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## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAPE	–	country assistance program evaluation
CPS	–	country partnership strategy
DEfR	–	Development Effectiveness Review
DMC	–	developing member country
GDP	–	gross domestic product
Lao PDR	–	Lao People's Democratic Republic
MDG	–	Millennium Development Goal
MfDR	–	managing for development results
OCR	–	ordinary capital resources
QAE	–	quality at entry
TB	–	tuberculosis

## WEIGHTS AND MEASURES

km	–	kilometer
kWh	–	kilowatt-hour
m <sup>3</sup>	–	cubic meter
MW	–	megawatt
tCO <sub>2</sub> -equiv/yr	–	tons of carbon dioxide equivalent per year

## NOTE

In this report, "\$" refers to US dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this documents, the Asian Development Bank does not intend to make any judgment as to the legal or other status of any territory or area.

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## EXECUTIVE SUMMARY

Asian Development Fund (ADF) countries have made solid progress in reducing poverty and promoting human development. While progress toward some of the non-income Millennium Development Goal (MDG) targets has been slow, sustained financing and its effective use would put many countries on track to achieving them.

The ADF has played a vital role in helping ADF countries achieve this progress. ADF operations have provided infrastructure and services to boost economic growth; assist countries with fragile and conflict-affected situations; and increase access of women, children, and the poor to quality education and health care, reliable electricity and clean water, and economic opportunities. The ADF has also helped countries improve their institutional capacities and implement needed reforms. ADF operations completed in 2004–2010 have

- (i) expanded the access of more than 21 million children and students to quality education by delivering over 135,000 new and upgraded classrooms and 667,000 trained teachers;
- (ii) helped more than 211 million people gain better access to wider economic opportunities and social services by building or rehabilitating over 44,000 kilometers (km) of roads;
- (iii) provided over 2 million households with access to clean water by installing or rehabilitating about 18,000 km of water supply pipes; and
- (iv) connected over 1.6 million households to electricity by building or upgrading more than 34,000 km of power transmission and distribution lines, thereby contributing to industrial productivity and economic growth.

Assessments of ADF contributions to country outcomes confirm the considerable value the ADF has added to the achievement of development results in ADF countries:

- (i) In Afghanistan, the ADF helped the country sustain growth and improve service delivery by supplying uninterrupted electricity to people through the construction of 241 km of high-voltage transmission lines, representing 54% of such lines in the country.
- (ii) In the Lao People's Democratic Republic, the ADF contributed significantly to improved connectivity by delivering 1,390 km of roads, representing 43% of the country's roads that were paved with support from external financing. This led to impressive growth in trade, new income opportunities for the poor, and easier access to social services. ADF assistance also promoted sustainable maintenance of roads and road safety.
- (iii) In Mongolia, the ADF was instrumental in the country's impressive achievement of education outcomes. ADF projects rehabilitated around 1,630 classrooms, or 44% of all classrooms in the country, and trained about 20,600 teachers, accounting for 90% of teachers in primary and secondary schools. ADF projects also supported major sector reforms.

The long-term commitment, focused engagement, and strategic alignment with country priorities by the Asian Development Bank (ADB) are key to maximizing ADF's contribution.

To maximize the development impact of ADF operations, ADB has continuously analyzed and responded to operational and organizational challenges. The successful implementation of the 2004 reform agenda improved the business processes and quality assurance mechanisms for country partnership strategies, programs, and projects. Building on this, ADB now assesses its performance and adopts corrective actions through the Development Effectiveness Review process that began in 2008. The new reforms adopted through this process are ensuring that the ADF continues to be a critical resource for reducing poverty in the poorer countries in Asia and the Pacific.



## I. INTRODUCTION

1. This paper describes the effectiveness of Asian Development Fund (ADF) operations in delivering development results to poorer countries in Asia and the Pacific, and ongoing actions to ensure their continued success. Section II discusses the progress of ADF countries in attaining development results, including the Millennium Development Goals (MDGs).<sup>1</sup> Then, Section III examines how ADF operations have contributed to those development results by presenting case studies that explain the relevance of ADF operations in delivering specific country development results. Section IV summarizes the key actions the Asian Development Bank (ADB) has taken to improve further the effectiveness of ADF operations.

## II. DEVELOPMENT RESULTS OF ADF COUNTRIES

2. Between 1990 and 2009, both groups of ADF and ADF-only countries made solid improvements in achieving the 15 critical MDG indicators for income poverty, education, health, and water and sanitation, except on the completion of primary education (Figure 1). Notable accomplishments include the following:

- (i) The incidence of absolute poverty dropped from 46% to 27% in ADF countries and from 66% to 37% in ADF-only countries.<sup>2</sup>
- (ii) Access to improved sanitation in rural areas increased from 27% to 51% in ADF countries and from 23% to 37% in ADF-only countries.
- (iii) Tuberculosis prevalence dropped by 42% from 503 to 292 per 100,000 people in ADF countries, and by 45% from 492 to 268 per 100,000 in ADF-only countries.
- (iv) The incidence of maternal mortality fell by 41% from 592 to 348 per 100,000 live births in ADF countries, and by 19% from 960 to 775 per 100,000 in ADF-only countries.
- (v) Child mortality declined by 40% from 123 to 74 per 1,000 live births in ADF countries, and by 27% from 161 to 118 per 1,000 in ADF-only countries.

On primary education completion, ADF countries experienced a reduction of about 5% while ADF-only countries achieved an improvement of over 21%.

3. While ADF countries have made considerable progress on almost all of the MDGs, their performance is mixed when assessed against the targets. At the aggregate level, ADF countries have already achieved the income poverty target, and ADF-only countries are on track to achieve the target. Progress toward the non-income MDG targets is uneven. Both ADF and ADF-only countries are likely to achieve five of the 14 non-income MDG targets by 2015. ADF countries are also close to achieving another two, and ADF-only countries are close to achieving four more MDG targets.<sup>3</sup>

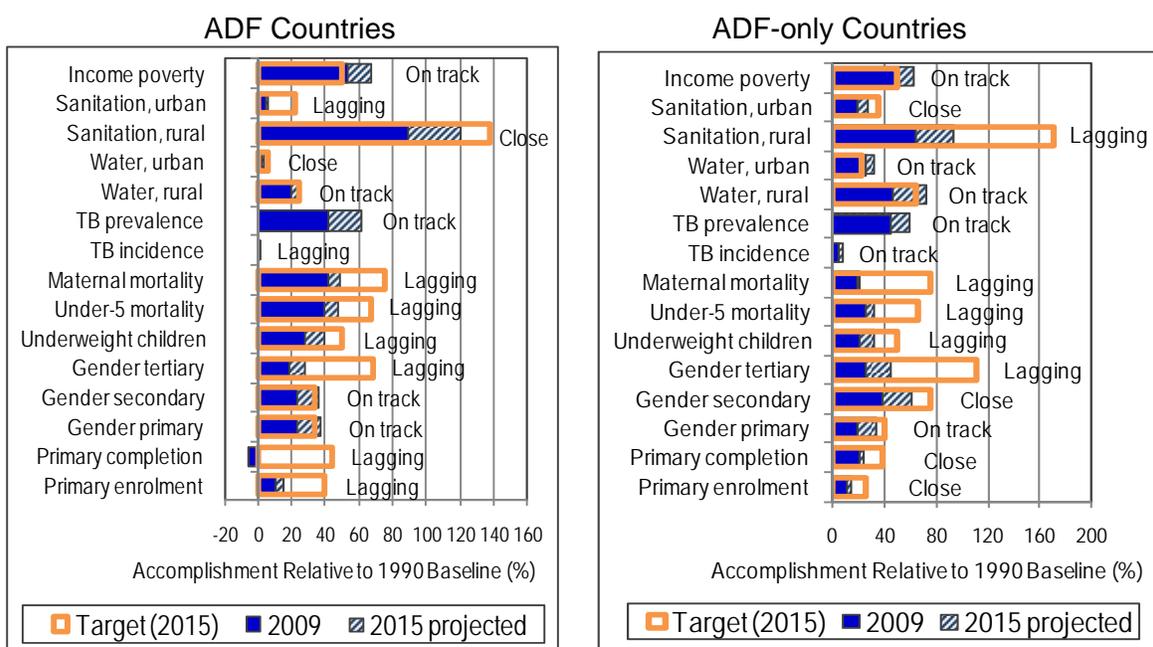
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<sup>1</sup> Asian Development Fund (ADF) countries are defined as countries that have access to the ADF. These can be disaggregated into "ADF-only" countries and "blend" countries, which have access to both the ADF and ordinary capital resources (OCR). ADB currently has 28 ADF countries: 17 ADF-only countries (Afghanistan, Bhutan, Cambodia, Kiribati, the Kyrgyz Republic, the Lao People's Democratic Republic, the Maldives, Mongolia, Nauru, Nepal, Samoa, Solomon Islands, Tajikistan, Timor-Leste, Tonga, Tuvalu, and Vanuatu); and 11 blend countries (Armenia, Bangladesh, Georgia, the Marshall Islands, the Federated States of Micronesia, Pakistan, Palau, Papua New Guinea, Sri Lanka, Uzbekistan, and Viet Nam). Azerbaijan, India, and Myanmar are eligible for ADF assistance under ADB's Graduation Policy but currently do not have access to the ADF. Thus, they are not considered as ADF countries in this paper.

<sup>2</sup> The latest poverty figures refer to 2008.

<sup>3</sup> The group or country is on track if it has already achieved or is likely to meet the target in 2015. It is close to achieving if it is unlikely to meet and is less than 10% away from the target in 2015.

**Figure 1: Progress on Selected MDG Targets Relative to the 1990 Baselines, 2009 and 2015**



ADF = Asian Development Fund, MDG = Millennium Development Goal, TB = tuberculosis.

Note: Progress is shown as a percentage reduction or improvement over the 1990 baseline. The country group is *on track* if it has already achieved or is likely to meet the target in 2015. The country group is *close to achieving* if it is unlikely to meet and is less than 10% away from the target in 2015. As the target for TB prevalence and TB incidence is to halt or decrease these rates, there are no specific target values for these two indicators.

Source: Asian Development Bank estimates based on data compiled by the Economic and Social Commission for Asia and the Pacific on behalf of the joint ADB-ESCAP-UNDP regional partnership on the MDGs.

4. At the individual country level, over two-thirds of ADF countries are either on track to achieve or close to achieving 10 of the 15 MDG indicators (Appendix 1). By accelerating investments and ensuring their effectiveness, more ADF countries that are close to their targets for a number of non-income MDGs could still achieve them. For example, with more support and effort at least 13 more ADF countries that are close to achieving the targets on access to urban water supply and sanitation could achieve them, and at least 7 more could meet the targets on access to rural water supply and primary education.

5. **Growth, infrastructure, and governance.** Gross domestic product (GDP) in ADF countries grew at robust rates during 2000–2007, averaging 6.0% annually. The trend was interrupted by the global economic crisis which brought down growth rates to 4.5% per year during 2008–2009. While ADF countries are recovering, their growth is projected to remain below pre-crisis levels during 2010–2012. ADF countries have improved access to basic infrastructure, particularly electric power and telecommunications facilities.<sup>4</sup> However, infrastructure improvements have not kept pace with the growth in demand, and infrastructure remains a critical development bottleneck in Asia and the Pacific.<sup>5</sup> Although ADF countries have

<sup>4</sup> The number of telecommunications lines more than doubled from 275 in 2006 to 687 in 2009 for every 1,000 people, and the electrification rate rose significantly from 47% in 2002 to 60% in 2009. See World Bank, World Development Indicators Online database for access to telecommunications. Organization for Economic Cooperation and Development, and International Energy Agency. *World Energy Outlook 2010*. Paris. <http://www.iea.org/Textbase/npsum/weo2010sum.pdf> for electrification

<sup>5</sup> ADB Institute. 2009. *Infrastructure for a Seamless Asia*. Tokyo.

improved their governance and public sector management in general, they need to strengthen government effectiveness and regulatory quality.<sup>6</sup> ADB's annual country performance assessments indicate that ADF countries have also improved their climate for private sector investment.<sup>7</sup> However, the majority of ADF countries continue to be classified as non-investment grade, which leads to prohibitive financing costs and fewer private inflows.

**6. ADF support to countries' progress toward MDGs and other outcomes.** ADF operations have contributed significantly to ADF countries' development progress. They have helped deliver critical outputs such as schools and trained teachers, new or better roads, water supply and sanitation facilities, power distribution and transmission lines, and telecommunications facilities (Appendix 2). ADF outputs have helped countries, including those with fragile and conflict-affected situations, boost economic growth and expand the access of women, children, and the poor to quality education and health care, reliable electricity and clean water, and other social services, as well as economic opportunities.<sup>8</sup> ADF operations completed during 2004–2010:

- (i) expanded the access of more than 21 million children and students to quality education by delivering over 135,000 new or upgraded classrooms and 667,000 trained teachers;
- (ii) helped more than 211 million people gain better access to wider economic opportunities and social services by constructing or rehabilitating more than 44,000 kilometers (km) of roads;
- (iii) provided over 2 million households with access to clean water by installing or rehabilitating about 18,000 km of water supply pipes; and
- (iv) connected over 1.6 million households to electricity by building or upgrading more than 34,000 km of power transmission and distribution lines, thereby contributing to industrial productivity and economic growth.

In addition to outputs that have already been achieved, ADB expects from 2011 onward to deliver a significant amount of outputs from its ADF-funded core sector operations approved during 2005–2010. Furthermore, ADF operations have helped countries improve their institutional capacities and implement needed reforms. Many of the ADF-funded program loans completed during 2008–2010 improved sector policies, institutional capacities, public financial management, and service delivery, and expanded private sector participation.<sup>9</sup>

7. Linking the aggregated outputs to the overall development outcomes in the region is a challenge. Specific ADF contributions to outcomes—including their unique value and scale—are better assessed in individual sectors in each country. Section III discusses the findings of case studies that examine ADF contributions to country outcomes in particular sectors.

<sup>6</sup> The score on governance and public sector management of ADF countries rose from 3.3 in 2006 to 3.5 in 2010, based on ADB's annual country performance assessments. See also World Bank. Worldwide Governance Indicators. <http://info.worldbank.org/governance/wgi/index.asp>

<sup>7</sup> The average time needed to start a business in ADF countries decreased from 45 days in 2006 to 34 days in 2009.

<sup>8</sup> Countries in fragile and conflict-affected situations include Afghanistan and Timor-Leste (also classified as post-conflict) and eight other Pacific DMCs: Kiribati, the Marshall Islands, Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Solomon Islands, and Tuvalu.

<sup>9</sup> This covers 31 program loans financed from the ADF with program completion reports issued during 2008–2010. Seven were financed from both the ADF and OCR. Crisis-related budget support is not included.

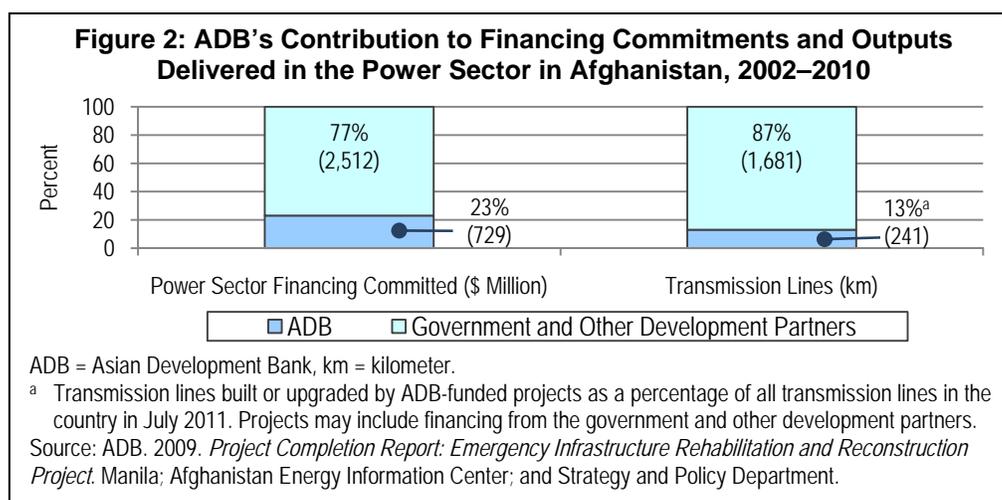
### III. ADF CONTRIBUTIONS TO COUNTRY DEVELOPMENT RESULTS

8. The eight case studies summarized below demonstrate how ADF operations contributed to development outcomes and outputs in particular sectors, helping countries accelerate growth, reduce poverty, and promote human development (Appendix 3 provides the full case studies and full references). The case studies examine (i) the country's progress on sector outcomes in recent years, highlighting the sector outputs produced by the country that contributed to the outcomes and the financial resources used to produce these outputs; and (ii) the contribution of ADB and ADF to these sector inputs, outputs, and outcomes. The case studies cover agriculture and rural development in Cambodia, education in Mongolia and Uzbekistan, power in Afghanistan and Bangladesh, roads in the Lao People's Democratic Republic (Lao PDR), and urban services and water supply and sanitation in Sri Lanka and Viet Nam.

#### A. Afghanistan Power Sector

9. **Country results.** Afghanistan's power sector was left devastated by almost three decades of conflict that ended in 2001: only 6% of the country's population had access to electricity in 2003. Following massive investments in power infrastructure, the number of customers receiving electricity increased from 228,000 in 2003 to 753,000 in 2010, representing an increase in the electrification rate from less than 6% to approximately 20% in 8 years. Investments also covered regional interconnections which boosted electricity trade. Electricity supply doubled from 2006 to 2010 with supply reaching 2,584 gigawatt-hours. About 39% of the supply was generated within Afghanistan (mainly from hydro sources), and 61% was imported from the neighboring countries of Iran, Tajikistan, Turkmenistan, and Uzbekistan.

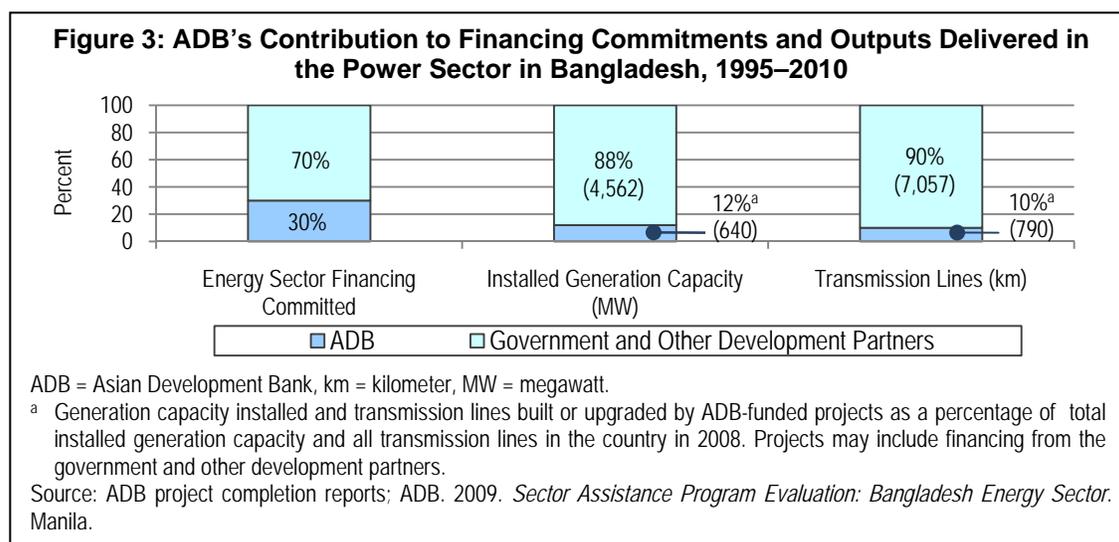
10. **ADB and ADF contribution.** During 2002–2010, ADB assistance accounted for 23% of the total funds supplied by the government and its development partners during the same period (Figure 2). ADB financed the rehabilitation and construction of 241 km of the North East Power System that accounted for 54% of the total high voltage transmission lines and 13% of all transmission lines. The new and improved system allowed imports of over 100 megawatts (MW) from Uzbekistan, which together with domestic generation provided uninterrupted power to the population of Kabul and other connected cities. Reliable power supply was a major contributor to economic growth and improvement in quality of life of the people in Afghanistan.



## B. Bangladesh Power Sector

11. **Country results.** To remedy the acute power shortage in the 1990s, the government—with support from ADB and other development partners—implemented reforms that expanded investments in the sector and improved the operational efficiency of state power agencies. This led to a significant increase in the power generation, transmission and distribution capacity, and the electrification rate. The country added 2,594 MW of generation capacity during 1994–2008 with assistance from ADB and other partners. This included 1,388 MW from independent private power plants that did not exist before 1999. Transmission lines expanded considerably, while system losses were reduced from 23.4% in 2005 to 19.9% in 2009. The electrification rate climbed to over 37% in 2008 from only 10% in 1994. Industrial production grew faster during 2005–2009 compared with 2000–2004.

12. **ADB and ADF contribution.** ADB has supported power infrastructure development and reforms by providing about 30% of the total financing for the sector (Figure 3). ADB assistance during 1995–2010 totaled about \$1,449 million, including \$485 million from the ADF. ADB helped implement reforms aimed at improving the operational performance and financial viability of power sector entities. The reforms stimulated private sector investment, leading to a substantial increase in the contribution of private power producers to total power generation. ADB funded the installation of 640 MW of generation capacity, amounting to 12% of total installed capacity in 2008. With ADB support, nearly 800 km of transmission lines—equivalent to about 10% of all transmission lines in 2008—were built or upgraded, and more than 8 million new customers were connected to electricity.

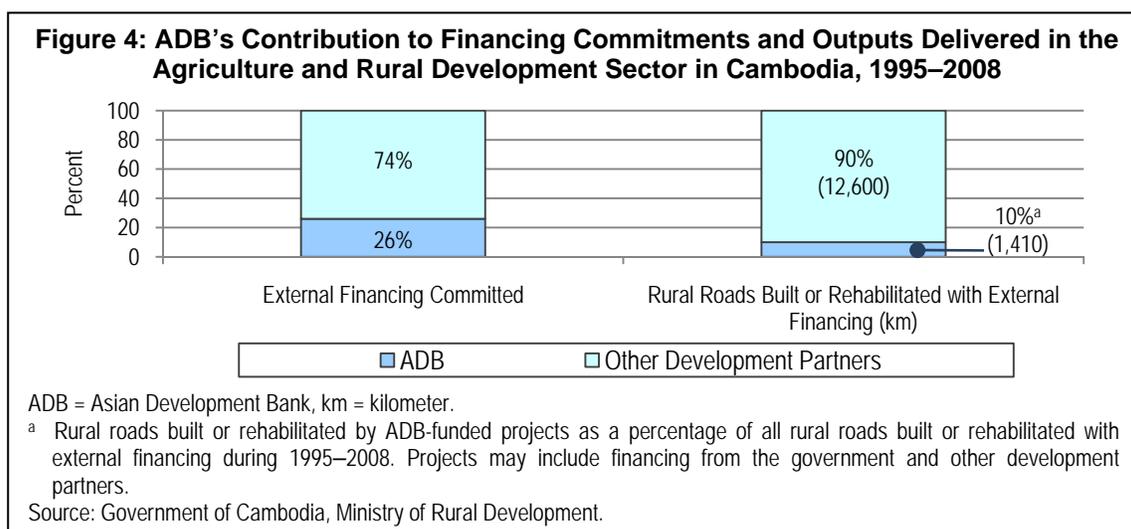


## C. Cambodia Agriculture and Rural Development Sector

13. **Country results.** Agriculture and rural development has been a cornerstone of Cambodia's national development plan. With support from ADB and other development partners, the government expanded investment in the rural sector. Rice production rose from 4.0 million tons in 2000 to 8.2 million tons in 2010, resulting in an exportable surplus of about 3.9 million tons. Production of other crops, such as corn and cassava, also increased during this period. Merchandise exports from agriculture reached over \$4 billion in 2008, up from \$0.8 billion in 1997. Improved connectivity through better rural roads enabled farmers to easily acquire farm inputs and sell their surplus produce. Cambodia's GDP per capita (in constant

2000 US dollars) almost doubled to \$493 in 2009 from \$245 in 1998. The poverty incidence fell to 30% in 2007, down from 47% in 1994.

14. **ADB and ADF contribution.** From 1995 to 2008, ADB accounted for 26% of the total external assistance to agriculture and rural development in Cambodia (Figure 4). ADF-funded assistance amounted to \$241 million for 12 projects and programs, six of which have been completed. Between 1995 and 2008, ADB helped build or upgrade a total of 1,410 km of rural roads, amounting to 10% of the 14,010 km of rural roads rehabilitated by Cambodia's development partners. ADB also helped maintain 1,976 km of rural roads, which accounts for over 7% of the total length of the country's rural roads. ADB-supported reforms helped secure land tenure for farmers, improved farmers' access to agriculture inputs and markets, and brought social services within reach of the poor.

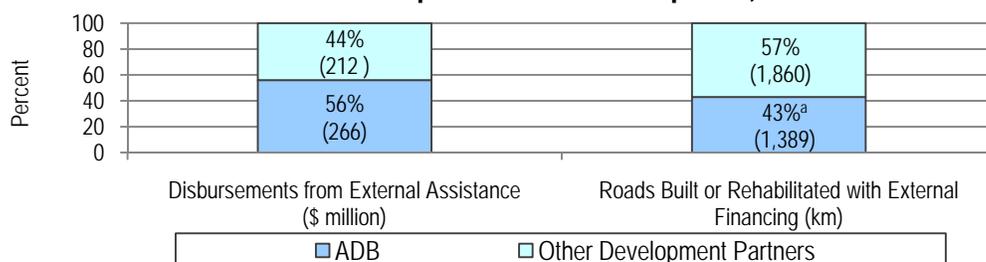


#### D. Lao People's Democratic Republic Road Transport Sector

15. **Country results.** As a landlocked country, the Lao PDR has prioritized road transport development. Development partners including ADB helped the government build and upgrade 3,249 km of roads through \$478 million in assistance. With the upgraded road networks, the movement of people and goods more than doubled during 2000–2009, and the number of accidents declined. Improved transnational corridors helped the country increase its trade with neighboring countries more than fourfold. During 2002–2009, GDP per capita in the Lao PDR increased from \$347 to \$501 (in constant 2000 US dollars). The poverty incidence fell from 34% in 2003 to 27% in 2008.

16. **ADB and ADF contribution.** ADB provided \$266 million through the ADF for eight projects which were completed during 1998–2010. This amount accounted for 56% of the total external assistance program and covered the building or upgrading of 1,389 km of roads, or 43% of roads paved with donor support (Figure 5). The projects helped reduce travel time typically by more than 50% and vehicle operating costs by 15%–40%. They also brought social benefits such as increased mobility and access to markets and wider employment opportunities to local communities. To ensure that the benefits are sustained, ADB assistance also focuses on promoting road safety and sustainable maintenance of road networks.

**Figure 5: ADB's Contribution to Disbursements and Outputs Delivered in the Road Sector in the Lao People's Democratic Republic, 1998–2010**



ADB = Asian Development Bank, km = kilometer.

<sup>a</sup> Roads built or rehabilitated by ADB-funded projects as a percentage of all roads built or rehabilitated with external financing during 1998–2010. Projects may include financing from the government and other development partners.

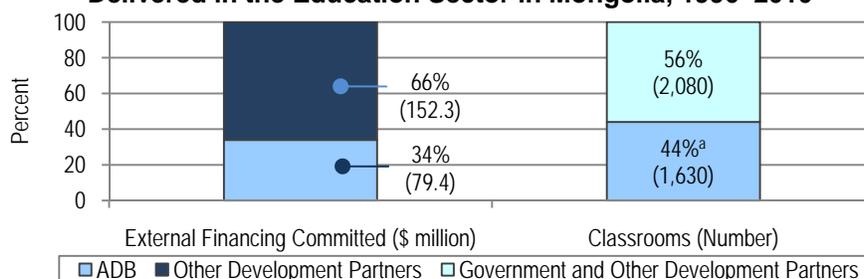
Source: ADB Independent Evaluation Department and Strategy and Policy Department.

## E. Mongolia Education Sector

17. **Country results.** The education sector suffered after the former Soviet Union withdrew its support to Mongolia, causing the primary gross enrolment ratio to fall from 105.8% in 1990 to 93.4% in 1995, and secondary gross enrolment ratio from 94.0% to 77.2%. With support from its development partners including ADB, Mongolia redeveloped its education sector and made progress in attaining key sector outcomes. In 2010, the gross enrolment ratio was 98.6% for primary education and 94.7% for secondary education, and the adult literacy rate was 98.3%. With these achievements, Mongolia is well on track to meet its MDG commitments of universal primary education and 100% adult literacy by 2015.

18. **ADB and ADF contribution.** ADB financed \$79.4 million in loans, grants (including \$69.5 million from the ADF), and technical assistance during 1996–2010. This accounts for about 34% of external assistance provided to the sector during the same period (Figure 6). ADB projects improved the learning environment for primary and secondary school students by rehabilitating around 1,630 classrooms, or 44% of the estimated number of classrooms in Mongolia. The projects trained around 20,635 teachers, or 90% of teachers in primary and secondary schools. Almost 200,000 primary and secondary school students, or 48% of enrolled students received 533,000 textbooks. The projects supported major reforms, including the shift from an 11-year to a 12-year school system, revision of the national education standards and curriculum, and the development of a sector master plan.

**Figure 6: ADB's Contribution to Financing Commitments and Outputs Delivered in the Education Sector in Mongolia, 1996–2010**



ADB = Asian Development Bank.

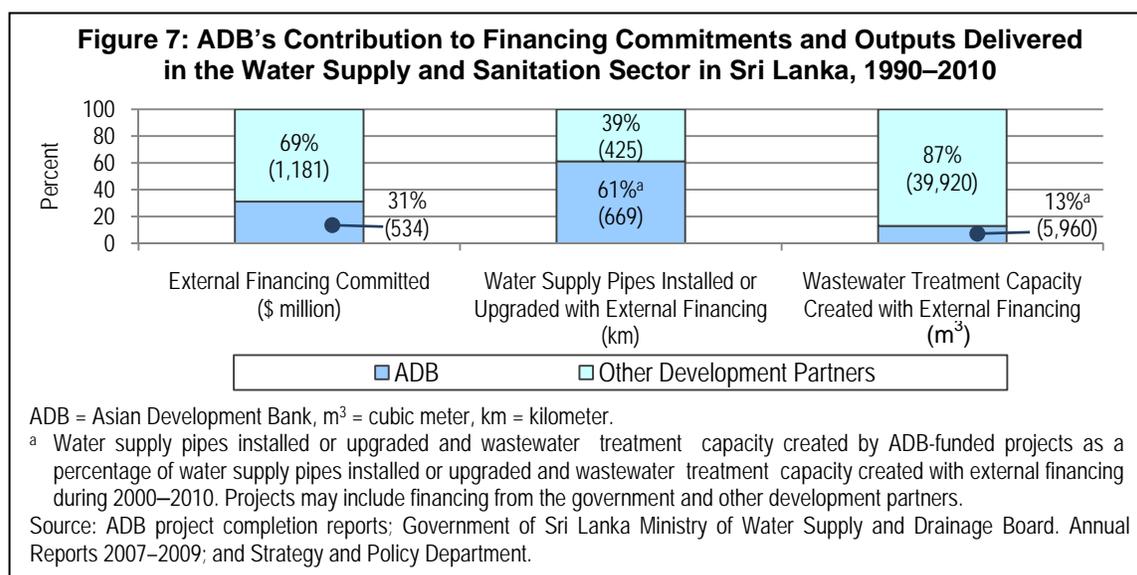
<sup>a</sup> Classrooms built or rehabilitated by ADB-funded projects as a percentage of all classrooms in the country in 2007. Projects may include financing from the government and other development partners.

Source: ADB and Government of Mongolia, Ministry of Education, Culture and Science estimates.

## F. Sri Lanka Water Supply and Sanitation

19. **Country results.** Since the 1990s, the government has targeted providing access to clean water and sanitation for its entire population by 2010. Between 1990 and 2010, the government and its development partners provided about \$2.5 billion to develop water supply and sanitation systems through effective water resources management, tariff policy reforms, and increased private sector participation. Sri Lanka achieved significant results including attaining the MDG target on access to safe drinking water and sanitation. The proportion of the population with access to improved water sources rose from 67% in 1990 to 91% in 2009. Access to improved sanitation facilities went up from 70% in 1990 to 91% in 2009.

20. **ADB and ADF contribution.** During 1990–2010, ADB approved a total of \$528 million in loans and grants—including \$415 million from the ADF—and \$5.8 million in technical assistance for Sri Lanka’s water supply and sanitation sector (Figure 7). This accounted for about 21% of total investments for water supply and sanitation in Sri Lanka, and 31% of total funds provided by development partners during the same period. Between 2000 and 2010, ADB-assisted projects installed or upgraded 669 km of water supply pipes or 61% of the 1,094 km of water supply pipes installed or improved through donor financing. The projects benefited 2.8 million people or about 37% of the total population with access to piped water supply in 2009. ADB developed 5,960 cubic meters of wastewater treatment capacity, equivalent to 13% of the 45,880 cubic meters provided by donors, benefiting 616,980 more people.

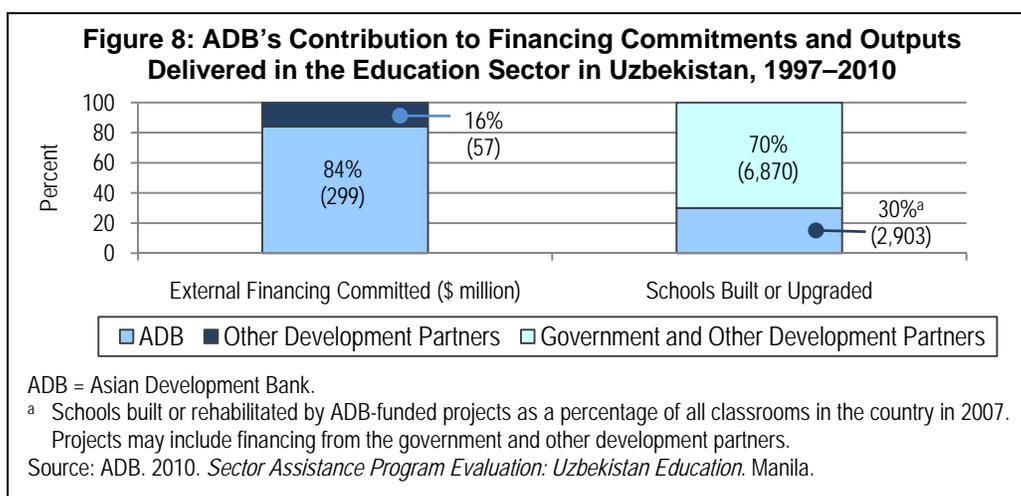


## G. Uzbekistan Education Sector

21. **Country results.** Rebuilding and modernizing its education system was vital for Uzbekistan to sustain economic and social development after its independence in 1991. Over the years, Uzbekistan, with support from its development partners including ADB, has achieved significant results including attaining the MDG target of universal primary education. Almost all students (99%) that complete primary school continue on to secondary school. The quality of education in both urban and rural areas continued to improve as reflected by declining repetition rates in grades 1–11. Improved access to quality education contributed to increasing the number of employed aged 15 and over from 52% in 1996 to 58% in 2008. The national poverty

incidence fell from 31.5% in 2000 to 25.8% in 2005, and GDP per capita (in constant 2000 US dollars) grew from \$558 in 2000 to \$893 in 2009.

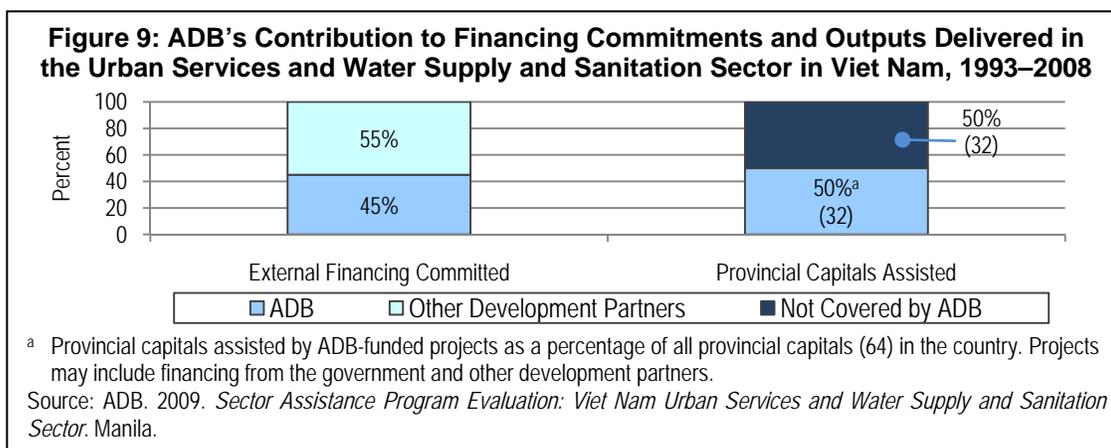
22. **ADB and ADF contribution.** During 1997–2010, ADB approved a total of \$299 million in loans, grants, and technical assistance—including \$80 million from the ADF—for Uzbekistan’s education sector (Figure 8). Although this represents a modest share of total education financing (2%), it accounts for 84% of total donor funds. From 2003 to 2010, ADB-financed projects benefited almost 900,000 students through the construction and rehabilitation of over 2,900 schools, which accounted for 30% of the 9,773 schools in existence in 2006–2007. During the same period, ADB projects provided textbooks and other learning materials to around 5.6 million students or 90% of students enrolled in basic education (grades 1–9). ADB assistance also helped train over 72,800 teachers or 16% of the 450,300 teachers in the country.



## H. Viet Nam Urban Services and Water Supply and Sanitation Sector

23. **Country results.** Rapid industrialization in Viet Nam has led to rising urban populations as well as worsening of the environment in towns and cities. Water supply and sanitation systems have deteriorated over time due to lack of maintenance. Since the mid-1990s, more than \$1 billion was invested in the sector, with 80% coming from external assistance, including ADB. The share of urban population with access to an improved water source increased from 88% in 1990 to about 99% in 2008. Access to sanitation facilities rose from 61% to 94% in the same period. By 2010, water supply and wastewater companies were transformed from subsidized entities into fully autonomous public utilities. Viet Nam is on track to achieve the MDG target for sustainable access to safe water and sanitation.

24. **ADB and ADF contribution.** Between 1993 and 2008, ADB extended seven loans totaling \$427 million—all funded from the ADF—and five technical assistance grants amounting to \$3 million. ADB’s assistance accounted for about 45% of total loans that the country received from external assistance to the urban sector (Figure 9). With a consistent focus on small- to medium-sized provincial capitals, ADB helped provide access to a reliable water supply for 32 of the 64 provincial capitals and more than 70% of the population in surrounding areas. The availability of clean water through household pipe connections relieved women and children from fetching water from distant and potentially contaminated sources. Incidence of waterborne diseases has fallen in some towns.



## I. Challenges

25. The case studies confirm that the ADF has added considerable value to the development process in ADF countries, particularly in sectors where ADB has (i) had a long-term engagement, (ii) provided both investment and support for reforms, (iii) exercised greater focus and selectivity in its operations, and (iv) aligned its assistance strategy and program with country priorities.<sup>10</sup> However, there remain many challenges that need to be overcome to maximize the value of the ADF. For example, the preparation of the case studies highlighted the challenge of collecting data on sector-wide outputs and outcomes to which ADF programs were meant to contribute (para. 27). Availability of this information is critical for ADB and ADF donors to monitor effectively the ADF's contribution to country outcomes. ADB is institutionalizing the systematic monitoring of sector-level outcomes and outputs through country portfolio reviews. Section IV presents key actions that ADB has taken in response to the challenges identified.

## IV. KEY ACTIONS TO IMPROVE ADF EFFECTIVENESS

26. ADB has continuously sought to increase development effectiveness of its operations and has implemented a large number of initiatives to achieve this goal. These initiatives, reinforced through ADB's 2004 reform agenda, introduced greater strategic clarity, innovative and flexible products, more results-oriented and transparent business processes, improved organizational arrangements, and better staff skills and incentives. Since 2008, ADB has launched further actions to remove weaknesses identified through the Development Effectiveness Review (DEfR) process. This section presents the key actions ADB has taken to improve further the development effectiveness of the ADF.<sup>11</sup>

### A. Improving Quality of Country Strategies and Programs

27. **Issues.** ADB institutionalized the results-based country partnership strategy (CPS) in 2006 to sharpen its results focus and alignment with DMC priorities. ADB then introduced the biennial assessment of CPS quality at entry (QAE) in 2006 to identify lessons and aid CPS quality assurance. This complemented the country assistance program evaluation (CAPE) studies carried out by ADB's Independent Evaluation Department. The 2006 QAE assessment, which rated only 33% of CPSs *satisfactory*, noted the need to improve country diagnostics analysis and the links between strategies and country assistance programs. While noting

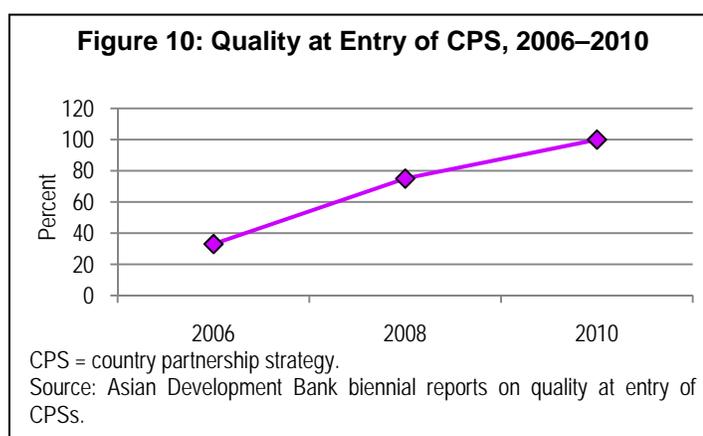
<sup>10</sup> These success factors are consistent with the findings of the Independent Evaluation Department's review. See ADB. 2008. *2008 Annual Evaluation Review: Lessons from a Decade of ADB's Country Assistance Program Evaluations*. Manila.

<sup>11</sup> Progress on actions committed in the 2010 DEfR will be reported in the 2011 DEfR. Status of all DEfR actions is available at <http://beta.adb.org/sites/default/files/defr-action-status-20110630.pdf>

considerable improvements (75% of CPSs rated *satisfactory*), the 2008 QAE assessment stressed the need for greater understanding of the application of results-based management tools and practices, stronger leadership by country team leaders at resident missions, and improved CPS guidelines and business processes. The CAPEs highlighted that CPSs lacked clarity of accountability for results and outcome reporting. They also noted that deficient sector-wide outputs and outcomes data, and weak country capacity on results monitoring, hampered CPS results monitoring.

28. **Actions and progress.** ADB has systematically applied the lessons identified in the CPS QAE assessments and CAPEs. This has led to a steady improvement in quality at entry (Figure 10). The proportion of CPSs for ADF countries rated *satisfactory* on quality at entry increased from 33% in 2006 to 100% in 2010. Resident mission capacity was strengthened to ensure their leadership on CPS. Currently, all CPSs are managed by resident missions.

29. Furthermore, as part of the 2010 streamlined CPS business processes, ADB refined its guidelines on CPS and sector results frameworks to (i) improve the alignment of CPS with country priorities and ADB's Strategy 2020, (ii) strengthen sector outcomes and outputs monitoring and reporting, and (iii) integrate results monitoring in the regular country portfolio reviews. To guide staff in using country results management tools, ADB in 2010 upgraded its training programs on CPS preparation, updating and monitoring.<sup>12</sup> To ensure that effective results monitoring is anchored in the country's own system, ADB has strengthened its support for DMCs on results monitoring and evaluation. This has been done as part of the overall efforts to integrate more results-based approaches into public sector management.<sup>13</sup>



## B. Strengthening Project Performance

30. **Issues.** Success rates of ADB and ADF projects have stagnated since 2006 and remained far below the 2012 target of 80%. The 2010 DEfR noted that 66% of ADB and ADF projects completed during 2008–2010 achieved their intended objectives.<sup>14</sup> The success rate in ADF-only countries during 2008–2010 was higher at 73%.<sup>15</sup> Issues highlighted in the project

<sup>12</sup> Since 2010, 351 staff from both operations and other departments have participated in these programs.

<sup>13</sup> ADB. 2011. *Framework for Results-based Public Sector Management*. Manila. In 2010, ADB, together with ADB-supported DMC-based Asia-Pacific Community of Practice on Managing for Development Results, developed a framework for results-based public sector management. ADB's support for results-based management using the framework was piloted in Bangladesh, Bhutan, and Cambodia, and is being applied to other DMCs.

<sup>14</sup> The median year of project approval for this group of projects is 2002. The success ratings of completed operations were taken from project completion reports, project completion report validation reports, and project performance evaluation reports of projects. The ratings use four criteria—relevance, effectiveness, efficiency, and sustainability.

<sup>15</sup> The higher score resulted partly from the non-inclusion of operations in Pakistan (a blend country), which accounted for about one-fifth of the 2008–2010 project completion reports and had low success rates due to the restructuring of the country portfolio. The restructuring (initiated in 2007) resulted in low ratings for project completion reports issued during 2008–2010. It also led to a higher proportion of Pakistan projects among the total project completion reports issued in recent years. Without Pakistan operations, the 2008–2010 success rate would have been 74% for ADB projects and 76% for ADF projects.

completion reports of 2008–2010 included implementation problems (29%); project supervision issues, such as frequent transfers of project officers and insufficient missions (24%); and project design problems (21%).<sup>16</sup>

31. **Actions and progress.** Project success depends largely on project selection driven by the CPS process, the quality of project design and implementation, and project sustainability. To improve project design, ADB introduced a design checklist following the 2006 biennial review of quality at entry of projects. To reinforce the quality of the project design and monitoring frameworks, ADB improved quality assurance mechanisms and has conducted training for its staff and country executing and implementing agencies. As a result of these initiatives, the design quality of ADF operations improved steadily during 2006–2010. The proportion of ADF projects with satisfactory design reached 94% in 2010, exceeding ADB's 2012 target of 85%.

32. To underpin this positive trend, ADB introduced additional quality measures under the 2010 streamlined business processes for loan delivery.<sup>17</sup> In 2011, ADB approved a project design facility to fund quick-disbursing resources for project formulation, including detailed engineering design and broader project and program preparatory work.<sup>18</sup> ADB adopted its Financial Sector Operational Plan in May 2011, and a new Water Operational Plan is expected in the third quarter of 2011. These plans are designed to direct more effectively ADB operations in sectors where project performance on outcome achievement has been relatively weaker than in other sectors.

33. To ensure effective project implementation, ADB adopted in 2010 the recommendations of the working group on project implementation formed following the 2009 DEfR commitment.<sup>19</sup> In 2011, ADB introduced a new portfolio performance rating system using a more stringent methodology that will enable ADB and borrowing member countries to identify and solve project implementation problems as they arise.

34. Following the 2010 DEfR commitment, ADB scrutinized the underlying constraints to project success and has adopted an action plan to improve project outcomes. The most common problems identified include (i) deficient capacity building and ownership measures during project design, (ii) less than rigorous ADB internal review, (iii) inadequate technical analysis or inappropriate project design, and (iv) insufficient ADB supervision during implementation. Noting that the ongoing reforms are already targeting these issues, the plan stresses the importance of successfully implementing measures introduced since 2008 (Table 1). The plan also emphasizes the need to continue to improve the quality of sector assessments, roadmaps, and results frameworks to ensure the relevance of projects and sharpen their results orientation. It introduced a checklist for staff to promote a strong outcome focus at all stages of the project cycle. Each regional department developed its own action plan reflecting subregion specific challenges.

35. To promote sustainability of project outcomes, ADB is improving monitoring and assessment of outcome sustainability. It has introduced assessment of sector outcomes and

<sup>16</sup> ADB. 2011. *Development Effectiveness Review 2010*. Manila.

<sup>17</sup> These measures include (i) preparing the initial project administration memorandum, including project readiness filters, before project approval to enable incorporation of implementation considerations into project design; (ii) replacing the interdepartmental review with a peer review to enable continuous and focused inputs from experts on specific aspects of project design and implementation arrangements; and (iii) applying a risk-based differential approach to project processing to ensure greater attention to the quality of complex projects.

<sup>18</sup> ADB. 2011. *Establishing the Project Design Facility*. Manila.

<sup>19</sup> ADB. 2010. *Good Project Implementation Practice: Report of the Project Implementation Working Group*. Manila.

outputs, and outputs of ADB-funded projects in the country portfolio review exercise. The information is used to capture lessons and update sector results frameworks (para. 29). Impact evaluation studies initiated under a technical assistance approved in 2010 and additional studies being undertaken by regional departments will also identify lessons related to project sustainability and the links between project outputs and specific development outcomes.<sup>20</sup> An interdepartmental impact evaluation committee established in 2011 oversees the implementation of these studies.<sup>21</sup> In 2010, ADB introduced a staff training module on impact evaluation methodologies as a regular ADB-wide learning and development program.

**Table 1: ADB Actions to Improve Project Outcomes**

Project Cycle	Actions to Improve Project Performance since 2008				
	Selection	Concept Clearance	Processing and Design	Implementation and Monitoring	Evaluation
Strategy 2020 (2008)	✓				
Sector policies and operational plans (2008 onwards)	✓	✓	✓	✓	✓
CPS streamlined business processes (2010)	✓			✓	
Loan delivery streamlined business processes (2010)	✓	✓	✓	✓	
Good project implementation practice (2010), including introduction of the new project performance report system			✓	✓	✓
MfDR Action Plan for 2009–2011	✓		✓	✓	✓
eOperations system (2010) <sup>a</sup>	✓	✓	✓	✓	✓
Expansion of staff, particularly in resident missions (2010 onwards)	✓	✓	✓	✓	✓
Our People Strategy (2010)	✓	✓	✓	✓	✓

ADB = Asian Development Bank, CPS = country partnership strategy, MfDR = managing for development results.

<sup>a</sup> Launched in January 2011, eOperations is an information technology system that guides ADB's operations staff in managing project information and documents during project processing and implementation. The system is designed to improve the efficiency and quality of project processing and implementation.

Source: ADB Strategy and Policy Department.

### C. Improving Gender Mainstreaming in Operations

36. **Issues.** Gender equity is essential to inclusive growth and poverty reduction. While promoting gender equity and empowerment of women has been ADB's operational priority, the proportion of ADB projects supporting gender mainstreaming saw a declining annual trend during 2005–2007.<sup>22</sup> The overall 3-year average for ADF operations dropped from the 2004–2006 baseline of 45% to 40% during 2006–2007, and then to 38% during 2006–2008, against the 2012 target of 50%.

<sup>20</sup> ADB. 2010. *Implementing Impact Evaluation at ADB*. Manila.

<sup>21</sup> Between 2007 and July 2011, ADB completed impact evaluation studies for eleven projects, including three studies (five projects) by the Independent Evaluation Department; and initiated such studies for 23 projects. To raise understanding of different impact evaluation methods, ADB has published in 2011 the paper ADB. 2011. *Review of Recent Developments in Impact Evaluation*. Manila. The impact evaluation committee consists of staff from the Central Operations Services Office, Economics and Research Department, Regional and Sustainable Development Department, regional departments, and Independent Evaluation Department.

<sup>22</sup> At the approval stage, ADB loans and grants are categorized into four categories: (i) gender equity as theme, (ii) effective gender mainstreaming, (iii) some gender benefits, and (iv) no gender elements. The first two categories are combined and referred to as projects with "gender mainstreaming."

37. **Actions and progress.** As committed under the 2008 and 2009 DEfRs, ADB took two major steps to boost its support for gender mainstreaming. First, in 2009 it formed a technical working group on gender mainstreaming and adopted its recommendations—early identification of gender mainstreaming opportunities during project design, better project design for gender mainstreaming, clearer gender categorization for projects and better classification and reporting processes, and increased staff training and knowledge on gender mainstreaming. Second, in 2010 ADB introduced a pilot results delivery scheme that links the allocation of ordinary capital resources (OCR) to each regional department's performance in gender mainstreaming. ADB also added five gender positions—two international staff and three national officers—in 2010.

38. The 2010 DEfR noted that the proportion of ADF projects with explicit gender equality objectives steadily improved during 2007–2010, and that in 2010, ADB's annual performance had exceeded its 2012 target of 50% of projects. ADB's 2010 Annual Report on Gender and Development Plan of Action noted that the gender mainstreaming portfolio increasingly diversified by sector, modality, and geographical region. This demonstrates the solid progress in staff commitment and capacity needed to mainstream gender.<sup>23</sup> To sustain progress, ADB in 2011 adopted the Gender and Development Plan of Action for 2011–2012. The plan calls for greater attention to the quality of implementation of project gender action plans through more rigorous monitoring. To discuss achievements, challenges, and future actions on gender mainstreaming in operations more comprehensively, ADB will prepare a discussion paper on this subject for the ADF donors' meeting in December 2011.

#### D. Reinforcing Organizational Effectiveness

39. ADB's organizational effectiveness is key to improving its development effectiveness. The 2010 DEfR reported that ADB is improving in many aspects of organizational effectiveness. ADB allocated more staff to operations, including in its field offices. It began implementing Our People Strategy<sup>24</sup> to ensure that it has an adequate number of competent and motivated staff to effectively implement ADB's expanded operations under the fifth general capital increase. ADB sharpened its results focus, efficiency, and client responsiveness by advancing the managing for development results agenda, streamlining business processes, and strengthening its field offices. At the same time, the 2010 DEfR highlighted two issues—the stagnant gender equality ratio at ADB and the declining budget adequacy indicators—and committed actions to improve performance. The status of these actions is presented in paras. 40 and 41.<sup>25</sup>

40. **Gender equality at ADB.** To accelerate progress toward its target for gender equality in its own workforce, ADB has extended its third institutional Gender Action Program 2008–2010 for another 2 years, reinforced it to include more proactive measures, and strengthened senior staff accountability for gender results.<sup>26</sup> Performance on gender targets is specifically assessed in senior staff's Performance Development Plan. Other actions include (i) increasing upstream recruitment outreach activities; (ii) ensuring shortlists for all advertised positions have qualified women candidates (for example, at least one out of every two external candidates recruited during 2011–2012 must be a woman); (iii) institutionalizing proactive talent management and succession planning; and (iv) reporting transparently on performance against gender targets by management area and department. While the proportion of women in total international staff remained at 29% in 2010 (below the 35% target ratio), the proportion of women in total new

<sup>23</sup> ADB. 2011. *2010 Annual Report of Gender and Development Plan of Action (2008–2010)*. Manila.

<sup>24</sup> ADB. 2010. *Our People Strategy*. Manila.

<sup>25</sup> ADB will report on the status of key internal reforms during the second ADF XI replenishment meeting in December 2011.

<sup>26</sup> ADB. 2011. *Updating the Third Gender Action Program (GAP III): GAP III Extension (2011–2012)*. Manila.

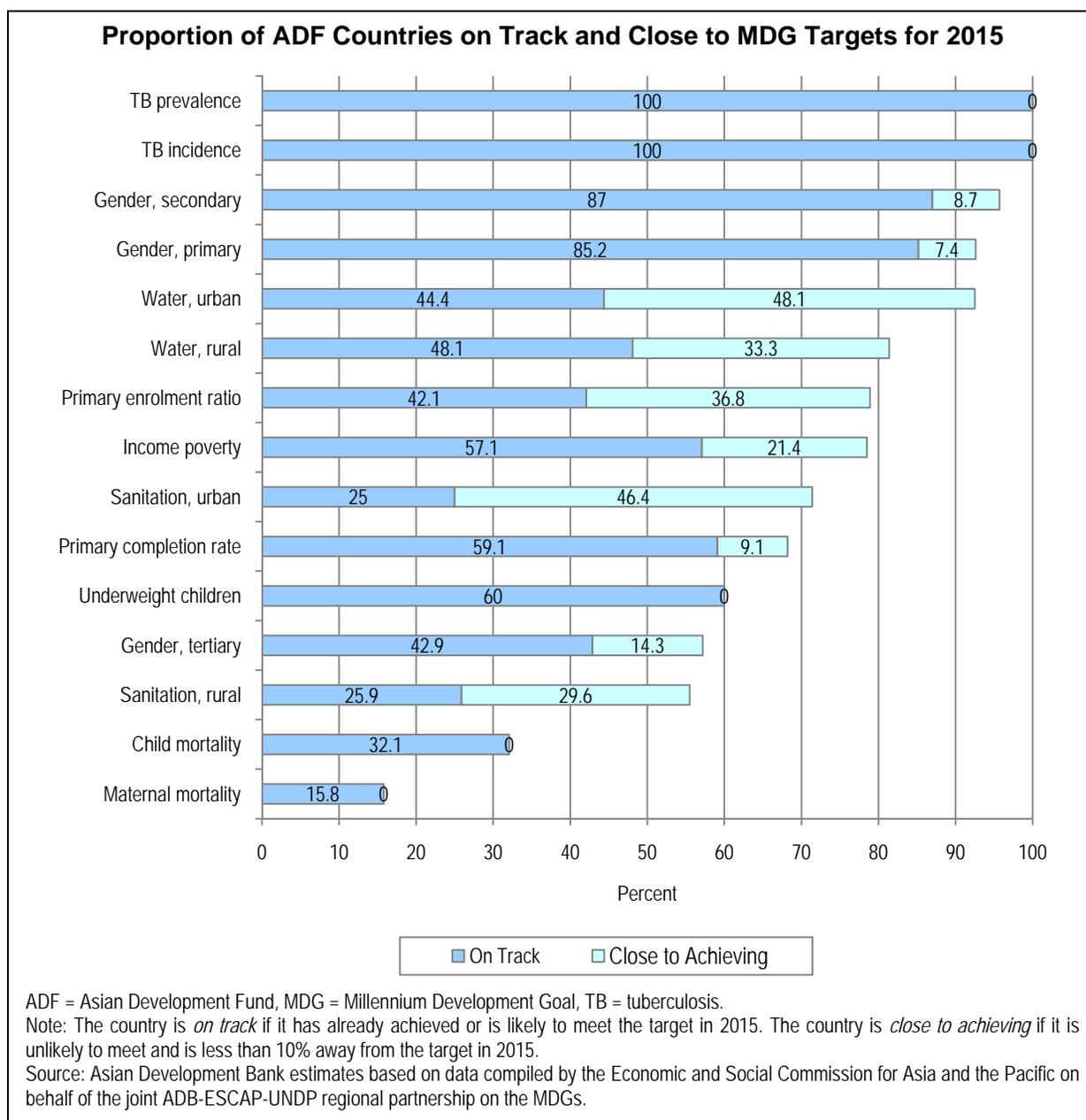
international staff appointments increased from 19.1% in 2008 to 35.8% in 2010 and to 41.9% in the first half of 2011.

41. **Budget management.** To ensure the quality of its expanding portfolio under the fifth general capital increase, ADB is implementing a 3-year (2010–2012) budget transformation plan to remove persistent resource gaps. At the same time, it has renewed its commitment to maximizing efficiency gains by building on its strengths in efficient resource allocation. Further efficiency improvement and savings are expected from (i) improving human resources management, (ii) streamlining business process, (iii) reprioritizing work outputs, (iv) outsourcing, (v) improving institutional procurement, (vi) making greater use of information and communication technology, and (vii) introducing environment-conserving initiatives. ADB will also continue its internal organizational review of individual departments to improve efficiency.

## V. CONCLUSION

42. Since 1990, ADF countries have made solid progress in reducing poverty and improving the quality of people's lives. While their progress towards some non-income MDG targets has been limited, sustained financing and its effective use will help them achieve more targets. The case studies confirmed ADF's important contributions to the countries' development progress. ADF operations have provided infrastructure and services needed to (i) expand access to quality education and health care, (ii) provide water and electricity, (iii) generate economic opportunities, (iv) boost institutional capacity, and (v) implement reforms.

43. To maximize the impact of the ADF, ADB successfully implemented its 2004 reform agenda which resulted in improved business processes and quality assurance mechanisms for CPSs, projects and programs. Building on this, ADB now assesses its performance and adopts corrective actions through the Development Effectiveness Review process started in 2008. The new reforms adopted through this process are ensuring that the ADF continues to be a critical resource for reducing poverty in the poorer countries in Asia and the Pacific.



**DELIVERED AND PROGRAMMED OUTPUTS FROM ADF OPERATIONS, 2004–2010**

<b>Sectors and Core Sector Outputs</b>	<b>Delivered Outputs<sup>a</sup></b>	<b>Programmed Outputs<sup>b</sup></b>	
		<b>ADF IX</b>	<b>ADF X</b>
<b>Education</b>			
Classrooms built or upgraded (number)	135,800	25,200	2,700
Teacher trained (number)	667,100	481,600	55,700
Students benefited (number)	21,389,700	2,899,900	631,000
<b>Energy</b>			
Installed energy generation capacity (megawatt equivalent)	300	900	1,300
Transmission lines installed or upgraded (km)	7,800	1,800	1,400
Distribution lines installed or upgraded (km)	26,300	500	4,200
Additional households connected to electricity (number)	1,601,000	384,400	287,500
Greenhouse gas emission reduction (tCO <sub>2</sub> -equiv/yr)	4,308,500	251,200	941,300
<b>Finance</b>			
Microfinance loan accounts opened or end borrowers (number)	2,769,100	33,000	324,600
Small and medium-sized enterprises loan accounts opened or end borrowers reached (number)	400,000	29,800	55,800
<b>Transport</b>			
Expressway built or upgraded (km)	200	-	-
National, provincial, district, and rural roads built or upgraded (km)	44,300	23,700	6,900
Railways constructed or upgraded (km)	700	900	100
Beneficiaries from road projects (number)	211,131,600	82,284,800	37,428,600
<b>Water</b>			
Water supply pipes installed or upgraded: length of network (km)	17,800	6,400	5,200
New households connected with water supply (number)	2,083,700	770,100	421,000
Wastewater treatment capacity created (m <sup>3</sup> )	240,700	278,000	351,800
Households served with new sanitation connections (number)	269,100	575,900	361,600
Land improved through irrigation services, drainage and flood management (hectare)	1,873,100	473,200	465,200

ADF = Asian Development Fund, km = kilometer, m<sup>3</sup> = cubic meter, tCO<sub>2</sub>-equiv/yr = tons of carbon dioxide equivalent per year.

<sup>a</sup> Outputs delivered were based on project completion reports circulated during 2004–2010.

<sup>b</sup> Based on ADF projects approved during 2005–2008 (ADF IX) and 2009–2010 (ADF X). Outputs are expected to be delivered 6 years after approval of operations.

Source: Asian Development Bank Strategy and Policy Department, Asian Development Bank Development Effectiveness Review database.

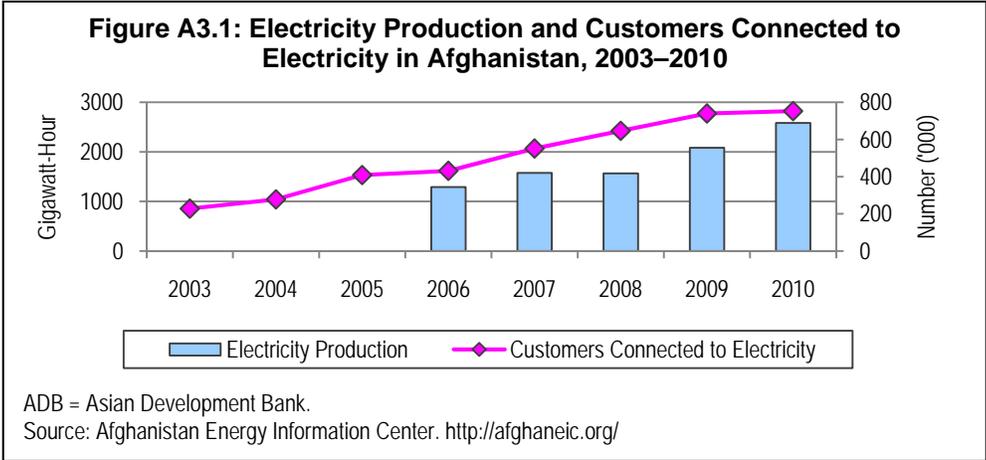
**CASE STUDIES OF ADF EFFECTIVENESS IN SELECTED SECTORS<sup>1</sup>**

**A. Afghanistan: Power Sector**

**1. Country Results**

1. Afghanistan’s power sector was left devastated by almost 3 decades of conflict that ended in 2001: only 6% of the country’s population had access to electricity in 2003. Since then, the government and its development partners, including ADB and the private sector, have embarked on the reconstruction of the country’s power sector. To meet the severe power shortage, it was considered essential to import electricity from its neighboring countries. During 2002–2010, the government and its development partners committed about \$3.2 billion to construct the transmission corridor, rehabilitate facilities, and provide reliable power supply.<sup>2</sup>

2. Following massive investments in power infrastructure, the number of customers that received electricity increased from 228,000 in 2003 to 753,000 in 2010 representing an increase in the electrification rate from less than 6% to approximately 20% in 8 years (Figure A3.1). Investments also covered regional interconnections which significantly increased electricity trade. The electricity supply doubled from 1,292 gigawatt-hours in 2006 to 2,584 gigawatt-hours in 2010. About 39% of the supply was generated within Afghanistan (from mainly hydro sources), and 61% was imported from the neighboring countries of Iran, Tajikistan, Turkmenistan, and Uzbekistan.



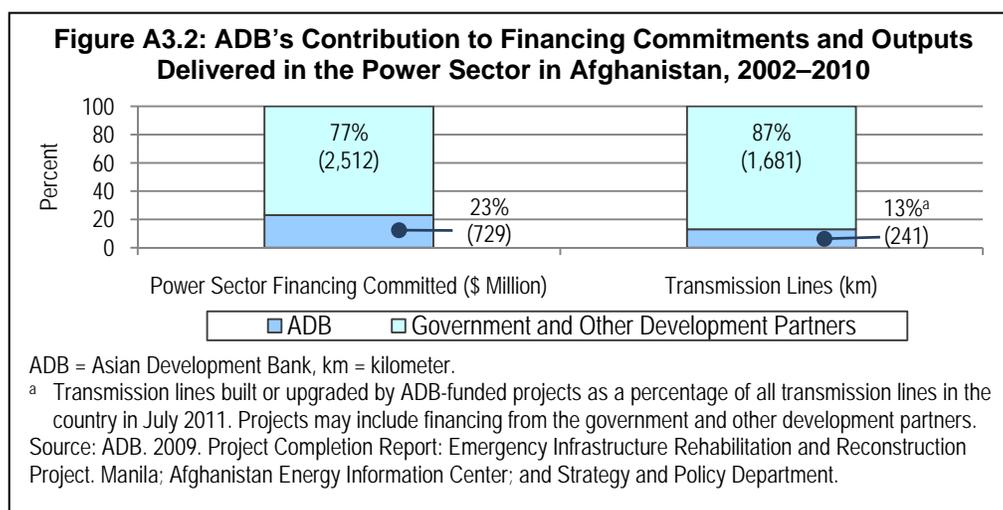
3. Despite progress, four out of five Afghans still lack access to electricity, and the country’s power infrastructure requires massive rehabilitation. Continued and effective donor assistance is vital in ensuring all Afghans enjoy the benefits of a reliable and sustainable supply of electricity. Lack of reliable power is considered to be the biggest impediment to businesses, next to security.

<sup>1</sup> The ADB and ADF contributions to outputs and outcomes discussed in Section III and Appendix 3 represent those outputs and outcomes delivered through ADB- and ADF-funded projects. These projects may include financing from government and other development partners.

<sup>2</sup> Islamic Republic of Afghanistan. 2008. *Afghanistan National Development Strategy 2008–2012*. Kabul.

## 2. ADB and ADF Contribution

4. During 2002–2010, ADB approved \$721 million in loans and grants from ADF and \$8 million in technical assistance to rehabilitate Afghanistan’s power sector.<sup>3</sup> This accounted for 23% of the total funds supplied by the government and its development partners during the same period (Figure A3.2). Under the power component of the Emergency Infrastructure and Rehabilitation Project (completed in 2009), ADB financed the rehabilitation and construction of 241 km of the North East Power System, which accounted for 54% of the total high voltage transmission lines (443 km) and 13% of all transmission lines (1,922 km).<sup>4</sup> The new and improved North East Power System allowed imports of over 100 MW from Uzbekistan, which together with domestic generation provided uninterrupted supply to the population of Kabul and other connected cities. Reliable power supply was a major contributor to economic growth and improvement in the quality of life in areas that did not receive electricity previously.



5. Three projects are ongoing and scheduled to be completed between 2011 and 2016. The Power Transmission and Distribution Project (approved in 2005 for \$50 million) will improve and expand the distribution network and power supply in the northern and eastern areas of the country, aiming to benefit over 500,000 of the local population.

6. The Regional Power Transmission and Interconnection Project (approved in 2006 for \$47 million), which is scheduled to be completed in December 2011, will allow 500 gigawatt-hours of electricity a year to be supplied from Tajikistan to Afghanistan.<sup>5</sup> The project will allow Tajikistan to export its summer surplus electricity, which would otherwise have been unused, and allow Afghanistan to improve its energy security in a cost-effective manner.

7. The Energy Sector Development Investment Program (approved in 2008 for \$570 million in multitranche financing facility) aims to expand the coverage of the North East Power System to supply uninterrupted power to both the urban and rural population in the northern area. Tranche 1 (approved in 2008 for \$164 million) is expected to rehabilitate 67 km of transmission line by 2013, benefiting about 59,000 households and 3,500 small businesses. This tranche

<sup>3</sup> Loans include approved financing for the power components of one multisector program, one multisector project, and three power projects. Technical assistance includes financing from the Technical Assistance Special Fund, the Japan Fund for Poverty Reduction, and the Poverty Reduction Cooperation Fund.

<sup>4</sup> The highest voltage transmission lines consist of 220-kilovolt lines.

<sup>5</sup> Includes a \$12 million supplementary grant. The Tajikistan portion was funded by a \$21.5 million grant.

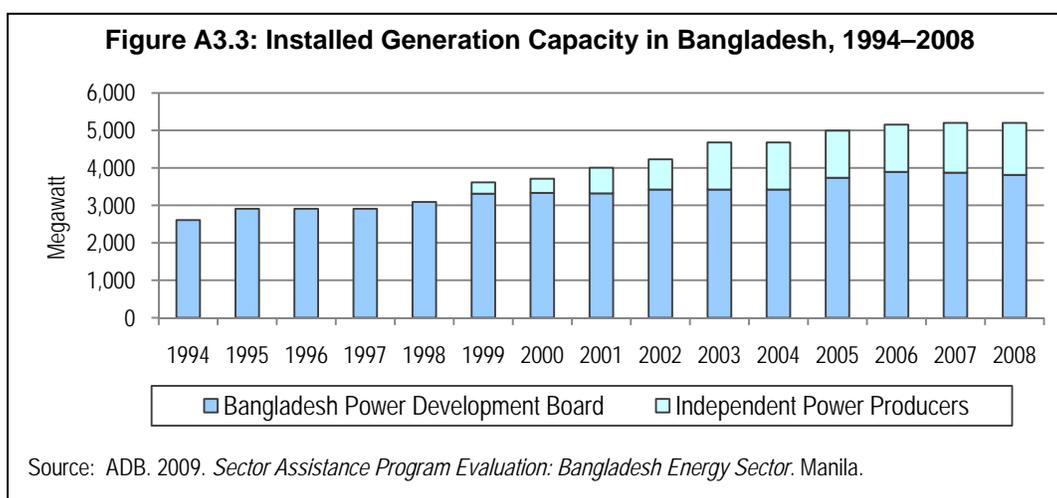
also includes the development of a run-of-river small hydropower plant of 4 MW, serving about 7,500 more people in rural areas. Tranche 2 (approved in 2009 for \$81.5 million) will expand distribution infrastructure in Kabul, which will provide an adequate and reliable electricity supply to 60,000 households.

## B. Bangladesh: Power Sector

### 1. Country Results

8. In the 1990s, Bangladesh experienced an acute power shortage due to its inadequate power generation, transmission, and distribution capacity. This was largely a result of the poor performance of state-owned power companies and lack of investment in the sector. To strengthen and modernize its power sector, the government in 1994 adopted the Power Sector Reforms in Bangladesh, in consultation with its development partners, including ADB. By implementing reforms, particularly the “unbundling” of the power sector, the government and its development partners expanded investments in the sector and improved the operational efficiency of key power agencies.<sup>6</sup> This led to a significant increase in the country’s power generation, transmission and distribution capacity, and electrification rate, as well as reduction in system losses.

9. The government added 2,594 MW of generation capacity during 1994–2008 with assistance from ADB and other partners (Figure A3.3). The additional capacity included 1,388 MW from independent private power plants that did not exist before 1999. Transmission lines expanded from 2,888 km in 1994 to 7,847 km in 2008, while system losses dropped from 23.4% in 2005 to 19.9% in 2009. The electrification rate climbed from only 10% in 1994 to over 37% in 2008, more than doubling electricity consumption per capita from 84 kilowatt-hours in 1995 to 176 kilowatt-hours in 2008. Industrial production grew on average at 7.1% per year during 2005–2009 compared with 3.7% per year during 2000–2004. GDP per capita increased from \$335 in 2000 to \$482 in 2009 (in constant 2000 US dollars), and the poverty incidence fell from 57% in 1990 to 36% in 2010.<sup>7</sup>



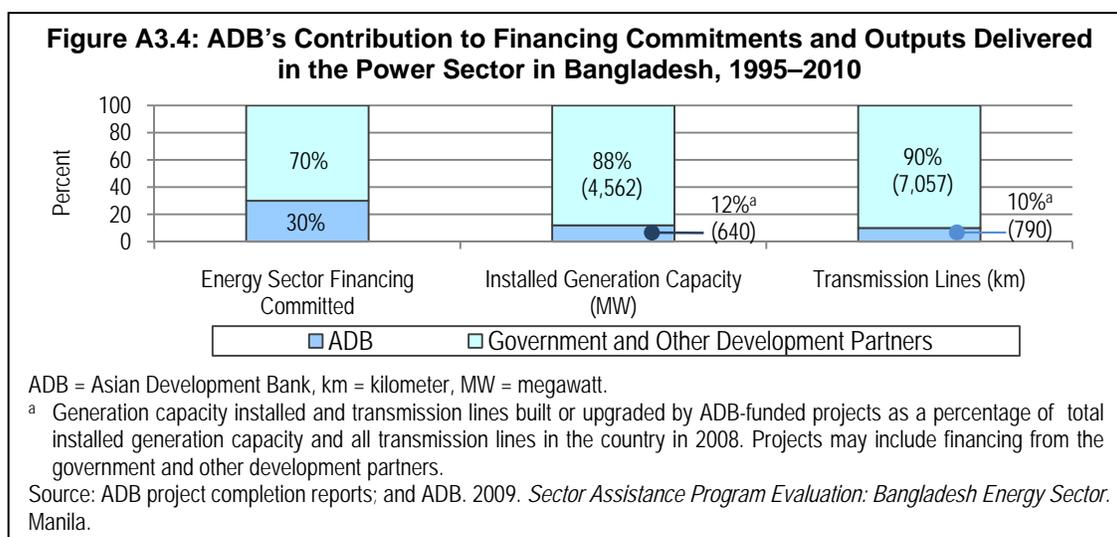
<sup>6</sup> “Unbundling” of the power sector refers to the separation of power generation from transmission and distribution functions to improve the operational efficiency and financial viability of state power companies.

<sup>7</sup> This represents the proportion of the population living below the national poverty line.

10. Despite the significant development and reforms, power supply has not kept pace with demand. The key challenge is to create a more robust investment climate by removing the main weaknesses, such as governance and institutional capacity.

## 2. ADB and ADF Contribution

11. As the lead development partner in the sector, ADB supported power infrastructure development and reforms through an assistance package amounting to \$1,449 million during 1995–2010: about \$485 million (six projects and one program loan) from the ADF, close to \$957 million (five project loans and one program loan) from OCR to support seven public sector operations and one private sector operation, and about \$8 million in technical assistance. ADB assistance represented about 30% of total financing for the sector during this period (Figure A3.4).<sup>8</sup> ADB supported the installation of 640 MW of generation capacity, amounting to 12% of total installed capacity in 2008. An additional 120 MW is expected to be completed by September 2011. ADB helped stimulate private sector investment, leading to a substantial increase in the contribution of private power producers to total power generation.<sup>9</sup> Over 19,600 km of distribution lines were built or upgraded, and 8 million new customers were connected to electricity with ADB support. In addition, about 800 km of transmission lines, accounting for 10% of the total available in 2008 were installed or upgraded. ADB led the efforts to promote sector reforms by assisting in preparing and implementing the government's sector reform program including the streamlining of power sector operations.



12. One of the completed projects—the Ninth Power Project—helped expand power supply and strengthen power sector management. Funded by a \$134.4 million ADF loan and completed in 2004, the project added over 160 km of transmission and distribution lines that can carry up to 1,500 MW of electricity. In addition to 257,000 new households that had been connected to electricity during project implementation, over 400,000 more were connected during 2004–2009 in and around Dhaka City. The project supported the creation of commercially oriented power entities, leading to greater efficiency in billing and collection and reduced system losses.

<sup>8</sup> Including financing from government, donors, and the private sector.

<sup>9</sup> The Meghnaghat Power Project was completed in 2004 and funded from a \$50 million direct private sector loan, \$20 million of complementary financing, and \$70 million for political risk guarantee. The successful operation of the Meghnaghat power plant created a demonstration and catalytic effect for more private sector participation in the sector.

13. The Dhaka Power System Upgrade Project, funded by \$75 million from the ADF and \$82 million from OCR, focused on improving power supply. Upon its completion in 2010, the project had constructed 65 km of transmission lines, installed and rehabilitated 6,375 km of distribution lines, and helped reorganize state power companies to improve their performance and financial viability. The project led to voltage improvement and reduction in technical losses from 4.9% to 3.4% in project areas in Dhaka City. The average system loss in seven rural project areas declined from 14.2% in 2005 to 11.2% in 2009, while the number of customers doubled from 597,000 in 2001 to over 1,200,000 in 2008.

14. Ongoing operations continue to focus on promoting the commercial orientation of power sector entities, promoting investments in power generation, and removing transmission and distribution constraints. ADB will prioritize (i) expanding people's access to power, (ii) increasing energy efficiency, (iii) developing a policy and regulatory framework conducive to private sector participation, (iv) diversifying energy sources, (v) boosting power trade with neighboring countries, and (vi) reducing carbon dioxide emissions.

## **C. Cambodia: Agriculture and Rural Development Sector**

### **1. Country Results**

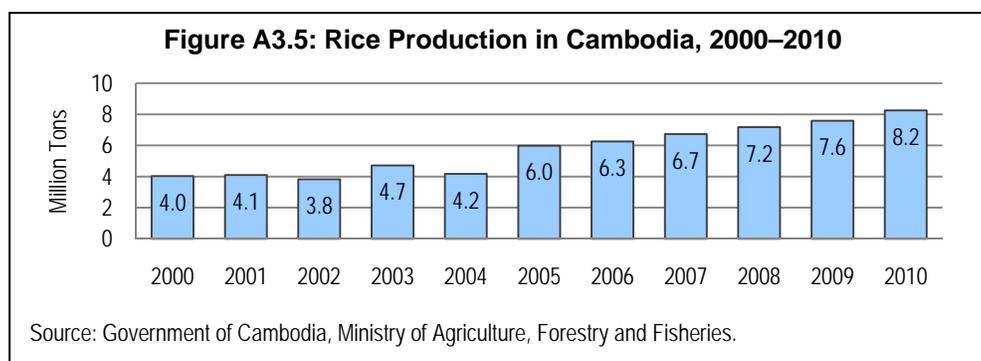
15. In the 1990s, the majority of Cambodia's population lived in rural areas. Poverty incidence was estimated at 45%–50% in the mid-1990s, and about 60% of the rural population made a living as farmers.<sup>10</sup> Farm productivity was low due to poor rural infrastructure, uncertain land tenure, and unavailability of high-grade agriculture inputs. To reduce poverty and foster economic growth, the Government of Cambodia made agriculture and rural development a cornerstone of the national development plan. With support from ADB and other development partners, the government implemented projects to boost productivity, advance land reforms, and develop rural infrastructure such as roads, irrigation channels, markets, water supply, and other facilities.

16. During 2000–2010, Cambodia increased its agricultural productivity, helped by sector reforms and rural infrastructure improvements. Rice production rose from 4.0 million tons in 2000 to 8.2 million tons in 2010, resulting in an exportable surplus of about 3.9 million tons (Figure A3.5). Production of other crops such as corn and cassava also increased during this period. Based on estimates by the Food and Agriculture Organization of the United Nations, total merchandise exports from agriculture had reached over \$4 billion by 2008, up from \$800 million in 1997.<sup>11</sup> Improved rural roads connected villages to markets as well as to each other, enabling farmers to easily acquire farm inputs and sell their surplus produce. They also provided much-needed access to social services such as schools and health centers. Cambodia's GDP per capita (in constant 2000 US dollars) almost doubled to \$493 in 2009, from \$245 in 1998.<sup>12</sup> The poverty incidence fell to an estimated 30% in 2007, down from 47% in 1994.

<sup>10</sup> ADB. 2011. *Cambodia 2011–2013*. Manila; ADB. 2009. *Sector Assistance Program Evaluation for the Agriculture and Rural Development Sector in Cambodia*. Manila.

<sup>11</sup> Food and Agriculture Organization of the United Nations. 2011. *FAOSTAT*. <http://faostat.fao.org/default.aspx>

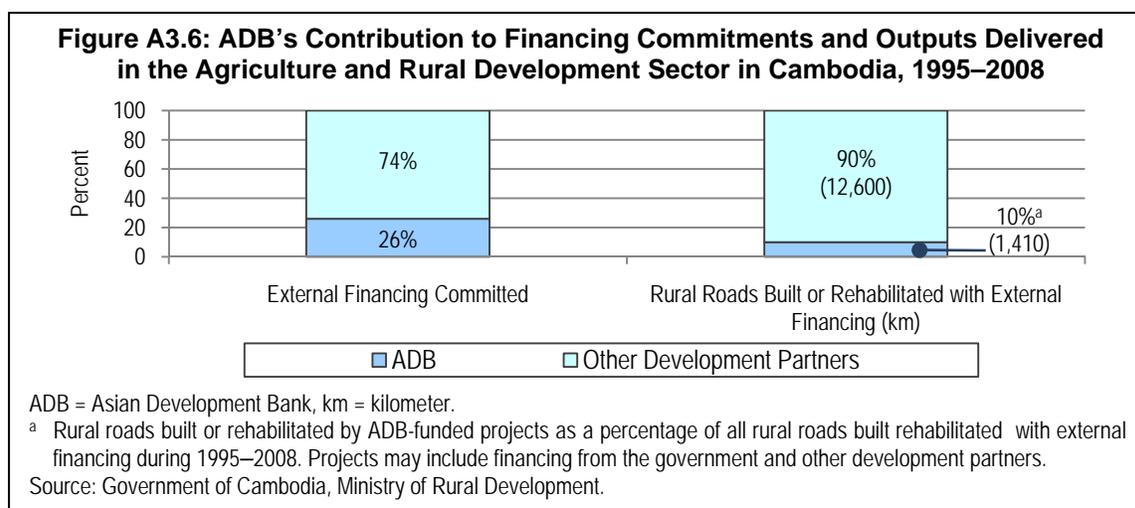
<sup>12</sup> World Bank. 2011. *World Development Indicators*. <http://data.worldbank.org/country/cambodia>



17. Rising income inequality and current capacity limitations of traditional sources of growth (e.g., boosting rice yields) still threaten to undermine the country's poverty reduction efforts. Agriculture continues to employ the majority of the population and, therefore, remains crucial to inclusive growth in Cambodia. Further assistance to the sector is needed to sustain past gains and improve the lives of the majority of the population.

## 2. ADB and ADF Contribution

18. ADB is the lead development partner in agriculture and rural development in Cambodia. From 1995 to 2008, ADB accounted for 26% of the total external assistance for the sector.<sup>13</sup> Total loan and grant assistance amounted to \$241 million for 12 projects and programs (all funded from the ADF), six of which have been completed. In addition, ADB approved 31 technical assistance projects totaling \$21 million. ADB helped build or upgrade a total of 1,410 km of rural roads, amounting to 10% of the 14,010 km of rural roads rehabilitated by Cambodia's development partners (Figure A3.6). To sustain the benefits from new or upgraded roads, ADB helped maintain 1,976 km of rural roads, which accounts for over 7% of the total length of the country's rural roads. ADB-supported reforms also helped secure land tenure for farmers, improved access to agriculture inputs and markets, and brought social services within reach of the poor.



<sup>13</sup> Other development partners in the sector include the World Bank; the International Fund for Agricultural Development; the World Food Programme; and the governments of Australia, Germany, and Japan.

19. The Rural Infrastructure Improvement Project (\$25.1 million, completed in 2003) sought to reduce poverty and improve living conditions through infrastructure development.<sup>14</sup> At its completion, the project had rehabilitated 68 rural roads with a combined length of 606 km and provided routine and periodic maintenance of 1,176 km. This enabled more efficient and cheaper transport of fertilizers to approximately 275,000 hectares of farm land. Likewise, crop harvests can be transported to markets at lower cost. ADB also helped build and repair facilities vital to improving the living conditions of the rural poor, including 135 water wells, 121 school buildings and offices, 87 latrines, 47 bridges, 58 culverts, and 29 multipurpose structures and workshops.

20. The Northwestern Rural Development Project (\$27.2 million, completed in 2008) rehabilitated 525 km and maintained 800 km of tertiary roads that link rural areas to market towns.<sup>15</sup> Better roads enabled rural residents to visit health centers, go to school, transport goods, and look for economic opportunities at lower cost. According to a benefits and monitoring report, transport fares dropped by 20%–50%. The project also provided 277 classrooms and 11 district health centers.

21. The Agriculture Sector Program (\$30 million, completed in 2000) loan facilitated several policy reforms, including the revision of the land law to ensure its consistency with private ownership that was restored in the early 1990s. Under the revised Land Law, up to 1 million titles were given to rural residents nationwide (out of the planned 3 million titles for distribution). The program also facilitated the adoption of policies for agriculture extension and research, rural credit, and the operation and maintenance of irrigation infrastructure and rural roads. To ensure ready access of farmers to improved seeds, fertilizers, and pesticides, the government removed public interventions in the agriculture input markets. By 2007, 90% of the poorest quintile had enough food for the previous 12 months, up from the 65% in 2004.

22. In line with the government's priorities, ADB's new country partnership strategy (2011–2013) aims to improve farms and agribusiness enterprises to create jobs and boost incomes. It also emphasizes promoting urban–rural links (including connectivity) and gender equity.<sup>16</sup>

## **D. Lao People's Democratic Republic: Road Sector**

### **1. Country Results**

23. Connectivity and ease of mobility are essential for a landlocked country like the Lao People's Democratic Republic (Lao PDR) to grow and prosper. This is why the Government of the Lao PDR has prioritized road transport development, allocating to it a large share of external assistance during 1998–2010.<sup>17</sup> Development partners—including ADB, the Japan International Cooperation Agency, and the World Bank—helped the government build and upgrade 3,249 km of roads in the country through \$478 million in assistance.<sup>18</sup>

24. With the upgrading of road networks—covering transnational, national, provincial, district, and rural sections—the movement of people and goods more than doubled. During

<sup>14</sup> The project areas include Kampot, Kandal, Kompong Cham, Prey Veng, Svay Rieng, and Takeo.

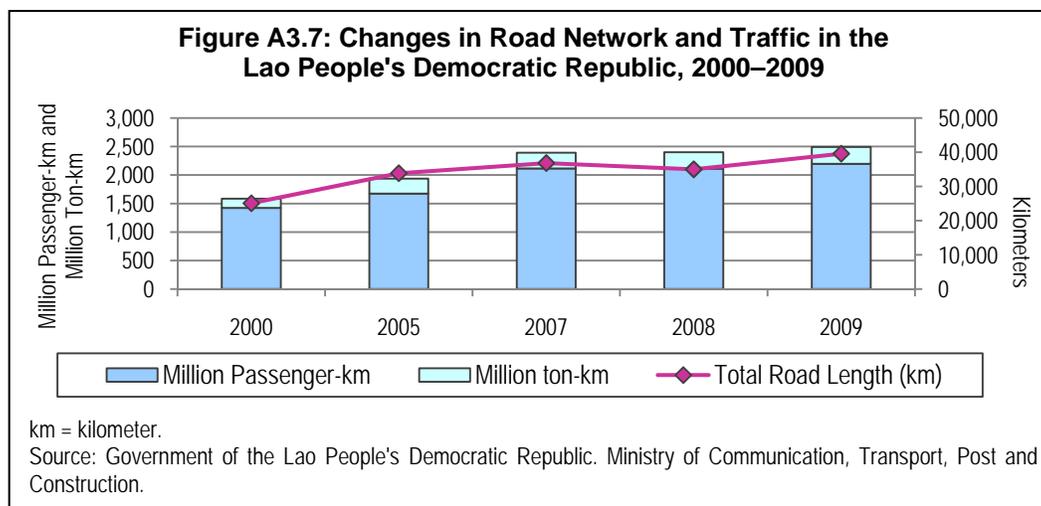
<sup>15</sup> The project focused on 14 target districts of four provinces: Banteay Meanchey, Battambang, Oddar Meanchey, and Siem Reap.

<sup>16</sup> ADB. 2011. *Cambodia 2011–2013*. Manila. <http://www.adb.org/Documents/CPSs/CAM/2011-2013/cps-cam-2011-2013.pdf>

<sup>17</sup> In 2007–2008, more than 70% of annual investment in the road sector came from external assistance.

<sup>18</sup> In 2009, the road networks in the Lao PDR totaled 39,568 km, of which 5,539 km (14%) was paved by mid-2008.

2000–2009, the total passenger traffic by land rose from 1.4 billion passenger-km to 2.2 billion passenger-km, and total cargo traffic increased from 162 million ton-km to 296 million ton-km (Figure A3.7). Despite the growth in road traffic, the total number of accidents declined by 17.7% from 2,540 in 2001 to 2,091 in 2006.



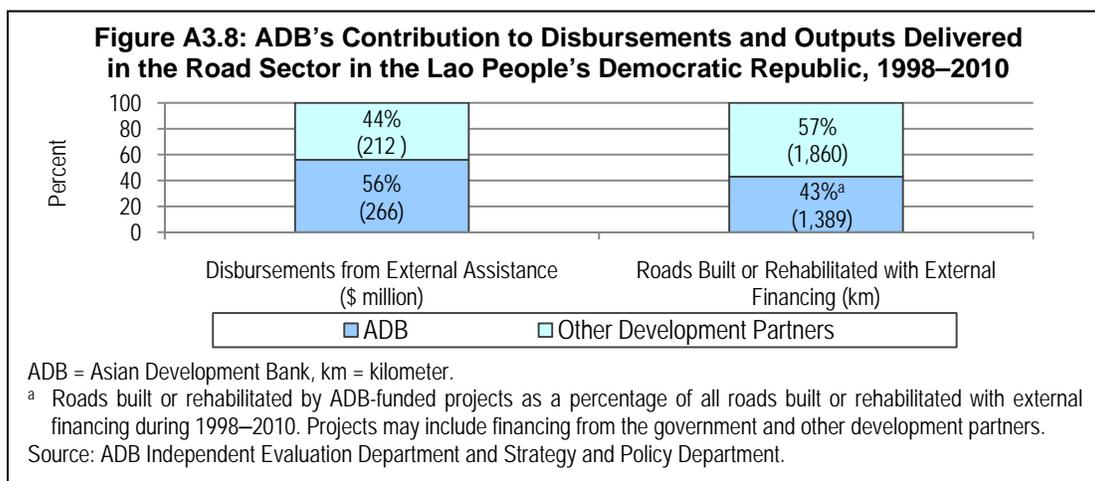
25. Improved transnational corridors helped the country increase its trade with neighboring countries (the People's Republic of China, Thailand, and Viet Nam) by more than fourfold—from \$0.7 billion in 2002 to \$3.1 billion in 2009. The number of tourists rose sharply from 0.7 million in 2002 to 2 million in 2009, with the proportion of tourists arriving by land growing from 20% to 71% over the same period. The improved provincial, district, and rural roads benefited the local communities in many ways, including new income opportunities created by commercial development along the roads, and easier access to education, health, and other social services.

26. Improvements in the road sector partly contributed to the country's economy. During 2002–2009, the Lao PDR's GDP per capita increased from \$347 to \$501 (in constant 2000 US dollars). The poverty incidence fell from 34% in 2003 to 28% in 2008.<sup>19</sup>

## 2. ADB and ADF Contribution

27. As a lead development partner in the transport sector, ADB financed \$266 million in total for eight projects funded by the ADF and 21 technical assistance projects, which were completed during 1998–2010. ADB support accounted for 56% of the total external assistance program and covered the building or rehabilitation of 1,389 km of roads, or 43% of the roads paved with donor support (Figure A3.8). The projects helped reduce travel time typically by more than 50% and vehicle operating costs by 15%–40%. They also brought social benefits to the local communities, such as increased mobility and access to markets, and wider employment opportunities. To ensure the benefits of these roads are sustained, ADB assistance also focuses on promoting road safety and sustainable maintenance of road networks.

<sup>19</sup> This represents the proportion of population living under the national poverty line.



28. Two projects, one completed in 2007 and the other in 2009, focused on improving regional connectivity by upgrading the transnational East–West and North–South transport corridors. The East–West Corridor Project, linking the Thai border with the Vietnamese border,<sup>20</sup> experienced a growth in cross-border passenger movement of 150% during 2000–2007 and a reduction in travel time of up to 75% between some sections. Tourism, which accounts for a major part of the increased traffic between the Lao PDR and Thailand, has more than doubled since the completion of the project. The project further opened up markets and expanded consumer choices through cheaper prices and greater product availability and diversity.

29. The Northern Economic Corridor Project, completed in 2009, provided all-weather access to an important trade route connecting the People's Republic of China and Thailand.<sup>21</sup> During 2004–2007, the travel time between the two country border points was cut from 9.0 to 3.5 hours, and vehicle operating costs were reduced by 14%–43%. During 2002–2007, total traffic counts increased annually by 17%–40% for different road sections.<sup>22</sup> The project also increased access to markets, schools and hospitals, and economic opportunities. During 2004–2008, income per capita in Bokeo Province increased by 21% from \$442 to \$533 and in Louang Namtha Province by 70% from \$234 to \$397. An ongoing ADB evaluation of the socioeconomic impacts attributable to the road construction initially showed local income and employment effects in the Lao PDR.

30. ADB is also working with the government to strengthen output and outcome monitoring of ongoing and completed projects to promote learning and improve outcome sustainability.

## E. Mongolia: Education Sector

### 1. Country Results

31. Mongolia's transition from central planning to a market economy has entailed enormous challenges for the education system: communist-era curricula became obsolete, funding levels

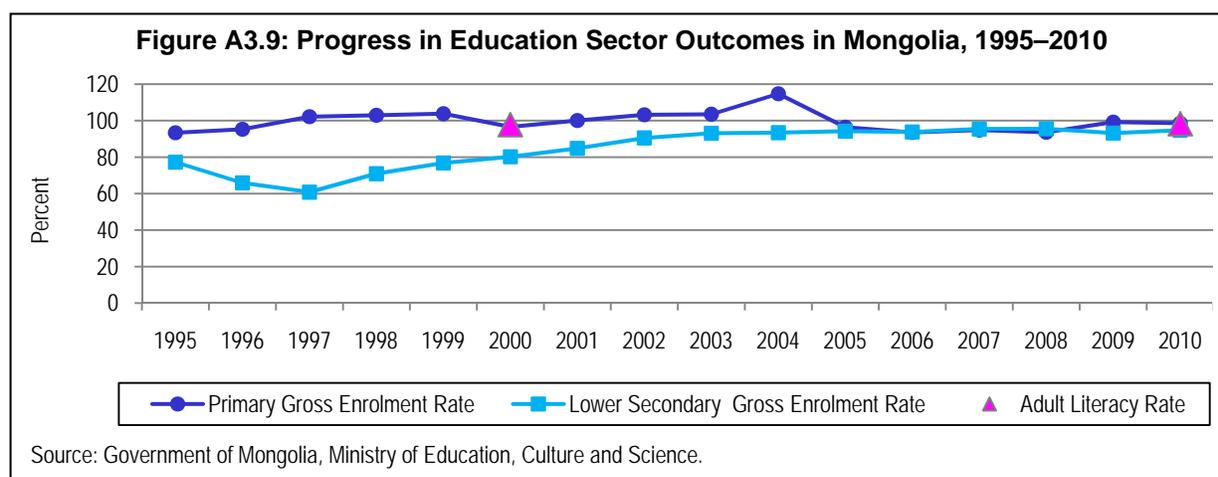
<sup>20</sup> ADF-funded sections consisted of 105.8 km.

<sup>21</sup> ADF-funded road sections in the Lao PDR consisted of 75.9 km from Louang Namtha to Ban Sod.

<sup>22</sup> From Boten to Natuay, average daily traffic was 401 vehicles in September 2007 (i.e., after substantial completion of the project) versus only 76 vehicles in March 2002 (an increase of about 40% per year). ADB. 2010. *Completion Report: Greater Mekong Subregion Northern Economic Corridor Project in the Lao People's Democratic Republic*. Manila.

plunged, and massive internal migration posed great strains on the system's capacity. Nevertheless, Mongolia has ensured access of the poor to education. The government's partnership with ADB and other development partners was instrumental in safeguarding and upgrading Mongolia's education sector.

32. In 1990, before the breakup of the Soviet Union, Mongolia had a high primary school gross enrolment ratio of 105.8%, a lower secondary education gross enrolment ratio of 94.0%, and a 96.5% adult literacy rate. After the Soviet Union's support ceased, the primary education gross enrolment ratio fell to 93.4% and the secondary education gross enrolment ratio fell to 77.2% in 1995. Unit costs of education rose due to the rocketing costs of the coal used to heat schools during extremely cold winters.<sup>23</sup> In an inflationary period, staff salaries eroded and the prestige of an education career deteriorated. With development partners' support, however, Mongolia redeveloped its education sector and made progress in achieving key sector outcomes. In 2010, the gross enrolment ratio for primary education was 98.6%, the gross enrolment ratio for secondary education was 94.7%, and the adult literacy rate was 98.3% (Figure A3.9).<sup>24</sup> With these achievements, Mongolia is well on track to meet its MDG commitments of universal primary education and 100% adult literacy by 2015.



33. Mongolia's economy progressed as well. The government's annual expenditure on education was high at 6% of GDP during 2002–2008, 6.9% in 2010 and 7.5% in 2011.<sup>25</sup> GDP has grown by 7%–10% yearly since 2003, with GDP per capita increasing from \$576 in 2004 to \$787 in 2010 (in constant 2000 US dollars).

## 2. ADB and ADF Contribution

34. As Mongolia's lead development partner in the education sector, ADB has contributed significantly to achieving progress in education outcomes. During 1996–2010, ADB financed \$79.4 million for three loans and two grant projects funded by the ADF, 11 technical assistance operations, and four other grant projects.<sup>26</sup> This accounts for about 34% of external assistance provided to the sector during the same period. Completed and ongoing projects funded by the ADF improved the learning environment for primary and secondary school students by

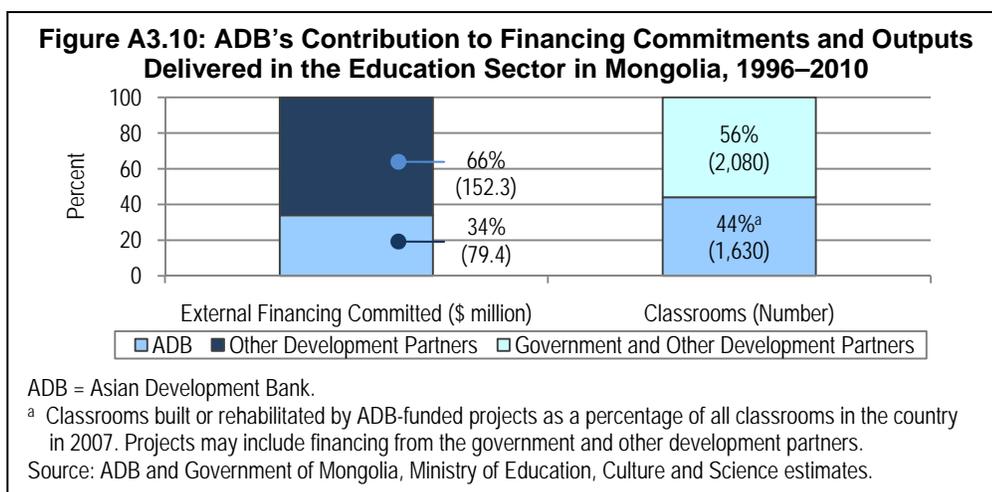
<sup>23</sup> In some instances, 70% of school budgets were dedicated to heating.

<sup>24</sup> Mongolia National Statistics Office Statistical Yearbook, 2009.

<sup>25</sup> Government of Mongolia, Ministry of Education, Culture and Science estimates.

<sup>26</sup> Japan Fund for Poverty Reduction and Japan Fund for Information and Communications Technology funded three grant projects.

rehabilitating around 1,630 classrooms or around 44% of the total number. By investing in school energy efficiency and renewable energy, funds were freed up to increase very low teacher salaries. The projects also trained around 20,635 teachers, 90% of teachers in primary and secondary schools. To better facilitate learning, the projects provided 533,000 text books, benefiting almost 200,000 primary school and secondary school students. The projects covered 48% of students enrolled in Mongolia (Figure A3.10). The projects also supported major sector reforms, including the shift from an 11-year to a 12-year school system, revision of the national education standards and curriculum, and the development of the Education Sector Master Plan 2006–2015.



35. Under the Education Sector Development Program (\$15.5 million, approved in 1996 and completed in 2002), ADB supported reforms to consolidate schools, reducing unit costs of education services while maintaining access.<sup>27</sup> The program also supported private sector participation including privatization, enhanced management capabilities, and upgraded education content. It contributed to increasing enrolment rates from 81% in 1996 to 91% in 2002 and decreasing dropout rates from 3.5% to 2.3% over the same period. The number of private higher education institutions increased significantly from 41 in 1995 to 137 in 2002, while the number of private schools increased from none in 1996 to 90 in 2002. A post-project performance evaluation in 2007 rated the program *highly successful*.<sup>28</sup>

36. The Second Education Development Project (\$14 million, approved in 2002 and completed in 2009) improved the quality and access to preschool and basic education.<sup>29</sup> The project helped construct schools, train teachers, and provide textbooks to students. In 2007, primary school enrolment reached 92.7% and secondary education enrolment 86.8%. The dropout rate in primary and secondary education decreased from 2.2% in 2002 to 1.7% in 2007. The proportion of students reaching the upper grades also improved significantly from 62% in 2003 to 73% in 2007. The project also helped the government increase the access of children with disabilities to mainstream education. The project also led to formal cooperative approaches in the education sector—ADB and Japan now jointly chair the education sector coordination mechanism.

<sup>27</sup> The existing network of about 1,000 schools was considered unsustainable. See ADB. 2003. *Program Completion Report on the Education Sector Development Program for Mongolia*. Manila.

<sup>28</sup> ADB. 2007. *Performance Evaluation Report for Mongolia: Education Sector Development Program*. Manila.

<sup>29</sup> Cofinanced with Japan and the Nordic Development Fund and prepared with support from the Canadian International Development Agency. See ADB. 2009. *Project Completion Report on Second Education Development Project for Mongolia*. Manila.

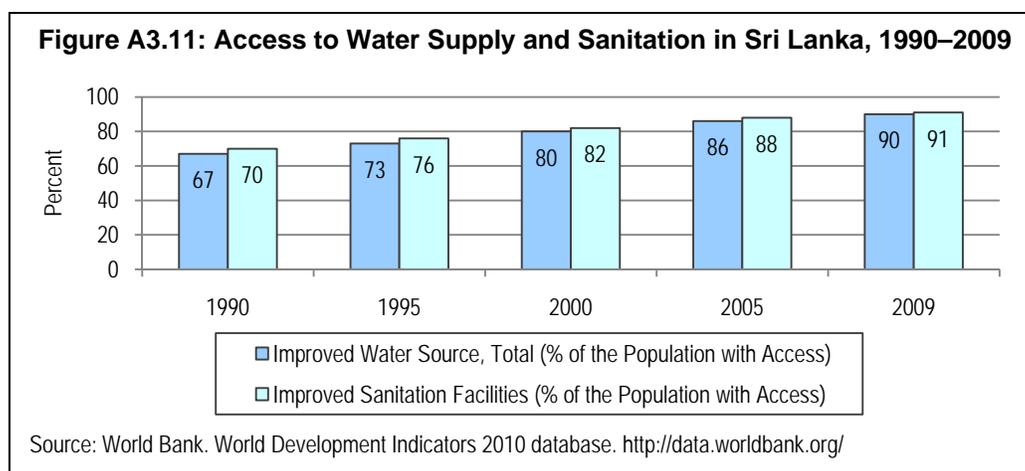
37. Both completed projects were highly effective in meeting their outcomes. ADB's recent country assistance program evaluation report rated assistance to education as the best performer in ADB's portfolio in Mongolia.<sup>30</sup> ADB remains committed to the sector and is supporting three ongoing projects (\$40 million) to sustain earlier results on quality and access. In the future, ADB will support the government in reforming governance, management, and financing of higher education institutions and providing vocational education for skills development.

## F. Sri Lanka: Water Supply and Sanitation Sector

### 1. Country Results

38. In the 1980s, about a quarter of the urban population and only 2% of the rural population had access to a piped water supply. The supply was irregular, of substandard quality, and had poor service coverage and a high incidence of unaccounted water loss. Sewerage services were available only in some parts of Colombo. In the 1990s, the government targeted providing access to clean water and sanitation for its entire population by 2010. Between 1990 and 2010, the government and its development partners provided about \$2.5 billion to develop water supply and sanitation systems through effective water resources management, tariff policy reforms, and increased private sector participation.

39. Sri Lanka has achieved significant results including attaining the MDG target for access to safe drinking water and sanitation. The total quantity of drinking water produced in 2009 was 449 million cubic meters, increasing the proportion of the population with access to improved water sources from 67% in 1990 to 91% in 2009 (Figure A3.11). The proportion of rural residents with access rose significantly from 62% in 1990 to 88% in 2008, while coverage of the urban population increased from 91% in 1990 to 98% in 2008. The proportion of the population with access to improved sanitation facilities went up from 70% in 1990 to 91% in 2009. Coverage of the rural population increased considerably from 67% in 1990 to 92% in 2008, while urban coverage improved from 85% in 1990 to 88% in 2008.



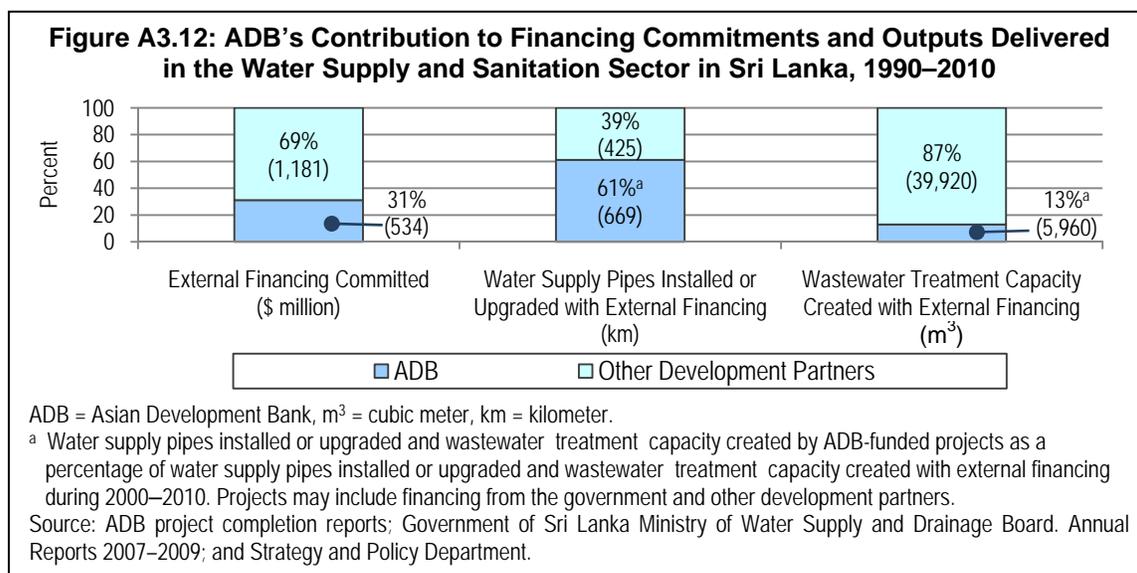
40. While it is on track to meet the MDG targets for water supply and sanitation, the country faces challenges. These include increasing urban and rural disparities in terms of access;

<sup>30</sup> ADB. 2008. *Country Assistance Program Evaluation for Mongolia*. Manila.

growing and competing water demand among household, agricultural, and industrial uses; and depleting water sources in the dry zone areas.

## 2. ADB and ADF Contribution

41. During 1990–2010, ADB approved a total of \$528 million in loans and grants for seven projects (79% from the ADF and 21% from ordinary capital resources), and \$5.8 million in technical assistance from other sources to develop Sri Lanka’s water supply and sanitation.<sup>31</sup> This accounted for about 21% of total investments for water supply and sanitation in Sri Lanka, and 31% of total funds provided by donors during the same period. Between 2000 and 2010, ADB-assisted projects installed or upgraded 669 km of water supply pipes or 61% of the 1,094 km of water supply pipes improved through donor financing (Figure A3.12). The projects benefited 2.8 million people or about 37% of the population with access to piped water supply in 2009. ADB provided 5,960 cubic meters of waste water treatment capacity, equivalent to 13% of the total 45,880 cubic meters provided by donors, benefiting 616,980 more people.



42. The Second Water Supply and Sanitation Project—completed in 2000 through an ADF loan of \$40 million—contributed to improving access to safe and reliable water supply and sanitation. It helped install 183 km of water supply pipes benefiting 370,000 people in 16 secondary towns in the central and western regions, and 20,000 people in rural Monaragala district in the southeast. The project helped increase daily water availability from less than 12 hours to 24 hours in eight towns. The project’s sanitation component generated 5,500 cubic meters of waste water treatment capacity servicing 37,500 people. The project also reduced water-related diseases and improved hygiene education through women’s and community involvement. For example, in Warakapola, the number of hepatitis cases decreased from 215 in 1994 (before the project) to only five in 1998 (after the project).

43. Completed in 2009, the Third Water Supply and Sanitation Sector Project (financed from the ADF for \$75 million), aimed to improve the communities’ access to safe water through investments in sustainable urban and rural water supply and sanitation systems, increasing the

<sup>31</sup> These include technical assistance financed from the Technical Assistance Special Fund, Cooperation Fund for Water Sector, and Water Financing Program.

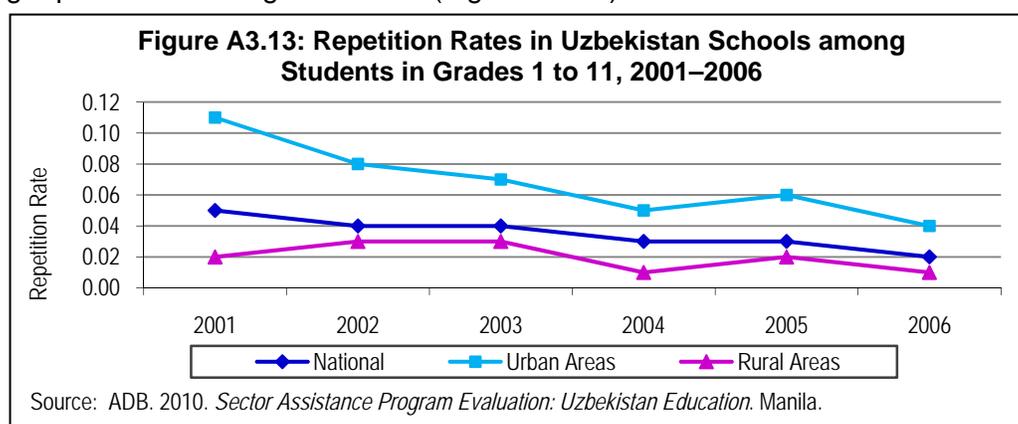
participation of community-based organizations in collecting water revenues for operation and maintenance, and raising public awareness on hygiene. To help improve the financial viability of the National Water Supply and Drainage Board, the project helped pass the water tariff policy in 2009. The project helped provide safe drinking water to about 1.4 million people by improving 300 km of water supply pipes. Improved access to water lessened the burden of collecting water from wells and other non-piped sources for 82% of women beneficiaries, and enabled 57% of them to use the 2–3 hours of time saved per day on income-generating activities. The project improved sanitation facilities for 326,384 people by providing 81,596 latrines. This reduced waterborne diseases among beneficiaries from 17.0% (before the project) to 0.9% (after the project).

## G. Uzbekistan: Education Sector

### 1. Country Results

44. Rebuilding and modernizing its education system was vital for Uzbekistan to sustain economic and social development after its independence in 1991. The government aimed to improve the quality of education, develop capacities and skills of teachers, and provide equal access for students in rural and urban areas. During 1997–2010, development partners such as ADB, the Islamic Development Bank, the Japan International Cooperation Agency, and the World Bank provided close to \$356 million in assistance to help Uzbekistan achieve these goals. The government also devoted a substantial proportion of its state budget expenditures to education.<sup>32</sup>

45. Uzbekistan has achieved significant results in education including attaining the MDG target of universal primary education. About 90% of pupils in relevant age groups are enrolled in primary education with 92% of enrolled students completing primary level. Almost all students (99%) that complete their primary education continue on to secondary school. All primary school teachers have completed required pre- or in-service training programs. Not surprisingly, the quality of education in both urban and rural areas has continued to improve as reflected by declining repetition rates in grades 1–11 (Figure A3.13).<sup>33</sup>



46. Improved access to and quality of education has contributed to increasing the proportion of the employed aged 15 and over from 52% in 1996 to 58% in 2008. The national poverty

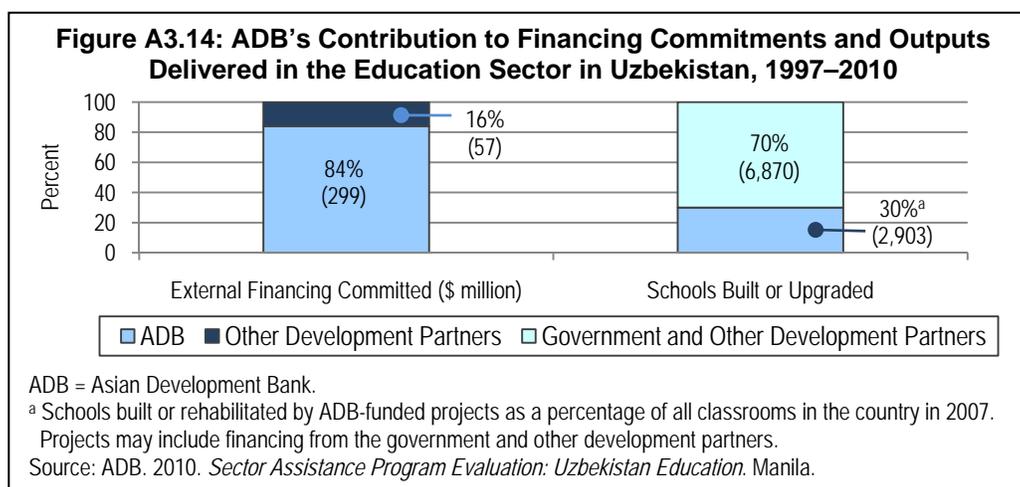
<sup>32</sup> For example, from 1998 to 2009, the government devoted, on average, 28% of state budget expenditures to education, equivalent to 7% of the country's gross domestic product (GDP).

<sup>33</sup> ADB. 2010. *Uzbekistan: Education. Sector Assistance Program Evaluation*. Manila; World Bank. *World Development Indicators 2011*. <http://data.worldbank.org/indicator>. Repetition rate represents the proportion of students enrolled in a given grade at a given school year who study in the same grade in the following school year.

incidence fell from 31.5% in 2000 to 25.8% in 2005, and GDP per capita (in constant 2000 US dollars) grew from \$558 in 2000 to \$893 in 2009.<sup>34</sup> To sustain these positive trends in the education sector, the government—in cooperation with development partners and the private sector—needs to provide the required investment and continue with institutional reforms.

## 2. ADB and ADF Contribution

47. Between 1997 and 2010 ADB approved a total of \$299 million in loans, technical assistance, and grants for Uzbekistan's education sector—\$81.9 million from the ADF, \$210.5 million from ordinary capital resources, and \$6.6 million from other sources.<sup>35</sup> Although this represents a modest share (2%) of total education financing, it accounts for 84% of total donor funds, making ADB the lead development partner in the sector (Figure A3.14). Expanding access to education, improving the quality of pre-primary, basic and upper secondary education, and implementing sector reforms is a priority for ADB. From 2003 to 2010, ADB-financed projects benefited almost 900,000 students through the construction and rehabilitation of over 2,900 schools, which accounted for 30% of the 9,773 schools in existence between 2006 and 2007. During the same period, ADB projects provided textbooks and other learning materials to around 5.6 million students, or 90% of students enrolled in basic education (grades 1–9). ADB assistance also helped train over 72,800 teachers, or 16% of the 450,300 teachers in the country.



48. A cornerstone of any education system is the quality of its textbooks. The Basic Education Textbook Development Project,<sup>36</sup> one of three in the sector financed by the ADF, ensures the availability of quality textbooks and learning materials through an innovative textbook rental scheme for students and a revolving fund that provides loans and training to textbook publishers and printers. The project helped improve the ratio of textbooks per pupil from two or three per student in 1997 (before the project) to 10 textbooks per pupil enrolled in grades 1–9 (after the project) in 2003. It also supported the growth of a competitive book publishing industry. About 5.6 million students or 90% of students in grades 1–9 benefited from 60 million textbooks and learning materials produced under the project.

<sup>34</sup> World Development Indicators 2011. <http://data.worldbank.org/>

<sup>35</sup> The loans were for five projects (of which three are financed from the ADF, two from ordinary capital resources (OCR), and one sector development program loan financed by OCR. Other financing sources include the Japan Special Fund, Japan Fund for Poverty Reduction, and Governance Cooperation Fund.

<sup>36</sup> The project was financed from both the ADF (\$18.9 million) and OCR (\$19.5 million).

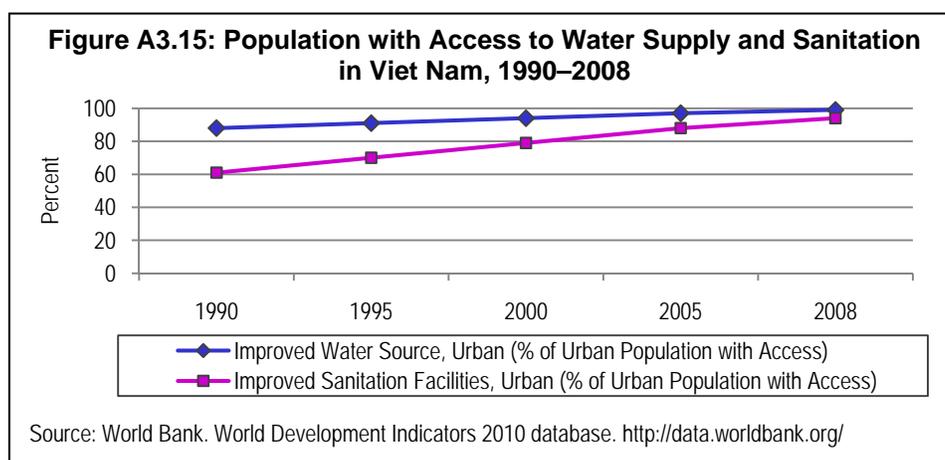
49. The two other ADF-funded projects—the Information and Communications Technology (ICT) in Basic Education Project and the Rural Basic Education Project—are scheduled to be completed in 2011–2012. The ICT in Basic Education Project (approved for \$30 million in 2005) is expected to benefit 540,000 students by providing ICT equipment, e-learning materials, and internet access to 860 cluster leader schools, and upgrading the skills of 70,940 teachers on ICT-based approaches. An estimated 670,000 students will benefit from the Rural Basic Education Project (approved for \$30 million in 2007) through the rehabilitation of 700 schools and the provision of in-service training for 43,000 teachers in rural areas.

## H. Viet Nam: Urban Services and Water Supply and Sanitation Sector

### 1. Country Results

50. Viet Nam is one of the fastest growing countries in Asia. However, rapid industrialization has led to rising urban populations as well as worsening of the environment in towns and cities. Water supply and sanitation systems have deteriorated over time due to lack of maintenance. System losses from leaks, fraudulent connections, and inaccurate billing for consumption compound the problems of urban water supply services.

51. The Government's National Orientation Plan for Water Supply to 2025 lists three targets: attain 100% urban network coverage and 80–120 liters of water supply per capita; reduce nonrevenue water to 15% from 30% in 2010. Since the mid 1990s, more than \$1 billion has been invested in urban water supply and sanitation, with 80% coming from external assistance, including ADB. The share of urban population with access to an improved water source increased from 88% in 1990 to about 99% in 2008 (Figure A3.15). Access to sanitation facilities likewise rose from 61% to 94% in the same period. By 2010, the water supply and wastewater companies were transformed into fully autonomous publicly owned companies to improve their financial viability. Viet Nam is on track to achieve the MDG target for sustainable access to safe water and sanitation.<sup>37</sup> Improvements in urban water supply and sanitation have also led to lower incidence of waterborne diseases such as diarrhea, dysentery, cholera, and typhoid.<sup>38</sup>



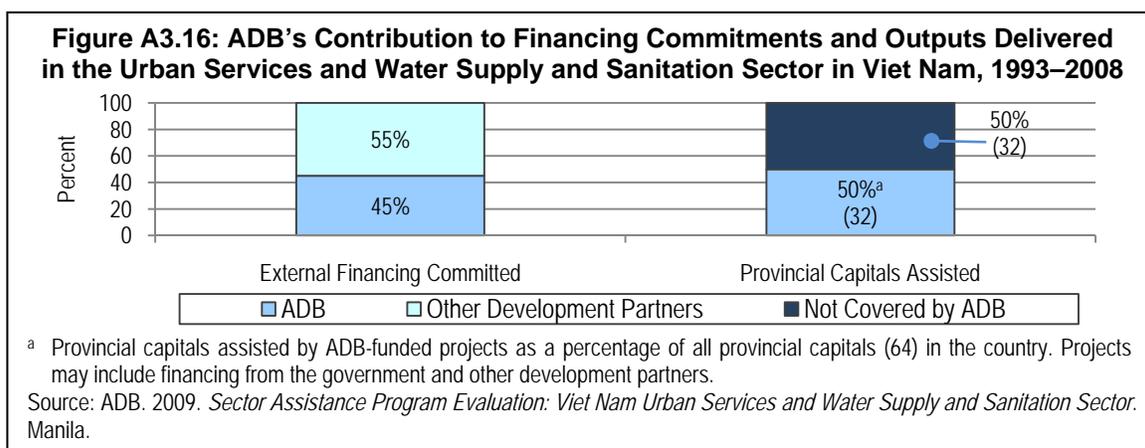
<sup>37</sup> As of 2008, 94% of the total population have access to safe water (99% urban, 92 rural) and 75% have access to sanitation facilities (94% urban, 67% rural). ADB. 2010. *Key Indicators for Asia and the Pacific 2010*. Manila.

<sup>38</sup> ADB. 2009. *Sector Assistance Program Evaluation on Urban Services and Water Supply and Sanitation in Viet Nam*. Manila.

52. It is estimated that an additional \$6 billion–\$8 billion in investment is needed until 2020 to improve water quality and sanitation, and manage water resources effectively.<sup>39</sup> Continued sector reforms and institutional capacity development (e.g., adoption of a comprehensive approach to asset management and unaccounted water) are key to improving the efficiency and cost recovery of water supply companies.

## 2. ADB and ADF Contribution

53. Between 1993 and 2008, ADB extended seven loans totaling \$427 million—all funded from the ADF—and five technical assistance grants amounting to \$3 million. ADB's assistance accounted for about 45% of total loans the country received from external assistance to the urban sector (Figure A3.16). With a consistent focus on small to medium-sized provincial capitals, ADB helped provide access to regular water supply to 32 of the 64 provincial capitals and more than 70% of the population in surrounding areas. The availability of clean water through household pipe connections relieved women and children from fetching water from distant and potentially contaminated sources. Incidence of waterborne diseases has fallen in some towns.



54. Three of the four completed projects include the Provincial Towns Water Supply and Sanitation (\$66 million, completed in 2004); the Second Provincial Towns Water Supply and Sanitation Project (\$69 million, completed in 2006); and the Third Provincial Towns Water Supply and Sanitation Project (\$60 million, completed in 2010). Together, the three projects covered 21 towns.

55. Under the first project, water production capacity rose threefold from 52,000 m<sup>3</sup> per day to 155,000 m<sup>3</sup> per day, and unaccounted for water fell from 40%–60% to 29%–38%. The project connected more than 40,000 additional households to clean and continuous water supply. The second project provided an additional 135,000 m<sup>3</sup> per day of treated water—twice the previous capacity of around 70,000 m<sup>3</sup>—resulting in the expansion of water consumption in project towns. The third project increased supply to about 230,000 m<sup>3</sup> per day to provide 950,000 people, or 65% of the towns' population, with treated water. Nonrevenue water levels were reduced to as low as 10%. All three projects strengthened the institutional capacity of the water supply companies and increased public awareness on hygiene and sanitation.

<sup>39</sup> ADB. 2009. *Socialist Republic of Viet Nam: Water Sector Review*. Manila.

56. Ongoing projects include support for the integrated development of environmental infrastructure and services of provincial towns in the Central Region. A \$1 billion multitranche financing facility for the Viet Nam water sector investment program (2011–2020) was approved in February 2011 to support the government targets on water supply, increase coverage, and improve the efficiency of water supply companies in 13 cities and provinces, initially.<sup>40</sup>

57. ADB will continue to support the government's development plan through helping the water and wastewater companies become more efficient (especially in reducing losses) and financially sustainable entities.

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<sup>40</sup> The first tranche (2011) will cover Ho Chi Minh City; the second tranche (2011) will cover the cities of Da Nang and Hai Phong, and the provinces of Dak Lak, Quang Nam, Quang Tri, and Thua Thien Hue; the third tranche (2012) will cover the cities of Bac Giang and Thai Nguyen, and the provinces of Lam Don and Thanh Hoa.