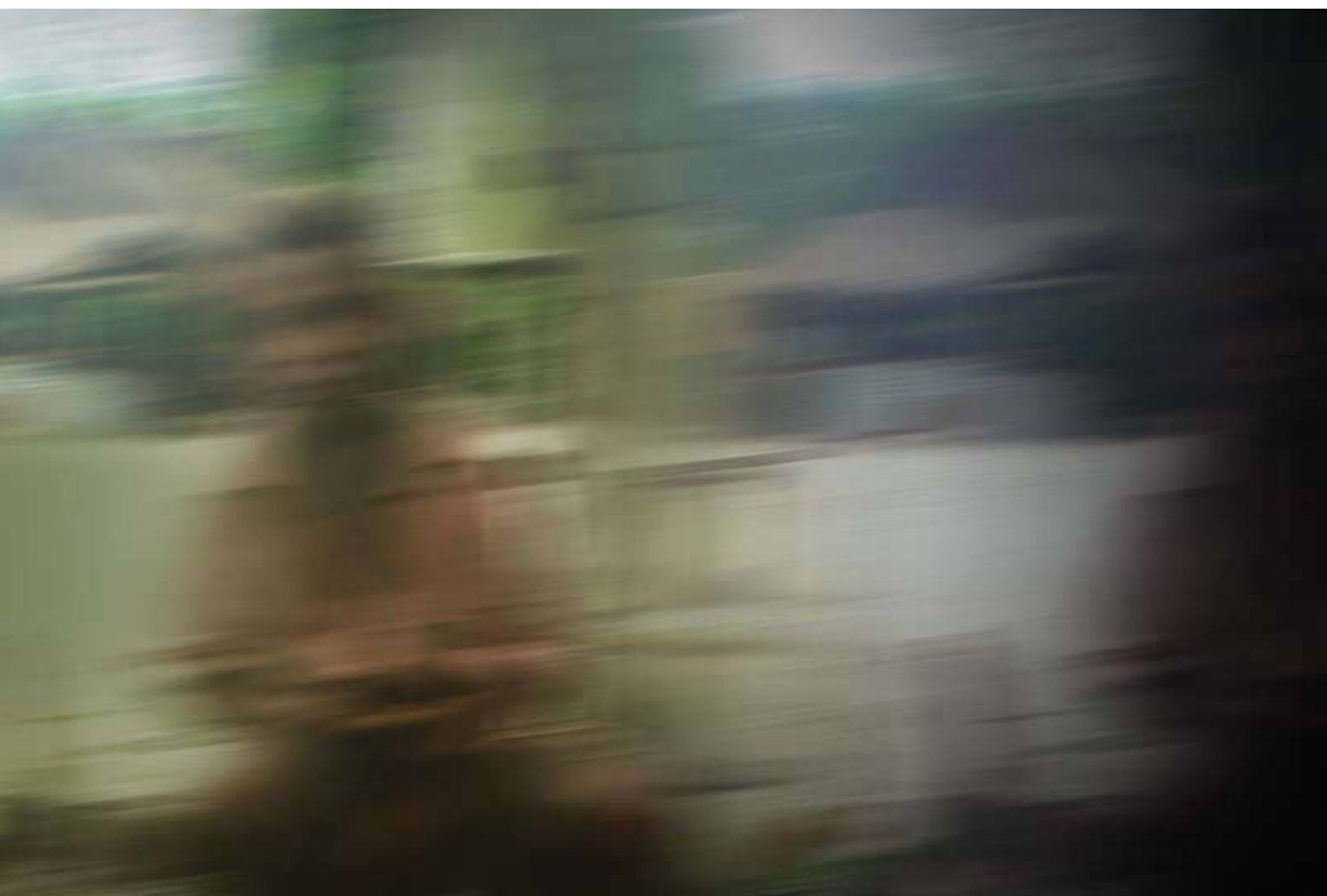
Since 1997, ADB has helped Mongolia reform its health system, which needs an overhaul of the hospital sector, primary health care, financing systems, human resources and planning, and regulatory processes. ADB has cooperated closely with the Government in identifying and implementing reform priorities, and in upgrading health service infrastructure in mainly poor rural areas. The result has been significantly improved health, including reduced infant mortality and maternal mortality rates, helping attain the Millennium Development Goals.



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

ADB's traditional role in the Pacific has been that of a project bank, providing lending and grant support to the 14 Pacific developing member countries for key projects in transport, power, water and sewerage, education, health, and public administration. In its newer and growing role in the region, ADB has supported capacity building, public policy analysis and reform, and improved development processes.



For ADB in the Pacific, 2007 proved to be the strongest year yet in terms of the value of lending, grants, and cofinancing received. Loans totaling \$126.6 million and grants of \$46.5 million were approved (Tables 22, 23, and 25). Cumulative lending for the region amounted to \$1.8 billion (Table 26). ADB loans, grants, and technical assistance to the Pacific drew \$82.5 million in cofinancing, up \$40.4 million over 2006, continuing the trend of increasing levels of cofinancing.

New and innovative modes of assistance have allowed ADB to respond more quickly and flexibly to identified country needs and in partnership with other development partners. ADB stepped up its support to the Papua New Guinea transport sector: in its largest combined loan to the country so far, it approved \$100.0 million in loans with grant financing of \$2.3 million from the Japan Fund for Poverty Reduction and the HIV/AIDS fund for the Lae Port Development Project. ADB also pioneered a new instrument of engagement in a loan buy-down mechanism in Samoa. The mechanism was combined with approval of an Asian Development Fund (ADF) loan of \$26.6 million and an ADF grant of \$15.4 million for the Samoa Power Sector Expansion Project, which is cofinanced by the Japan Bank of International Cooperation (with a \$38.0 million loan) and the Government of Australia (with an \$8.0 million grant) (Tables 23 and 25). ADB continued its strong emphasis on facilitating private sector development in the Pacific. The \$8.7 million private sector development initiative, cofinanced by Australia, was launched in early 2007 and has already provided focused and practical support in the core areas of state-owned enterprise reform and public-private partnerships; financial sector reform; and reform of the institutional, legal, and regulatory business environments.

Highlights

- Emphasized new modes of assistance (community-based modes of procurement, a performance-based loan buy-down scheme, and grants)
- Deepened donor coordination of strategies, programs, and projects, which catalyzed a large increase in cofinancing and promoted harmonization and alignment
- Strengthened the Pacific program after the midterm review of the Pacific strategy (2005–2009) and the development of the first Pacific country partnership strategy (Tonga [2008–2012])
- Focused on capacity development through an in-depth assessment of the region's experience, which guided the redesign of internal processes and the development of new technical assistance approaches
- Supported regional cooperation through a regional operations business plan to strengthen national ownership of regional approaches, facilitate regional provision of services, and improve the environment for private sector development

ADB's contribution to the understanding of Pacific issues has been strengthened through increased attention to economic and social analyses. An in-depth assessment of capacity development experiences in the Pacific has created an important guide for future assistance. *Oceanic Voyages: Aviation and Shipping in the Pacific Region*, published in 2007, is expected to contribute to the reform of public sector operations

ADB's contribution to the understanding of Pacific issues has been strengthened through increased attention to economic and social analyses



ADB supports marine resource development

and policies in the transport sector, and to greater private sector participation in the provision of transport service. ADB also continued its regular series of Pacific Islands Economic Reports, publishing a report on Tuvalu and presenting draft reports to partner governments in the Cook Islands, Nauru, Palau, Papua New Guinea, Samoa, and Tonga. Private sector assessments for Papua New Guinea, Samoa, and Tonga helped elevate policy dialogue on private sector development issues and solutions, and led to agreements on the implementation of specific reform activities. ADB is supporting an analysis of household income and expenditure surveys and poverty throughout the region. Regional technical assistance is being provided to support demographic and health survey work in the Marshall Islands, Nauru, Solomon Islands, and Tuvalu.

PORTFOLIO MANAGEMENT

Actual performance against targets was more than 98% for disbursements (\$50.3 million) and 111% for contract awards (\$50.9 million) (Table 24). Papua New Guinea contributed 76% of contract awards and 55% of disbursements, and the Fiji Islands 11% and 25%. The number of active technical assistance (TA) projects has averaged 88 over the past 3 years. TA savings amounted to \$1.3 million in 2007. A cumulative total of 16 loan and grant projects and 42 TA activities have been delegated to the resident missions. This contributes to effective monitoring and strengthened partnerships with developing member countries and development partners. It also facilitates greater ADB engagement in policy dialogue at the national and regional levels.

TABLE 22 Pacific: Assistance by Country, 2007

(\$ 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
Cook Islands	–	–	–	–	–	–	–	–	0.7	–
Fiji Islands	–	–	–	–	–	–	–	–	0.3	–
Kiribati	–	–	–	–	–	–	–	–	–	–
Marshall Islands	–	–	–	–	–	–	–	–	–	–
Micronesia, Federated States of	–	–	–	–	–	–	–	–	0.4	–
Nauru	–	–	–	–	–	–	–	–	–	–
Palau	–	–	–	–	–	–	–	–	1.7	–
Papua New Guinea	60.0	40.0	100.0	6.0	–	–	–	2.3	1.9	–
Samoa	–	26.6	26.6	38.0	–	–	–	29.3	2.5	–
Solomon Islands	–	–	–	–	–	–	–	9.0	2.8	–
Timor-Leste	–	–	–	–	–	–	–	6.0	15.0	–
Tonga	–	–	–	–	–	–	–	–	–	–
Tuvalu	–	–	–	–	–	–	–	–	–	–
Vanuatu	–	–	–	–	–	–	–	–	0.6	–
Total	60.0	66.6	126.6	44.0	–	–	–	46.5	25.8	–

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

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 6a and 6b (Direct Value-Added Cofinancing Arrangements).

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

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

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

TABLE 23 Pacific: Grant-Financed Project Approvals by Country, 2007

(\$ million)

Country	ADF	Other Sources ^a	Total
Papua New Guinea			
Lae Port Development ^b	–	0.8	0.8
Lae Port Livelihood and Social Improvement Project ^b	–	1.5	1.5
	–	–	–
Samoa			
Power Sector Expansion ^b	15.4	8.0	23.4
SchoolNet and Community Access Project	5.9	–	5.9
Solomon Islands			
Emergency Assistance	5.0	4.0	9.0
Timor-Leste			
Dili Urban Water Supply Sector Project	6.0	–	6.0
Total	32.2	14.3	46.5

– = 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 24 Pacific: Portfolio Performance Indicators for Sovereign Lending, 2006–2007

Country	No. of Ongoing Loans (as of Dec 2007)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2007 (\$ million)	2006 (\$ million)	2007 (\$ million)	2006 (\$ million)	2007 (%)	2006 (%)
Cook Islands	1	1.7	0.0	0.1	0.3	–	–
Fiji Islands	3	5.6	9.1	12.6	9.7	100.0	50.0
Micronesia, Federated States of	1	0.1	–	–	0.2	100.0	–
Palau	–	–	–	0.1	0.1	–	100.0
Papua New Guinea	4	3.7	3.7	3.6	2.5	–	40.0
Samoa	14	38.9	23.1	27.4	29.3	21.4	8.3
Solomon Islands	4	0.4	1.7	1.4	1.6	–	–
Timor-Leste	1	0.1	0.8	3.7	4.1	–	–
Vanuatu	2	–	3.2	1.1	1.2	–	–
Regional	1	0.5	–	0.3	0.2	–	–
Total^a	31	50.9	41.5	50.3	49.0	22.6	19.4

– = nil.

a Totals may not add up because of rounding.

TABLE 25 Pacific: Sovereign Loan Approvals by Country, 2007

(\$ million)

Country	OCR	ADF	Total
Papua New Guinea			
Lae Port Development Project	60.0	40.0	100.0
Samoa			
Power Sector Expansion Project	–	26.6	26.6
Total	60.0	66.6	126.6

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

COUNTRY HIGHLIGHTS

Cook Islands

Partnership priorities. The approved country operations business plan (2007–2009) builds on past assistance for infrastructure and fiscal management to help sustain private sector-driven growth. ADB's priorities are to develop environmentally sound infrastructure and to improve the governance framework for infrastructure.

Impact of operations. The Pacific Islands Economic Report for Cook Islands was finalized, analyzing economic conditions, development constraints, and opportunities, in support of the preparation of the country partnership strategy for 2008–2012.

Fiji Islands

Partnership priorities. After Management approval of the Fiji Islands: Reengagement Approach on 5 April, ADB resumed its previously approved activities. ADB constantly monitored conditions, focusing on poverty conditions, and the engagement or endorsement of the interim government by international organizations and ADB's shareholding countries.

Impact of operations. ADB's engagement was limited to activities under the ongoing program involving road development and rehabilitation, water and sanitation, energy, economic reform, and private sector development. In late 2007, ADB supported harmonized economic sector work associated with an International Monetary Fund Article IV Consultation.

TABLE 26 Pacific: Cumulative Lending and Disbursements by Country as of the end of 2007

(\$ million)^a

Country	Lending	Disbursements
Cook Islands	29.5	26.6
Fiji Islands	249.9	182.9
Kiribati	15.1	13.7
Marshall Islands	78.1	64.2
Micronesia, Federated States of	75.1	42.8
Nauru	5.0	2.3
Papua New Guinea	1,027.0	690.7
Samoa	156.6	105.7
Solomon Islands	79.3	65.8
Tonga	57.8	52.3
Tuvalu	7.8	6.6
Vanuatu	51.3	49.0
Regional	1.5	136.3
Total^b	1,834.0	1,438.6

a Includes nonsovereign (public and private sector) loans.

b Totals may not add up because of rounding.

FIGURE 5 Pacific: ADB Lending by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)

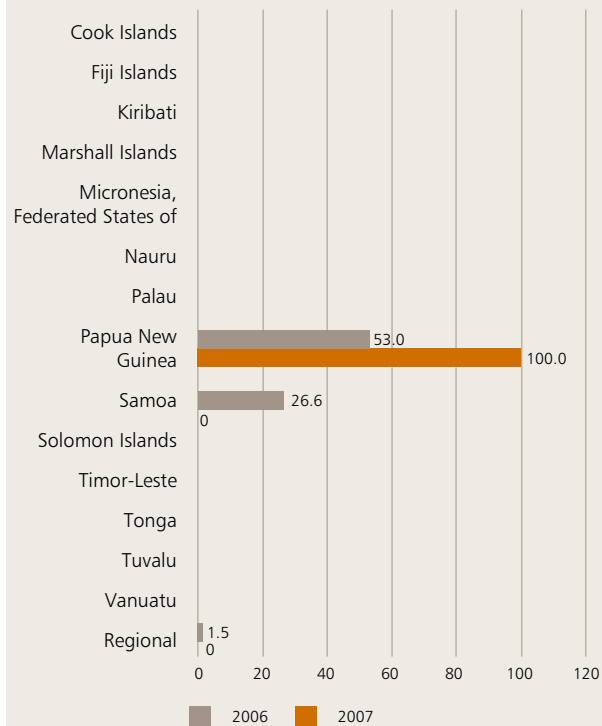
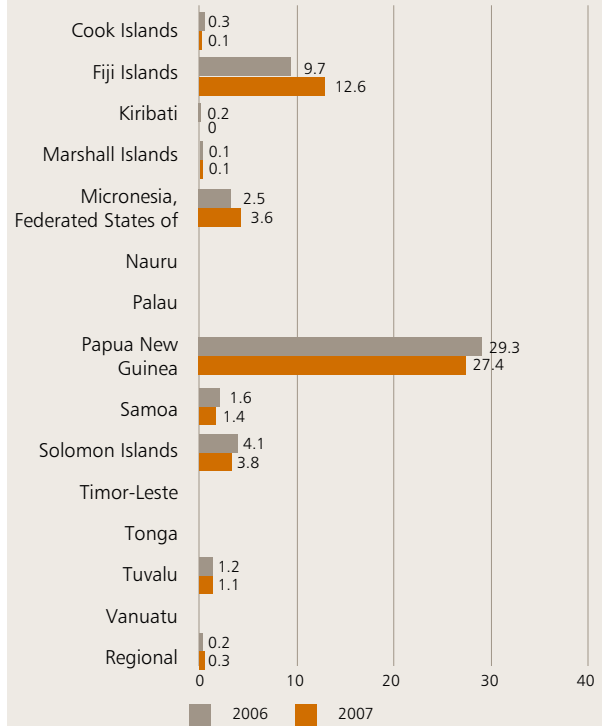


FIGURE 6 Pacific: ADB Disbursements by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)



Kiribati

Partnership priorities. Against a background of limited resources and geographic isolation, ADB continued to help Kiribati achieve its priorities for economic growth, drawing on the potential drivers of tourism and marine resource development. ADB's support continued to emphasize outer-island growth and economic and financial planning.

Impact of operations. ADB continued a feasibility study for the development of water and sanitation in Kiritimati Island, the largest Pacific atoll, to build the basic infrastructure needed for growth through tourism. The Integrated Land and Population Development Program for Kiritimati Island was also mobilized to support land allocation. A Pacific Islands Economic Report—*Managing for Risks*—was prepared.

Marshall Islands

Partnership priorities. ADB's country strategy prioritizes support for improvements in public sector productivity, with an emphasis on improved delivery of basic social services; a better environment for private sector investment, job creation, and growth; and policy debate. The Marshall Islands repaid its loan arrears.

Impact of operations. ADB's technical assistance supported the formulation of a medium-term fiscal policy, the introduction of 5-year economic policy statements, and the strengthening of national statistics. In June, the ADB-funded Public Policy Institute at the College of the Marshall Islands was launched. Technical assistance also helped identify options for improved waste management in Majuro.

Federated States of Micronesia

Partnership priorities. The new country operations business plan (2007–2009) continued the focus on support for economic management and accountability, inclusive social development, and private sector-led economic growth.

Impact of operations. ADB's assistance comprised one ongoing loan and three ongoing technical assistance

ADB helped improve the business environment in the Federated States of Micronesia



Roads are being upgraded in Papua New Guinea

projects. Outputs under these activities included the establishment of two small business development centers, improvements in land court operations and legislation in Chuuk, the development of policies for personnel recruitment and performance evaluation in the public sector, the establishment of a project management unit to deliver an infrastructure loan across all four states, and support for the refurbishment of dispensaries and school facilities.

Nauru

Partnership priorities. ADB's country strategy and program for Nauru is concerned with the reform of state-owned enterprises, capacity building, and debt management.

Impact of operations. ADB's engagement with Nauru has focused on selective technical assistance. Most recently, a technical assistance project on utilities reform

was completed and formed the basis for the Government's utilities reform strategy, which is still being discussed. The first country performance assessment was carried out. A country economic report on Nauru was also completed.

Palau

Partnership priorities. Palau is a relatively new partner, having joined ADB only in 2003. ADB's strategic focus is the strengthening of economic and fiscal management, the promotion of policies for private sector development, and the facilitation of sound infrastructure development and management.

Impact of operations. ADB's technical assistance continued to support the development of a medium-term strategic development plan and policy advice to improve the delivery and management of public utilities, and to help minimize the cost of operating and maintaining public infrastructure. ADB supported an economic symposium to promote community engagement in development. ADB also prepared an environment assessment and a private sector assessment for the country, and an economic report on the Pacific Islands as a whole. The preparation of the first country partnership strategy for Palau began.

ADB aims to support Nauru build its capacity

Papua New Guinea

Partnership priorities. ADB's country strategy and program (2006–2010) deals with four strategic areas: public financial management, private sector development, the transport sector, and health and HIV/AIDS.

Impact of operations. To help improve public financial management, ADB provided technical assistance for the preparation of a medium-term financial management strategy and the strengthening of the governance of statutory authority. ADB also supported the rehabilitation of the Highlands Highway Network and helped the Government improve access to electricity.

Public-private partnerships with the oil and gas, agriculture, and mining industries continued to meet the threat of HIV/AIDS, with a focus on prevention in rural areas in association with private sector partners. A nationwide condom social marketing program was cofinanced by the Australian Agency for International Development and the New Zealand International Aid and Development Agency.

Samoa

Partnership priorities. ADB emphasizes support for infrastructure, education, private sector development, and public sector management.

Impact of operations. Through the nonlending program, ADB helped Samoa prepare for the privatization of the Samoa Broadcasting Corporation and the Samoa Shipping Services, slated for 2008, and helped strengthen the corporate governance of state-owned enterprises. ADB supported the Government's drive to modernize the registry of companies and introduce a framework for secure transactions. ADB technical assistance also supported the pilot-testing of new ways to promote productive use of customary land.

ADB helped pilot-test new ways to productively use customary land in Samoa

Fighting HIV/AIDS in Rural Papua New Guinea



Stopping HIV from reaching rural people

At least 8 out of 10 people in Papua New Guinea live in rural areas but are excluded from HIV/AIDS programs because villages are remote and inaccessible, rural health services have collapsed, and certain cultural practices remain deeply ingrained. Rural industries tend to give rise to an environment conducive to high-risk behavior in surrounding areas.

An Asian Development Fund grant approved in 2006 for HIV/AIDS prevention and control aims to change that. The grant—for \$22 million inclusive of \$7 million cofinancing—is helping stop HIV/AIDS from reaching rural populations in Papua New Guinea by integrating the management capabilities of the

private sector, the outreach of churches and nongovernment organizations, and the infrastructure of public services. The project draws on the relative strengths of other development partners, thereby fostering an environment of cooperation and collaboration.

Economic operators at the center of six large rural development enclaves in mining, oil and gas extraction, and plantations have signed memorandums of understanding with the Government detailing how they will help rehabilitate and support surrounding rural health services, and introduce and support HIV/AIDS testing, treatment, and care. The renovation of rural health infrastructure such as aid posts and health centers has begun.

Broad-based research on preferences has led to the development of a new condom. Behavior change programs are also being organized in communities surrounding the rural development enclaves. A national surveillance plan has been finalized and resources are being mobilized to improve HIV/AIDS surveillance nationwide.

ADB is organizing behavior change programs

The Sanitation and Drainage Project began to mitigate flooding in the capital. The Education Sector Project II significantly helped harmonize donor activities in education, while the Small Business Development Project provided small-business loan guarantees, micro loans, and business training.

Harmonization with funding agencies was further enhanced through joint missions to prepare the country partnership strategy (2008–2012) and ADB's observer role in the high-level strategy talks between the governments of Samoa, Australia, and New Zealand. The Pacific Islands Economic Report for Samoa and a private sector assessment were prepared.

Solomon Islands

Partnership priorities. ADB continued to help the Government provide transportation infrastructure and services and promote private sector development.

Impact of operations. ADB largely completed the implementation of the Post-Conflict Emergency Rehabilitation

Project (\$18.5 million), involving the repair of roads and other infrastructure damaged during the 1999–2003 conflict. The newly repaired roads helped increase economic activity throughout the project area, and maintenance contracts for local operators boosted private sector activity. ADB also continued its work on the \$16.2 million Solomon Islands Road Improvement Project, cofinanced by the governments of Australia and New Zealand.

The new State-Owned Enterprise Act was developed with ADB support and passed in 2007. ADB provided selective support in implementing the act, especially in performance standards setting and monitoring. ADB helped prepare two privatization transactions in Solomon Islands. In the key area of business law reform, with ADB support the Government prepared and submitted to Parliament bills on new companies, secured transactions, and trustees.

Timor-Leste

Partnership priorities. ADB completed the country operations business plan (2008–2010) for Timor-

Responding Quickly and Flexibly to a Tsunami Emergency in the Solomon Islands



Widespread damage

On 2 April, a massive undersea earthquake of magnitude 8.1 triggered a tsunami that struck the Western and Choiseul provinces of Solomon Islands. Damage to housing, infrastructure, schools, and medical facilities was widespread, and several villages were destroyed. About 20,000 out of a total population of 90,000 were affected, with some 5,000 people displaced and 52 dead.

ADB's disaster and emergency assistance policy prompted a rapid and effective response. ADB staff were on the ground within a week of the disaster. After an official request was made, ADB agreed to take the lead in coordinating the rehabilitation effort by government and development partner agencies. ADB also prepared a \$9 million Emergency Assistance Project, which the Board approved within 11 weeks

of the disaster. Asian Development Fund grant funds catalyzed significant cofinancing from the European Commission for the project.

The affected area generates a disproportionate share of Solomon Islands' national output and almost all of its tourism. The effects of the disaster thus have national economic implications. Recovery and rehabilitation depend on restoring access to affected areas and maintaining public health. However, the disaster has worsened the ability of major producers and rural people to export agricultural and fisheries products, gain access to markets and social services, support tourism, and enjoy safe water supplies. Growth is expected to slow down and poverty to worsen.

The Emergency Assistance Project will help the Government rehabilitate damaged infrastructure—rural and town roads, wharves and jetties, and the Gizo town water supply and sanitation system—and make it less vulnerable to climate change and natural hazards. The rehabilitation of damaged infrastructure is expected to make rural areas accessible once again, allow economic activities and social services to resume, and safeguard public health.

ADB responded rapidly and effectively



Emergency assistance helped people who lost their homes in the Solomon Islands

Leste, which emphasizes infrastructure development and capacity building as central to ADB's assistance.

Impact of operations. The Road Sector Improvement Project supported project management, design and supervision, community empowerment, and project performance monitoring. The Second Emergency Infrastructure Rehabilitation Project helped employ Timor-Leste's rural poor while improving access to markets and to education, health, and other basic services. Construction under the remaining three road contracts was completed. The project created jobs, injected money into poor communities, connected them to services, and reduced economic costs.

Tonga

Partnership priorities. ADB's country partnership strategy (2007–2012) is centered on poverty reduction and anchored in prudent economic and fiscal management, infrastructure development, and private sector growth.

Impact of operations. ADB, the Australian Agency for International Development, the New Zealand International Aid and Development Agency, and the World Bank signed a Joint Declaration on Aid Effectiveness with the Government of Tonga in September. The declaration applies the principles of the Paris Declaration on Aid Effectiveness and sets out initiatives for improved coordination of funding delivery in Tonga.

ADB mobilized technical assistance for the Rationalization of Public Enterprises, Phase III, and for Support for the Implementation of the Strategic Development Plan 8. The Youth Microenterprise Develop-

ment project continued developing pilot models for self-employment of the youth.

Tuvalu

Partnership priorities. ADB's assistance to Tuvalu continued to rest on the joint Tuvalu–ADB–Australian Agency for International Development strategy from 2006 and a set of benchmark indicators agreed on between these parties and the New Zealand International Aid and Development Agency.

Impact of operations. ADB continued to help upgrade the Tuvalu Maritime Training Institute (scheduled to be completed in 2008) to double the number of seafarers trained per year. Remittances from seafarers are an extremely important source of income for many in Tuvalu. The Pacific Islands Economic Report *Tuvalu 2006 Economic Report: From Plan to Action* was published. ADB also substantially completed preparations for the country partnership strategy (2008–2012). The streamlining of the tax system was pursued with the support of the Capacity Building for Taxation Reforms project.

Vanuatu

Partnership priorities. ADB's assistance program is concerned with promoting sustainable private sector-led economic growth.

Impact of operations. ADB continued to help Vanuatu improve access to financial services by supporting the Financial Services Commission in strengthening its institutional framework, including its corporate governance standards, supervisory capabilities, and organizational structure; reforming the company and bankruptcy laws; modernizing the registry of companies; and establishing a framework for secure transactions. The impact of these legal and institutional reforms will be measured once they are implemented over the next 18 months.

ADB helped Vanuatu access financial services, reform company and bankruptcy laws, modernize the registry of companies, and build a framework for secure transactions



South Asia

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

Overall, 2007 was a successful year for South Asia. The South Asia Department aimed to improve portfolio management, increase the size and improve the relevance of lending and nonlending operations, and introduce innovative and flexible financing instruments to its clients.



Efforts to adopt the managing for development results approach in all aspects of operations and build a strong operational knowledge base in South Asia were significantly expanded.

Lending was robust, surpassing previous levels and including significantly more new lending products and modes in the power, education, rural and urban infrastructure, and financial sectors. ADB approved 23 sovereign loan and Asian Development Fund grant projects for \$2.8 billion (of which 11 were subprojects coming from multitranche financing facilities [MFFs], and 2 were blend loan and grant projects) and 1 nonsovereign public sector loan for \$10 million (Table 27). Cumulative lending for the region as of the end of 2007 amounted to \$33.9 billion (Table 31). ADB's assistance also included technical assistance of \$36.9 million, four new MFFs of \$1.7 billion, four grants from other sources of \$21.5 million, and loans of \$176.3 million through its private sector operations. ADB's nonsovereign approvals in the region totaled \$411.3 million (Statistical Annex 10).

REGIONAL COOPERATION

In line with the South Asia Regional Cooperation Strategy and Program (2006–2008), ADB continued to support three main regional cooperation initiatives: the South Asian Association for Regional Cooperation (SAARC), the South Asia Subregional Economic Cooperation (SASEC), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

ADB supported the SAARC Regional Multimodal Transport Study, whose recommendations were endorsed by the 14th SAARC Summit. ADB also provided technical assistance

Highlights

- Stepped up efforts in project administration and management through deeper engagement with borrowers and executing agencies, yielding record level of disbursements, with contract awards exceeding projections, and projects at risk declining to their lowest level
- Surpassed previous levels of assistance through a robust lending program that included more new lending products and modes, and realized the South Asia Department's first nonsovereign project, a joint effort with the Private Sector Operations Department
- Started the first regional investment project to develop information and communication technology in South Asia, with the support of the four countries of the South Asia Subregional Economic Cooperation program
- Substantially assisted the Government of Nepal to sustain peace through reconstruction and economic development
- Intensified managing for development results at all levels of operations to boost results orientation and maintain effective-results partnerships, and strongly supported the capacity to manage for development results in all South Asia developing member countries

to generate policy dialogue for the regional energy market and helped build technical capacity within the SAARC Energy Center.

The Fourth SASEC Country Advisors' Meeting was held at ADB headquarters in Manila on 4–5 June. Apart from the SASEC Information Highway Project, the first regional investment project undertaken jointly by four SASEC countries, ADB also supported SASEC initiatives to develop regional tourism, improve transport logistics, facilitate trade, and promote cooperation on the environment through technical assistance.

ADB supported the implementation of the BIMSTEC Transport Infrastructure and Logistics Study, which proposed the transport and logistics policy framework and strategies, and implementing mechanisms.

PORTFOLIO MANAGEMENT

ADB intensified its efforts in project administration and portfolio management, which significantly improved key portfolio indicators. New records were reached in disbursement (\$2.0 billion, 48% better than in 2006; \$1.5 billion of this total were disbursements under projects); contract awards and commitments (\$2.1 billion, a 26% increase over projections and close to the \$2.3 billion achieved in 2006); and projects at risk were reduced to 9.7% from 12.3% in 2006 (Table 29).

ADB assistance significantly improved key portfolio indicators

TABLE 27 South Asia: Assistance by Country, 2007

(\$ million)

Country	Loans				Credit Enhancements			Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranchise Financing Facility ^d
Bangladesh	500.0	465.7	965.7	–	–	–	–	–	7.7	–
Bhutan	–	–	–	–	–	–	–	21.7	2.7	–
India	1,386.4	–	1,386.4	–	–	225.0	–	–	10.8	1,693.0
Maldives	4.5	5.3	9.8	–	–	–	–	–	–	–
Nepal	–	–	–	10.0	–	–	–	111.0	7.2	–
Sri Lanka	327.5	115.0	442.5	–	–	–	–	32.5	0.6	–
Total	2,218.4	586.0	2,804.4	10.0	–	225.0	–	165.2	29.0	1,693.0

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

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Tables 6a and 6b (Direct Value-Added Cofinancing Arrangements).

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

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

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

In Bangladesh, earlier improvements in portfolio performance were sustained and even advanced in some areas through concerted effort and ADB's engagement with the Government, and strong collaboration with development partners. Portfolio performance in India also improved markedly in project preparedness, project implementation, and capacity building, enabling increased award of contracts and faster disbursement.

In Nepal, specific actions focused on improving project readiness, harmonizing procurement, improving financial management, and rationalizing loan and technical assistance portfolios. Project implementation in Sri Lanka continued to face security challenges, but progress was made on several fronts in ongoing post-tsunami reconstruction and rehabilitation, as evidenced by increased contract awards.

TABLE 28 South Asia: Grant-Financed Project Approvals by Country, 2007
(\$ million)

Country	ADF	Other Sources ^a	Total
Bhutan			
Rural Skills Development	–	2.0	2.0
Micro, Small, and Medium-Sized Enterprise Sector Development Program			
– Program Grant	6.0	–	6.0
– Project Grant	9.0	–	9.0
South Asia Subregional Economic Cooperation Information Highway (Regional) ^b	4.7	–	4.7
Nepal			
Strengthening Decentralized Support for Vulnerable and Conflict-Affected Families and Children	–	2.0	2.0
Rural Reconstruction and Rehabilitation Sector Development Program			
– Program Grant	50.0	–	50.0
– Project Grant	50.0	–	50.0
South Asia Subregional Economic Cooperation Information Highway (Regional) ^b	9.0	–	9.0
Sri Lanka			
North East Community Restoration and Development II (Supplementary) ^b	–	1.5	1.5
Tsunami Affected Areas Rebuilding (Supplementary) ^b	–	16.0	16.0
Education for Knowledge Society ^b	15.0	–	15.0
Total	143.7	21.5	165.2

– = 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 29 South Asia: Portfolio Performance Indicators for Sovereign Lending, 2006–2007

Country	No. of Ongoing Loans (as of Dec 2007)	Contract Awards/Commitments		Disbursements		Loans at Risk	
		2007 (\$ million)	2006 (\$ million)	2007 (\$ million)	2006 (\$ million)	2007 (%)	2006 (%)
Bangladesh	48	446.8	367.9	346.0	321.7	2.1	10.0
Bhutan	5	13.4	2.6	8.9	4.6	–	–
India	38	1,436.9	1,714.7	1,363.5	701.4	7.9	6.3
Maldives	7	4.1	7.6	5.1	4.9	28.6	14.3
Nepal	21	88.4	101.6	96.8	108.0	14.3	17.4
Sri Lanka	46	116.0	144.9	137.8	180.4	15.2	17.0
Total^a	165	2,105.7	2,339.4	1,958.2	1,321.1	9.7	12.3

– = nil.

a Totals may not add up because of rounding.

TABLE 30 South Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2007
(\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Bangladesh			
Railway Sector Investment Program (Subproject 1)	100.0	30.0	130.0
Sustainable Power Sector Development Program			
– Program Loan	–	60.0	60.0
– Project Loan	400.0	5.0	405.0
Good Governance Program	–	150.0	150.0
Padma Multipurpose Bridge Design	–	17.6	17.6
Dhaka Water Supply Sector Development Program			
– Program Loan	–	50.0	50.0
– Project Loan	–	150.0	150.0
South Asia Subregional Economic Cooperation Information Highway	–	3.1	3.1
India			
Uttaranchal State–Road Investment Program (Subproject 1)	50.0	–	50.0
Uttaranchal Power Sector Investment Program (Subproject 1)	41.9	–	41.9
North Karnataka Urban Sector Investment Program (Subproject 1)	33.0	–	33.0
Madhya Pradesh Power Sector Investment Program (Subproject 1)	106.0	–	106.0
Madhya Pradesh Power Sector Investment Program (Subproject 2)	45.0	–	45.0
Madhya Pradesh Power Sector Investment Program (Subproject 3)	144.0	–	144.0
Madhya Pradesh Power Sector Investment Program (Subproject 4)	90.0	–	90.0
Madhya Pradesh State Roads Sector Project II	320.0	–	320.0
Jammu and Kashmir Urban Sector Development Investment Program (Subproject 1)	42.2	–	42.2
Rajasthan Urban Sector Development Investment Program	60.0	–	60.0
India Infrastructure Project Financing Facility (Subproject 1)	300.0	–	300.0
Maldives			
Domestic Maritime Transport	–	5.3	5.3
Sri Lanka			
Colombo Port Expansion	300.0	–	300.0
Education for Knowledge Society	–	65.0	65.0
Small and Medium Enterprise Regional Development	–	50.0	50.0
Subtotal	2,032.1	586.0	2,618.2
NONSOVEREIGN			
India			
Small and Medium-Sized Enterprises Financing Facility Project	75.0	–	75.0
Tata Power Wind Energy Financing Facility	79.3	–	79.3
Maldives			
South Asian SME Leasing Facility	4.5	–	4.5
Sri Lanka			
South Asian SME Leasing Facility	10.0	–	10.0
Commercial Leasing Company Limited	7.5	–	7.5
People's Leasing Company Limited	10.0	–	10.0
Subtotal	186.3	–	186.3
Total	2,218.4	586.0	2,804.4

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources, SME = small and medium-sized enterprise.

TABLE 31 South Asia: Cumulative Lending and Disbursements by Country as of the end of 2007

(\$ million)^{a, b}

Country	Lending	Disbursements
Bangladesh	9,265.5	6,240.4
Bhutan	176.1	112.3
India	17,834.6	10,349.8
Maldives	101.3	68.8
Nepal	2,301.0	1,642.0
Sri Lanka	4,205.8	2,902.2
Total^c	33,884.2	21,315.5

^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.

COUNTRY HIGHLIGHTS

Bangladesh

Partnership priorities. Under its program for 2008–2010, ADB continues to support infrastructure development and policy, governance, and institutional reforms in energy, transport, education, and integrated urban infrastructure, including urban health, urban water supply, and urban transport sectors. Led by ADB, several development agencies are supporting the Primary Education Development Program.

The Good Governance Program, in cooperation with other development partners, will help the Government reduce critical constraints on core governance, develop a national integrity strategy, and adopt governance improvement measures in line ministries and agencies; reform the judiciary, with a focus on performance, transparency, and accountability; and build governance management capacity.

Impact of operations. The Jamuna–Meghna River Erosion Mitigation Project developed an innovative, cost-effective, and sustainable riverbank erosion management and operations and maintenance system; and also strengthened supporting institutions to protect the livelihoods of over 2 million people.

The ongoing Road Network Improvement and Maintenance Projects I and II helped the Government implement the national land transport policy, develop missing links in the road network, and prepare a sustainable mechanism to fund road maintenance. The projects continued to improve regional and district roads where poverty incidence is the highest to connect rural farmers to national markets, schools, and health facilities.

FIGURE 7 South Asia: ADB Lending by Country, 2006–2007 (Sovereign and Nonsovereign) (\$ million)

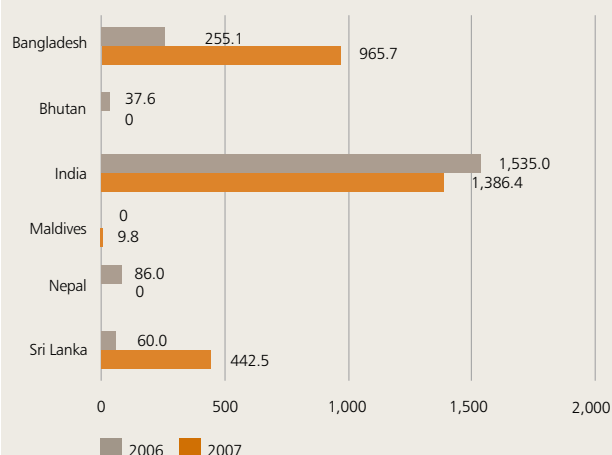
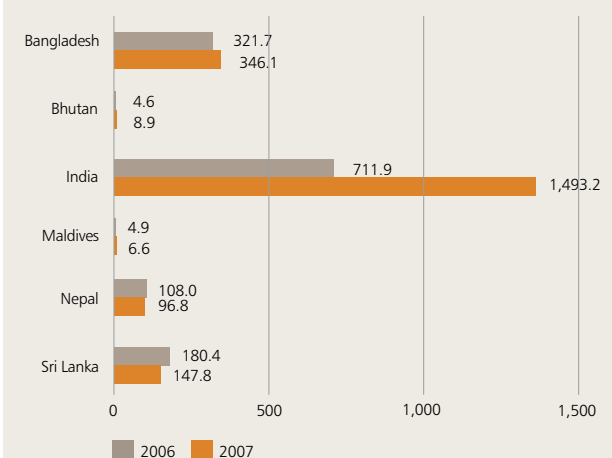


FIGURE 8 South Asia: ADB Disbursements by Country 2006–2007 (Sovereign and Nonsovereign) (\$ million)



The second phase of the Urban Primary Health Care Project continued to target the poor and combat HIV/AIDS and other communicable diseases.

Bhutan

Partnership priorities. ADB is guided by the results-based country partnership strategy (CPS) of September 2005 and the Government's National Poverty Reduction Strategy. The CPS has two thrusts: assistance for

Clean Fuel Cuts Pollution and Boosts Incomes in Bangladesh



Auto rickshaw fueling up

Dhaka, a teeming city of more than 10 million people, has roads that are noisy and busy, filled with buses, cars, “auto rickshaws,” cycle rickshaws, and trucks. Yet in recent years it has managed to cut pollution down drastically—by about 60% between 2001 and 2004, said Abdul Wadud, managing director, Rupantarita Prakritik Gas Company Limited (RPGCL).

RPGCL can certainly take some of the credit for this. With support from ADB’s Dhaka Clean Fuel Project, RPGCL has opened the first compressed natural gas (CNG) filling stations in the country and set up conversion workshops for vehicles so that they can switch to the environment-friendly fuel.

About 1,400 buses now use CNG, making a tremendous difference to air quality. All of Dhaka’s 25,000 auto rickshaws now run on CNG, which is much cheaper than petrol or even diesel.

Mohammad Nasimuddin, 60, has been driving auto rickshaws for 15 years. When the vehicle owner

switched to CNG some years ago, he increased Nasimuddin’s rent fourfold to recoup the cost of conversion. And yet Nasimuddin’s profit shot up from Tk150 (taka) to Tk400 (about \$2.20–\$5.80) a day! This is mainly because his fuel costs have come down from Tk300 to Tk70 a day.

Life is still hard for Nasimuddin’s family of four, but it is certainly better than before, he said. “We can buy more food, and if we can eat better, that’s enough,” he added.

Before the introduction of CNG, the pollution was really bad, he said. “My eyes and face would burn and I would fall ill very often. I would continue to work, but I’d feel ill,” Nasimuddin said. “But now I don’t have that problem.”

Now more than 80,000 private cars and jeeps as well as 12,000 taxis are running on CNG.

The very popularity of CNG, combined with greed, has given rise to an unforeseen and serious problem. *The Daily Star*, a Dhaka-based newspaper, reported recently that cheap, substandard, and potentially deadly CNG cylinders were being made in some unauthorized workshops.

Under the ADB-supported project, RPGCL is running a public awareness program to warn people that they should use only authorized workshops for conversions. The company runs some of the 72 authorized conversion workshops in Dhaka.

“It took 20 years to convince people that CNG is economic, it is safe, and it is replaceable,” said Abdul Wadud. But it is finally done.

About 1,400 buses now use CNG, making a tremendous difference to air quality

programs and projects in core sectors, and capacity development in ADB operational sectors and for overall development management. ADB’s assistance to the four core sectors—roads, power, urban infrastructure development, and financial and private sector development—supports an integrated package of investment operations, sector reform, and capacity development to ensure that interventions are sustainable and that development is effective and with discernible impacts. ADB aims to open opportunities for domestic entrepreneurs while making the domestic financial system more efficient so that it can offer a broader array of

financial services, not only to established enterprises but also to rural small and medium-sized enterprises.

Impact of operations. ADB assistance was channeled mainly to the energy (rural electrification) and transport (roads) sectors to reduce remoteness and isolation, which are among the major causes of poverty. Poor households were able to use electric lighting and appliances, and to establish small-scale cottage industries, process food, and engage more efficiently in small trades such as carpentry and tailoring. Health standards rose as households stopped

using kerosene lamps. ADB upgraded the main road network, ensured adequate maintenance of the existing road network, increased rural accessibility, supported institutional strengthening, promoted private sector participation, improved road technology and productivity, and supported subregional links. ADB helped establish a debt management system, enact and implement a law to create private sector jobs, strengthen the public resource management system, and deepen capacity development of the autonomous Auditor General's Office.

India

Partnership priorities. The country partnership strategy for 2008–2012 is being prepared. It will follow a results-based framework, and will be closely aligned with the development priorities and sector strategies laid down in the Eleventh Five-Year Plan. ADB's lending assistance to India increased from an annual average of around \$1.3 billion in 2000–2005 to \$2.4 billion in 2006–2007 on a multitranchise financing facility full-facility basis. Actual approvals (subprojects and regular loans) were \$1.5 billion in 2006 and \$1.4 billion in 2007 (Figure 7).

ADB's nonsovereign operations in India amounted to \$379.3 million. This included an Indian rupee-denominated private sector loan equivalent to \$79.3 million to set up and operate wind energy facilities in India. The project is ADB's first financing in the wind power sector.

The Eleventh Five-Year Plan recognizes that growth cannot be sustained or made more inclusive without supporting physical and social infrastructure. Support for infrastructure development of the transport, energy, and urban sectors will, therefore, remain the focus of ADB's assistance program for 2008–2010.

Impact of operations. ADB's urban sector projects improved access to water supply, sewerage, drainage, and solid waste management in several states such as Karnataka, Rajasthan, and Madhya Pradesh. Assistance to Tamil Nadu and Kerala for reconstruction after the tsunami helped rebuild essential urban infrastructure and improve livelihood security.

ADB supported the National Highway Development Program and the Government's Rural Roads Program. The two projects are expected to promote rural development by improving connectivity and creating jobs in five states—Assam, Chhattisgarh, Madhya Pradesh, Orissa, and West Bengal.

ADB's energy sector assistance has focused on upgrading the transmission and distribution network and supporting power sector reform across selected states. The two power sector loans to Madhya Pradesh, approved in 2001 and 2007, helped operationalize an independent state electricity regulatory commission, facilitate the unbundling of the State Electricity Board, and improve the overall governance of the power sector. At the national level, ADB has been assisting the Power Grid Corporation of India Ltd. in strengthening the national transmission grid.



Microfinance beneficiaries' income rose more than threefold

Maldives

Partnership priorities. In October, ADB endorsed a new country partnership strategy (CPS) for the Maldives. The CPS recognized that capacity gaps in institutions and human resources have constrained achievement of national goals and objectives. ADB support would therefore follow a sequenced approach.

During phase I, a holistic set of capacity development interventions will be supported. For this purpose, technical assistance loans will be provided to strengthen economic and financial management in areas such as internal audit capacity, tax administration, development of a multiyear fiscal framework, debt management, and strengthening of project management capacities. Capacity development will be supported to structure public-private partnerships in transport, power, and other areas, including improving the enabling environment for small and medium-sized enterprises in the private sector.

Once readiness is secured, ADB's second phase of assistance will include strategic support for investments and sector reform in transport, power, and small and medium-sized enterprise development. In each sector, ADB will combine investment support with measures to foster public-private partnerships and develop the capacities of core sector agencies. The first private sector project in the Maldives was approved in the first quarter: a \$4.5 million private sector loan for financing facilities for a leasing company.

Impact of operations. Over nearly two decades, ADB has contributed greatly to economic development and poverty reduction. The Operations Evaluation Department noted that ADB's contributions to the country's development results were particularly useful. Sector outcomes were achieved in transport and energy, which accounted for about half of the total ADB lending during the review period.

Increasingly, however, implementation capacity constraints hamper ADB's ability to contribute to development results in a timely manner. The tsunami and the ensuing relief effort, while handled courageously, placed a heavy burden on the civil service and the nascent domestic construction industry. Although the economy is recovering, the large backlog of unfinished development projects and reconstruction initiatives and the large buildup of public debt require that ADB support for new public investments be phased in gradually and judiciously.

Nepal

Partnership priorities. The country operations business plan (COBP) reviewed the implementation of the country strategy and program (CSP) and adjusted ADB's assistance program for 2008–2010 based on the

Government's development priorities, performance of specific sectors, and project preparedness. The CSP and COBP remain in line with the priorities of Nepal's Three-Year Interim Plan (FY2008–FY2010), which was approved in December 2007 and is a continuation of the Tenth Plan concluded in FY2007.

ADB started a comprehensive midterm review of the CSP, to be completed in 2008. ADB also undertook a country portfolio review mission in partnership with the Government, the World Bank, the Japan Bank for International Cooperation, and the Department for International Development of the United Kingdom in August, which reviewed the effectiveness of measures to reduce project implementation bottlenecks and sustain the improved portfolio performance in recent years.

Impact of operations. The ongoing Community Groundwater Irrigation Sector Project, approved in February 1998, was completed in July 2007. The project installed 10,767 group shallow tubewells providing year-round irrigation to about 54,000 hectares of agricultural land, benefiting about 70,000 farm households. Most beneficiary households are now producing wheat, while 44% of them are also growing cash crops and 45% are cultivating twice as many vegetables than before the project.

The ongoing Decentralized Rural Infrastructure and Livelihood Project (approved in September 2004) has constructed a total of 50 km of district roads and 34 trail bridges, using labor-based, environment-friendly, and participatory approaches, and directly employing about 82,000 unskilled local laborers. Some 68 savings and credit groups have also been formed from among the laborers, with more than 40% participation by women, to promote livelihood and income-generating activities.

The \$20.0 million Rural Microfinance Project, approved by ADB in 1998, was completed in June 2007. The Rural Microfinance Development Centre, established in October 1998 as the implementing agency, provided microfinance services worth 19.4 billion Nepalese rupees (\$302.2 million) through 58 microfinance institutions to more than 500,000 families spread over a third of Nepal's 75 districts. The project beneficiaries' average annual per capita income rose more than threefold by the end of the project, which helped reduce poverty, especially among women.

Sri Lanka

Partnership priorities. ADB processed the Colombo Port Expansion Project, the country's biggest public-private partnership to date, which will substantially impact on overall economic growth. Education and small and medium-sized enterprise regional development were also key, and two loans to support them

Funding a Microcredit Revolution in Nepal



Musuni Shrestha took a loan to buy buffaloes

In a picturesque village in Bhaktapur district, 30 km from the capital Kathmandu, 50 women—all members of the Lamadanda Women's Self-Help Center—recite their oath. They resolve, among others, not to discriminate against members of lower castes, to spend wisely, to save, and to abstain from tobacco or alcohol. They then get down to business.

"*Namaste, sisters,*" says 37-year-old Mana Kumari Shrestha. "I need to borrow NRs4,000 (Nepalese rupees) (\$63). I need some money to pay my children's school fees," she explains, when asked by the coordinator why she needs more after borrowing NRs18,000 (\$286) previously. After a chorus of "yeas" from the assembled group, the funds are approved.

The scene is typical of rural microcredit schemes that have sprung up all over the countryside in recent years, with women at the forefront. Observers say they have been pivotal in empowering women and breaking down gender barriers in Nepal's largely patriarchal rural society.

The Rural Microfinance Development Center Ltd. (RMDC), a private sector development bank set up in 1999, says that 47 out of Nepal's 75 districts have a micro-credit program through its 60 partner organizations.

"Such programs are making good contributions to reducing both urban and rural poverty across Nepal," says RMDC senior manager Meghraj Gajurel. "The micro-finance programs also have a very good loan recovery rate of 99–100%," he adds. Many commercial banks, by contrast, typically have high loan default levels.

One of the key groups at the forefront of the micro-credit revolution is the Kathmandu-based Center for Self-Help Development, a nonprofit organization running programs in at least seven hill districts, including Lamadanda in the adjoining Bhaktapur district, one of its first success stories. Funded by ADB's Rural Micro-finance Project, it now has over 22,000 members—all poor women—in remote villages across the country.

Sanjamaya Lama is testimony to that success. The 41-year-old member of the Lamadanda Women's Self-Help Center lost her husband nearly a year ago but, thanks to a loan, she is coping. "I took about NRs18,000 in a loan.... Rearing goats and buffaloes and investing in my children's education is helping slowly."

Like her fellow group members, she is clear about how she will pay the loan back. "We make some income. And I also got work at a construction site. No worries. I will have no problem saving so that I can pay it back."

Microfinance programs are helping reduce both urban and rural poverty across Nepal

were processed and approved. The first portfolio review mission was undertaken with the Government actively introducing readiness criteria. Portfolio management proved respectable, given the difficult circumstances, including a resurgent civil conflict.


Priorities include transport, water supply, power, education, post-conflict rehabilitation, and economic management (fiscal management and public sector banks). A new country partnership strategy also needs to be formulated; this has now been postponed to 2008.

A private sector loan of \$10.0 million was approved to strengthen the leasing industry and expand the funding resources and financial services available to

small and medium-sized enterprises. A nonsovereign project for leasing companies was delivered jointly by the South Asia Department and the Private Sector Operations Department.

Impact of operations. Government improved tax administration and revenue collection, and closed tax loopholes with support of ADB's fiscal management reform project.

ADB assistance was also helpful in supporting and building trust in conflict-affected areas. Ongoing projects in the east of the country are picking up again (such as the Batticaloa water supply), bringing urgently needed basic social infrastructure to badly neglected areas.



Southeast Asia

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

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



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

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

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

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

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

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

HIGHLIGHTS

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

REGIONAL COOPERATION

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

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

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

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

ADB continued to lead in promoting regional and subregional cooperation

TABLE 32 Southeast Asia: Assistance by Country, 2007
(\$ million)

Country	Loans				Credit Enhancements			Grants		
	OCR	ADF	Total ADB	Official Cofinancing ^a	Guarantees ^a	Syndications ^a	Equity Investment	Grant-Financed Projects ^b	Technical Assistance Grants ^c	Multitranchise Financing Facility ^d
Brunei Darussalam	–	–	–	–	–	–	–	–	–	–
Cambodia	8.0	27.1	35.1	–	–	–	–	46.5	3.0	–
Indonesia	995.0	50.0	1,045.0	–	–	–	–	–	6.2	–
Lao People's Democratic Republic	–	–	–	11.0	–	–	–	60.0	4.1	–
Malaysia	10.0	–	10.0	–	–	–	–	–	–	–
Philippines	583.8	–	583.8	–	–	–	–	9.0	2.7	–
Thailand	–	–	–	–	–	–	–	–	1.0	–
Viet Nam	968.9	515.0	1,483.9	52.0	–	–	–	28.8	13.1	930.7
Total	2,565.7	592.1	3,157.8	63.0	–	–	–	144.3	30.1	930.7

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

Note: (i) For reference to sovereign and nonsovereign approvals, see Statistical Annex 1 (Sovereign and Nonsovereign Loan Approvals by Country) and Statistical Annex 10 (Nonsovereign Approvals and Total Project Costs by Country). (ii) Loans and grants include those that are officially cofinanced by external sources, and fully or partially administered by ADB. (iii) Totals may not add up because of rounding.

a For reference, see Statistical Annex 7 (Direct Value-Added Cofinancing Arrangements).

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

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

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

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

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

PORTFOLIO MANAGEMENT

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

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

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

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

– = nil, ADF = Asian Development Fund.

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

b Grant component of a loan project.

TABLE 34 Southeast Asia: Portfolio Performance Indicators for Sovereign Lending, 2006–2007

Country	No. of Ongoing Loans (as of Dec 2007)	Contract Awards/Commitments		Disbursements		Loans at Risk	
		2007 (\$ million)	2006 (\$ million)	2007 (\$ million)	2006 (\$ million)	2007 (%)	2006 (%)
Cambodia	22	74.3	39.1	56.8	54.6	9.1	4.8
Indonesia	33	1,187.1	781.0	1,136.3	861.5	6.1	–
Lao People's Democratic Republic	23	43.7	56.2	73.9	76.1	4.3	8.0
Malaysia	–	–	–	–	0.7	–	–
Philippines	18	373.9	844.1	419.2	833.0	11.1	9.5
Thailand	–	–	5.3	–	5.2	–	–
Viet Nam	42	261.0	252.1	229.9	184.1	4.8	10.8
Total	138	1,940.1	1,977.8	1,916.0	2,015.0	6.5	6.5

– = nil.

Note: Totals may not add up because of rounding.

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

(\$ million)

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

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

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

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

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

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

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) loans.

c Totals may not add up because of rounding.

COUNTRY HIGHLIGHTS

Brunei Darussalam

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

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

Cambodia

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

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

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

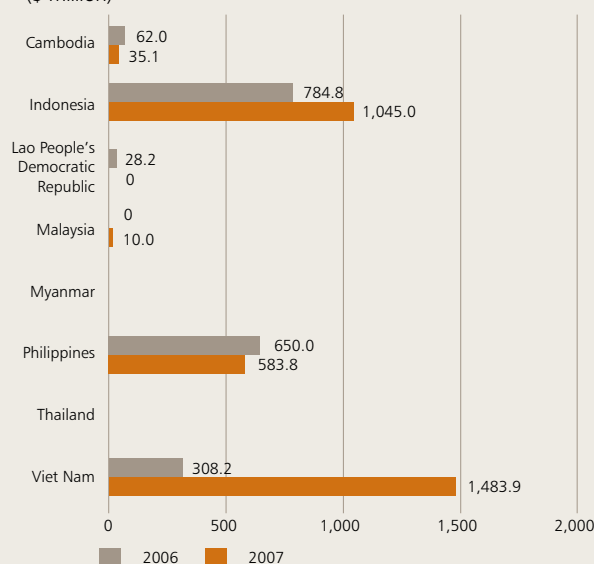
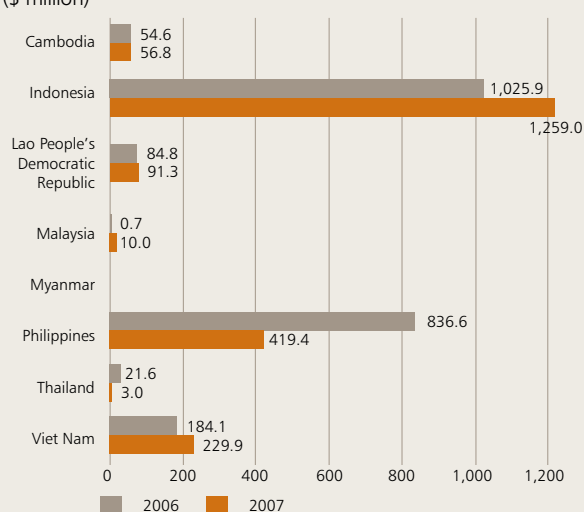


FIGURE 10 Southeast Asia: ADB Disbursements by Country, 2006–2007
(Sovereign and Nonsovereign)
(\$ million)



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

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

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

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

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

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

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

Clean Water for Tonle Sap's Poor



Clean water for villagers

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

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

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

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

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

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

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

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

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

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

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

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

Indonesia

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

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

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

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

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

Lao People's Democratic Republic

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

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

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

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

Malaysia

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

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

Myanmar

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

Philippines

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

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

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

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

Thailand

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

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

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

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

Viet Nam

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

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

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

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

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

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

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

Back to Basics in Indonesia



Girls with a brighter future

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

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

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

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

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

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


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

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

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

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

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

The image shows two wind turbines in a field. The turbines are white with red and white striped towers. They are positioned on a grassy field under a clear blue sky. The text "Nonsovereign Operations" is overlaid in white on the image.

Nonsovereign Operations

ADB believes that development and poverty reduction can be attained only with a vibrant, confident, and healthy private sector. In adopting the second medium-term strategy in 2006, ADB has placed the highest priority on catalyzing investment.

Beyond providing money, ADB assists host countries and private sector clients in a way that mitigates risks, facilitates regulatory dialogue, and provides technical expertise.

ADB's Private Sector Operations Department (PSOD) directly assists developing member countries (DMCs) through projects with development impact, which may, however, have limited access to capital. PSOD participates in projects through nonsovereign loans (loans to the private and public sectors, including state-owned enterprises); equity investments; and credit 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.

Operations are directed mainly to the capital markets and financial sectors, and to the infrastructure sector. The regional operations departments began processing nonsovereign projects in 2007.

Nonsovereign operations grew continuously, with total new financing reaching a record \$1.8 billion (Table 11) in 2007, 23% above the level for 2006. Growth was relatively uniform across various sectors. New debt financing approvals grew 50% (from \$575.0 million to \$865.0

Nonsovereign operations grew continuously, with total new financing reaching a record \$1.8 billion in 2007

Financing Energy Efficiency in the People's Republic of China



ADB's public and private sector operations groups work closely together

Energy demand in the People's Republic of China (PRC), the world's second-largest energy consumer and one of the largest emitters of greenhouse gases, is growing rapidly to support the economic growth needed to raise the living standards of the large population. Energy efficiency will moderate growth in fossil energy demand, ease the upward pressure on energy prices, and improve energy security.

Despite the recent policy shift in favor of energy efficiency, however, market barriers still limit energy efficiency in the PRC. ADB approved the Energy Efficiency Multiproject Financing Program to meet the need. It will provide credit guarantees up to CNY800 million (\$114.2 million) in favor of selected financial institutions to cover the credit risk associated with financing energy efficiency projects. The program aims

to mobilize available domestic funds to much-needed energy efficiency projects and enable a large number of energy end users to improve energy efficiency.

The program will demonstrate the potential for energy efficiency in retrofitted and new buildings, which are untapped areas of energy efficiency, and set standards for competitors to follow. More efficient use of energy will improve the global and local environment. The program will also support the Government's efforts to build a resource-saving society through private sector participation. It will help remove barriers to investments in energy efficiency by showing that energy efficiency projects are bankable and encouraging the private sector to invest in them. The program is fully in line with ADB's country and sector strategies as well as the Government's strategic intentions.

The program aims to mobilize available domestic funds to much-needed energy efficiency projects and enable a large number of energy end users to improve energy efficiency

Priority was given to projects that strengthen and deepen the financial markets in developing member countries

million) and guarantees trebled (from \$124.8 million to \$376.0 million). In the past 2 years, credit enhancement products such as guarantees and B-loans supplemented direct loan financing and equity investments. Because of this, the total nonsovereign financing approved in 2006 and 2007 equaled the financing approved in 1996–2005. The average size of projects processed by PSOD increased from \$44.0 million for 9 projects in 2000 to \$65.0 million for 27 projects in 2007. PSOD staff members grew from 38 in 2000 to 66 by the end of 2007.

PSOD operations were once again evenly divided between infrastructure and financial services, with new infrastructure financing at \$900.0 million and financial market financing at \$846.0 million. Infrastructure financing went to the energy, transport, water and waste disposal, telecommunications, and other sectors where ADB participation has a clear development impact, with special priority given to renewable energy use and energy efficiency. For example, a 3.5 billion rupee loan was approved for a wind power project in India, and a \$107.0 million financing program with credit guarantees will be used by commercial banks to fund energy-efficient projects in the People's Republic of China. In the capital markets and financial sectors, priority was given to projects that strengthen and deepen the financial markets in DMCs, such as the development of the secondary markets for nonperforming assets, diversified payment rights securitization for banks and other forms of securitization finance, and small and medium-sized enterprise finance.

Nonsovereign operations have diversified geographically. At the end of 2007, nonsovereign projects were being administered in 20 DMCs (compared with only 13 a decade earlier), after the approval of the first private sector projects in Mongolia, Afghanistan, Lao People's Democratic Republic, Maldives, Cambodia, and the Central Asian republics of Kazakhstan, Azerbaijan, and Georgia.

At the same time, the portfolio quality of private sector financing continued to improve, with impaired assets as a percentage of total nonsovereign-backed financing falling to 2% from 22% in 2000.

Coupled with the increase in financing, this trend underscores the success of ADB's new strategy for and approach to nonsovereign operations.

UNDERLYING APPROACH

These successes reflect ADB's strategy, which stresses the importance of private sector development and a close working relationship between ADB's public and private sector operations groups. These two go hand in hand and are at the core of ADB's relevance and strength. For example, the public sector operations group led the original privatization of a power utility company in Pakistan that made possible a successful competitive sale to the private sector. PSOD then provided a non-sovereign loan of \$150 million to a cofinancing project with other development institutions and private sector banks, enabling the Karachi Electric Supply Corporation to upgrade its generation facilities and its transmission and distribution network, and to cut power losses, use cleaner technology, operate more efficiently, and produce economic benefits for the country.

Despite the current turmoil in the financial markets, the liquidity of the global capital markets has never been higher. This presents a major challenge for multilateral development banks. All were established to financially support development—a role that today is better played by the capital markets. To remain vital, multilateral development banks must reexamine and redefine their absolute and comparative advantages.

Public-private partnership is the core offering of ADB. This pioneering approach is fundamentally different from the traditional approach of multilateral development banks, with its continued emphasis on providing financial liquidity. ADB undertakes transactions in developing member countries where overall risks may be perceived as relatively high but where the commercial deal is compelling and highly developmental. In so doing, ADB can help the private sector (both project sponsors and cofinancing partners) concentrate on business issues rather than the wider risk environment.

COFINANCING

As a matter of internal policy, PSOD directly funds no more than 25% of the total cost of any one project. In rare circumstances where small transactions are accepted for their high development impact, the department will directly support a higher percentage of the

ADB can help the private sector concentrate on business rather than the wider risk environment

Dealing with Nonperforming Loans to Bolster Housing in the Philippines



Restructuring delinquent borrowers' loans

In the late 1980s, the National Home Mortgage Financing Company (NHMFC) embarked on the Unified Home Lending Program to finance low-income housing in the Philippines. As the houses were built, NHMFC purchased the mortgage-secured loans extended to home buyers by accredited financial institutions and housing developers, using funds borrowed from the Social Security System, the Government Service Insurance System, and the Home Development Mutual Fund (Pag-IBIG)—the funders.

The program faced growing difficulties in its 9 years of implementation. By 1996, large uncollected loan accounts made the funders reluctant to give more support.

In May 2004, NHMFC auctioned off the highly delinquent loans in the portfolio. DB Real Estate Global Opportunities IB, L.P. (DBGO) won in the bidding. ADB provided debt financing of up to \$33 million to Balikatan Housing Finance, Inc., the special-purpose vehicle jointly owned by DBGO and NHMFC, which acquired the nonperforming loans from NHMFC. ADB also invested in a 10% equity stake in Bahay Financial Services, Inc., a loan-servicing company established by DBGO to restructure and service the loans on behalf of Balikatan Housing Finance. A Philippine-peso bond issue—a first for ADB—provided the necessary funding.

The transaction strengthened the financial position of the funders and provided much-needed liquidity to the pension system, as NHMFC was able

to repay a part of its obligations to the funders. It also allowed NHMFC to substantially restructure its mortgage portfolio and to concentrate on being a secondary housing mortgage institution. Delinquent borrowers have been given the chance to restructure their loans and eventually own their homes without further encumbrances once their debts are fully paid. The transaction proved that low-income housing is creditworthy, and thus catalyzes much-needed housing finance from the private sector.

This transaction marked the first time that a local financial entity had sold nonperforming assets (NPAs) of such magnitude to a foreign investor, and showed domestic and international investors that the country was determined to solve its NPA problem. Introducing a replicable, market-tested mechanism for NPA resolution achieved a demonstration effect, and induced the growth of the NPA market in the Philippines, as it developed benchmarks, bankable structures, and trust in the enabling legal and regulatory environment. The transaction also sent a strong signal to Philippine banks that they had to deal proactively with their NPA problems.

ADB was involved in the transaction from the start, working alongside NHMFC and its external advisers to put together a bankable transaction structure. Given the difficulty of obtaining local or international debt financing, for a new and untested asset class, ADB's third-party financing support was critical.

The sale of NHMFC's highly delinquent loan portfolio helped jumpstart the nonperforming asset market

overall financing. PSOD's efforts therefore require a close and collaborative relationship with the financial community, which is enhanced by the various guarantee and cofinancing products ADB offers, demand for which has increased substantially in the last 2 years.

PSOD cofinanced with ADB's financial sector partners a total of 25 transactions, catalyzing \$425.0 million of direct new money for developing member countries, which went to projects with an aggregate cost of \$4.1 billion.



Generating and Sharing Knowledge

ADB defines knowledge management as the way organizations create, capture, store, retrieve, enhance, disseminate, and apply knowledge to achieve organizational objectives. ADB manages knowledge in various ways.

The overarching strategy is set by the knowledge management framework, with its five key action programs: improved organizational culture for knowledge sharing; improved management system of knowledge products and services; improved business processes and information technology (IT); well-functioning communities of practice; and expanded knowledge creation, sharing, learning, and dissemination through external relations and networking.

The operational departments help implement the framework by, among other things, embedding best practice and the latest or most appropriate technology in ADB-supported projects. Operational departments also play a major role in delivering ADB's program of technical assistance, which generates and facilitates the use of new, useful, and usable knowledge.

The work of the operational departments is supported and complemented by the work of four knowledge departments. Three of these are in headquarters: the Economics and Research Department, Office of Regional Economic Integration, and Regional and Sustainable Development Department. The ADB Institute, in Tokyo, is able to stand back from day-to-day operations and generates and disseminates knowledge with a longer-term perspective. The Operations Evaluation Department (OED), while not formally included as one of the four "knowledge departments," also generates a wealth of knowledge, insights, and "lessons learned" about development effectiveness. A list of main "knowledge products" produced in 2007 by these four departments and OED is in Appendix 14.

ADB'S COMPARATIVE ADVANTAGE

ADB can add value and support developing member countries by continuing to build on three areas of comparative advantage in terms of knowledge. First, ADB has deep and wide access to all governments in the Asia and Pacific region and so possesses excellent country-specific insights and regional perspective. Second, ADB is demonstrably able to provide an intersectoral and interdisciplinary approach to development issues, blending expertise in disciplines as critical and as varied as economics, finance, environment, engineering, energy efficiency, project management, and social impacts. Third, ADB not only produces knowledge: it can and does supplement that with large, long-term development financing.

ADB thus has some of the hallmarks of a research institution and of national think tanks. But its value extends beyond analytical rigor through its access to government, its capacity to identify trends within and across the region, its interdisciplinary approach, and its capacity to implement good insights and knowledge via large and attractive financing.

The following provides a snapshot of some of the main knowledge management activities delivered by ADB during 2007. Some activities were directed at external audiences, others were directed internally.

MEETING THE NEEDS OF EXTERNAL AUDIENCES

Increasing Knowledge Resources on Growth, Development, Poverty, and Equity

ADB creates and supplies knowledge to a wide external audience: developing member countries of course, but also other stakeholders interested in development and looking for good data and insights, such as other development partners, the private sector, researchers, and other developing countries outside the region that engage with the Asia and Pacific region. The following summarizes how ADB has provided such knowledge for various important themes.

The special chapter of ADB's *Key Indicators* produced important new findings on an issue critical to the quality of development: rising inequity in the region. Important new insights were gained. First, the increases in inequality imply that the impact of a given amount of economic growth on poverty reduction will be less than it has been in the past. Second, the current policies in place in Asia appear to favor promoting faster growth among the richer segments of the population. Understanding why this is happening and how policy can create more jobs for relatively poorer groups will be critical for promoting more inclusive growth in developing Asia.

These ADB-generated insights drew renewed attention to the issue of equity and helped shape subsequent international debate. For example, the special chapter was cited in high-profile articles, including two editorials in the *Financial Times*, an editorial in all three editions of *The Wall Street Journal*, and a full-page article in *The Economist*. Of the 250 articles that cited the special chapter, 12 were in Chinese and subsequently carried by up to 66 websites in Chinese.

To be cited by peers is evidence of research credibility. The World Bank cited *Asian Development Outlook (ADO) 2006: Routes to Asia's Trade* in its *East Asian Renaissance Ideas for Economic Growth*; and the International Monetary Fund cited *ADO 2007* and the *Key Indicators 2007* in its *Asia and Pacific Economic Outlook 2007*, and in various United Nations publications. For the first time, *The Economist* carried an *ADO 2007* story based on one of its feature essays: "Ten Years After the Crisis: The Facts about Investment and Growth." A notable feature of coverage of *ADO 2007* is that

many media stories latched on to its policy and analytical essays. About 400 news articles on *ADO 2007* were tracked, more than 60 of which appeared in the targeted media.

Poverty and equity in the region were also the central theme of *Millennium Development Goals: Progress in Asia and the Pacific 2007*. This important update was the latest in a series of regional progress reports. It focused on disparities—identifying some of the groups that are not sharing fully in national progress, and advocating inclusive growth. The report is a joint effort with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the United Nations Development Programme (UNDP).

ADB continued to lead in generating and disseminating knowledge and insights in this area, with several new studies unveiled, including, for example, *The Dynamics of Regional Development: The Philippines in East Asia*. A decade and a half since the Philippines embarked on a major program of decentralization, this book examines in detail all aspects of the country's regional dynamics and policies. Analysis extends to comparable experiences in East and Southeast Asia, particularly the People's Republic of China (PRC) and Indonesia. The lessons of this book are relevant not only for an audience interested in the Philippines—a large developing nation with a population soon to exceed 100 million people—but also for many other developing countries now embarking on decentralization programs.

Knowledge about Economics and Finance

ADB continued to generate and disseminate important new research about economics and finance. For example, the International Comparison Program (ICP) for Asia and the Pacific enabled a meaningful comparison of major macroeconomic and development indicators across Asia. The study was then cited in more than 70 articles, including those in the websites of the *International Herald Tribune*, *Forbes*, *Business Week*, CNN-IBN-posted wire dispatches, Associated Press, Reuters, Thomson Financial, and Xinhua. Newspapers in many Asian countries also featured the ICP report.

The *Asia Economic Monitor* is a biannual publication based on a confidential report that is presented at the ASEAN+3 (Association of Southeast Asian Nations

plus the PRC, Japan, and Republic of Korea) finance and central bank deputies meetings on economic prospects and policy issues. Through this vehicle, ADB is the only international financial institution that conducts policy dialogue with the ASEAN+3 finance ministers, allowing ADB to inform and influence policy making at the highest ministerial level. The July issue, which had two theme chapters on managing capital flows and the banking sector 10 years after the Asian financial crisis, was reported on in more than 50 major global newspapers and international wire agencies.

The AsianBondsOnline website (<http://asianbonds.online.adb.org>) provides up-to-date information on this financial instrument. The information evidently meets a need in the region: average daily visits were over 2,700 in the third quarter, 67% more than a year ago. November activity rose well above 2,800 visits per day, with average visit length of over 18 minutes. ADB Institute's e-newsline is a free daily roundup of development-related stories in Asia, reaching over 3,000 subscribers.

ADB also organized the 17th Tax Conference to share country experiences on tax policy reforms and discuss key issues in international and national taxation in developing countries, such as transfer pricing and value-added tax. Increased globalization of cross-border economic transactions has resulted in a quickly rising number of international tax treaties within the region as well as with countries outside the region. Issues and best practices related to avoidance of double taxation and transfer pricing were therefore also discussed.

Over 600 participants registered for the 4th Microfinance Training of Trainers distance learning course. This course helped build knowledge and capacity of microfinance institutions in the Asia and Pacific region by producing 133 certified microfinance trainers from 28 countries. It did so in partnership with the Tokyo Development Learning Center of the World Bank. The knowledge generated by this training has been widely used and appreciated: training materials, for example, have now been translated into both Chinese and Vietnamese.

The Asian Think Tanks: Strengthening Knowledge Management and Knowledge Sharing workshop brought together 32 directors and senior managers of the premier knowledge institutions from almost 20 ADB member countries. The workshop presented new developments in knowledge management and knowledge sharing, and explored opportunities to achieve greater policy impact for development in Asia. Presentations by knowledge management specialists and a series of highly interactive group sessions enabled participants to prepare prioritized action plans to strengthen the knowledge management and knowledge-sharing approaches of their research institutes.

Other knowledge products may not be of such high profile yet are equally influential in helping developing

ADB continued to generate and disseminate important new research about economics and finance



ADB supports programs for knowledge

member countries make good policy and investment decisions. A subset of the Statistical Database System (SDBS), for example, which contains the key economic, social, and financial indicators of ADB's developing member countries, was made accessible through the Internet, free of charge. Since its launching, SDBS Online (<http://sdbbs.adb.org>) has already gained a wide user base.

Knowledge about Regional Integration

The Asia Regional Integration Center (ARIC) continued to meet the region's needs for up-to-date knowledge and data. For example, the number of ARIC daily visitors (unique and not including ADB users) rose from an average of 757 per day in the fourth quarter of 2006 to about 1,000 per day in the third quarter of 2007, or an increase of about 29%. Based on a random survey of ARIC users conducted in March, more than half were very satisfied or satisfied with ARIC, and would rank ARIC better than if not the best among the websites that they have visited so far. Other institutions, including the Association of Southeast Asian Nations (ASEAN) Secretariat and the Secretariat for the Common Market for Eastern and Southern Africa have consulted ARIC regarding their plan to put up

ADB helped strengthen senior government officials' insight into the main challenges to achieving greater public-private partnerships for infrastructure development across the region

their regional integration center or website. ARIC was included by the United Nations University Center for Comparative Regional Integration Studies in its best-practice analysis of online resources dealing with integration studies.

In September, ADB cohosted with the World Trade Organization and the Government of the Philippines the high-level Asia-Pacific regional review meeting on Aid for Trade at ADB headquarters. This high-level conference shared information and knowl-

edge about national and regional trade needs, established priorities and action plans, and secured political commitment to follow through on the Aid for Trade agenda in the region. Over 400 participants from the Asia and Pacific region attended the Manila event, including 2 heads of state, 10 ministers of finance or trade, as well as senior-level representatives from international organizations, the private sector, and funding agencies.

Other major conferences of note provided a platform for debating emerging development issues in the region: the Evolving East Asian Financial Systems and Challenges Ahead conference revisited how financial and corporate sectors have been transformed and how international flows of capital and trade have changed in East Asia in the last decade, and the Learning from the Asian Financial Crisis conference focused on the current state of the crisis prevention mechanism within the Asian regional framework, along with its plan.

ADB Institute and ADB headquarters jointly launched the Flagship Study on Infrastructure and Regional Cooperation, a study that will examine the key issues and challenges facing cross-border infrastructure development in Asia in its ongoing efforts to support regional cooperation. This study will serve as a definitive knowledge product primarily for policy makers in the region.

The Training Course on Free Trade Agreements (FTAs) was designed to improve knowledge and skills in this technically complex area and aims to enable government officials in Asia to better understand complex economic, trade, legal, institutional, and other policy issues related to FTAs. A total of 31 government officials from 25 countries (plus the ASEAN Secretariat) participated in the second training course in July while 35 officials from 29 countries participated in the third training course in October. Participants gave the training courses an overwhelmingly positive evaluation and said that they applied the skills acquired in FTA negotiations.

In November, almost 50 senior officials from 23 ADB developing member countries participated in the

Workshop on Strengthening Private Sector Participation and Investment in Physical Infrastructure. The workshop helped strengthen senior government officials' insight into the main challenges to achieving greater public-private partnerships for infrastructure development across the Asia and Pacific region. The participants discussed Asia's economic performance and its impact on demand for infrastructure services and investment; trends and challenges for infrastructure financing and experiences with public-private partnerships in the region, particularly those innovative approaches that could enhance the risk profile and "bankability" of infrastructure projects; and priority policy actions that need to be addressed by their governments to encourage greater private sector participation and investment in infrastructure development programs in their countries.

Knowledge about Natural Resources and the Environment

ADB made some major investments in knowledge about natural resources and the environment: a critical issue for a region increasingly concerned about climate change and the sustainability of economic growth.

For example, the *Asian Water Development Outlook (AWDO) 2007* noted that the social, economic, and environmental future of Asia will likely depend on how efficiently and equitably water will be managed in the coming years. *AWDO 2007* is a forward-looking assessment of the possible water future for the region, where most of the poorest half of the world's population lives.

Similarly, *Toward Resource-Efficient Economies in Asia and the Pacific: Highlights* provides an overview of resource inefficiency and its consequences in the Asia and Pacific region; describes challenges and key actions taken in the region; and identifies the role of government in promoting the application of 3R principles—reduce, reuse, and recycle.

Energy for All: Addressing the Energy, Environment, and Poverty Nexus in Asia notes that Asia faces the challenge of dealing with its growing energy needs and providing energy services to the vast number of the poor. The paper discusses access to energy services for meeting daily living, work, and social needs for all, and suggests ways to sustainably develop the energy sector.

The ADB-supported "knowledge hubs" produce an impressive program of knowledge and insights that are useful to and usable by the public and private sectors alike in developing member countries. The knowledge hubs involve specific, longer-term, research and knowledge partnerships with partners throughout the region.

**The ADB-supported
"knowledge hubs" produce
an impressive program of
knowledge and insights that
are useful to and
usable by developing
member countries**

One knowledge hub focuses on climate change and is based at Tsinghua University in Beijing, PRC. Another focuses on clean energy, and is based at The Energy Research Institute (TERI) in New Delhi, India. A third addresses the 3Rs (reduce, reuse, recycle) and is based in the Asian Institute of Technology in Bangkok, Thailand.

These knowledge hubs generated and disseminated some particularly useful and usable insights about climate change and the environment. For example, at the ECO-Asia Asia and the Pacific environmental ministers forum held in September, the ministers welcomed the activities of the 3R Knowledge Hub and identified it as a useful mechanism in promoting 3R policies and actions.

The ADB-TERI Knowledge Hub website on renewable energy (www.aprek.org), launched on 10 December at the United Nations Framework Convention on Climate Change meeting in Bali, will serve as a platform for knowledge sharing by various institutions, researchers, and users.

Renewable Energy, Energy Efficiency, and Climate Change is an initiative managed by ADB. It focuses on innovative solutions that would lead to widespread commercial application of renewable and energy efficiency technologies and services or decrease greenhouse gas emissions.

MEETING INTERNAL NEEDS

ADB continued to invest significantly in knowledge sharing within the organization. The knowledge management framework is now well in place. Eleven sector and thematic committees or “communities of practice” met throughout the year to ease cross-fertilization and sharing of knowledge among specialists and among and within disciplines. As just one example, the communities of practice on health and water met jointly to exchange lessons.

Significant investment was made in IT and related infrastructure to assist the creation, capturing, retrieval, and use of knowledge. ADB rolled out “C-Cube,” an electronic platform that enables staff to communicate,

coordinate, and collaborate electronically with each other via e-meetings and in chat rooms. Important progress was also made in having a single, electronically based document repository that will make documentation more accessible and usable.

There were numerous eminent speakers, training courses, and almost-daily “brown bag” seminars where staff could learn and exchange latest insights on development topics. In November, ADB hosted Social Development Learning Week, which enabled staff—including those at resident missions—to have focused and systematic knowledge sharing on social development issues via formal training sessions, guest speakers, and brown bag seminars.

Independent evaluation and feedback mechanisms are a foundation block of organizational learning. Consequently, ADB’s Operations Evaluation Department (OED) published *Independent Evaluation at the Asian Development Bank* (www.adb.org/Evaluation/documents/Independent-Evaluation/Independent-Evaluation-ADB.asp). This important document assesses the role of lessons learned in development. *Learning Lessons in ADB* (www.adb.org/Documents/Reports/Learning-Lessons-ADB/Strategic-Framework-2007-2009.asp) articulates the strategic framework for better institutionalizing this approach. It set the stage for annual knowledge audits to systematically identify and analyze knowledge needs, products and services, gaps, flows, uses, and users from the perspective of learning lessons. OED also conducted the first such knowledge audit, elucidated in *Auditing the Lessons Architecture* (www.adb.org/Documents/Studies/Auditing-Lessons-Architecture/IN371-07.asp).

Independent evaluation and feedback mechanisms are a foundation block of organizational learning



Independent Evaluation

When operations evaluation began in 1978, it consisted of assessing after completion the extent to which projects had achieved their expected economic and social benefits. Now evaluation shapes decision making throughout the project cycle and in ADB as a whole.

Independent Evaluation at the Asian Development Bank (www.adb.org/evaluation/documents/independent-evaluation/independent-evaluation-adb.pdf) traces the early steps, describes recent accomplishments, and looks to the future.

The Operations Evaluation Department (OED) strives to help ADB become a learning organization. OED is able to do so because it is self-directed, avoids conflicts of interest, is insulated from external influence, and is organizationally independent. Its work demonstrates that ADB is prepared to be accountable for the results it produces. OED now reports to the Board of Directors through the Development Effectiveness Committee. (OED's reports to the committee are uploaded onto the ADB website at the time they are submitted to the committee.) The change has made evaluation a dedicated tool—governed by the principles of usefulness, credibility, transparency, and independence—for greater accountability and better development assistance (Enhancing the Independence and Effectiveness of the Operations Evaluation Department [www.adb.org/documents/policies/enhancing-oed.pdf]).

OED seeks to increase value added from its work. The chapter Generating and Sharing Knowledge (page 84) shows how ADB leverages operational and developmental wisdom and increases learning. Backed by perception surveys, OED also employs measures to become more strategic, extend its outreach and respond appropriately to client needs, measure success by value added and not by number of reports produced, distinguish between types of recommendations and make better recommendations, innovate in knowledge management, and be a more active global player in developing evaluation capacity and best practices.

CONDUCTING AND DISSEMINATING STRATEGIC EVALUATIONS

OED's work program has shifted substantially from evaluation of individual projects to broader and more strategic studies. To select priority topics, OED consults with the Development Effectiveness Committee, Management, and the heads of departments and offices. OED's goals are to improve the quality of evaluations by using more robust methods; give priority to country and sector assistance program evaluations; increase the number of joint evaluations; validate self-evaluations to shorten the learning cycle; evaluate development impact more rigorously; develop evaluation capacity, both in ADB and in developing member countries; improve portfolio performance; evaluate business processes; and circulate findings and recommendations and see to it that these are carried out.

Influential evaluation studies in 2007 dealt with indigenous peoples safeguards; performance of technical assistance; private sector development and operations; ADB's energy policy; projects cofinanced by ADB and the Global Environment Facility; ADB's Japan Funds;

TABLE 37 Evaluation Results^a for Sovereign Operations by Country

Country	Total Rated Projects/ Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Bangladesh	102	58	34	8
Bhutan	12	83	8	8
Cambodia	12	92	8	0
China, People's Republic of	72	85	10	6
India	34	65	29	6
Indonesia	172	63	30	8
Kazakhstan	8	88	13	0
Kyrgyz Republic	14	93	7	0
Lao People's Democratic Republic	36	69	25	6
Malaysia	57	65	30	5
Maldives	8	75	13	13
Mongolia	17	76	24	0
Myanmar	11	64	27	9
Nepal	70	56	34	10
Pacific DMCs	92	48	34	18
Pakistan	121	59	33	8
Papua New Guinea	34	32	59	9
Philippines	112	46	37	17
Sri Lanka	66	53	39	8
Tajikistan	6	83	17	0
Thailand	64	89	11	0
Uzbekistan	5	40	60	0
Viet Nam	26	77	23	0
Graduate Economies	61	87	11	2
Total	1,212	63	29	8

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) and project/program evaluation reports (PPERs) using PPER ratings in all cases where both PCR and PPER ratings are available.

Data source: PCRs and PPERs containing a rating circulated as of 31 December 2007.

ADB's support for public resource management programs; the effect of microfinance on poor rural households and the status of women; ADB's resident mission

**OED is self-directed,
avoids conflicts of
interest, is insulated from
external influence, and is
organizationally independent**



The Khulna-Jessore drainage project in Bangladesh showed the need to account for conditions outside a project's immediate area

policy and related operations; ADB's approaches to partnering and harmonization; the implementation of ADB's long-term strategic framework; managing for development results; Asian Development Fund operations; country assistance program evaluations for the People's Republic of China (PRC), India, Pakistan, and Sri Lanka; and sector assistance program evaluations for the energy and transport sectors in India and the road and railway sector in the PRC.

HARMONIZING PERFORMANCE INDICATORS AND EVALUATION METHODOLOGIES

OED is a member of the Evaluation Cooperation Group (ECG), a community of practice organized in 1996 by the heads of evaluation of multilateral development banks to strengthen the use of evaluation for more effective and accountable development lending; share and spread lessons from evaluations; harmonize evaluation criteria, methods, and approaches; enhance professionalism and collaboration among their members; and pave the way for borrowing member countries to build their capacity to perform evaluations.

Inclusive Development and Conflict Resolution in Sri Lanka

Sri Lanka is a middle-income developing member country with high social indicators, though there has been no significant poverty reduction to go with the social gains. An evaluation of ADB's country strategies and programs for Sri Lanka, covering 1986–2006, identified inclusive development and conflict resolution to be the major challenges. Read *Country Assistance Program Evaluation for Sri Lanka: Inclusive Development and Conflict Resolution: Major Challenges for the Future* (www.adb.org/documents/capes/sri/in174-07.pdf).

OED's work program has shifted substantially from evaluation of individual projects to broader and more strategic studies

Better Evaluation-Based Learning

The Operations Evaluation Department (OED) promotes the adoption of knowledge management concepts used in the corporate sector:

- **Concentration.** ADB's work plan has country, sector, and thematic areas of concentration.
- **Learning.** To become a learning organization, ADB is restructuring its management information systems. OED has leveraged its greater institutional independence and assigned more resources to knowledge management to better support learning.
- **Quality of evaluation.** OED's more sophisticated methods, increased orientation toward impact assessment, and broader evaluations suggest that more knowledge is being created and used to reinforce the concepts and quality of development and to increase external accountability. The quality of the lessons identified and the recommendations made must constantly improve.
- **Feedback.** With OED's help, the feedback system for evaluation-based learning and accountability is being systematized and institutionalized.
- **Information and documentation.** ADB is making increasing use of modern, Internet-based information and documentation systems, which cut information-gathering and search costs and strengthen institutional memory. But the systems could be made more functional, especially given the rising flood of data and information. ADB is networking the systems and encouraging upward feedback in a decentralized organization. OED manages the evaluation pages on ADB's website for better functionality, design, content, originality, professionalism, and effectiveness.
- **Internalization.** OED is looking into the possibility of using a more systematic and innovative way of internalizing lessons from evaluation in an overall strategic framework for knowledge management.
- **Monitoring.** OED promotes the monitoring of actions taken on evaluation findings and recommendations, using well-established monitoring and evaluation systems.
- **Disclosure.** Evaluation approach papers and the comments of external stakeholders are posted on the evaluation pages on ADB's website.
- **Partners and stakeholders.** ADB largely directs feedback to internal audiences, but increasingly recognizes the need for more active participation by in-country partners and stakeholders, including the media.
- **Broad-based evaluations.** OED continues to move from individual project evaluation to a broader country, sector, and thematic focus, increasing the potential impact of evaluation, especially when it is timed to coincide with policy review. Findings and recommendations from broad-based evaluations feed in straightforward fashion into ongoing projects, given the existence of relatively well-established monitoring and evaluation systems; if not, challenges present themselves.
- **Self-evaluation.** OED's advocacy and support for better self-evaluation by units responsible for programs and activities have encouraged better design and monitoring frameworks, monitoring and evaluation systems, and completion reports.
- **Growing interest in developing member countries (DMCs).** ADB now places a higher premium on achieving results and helps DMCs strengthen their abilities to measure and manage for results. DMCs themselves are showing greater interest in developing their evaluation capacity, as reflected in stronger demand for knowledge products and services from the International Program for Development Evaluation Training, and in the growth of evaluation associations.



ADB studied the effect of microfinance on the status of women in Nepal

Emerging Practices in Policy-Based Lending

Policy-based lending, known as program lending in ADB, was introduced to ease the balance-of-payments difficulties of developing member countries. Over the last 30 years, it has also helped improve incentives, enabling environments and institutions, and more recently public resource management. At the end of 2006, program lending had taken up 24% of ADB's total public sector lending. Does experience disclose good practices? Can ADB's program lending policy be improved? Read *Special Evaluation Study on Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries* (www.adb.org/documents/ses/reg/policy-based-lending/evu-oth-2007-18.pdf).

OED began to administer, maintain, and improve ECGnet (www.ecgnet.org) in 2006, and revamped the system in 2007. In June, the ECG also agreed to create a part-time secretariat to synchronize activities; continue to administer, maintain, and develop ECGnet; and provide support services to the chair. The secretariat is housed in OED.

DEVELOPING CAPACITY IN EVALUATION AND EVALUATIVE THINKING

Since 1990, OED has helped develop evaluation capacity to raise awareness of the value of evaluation in

FIGURE 11 Proportion of Successful Sovereign Operations (Projects/Programs), by Source of Funds

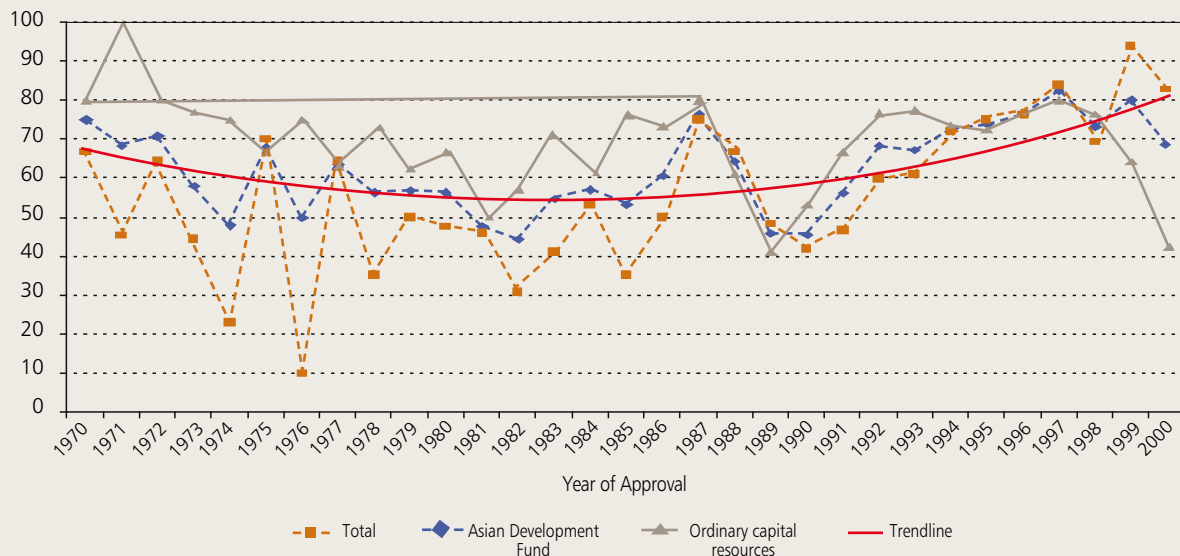


TABLE 38 Evaluation Results^a for Sovereign Operations by Sector

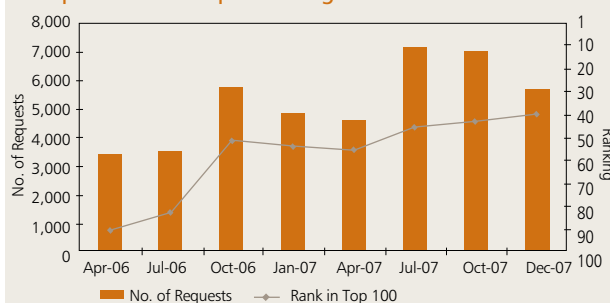
Sector	Total Rated Projects/ Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Agriculture and Natural Resources	294	41	43	16
Education	86	73	26	1
Energy	183	80	18	3
Finance	101	54	39	8
Health, Nutrition, and Social Protection	40	55	43	3
Industry and Trade	71	63	25	11
Law, Economic Management, and Public Policy	23	48	44	9
Multisector	127	66	27	7
Transport and Communications	205	84	11	5
Water Supply Sanitation and Waste Management	82	61	34	5
Total	1,212	63	29	8

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful.

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

Data source: PCRs and PPERs containing a rating circulated as of 31 December 2007.

FIGURE 12 Evaluation Homepage at ADB.org in Top 100 Most Requested Pages



Note: A request indicates the number of times a website page is accessed. A page is defined as any HTML document found on ADB.org and should be differentiated from downloads (which are PDF or files in other formats). ADB.org has a total of about 47,000 pages. Requests originating from ADB's headquarters are not included.

Working the Internet

OED has intensified its efforts to make more effective use of Internet technology. The evaluation pages on ADB's website have been redesigned to emphasize content, navigational ease, appearance, load time, and cross-media accessibility. The results are telling. Requests for the department's evaluation homepage rose sharply in 2006 and have remained consistently high since then.

Source: www.adb.org/evaluation/

transparent, accountable, results-oriented, and effective management systems. OED's projects have proved that sound monitoring and evaluation systems are beneficial to good governance and public sector reform, results-based management, and internal auditing.

ADB approved regional technical assistance, funded by the Regional Cooperation and Poverty Reduction Fund of the PRC, to help strengthen the skills, resources, and systems for results-based monitoring and evaluation in Cambodia, the Lao People's Democratic Republic, and Viet Nam. Part of the project will be research and special studies for capacity development and increased sharing of knowledge in monitoring and evaluation. The project supports the Shanghai International Program for Development Evaluation Training and is expected to propose a strategy for developing evaluation capacity.

OED has helped develop evaluation capacity to raise awareness of the value of evaluation in transparent, accountable, results-oriented, and effective management systems



Finance and Administration

The quality of ADB's service can be only as good as the quality of its people and of their working environment. Over the past year, major steps were taken to secure this outcome. Following President Kuroda's emphasis on the importance of better human resource management in improving institutional effectiveness, ADB mainstreamed reforms in staff recruitment, performance, learning and development, and compensation.

Savings were sought and achieved in ADB's internal operations, both through conservation and cost-reduction measures and through the use of more advanced technology. While facilitating access to its documents and databases, ADB also improved its security systems.

Measures were taken to address the possibility of fraud, corruption, and abuse in ADB-funded projects and operations. Independent and comprehensive audits were undertaken to maintain the highest level of professional integrity and performance in ADB and compliance with established rules and regulations.

HUMAN RESOURCES

The human resource strategy is in its third and final year of implementation. Many of the envisaged actions under the strategy, a key element of ADB's reform agenda, have been completed and have become part of ADB's human resource management and administration. The strategy commits ADB to improving the effectiveness of its human capital, to introducing a new performance management and rewards system, and to improving leadership throughout ADB.

Recruitment and selection improved in quality and timeliness with reduced average hiring time and more focus in strategic recruitment on achieving the necessary skills mix. After a skills-mix assessment, job descriptions were updated to integrate skills requirements and competencies.

Consultations with and feedback from staff led to an improved, streamlined, and automated performance and development plan. Staff consider performance management important and recognize the plan as a useful tool for distinguishing performance.

A total of 2,633 staff members took part in 110 learning programs, which were delivered in 177 sessions. A total of 7,175 person-days were spent in learning and development programs aligned with ADB's business strategies and designed to strengthen staff capacity and leadership effectiveness.

The curriculum approach to learning was further developed for four key learning tracks: leadership, managing for development results, operational and business processes, and financial management. Technology was key in developing an online leadership program survey for heads of divisions, a learning and development plan for staff in the online performance and development plan, and an interactive learning and development website.

ADB established a systematic talent management process to identify and develop staff with leadership potential. The first two sessions of the assessment and development center were completed and three more are scheduled for 2008.

Planning for the staff engagement survey started with the selection of an external expert to develop, design, and implement the survey. External experts will also assist in a comprehensive review of the human resource strategy in the second half of 2008.

STAFFING

ADB's staff on board as of 31 December 2007 totaled 2,443 from 55 of its 67 members: 5 members of Management, and 847 professional and 1,591 local staff, of whom 479, or about 19.6%, were in field offices. Appointments and departures numbered 1 each in Management, 99 and 108 among professional staff, and 159 and 112 among local staff. Women accounted for 29% of the professional staff.

COMPENSATION AND BENEFITS

Consistent with ADB's market-based compensation system, the Board approved a 4.1% weighted average increase in the professional staff salary structure, which took effect on 1 January 2008. The Board also approved a 4.7% salary budget increase, 4.1% of which will be used for performance-related salary increases and the rest for performance bonuses. The Board also approved a weighted average increase of 8.9% for national officers and administrative staff at headquarters for 2008. The overall weighted average increase in 25 field offices is 13.6%.

As part of the cost-containment measures for the Group Medical Insurance Plan, the generics drug program, which provides full reimbursement for generic drugs purchased in the Philippines, was expanded to include purchases made in the US and other developed countries.

Benefits administration underwent several improvements. The compensation and benefits website now provides life event information. Alerts to staff remind them to keep staff information up-to-date and provide automatic reminders and comprehensive information about important matters. The enhanced fee structure for duty-station school education significantly simplified application processing. The online application and approval of leave, which became fully operational throughout ADB in November, increased efficiency by eliminating paper applications, improving data

ADB established a systematic talent management process to identify and develop staff with leadership potential

accuracy and workflow, and shortening application processing.

INTERNAL ADMINISTRATIVE EXPENSES

Internal administrative expenses totaled \$325.5 million, compared with the original budget of \$332.9 million. Despite the continuing appreciation of the Philippine peso against the US dollar, the overruns in certain budget items in the operational and administrative budget categories were fully met through reallocations from savings within the same budget categories. The decrease in staff costs was offset by increases caused by the appreciation of the Philippine peso, higher staff consultant requirements arising from new initiatives, and business travel for various activities, such as responding to emergencies in developing member countries.

For 2008, the net internal administrative expenses budget is \$357.2 million. The increase over the 2007 budget reflects a price growth of 6.1% and a volume growth of 1.2%. About \$5.2 million is expected to be recoverable from administering trust funds of multilateral and bilateral institutions.

The 2008 budget also includes an annual capital budget of \$4.1 million, mainly to fund cyclical capital expenditures for headquarters facilities and information technology equipment, and to meet the replacement and acquisition requirements of field offices.

ADMINISTRATIVE SERVICES

The Office of Administrative Services reinforced overall service delivery and efficiencies through improvements in business processes and in workplace safety and environment, cost reduction, and automation.

Business process improvements resulted in better responsiveness and savings in staff resources in addition to hard and soft savings of up to \$700,000.

The office sustained its conservation and environmental initiatives and received ISO 14001 and OSHAS 18001 recertification in December. Savings in paper, water, and electricity use totaled about \$100,000, an amount that was partly offset by increases in utility costs. The office also focused on reducing ADB's corporate footprint and conducted its first greenhouse gas inventory in November.

As a knowledge management center, the office gives advice and guidance on information gathering and packaging during project cycles. It launched its Events Management Unit in November to take on all conferences, seminars, and workshops held at ADB headquarters starting July 2008.



Six Sigma training helped staff maintain quality service

In July, the office leased property for the new business continuity facility. Construction began in December and full operation of the facility is expected by October 2008. The office continued to undertake building rehabilitation and restoration projects to preserve and improve the ADB headquarters building.

The office further reviewed ADB's security services and systems. It introduced a new identification system, and developed a mechanism to continuously inform staff, including those at the resident missions, about security concerns and issues.

OFFICE OF INFORMATION SYSTEMS AND TECHNOLOGY

The Office of Information Systems and Technology made great strides in enhancing ADB's information technology (IT) services, giving clients better access to knowledge and information anywhere and anytime.

The office progressed in developing the project processing portfolio management (P3M) project, to be completed in mid-2009. P3M offers an integrated IT solution for managing projects, from country partnership strategy to post evaluation. The eSTAR (electronic storage and retrieval system) facilitates access to documents. The management information system executive dashboard, launched by the office, draws information from existing databases to simplify management reporting.

Two IT governance committees were created to align IT with ADB's business goals. The Portfolio Management Unit (IT-PMU) manages the IT portfolio and provides status reporting. The Investment Working Group, chaired by the IT-PMU, reviews client business cases and ensures overall fiscal and technology accountability.

The Customer Support Group was formed to provide a direct line of communication and productivity tools to client groups. It deployed new com-

puters and installed a web-based IT service request system, an upgraded help desk, and an online IT service catalog.

Field offices received server upgrades, additional videoconference facilities, more efficient links, and provisions for local Internet access. A high-level information and data security risk assessment was completed to identify and mitigate IT-related risks. The offsite backup facilities of the office were enhanced to include ADB's high-priority systems. Administrative Order 4.05, governing the delivery and security of IT resources and data, was approved by Management.

To strengthen internal controls for financial reporting and attestation, the office continued adopting the COBIT and ITIL frameworks for IT governance by training and certifying 50 staff members.

The office implemented a new mainframe computer and migrated data and applications, besides upgrading Oracle and SWIFT applications.

OFFICE OF THE AUDITOR GENERAL

Integrity Division

The division addressed allegations of corruption and fraud in ADB activities, conducted staff workshops and training, and worked with national audit institutions of developing member countries (DMCs) in project procurement-related audits. The division also conducted regional anticorruption seminars in Beijing and Jakarta for participants from 21 DMCs to increase awareness of and compliance with ADB's anticorruption policy and integrity principles and guidelines among borrowers and executing agencies, and the capacity to detect and prevent fraud and corruption.

ADB barred 61 firms and 48 individuals from participating in ADB-financed activities as a result of the division's investigations. As of 31 December, 398 firms and individuals had been declared ineligible. During the year, the division received 211 complaints, of which 11% were about ADB staff. It referred findings on 10 staff cases to ADB's Budget, Personnel, and Management Systems Department for further action.

The division conducted five project procurement-related audits to reduce weaknesses that may allow fraud, corruption, or abuse in ADB-financed projects. The supreme audit institutions of borrower countries took part in some of these audits, reinforcing ADB's ability to share this audit knowledge and support capacity development.

The division continues to coordinate with the Joint International Financial Institutions Anticorruption Task Force on matters of mutual interest.

Financial, Administrative, and Information Systems Division

The division conducted independent audits of ADB's operations; its information systems; and its financial, accounting, and administrative processes. These audits helped strengthen internal controls and risk management; compliance with ADB policies, procedures, and regulations; and effectiveness, efficiencies, and economy in finance, operations, and IT. The office worked with PricewaterhouseCoopers, ADB's external auditors, to properly coordinate required audit activities.

The office completed 25 audits, including financial, administrative, and operational audits of resident missions, representative offices, and the Asian Development Bank Institute. Loan and technical assistance portfolios of selected headquarters divisions were reviewed for compliance with established rules and regulations. Information systems reviews covered telecommunications, the independent verification and validation of the development of several IT applications, data security of ADB's network, and disaster recovery testing of critical systems.

The office also reviewed selected borrowing, loan disbursement, and administrative expense transactions. Several consultant contracts were audited to check the authenticity of consultant claims. Eight internal audit certifications were issued to funding agencies of trust or grant funds at the request of the Office of Cofinancing Operations. Activities of the Office of Administrative Services, such as library management and office supplies, were reviewed.

To ensure that the findings were being acted on, the division regularly monitored the progress of outstanding audit recommendations.

ADB barred 61 firms and 48 individuals from participating in ADB-financed activities, and conducted five project procurement-related audits to reduce weaknesses that may allow fraud, corruption, or abuse in ADB-financed projects



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APPENDIX 1

Members, Capital Stock, and Voting Power
(as of 31 December 2007)

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 Regional		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 Nonregional		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 40 and 41, Volume 2.

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 2007

Resolution No.	Subject	Date Adopted
324	Eighth Replenishment of the Asian Development Fund and Third Regularized Replenishment of the Technical Assistance Special Fund: Access of Armenia to ADF Resources	20 April 2007
325	Financial Statements and Independent Auditors' Reports	7 May 2007
326	Allocation of Net Income	7 May 2007
327	Place and Date of Forty-First Annual Meeting (2008)	7 May 2007
328	Procedures for the Election of Directors	13 June 2007

APPENDIX 3

Selected Policy, Strategy, and Financial Papers Discussed by the Board in 2007

Title	Board Discussion Date
General Review of Salaries and Benefits for Headquarters' National Officers and Administrative Staff	27 February
Review of the Asian Development Bank's Loan Charges and Allocation of 2006 Net Income	3 April
Review of Prudential Exposure Limits on Nonsovereign Operations	19 April
Achieving Development Effectiveness in Weakly Performing Countries (The Asian Development Bank's Approach to Engaging with Weakly Performing Countries)	30 May
Revising the Framework for Asian Development Fund Grants	24 July
Policy for Providing Heavily Indebted Poor Countries Relief from Asian Development Fund Debt and Proposed Debt Relief to Afghanistan	3 September
Review of the 1998 Graduation Policy of the Asian Development Bank	26 September
Revising the Framework for Asian Development Fund Grants	26 September
Work Program and Budget Framework (2008–2010)	27 September
Review of the Financial Framework of the Asian Development Fund	3 October for W-paper, 12 December for R-paper
General Review of Salaries and Benefits of Professional Staff	25 October
Review of the Asian Development Bank's Loan Charges	7 December
Borrowing Program for 2008	7 December
Budget of the Asian Development Bank for 2008	13 December
Asian Development Bank Institute: Three-Year Rolling Work Program 2008–2010 and Budget for 2008	13 December

APPENDIX 4

Board of Governors

(as of March 2008)

	Pedro Solbes Mira (Spain) Chair	
Nguyen Van Giau (Viet Nam) Vice Chair		Finley S. Perman (Federated States of Micronesia) Vice Chair
Member	Governor	Alternate Governor
Afghanistan	Anwar Ul-Haq Ahady	Wahidullah Shahrani
Armenia	Vardan Khachatryan	David Avetissian
Australia	Wayne Swan MP ¹	Bob McMullan MP ²
Austria	Wilhelm Molterer ³	Marcus Heinz
Azerbaijan	Heydar Babayev	Samir Sharifov
Bangladesh	A. B. Mirza Md. Azizul Islam ⁴	Md. Aminul Islam Bhuiyan ⁵
Belgium	Didier Reynders	Gino Alzetta
Bhutan	Dasho Yanki T. Wangchuk ⁶	Nim Dorji ⁷
Brunei Darussalam	Pehin Dato Abdul Rahman Ibrahim	Dato Ali Apong
Cambodia	Keat Chhon	Aun Porn Moniroth
Canada	Maxime Bernier ⁸	(vacant)
China, People's Republic of	Xie Xuren ⁹	Li Yong
Cook Islands	Terepai Maoate	Sholan Ivaiti ¹⁰
Denmark	Ole E. Moesby	Sus Ulbæk
Fiji Islands	Mahendra Pal Chaudhry ¹¹	Savenaca Narube
Finland	Marjatta Rasi	Ilkka Heiskanen ¹²
France	Christine Lagarde ¹³	Xavier Musca
Germany	Karin Kortmann	Rolf Wenzel
Georgia	Nika Gilauri ¹⁴	George Arveladze
Hong Kong, China	John Tsang Chun-wah ¹⁵	Joseph Yam
India	P. Chidambaram	D. Subba Rao ¹⁶
Indonesia	Sri Mulyani Indrawati	Paskah Suzetta
Ireland	Brian Cowen T.D.	Robert Bradshaw
Italy	Mario Draghi	Ignazio Angeloni
Japan	Fukushiro Nukaga ¹⁷	Toshihiko Fukui
Kazakhstan	Bakhyt Turlyhanovich Sultanov ¹⁸	Daulet Sovetovich Saudabayev ¹⁹
Kiribati	Natan Teewe ²⁰	Teea Tira ²¹
Korea, Republic of	O-Kyu Kwon	Seongtae Lee
Kyrgyz Republic	Kalimbetova Tajikan Borbugulovna ²²	Japarov Akybek Usenbekovich ²³
Lao People's Democratic Republic	Somdy Douangdy ²⁴	Somphao Phaysith ²⁵
Luxembourg	Jean-Louis Schiltz	Arsène Jacoby

1 Succeeded Peter Costello in January 2008.

2 Succeeded Greg Hunt in January 2008; Hunt succeeded Teresa Gambaro in February 2007.

3 Succeeded Karl-Heinz Grasser in February 2007.

4 Succeeded Shoaib Ahmed in January 2007.

5 Succeeded Rafiqul Islam in February 2007.

6 Succeeded Lyonpo Wangdi Norbu in January 2008.

7 Succeeded Sonam Wangchuk in January 2008.

8 Succeeded Peter Gordon MacKay in August 2007.

9 Succeeded Jin Renqing in September 2007.

10 Succeeded Kevin Carr in March 2007.

11 Succeeded Jone Yavala Kubuabola in April 2007.

12 Succeeded Anneli Vuorinen in October 2007.

13 Succeeded Thierry Breton in June 2007.

14 Succeeded Aleksis Aleksishvili in September 2007, who was appointed in February 2007.

15 Succeeded Henry Tang in July 2007.

16 Succeeded A. K. Jha in May 2007.

17 Succeeded Koji Omi in August 2007.

18 Succeeded Natalya Artemovna Korzhova in January 2008.

19 Succeeded Marat Apsemetovich Kusainov in January 2008.

20 Succeeded Nabuti Mwemwenikarawa in February 2008.

21 Succeeded Taam Biribo in June 2007.

22 Succeeded Akybek Japarov in February 2008.

23 Succeeded Sabyrek A. Moldokulov in February 2008.

24 Succeeded Chansy Phosikham in July 2007.

25 Succeeded Phouphet Khamphounvong in January 2007.

Member	Governor	Alternate Governor
Malaysia	Dato' Seri Abdullah Haji Ahmad Badawi	Dato' Wan Abdul Aziz bin Wan Abdullah ²⁶
Maldives	Mohamed Jaleel	Riluwan Shareef
Marshall Islands	Brenson S. Wase	Amon Tibon
Federated States of Micronesia	Finley S. Perman ²⁷	Lorin Robert
Mongolia	Chultem Ulaan ²⁸	Alag Batsukh
Myanmar	Hla Tun	Daw Myo Nwe
Nauru	Kieren Keke ²⁹	Adrian Chippendale ³⁰
Nepal	Ram Sharan Mahat	Vidyadhar Mallik
The Netherlands	Bert Koenders ³¹	Ruud Treffers ³²
New Zealand	Michael Cullen	John Whitehead
Norway	Hakon Arald Gulbrandsen ³³	Henrik Harboe
Pakistan	Omar Ayub Khan	M. Akram Malik
Palau	Elbuchel Sadang	Marino Rechesengel
Papua New Guinea	Patrick Pruaitch, MP ³⁴	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 ³⁵	Shadrach Fanega ³⁶
Spain	Pedro Solbes Mira	David Vegara Figueras
Sri Lanka	Mahinda Rajapaksa	P. B. Jayasundera
Sweden	Joakim Stymne	Anders Bengtén ³⁷
Switzerland	Jorg Al. Reding	(vacant) ³⁸
Taipei, China	Fai-nan Perng	Teng-Cheng Liu
Tajikistan	Matlubkhon S. Davlatov	Kh.Kh Tagoimurodov ³⁹
Thailand	Chalongphob Sussangkarn ⁴⁰	Suparut Kawatkul
Timor-Leste	Emilia Pires ⁴¹	Joao Mendes Goncalves ⁴²
Tonga	Siosua T. T. 'Utoikamanu	Aisake Eke
Turkey	Mehmet Şimşek ⁴³	İbrahim H. Çanakçı
Turkmenistan	Geldymurat Abilov	(vacant)
Tuvalu	Lotoala Metia	Aunese Makoi Simati
United Kingdom	Douglas Alexander ⁴⁴	Gareth Thomas ⁴⁵
United States	Henry M. Paulson, Jr.	Reuben Jeffery III ⁴⁶
Uzbekistan	Saidakhmat Rakhimov	Ulugbek Rozukulov
Vanuatu	Willie Jimmy Tapangararu	Simeon Malachi Athy
Viet Nam	Nguyen Van Giau ⁴⁷	Phung Khac Ke

26 Succeeded Dato' Izzuddin bin Dali in February 2007.

27 Succeeded Nick L. Andon in July 2007.

28 Succeeded Nadmid Bayartsaikhann in December 2007.

29 Succeeded Frederick Pitcher, MP in January 2008; Pitcher succeeded David Adeang in December 2007.

30 Succeeded Jonathan Kirkby in January 2008.

31 Succeeded Wouter Bos in December 2007; Bos succeeded Gerrit Zalm in February 2007.

32 Succeeded Bert Koenders in December 2007; Koenders succeeded Agnes van Ardenne-van der Hoeven in February 2007.

33 Succeeded Anne Fagertun Stenhammer in February 2008.

34 Succeeded Rabbie Namaliu in September 2007.

35 Succeeded Gordon Darcy Lilo in December 2007.

36 Succeeded Luma Darcy in January 2008.

37 Succeeded Johanna Brismar Skoog in February 2008.

38 Adrian Schlapfer's term was completed in January 2008.

39 Succeeded Nagmatjon Kh. Buriev in February 2008.

40 Succeeded M.R. Pridiyathorn Devakula in March 2007.

41 Succeeded Maria Magdalena Brites Boavida in July 2007.

42 Succeeded Aicha Bassarewan in July 2007.

43 Succeeded Ali Babacan in September 2007.

44 Succeeded Hilary Benn in July 2007.

45 Succeeded Shahid Malik in January 2008; Malik succeeded Gareth Thomas in July 2007.

46 Succeeded Josette S. Shiner in October 2007.

47 Succeeded Le Duc Thuy in August 2007.

APPENDIX 5

Board of Directors and Voting Groups
(as of January 2008)

Executive Directors	Alternate Executive Directors	Members Represented
Phil Bowen ¹	Dereck Rookan-Smith ²	Australia; Azerbaijan; Cambodia; Georgia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Palau; Solomon Islands; Tuvalu
Howard Brown ³	Patrick Brandt ⁴	Canada; Denmark; Finland; Ireland; The Netherlands; Norway; Sweden
Curtis S. Chin ⁵	Paul W. Curry	United States
Md. Saad Hashim	Siew Juan Aw	Brunei Darussalam; Malaysia; Myanmar; Nepal; Singapore; Thailand
Marita Magpili-Jimenez ⁶	Sibtain Fazal Halim ⁷	Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines; Timor-Leste
Kyung-Hoh Kim ⁸	Tsuen Hua Shih	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu, Viet Nam
Ashok K. Lahiri ⁹	Nima Wangdi	Afghanistan; Bangladesh; Bhutan; India; Lao People's Democratic Republic; Tajikistan; Turkmenistan
Masaki Omura	Atsushi Mizuno	Japan
Sebastian Paust ¹⁰	Uğur Salih Uçar ¹¹	Austria; Germany; Luxembourg; Turkey; United Kingdom
Patrick Pillon	João Simões de Almeida	Belgium; France; Italy; Portugal; Spain; Switzerland
Ceppie Kurniadi Sumadilaga ¹²	C J (Stan) Vandersyp ¹³	Cook Islands; Fiji Islands; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga
Wencai Zhang ¹⁴	Fangyu Liu ¹⁵	People's Republic of China

1 Succeeded Stephen Sedgwick on 1 April 2007.

2 Succeeded Richard Moore in 1 August 2007.

3 Succeeded Emile Gauvreau on 1 July 2007.

4 Succeeded Pasi Hellman on 1 September 2007.

5 Succeeded Paul W. Speltz on 3 May 2007.

6 Succeeded Sibtain Fazal Halim on 1 July 2007.

7 Succeeded Marita Magpili-Jimenez on 1 July 2007.

8 Succeeded Chol-Hwi Lee on 6 September 2007.

9 Succeeded Ashok Saikia on 16 July 2007.

10 Succeeded David Taylor on 1 July 2007.

11 Succeeded Sebastian Paust on 1 July 2007.

12 Succeeded Agus Haryanto on 1 July 2007.

13 Succeeded Richard Stanley on 2 January 2008.

14 Succeeded Zheng Xiaosong on 11 April 2007.

15 Succeeded Xiaolong Mo on 23 March 2007.

APPENDIX 6

Committees of the Board of Directors

Standing Committees

Audit CommitteePatrick Pillon (*Chair*)

Curtis S. Chin

Kyung-Hoh Kim

CJ (Stan) Vandersyp

Uğur Salih Uçar

Nima Wangdi

Budget Review CommitteeCeppie Kurniadi Sumadilaga (*Chair*)

Phil Bowen

Masaki Omura

Paul W. Curry

Sibtain Fazal Halim

Fangyu Liu

Board Compliance Review CommitteeHoward Brown (*Chair*)

Md. Saad Hashim

Marita Magpili-Jimenez

João Simões de Almeida

Dereck Rooker-Smith

Tsuen Hua Shih

Development Effectiveness CommitteeAshok K. Lahiri (*Chair*)

Sebastian Paust

Wencai Zhang

Siew Juan Aw

Patrick Brandt

Atsushi Mizuno

Ethics CommitteeMd. Saad Hashim (*Chair*)

Howard Brown

Sebastian Paust

Ceppie Kurniadi Sumadilaga

Wencai Zhang

Working Group on the Annual Report for 2007Nima Wangdi (*Chair*)

Paul W. Curry

Sibtain Fazal Halim

Fangyu Liu

Atsushi Mizuno

Uğur Salih Uçar

APPENDIX 7

ADB Institute Advisory Council

(As of 31 December 2007)

Masahiko Aoki

Victor H. Frank, Jr.

Eric Girardin

Ajit K. Jain

Li Yong

Andrew MacIntyre

Ifzal Ali

Stanford University

JHS Associates, Washington, DC

University Aix-Marseille 2

Former Secretary to Government of India

Vice Minister of Finance, People's Republic of China

Australian National University

Asian Development Bank

ADB Institute Dean

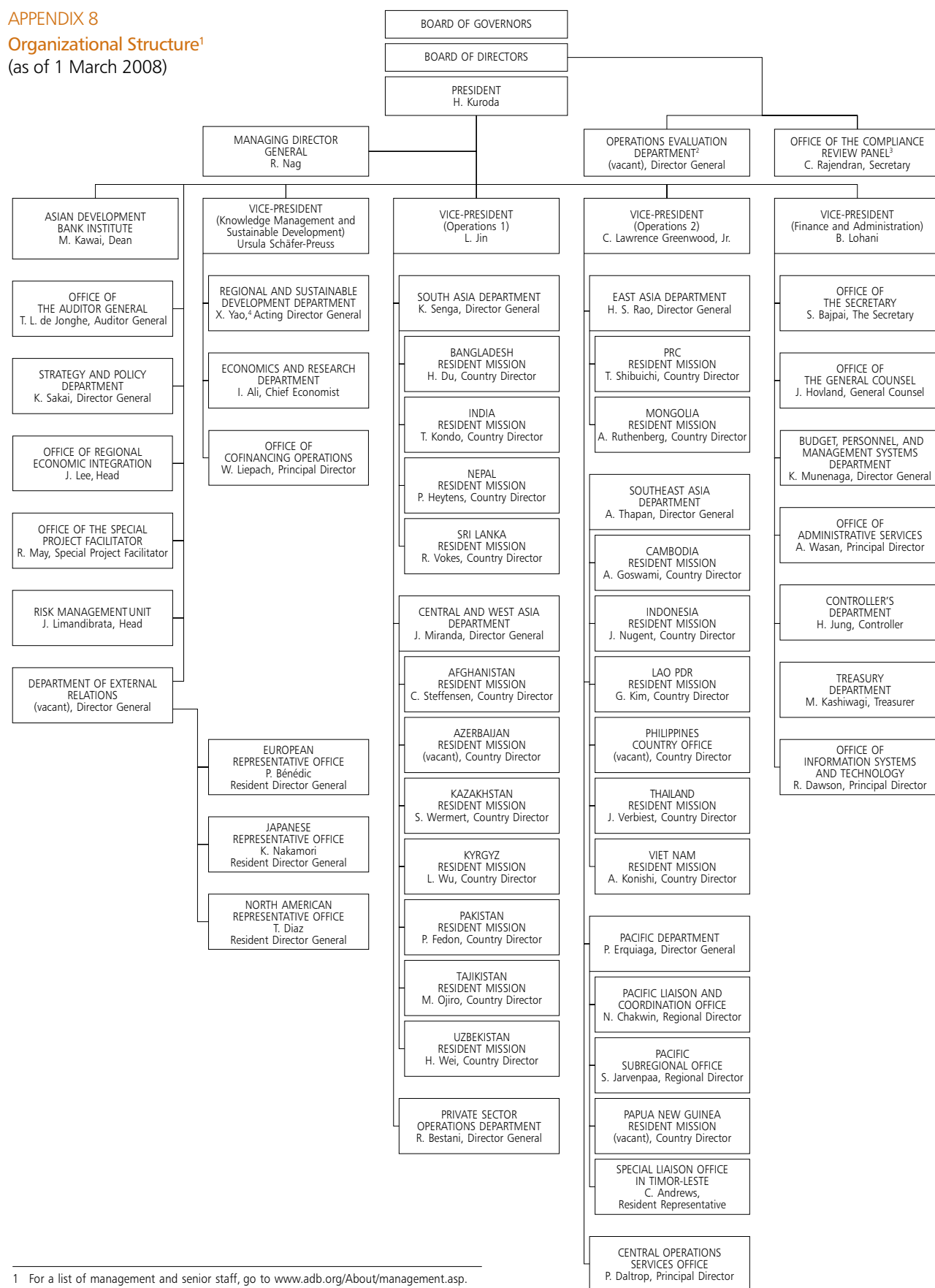
Masahiro Kawai (16 January 2007–present)

Peter McCawley (2003–January 2007)

APPENDIX 8

Organizational Structure¹

(as of 1 March 2008)



1 For a list of management and senior staff, go to www.adb.org/About/management.asp.

2 The Operations Evaluation Department reports to the Board of Directors through the Development Effectiveness Committee.

3 The Compliance Review Panel reports to the Board of Directors.

4 Concurrent Chief Compliance Officer.

APPENDIX 9

Former ADB Presidents and Vice-Presidents
(As of 31 December 2007)

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

APPENDIX 10

Summary of Budget for 2008
Internal Administrative Expenses
(\$ thousand)

Item	2007			Budget 2008
	Budget	After Transfers ^a	Actual	
A. Board of Governors	1,400	1,400	1,121	1,656
B. Board of Directors	21,499	22,052	21,925	23,184
Offices of the Directors	12,647	13,200	13,181	13,672
Accountability Mechanism	2,022	2,022	1,914	2,107
Operations Evaluation	6,830	6,830	6,831	7,405
C. Operational Expenses	250,509	250,509	249,866	270,384
Salaries	129,796	125,900	125,806	141,021
Benefits	71,773	77,100	77,064	77,304
Staff Development	4,016	3,800	3,602	4,028
Relocation	5,242	4,600	4,565	5,986
Consultants	19,370	19,400	19,181	20,144
Business Travel	19,930	19,400	19,368	21,570
Representation	382	309	279	331
D. Administrative Expenses	60,196	60,196	56,651	63,503
Communications	6,549	6,549	5,934	6,244
Office Occupancy	13,690	14,300	14,252	15,318
Library	950	950	949	965
Office Supplies	1,840	1,840	1,740	1,805
Equipment/Maintenance and Support	5,694	5,694	4,447	5,725
Contractual Services	11,831	11,831	11,030	13,890
Insurance	3,054	3,054	2,964	2,790
Depreciation	15,973	15,363	14,793	16,109
Miscellaneous	615	615	542	657
E. Total Before General Contingency	333,604	334,157	329,562 ^b	358,727
F. General Contingency	3,336	2,783	–	3,587
G. Less: Reimbursements from Trust Funds	(4,076)	(4,076)	(4,067) ^c	(5,164)
Net IAE	332,864	332,864	325,495	357,150
H. Carryover of IAE Budget	–	–	6,657 ^d	–
I. Net IAE after Carryover	332,864	332,864	332,153	357,150

– = 0 or not applicable, () = negative, IAE = internal administrative expenses.

Numbers may not add up precisely because of rounding.

^a Transfers were made between budget items without exceeding the original amount of each category. An amount of \$553,000 was transferred from the general contingency to meet the overrun in the budget category of Board of Directors: offices of the directors.

^b Excludes the following items reconciling with financial statements in compliance with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (–\$261,000); (ii) accumulated compensated absences (\$232,000), and accrued resettlement or repatriation allowances (–\$54,000); (iii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (\$7,010,000) and postretirement medical benefits (\$12,547,000); (iv) expenses related to the enhanced separation program (\$30,000); and (v) adjustments related to the Afghanistan Resident Mission Guest House (\$78,000). Total administrative expenses, as shown in the financial statements, amounted to \$349,144,000. This amount, after deducting \$1,341,000 directly charged to Japan Special Fund (\$1,246,000) and Japan Scholarship Program (\$95,000), has been distributed as follows: OCR – \$127,327,000 (Ref. OCR-2) net of \$34,080,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses; ADF – \$186,396,000 (Ref. ADF-2).

^c This amount (\$4,067,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.

^d In 2006, the Board approved introduction of a budget carryover into the following fiscal year of up to 2% of net IAE, beginning with the 2007 budget. Accordingly, \$6.7 million (2% of the 2007 net IAE budget) has been carried over to 2008.

APPENDIX 11

Professional Staff Representation of ADB Members

(As of 31 December 2007)

Member	Management	Professional Staff	National Officer/ Administrative Staff	Total	Member	Management	Professional Staff	National Officer/ Administrative Staff	Total
A. Regional					B. Nonregional				
Afghanistan	0	0	12	12	Austria	0	5	0	5
Armenia	0	0	0	0	Belgium	0	9	0	9
Australia	0	50	7	57	Canada	0	47	1	48
Azerbaijan	0	1	4	5	Denmark	0	5	0	5
Bangladesh	0	10	44	54	Finland	0	4	0	4
Bhutan	0	3	0	3	France	0	23	0	23
Brunei Darussalam	0	0	0	0	Germany	1	36	2	39
Cambodia	0	0	18	18	Ireland	0	2	0	2
China, People's Republic of	1	51	37	89	Italy	0	18	0	18
Cook Islands	0	0	0	0	Luxembourg	0	2	0	2
Fiji Islands	0	3	10	13	The Netherlands	0	11	0	11
Georgia	0	0	0	0	Norway	0	3	0	3
Hong Kong, China	0	1	0	1	Portugal	0	4	0	4
India	0	60	40	100	Spain	0	8	0	8
Indonesia	0	33	34	67	Sweden	0	8	0	8
Japan	1	119	2	122	Switzerland	0	4	0	4
Kazakhstan	0	5	6	11	Turkey	0	5	0	5
Kiribati	0	0	0	0	United Kingdom	0	33	0	33
Korea, Republic of	0	35	1	36	United States	1	104	3	108
Kyrgyz Republic	0	3	8	11	Subtotal	2	331	6	339
Lao People's Democratic Republic	0	1	12	13	Overall Total	5	847	1,591	2,443
Malaysia	0	21	0	21					
Maldives	0	0	0	0					
Marshall Islands	0	0	0	0					
Micronesia, Federated States of	0	0	0	0					
Mongolia	0	4	7	11					
Myanmar	0	3	0	3					
Nauru	0	0	0	0					
Nepal	1	5	25	31					
New Zealand	0	12	0	12					
Pakistan	0	23	41	64					
Palau	0	0	0	0					
Papua New Guinea	0	1	5	6					
Philippines	0	25	1,196	1,221					
Samoa	0	1	1	2					
Singapore	0	8	0	8					
Solomon Islands	0	1	0	1					
Sri Lanka	0	12	18	30					
Taipei, China	0	5	0	5					
Tajikistan	0	1	10	11					
Thailand	0	9	9	18					
Timor-Leste	0	0	3	3					
Tonga	0	1	0	1					
Turkmenistan	0	0	0	0					
Tuvalu	0	0	0	0					
Uzbekistan	0	5	13	18					
Vanuatu	0	1	0	1					
Viet Nam	0	3	22	25					

APPENDIX 12

Number of Authorized Positions in Resident Missions
2007

Country	Professional Staff ^a	National Officers	Analysts and Administrative Staff ^b	Total
Resident Missions				
Bangladesh	7	15	21	43
India	10	19	23	52
Nepal	3	11	11	25
Sri Lanka	4	12	6	22
Afghanistan	5	7	5	17
Azerbaijan	2	3	1	6
Kazakhstan	2	5	6	13
Kyrgyz Republic	2	5	3	10
Pakistan	9	16	19	44
Ext. Mission to Azad Jammu and Kashmir		1	1	2
Tajikistan	2	6	5	13
Uzbekistan	3	5	7	15
China, People's Republic of	9	17	21	47
Mongolia	3	5	3	11
Cambodia	5	7	6	18
Indonesia	12	15	16	43
Ext. Mission to Sumatra	1			1
Lao People's Democratic Republic	5	6	5	16
Philippines	3	3	4	10
Thailand	6	6	3	15
Viet Nam	8	10	8	26
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	2	4	3	9
Special Office in Timor-Leste	1	2	1	4
Subtotal	112	188	190	490
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	718	277	881	1,876
OVERALL TOTAL	836	468	1,077	2,381

a Includes outposted positions.

b Excludes contractuels.

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
Number of Resident Missions (RMs)	13	17	18 ^a	20 ^b	22	23	23	23
Total Authorized Positions at RM (= 1+2+3)	163	279	317	361	389	437	448	490
Professional Staff (PS) and National Officer (NO) Positions at RM (= 1+2)	94	169	190	223	240	270	267	300
Professional Staff ^c	40	65	72	80	87	107	96	112
National Officers	54	104	118	143	153	163	171	188
Administrative Staff	69	110	127	138	149	167	181	190
Total Authorized Positions at ADB (= 1+2+3)	1,936	2,055	2,116	2,187	2,229	2,310	2,340	2,381
PS and NO Positions at ADB (= 1+2)	924	1,020	1,071	1,153	1,189	1,253	1,271	1,304
1. Professional Staff ^d	699	729	759	791	797	824	824	836
2. National Officers ^e	225	291	312	362	392	429	447	468
3. Administrative Staff	1,012	1,035	1,045	1,034	1,040	1,057	1,069	1,077
% 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	20.6
% 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	23.0
Professional Staff	5.7	8.9	9.5	10.1	10.9	13.0	11.7	13.4
National Officers	9.9	16.1	18.1	20.1	21.1	22.2	23.0	24.5
Administrative Staff	6.8	10.6	12.2	13.3	14.3	15.8	16.9	17.6

a Includes Special Office in Timor-Leste; but excluded 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 (PLCO) in Australia.

c Including outposted positions.

d Exclude Young Professionals and Board of Directors.

e Classification of national officers and administrative assistants started only in 2003.

APPENDIX 14

Selected Knowledge Products of ADB

ADB produced a large number of “knowledge products” during 2007: 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 Operations Evaluation Department, produced the following products in 2007:

ASIAN DEVELOPMENT BANK INSTITUTE

Books/Excerpt of a Book

The Dynamics of Regional Development: The Philippines in East Asia. Arsenio Balisacan, and Hal Hill, eds. Cheltenham, UK: ADBI-Edward Elgar. *An Overview: The Philippines and Regional Development.* Arsenio Balisacan, and Hal Hill. Tokyo: ADBI.

Discussion Paper Series

Jayant Menon. Dollarization and the Multiple Currency Phenomenon in Lao PDR: Costs, Benefits and Policy Options (DP 58)
 Jayant Menon. Dealing with Dollarization: What Options for the Transitional Economies of Southeast Asia? (DP 63)
 Biswa Bhattacharyay and Swapan Bhattacharya. Free Trade Agreement between People's Republic of China and India: Likely Impact and Its Implications to Asian Economic Community (DP 59)
 Erniel B. Barrios. Access to Rural Development: Household Perceptions on Rural Development (DP 61)
 Erniel B. Barrios. Spatial Effect in the Efficient Access of Rural Development (DP 65)
 Erniel B. Barrios. Convergence of Agriculture of Some Asian Countries (DP 71)
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 Zaur Chulanova. Poverty Reduction in Developing Countries via Infrastructure Development and Economic Growth: Mutual Impact in Kazakhstan (DP 62)
 Anoop Singh. Policy Environment and Regulatory Reforms for Private and Foreign Investment in Developing Countries: A Case of the Indian Power Sector (DP 64)
 Wang Xiaolu. Who's in First? A Regional Development Index for the PRC's Provinces (DP 66)
 Geethanjali Nataraj. Regional Trade Agreements in the Doha Round: Good for India? (DP 67)
 Geethanjali Nataraj. Infrastructure Challenges in South Asia: The Role of Public-Private Partnerships (DP 80)
 Masahiro Kawai. Toward a Regional Exchange Rate Regime in East Asia (DP 68)
 Toshiki Kanamori, Zhijun Zhao. Infrastructure and Regional Development in the People's Republic of China (DP 69)
 Budy Resosudarmo, Suahasil Nazara. Aceh-Nias Reconstruction and Rehabilitation: Progress and Challenges at the End of 2006 (DP 70)
 Bhanupong Nidhiprabha. Adjustment and Recovery in Thailand Two Years after the Tsunami (DP 72)
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 Haruhiko Kuroda, Masahiro Kawai, Rita Nangia. Infrastructure and Regional Cooperation (DP 76)
 Masahiro Kawai, Ganeshan Wignaraja. ASEAN+3 or ASEAN+6: Which Way Forward? (DP 77)
 Biswa Bhattacharyay, Prabir De. Prospects of India-Bangladesh Economic Cooperation: Implications for South Asian Regional Cooperation (DP 78)
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 Geethanjali Nataraj, Melanie Milo. Integrated Financial Supervision: An Institutional Perspective for the Philippines (DP 81)
 Ganeshan Wignaraja. Foreign Ownership, Technological Capabilities, and Clothing Exports in Sri Lanka (DP 82)
 Robert McCauley. Building an Integrated Capital Market in East Asia (DP 83)
 Masahiro Kawai. Evolving Economic Architecture in East Asia (DP 84)

Research Policy Briefs

Douglas Brooks. Industrial and Competition Policy: Conflict or Complementarity? (RP 24)

Workshop Reports

Distance Learning Course on E-learning Policies
 Pilot Course on E-business Strategies: Course Completion Report
 Distance Learning Course on Community Information Services
 Distance Learning Course on Public Information Services
 Implementing Infrastructure Projects: Course Completion Report
 Workforce Development in the Republic of Korea
 Computer Courseware Development
 High-Level Seminar on E-governance
 Workforce Development in the Philippines
 Workforce Development in Sri Lanka
 Workforce Development in Nepal
 Report on Industrial Development Planning: Cluster-Based Development Approach Policy Seminar

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Asia Economic Monitor
 Asia Bond Monitor
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 Economic Cooperation between East Asia and South Asia
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 Foreign Ownership, Technological Capabilities and Clothing Exports in Sri Lanka – G. Wignaraja
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 Integration and Growth in East Asia – J.W. Lee (coauthor)
 Integration Strategies for ASEAN: Alone, Together or Together with Neighbors? – G. Wignaraja (coauthor)
 Cambodia – J. Menon

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Free Trade Agreement Manual
 Aid for Trade: How ADB Can Help
 Aid for Trade Conference Proceedings (technical and background papers)—in collaboration with regional departments
 Mobilizing Aid for Trade: Focus Asia and the Pacific—Report and Recommendations (ADB and WTO)
 2007 Annual Report for Boao Forum on Regional Cooperation and Integration in Asia and the Pacific

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 Asian Clean Fuel Research Study (formerly Strategy for Commercialization of Alternative Fuels)
 Inclusive Growth and Poverty Reduction in the New Asia and the Pacific

Chap 6 of Emerging Asian Regionalism
 Supporting the Inclusiveness of MDGs in the CAREC Countries
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 - Karnataka Urban Infrastructure Development Project in India
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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.

Loans at risk. Loans rated as unsatisfactory or partly satisfactory for impact and outcomes or implementation progress as articulated in the design and monitoring framework or those that might slip into those categories.

Multitranche financing facility. A debt-financing facility to target discrete, sequential components of large stand-alone projects; slices (or tranches) of sector investment programs over a longer time frame than the current norm; financial intermediary credit lines; and guarantees.

Sovereign/nonsovereign. ADB lending is classified as sovereign and nonsovereign. A sovereign loan is guaranteed by the national government, while a nonsovereign loan is not guaranteed by the national government. Nonsovereign operations refer to an ADB-financed transaction with a subsovereign, state-owned enterprise, other public private entity, or private sector entity as obligor or investee, normally without direct sovereign indemnity. In 2007, ADB's nonsovereign operations supported the infrastructure, capital market, and banking sectors, among others.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ASEAN	–	Association of Southeast Asian Nations
ASEAN + 3	–	Association of Southeast Asian Nations plus People's Republic of China, Japan, and Republic of Korea
BIMP-EAGA	–	Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area
GMS	–	Greater Mekong Subregion
PRC	–	People's Republic of China

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