

ADB

ANNUAL
REPORT

VOLUME 1

009

Asian Development Bank

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ANNUAL REPORT

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The ADB *Annual Report 2009* comprises two separate volumes: Volume 1 is the main report and Volume 2 contains the financial statements and statistical annexes.

THE RECORD

(\$ million)

	1966–2009	2006	2007	2008	2009
OPERATIONAL ACTIVITIES (A + B + C + D + E + F)	170,925	8,389	10,770	11,329	16,078
A. LOANS ^{c, f, g} (amount)	155,893	7,264	9,516	10,124	13,230
Number of Projects ^{a, b, c}	2,205	64	77	81	93
1. Ordinary Capital Resources (OCR) Loans (amount) (a + b + c)	117,356	5,992	7,623	8,360	11,020
Number of Loans	1,299	33	55	57	64
Disbursements (amount)	80,400	4,420	5,234	6,472	7,898
a. Sovereign	112,182	5,542	6,972	6,839	10,577
Number of Loans	1,166	26	38	45	57
Disbursements (amount)	77,076	4,061	4,743	5,878	7,449
b. Nonsovereign Public ^d	519	75	10	300	134
Number of Loans	6	1	1	2	2
Disbursements (amount)	85	1	30	54	—
c. Nonsovereign Private	4,655	375	640	1,222	309
Number of Loans	127	6	16	10	5
Disbursements (amount)	3,239	358	461	540	449
2. Asian Development Fund (ADF) Loans (amount) (a + b)	38,537	1,272	1,893	1,764	2,210
Number of Loans	1,264	44	36	35 ^e	47 ^e
Disbursements (amount)	29,317	1,338	1,618	2,043	2,201
a. Sovereign	38,522	1,272	1,893	1,764	2,210
Number of Loans	1,259	44	36	35 ^e	47 ^e
Disbursements (amount)	29,302	1,338	1,618	2,043	2,201
b. Nonsovereign Private	15	—	—	—	—
Number of Loans	5	—	—	—	—
Disbursements (amount)	15	—	—	—	—
B. GRANTS ^{c, f, g} (amount)	5,191	530	673	809	1,113
Number of Projects ^{a, b, c}	315	41	39	48	64
C. GUARANTEES ^b (1 + 2)	3,318	125	251	—	397
Number of Projects	29	3	3	—	2
1. Political Risk Guarantee (amount)	708	15	—	—	325
Number of Projects	9	1	—	—	1
2. Partial Credit Guarantee (amount)	2,610	110	251	—	72
Number of Projects	20	2	3	—	1
D. TRADE FINANCE FACILITATION PROGRAM ^h	1,000	—	—	—	850
E. EQUITY ^{a, i} (amount)	1,714	231	80	123	220
Number of Investments/Commitments	164	12	5	7	5
F. TECHNICAL ASSISTANCE GRANTS ^g (amount)	3,809	240	251	273	267
Number of Projects ^{a, b}	6,863	259	239	298	313
COFINANCING (amount)	13,297	970	321	1,090	3,164
Number of Projects	221	14	7	7	14
Sovereign Operations (amount)	11,318	565	121	665	2,768
Number of Projects	188	10	6	5	10
Nonsovereign Operations (amount)	1,979	405	200	425	396
Number of Projects	33	4	1	2	4
RESOURCES (as of period end)					
Ordinary Capital Resources					
Authorized Capital	166,179	53,169	55,978	54,890	166,179
Subscribed Capital	60,751	53,169	55,978	54,890	60,751
Borrowings (gross) (for the period)	93,714	5,576	8,854	9,372	10,359
Outstanding Debt	42,123	27,601	31,569	35,672	42,123
Ordinary Reserve	9,790	8,994	9,245	9,532	9,790
Special Reserve	219	198	203	210	219
Gross Revenue (for the period)	1,472	1,839	2,208	2,064	1,472
Net Income (loss) after Appropriation of Guarantee Fees to Special Reserve (for the period)	14,114 ^k	566	760	1,119	(37)
Special Funds Resources					
Asian Development Fund Total Resources ⁱ	34,159	29,247	31,950	33,479	34,159
Technical Assistance Special Fund Total Resources ⁱ	1,716	1,347	1,361	1,403	1,716
Japan Special Fund Total Resources					
Regular and Supplementary Contributions	974	929	956	974	974
Asian Currency Crisis Support Facility	151 ^m	151	151	151	151
ADB Institute Special Fund Total Resources	149	121	133	141	149
Asian Tsunami Fund Total Resources	587	594	617	626	587
Pakistan Earthquake Fund Total Resources	144	114	137	142	144
Regional Cooperation and Integration Fund Total Resources	43	—	41	43	43
Climate Change Fund Total Resources	41	—	—	41	41
Asia Pacific Disaster Response Fund Total Resources	40	—	—	—	40

— = nil.

Note: Totals may not add up because of rounding.

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

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

c Includes loans/grants arising from multitranche financing facilities.

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

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

f Includes ADF and other grants.

g Includes direct value-added cofinancing.

h Includes the \$150 million approved in 2003 (OCR loan of \$45 million and partial credit guarantee of \$105 million).

i Refers to nonsovereign operations only.

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

k Includes cumulative effect of ASC R2/O25 adoption amounting to \$227.5 million, as an adjustment to the 1 January 2009 reserves.

l Cumulative resources excluding amounts not yet available for operational commitments.

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

TABLE 1 ASSISTANCE BY COUNTRY, 2009

(\$ million)

	Loans						Technical Assistance	
	OCR	ADF	Grants ^a	Guarantees	TFFP	Equity	Grants ^b	Total
Central and West Asia	1,457.0	718.3	433.5	—	—	—	14.7	2,623.5
Afghanistan	—	—	336.4	—	—	—	1.4	337.8
Armenia	—	140.0	—	—	—	—	1.7	141.7
Azerbaijan	75.0	—	—	—	—	—	1.0	76.0
Georgia	—	228.8	—	—	—	—	1.4	230.2
Kazakhstan	687.0	—	—	—	—	—	0.8	687.8
Kyrgyz Republic	—	44.5	35.5	—	—	—	1.3	81.3
Pakistan	695.0	245.0	—	—	—	—	2.7	942.7
Tajikistan	—	—	61.6	—	—	—	0.7	62.3
Turkmenistan	—	—	—	—	—	—	—	—
Uzbekistan	—	60.0	—	—	—	—	3.8	63.8
East Asia	1,954.9	50.1	54.0	—	—	25.0	31.8	2,115.9
China, People's Republic of	1,954.9	—	9.9	—	—	25.0	24.6	2,014.4
Mongolia	—	50.1	44.2	—	—	—	7.2	101.5
Pacific	136.7	95.0	91.0	—	—	—	12.1	334.7
Cook Islands	10.0	—	—	—	—	—	0.6	10.6
Fiji Islands	76.7	—	—	—	—	—	—	76.7
Kiribati	—	—	—	—	—	—	0.9	0.9
Marshall Islands	—	—	—	—	—	—	0.2	0.2
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Palau	—	—	—	—	—	—	1.2	1.2
Papua New Guinea	50.0	95.0	2.0	—	—	—	3.5	150.5
Samoa	—	—	1.0	—	—	—	1.6	2.6
Solomon Islands	—	—	29.0	—	—	—	0.7	29.6
Timor-Leste	—	—	49.0	—	—	—	0.6	49.6
Tonga	—	—	10.0	—	—	—	1.0	11.0
Tuvalu	—	—	—	—	—	—	—	—
Vanuatu	—	—	—	—	—	—	1.9	1.9
South Asia	2,626.0	752.1	286.2	—	—	40.0	50.7	3,755.0
Bangladesh	600.0	427.9	58.5	—	—	—	12.0	1,098.3
Bhutan	—	—	38.8	—	—	—	2.0	40.8
India	1,811.0	—	2.0	—	—	40.0	19.5	1,872.5
Maldives	—	36.5	—	—	—	—	3.0	39.5
Nepal	—	172.8	172.5	—	—	—	5.7	351.0
Sri Lanka	215.0	115.0	14.5	—	—	—	8.4	352.9
Southeast Asia	4,845.3	594.8	248.7	396.8	—	40.0	37.2	6,162.7
Brunei Darussalam	—	—	—	—	—	—	—	—
Cambodia	—	71.7	108.7	—	—	—	7.9	188.3
Indonesia	2,184.2	—	5.0	—	—	40.0	6.3	2,235.5
Lao People's Democratic Republic	—	0.1	126.6	—	—	—	4.5	131.2
Malaysia	—	—	—	—	—	—	—	—
Myanmar	—	—	—	—	—	—	—	—
Philippines	1,176.1	—	4.9	—	—	—	6.5	1,187.5
Thailand	82.1	—	—	71.8	—	—	1.3	155.2
Viet Nam	1,402.9	523.0	3.5	325.0	—	—	10.6	2,265.0
Regional	—	—	—	—	850.0	115.0	120.7	1,085.7
TOTAL	11,019.9	2,210.3	1,113.5	396.8	850.0	220.0	267.2	16,077.6

— = nil, ADF = Asian Development Fund, OCR = ordinary capital resources, TFFP = Trade Financing Facilitation Program.

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

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

b For reference, please see Statistical Annex 16 (Technical Assistance Grant Approvals By Country and Regional Activities).

Chapter 1

MESSAGE FROM THE PRESIDENT

The global economic crisis presented developing Asia and the Pacific with one of the most challenging years since the 1997/98 Asian financial crisis. Reduced demand for the region's exports from the major industrial economies, together with muted private consumption and investment in the region, cut growth rates to about 5.2% in 2009, just over half the decade's peak of 9.5% in 2007.

Asia is leading the world's recovery, with regional growth expected to rebound to over 7% in 2010. Heartening as this is, there remains an underlying fragility to the recovery. Some economies are doing well but others are still struggling. External demand for the region's goods and services, including tourism, may be sluggish for some time until the advanced economies fully emerge from recession. Increasing resilience to future shocks, especially by building domestic and regional demand, will be essential to produce the high rates of growth needed to reduce poverty over the long term.

While economic recovery is under way, ADB has estimated that 71 million people, who could have escaped poverty if growth rates had stayed at 2007 levels, continue living on less than \$2 a day; 54 million of them have remained living on less than \$1.25 a day. High unemployment and its social impacts are likely to be felt for several years to come, especially in poorer countries. The crisis could have costly and long-lasting effects on human welfare, as families with few alternative jobs and little or no access to credit are forced to reduce the quantity

and quality of their food intake, withdraw children from school, or postpone health care.

Against this backdrop, ADB shareholders agreed in April to triple ADB's capital base from \$55 billion to \$165 billion, the biggest increase in ADB history and the first in 15 years, giving us the resources to pursue our mission. The capital increase enabled ADB to respond quickly to the needs of developing member countries by significantly scaling up our assistance, with overall operations growing by 42% from \$11.3 billion in 2008 to \$16.1 billion in 2009. Loan disbursements also reached a record high in 2009 at \$10.1 billion compared with \$8.5 billion in 2008.

As the region continues on its path to recovery, it is critical to ensure that growth is more inclusive and environmentally sustainable. Regional integration must be deepened to further increase the region's resilience, connect more of its economies to global markets, and spread the benefits of growth. The private sector must also be supported to help realize its key role in accelerating growth and generating wider prosperity.

ADB looks forward to working with shareholders and partners to spread the benefits of recovery more widely as the region emerges from a time of crisis



President Kuroda visits one of more than a hundred ADB-assisted urban primary health care centers in Bangladesh, which benefit mainly women and children

About 65% of ADB investments were allocated to infrastructure, helping promote inclusive growth by increasing access to important services and economic opportunities. Many of our infrastructure projects promote regional integration, and about 35% of ADB's total 2009 investments supported environmental sustainability. About 81% of our total assistance in 2009 went to the five core operational areas of infrastructure, finance, education, environment, and regional cooperation.

Alongside the global economic crisis, world leaders came together in Copenhagen in December to seek solutions to the climate change crisis. While progress was less than what many had hoped, leaders from both the developed and developing world are embracing the convergence among climate change, sustainable development, and human well-being.

ADB's climate change and sustainable development operations took a significant step forward. First, the ADB Board of Directors approved two major policies: the new Energy Policy and the Safeguards Policy Statement. Second, we have stepped up our financial and advisory assistance. Our clean energy program, for example, has invested \$2.8 billion over the last 2 years, investing in renewable energy, energy efficiency, and clean technology deployment that encourage our developing member countries to move toward low-carbon energy generation and utilization. Third, ADB joined other multilateral development banks in establishing the Climate Invest-

ment Funds to support clean technology, climate resilience, forest protection, and renewable energy in low-income countries.

Our overall operations of \$16.1 billion in 2009 comprised loans and grants of \$14.3 billion, guarantees amounting to \$397 million, \$850 million for a trade finance facilitation program, \$220 million in equity investments, and \$267 million in technical assistance. ADB also mobilized cofinancing amounting to \$3.2 billion.

With the Asian Development Fund replenishment in 2008 and the general capital increase in 2009, ADB has a strong mandate to fully implement its long-term strategy, Strategy 2020. The introduction of Our People Strategy in early 2010 will ensure that we have not only the financial but also the human resources to pursue our important mission.

ADB looks forward to working with shareholders and partners to spread the benefits of recovery more widely as the region emerges from a time of crisis, with renewed determination to tackle the causes of poverty and raise Asia's standards of living, especially for the poor.

Haruhiko Kuroda
President and Chairman
Board of Directors



Chapter 2

BOARD OF DIRECTORS

The ADB Board of Directors continued to play its vital role in overseeing operations, guiding the institution as it responded to the economic crisis and worked to improve institutional and development effectiveness, with approvals exceeding \$16 billion.

The Board supported the establishment of the \$3 billion Countercyclical Support Facility to help member countries hit by the crisis, approved an additional \$400 million for the poorest members, and expanded the Trade Finance Facilitation Program to \$1 billion. Reforms to improve ADB's institutional effectiveness and accountability to shareholders and beneficiaries included the Safeguard Policy Statement, updating and superseding the policies on involuntary resettlement, indigenous peoples, and environment. The Board also approved a new Energy Policy. Internally, it established the Human Resources Committee to provide guidance on human resources management.

The Board of Directors is responsible for the overall direction of the operations of the Asian Development Bank (ADB), including the approval of policies, loans, grants, and guarantees. As the representative of ADB's shareholders, the Board plays a vital role in overseeing ADB's implementation of the guidance given by its shareholders.

The Board has provided inputs both directly and from the member capitals to make ADB a more effective institution. As ADB expands its operations to meet the growing demands of its developing member countries, the Board plays an active role in overseeing institutional governance. The Board approved a number of key measures to improve ADB's development effectiveness, responsiveness, and accountability.

The meetings of the Board of Directors covered a broad range of policy, financial, and administrative issues, as well as a wide variety of projects and programs. The Board also endorsed new partnership strategies with several developing member countries. Total approvals by the Board, including loans, grants, guarantees, trade financing facility, equity investments, and technical assistance, exceeded \$16 billion. In addition, ADB mobilized more than \$3 billion in cofinancing.

The Board approved the recommendation for a 200% general capital increase to the Board of Governors, a critical step in securing the funds needed to implement Strategy 2020 and address the global economic crisis. The fifth general capital increase was subsequently approved by the Governors.

In response to the economic crisis, the Board supported several measures to assist ADB's developing member countries. It approved the establishment of the \$3 billion Countercyclical Support Facility as a short-term, budget support instrument for crisis-affected members with access to ADB's ordinary capital resources. The Board also approved the distribution of \$400 million in additional liquidity to ADB's poorest members through the Asian Development Fund (ADF).

With global trade shrinking and access to capital tightening, the Board approved an expansion of ADB's Trade Finance Facilitation Program to \$1 billion. The program increases the financing available for trade transactions to cushion the shock of the global downturn on developing countries in Asia and the Pacific.

In line with the objective of Strategy 2020 to expand private sector operations, the Board approved a new exposure management policy for nonsovereign operations. The

policy, which establishes limits for nonsovereign exposure, is designed to support the prudential expansion of private sector operations without jeopardizing ADB's credit rating.

The Board also endorsed ADB's new approach to assisting the Pacific. Expressing concern on the impact of global climate change on these small, developing countries, the Board underscored the need for ADB to respond to this challenge within the special development context of the Pacific.

The Board continued to focus on reforms in key areas to improve ADB's institutional effectiveness and accountability to shareholders and beneficiaries. The Safeguard Policy Statement was approved, updating and superseding the Involuntary Resettlement Policy (1995), the Policy on Indigenous Peoples (1998), and the Environment Policy (2002). The Board also approved the new Energy Policy to meet Asia's rapidly growing energy needs, facilitate a transition to a low-carbon economy, and achieve ADB's vision of a region free of poverty. In addition, the Board discussed the *2008 Development Effectiveness Review*, a key publication intended to drive future action and ensure greater accountability.

With the aim of improving ADB's internal operations, the Board established the Human Resources Committee to oversee and provide guidance on ADB's human resources management.

The Board also deliberated on ADB's annual financial statements, its budget and borrowing program for 2010, its Work Program and Budget Framework for 2010–2012, and the salaries and benefits of staff. It also reviewed the 3-year rolling Work Program and Budget for 2010 of the ADB Institute.

Country Partnership Strategies

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

The Board endorsed six country partnership strategies in 2009: Afghanistan (2009–2013), India (2009–2012), Pakistan (2009–2013), Nepal (2010–2012), Palau (2009–2013), and Vanuatu (2010–2014). It also endorsed an interim country partnership strategy for Solomon Islands (2009–2011).



Visits to member countries deepen Board members' understanding of the region

Other Meetings

In November, the Board and Management participated in a 2-day retreat outside Manila, Philippines, covering two topics: ADB's general capital increase and the way ahead, and ADB's operations on climate change.

Board Group Visits and Tours

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

From 20 February to 9 March, a team visited the People's Republic of China and Mongolia. Another team visited the Republic of the Marshall Islands and Palau 4–10 July. The visits strengthened ADB's relationship with its development partners and generated valuable feedback.

On 12 March, a Board group visited the International Rice Research Institute south of Manila for a familiarization tour.

BOARD COMMITTEES

Audit Committee

The committee assists the Board in its oversight of ADB's financial reporting and audits, including internal controls and audits, risk management, and ADB-related anticorruption and integrity efforts.

The committee reviewed ADB's financial statements and Management's discussion and analysis with the outside auditor. It also monitored the selection process of the outside auditor and the progress toward

adoption of principles for the selection of outside auditors, as well as the implementation of the Information Systems and Technology Strategy II and other information technology-related activities.

The committee monitored the work of the Office of Risk Management, including a review of ADB's risk management capability and progress in integrating risk management in ADB, as well as the recommendations by the outside auditor.

The work and findings of the Integrity Division of the Office of the Auditor General were closely monitored by the committee, including the implementation of recommendations to address weaknesses in internal controls and policies identified through investigations. The committee also monitored progress toward a whistleblower protection policy.

The committee met 13 times.

Budget Review Committee

The committee discussed the President's planning directions to prepare for the Work Program and Budget Framework, 2010–2012. It noted the development challenges facing ADB and the new approaches, streamlined business processes, and realigned skills mix that would be necessary to effectively meet these challenges. In August, the committee discussed the progress of operations programs with the operations departments; Strategy and Policy Department; and Budget, Personnel, and Management Systems Department. This included crisis response, countercyclical support, private sector operations, public-private partnerships, regional projects, cofinancing, and projects at risk.

The committee also met with the vice-presidents on the highlights of the draft program and framework, focusing on priority work areas, new products, and continuing initiatives. The committee appreciated the plan under the program and framework for ADB to pursue additional environmental initiatives, such as those that address clean and/or renewable energy as well as climate change. Members underscored the need for ADB to strengthen collaboration with its development partners to achieve greater development effectiveness. The committee also emphasized the importance of the knowledge management culture and the need for the management action plan to be implemented well.

The committee discussed the 2010 draft budget document. It noted that the document presents a coherent picture of how ADB aims to adjust its staff and internal resources to respond effectively to the challenges of imple-

menting Strategy 2020, including support for achieving the Millennium Development Goals, and delivering the level of assistance envisaged by the ninth replenishment of the ADF and the fifth general capital increase. The committee called for continuing efforts to achieve efficiency gains, and to reassess and fine-tune the internal resource requirements in the coming years. The committee confirmed that the 2010 draft budgets for ADB, the Independent Evaluation Department, and ADB Institute were consistent with the work plans and appropriate for consideration by the Board. The committee also met in November 2009 to discuss the draft special capital budget proposal on the expansion of the ADB headquarters building and some resident missions.

The committee met 11 times.

Compliance Review Committee

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

The committee met once to discuss its work plan through 2010, the status of the Accountability Mechanism review, and its annual report, as well as to obtain an update from the panel on compliance review cases. The panel's monitoring reports are available on the panel's website (www.compliance.adb.org).

Development Effectiveness Committee

The committee discussed major evaluation reports by the Independent Evaluation Department. These included 1 regional and 4 country assistance program evaluation studies, 11 sector assistance program evaluation reports, and 4 special evaluation studies. Other department reports that were discussed included two annual evaluation reports, one project performance evaluation report, one impact evaluation study, and one evaluation knowledge brief. The committee reviewed and discussed the 2008 Development Effectiveness Review to feed into the full Board discussion of the review.

From its findings and recommendations in 2008 on ADB's institutional effectiveness relative to its strategies, policies, and resources, the committee moved toward assessing ADB's operations at the country and sector levels, and on crosscutting themes. The discussions of country and sector

assistance program evaluations were timely in informing the preparation of new country partnerships and strategies. The committee consistently strived to recommend ways to ensure that ADB operations would achieve development effectiveness.

The committee met 11 times.

Ethics Committee

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

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

The committee met once with the general counsel in attendance to familiarize the new members with their responsibilities under the Code of Conduct and related procedures.

Human Resources Committee

In June, the Board established the committee to review, monitor, and make recommendations to the full Board on ADB's human resources strategy and policies, particularly as they pertain to staffing, compensation and benefits, and other related issues. Members will also review any external evaluations of ADB's human resources strategy and policies and report their findings and recommendations to the Board. These issues are considered vital to ADB's ability to recruit, train, and retain the highly qualified staff needed to carry out its mandate under Strategy 2020.

The committee made recommendations on major human resources initiatives such as the Our People Strategy and the Human Resources Action Plan. The committee also discussed other matters relevant to human resources management, including gender, integrity and ethics, and accountability issues. The committee had separate introductory meetings with the Staff Council and the Professional Women's Committee.

The committee met six times.

BOARD OF DIRECTORS

PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS



Haruhiko Kuroda

EXECUTIVE DIRECTORS



Phil Bowen Howard Brown Curtis S. Chin Marwanto Harjowiryon Kyung-Hoh Kim

ALTERNATE EXECUTIVE DIRECTORS



Dereck Rooken-Smith Torben Bellers Paul W. Curry C.J. (Stan) Vandersyp Tsuen-Hua Shih



Ashok K. Lahiri

Michele
Miari Fulcis

Masakazu
Sakaguchi

Siraj S.
Shamsuddin

Chaiyuth
Sudthitanakorn

Eduard
Westreicher

Yingming Yang



Md. Aminul
Islam Bhuiyan

Jose
Miguel Cortes

Yasuto
Watanabe

Marita
Magpili-Jimenez

Govinda
Bahadur Thapa

Richard Edwards

Xiuzhen Guan

MANAGEMENT



C. Lawrence
Greenwood, Jr.

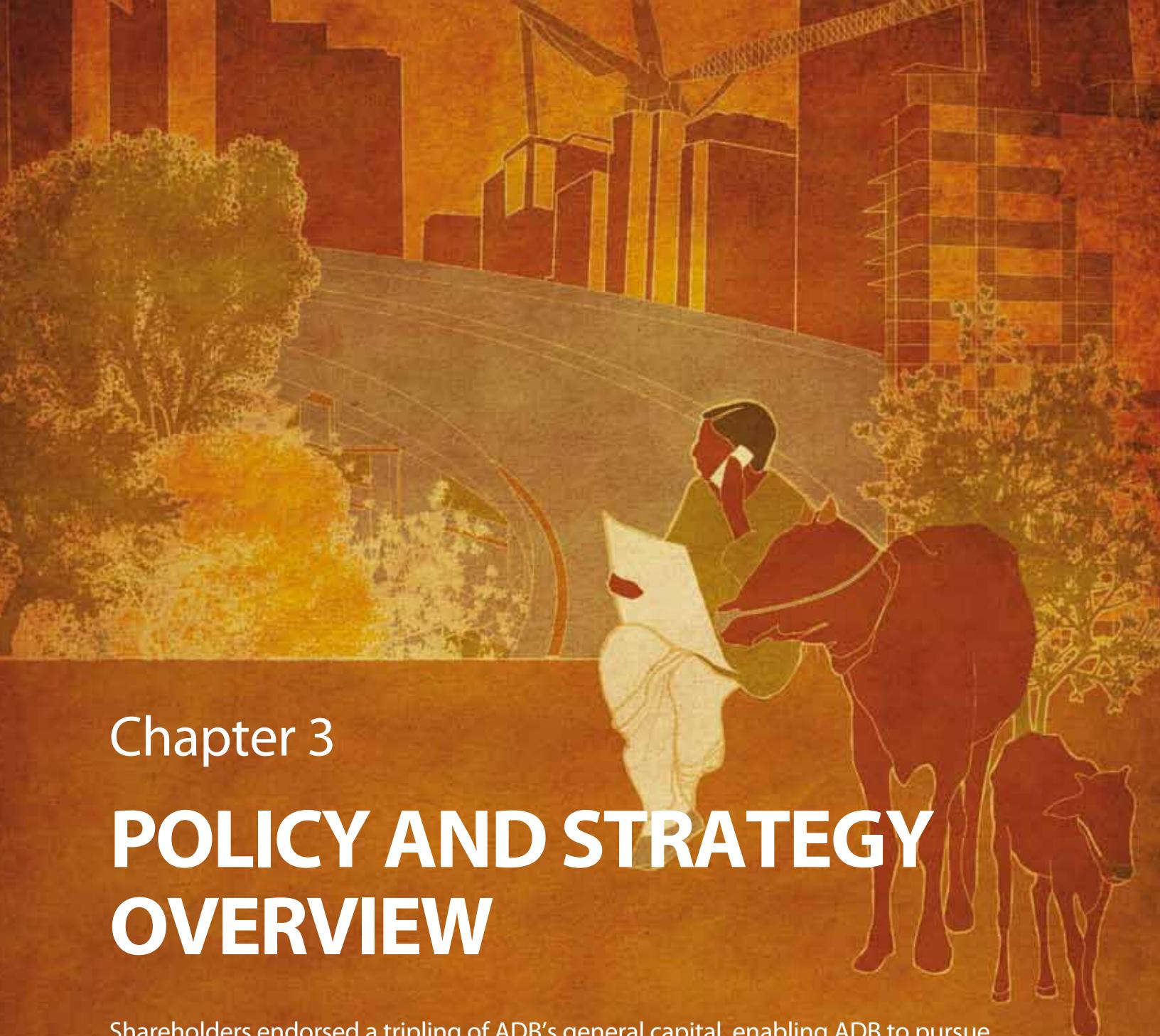
Ursula
Schaefer-Preuss

Bindu N. Lohani

Xiaoyu Zhao

Rajat M. Nag

Robert L.T.
Dawson



Chapter 3

POLICY AND STRATEGY OVERVIEW

Shareholders endorsed a tripling of ADB's general capital, enabling ADB to pursue longer-term development priorities in the region and substantially increase its support to countries affected by the global economic downturn. In June, ADB approved the new Energy Policy to better align energy operations with ADB's long-term strategic framework, Strategy 2020. The Safeguard Policy Statement to address environmental and social impacts of ADB-supported projects was approved in July. It incorporates international good practice and harmonizes with the policies of other multilateral development banks. In October, ADB approved an exposure management policy for nonsovereign operations to ensure that the growth in private sector operations envisaged under Strategy 2020 remains within ADB's risk-bearing capacity.

FIFTH GENERAL CAPITAL INCREASE

On 29 April, an overwhelming majority of ADB's 67 member countries endorsed the fifth general capital increase (GCI V), tripling ADB's capital base. The 200% increase is ADB's largest and the first since ADB increased its capital by 100% in 1994. GCI V financially equips ADB to implement Strategy 2020, adopted in 2008, and to pursue longer-term development priorities in the region. GCI V also allowed ADB to substantially increase its support to countries affected by the global economic downturn and help prevent the reversal of hard-won gains in social and economic development and in poverty reduction in Asia and the Pacific.

IMPROVING COHERENCE IN CORPORATE STRATEGIES AND POLICIES

Under Strategy 2020, ADB committed to improve the coherence of its corporate strategies and policies. In this context, ADB reviewed existing directional documents covering the five drivers of change and eight operational areas. The review concluded that some existing operational documents were not sufficiently detailed and/or current to effectively guide implementation of Strategy 2020. ADB completed new operational plans for private sector and nonsovereign (see Glossary) operations, knowledge management, and agriculture (focusing on sustainable food security), and began working on new operational plans for education, transport, and finance.

2009 ENERGY POLICY

In June, ADB approved a new Energy Policy, aligning its energy operations with Strategy 2020. The policy aims to help ADB's developing member countries provide reliable, adequate, and affordable energy for inclusive growth

The Safeguard Policy Statement incorporates international good practice and harmonizes with the policies of other multilateral development banks

in a manner that encourages social, economic, and environmental sustainability. Implementation centers on three key pillars: promoting energy efficiency and renewable energy; maximizing access to energy for all; and promoting energy sector reform, capacity building, and governance.

SAFEGUARD POLICY STATEMENT

On 20 July, ADB approved the Safeguard Policy Statement (SPS) governing environmental and social safeguards for ADB operations. The SPS supersedes three previous safeguard policies on the environment, involuntary resettlement, and indigenous peoples, uniting them in a single document that will enhance consistency and coherence. The policy defines common objectives and policy principles, and outlines a policy delivery process. It also provides specific requirements for borrowers and clients as they address the environmental and social impacts and risks of ADB-supported projects.

The SPS incorporates international good practice and harmonizes with the policies of other multilateral development banks. It includes appropriate requirements for different lending modalities and recently developed financial instruments, and further strengthens requirements for safeguard monitoring and supervision. The SPS increases emphasis on developing capacity to manage environmental and social impacts and risks. It also introduces provisions to strengthen and use country safeguard systems for ADB projects, subject to ADB's assessments of equivalence and acceptability.

REVIEW OF EXPOSURE LIMITS ON NONSOVEREIGN OPERATIONS

In October, ADB approved an exposure management policy for nonsovereign operations (NSO), establishing a medium-term overall limit for nonsovereign exposure that equals about 15% of projected total operations and gradually phases in NSO growth. It also limited to \$2.1 billion the maximum nonsovereign exposure of any single country. This limit represents about 20% of the proposed NSO limit in 2014, or about 60% of notional NSO capital. The new policy ensures that the growth of NSO exposure envisaged under Strategy 2020 will not exceed ADB's risk-bearing capacity.

The country limit will vary according to the country's credit rating. To ensure equitable access for all countries, the country limit cannot exceed 10% of gross domestic product, less sovereign (see Glossary) exposure. A minimum country allocation of \$25 million will enable meaningful

private sector interventions in smaller countries.

ADB also established prudential limits for industry, groups, single obligors, and counterparties, and introduced a definition of exposure that concurs with that already established by ADB's capital adequacy framework.

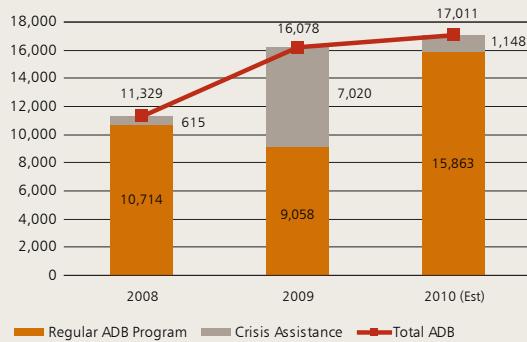
The Global Economic Crisis: ADB's Response

The global economic crisis presented developing Asia with one of its most difficult challenges in recent times. The crisis spread to Asia mainly through collapsing demand for regional exports in major global markets. Because a large portion of regional trade involves parts and components supporting supply chains, imports also suffered steep declines. Weakening regional consumption and investments further compounded these problems, substantially reducing growth rates (5.2% forecasted in 2009) from the decade's peak of 9.5% in 2007. ADB estimates that the regional decline in economic growth projected for 2009 will cause 54 million and 71 million people to remain below the poverty threshold (at \$1.25 and \$2.00 a day, respectively), compared with a "without crisis" scenario under which the high growth rate of 2007 would have continued. This is a major setback to the fight against poverty.

Mobilizing Additional Resources to Support Emerging Development Needs

The timely completion of the fifth general capital increase and successful ninth replenishment of the Asian Development Fund (ADF X) in May 2008 enabled ADB to respond quickly to the needs of developing member countries affected by the crisis.

Volume of ADB's Total Operations and Crisis Assistance (\$ million)

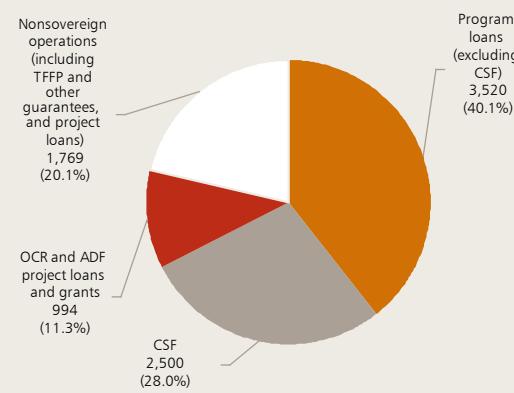


By 31 December, ADB had allocated \$8.8 billion in total crisis support for 43 projects, of which \$7.0 billion (80%) was delivered in 2009. By source of fund, ordinary capital resources (OCR) provided \$7.6 billion (87%) and ADF resources provided the remaining \$1.2 billion (13%). By modality, program loans accounted for 40.1%, the Countercyclical Support Facility (CSF) provided about 28.5%, nonsovereign operations accounted for 20.1%, and 11.3% came from sovereign project loans and grants. Crisis assistance concentrated primarily on quick-disbursing budget support, and supporting public and private projects that generate employment and increase business confidence. As of 31 December, total crisis-related disbursement amounted to more than \$4 billion.

Countercyclical Support Facility

In June, ADB established the \$3 billion CSF. The new, time-restricted budget support instrument will support developing member countries eligible for borrowing OCR and help middle-income developing member countries sustain critical expenditures. Designed as a short-term lending instrument, the CSF complements conventional program loans that support longer-term structural reforms. The CSF adopted access criteria to determine eligibility, and needs

Total OCR and ADF Crisis Assistance by Modality (\$ million)



ADF = Asian Development Fund, CSF = Countercyclical Support Facility, OCR = ordinary capital resources, TFFP = Trade Finance Facilitation Program.

and equity considerations to determine loan amounts. By 31 December, ADB had approved \$2.5 billion in assistance to five countries (Bangladesh, Indonesia, Kazakhstan, the Philippines, and Viet Nam). Consistent with the quick-disbursing nature of the facility, \$2 billion (80% of the amount approved) had been fully disbursed by the end of 2009.

Additional Asian Development Fund Commitment Authority

Also in June, ADB approved an additional \$400 million ADF commitment authority to help the most fiscally stretched ADF-only countries, which have difficulty accessing nonconcessional resources. Funds were allocated according to the performance-based allocation formula, increasing the total ADF allocation for 2009–2010 to \$5.76 billion. In addition, ADF-eligible borrowers were allowed to front-load up to 100% of their biennial allocation. Armenia, Georgia, Mongolia, and Papua New Guinea sought and received approval for front-loading beyond their maximum allowable annual utilization.

Cofinancing

ADB also committed to increase project cofinancing. The total of direct value-added cofinancing (see Glossary) increased from \$1.1 billion in 2008 to \$3.2 billion in 2009. Collaborative cofinancing with the World Bank accounted for most of the increase. To establish stable sources of funding alongside its own investments, ADB also increased its efforts toward more programmatic cofinancing arrangements with its financing partners (the People's Republic of China, Islamic Development Bank, Japan, and the Republic of Korea).

Supporting Private Sector Recovery

Strategy 2020 emphasizes the importance of the private sector as a key driver of change, a role that increased as the region worked to overcome the economic crisis and impel the next stage of growth. ADB's crisis-related assistance to the private sector aims to rebuild business confidence by providing incentives for private investment and facilitating trade financing. The crisis dramatically reduced the amount of financing available to companies for trade. This shortage hit developing nations particularly hard as major international banks worked to rebuild capital and reduce risk. Access to trade finance has been vital in cushioning the shock of the global crisis on international trade. On 31 March, ADB expanded its Trade Finance Facilitation Program (TFFP), increasing its overall exposure limit to \$1 billion from an initial \$150 million. By the end of December, total TFFP exposure reached over \$700 million, exceeding the \$500 million target set for 2009. This TFFP

exposure supported \$1.9 billion in trade, most of which occurred within the region. Much of ADB's TFFP outstanding portfolio is in Asia's most challenging markets, including Bangladesh and Pakistan. The program continues to expand aggressively throughout developing Asia.

Strengthening Regional Cooperation, Policy Advice, and Knowledge Sharing

ADB also intensified its policy advice to developing member countries through technical assistance grants. Country economic analysis and forecast for Asia and the Pacific were spearheaded by the *Asian Development Outlook* (ADO) in March and the ADO update in September. To generate appropriate policy responses to the crisis, ADB and the ADB Institute also facilitated expert discussions and ideas exchange among developing member countries, organizing about 20 events on the global economic crisis (often in association with other development partners) throughout 2009.

In March, ADB convened the first South Asian Forum on the Impact of the Global Economic and Financial Crisis. During the 2-day forum in Manila, public and private sector representatives from seven South Asian countries (Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka) shared cross-country experiences on the impacts of the crisis, and on the ongoing and planned measures to preserve financial stability, stimulate growth, and ensure social protection in their respective economies. In September, a high-level conference on the impact of the crisis on poverty and sustainable development was held in Ha Noi, Viet Nam. In early October, an international conference co-organized by ADB on financial policy responses to the crisis, held in Seoul, Republic of Korea, drew lessons from the crisis and identified areas to further safeguard regional financial systems.

ADB estimates the regional decline in economic growth in 2009 will cause 54 million and 71 million people to remain below the poverty threshold (at \$1.25 and \$2.00 a day, respectively), compared with a "without crisis" scenario. This is a major setback to the fight against poverty



Chapter 4

DELIVERING AN EFFECTIVE ORGANIZATION

Through actions including stronger, more independent evaluation of its programs, influential research underscoring its role as a regional knowledge leader, and better management of human resources, ADB strove to increase the effectiveness of its development programs. It bolstered its institutional relevance and performance through a lasting commitment to the principles of good governance and sound business practices in all operations.

OVERVIEW

ADB worked systematically to make its assistance more efficient, deliver better results, and make the best use of resources under the fifth general capital increase. Key activities for executing Strategy 2020 included initiatives to improve how ADB manages and accounts for its money, manages staff, and progresses toward building an effective learning organization that is able to excel at leveraging and sharing its expertise with development partners.

Rigorous assessment of strategies, policies, procedures, and operations by the renamed Independent Evaluation Department (IED) continued during the year. Monitoring of IED's recommendations for deeper management accountability and dissemination of lessons learned within ADB and beyond were important themes throughout 2009. ADB's research departments—Asian Development Bank Institute (ADB Institute), Economics and Research Department, Office of Regional and Economic Integration, and Regional and Sustainable Development Department—continued to produce key analyses and information, such as the seminal piece of work on a “seamless Asia” which has influenced policy makers across ADB's member countries.

The year also saw ADB improve its human resources management to prepare for the increase in workforce required to implement Strategy 2020, and streamline business processes to consolidate partnerships with developing member countries and improve loan delivery. Credit risk management was improved to better position nonsovereign operations for the private sector's increased role in ADB operations over the coming decade.

ENSURING ADB MAKES A REAL DIFFERENCE

Managing for Development Results

In September, ADB Management approved a new action plan to institutionalize the managing for development results (MfDR) approach, support developing member countries' capacity to follow its methods, and build partnerships with other organizations on global and regional MfDR initiatives.

During the year, ADB further refined its focus on results. This was achieved through regular performance monitoring and action planning within the corporate

results framework, the second development effectiveness review (covering ADB's performance in 2008), and the use of better tools for country operations planning, monitoring, and reporting, helped by user-friendly management information systems.

ADB also implemented recommendations of the 2007 and 2008 development effectiveness reviews. ADB incorporated feedback from shareholders into the results framework and streamlined sector-wide outputs, and established common definitions for all performance indicators across departments. ADB added more quantitative data alongside qualitative country assessments in its *Development Effectiveness Brief* series. By using selected indicators from its results framework, ADB brought the briefs in line with the development effectiveness review. ADB also established a working group to identify better steps to incorporating gender issues in all its operations.

ADB helped increase results management capacity in its developing member countries by promoting learning and knowledge exchange through the Asia-Pacific Community of Practice on Managing for Development Results. The community of practice fosters exchange between public managers, organizations, executing agencies, and practitioners. As the secretariat for the community of practice, ADB published *Moving from Concept to Action on MfDR* good practices.

ADB also funded initiatives to promote MfDR in planning and implementing programs in developing member countries. ADB supported the Asia Regional Forum on Mainstreaming Managing for Development Results, held in Colombo in October. The forum gave developing member countries an opportunity to discuss MfDR experiences and current obstacles, especially in results-based budgeting. ADB participated in global and regional initiatives such as the Organisation for Economic Co-operation and Development–Development Assistance Committee Global Partnership on Managing for Development Results and the Multilateral Development Bank Working Group on Managing for Development Results.

The Development Effectiveness Review assesses ADB's progress in implementing Strategy 2020. It is a key element in mainstreaming the managing for development results approach in ADB's operations

Progress on Aid Effectiveness Agenda

ADB made significant progress toward achieving most targets of the Paris Declaration on Aid Effectiveness. Concentrating on the need to keep policies and programs in step with those of developing member countries, ADB met targets for aligning aid flows with national priorities, coordinating technical support, and using country public financial management systems. It is also on track to meet targets on the use of country procurement systems for national competitive bidding, on reducing the number of parallel project implementation structures, and for enhancing aid predictability. ADB will need

to increase efforts to meet targets on using program-based approaches and coordinating donor missions, and to undertake joint country analytical work to meet the Paris Declaration targets by their 2010 deadline. In March, ADB launched a joint donor initiative called the Capacity Development Facility for Development Effectiveness to help governments prepare localized action plans on the declaration.

Ensuring Accountability and Compliance

The ADB Accountability Mechanism provides an independent forum for people adversely affected by ADB-

2008 Development Effectiveness Review

To ensure that it is meeting the goals laid out under its long-term strategy for 2008–2020 (Strategy 2020), ADB adopted a corporate results framework that measures its contribution to development in Asia and the Pacific, and its performance as an organization. ADB reports progress on the results framework annually through the Development Effectiveness Review. The 2008 Development Effectiveness Review is ADB's second corporate performance report.

The 2008 review confirms that, compared with its 2007 performance, ADB is improving its overall development effectiveness, with the majority of performance indicators on track to meet targets. It also highlights areas that need strengthening, such as project performance reporting, knowledge creation and sharing, cofinancing, gender mainstreaming through operations, and gender equality within the organization. In response to the review findings, ADB will implement a number of time-bound remedial actions.

2008 Development Effectiveness Review Summary of Performance

	ADB Countries	ADF* Countries
Performance Categories	ADB Operations	ADF Operations
Asia and the Pacific Development Outcomes (Level 1)		
Poverty and Human Development Outcomes	G	A
Other Outcome Indicators	G	G
Key Sector Outputs and Their Contributions to Development Outcomes (Level 2)		
Operational Effectiveness (Level 3)	G	G
Operational Quality and Portfolio Performance	G	G
Finance Mobilization	G	A
Gender Mainstreaming	R	R
Strategic Focus in Operations	G	G
Knowledge Management	A	A
Partnerships	G	G
Organizational Effectiveness (Level 4)		
Human Resources	A	A
Budget Adequacy	R	R
Business Processes and Practices	G	G

- (G) Green: "On track" (More than 50% of indicators in the group have shown improvements over baselines or previous periods.)
- (A) Amber: "Potential regression" (Results are mixed: equal number of indicators improving or beginning to stagnate or regress.)
- (R) Red: "Stagnated or regressed" (More than half of indicators in the group stagnating or regressing over two or more previous review periods)

assisted projects to voice complaints, report allegations of noncompliance with ADB's operational policies and procedures, and achieve resolution. The mechanism has two related phases: consultation conducted by the special project facilitator, and review led by the independent Compliance Review Panel. People who believe that they are, or may be, adversely affected by ADB-assisted operations may bring a complaint to the special project facilitator to seek a resolution of the problem through consultation and facilitation. In certain circumstances, if the affected persons believe the alleged harm was the result of ADB's failure to comply with operational policies and procedures, they may ask that the panel review the allegation of noncompliance. The mechanism is also designed to contribute to ADB's development effectiveness and help improve project quality.

The Office of the Special Project Facilitator (OSPF) reviewed 13 new complaints in 2009. Four were found to meet OSPF's eligibility criteria, and their handling received priority attention. OSPF conducted studies and disseminated information on project-specific grievance mechanisms, including a book on handling complaints. The Compliance Review Panel received one request for a review filed in relation to the Fuzhou Environmental Improvement Project in the People's Republic of China. The review was ongoing as of 31 December 2009. The panel also continued to monitor Board-approved remedial actions for the Chashma Right Bank Irrigation Project Stage III in Pakistan and the Southern Transport Development Project in Sri Lanka.

Throughout the year, OSPF and the Office of the Compliance Review Panel (OCRP) continued their outreach activities, including disseminating information about the Accountability Mechanism, by updating, translating, and distributing information brochures; and conducting orientation and training sessions. To aid cooperation with independent accountability mechanisms of international finance institutions, OCRP established a global community of practice, which joins other international financial institutions and a number of bilateral agencies as part of a virtual network.

Independent Evaluation for Development Effectiveness

Although the Operations Evaluation Department became operationally independent in January 2004 and

began reporting directly to ADB's Board of Directors, a review in 2008—which included extensive consultation with members of ADB's staff, Management and Board of Directors, and the Evaluation Cooperation Group of other multilateral development banks—concluded that its evaluation functions could be made more effective. Accordingly, on 1 January 2009, it became the IED. This and other changes effectively minimized the role of Management in selecting, appointing, and evaluating the performance of IED's director general, thus ensuring operational autonomy and protection from outside influence. The changes also provided a greater degree of autonomy in the recruitment of department staff, and more independence in budget formulation and flexibility in resource use. The Board's updated policy on IED likewise requires it to follow internationally accepted principles to ensure that its evaluations are impartial, independent, credible, timely, and useful, and that it works closely with all stakeholders.

From an accountability perspective, the purpose of independent evaluation is to assess whether ADB is doing the right things, allocating and using resources properly, and realizing intended outcomes. One measure of this is the project and program success rate. The long-term trend in success rates of ADB projects and programs by the year of approval is shown in the figure in Appendix 15. The tables in the same appendix show project and program success rates by country and sector.

The IED also derives lessons and best practices to promote the sustainability and development impact of ADB assistance; recommends measures for the design of future policies, strategies, practices, and procedures; and assesses the development effectiveness of resources. Follow-up assessments of recommendations are carried out to sustain the benefits of ADB's operations.

The department also coordinates evaluation practices and activities with other multilateral development banks through the Evaluation Cooperation Group, and reviews new operations to ensure that lessons learned and appropriate monitoring and evaluation frameworks have been incorporated.

A more rigorous system to monitor the cumulative progress of actions taken on the department's recommendations became operational in 2009. The management action record system serves as an accountability mechanism to monitor how the department's recommendations are acted upon. The system allows

assessment of how ADB Management incorporates the findings and recommendations of evaluations into its decision making. The system provides wide electronic access to evaluation recommendations. It also promotes ADB ownership and allows systematic tracking to help validate actions taken. To ensure improved development effectiveness, IED highlighted the importance of monitoring outcomes, particularly after loans are closed.

IED's work program is rooted in Strategy 2020 and the ninth replenishment of the Asian Development Fund (ADF). It takes into account ADB's changing operating environment and promotes self-evaluation by operational departments and developing member countries. IED increasingly turned to providing input into ADB policies and programs to ensure greater consistency with overall strategy. Both higher-level evaluations on a regional scale and the strengthening of self-evaluation within ADB's

Helping Lives to Flow

Independent evaluation allowed the success of a water and sanitation project in Pakistan to be gauged, while highlighting where there was room for improvement

ADB-funded water and sanitation projects in Pakistan's Punjab province brought the welcome benefit of freedom from an arduous task for one schoolgirl. "I do not have to suffer from back pain and headache from fetching water from outside. I can now go to high school and think about my future," she says.

The \$38 million Punjab Rural Water Supply and Sanitation Project, completed in 2003, improved conditions for about 900,000 people in 335 communities; and the \$50 million Punjab Community Water Supply and Sanitation Project, completed in 2007, brought the same kind of benefits to about 2.3 million people in 788 communities.

An assessment by ADB's Independent Evaluation Department showed the sense of liberation felt by the girl in Rawalpindi and other districts, and improved the lives of the 3.2 million people given access to clean water.

The department's study measured the impact of the projects on health, school attendance, labor force participation, and the hours worked. Comparisons with

almost identical households in a similar location outside the project area enabled the scale of improvements to be estimated and attributed more accurately.

The study compared a representative sample of 1,301 beneficiary households selected randomly from 115 communities (10% of communities in the project areas) with a comparison group of 1,301 randomly selected households from 115 communities that were not part of the project. These two groups were well matched in terms of all key socioeconomic attributes except access to a potable water supply.

It was found that ADB assistance greatly improved access to drinking water and particularly benefited women and girls, freed from the time and difficulty of carrying water from far-flung places. "My girls do not have to walk long distances to fetch water because it is available within the house. I am happy with water quality and availability," said a woman from Faisalabad district.

The time and effort saved has resulted in 8.2% more girls (14–17 years old) attending high school, and significantly reduced the school dropout rate in the project areas, even among the poorest.

Better access to safe water supply did not, however, improve women's participation in the workforce, nor did it significantly reduce the incidence and intensity of diarrhea. Rural water supply and sanitation projects focus more on improving water access to the households, and less on managing wastewater and solid waste.

The study concluded that the next step in project design to improve the effectiveness of ADB investments is to create synergies between water supply and the safe disposal of waste water.



Supplying running water in villages saves women from an arduous task

"My girls do not have to walk long distances because water is available within the house"

—A mother, Faisalabad district, Pakistan

Greenhouse Gas Emissions and ADB Operations in the Energy Sector

As a significant proportion of greenhouse gas (GHG) emissions originates from the energy sector, energy operations are critical to controlling pollution. At the same time, because of the vital role that energy availability plays in economic development, ADB assigns a high priority to investments in this sector. To address global concerns that GHG emissions accelerate climate change, both ADB's Strategy 2020 and its 2009 Energy Policy require that ADB assist developing member countries to put their economies on a low-carbon growth path. In particular, ADB is to help developing member countries improve energy efficiency, expand the use of energy derived from clean sources, reduce fugitive GHG emissions such as methane from landfills, modernize public transport systems, and arrest deforestation.

In fulfilling this mandate, the Independent Evaluation Department recently reviewed ADB's energy sector assistance to Bangladesh, the People's Republic of China, India, Pakistan, the Philippines, and Viet Nam. These countries account for 80% of ADB assistance to the energy sector. Comparing the periods 2001–2005 and 2006–2008, the review found that annual lending to clean energy projects increased fourfold to about \$670 million,

the share of clean energy projects in total energy sector assistance increased from 26% to 43%, and energy sector assistance to the private sector (without government guarantee) increased twelvefold. The review also found ADB has increasingly emphasized GHG-efficient investments in its energy sector portfolio.

The review found that in promoting investment in energy efficiency, ADB focuses more on energy sector entities rather than broad reforms of the entire sector. Scope exists for ADB to assist developing member countries to cut the high cost of energy from renewable sources. This can be done by helping developing member countries introduce more appropriate technologies, encouraging local production of equipment, and exploiting economies of scale. Finally, the review recommended that ADB promote GHG-efficient investments by helping developing member countries reduce the incremental cost of clean-coal technologies, encourage the use of appropriate and affordable renewable energy technologies, aggressively pursue methane capture projects, focus on projects that increase energy efficiency in the industry sector, and assess the GHG implications of proposed energy-sector investments.

operational departments continued. IED also helped developing member countries build capacity to evaluate and monitor investments. In the People's Republic of China, IED and the World Bank's Evaluation Group jointly provided training in this regard.

IED completed country assistance program evaluations for Bangladesh, Cambodia, Nepal, and Viet Nam. The department conducted several higher-level special evaluation studies relating to public–private partnerships, rural roads, gender and development, and justice reforms in selected developing countries. It evaluated ADB assistance to public sector reform in Pacific island countries. IED used quasi-experimental methods to assess the development impact of ADB operations (Helping Lives to Flow, p. 22).

Besides providing timely feedback on operational documents, IED also continued to carry out real-time evaluation. It examined the ongoing Emergency Rehabilitation of Calamity Damage Project in Viet Nam, as well as ADB's response to the global financial crisis of 2008–2009. In sum, IED continued to perform credible, timely, and strategic higher-level evaluations, and to encourage and validate self-evaluation by operational departments and developing member countries.

STRENGTHENING LEARNING

Learning from Independent Evaluation

IED disseminated its findings and lessons learned on its website and through knowledge products such as Learning Curves, Evaluation Alerts, Evaluation Presentations, and Evaluation News. IED also introduced Evaluation Knowledge Brief, which analyzes specific areas of ADB operations with respect to issues that interest both the developing member countries and the donor community. The first brief analyzed the interrelationship between economic growth, ADB operations in the energy sector, the global problem of greenhouse gas emissions, and Strategy 2020's emphasis on environmentally sustainable growth (Greenhouse Gas Emissions and ADB Operations in the Energy Sector, p. 23). Such department initiatives provide timely information on matters of broad concern to development stakeholders and help decision makers take action.

In February, IED's internal structure was reconfigured to align with ADB's overall organizational structure. IED also established a strategy, quality, and knowledge unit

within the office of the director general to provide quality assurance services, improve and refine evaluation methodologies, and manage knowledge products. Finally, the department began developing a long-term strategy to 2020 to ensure appropriate responses to the region's development requirements that are likely to emerge.

Generating and Sharing Knowledge

ADB's Strategy 2020 underlined the importance of knowledge solutions as a driver of change. On 31 July, President Kuroda approved a comprehensive plan of action to ensure that the organization's knowledge products and services remains of the highest quality, continues to expand, and is of practical use in developing member countries. The plan is organized into four clusters. The first focuses on adding value to ADB's operations in developing member countries, and the other three deal with how to do it. The plan is designed to sharpen the knowledge focus in ADB's operations, empower communities of practice, strengthen external knowledge partnerships, and enhance staff learning and skills.

Several parts of the plan were launched in 2009, building on work started in the previous year. Measures for implementing others were incorporated into ADB's Work Program and Budget Framework (2010–2012). In November, the Regional and Sustainable Development Department began to formulate a knowledge management results framework to monitor and report on implementation.

Toward the end of the year, ADB conducted its annual Most Admired Knowledge Enterprise survey to gauge staff perception of how effective ADB was in managing knowledge in 2009. Staff participation increased by

155% over 2008, and the survey confirmed improved organizational knowledge capacities, especially in developing and delivering client knowledge-based projects and services and in creating a knowledge-sharing environment throughout the organization.

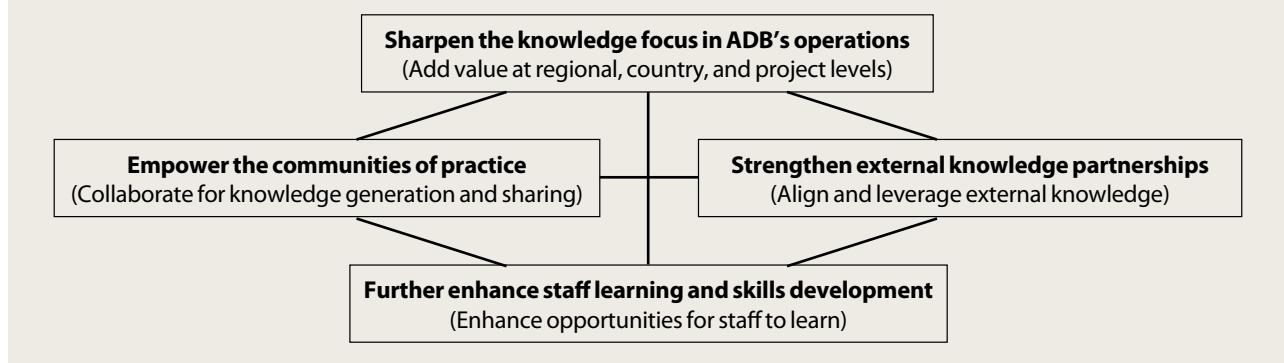
In response to requests from policy makers, ADB Institute evaluated the impacts of the global crisis on Asia. The research recommended macroprudential surveillance and regulation of the finance sector; deepening of regional bond markets, including promotion of rating agencies, and harmonization of issuing requirements, regulations, and tax regimes; a regime for monetary policy that takes account of asset price movements to avoid development of bubbles; greater liberalization of regional trade (including services) and investment; development of an Asian infrastructure investment fund; stronger social safety nets and national pension systems; and policies and strategies to achieve low-carbon growth more cost-effectively and to lower trade barriers for green technology transfer.

ADB Institute's distinguished-speaker seminar series encouraged debate and knowledge sharing. At nine presentations, internationally known experts spoke on policy and development issues, including reform of international economic institutions, post-crisis issues facing Asia and the Pacific, and United States trade policy toward Asia.

Sharpening the Knowledge Focus in ADB Operations

ADB leveraged its comparative advantages—expertise in identifying trends in the region, capacity for interdisciplinary and integrated approaches, and its ability to blend

Enhancing Knowledge Management under Strategy 2020: Plan of Action for 2009–2011



knowledge and insight with large, concessional financing—to generate and share operationally relevant knowledge.

At the regional level, the knowledge departments generated and shared knowledge highlighting ADB's stance on critical challenges in Asia and the Pacific. These products, designed to help key regional stakeholders make informed decisions and take positive action, received much coverage in the global media, reinforcing ADB's image as a knowledge source. (See Appendix 14 for a list of ADB's knowledge products.)

Asian Development Outlook 2009: Rebalancing Asia's Growth discussed the mix of actions that were undertaken in Asian economies to mitigate the effects of the global economic crisis and recommended measures to rebalance Asia's growth. *Asian Development Outlook 2009 Update* concentrated on broadening the scope and structure of Asia's openness to trade, capital flows, and movement of workers.

ADB Institute's conference with the Brookings Institution discussed the principles of financial regulation, financial development and regulation in emerging markets, macroeconomic frameworks to support financial stability and inclusion, and cross-border regulation of capital flows. The Regional and Sustainable Development Department and ADB Institute organized a conference on The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific in Ha Noi, Viet Nam. The conference also served as the 3rd China-ASEAN (Association of Southeast Asian Nations) Forum on Social Development and Poverty Reduction and the 4th ASEAN+3 High-Level Seminar on Poverty Reduction.

2009 Key Indicators for Asia and the Pacific—besides featuring the latest available economic, financial, social, and environmental indicators for the region—deliberated on the impact of the crisis on small and medium-sized enterprises, and on how they might foster greater dynamism once the crisis has played out. *Infrastructure for a Seamless Asia* projected an annual infrastructure investment of \$750 billion in the region during 2010–2020 and proposed an infrastructure fund to mobilize Asian and international funds.

Economics of Climate Change in Southeast Asia: A Regional Review demonstrated to stakeholders, including policy makers and the private sector, that a wide range of adaptation measures are already being applied, and that the region has great potential to contribute to the global reduction of greenhouse gas emissions.

To further monitor developments in the region, *Asia Capital Markets Monitor* was launched. It is an annual report that reviews recent developments in Asia's stock, bond, and currency markets, along with their outlook, risks, and policy implications. *Asia Bond Monitor* was launched as a quarterly publication to provide more timely analysis of local-currency-denominated bond markets in the wake of the global financial crisis. The semiannual *Asia Economic Monitor* was published in July and December.

At the country level, the knowledge departments produced diagnostics to mainstream in-depth analysis of binding developments in ADB country partnership strategy formulation and improvements in project design. Examples included *Diagnosing the Philippine Economy—Toward Inclusive Growth; Nepal: Critical Development Constraints; and Sanitation in India—Progress, Differentials, Correlates, and Challenges*. The statistical database system, ADB's searchable database for storing annually updated macroeconomic and social data from national statistical offices and central banks, continued to support ADB's operations. The Economics and Research Department conducted a workshop on Challenges in Managing National Statistical Systems to build the capacity of national statistical offices and planning and finance ministries.

At the project level, successful practices were documented and disseminated through briefs and good-practice papers. Many of these were founded on IED's studies as well as self-evaluations. The *Knowledge Showcase* series—which presents innovative ideas and serves to foster discussion and research, and perhaps even encourages replication—covered disaster management, public accountability, and more. The readership increased both inside and outside ADB.

Knowledge Solutions—quick reference guides to tools, methods, and approaches that propel development and enhance its effects—attracted more attention. Topics on strategy development, management techniques, collaboration mechanisms, knowledge sharing and learning, and knowledge capture and storage were covered in 43 issues added to the series. *ADB Economics Working Paper Series, ADB Regional Economic Integration Working Paper Series, ADBI Working Paper Series, ADB Briefs, and Asian Development Review*—the forums for ongoing and recently completed research and policy studies by ADB and ADB Institute staff members, consultants, and resource persons—continued to stimulate discussion on key economic and development issues in the region.

Empowering the Communities of Practice

Communities of practice (CoPs) help generate and share knowledge, ultimately to the benefit of ADB's clients. They keep know-how in sectoral and thematic domains alive by continuously sharing what they know, building on it, and adapting knowledge to specific applications.

ADB hosted CoPs on topics such as agriculture and food security, education, energy, environment, finance, gender, governance, health, regional cooperation, transport, urban development, and water. The year saw a surge in support to CoPs, beginning with the first-ever survey to gauge factors contributing to their performance. Next came interventions to fill gaps and boost effectiveness—including significant budget increases, streamlined guidelines on sector and thematic reporting, a brainstorming session toward a forum on learning, and an inaugural year-end gathering to give in-house CoPs a chance to highlight their accomplishments and exchange lessons.

CoPs contributed to key ADB documents, among them the Operational Plan for Sustainable Food Security and Sustainable Transport Initiatives and Action Plan. They also undertook numerous regional studies in aid of project design and implementation, including rapid gender assessments in four developing member countries, market analysis and project identification for nonsovereign lending in urban infrastructure in the People's Republic of China, and an assessment of the community impact of environmental infrastructure in Pakistan.

Outreach to stakeholders also gained firmer footing, with CoP members providing advice on projects managed by their peers (e.g., the Viet Nam Mong Duong 2 Power Plant), and CoPs as a group forging stronger links with development partners (e.g., the Clean Air Initiative for Asian Cities). Finally, the CoPs broadened ADB's knowledge base by producing a long list of knowledge products, including good-practice studies on education, tool kits for urban transport development, and e-newsletters and video documentaries on water.

Strengthening External Knowledge Partnerships

ADB shares insights from its development practices and benefits from knowledge generated by others. Knowledge hubs are important conduits.

The number of ADB-assisted water-related hubs grew from 13 to 17. They offered innovative solutions in river basin management, climate change adaptation, water quality management, and irrigation service reforms. Seven regional knowledge hubs established in 2006 on clean energy; climate change; public finance; public–private partnerships; reducing, reusing, and recycling; sustainable development; and regional trade and investment cooperation stood to complete their deliverables in the first half of 2010.

Work on guidelines to design knowledge partnerships for collaborative advantage was initiated to strengthen existing partnerships and develop new ones.

Country diagnostics were developed in partnership with the United Kingdom's Department for International Development and Department of Foreign Affairs, the International Labour Organization, the Islamic Development Bank, the United Nations (UN) Economic and Social Commission for Asia and the Pacific, and relevant government agencies. The Workshop on Challenges in Managing National Statistical Systems was held in collaboration with the Food and Agriculture Organization of the UN. ADB signed a milestone agreement with the National University of Singapore's Lee Kuan Yew School of Public Policy to exchange information, knowledge, and staff.

ADB Institute served as a forum for Asian think tanks to forge recommendations for East Asian countries participating in the G20 London Summit. The forum called for collective action in East Asia and encouraged the US and Europe to improve their fiscal and financial health.

About 1,500 people, two-thirds of whom were government officials from developing member countries, attended 31 ADB Institute capacity-building events. The events tackled public–private partnerships in infrastructure, water resource management, climate change adaptation, capital market reforms, trade facilitation, eco-industrial clusters, the Millennium Development Goals, and competition policies.

The Organisation for Economic Co-operation and Development and ADB Institute's 10th Roundtable on Capital Market Reform in Asia debated the causes of the global financial crisis, and the impact on and implications for capital market development in Asia.

Enhancing Staff Learning and Skills

The ability of staff to learn is a precondition to the success of Strategy 2020. Beyond updating technical and professional skills, staff must also acquire and

master methods and techniques for knowledge management and learning.

Several needs-based learning programs were conducted. Among many others, these included economic analysis for investment-based lending, climate change and financing for ADB operations, and Islamic finance. The customized nature of the courses gave staff members new skills, from simulating climate change and its economic impacts to performing econometric analysis using state-of-the-art software.

The Regional and Sustainable Development Department developed six courses, dubbed Learning for Change Primers, to help raise in-house capacity to leverage knowledge with information technology, grasp the essentials of successful communities of practice, understand knowledge management and learning essentials, manage knowledge at work, build a learning organization, and improve the design of knowledge partnerships.

Efforts were made to capture, store, and share the knowledge of past and present staff members. Throughout the year, they explored ways to marry ADB's narrative capacity with its analytical skills. To form a living archive, an exhibit, short structured sessions, and interactive workshops were held, and extended oral history interviews and on-location sound recordings were collected. ADB now has a pool of staff members trained to apply narrative techniques supported by a major publication, *ADB: Reflections and Beyond*. An accompanying audio composition, *Beyond: Stories and Sounds from ADB's Region*, wove excerpts from the interviews to sounds from ADB's headquarters and the field. Yet another product was *ADB Narrative Practitioners Handbook*. The successful introduction of stories and narratives in ADB significantly enhanced its ability to value, share, and capitalize on development impact.

Raising Awareness of Knowledge Management and Learning

Seeds planted in knowledge products and services blossomed into greater awareness and improved performance throughout the year. ADB's web pages on knowledge management and learning (www.adb.org/knowledge-management) were overhauled, sparking an immediate doubling of readership. Their content and usability were enhanced and instruments introduced to generate enthusiasm about ADB work, including tools, methods, and approaches for knowl-

edge management and learning. Success stories showcasing accomplishments were publicized, and other instructive and informative materials were disseminated. *Learning for Change in ADB*—which illustrates how the parameters of a learning organization are defined and discusses how ADB can overcome key challenges—attracted worldwide attention. Brochures, posters, bookmarks, and digital signage sent out messages on the value of managing knowledge.

Dissemination of knowledge products took traditional and modern paths. Aside from direct distribution to clients, audiences, and partners, and advertising through launches, press conferences, media interviews, and ADB websites, modern tools like blogs, tweets, social networking facilities, e-flyers, and podcasts were used to expand outreach and engage stakeholders.

Disclosure and Transparency

Since the approval of its public communications policy in April 2005, ADB has become much more transparent in the way it communicates with the public and shares information with its stakeholders, particularly about ADB projects.

Of initial project information documents for public and private sector projects under preparation, 97% were disclosed on ADB's website (63% in 2006). Disclosure has become more timely each year since the policy's approval in 2005.

Policy and strategy papers, agendas, and minutes of meetings of ADB's Board of Directors, and summaries of Board discussions on strategy, policies, and regional and country partnership strategies were made public, as were documents required for public disclosure during project design and implementation, including environmental assessments.

Staff members (273, including 106 from resident missions) were briefed on the policy. The staff disclosure handbook was updated to cover new document types. Seminars on the policy were held for development partners, including 58 developing member country officials, and civil society organizations in Cambodia and Viet Nam. ADB also informed 30 network members of the NGO (Nongovernment) Forum on ADB of their right to access information and of the status of policy implementation.

ADB continued to maintain and improve the disclosure information technology systems to adjust to changes in business processes and to address user concerns. The

InfoUnit responded to all external requests in 4 days on average, the maximum time limit allowed by the policy being 30 days.

MAKING THE MOST OF ADB RESOURCES

Improving Human Resources Management

ADB shows its commitment to institutional effectiveness by continually improving human resources management. The 2008 comprehensive review of the human resources strategy (2005–2007) underscored the importance of linking ADB's human resources management to its business to support and deliver Strategy 2020's required results. The findings of the review and the 2008 staff engagement survey were combined to develop a detailed, time-bound human resources action plan. Its priority was the development of a new strategy on which to base workforce planning for successful implementation of Strategy 2020, taking into account projected growth in the number of staff from 2010 to 2012 that the fifth general capital increase will finance. Our People Strategy was drafted and circulated to the Board of Directors for discussion. An equally important section of the plan consists of measures to strengthen the human resources function (Finance and Administration, p. 92).

Streamlining Business Processes

ADB completed an assessment of its business processes. The work aimed to improve efficiency and streamline processes without sacrificing quality in two areas: the country partnership strategy and loan delivery. Working groups were established to consider options for streamlining documentation and reducing complex processing steps and reviews. Their recommendations were approved by Management in November.

ADB is refocusing its country partnership strategies on the points where a country's development plans and Strategy 2020 intersect. This will better align ADB resources with the national strategic planning cycle. Other improvements in ADB's strategies included enhanced review processes through peer group assessments and the creation of a single documentation platform. In-depth sector and thematic evaluations were unbundled

from the country partnership strategy process and merged with ADB's knowledge management functions. This will permit more demand-driven analytical work to be carried out with the participation of development partners.

Loan delivery reforms included a single concept clearance process (combining project preparatory technical assistance and loans), the further merging of the project preparatory phase with loan processing, and enhanced quality assurance through a risk-based project categorization of operations (including greater management and peer scrutiny of complex projects). Still other reforms included more strategic and sector-focused peer review; better use of the project administration manual in project design, readiness, and implementation; and the introduction of indefinite delivery contracts to mobilize the expertise of consultants. These are expected to halve the average time for processing loans.

Strengthening Risk Management

The Risk Management Unit was upgraded to the Office of Risk Management on 1 October. The expanded role will bring ADB into line with best market practice, including those of other multilateral development banks, and ensure greater efficiency and effectiveness of ADB's operations.

In conjunction with the review of ADB's policy on exposure limits for nonsovereign operations (Review of Exposure Limits on Nonsovereign Operations, p. 15), ADB introduced a new risk-rating methodology for nonsovereign operations. This assigns loans to categories based on a complete assessment of credit risk and will help ADB gauge the potential losses and amount of capital needed to be set aside for absorbing expected and unexpected losses. As well as allowing for improved management of credit risks in ADB's nonsovereign loan and guarantee portfolios, the methodology applies a system for considering credit risk when pricing new transactions, and adds to efficiency by standardizing credit processes. Work is also under way to develop an integrated risk management system that will provide an information technology platform to monitor and manage risk more efficiently.

Audit

ADB's loan, grant, and technical assistance operations are audited independently by the Office of the Auditor General (OAG). The office also conducts audits of finan-

cial, accounting, risk management, and administrative processes, and information systems. Risk assessment is at the heart of the audit process, which is geared to strengthening internal controls and governance, and ensuring compliance with ADB policies, procedures, and regulations. The audits achieve improvements in the effectiveness, efficiency, and economy of operational, financial, administrative, and information technology activities. OAG also works with Deloitte and Touche Singapore, ADB's newly appointed outside auditor, to ensure effective transition and proper coordination of audit activities. Formalized principles for the selection of the outside auditor are under discussion with the Audit Committee of the Board of Directors. These principles will apply to the next selection of the outside auditor, which will take place in 2012, and will serve to further increase the transparency of the outside auditor selection process.

OAG completed 25 audits in 2009. Loan, grant, and technical assistance portfolios of selected headquarters divisions, resident missions, and regional offices were reviewed in terms of their compliance with ADB policies and procedures and contractual agreements. The audits took account of the accuracy, reliability, and timeliness of financial, managerial, and operating information, and looked at whether significant loan and grant objectives were achieved. The audits also considered the propriety of disbursements of operational activities and the processes for safeguarding assets.

Financial and administrative audits were conducted at headquarters and selected resident missions and regional offices to assess the reliability of financial data and the effectiveness of operations. Treasury reviews examined the investments of the staff retirement plan and the investment management system. Reviews of information systems covered the independent verification and validation of the governance of the Information Systems Technology Strategy II program, several information technology systems under development, and disaster recovery testing of critical systems. Several consultant contracts were audited to ensure the authenticity of claims. OAG also issued six internal audit certifications to donors of trust and grant funds upon the request of the Office of Cofinancing Operations and in compliance with the technical assistance letters of agreement and/or memoranda of understanding. Throughout the year, OAG continually monitored the progress of outstand-

ing recommendations, with an emphasis on high-risk recommendations.

Integrity and Anticorruption Activities

ADB separated its Integrity Division from OAG and established the Office of Anticorruption and Integrity (OAI) in October to ensure independence and impartiality in investigations and other activities pursuant to ADB's Anticorruption Policy. OAI serves as the reception point for allegations of fraud and corruption in ADB-financed activity. It is responsible for conducting independent and objective investigations of fraud and corruption, collusive and coercive practices, conflict of interest, and abuses. Working with other offices, OAI also advances awareness among stakeholders of Anticorruption Policy requirements.

As part of its overall efforts to encourage the reporting of integrity violations and misconduct, ADB introduced provisions for whistle-blower and witness protection within its framework for regulating staff conduct. Among other things, the provisions establish how to respond to whistle-blowing-related retaliation, and provide clarity on the remedies for retaliation against whistle-blowers.

ADB received 194 new allegations related to ADB-financed projects and ADB staff members, and sanctioned 68 individuals and 56 firms. Six project procurement-related reviews (formerly called project procurement-related audits) were carried out on projects in Armenia, Cambodia, India, Papua New Guinea, the Philippines, and Sri Lanka. Three limited project procurement-related reviews were conducted in Mongolia. OAI held anticorruption training sessions in Indonesia, Mongolia, Tajikistan, Uzbekistan, and Viet Nam under two regional technical assistance projects. The office also conducted 18 orientation seminars and 5 fraud and corruption awareness workshops as part of ADB's continuing endeavors to ensure that all ADB staff members observe the highest standards of integrity and ethics.

Ethics

The Ethics Committee was established by the Board of Directors in November 2006 to assist the Board of Directors with matters of ethics that may arise under the Code of Conduct for Directors, Alternates, and the President (see Board of Directors, p. 11, for details).



Chapter 5

SECTOR AND THEMATIC HIGHLIGHTS

ADB strengthened strategies and safeguards to support efforts of the entire organization and development partners to facilitate sustainable and inclusive economic growth. A new Energy Policy promoted the transition to a low-carbon economy, putting the environment at the heart of infrastructure investments. At a time of stress for Asia and the Pacific, ADB helped governments and the finance sector to better serve people and responded to growing demand for assistance in higher education. Strategies helped steer developing member countries toward achieving the Millennium Development Goals, and to mainstream gender equality into policies and programs.

Stategy 2020 envisions ADB operations focusing on a handful of priority sectors and thematic areas that align best with the long-term agenda for inclusive growth. These priorities take into account the current needs of developing member countries but remain adaptable to demands and challenges yet to come. ADB has mobilized its resources and strengthened its support to meet this agenda.

CLIMATE CHANGE

ADB further strengthened its capacity to support developing member countries in meeting climate change challenges. ADB engaged an advisory group of internationally recognized eminent persons, and drafted corporate priorities for action to provide strategic guidance to operations. ADB completed climate change implementation plans to guide operations in its five subregions and approved more than 40 new grant-financed programs, which leveraged over \$600 million in low-carbon, climate-resilient investments. A climate change coordination unit was established. ADB convened the High-Level Dialogue on Climate Change to discuss imperatives for climate action and mobilized climate finance for clean technology, climate resilience, forest protection, and renewable energy in low-income countries through the Climate Investment Funds, the Global Environment Facility, and the carbon market. The Future Carbon Fund provides up-front financing for post-2012 carbon credits. ADB also completed several ground-breaking studies on climate change: *Impacts of Climate Change in Southeast Asia*, *Improving Energy Security and Reducing Carbon Intensity in Asia and the Pacific*, *Building Climate Resilience in the Agriculture Sector in Asia and the Pacific*, and *Climate Change and Migration in Asia and the Pacific*.

ADB completed climate change implementation plans to guide operations in its five subregions and approved more than 40 new grant-financed programs, which leveraged over \$600 million of low-carbon, climate-resilient investment

SUSTAINABLE INFRASTRUCTURE

Energy. ADB approved a new Energy Policy to promote energy security, universal access, and the transition to a low-carbon economy.

The Energy Efficiency Initiative—the main vehicle for increasing investments in clean energy to \$1.0 billion a year—was completed, with ADB's investments reaching \$2.8 billion over the last 2 years. Redubbed the Clean Energy Program, it monitored the extent to which ADB's clean energy investments reduced greenhouse gas emissions, saved kilowatt-hours, and produced megawatts from renewable energy sources.

Transport. ADB's Sustainable Transport Initiative provided enhanced support to developing member countries in developing inclusive, clean, and energy-efficient transport projects and policies. ADB expanded partnerships in the transport sector, which led to the launch of the Partnership on Sustainable Low-Carbon Transport in Developing Countries. ADB signed a memorandum of understanding with the Inter-American Development Bank for cooperation on sustainable low-carbon transport, and was among the 50 organizations that signed the Bellagio Declaration on Transportation and Climate Change.

Water. ADB's Water Financing Program continued to promote increased investment in the water sector. By the end of 2009, 4 years after the program was launched in 2006, ADB had processed over \$8 billion in water investments. Approvals for water loans in 2009 amounted to \$1.6 billion. The Water Financing Partnership Facility, which was established to support the project, registered a total of \$48 million in confirmed commitments from financing partners by the end of 2009.

ADB emphasized the need for investments in sanitation “from toilet to river” in developing member countries. Beneficiaries included Azerbaijan, Cambodia, Indonesia, Kiribati, Pakistan, Palau, Samoa, Sri Lanka, Uzbekistan, and Viet Nam. ADB also increased assistance for climate change adaptation in the water sector.

Urban development. Urban environment infrastructure is a high priority under Strategy 2020, addressing the pressing issues of climate change, poverty reduction, and the creation of livable and sustainable cities. The urban sector accounts for an increasing share of ADB

lending, with 20 loans totaling \$2.3 billion approved in 2009. The Cities Development Initiative for Asia, supported by Germany, Spain, Sweden, and the Nordic Development Fund, with operations in 16 countries, leveraged resources with cofinancing and partnerships with private sector operations to approve programs and pre-feasibility studies in 11 cities. The Urban Financing Partnership Facility, designed to provide investment cofinancing for environmental infrastructure, and initially supported by Sweden with \$85 million in grants and guarantees, was approved.

FINANCE AND GOVERNANCE

Finance sector development. Finance sector development lending amounted to \$410 million, or about 6% of total lending. The loans supported general finance sector and capital market development, and finance infrastructure development for small and medium-sized enterprises, infrastructure, and housing.

Most technical assistance for finance sector development supported the preparation of lending programs or projects; the remainder backed collective efforts by developing member countries to promote regional economic and financial integration, international standards, and sound practices.

Governance. Under the Second Governance and Anticorruption Action Plan, ADB neared completion of its risk assessments for several countries, focusing on public finance management, procurement, and anticorruption policies. ADB supported the Capacity Development for Development Effectiveness Program, designed to help governments of developing member countries implement capacity development policies to further the Accra Agenda for Action.

HUMAN DEVELOPMENT

Education. ADB responded to growing demand from developing member countries for assistance in education with the establishment of Focus on Education, a series of knowledge products that includes reports on good practice in information and communication technology for education, technical and vocational

education and training, and cost sharing and financing in higher education. ADB also launched a regional study and capacity development project, Higher Education in Dynamic Asia.

Health. ADB focused on areas where its skills and experience are bringing the greatest benefits: water and sanitation infrastructure projects; governance and public expenditure management in health programs in the Lao People's Democratic Republic, Mongolia, and the Philippines; waste management in Bangladesh; and evidence-based advocacy and policy support in collaboration with other development partners. With the United Nations Children's Fund (UNICEF) and others, ADB helped develop an investment case for maternal, newborn, and child health; with the Joint United Nations Programme on HIV/AIDS (UNAIDS), the regional data hub for targeted interventions in HIV programs was further developed; and with the World Health Organization (WHO) and the World Bank, ADB initiated the Asia Pacific Health Observatory. ADB strengthened its partnership with the Association of Southeast Asian Nations and with the United Nations technical agencies (the Food and Agriculture Organization and the WHO) to develop regional collaboration and capacity to prevent and control infectious diseases. Asia was well prepared when the H1N1 pandemic hit the region.

Millennium Development Goals. Taking into account the 2015 deadline for the United Nations Millennium Development Goals (MDGs) and the global economic slowdown, ADB committed \$1.5 million to monitor and accelerate the achievement of MDGs in its developing member countries.

Working with the Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Development Programme (UNDP), ADB finalized its



ADB supports equal-opportunity education in Indonesia

2009 MDG progress report, which discusses the effects of the global economic slowdown on MDGs and recommends ways to prevent backsliding. ADB also discussed the need for social protection in developing member countries with programs on social assistance, conditional cash transfers, and community-driven development.

Gender mainstreaming in ADB operations. ADB set targets to achieve “gender mainstreaming”—the inclusion of gender-related analyses in program and project design—in 40% of public sector projects and in 50% of Asian Development Fund (ADF) projects by 2012. It established the interdepartmental Technical Working Group on Gender Mainstreaming to find ways to achieve the targets and reverse the retrogression of recent years. ADB also monitored pipeline projects for gender mainstreaming opportunities, increased the number of gender specialists in regional departments, conducted briefings, and developed reference materials.

The Gender and Development Plan of Action 2008–2010 continued to focus on accelerated gender mainstreaming in country partnership strategies and projects, enhanced policy dialogue and capacity support to developing member countries, and improved organizational effectiveness. Country gender assessments were conducted for Mongolia and Nepal. Gender specialists in 11 ADB resident missions continued to influence gender-responsive programming at the country level and provide oversight to ensure gender-responsive projects.

The number of projects that mainstreamed gender increased. More innovative gender mainstreaming designs were developed and applied. Rapid gender assessments of ongoing projects in Indonesia, Mongolia, Sri Lanka, and Viet Nam noted positive and tangible gender equality results from gender action plans in rural development, education, and water supply and sanitation.

ENVIRONMENT AND SAFEGUARDS

ADB approved 33 environmental sustainability projects totaling \$3.7 billion, representing 27% more projects and 48% more funding than in 2008. It approved 91 technical assistance projects for environmental protection and climate change mitigation and adaptation.

Other key activities included protecting critical biodiversity in the Greater Mekong Subregion; financing and implementing a marine conservation program in the Coral Triangle, source of food and income for about 120 million people; and supporting the Heart of Borneo Initiative to preserve the largest remaining forest in Southeast Asia. ADB also approved its Safeguard Policy Statement (see Policy and Strategy Overview, p. 15).

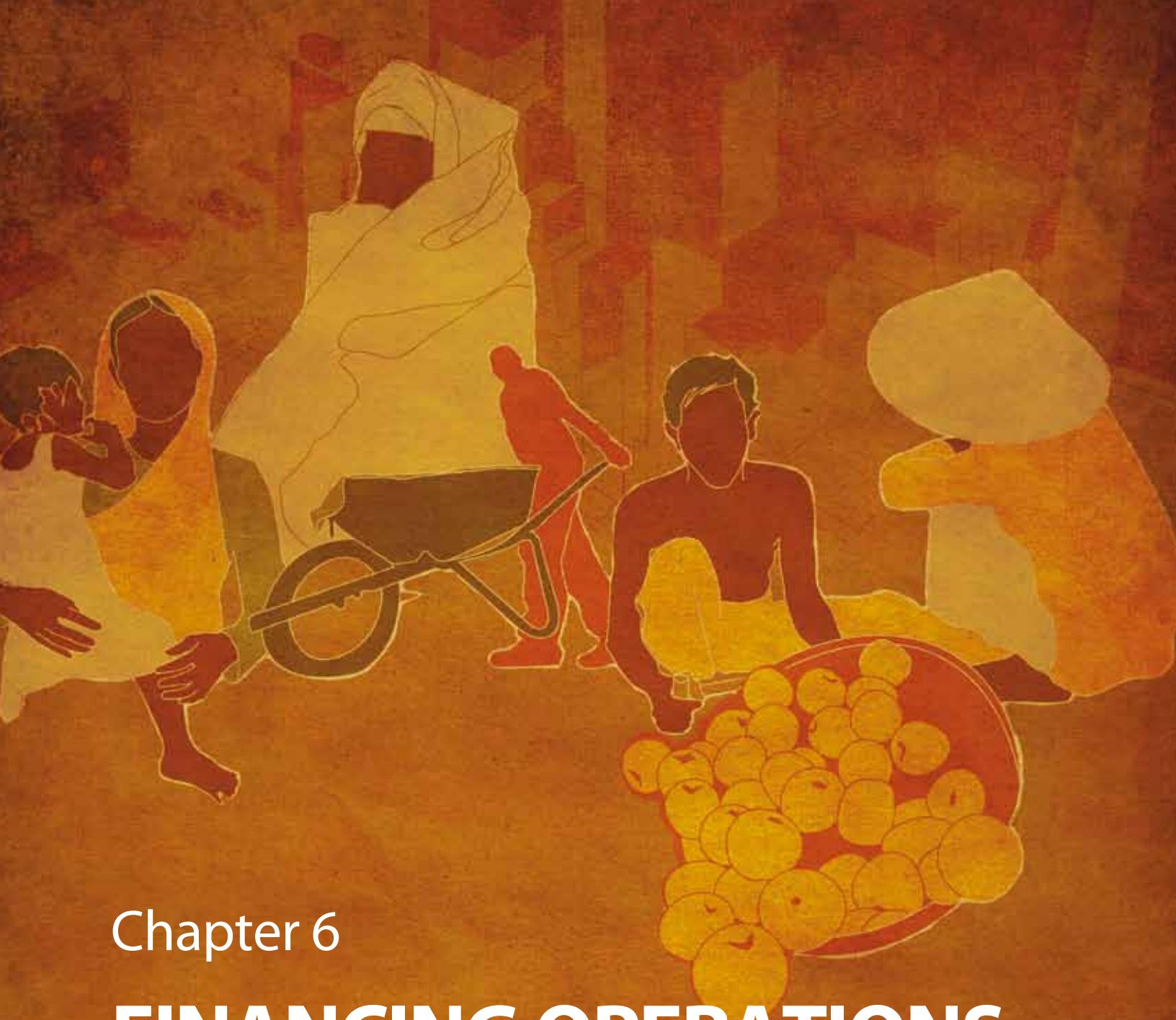
CROSSCUTTING INITIATIVES

Agriculture and food security. ADB approved seven loans for agriculture and natural resources, totaling \$443 million. Its non-loan fund of \$154 million attracted \$36 million in cofinancing. The new Agriculture, Rural Development, and Food Security Unit supervised ADB's regional research programs, formulated a regional agriculture research agenda as part of the global research program of the Consultative Group on International Agricultural Research, and commissioned a study on Building Climate Resilience in the Agriculture Sector of Asia and the Pacific.

Emergency assistance and disaster risk management. ADB approved the Asia Pacific Disaster Response Fund, which provides grants of up to \$3 million to help governments cover the immediate costs of responses to natural disasters. Grants have been given to Indonesia (earthquake), the Philippines (typhoon), and Samoa (tsunami).

Information and communication technology. By the end of 2009, there were 214 ADB-supported projects involving information and communication technology (ICT), including 76 loans and 138 technical assistance projects and grants. They have helped developing member countries improve ICT infrastructure; enhance ICT literacy and professional skills; and develop ICT applications, e-services, and content.

ADB committed \$1.5 million to monitor and accelerate the achievement of Millennium Development Goals in its developing member countries



Chapter 6

FINANCING OPERATIONS

ADB raised \$10.4 billion in public bond issues and private placements. ADB approved a total of \$16.1 billion in financing operations through loans, grants, guarantees, a trade finance facilitation program, equity investments, and technical assistance—a 42% increase from 2008. Loan cofinancing amounted to about \$3.2 billion. Resources of \$6.0 billion were transferred from ADB to its developing member countries, compared with \$4.3 billion in 2008.

Authorized and subscribed capital stock amounted to \$166.2 billion and \$60.8 billion, respectively. Other resources in ordinary capital resources (OCR) in the form of gross income, comprising revenue and net realized gains, amounted to \$1.5 billion, \$1.0 billion of which was generated from the loan portfolio, \$489.8 million from the investment portfolio, and \$45.2 million from equity investments and other sources.

Resources in the form of contributions and revenue attained during 2009 in ADB's Special Funds totaled about \$4.4 billion. These included the Asian Development Fund (ADF) of \$4.0 billion, Technical Assistance Special Fund of \$313.7 million, Japan Special Fund of \$1.2 million, ADB Institute Special Fund of \$8.5 million, Asian Tsunami Fund of \$0.9 million, Pakistan Earthquake Fund of \$2.3 million, Regional Cooperation and Integration Fund of \$0.4 million, Climate Change Fund of \$0.4 million, and Asia Pacific Disaster Response Fund of \$40.1 million.

Additional resources of 2009 commitments to trust funds, comprising commitments for three new trust funds and replenishments of existing trust funds, totaled \$296.3 million. The commitments to three new trust funds amounted to \$126 million, including \$17.2 million by Australia to establish the Carbon Capture and Storage Fund under the Clean Energy Financing Partnership Facility, \$23 million by the United Kingdom for a new

5-year (2009–2013) strategic partnership to fight poverty in India, and \$85.8 million, including \$13.8 million in grants, by Sweden for a multidonor Urban Financing Partnership Facility. Commitments to existing trust funds amounted to \$170.3 million, of which Japan pledged \$100.0 million to enhance the Japan Fund for Poverty Reduction initiatives, which aim to support projects and technical assistance that address the effects of the financial crisis. In addition, the establishment of the Clean Technology Fund and Strategic Climate Fund under ADB administration was approved.

FUNDING

ADB raised \$10.4 billion in medium- and long-term funds through public bond issues and private placements. Public offerings amounted to \$7.7 billion and private placements totaled \$2.7 billion. Of the public offerings, \$4.0 billion was raised through two US-dollar global benchmarks.

OVERVIEW OF OPERATIONS

ADB approved a total of \$16.1 billion in financing operations (Table 2). These included 111 loans (93 projects) for about \$13.2 billion, 64 grants for \$1.1 billion, two guarantees for \$397 million, one trade finance facilitation program for \$850 million, 5 equity investments for \$220 million, and 313 technical assistance projects for \$267 million. Top recipients of financing operations are provided in Table 3.

Table 2 ADB Financing Operations at a Glance
(\$ million)

	2008	2009	Change (%)
Loans			
OCR	8,360	11,020	32
ADF	1,764	2,210	25
	10,124	13,230	31
Grants			
ADF Grants	707	911	29
Other Grants	102	202	98
	809	1,113	38
Loans and Grants	10,933	14,343	31
Guarantees		397	
Trade Finance Facilitation Program		850	
Equity	123	220	79
Technical Assistance	273	267	(2)
TOTAL	11,329	16,078	42
Memorandum Item			
Cofinancing	1,090	3,164	

ADF = Asian Development Fund, OCR = ordinary capital resources.
Note: Totals may not add up because of rounding.

ADB approved a total of \$16.1 billion in financing operations through loans, grants, guarantees, a trade finance facilitation program, equity investments, and technical assistance projects

	Loans								Total
	Sovereign	Nonsovereign	Grants	Guarantees	TFFP	Equity	Technical Assistance		
Viet Nam	1,925.9	—	3.5	325.0			10.6	2,265.0	
Indonesia	2,184.2	—	5.0		40.0		6.3	2,235.5	
China, People's Republic of	1,762.1	192.9	9.9		25.0		24.6	2,014.4	
India	1,711.0	100.0	2.0		40.0		19.5	1,872.5	
Philippines	1,056.1	120.0	4.9				6.5	1,187.5	
Bangladesh	1,027.9	—	58.5				12.0	1,098.3	
Pakistan	940.0	—	—				2.7	942.7	
Kazakhstan	687.0	—	—				0.8	687.8	
Sri Lanka	330.0	—	14.5				8.4	352.9	
Nepal	172.8	—	172.5				5.7	351.0	
Regional	—	—	—		850.0	115.0	120.7	1,085.7	
Other DMCs	990.5	30.0	842.7	71.8			49.2	1,984.2	
Total	12,787.3	442.9	1,113.5	396.8	850.0	220.0	267.2	16,077.6	

— = nil, DMC = developing member country, TFFP = Trade Finance Facilitation Program.
Note: Totals may not add up because of rounding.

Overall, sovereign lending of \$12.8 billion approved in 2009 increased by 48.6% compared with \$8.6 billion approved in 2008

LOANS

Of the \$13.2 billion in loans, sovereign lending amounted to \$12.8 billion for 104 loans (86 projects/programs), comprising 57 loans from ADB's OCR for \$10.6 billion, and 47 loans from ADF for \$2.2 billion. These amounts include about \$3.4 billion—pursuant to periodic financing

requests approved in 2009 under multitranche financing facilities—for 18 OCR loans for \$3.1 billion and 6 ADF loans for \$328.8 million. Overall, sovereign lending of \$12.8 billion approved in 2009 increased by 48.6% compared with \$8.6 billion approved in 2008 (an increase of 54.7% for OCR and 25.3% for ADF lending). Two nonsovereign public sector loans to state-owned enterprises for \$134.3 million were approved. Five nonsovereign loans (5 projects) to the private sector for \$308.6 million were also approved—74.7% less than the \$1.2 billion for 10 loans (9 projects) in 2008.

Of the 93 projects and programs approved in 2009, 67 (72.8%) were general interventions and 25 (27.2%) were targeted interventions (excluding one project with

	Operations by Sector, 2008–2009							
	Loans				Grants			
	2008	2009	2008	2009	\$ million	%	\$ million	%
Agriculture and Natural Resources	607.5	6.0	443.5	3.4	82.6	10.2	174.5	15.7
Education	130.0	1.0	85.0	0.6	27.8	3.4	173.7	15.6
Energy	2,567.5	25.0	2,125.9	16.1	259.9	32.1	95.3	8.6
Finance	217.8	2.0	510.0	3.9	1.0	0.1	3.5	0.3
Health and Social Protection	172.0	2.0	93.1	0.7	15.7	1.9	35.0	3.1
Industry and Trade	167.5	2.0	101.0	0.8	10.0	1.2	1.6	0.1
Public Sector Management	1,845.0	18.0	5,306.4	40.1	122.4	15.1	57.0	5.1
Transport and ICT	2,688.1	27.0	2,347.8	17.7	169.1	20.9	355.2	31.9
Water Supply and Other Municipal Infrastructure and Services	873.6	9.0	808.5	6.1	59.9	7.4	110.4	9.9
Multisector	855.0	8.0	1,409.0	10.6	60.5	7.5	107.3	9.6
Total	10,123.9	100.0	13,230.2	100.0	808.9	100.0	1,113.5	100.0

ICT = information and communication technology.
Note: Totals may not add up because of rounding.

TABLE 5a Loan Cofinancing Arrangements,^a 2007–2009
(\$ million)

	2007			2008			2009		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Syndications	0.0	200.0	200.0	0.0	425.0	425.0	0.0	276.2	276.2
Commercial Loans ^b	0.0	0.0	0.0	0.0	0.0	0.0	0.0	120.0	120.0
Official Loans	120.5	0.0	120.5	664.6	0.0	664.6	2,768.0	0.0	2,768.0
Total	120.5	200.0	320.5	664.6	425.0	1,089.6	2,768.0	396.2	3,164.2

Note: Totals may not add up because of rounding.

a Comprising direct value-added loan cofinancing for projects, i.e., those with administrative or collaborative arrangements with ADB. Net of cancellations.

b Collaborative cofinancing under a framework agreement.

TABLE 5b Loan Cofinancing Arrangements,^a 2007–2009
(number of projects)

	2007			2008			2009		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Syndications	0	1	1	0	2	2	0	3	3
Commercial Loans ^b	0	0	0	0	0	0	0	1	1
Official Loans	6	0	6	5	0	5	10	0	10
Total DVA Cofinancing	6	1	7	5	2	7	10	4	14

DVA = direct value-added.

Note: Totals may not add up because a project with more than one source of cofinancing is counted once.

a Comprising direct value-added loan cofinancing for projects, i.e., those with administrative or collaborative arrangements with ADB. Net of cancellations.

b Collaborative cofinancing under a framework agreement.

pre-2004 targeting classification). Economic growth was the most common theme and was associated with 76 projects. Public sector management received the largest share of lending (40.1%) by sector (Table 4).

Of the 93 projects and programs, the 70 projects amounted to \$7.3 billion and the 23 programs totaled \$5.9 billion. The project lending included nine sector projects amounting to \$567 million, compared with four sector projects amounting to \$279 million in 2008. Policy-based program lending, excluding programs financed under the Countercyclical Support Facility amounted to \$3.4 billion. This constituted a 38.3% increase, compared with \$2.49 billion in 2008.

GRANTS

ADB approved 64 grant projects for \$1.1 billion in 2009. Of this amount, \$911 million was funded from ADF, \$13 million from ADB's Special Funds, and \$189 million from external sources with full or partial administration by ADB, comprising \$35 million from the Japan Fund for Poverty Reduction, and \$154 million from other bilateral and multilateral sources.

Of the 64 grant projects, social development was the most common theme, associated with 42 projects. Transport and information and communication technology received the largest share among the sectors (31.9%).

GUARANTEES

Two guarantee operations for \$397 million were approved in 2009 (Table 3).

TRADE FINANCE FACILITATION PROGRAM

ADB approved additional trade financing commitment for \$850 million, which increased the total exposure limit of the Trade Finance Facilitation Program to \$1 billion. In partnership with numerous commercial banks from both developing and developed countries, the program in 2009 supported \$1.9 billion in trade transactions in Asia (see Thawing the Big Credit Freeze, p. 89, for the program's impact).

TABLE 6 Nonsovereign Operations, 2006–2009 ^{a, b} (\$ million)				
	2006	2007	2008	2009
Nonsovereign Loans	450	650	1,522	443
– Private sector	375	640	1,222	309
– Public sector	75	10	300	134
Equity	230	80	123	220
Partial Credit Guarantee	110	251	–	72
Political Risk Guarantee	15	–	–	–
Trade Finance Facilitation				
Program	–	–	–	850
Total Nonsovereign Approvals	805	981	1,645	1,585
– Private sector	730	971	1,345	1,451
– Public sector	75	10	300	134
Memorandum Items				
Cofinancing (B-Loans)	330	200	425	276
– Private sector	105	200	200	220
– Public sector	225	–	225	56
Total Project Cost	7,678	3,485	9,992	4,506
– nil.				

a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional departments of ADB. Regional departments started nonsovereign operations in 2007.
b Net of facilities cancelled in full before signing.

TABLE 7 Cumulative Nonsovereign Operations by Top Countries, 1983–2009^{a, b}

	\$ million	%
China, People's Republic of	2,188	20.4
India	2,129	19.8
Indonesia	919	8.6
Philippines	768	7.2
Pakistan	721	6.7
Thailand	395	3.7
Kazakhstan	375	3.5
Sri Lanka	280	2.6
Viet Nam	280	2.6
Bangladesh	242	2.3
Afghanistan	198	1.8
Lao People's Democratic Republic	100	0.9
Azerbaijan	66	0.6
Nepal	59	0.5
Georgia	25	0.2
Papua New Guinea	25	0.2
Regional	1,895	17.7
Other DMCs	62	0.6
Total	10,728	100.0

DMC = developing member country.

Note: Totals may not add up because of rounding.

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

b Net of facilities cancelled in full before signing.

EQUITY OPERATIONS

Five equity investments totaling \$220.0 million were approved in 2009, compared with seven for \$123.1 million in 2008.

LOAN COFINANCING

During 2009, cofinancing continued to be integrated into ADB's mainstream operations planning to support the goals of Strategy 2020. The total direct value-added (DVA) loan cofinancing in 2009 amounted to about \$3.2 billion for 14 initiatives (Tables 5a and 5b). Moreover, an additional \$5.9 billion in discrete (non-DVA) cofinancing was realized in the form of parallel loans for eight ADB-assisted projects and programs.

DVA cofinancing under official loans (i.e., those provided by bilateral and multilateral agencies) totaled \$2.8 billion for 10 projects and commercial loans totaled \$396.0 million comprising \$276.0 million for three projects, for which ADB is lender-of-record (B-loans) and a collaborative commercial loan cofinancing of \$120.0 million.

ADB also continued to promote its cofinancing products. For example, ADB hosted the Asia Finance and Risk Mitigation Forum, and co-hosted with

TABLE 8 Resource Transfers to Developing Member Countries (\$ million)

	2008	2009
OCR		
Loan Disbursements	6,472	7,898
Principal Repayments ^a	(1,923)	(1,891)
Payments of Interest/Charges	(1,416)	(1,126)
Net Equity Investment	57	13
Net	3,190	4,894
ADF		
Loan Disbursements	2,043	2,201
Principal Repayments	(677)	(845)
Payments of Interest/Charges	(256)	(261)
Net	1,110	1,095
Total	4,300	5,989

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

a Includes prepayments of \$6.7 million (\$277.1 million in 2008).

Australia's Export Finance and Insurance Corporation, the Asia EXIM Banks Forum Workshop on Re-Guarantee and/or Co-Financing. The regional technical assistance for strengthening the capacity of developing member countries in managing credit enhancement products was launched during 2009.

ADB establishes framework cofinancing agreements with its cofinanciers to effectively create a pipeline of future cofinancing operations. Such a programmatic approach to cofinancing gives predictability to ADB's cofinancing operations, moves cofinancing upstream, and allows the use of standardized, project-specific cofinancing agreement templates that streamline cofinancing operations. By the end of 2009, six framework agreements were in effect, the total value of which amounted to approximately \$9 billion over the coming 2–3 years. In 2009, ADB signed a framework cofinancing agreement with the Export–Import Bank of China for \$1.5 billion over 3 years for the cofinancing of infrastructure projects.

TECHNICAL ASSISTANCE OPERATIONS

A total of 313 technical assistance projects for \$267.2 million, including 267 new and 46 supplementary projects, was approved, or 2.2% less than the 298 projects for \$273.2 million approved in 2008. Of the 313 technical assistance projects, 88 are project preparatory, 114 are capacity development, 71 are policy and advisory, and 40 are research and development.

NONSOVEREIGN OPERATIONS

ADB approved a total of 12 financial markets and infrastructure nonsovereign projects, providing about \$1.6 billion in assistance (Table 6). The interventions comprise five private sector loans of \$309 million; two public sector nonsovereign loans of \$134 million; five equity investments of \$220 million; a credit guarantee of \$72 million and, as mentioned above, an increase in the total exposure limit of the Trade Finance Facilitation Program by \$850 million to \$1 billion in 2009.

As of 31 December, the total outstanding balances and undisbursed commitments of nonsovereign operations amounted to about \$4.5 billion, consisting of loans of \$2.6 billion, \$1.1 billion in equity investments, and guarantees of \$740.0 million. ADB's nonsovereign exposure is largest in the infrastructure sector, with a total of \$ 2.7 billion, followed by the finance sector with exposure of \$ 1.7 billion, and other sectors with exposure of \$70.0 million.

Cumulative nonsovereign operations are largest in the People's Republic of China (20.4%), followed by India (20%), followed by Indonesia (9%), and the Philippines (7%). Regional projects account for roughly 18% of the total (Table 7).

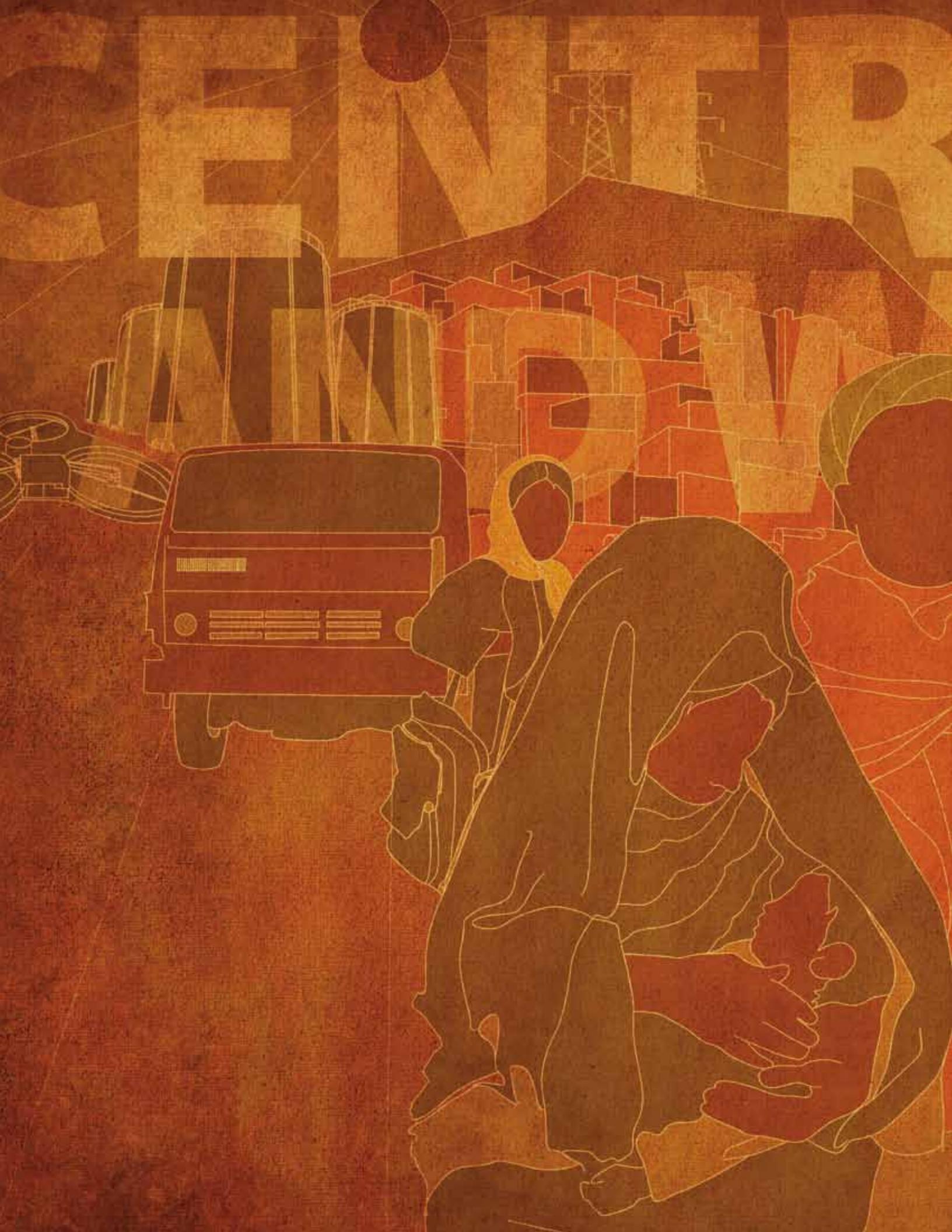
RESOURCE TRANSFERS

During the year, there was a net transfer of \$6.0 billion from ADB to its developing countries, compared with \$4.3 billion in 2008. Of these, net resource transfers of \$4.9 billion went to OCR borrowers and/or investors in 2009, compared with \$3.2 billion in 2008 (Table 8). The four countries with the largest net resource transfers were India, Viet Nam, the Philippines, and the People's Republic of China.

Loan disbursements totaled \$10.1 billion compared with \$8.5 billion in 2008. Of the total, OCR disbursements were \$7.9 billion or 78% and ADF disbursements were \$2.2 billion, or 22%. Loan service payments totaled \$4.1 billion in 2009 compared with \$4.3 billion in 2008.



A power station in Pakistan, aimed at harnessing the power of the private sector, goes up with ADB support



Chapter 7

CENTRAL AND WEST ASIA

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

The provision of regional transport connectivity, energy security and efficiency, urban services, and finance sector and government reforms formed the bedrock of ADB assistance. Approval was given to build a railway linking Uzbekistan and Afghanistan as a flagship transport project for the region. The eight countries in the Central Asia Regional Economic Cooperation program endorsed an action plan for the energy sector.

OVERVIEW

ADB strategy highlights transport and logistics, energy security and efficiency, urban services (water, wastewater, and urban transport), and reforms (government efficiency, access to credit, and capital markets development). The strategy is delivered through transactions structured around debt and equity finance, guarantees, and grants. Accompanying technical assistance grants train clients in planning, project management, monitoring, evaluation, and reporting. Regional cooperation, environmental sustainability, climate change, and gender are emphasized.

Disbursements rose to \$2.2 billion (Table 10). New lending for public sector projects and reforms reached \$3.1 billion.

PORTFOLIO PERFORMANCE

More effective project management resulted from cooperation between client and ADB teams, supported by an improved management information system covering project performance. A “no extension” policy on poorly performing projects ensured timely, within-budget project execution. Portfolio performance also benefited from clearer readiness filters, simplified design, and advance actions on procurement, safeguards compliance, and timely counterpart finance. ADB continued to rely on programmatic financing approaches, using multitranche financing facilities and cluster program loans. The analyt-

ical work shifted to the start of the project, increasing time and resources for implementation, and paving the way for longer term partnerships and faster approval. Total multitranche financing in 2009 reached almost \$3 billion.

REGIONAL COOPERATION

The Eighth Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC), held in Ulaanbaatar, Mongolia, deepened cooperation among CAREC countries (Afghanistan, Azerbaijan, the People’s Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan). The conference endorsed an action plan for the energy sector and agreed on the establishment of a comprehensive results framework for the CAREC program. A yearly effectiveness report will become a standard feature of the program.

ADB approved a flagship regional transport project—a new railway line connecting Hairatan in Uzbekistan to Mazar-e-Sharif in Afghanistan. This initiated a three-phase program to develop a rail network

ADB approved a flagship regional transport project—a new railway line connecting Uzbekistan to Afghanistan. This will connect Central Asia to ports in South Asia and the Caucasus

TABLE 9 Central and West Asia: Grant-Financed Project Approvals by Country, 2009
(\$ million)

Country	ADF	Other Sources ^a	Total
Afghanistan			
Hairatan to Mazar-e-Sharif Railway	165.0	—	165.0
Water Resources Development Investment Program – Tranche 1	86.6	3.3	89.9
Energy Sector Development Investment Program – Tranche 2	81.5	—	81.5
Kyrgyz Republic			
CAREC Transport Corridor 1 (Bishkek–Torugart Road) Project ^b	22.0	—	22.0
Isyk-Kul Sustainable Development	13.5	—	13.5
Tajikistan			
Crisis Recovery Support Program	40.0	—	40.0
Dushanbe–Kyrgyz Border Road Rehabilitation (Phase II) (Supplementary) ^b	20.0	—	20.0
Regional Customs Modernization and Infrastructure Development ^b	—	1.6	1.6
Total	428.6	4.9	433.5

— = nil, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation.

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

^b Grant component of a loan project.

HIGHLIGHTS

- Continued to support Pakistan's economic stabilization and key reforms in the electricity, finance, and agriculture sectors, as well as social protection systems through a new subprogram of \$500 million under the cluster Accelerated Economic Transformation Program
- Provided an \$81 million grant to improve energy transmission and supply in Afghanistan, and the first tranche of \$60 million under a new multitranche financing for energy efficiency in Pakistan
- Extended substantial support to improve road and railway networks, including a \$165 million regional railway project in Afghanistan connecting Mazar-e-Sharif in Afghanistan and Hairatan in Uzbekistan, which is the beginning of a network into Herat, Tajikistan, and Pakistan
- Made major advances in regional cooperation on trade policy, transport, and energy under the CAREC program; CAREC-participating countries endorsed an action plan for energy and the establishment of a results framework
- Greatly improved portfolio quality, closed 39 sovereign loans, 4 grants, and 51 technical assistance projects; contract awards exceeded the annual target by 6% and disbursements by 8%

across northern and southern Afghanistan, and improve transit and open up routes for Central Asia to access ports in South Asia and the Caucasus. The railway will dispense with the unloading and reloading of cargo onto trucks at Hairatan and will connect cargo and people to Mazar-e-Sharif airport and the country's ring road.

COUNTRY HIGHLIGHTS

Afghanistan

Partnership priorities. The 2009–2013 country partnership strategy, approved in January, complements the national development strategy. ADB will extend \$1.5 billion for transport, energy, and irrigation; and will provide institutional and capacity-building assistance. Most of the assistance is via multitranche financing, to

The Global Economic Crisis: ADB's Response

Armenia

- With an \$80 million loan, supported critical crisis recovery measures that targeted social protection and job creation, and helped maintain critical public expenditures

Georgia

- With three loans totaling \$150 million, sustained social protection measures and aided in timely pension and social security payments

Kazakhstan

- With a \$500 million loan from the Counter-cyclical Support Facility, supplemented and sustained job creation and other social protection programs, and helped the government build public and investor confidence as it implemented an ambitious crisis recovery program

The Kyrgyz Republic

- With a \$15 million grant, supported reforms to restore investor confidence, and supplemented the government's crisis mitigation measures

Pakistan

- With a \$500 million loan, helped expand the social protection program and restructure power sector debt overhang, identified impediments to industrial diversification, and supported economic transformation

Tajikistan

- With a \$40 million grant, helped meet critical social protection expenditures, including for job creation, social assistance to vulnerable groups, fiscal subvention support for poor regions, and supplementary assistance to educational and health institutions

ensure continuity and timely implementation, and better partnerships.

Impact of operations. The portfolio comprises 19 sovereign loan and grant projects totaling \$1.7 billion. ADB approved a \$165 million grant to lay a 75-kilometer (km) single railway line between Mazar-e-Sharif and Hairatan—a town at the Uzbekistan border that is the

TABLE 10 Central and West Asia: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

Country	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Afghanistan	11	37.1	53.2	74.3	51.8	18.2	9.1
Armenia	4	117.0	23.0	119.1	8.0	—	—
Azerbaijan	10	149.0	31.8	58.5	20.8	—	—
Georgia	3	111.1	69.9	111.4	69.9	—	—
Kazakhstan	3	700.9	10.6	542.5	8.3	—	—
Kyrgyz Republic	7	14.1	9.6	24.0	27.1	—	28.6
Pakistan	42	1,178.9	1,799.7	1,093.3	1,873.2	21.4	16.1
Tajikistan	11	40.5	66.8	67.1	50.0	—	7.7
Uzbekistan	20	137.8	58.7	125.9	49.0	—	—
Total	111	2,486.3	2,123.3	2,216.1	2,158.1	9.9	10.8

— = nil.

Note: Totals may not add up because of rounding.

gateway for half of Afghanistan's imports and for humanitarian relief goods. This is the beginning of a network linking to Herat, Tajikistan, and Pakistan. In addition, with support by ADB and other donors, the North East Power System was commissioned. This serves Kabul and other cities, stimulating economic growth and job creation.

Armenia

Partnership priorities. ADB's engagement with Armenia expanded beyond rural transport and water supply with the approval of a \$500 million multitranche financing facility (see Glossary) for a regional transport corridor. The 7-year program will build 550 km of high-speed road extending from south to north, connecting to Georgia's highway, and reaching Black Sea ports. The first \$60 million tranche will upgrade selected road sections. Work also began on improving urban transport in Yerevan.

The Eighth Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC) endorsed an action plan for the energy sector and agreed on the establishment of a comprehensive results framework for the CAREC program. A yearly effectiveness report will become a standard feature of the program

Impact of operations. In response to the government's request, the \$80 million crisis recovery loan was quickly prepared, approved, and disbursed, helping meet social expenditures and implement anti-crisis measures.

Azerbaijan

Partnership priorities. ADB focuses on transport, energy, and urban services. Three transport projects were funded, two of them under the \$500 million multitranche financing facility for roads. In the water sector, ADB approved a \$600 million facility targeting secondary towns, benefiting 500,000 residents. ADB's cooperation in the energy sector will improve the transmission system and lead to a new master plan for power distribution.

Impact of operations. The completed Flood Mitigation Project reduced poverty and increased incomes. The government estimates that 241,900 people have a safer living environment. Undeveloped land came into productive use, and water and wastewater services and transport connectivity improved because of ADB assistance.

Georgia

Partnership priorities. Since Georgia joined ADB in 2007, loans worth \$339 million were approved for transport, urban services, and crisis support. ADB's resident mission opened in January 2009. ADB approved loans worth \$228.8 million: \$80.0 million for growth recovery in response to the global financial crisis, \$30.0 million for municipal services (for transport and to resolve traffic

TABLE 11 Central and West Asia: Sovereign Loan Approvals by Country, 2009
(\$ million)

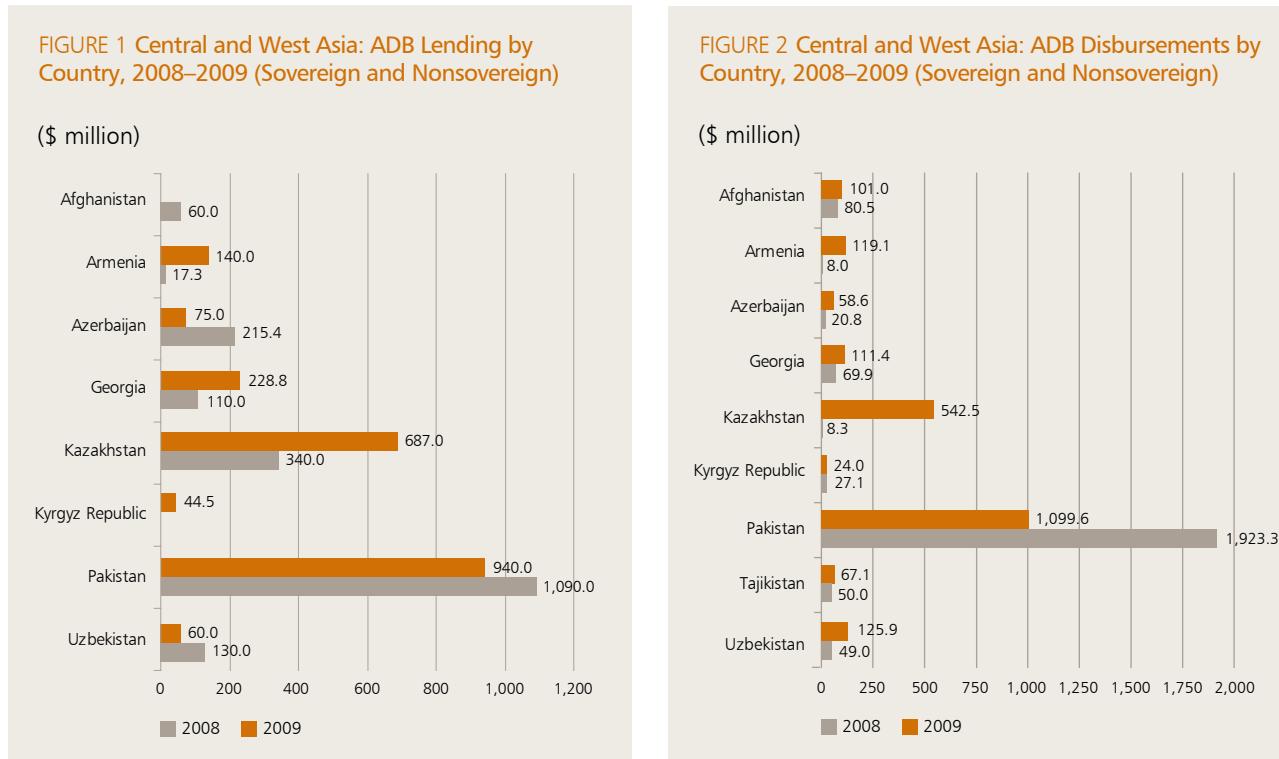
Country	OCR	ADF	Total
SOVEREIGN			
Armenia			
Crisis Recovery Support Program ^a	–	80.0	80.0
North-South Road Corridor Investment Program – Tranche 1	–	60.0	60.0
Azerbaijan			
Water Supply and Sanitation Investment Program – Tranche 1	75.0	–	75.0
Georgia			
Growth Recovery Support Program ^a	–	80.0	80.0
Municipal Services Development – Phase 2	–	30.0	30.0
Road Corridor Investment Program – Tranche 1	–	118.8	118.8
Kazakhstan			
Kazakhstan Countercyclical Support	500.0	–	500.0
CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program – Tranche 2	187.0	–	187.0
Kyrgyz Republic			
CAREC Transport Corridor I (Bishkek–Torugart Road) – Project 2	–	28.0	28.0
Issyk-Kul Sustainable Development	–	16.5	16.5
Pakistan			
Accelerating Economic Transformation Program (Subprogram 2)	350.0	150.0	500.0
National Highway Development Sector Investment Program – Tranche 2	230.0	–	230.0
Punjab Government Efficiency Improvement Program (Subprogram 2)	75.0	75.0	150.0
Energy Efficiency Investment Program – Tranche 1	40.0	20.0	60.0
Uzbekistan			
Water Supply and Sanitation Services Investment Program – Tranche 1	–	60.0	60.0
Total	1,457.0	718.3	2,175.3

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

^a Consists of two ADF loans.



An ADB-funded water station in Sindh province, Pakistan, improves villagers' health



problems), and a \$500.0 million multitranche financing facility to develop regional transport corridors. The first tranche (\$118.8 million) financed a road linking Black Sea ports and connecting Georgia with neighboring countries.

Impact of operations. The Growth Recovery Support Program allowed the government to deal with revenue gaps and thereby maintain core spending for key social needs, including welfare payments and services for vulnerable groups.

Kazakhstan

Partnership priorities. Transport and water supply are strategic priorities. Two tranches were signed under a \$700 million multitranche financing facility for the CAREC Transport Corridor 1 Investment Program. This will improve transit across Kazakhstan, linking

Transport and water are priorities in Kazakhstan, and infrastructure, investment climate, and regional cooperation in the Kyrgyz Republic

TABLE 12 Central and West Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)^{a, b}

Country	Lending	Disbursements
Afghanistan	952.3	660.4
Armenia	223.9	127.2
Azerbaijan	660.4	146.4
Georgia	363.8	206.3
Kazakhstan	1,703.6	1,161.6
Kyrgyz Republic	648.0	576.2
Pakistan	20,245.8	15,334.2
Tajikistan	372.5	290.2
Uzbekistan	1,290.9	659.9
Regional	20.0	3.0
Total	26,481.3	19,165.2

Note: Totals may not add up because of rounding.

a Loan component of regional projects distributed to the countries whenever possible.

b Includes nonsovereign (public and private) sector loans specific to the region.

eastern and western neighbors, and will open up north-south routes. It will be complemented by a loan for reconstruction of the Aktau–Beineu Road connecting Kazakhstan to its neighbors and the Caspian Sea.

Impact of operations. ADB provided a \$500 million loan under the Countercyclical Support Facility to mitigate impacts of the global economic crisis, support the government's crisis-mitigation plan, and create jobs.

The Kyrgyz Republic

Partnership priorities. Infrastructure remains a priority. Reforms to improve the investment climate are also part of the strategic initiatives. Regional cooperation is integral to ADB's partnership with the Kyrgyz Republic.

Impact of operations. ADB financing improved infrastructure and the tax and customs services. It supported policies to reduce investment barriers, lowered compliance costs, and enhanced access to finance. ADB

assistance upgraded rural drinking water, education, and early childhood development. A \$30 million project was approved to protect Lake Issy-Kul from untreated wastewater discharges.

Pakistan

Partnership priorities. A new strategy prioritized energy, transport, irrigation, urban development, and government efficiency. A facility for energy efficiency, cofinanced by the Agence Française de Développement and with multitranche

Clean Water on Tap

A program in the Kyrgyz Republic is providing standpipes that connect villagers to clean spring water stored in reservoirs above their villages

Some of the richest water resources in Central Asia can be found in the mountains of the Kyrgyz Republic, yet most people must walk miles to the nearest river to meet their daily needs. Thanks to an ADB grant, water is coming closer to home.

Abdymanap lives with his family in Josholu, a village in the mountainous Alai district in the south of the country. Before ADB helped the village construct a pipe as part of a project to improve rural water supply and sanitation, the local river served villagers' needs. "Water in the river was not bad," he says. "But during the rainy season it turned brown because of the dirt." Villagers had to leave the water in



Villagers in Josholu queue for water: clean water from convenient standpipes frees time for more productive activities

buckets for a few hours for the dirt to settle, Abdymanap explains. In any case, cows and sheep would drink from the river and pollute it with their wastes.

"People were getting infections from the water before the water pipe was built," says Janargul, a nurse at the local hospital. Diarrhea was common and the hospital was so short of water that nurses had to carry bucketfuls from the nearest river 3 kilometers away.

The ADB-financed project, known as Tazasuu (clean water), enabled local communities to construct water pipes.

Josholu is typical of the many communities across the country that have benefited from the project. The village now boasts 56 standpipes, which provide its 4,500 inhabitants with fresh, clean spring water from the mountains. The source springs are protected by a tent to keep out rainwater and animal waste, and pipes carry the water from the spring to a reservoir above the village. The reservoir can hold up to 500,000 liters, enough to provide water to the village for 1 day, in case the springs stop running.

Abdashym, who takes care of the reservoir, does not believe the springs will run dry. "It will never happen," he says. "But even if it does, the village will not stay without water for very long."

Supplies are assured by a backup system that can take water from the river, filter it, and take it to the village.

Fetching water is no longer a big issue for the women, as water is readily available at the standpipe just around the corner. Children have less work to do and more time to play and study—and they have water on tap to drink whenever they like.

Supplies are assured by a backup system that can take water from the river, filter it, and take it to the village

support for renewable energy and power transmission, broadened the energy partnership. Leaders of the Friends of Democratic Pakistan assigned ADB a lead role in helping prepare a master plan targeting international assistance in energy. ADB supported economic stabilization reforms under a program of the International Monetary Fund,

ADB's share focusing on reforms in electricity, finance, agriculture, and social protection. ADB signed agreements with Pakistan banks to provide finance and guarantees for letters of credit with international banks. ADB also helped mobilize international financing for the first private sector hydropower project. With the World Bank, ADB completed

Learning in the 21st Century

An ADB project in Uzbekistan brings education into the 21st century by providing computers, internet connectivity, and training to schools, even in rural areas

At Secondary School Number 94 in Tashkent City, Rogova Nadejda Viktorovna moves among students working on computers, supervising their multimedia lessons in mathematics.

A teacher since 1990, she completed in-service teacher training in information technology in June 2009, part of the ongoing ADB-funded Information and Communication Technology in Basic Education Project.

"Learning is more interactive using computers, and students learn far faster than the old ways," Viktorovna says. "They are able to access a lot more information on various subjects, too."

Under the umbrella of the government's National Program for Basic Education Development, the project aimed to put information and communication technology (ICT) in schools. Before the project began in 2006, computer access for students was limited to 18% of secondary and half of all schools.

Computers installed in September 2009 are already improving education for 1,700 students, says Tamara



Uzbek students hone their information technology skills

Samoylovich, head of the teaching department at Tashkent's Secondary School Number 94. Hers is one of 860 cluster leader schools—hubs for an average of 11 other schools—where the government is providing ICT.

When the entire network is operational, 540,000 students in 9,757 cluster leader schools will directly benefit. Their central role means all students and teachers—about 6 million students and 200,000 teachers over 5 years—will gain computer skills. ADB financed \$30 million of the \$43 million cost of the project.

Cluster leader schools act as resource centers for surrounding schools typically up to 30 kilometers away. By offering two computer classes—one for students and another for teachers—to surrounding schools, the opportunity for teachers to train and spread knowledge is readily available.

The project contains specific measures that directly impact about 165,000 poor students in grades five through nine. For example, the project ensures 70% of the cluster leader schools are in rural and poor areas.

Materials in languages, including Karakalpak, Kazakh, Korean, Kyrgyz, Russian, Tajik, and Turkmen, provide a leg up for minority students. Pilot projects are also testing alternative ways of connecting remote schools, including the use of digitized phone lines, or mobile and wireless connections.

"ICT literacy has increased dramatically since the project was launched," says Sayora Melikova, director of School Number 21 in Samarkand City. "Before, computers were for grades eight and nine, but now grades five through nine have them, too," she says. Tertiary education is computer-based these days, so ICT study is critical to students' further education.

"This project is giving them a head start," says Melikova.

"Learning is more interactive using computers, and students learn far faster than the old ways"

—Rogova Nadejda Viktorovna, teacher

a preliminary damage needs assessment for conflict-affected areas in northern Pakistan.

Impact of operations. ADB disbursed \$1.1 billion for investments and reforms. An electricity project is upgrading grid connectivity. Transport projects rehabilitated 400 km of roads and 300 rural access links. Support for a major cash transfer program assisted poor women. A rural development project provided electricity, extending productive work hours and raising living standards. The Pakistan Institute of Corporate Governance, established with ADB assistance, increased market efficiency. Safeguard training raised the awareness of public officials about compliance with ADB's policies.

Tajikistan

Partnership priorities. ADB will adopt a new country partnership strategy (2010–2014) in early 2010. Priorities include roads, energy, and investment climate reforms. To enhance aid efficiency and improve donor coordination, ADB and 11 development partners signed the Joint Country Partnership Strategy 2010–2012.

Impact of operations. ADB projects improved transport connectivity and energy security. Irrigation and flood protection projects increased agricultural productivity. ADB approved a \$40 million program to sustain social spending imperiled by the global economic crisis, helping the government manage budget shortfalls and supporting public investments that preserve and create jobs. ADB provided a \$20 million grant to supplement the Dushanbe–Kyrgyz Border Road Rehabilitation Project, which is upgrading highways within the CAREC corridor.



Educational benefits: poor women learn with ADB support

In Uzbekistan, resource transfers more than doubled from 2008 as more frequent interactions between government officials and ADB improved portfolio performance

Turkmenistan

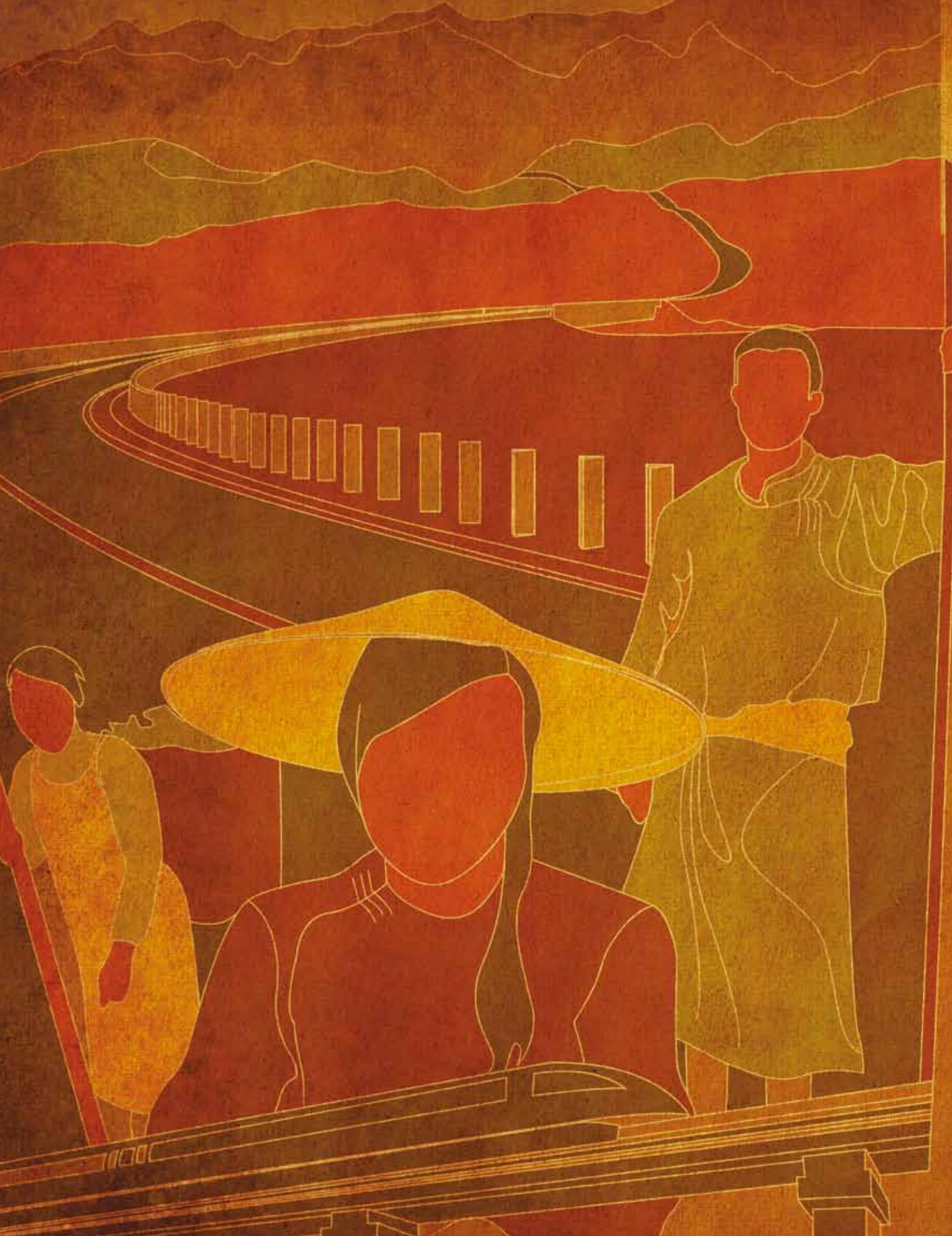
Partnership priorities. The strategy focuses on transport, including construction of road corridors and a railway. The partnership will expand after ADB's resident mission in Ashgabat opens in 2010.

Impact of operations. ADB has yet to begin its lending operations in Turkmenistan.

Uzbekistan

Partnership priorities. Priorities include transport, energy, sanitation, irrigation rehabilitation, and water management. Access to credit is also vital. ADB responded to private sector development opportunities, regional connectivity, and energy security and trade. ADB also provided a \$300 million multitranche financing facility for water supply and sanitation, and began preparing for environmentally sustainable power generation and regional highway corridors.

Impact of operations. Since 1996, ADB has financed 30 loans totaling \$1.3 billion. Resource transfers more than doubled from 2008 as more frequent interactions between government officials and ADB improved portfolio performance. Farmers' income increased because of a near doubling of wheat yields under the Grain Productivity Improvement Project, which introduced new farming equipment. ADB support also provided safe drinking water and sanitation. Women in rural communities started cottage industries and small businesses with support from the Small Microfinance Development Project. The Textbook Development Project implemented an innovative textbook rental scheme, providing textbooks to almost all needy students.



Chapter 8

EAST ASIA

The People's Republic of China, Mongolia

ADB support for the People's Republic of China (PRC) and Mongolia concentrated on mitigating the effects of the global financial crisis. Lending in the PRC complemented the government's massive fiscal stimulus program and supported rehabilitation efforts in the wake of the devastating 2008 Wenchuan earthquake. In Mongolia, ADB helped develop a social program to improve access to basic social services for the poor. ADB facilitated cooperation between the PRC and Mongolia in such areas as joint customs control, border transport development, and trade logistics. Regional trade and economic cooperation with other countries of Central Asia and the Greater Mekong Subregion were also promoted.

OVERVIEW

ADB operations in East Asia were guided by Strategy 2020 and the need to respond to the effects of the global financial crisis on the PRC and Mongolia. In the PRC, ADB lending complemented the government's massive fiscal stimulus program that moderated the impact of the crisis on the economy. Support for post-disaster rehabilitation, energy efficiency in transportation, natural resource conservation, and integrated urban–rural development were the highlights of lending operations. In Mongolia, ADB helped develop a social program that improved access of the poor to basic social services. ADB also promoted nonsovereign lending and private–public partnerships in infrastructure, and measurable progress was made in renewable energy projects in the PRC. In both countries, ADB provided technical assistance to increase access to financial services, support social services, promote clean technology and alternative energy, facilitate trade among neighboring countries, and enhance regional cooperation.

Total lending operations (Table 15) in the PRC consisted of 12 sovereign loans for \$1.8 billion and 3 non-sovereign loans for \$192.9 million. For Mongolia, financial assistance included two Asian Development Fund (ADF) grants totaling \$33.9 million, of which \$16.9 million was made in conjunction with an ADF loan of \$43.1 million

HIGHLIGHTS

- A \$400 million emergency loan to reconstruct and upgrade damaged roads, bridges, and school buildings in Sichuan and Shaanxi provinces in the wake of the devastating 2008 Wenchuan earthquake
- Greening of the PRC portfolio through projects in renewable energy, sustainable transport, urban development, and natural resource management
- A second Panda bond issue worth \$146.5 million (CNY1 billion) to support ADB private sector operations
- A \$60 million loan and grant for the Mongolia Social Sectors Support Program to mitigate the negative social consequences of the financial crisis and promote priority social sector reforms

The Global Economic Crisis: ADB's Response

The People's Republic of China

- Supported the stimulus package through investment in transport, natural resource management, urban infrastructure, environment improvement, and job creation in small cities and towns
- Provided technical assistance resources to improve access to financial services for the poor and vulnerable households and to strengthen the legal, regulatory, and supervisory framework of the PRC's finance sector

Mongolia

- Partnered with the Japan International Cooperation Agency to jointly finance \$110 million to facilitate social welfare reforms and to help establish social safety nets. This complemented the 18-month stand-by arrangement with the International Monetary Fund
- Provided a \$17 million Asian Development Fund grant for the Education for the Poor project and four Japan Fund for Poverty Reduction grants totaling \$10 million to help protect the poor and the vulnerable groups from the adverse impact of the crisis
- Provided \$2 million in technical assistance for policy and institutional support to the banking sector on systemic risk management

for the Social Sectors Support Program (Tables 13 and 15). The PRC received \$9.9 million in grants from various sources for climate change, energy efficiency, and water conservation and wastewater-related demonstration components (Table 13). Mongolia received \$10.3 million from the Japan Fund for Poverty Reduction for four projects that focused on energy conservation, early childhood education and nutrition, and health protection during the financial crisis. Total technical assistance amounted to \$40.2 million, consisting of \$24.6 million for the PRC, \$7.2 million for Mongolia, and \$8.4 million for regional technical assistance.

Knowledge management was strengthened. Filters were adopted to screen project proposals upon entry, peer reviews helped ensure quality, and knowledge products

TABLE 13 East Asia: Grant-Financed Project Approvals by Country, 2009
(\$ million)

Country	ADF	CCF	Other Sources ^a	Total
China, People's Republic of				
Capacity Building for Energy Efficiency Implementation (Supplementary) ^b	–	1.2	–	1.2
Liaoning Small Cities and Towns Development Demonstration Sector ^b	–	–	0.3	0.3
Shaanxi Qinling Biodiversity Conservation and Demonstration ^b	–	–	4.3	4.3
Integrated Ecosystem and Water Resources Management in the Baiyangdian Basin ^b	–	–	2.9	2.9
Hebei Small Cities and Towns Development Demonstration Sector ^b	–	–	0.3	0.3
Shanxi Integrated Agricultural Development ^b	–	–	0.7	0.7
Shanxi Small Cities and Towns Development Demonstration Sector Project ^b	–	–	0.3	0.3
– Support for Water/Wastewater Service Implementing Agencies and Companies	–	–	0.3	0.3
Mongolia				
Reducing Persistent Chronic Malnutrition in Children in Mongolia	–	–	2.0	2.0
Social Sectors Support Program ^b	16.9	–	–	16.9
Protecting the Health Status of the Poor During the Financial Crisis	–	–	3.0	3.0
Early Childhood Education for Rural, Nomadic, and Migrant Children	–	–	2.9	2.9
Demonstration Project for Improved Electricity Services to the Low-Income Communities in Rural Areas	–	–	2.4	2.4
Education for the Poor—Financial Crisis Response ^b	17.0	–	–	17.0
Total	33.9	1.2	18.9	54.0

– = nil, ADF = Asian Development Fund, CCF = Climate Change Fund.

Note: Totals may not add up because of rounding.

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

b Grant component of a loan project.

TABLE 14 East Asia: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

Country	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
China, People's Republic of	66	1,122.9	1,312.0	1,341.7	1,234.3	1.5	1.8
Mongolia	10	53.2	19.0	56.7	26.7	20.0	–
Total	76	1,176.1	1,331.0	1,398.4	1,261.0	3.9	1.5

– = nil.

and services were jointly programmed with the government during country programming discussions. Thirty-two knowledge products and services were completed while knowledge sharing was conducted through 34 conferences and workshops, 8 book launches, and 8 international conferences.

to assume increased portfolio management responsibilities, and phased delegation of disbursement functions to the PRC was implemented. The increasing number of smaller loans approved and delays in project completion contributed to an expanding portfolio. Operational targets for project administration were met.

PORTRFOIO MANAGEMENT

ADB continued to promote results-based portfolio management and effective development by improving project readiness and streamlining ADB procedures, aligning them with government procurement and approval processes. Resident missions were strengthened

ADB continued to improve project readiness and streamline procedures, aligning them with government procurement and approval processes

REGIONAL COOPERATION

Regional cooperation programs promoted trade and economic cooperation among the countries of Central Asia Regional Economic Cooperation (CAREC) and the Greater Mekong Subregion. ADB also supported implementation of the joint action plan of the CAREC Transport and Trade Facilitation Strategy, and notable progress was achieved in fostering customs cooperation, measuring and monitoring transport corridor performance, and developing single-window customs clearance systems. ADB conducted a more targeted program between the

Notable progress was achieved in fostering customs cooperation, measuring and monitoring transport corridor performance, and developing single-window customs clearance systems

PRC and Mongolia, such as joint customs control, coordinating transport development, improving the legal and policy framework for power trading, and enhancing trade logistics and urban infrastructure development in key border towns.

COUNTRY HIGHLIGHTS

The People's Republic of China

Partnership priorities. The 2008–2010 country partnership strategy remains closely aligned both with the government's Eleventh Five-Year Plan (2006–2010) and ADB's Strategy 2020 priorities. The global financial crisis highlighted the urgency of rebalancing from export-oriented, investment-driven growth to a consumption-driven, service-oriented economy. Another emerging challenge was to reinforce environmentally sustainable development by addressing climate change issues and adopting greener, low-carbon growth strategies.

**TABLE 15 East Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2009
(\$ million)**

Country	OCR	ADF	Total
SOVEREIGN			
China, People's Republic of			
Emergency Assistance for Wenchuan Earthquake Reconstruction	400.0	—	400.0
Xinjiang Urban Transport and Environmental Improvement	100.0	—	100.0
Liaoning Small Cities and Towns Development Demonstration Sector	100.0	—	100.0
Shaanxi Qinling Biodiversity Conservation and Demonstration	40.0	—	40.0
Guiyang Integrated Water Resource Management (Sector)	150.0	—	150.0
Hebei Small Cities and Towns Development Demonstration Sector	100.0	—	100.0
Anhui Integrated Transport Sector Improvement	200.0	—	200.0
Lanzhou Sustainable Urban Transport	150.0	—	150.0
Railway Energy Efficiency and Safety Enhancement Investment Program – Tranche 1	300.0	—	300.0
Shanxi Integrated Agricultural Development	100.0	—	100.0
Guangdong Energy Efficiency and Environment Improvement Investment Program – Tranche 2	22.1	—	22.1
Shanxi Small Cities and Towns Development Demonstration Sector	100.0	—	100.0
Mongolia			
Social Sectors Support Program ^a	—	43.1	43.1
Urban Development Sector (Supplementary)	—	7.0	7.0
Subtotal	1,762.1	50.1	1,812.2
NONSOVEREIGN			
China, People's Republic of			
Small Hydropower Development	58.6	—	58.6
Zhangbei Wind Power	34.3	—	34.3
Municipal Waste to Energy	100.0	—	100.0
Subtotal	192.9	—	192.9
Total	1,954.9	50.1	2,005.1

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

Note: Totals may not add up because of rounding.

^a Accompanied by a grant.

TABLE 16 East Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)^a

Country	Lending	Disbursements
China, People's Republic of	22,959.1	14,905.8
Mongolia	726.7	638.1
Total^b	23,685.8	15,543.9

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

^b Excludes Hong Kong, China; the Republic of Korea; and Taipei, China, which have graduated from regular ADB assistance.

FIGURE 3 East Asia: ADB Lending by Country, 2008–2009 (Sovereign and Nonsovereign) (\$ million)



Impact of operations. Most projects were in the less-developed central and western regions of the PRC, where rural poverty and environmental degradation are more pronounced. Greening of the portfolio was achieved through the railway energy efficiency program under the multitranche financing facility and a nonsovereign wind power project in Hebei Province. Preparatory work was initiated for innovative projects such as the 250-megawatt Tianjin integrated gasification combined cycle project and a concentrated solar thermal power development project in the western PRC while carbon capture and storage demonstration studies were started to identify barriers, develop road maps, and to identify potential projects. ADB continued its support for balanced and environmentally sustainable urbanization of small cities and towns in Hebei, Liaoning, and Shanxi provinces.

ADB, with the Ministry of Finance, organized a national workshop to promote sustainable urban development. The PRC–ADB knowledge-sharing platform, with its first event on sustainable urbanization, facilitated exchange between the PRC and other developing member countries on urban development.

Mongolia

Partnership priorities. To respond swiftly to the effects of the global financial crisis, ADB assisted the government in formulating a country operations business plan

FIGURE 4 East Asia: ADB Disbursements by Country, 2008–2009 (Sovereign and Nonsovereign) (\$ million)



and a short-term crisis strategy in consultation with other development partners. ADB provided funds to help protect the poor during the crisis and discussed ways to adjust the timing, funding arrangements, and sequencing of proposed projects to support the government's crisis response program.



ADB supports targeted provision of textbooks to poor students in Mongolia

The PRC–ADB knowledge-sharing platform facilitated exchange between the PRC and other developing member countries on urban development

Impact of operations. ADB helped the government start reforms in the health insurance system, improving the financing of hospitals and rural health facilities, and developing incentives to encourage health workers to work in rural areas. ADB also supported overhauling the legal status of family group practices and strengthening the legal and regulatory basis for public-private partnership initiatives in the health sector. In education, an ADF grant ensured that those most affected by the crisis stay in school by helping the government meet its short-term

financing needs and by continuing longer-term policy reform.

Two projects funded through the Japan Fund for Poverty Reduction sought to promote community natural resource management by introducing alternative livelihoods to the rural poor. A grant of \$14.7 million in 2008 supported an innovative private sector development approach in agro-processing that helped the rural poor by expanding value chain processing of food products, marketing, and exports.

Methane: From Pollution to Solution

An ADB project is helping the PRC safely capture methane gas extracted from coal mines, and at the same time providing consumers, such as in Jincheng, clean alternative energy sources

The glassmakers at Jincheng East Glassware's workshops in Jincheng, Shanxi province breathe easier now because the company's switch from coal to methane gas to fuel its furnaces has improved air quality in the factory and greatly reduced the incidence of respiratory disease. The furnace upgrade saves the company \$147.10 (CNY1,000) per day, and because the consistent gas supply keeps the temperature of the furnaces steady, the glass melts evenly without trapping bubbles, reducing wastage by 20%.

The methane that fuels the glassworks is tapped from the city's extensive coal deposits. Methane is highly explosive and must be extracted from the underground coal mines to keep working conditions safe. But once captured it is one



Glassware workers breathe easier as methane gas fires furnaces

of the cleaner energy sources since it produces no soot and does not contribute to acid rain, and it can replace dirty fuels such as coal and petroleum.

A \$117.4 million loan from ADB helped introduce new technologies that can increase the production and use of methane. Begun in 2004, the Coal Mine Methane Development Project in Jincheng captures coal mine methane from mine shafts to fuel a 120-megawatt power plant, and transmits and distributes methane to commercial, residential, and industrial consumers in the city.

For Wei Jiusheng, who drives a methane-powered taxi, the availability of this cleaner, cheaper fuel is a boon. When Wei used gasoline, filling the fuel tank was so costly that he was barely able to support his wife and child. Now that he has converted his car to methane gas, he earns an average of \$440 a month (CNY3,000), substantially more than most drivers in his city. To reduce air pollution and promote the use of methane gas, the municipal government later made the conversion mandatory for all taxis and buses, and many owners of private vehicles have made the switch, too.

Households also make major savings now that coal mine methane is widely available on tap. The average annual cost for gas supply for a family is \$52 (CNY350), compared with \$294 (CNY2,000) for coal. Making piped gas available not only reduced households' expenses but also liberated women from time-consuming cooking. The Jincheng municipal government plans to cover the whole city with pipelines to supply over 60,000 households with coal mine methane for heating and cooking by 2011.

Once captured, methane gas is one of the cleaner energy sources since it produces no soot and does not contribute to acid rain

Education Comes in From the Cold

Mongolia's extensive Second Education Development Project has constructed new schools, rehabilitated old ones, provided educational materials, trained teachers, and revised school policy, among its many achievements. Preschool enrollment has increased substantially

A Mongolian herder's daughter rushes into a kindergarten in Töv, some 135 kilometers from Ulaanbaatar. With temperatures outside dropping to -30°C , the school, with its age-appropriate safety furniture, audio and video equipment, and toys, provides warmth and comfort on an early morning in January.

Extreme winter weather is difficult for young children. Six new schools built under the ADB-supported Second Education Development Project provide welcome relief and have made a tangible contribution to preschool and primary education, with preschool enrollment increasing from 45% in 2002/03 to about 57% in 2007/08. They have helped develop part of the system that has struggled since the former Soviet Union-era funding was withdrawn in the 1990s.

Approved in 2002, the project aimed to help provide universal access to quality primary and secondary education, especially in rural areas and poor urban communities.

In 2009, newly constructed schools operated one shift for kindergarten and two for primary school, with 3,179



Students benefit as the project helps restore their school system

students enrolled. The project also provided educational and developmental materials to 150 kindergartens. Parents and teachers say this is the best investment made in preschool education in the last 20 years, benefiting about 30,000 children.

Most schools were built 30 to 40 years ago and have received little maintenance. The project supported rehabilitation, including providing energy-efficient heating systems and sanitation, and installing ramps and other facilities for students with physical disabilities. By 2007, a total of 5,994 physically disabled students were enrolled in the 136 schools that ADB financing restored. The project provided much-needed teacher training and free textbooks to children from poor families. In all, the program benefited 72,653 primary school students and 124,251 secondary students in 2005/06.

The project also supported several policies, including an extension of basic education to 12 years in 2009, from 10 years in 2005, and an education master plan for 2006–2015 that the government has adopted. The Education Donors' Consultative Mechanism devised in 2005 to guide activities of ADB and its partners is viewed as a model for donor coordination for other sectors.

Total project costs of \$68.5 million comprised \$14.0 million from ADB, \$45.0 million from Japan, \$4.8 million from the Nordic Development Fund, and \$4.7 million from the Government of Mongolia.

ADB assistance has played a part in Mongolia's notable progress in reviving education since Soviet funding ceased. In 2006, the enrollment rate for primary and secondary education had recovered to 95%, from a low of 81% in 1995.

Ongoing partnerships have been a major factor in reclaiming achievements and a strong political will exists for reforms that deliver quality education.

Most schools were built 30 to 40 years ago and have received little maintenance. The project supported rehabilitation, including providing energy-efficient heating systems and sanitation, and installing ramps and other facilities for students with disabilities



Chapter 9

PACIFIC

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

ADB's scaled-up assistance for 14 Pacific developing member countries meets the region's unique challenges, including their response to climate change. Support boosted economic and social infrastructure, strengthened governance, and promoted private sector growth. The Pacific Approach 2010–2014 will guide the continued strengthening of regional cooperation, the regional provision of services, and improvement of policies.

OVERVIEW

ADB helps 14 Pacific developing member countries raise living standards and build resilience by developing economic and social infrastructure, strengthening governance, and promoting private sector growth.

Innovative approaches continued meeting the region's unique challenges. ADB has scaled up its lending and nonlending operations in response to increasing demand from Pacific countries. The Pacific Approach 2010–2014, produced in 2009, aims to improve the effectiveness of future ADB development operations in the Pacific.

Frequent high-level consultation improved coordination among development partners, laying the groundwork for a regional approach to the global economic crisis and deepening the response to climate change. This included ADB strengthening its partnership with the US government.

PORTFOLIO MANAGEMENT

Performance against targets for sovereign loans was 38.7% for contract awards (\$48.2 million) and 84.2% for disbursements (\$30.4 million) (Table 18). For Asian Development

HIGHLIGHTS

- New Pacific Approach 2010–2014 aimed at improved development effectiveness
- New country partnership strategies for Palau, Solomon Islands, and Vanuatu, and a midterm review of Papua New Guinea's country strategy and program 2006–2010
- Significant increases in Pacific lending and nonlending operations: \$231.7 million in loans and \$71.0 million in Asian Development Fund grants, and \$39.0 million in technical assistance projects (including cofinancing)
- Emergency response to natural disasters in the Fiji Islands, Samoa, and Solomon Islands
- The Climate Change Implementation Plan for the Pacific, which gave member countries a framework for developing and implementing climate change investments and action plans to 2015

The Global Economic Crisis: ADB's Response

- Improved economic monitoring, led by the quarterly *Pacific Economic Monitor*
- Analytical work, including the release of *Taking the Helm: A Policy Brief on a Response to the Global Economic Crisis*
- Approval of economic recovery support programs for the Cook Islands and Tonga

Fund (ADF) grants, contract awards were 79.3% (\$15.7 million) and disbursements 90.5% (\$14.1 million). The Pacific Department's achievements in contract awards were the best in the past 10 years. The number of active technical assistance projects averaged 82 over the past 3 years. Technical assistance savings were \$2.3 million. Five loans, four grant projects, and two technical assistance projects were delegated to the resident missions in 2009, resulting in more effective monitoring, stronger partnerships with Pacific developing member countries and development partners, and improved engagement in policy dialogue.

REGIONAL COOPERATION

The Pacific Approach 2010–2014 supports strengthened regional cooperation, the regional provision of services, and better policies.

ADB approved a regional technical assistance project to improve its engagement in fragile states and situations. The Infrastructure Advisory Center, established under the Pacific Region Infrastructure Facility, will help Pacific countries develop sustainable infrastructure and services. ADF investments in border roads in Timor-Leste and cross-border infrastructure in Papua New Guinea were approved. The Private Sector Devel-

Frequent high-level consultation improved coordination among development partners, laying the groundwork for a regional approach to the global economic crisis

TABLE 17 Pacific: Grant-Financed Project Approvals by Country, 2009
(\$ million)

Country	ADF	APDRF	Other Sources ^a	Total
Papua New Guinea				
Extending the Socioeconomic Benefits of an Improved Road Network to Roadside Communities	—	—	2.0	2.0
Samoa				
Earthquake and Tsunami Disaster Response	—	1.0	—	1.0
Solomon Islands				
Road Improvement (Sector) (Supplementary)	—	—	0.2	0.2
Road Improvement (Sector) (Supplementary)	—	—	1.9	1.9
Emergency Assistance (Supplementary)	—	—	4.0	4.0
Second Road Improvement (Sector)	15.0	—	7.8	22.8
Timor-Leste				
Road Network Development Sector	46.0	—	—	46.0
Our Roads Our Future—Supporting Local Governance and Community-Based Infrastructure Works ^b	—	—	3.0	3.0
Tonga				
Economic Support Program	10.0	—	—	10.0
Total	71.0	1.0	19.0	91.0

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

Note: Totals may not add up because of rounding.

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

b Grant component of a loan project.

TABLE 18 Pacific: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
	2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Cook Islands	4	1.6	—	(0.3)	1.3	25.0
Fiji Islands	4	17.0	6.2	5.3	9.7	25.0
Kiribati	—	—	0.1	—	—	—
Marshall Islands	—	—	—	—	—	—
Micronesia, Federated States of	2	0.8	1.6	0.8	3.6	—
Papua New Guinea	13	23.6	16.1	17.4	19.9	—
Samoa	4	5.1	9.6	6.3	2.6	—
Solomon Islands	—	—	0.02	—	0.1	—
Tuvalu	2	0.1	0.04	0.4	0.6	—
Regional	1	0.05	0.7	0.5	0.6	—
Total	30	48.2	34.2	30.4	38.4	6.7

— = nil, () = negative.

Note: Totals may not add up because of rounding.

opment Initiative, cofinanced with Australia, continued to improve the business environment and stimulate private sector investment. A second phase was approved during 2009.

The Pacific Approach 2010–2014 supports strengthened regional cooperation, the regional provision of services, and better policies

COUNTRY HIGHLIGHTS

The Cook Islands

Partnership priorities. The country operations business plan, 2010–2012, continued to emphasize infrastructure and public financial management. A budget support program was also included in light of the adverse impact of the global economic crisis. ADB strengthened its focus on climate change and private sector development.

TABLE 19 Pacific: Sovereign and Nonsovereign Loan Approvals by Country, 2009 (\$ million)			
Country	OCR	ADF	Total
SOVEREIGN			
Cook Islands			
Economic Recovery Support Program	10.0	–	10.0
Fiji Islands			
Third Road Upgrading (Sector) (Supplementary)	36.1	–	36.1
Emergency Flood Recovery (Sector)	17.6	–	17.6
Suva–Nausori Water Supply and Sewerage Development (Supplementary)	23.0	–	23.0
Papua New Guinea			
Civil Aviation Development Investment Program – Tranche 1 ^a	25.0	70.0	95.0
Pilot Border Trade and Investment Development	–	25.0	25.0
Subtotal	111.7	95.0	206.7
NONSOVEREIGN			
Papua New Guinea			
Digital Mobile Telecommunication Expansion	25.0	–	25.0
Subtotal	25.0	–	25.0
Total	136.7	95.0	231.7

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources.
 a Consists of two ADF loans.

TABLE 20 Pacific: Cumulative Lending and Disbursements by Country as of the end of 2009
(\$ million)^{a, b}

Country	Lending	Disbursements
Cook Islands	55.0	27.6
Fiji Islands	326.6	197.8
Kiribati	15.1	13.7
Marshall Islands	78.1	64.2
Micronesia, Federated States of	75.1	47.1
Nauru	5.0	2.3
Palau	–	–
Papua New Guinea	1,272.0	746.0
Samoa	159.4	114.6
Solomon Islands	79.3	65.8
Timor-Leste	–	–
Tonga	57.8	52.3
Tuvalu	7.8	7.6
Vanuatu	51.3	49.0
Regional	1.5	176.9
Total	2,184.0	1,564.9

a Loan component of regional projects distributed to the countries whenever possible.

b Includes nonsovereign (public and private) sector loans specific to the region.

Impact of operations. Technical assistance for the Infrastructure Master Plan and Infrastructure Development Project improved coordination among development partners, helping them support the infrastructure sector and elevate government efforts to manage and develop infrastructure and reform the ministries.

The Fiji Islands

Partnership priorities. ADB operations are guided by its 2007 Approach to Reengagement. ADB continued to support ongoing operations in water supply, sanitation, and road development.

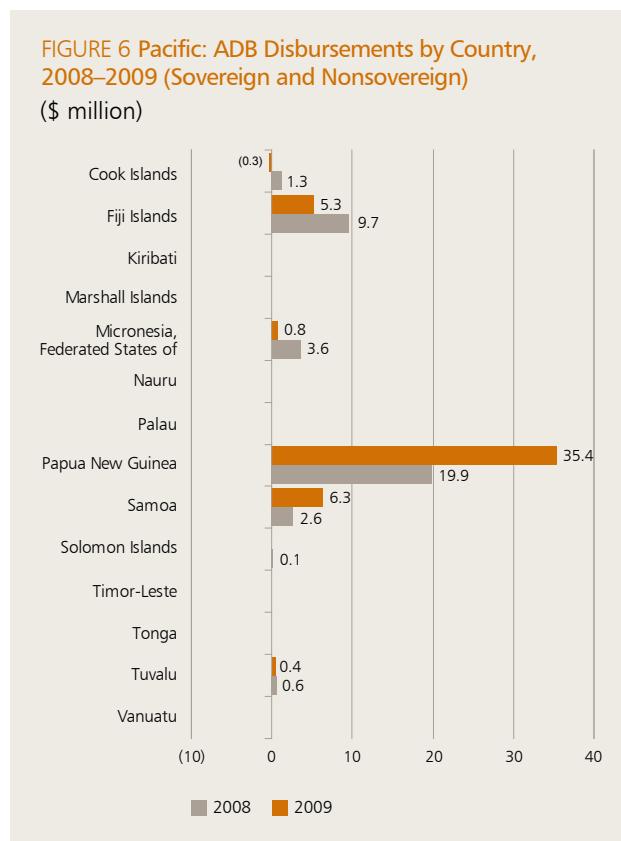
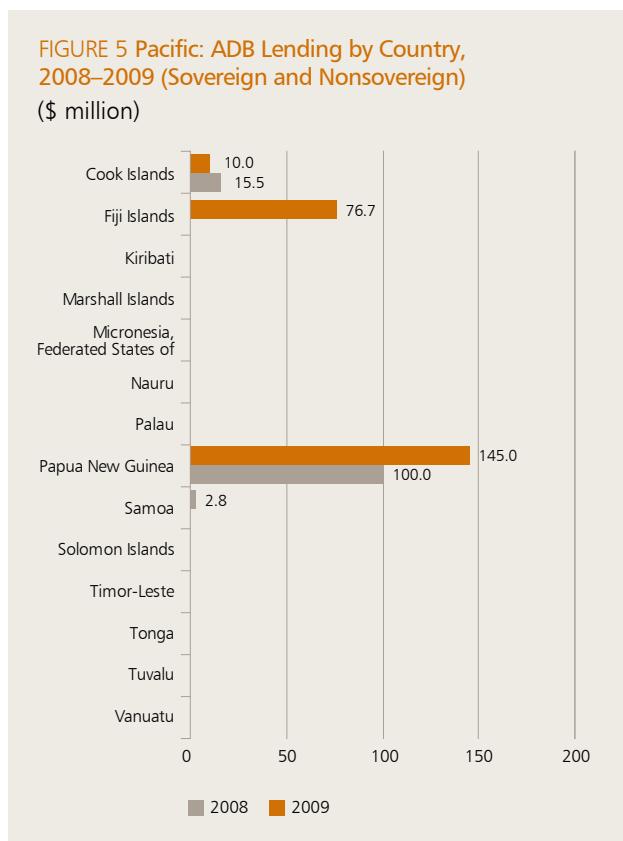
ADB continued to help Kiribati overcome limited resources and geographic isolation and make progress toward its economic growth goals by emphasizing economic and financial planning and management

Impact of operations. The Suva–Nausori Water Supply and Sewerage Project continued to improve water and sanitation services. Notable achievements included commissioning a 10-kilometer (km) large-diameter raw water main, completing a 4-million-liter clear water reservoir, upgrading five major sewage pump stations, and constructing about 5 km of sewers for a heavily populated residential area.

Kiribati

Partnership priorities. ADB continued to help the country overcome limited resources and geographic isolation and make progress toward its economic growth goals by emphasizing economic and financial planning and management. Technical assistance was approved to support economic management and reforms of state-owned enterprises.

Impact of operations. The Integrated Land and Population Development Program on Kiritimati Island, which considered planning and zoning for residential and economic development land uses, continued to help the government improve land allocation.



The Marshall Islands

Partnership priorities. The government cleared its loan repayment arrears with ADB in March and has maintained subsequent repayments. The approved country operations business plan, 2009–2011, prioritizes technical assistance and policy advice to support public sector reform initiatives, formulate climate and environmental adaptation plans, and improve the government's financial management.

Impact of operations. Technical assistance programs continued to support improved public sector performance and a better enabling environment for private sector activity. ADB also supported the organization of

Technical assistance programs in the Marshall Islands continued to support improved public sector performance and a better enabling environment for private sector activity

national conferences on public sector reform, fisheries development, energy reform, and climate change, leading to the adoption of strategy documents and work plans.

The Federated States of Micronesia

Partnership priorities. Economic management and accountability, including social and private sector development, remained priorities. ADB strengthened its partnership with the US through high-level dialogue and closer collaboration during project implementation.

Impact of operations. The Omnibus Infrastructure Project helped restore critical water supply, sanitation, and power infrastructure. The technical assistance program continued to strengthen the government's ability to manage finance, budget, and performance.

Nauru

Partnership priorities. After its reengagement in May 2008, ADB stepped up its activities, which are closely aligned with the updated National Sustainable Development Strategy.

Impact of operations. ADB operations focused on improving infrastructure and public sector management.

Palau

Partnership priorities. ADB and the government developed a country partnership strategy to guide their relationship over the next 5 years. They will work to improve the public sector's effectiveness, facilitate private sector development, and manage the threats of climate change.

Impact of operations. Technical assistance supported embedding the development strategy into ministries' budget plans, helped develop a health insurance scheme to complement existing health care services, and helped prepare a new commercial code to improve private sector and consumer lending.

Papua New Guinea

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

ADB's first private sector project in Papua New Guinea was approved and disbursed in 2009. A total of \$18 million was disbursed for the expansion and improvement of a nationwide mobile telecommunication network, which increases access to affordable telecommunication services, particularly for low-income users, and improves their accessibility and quality, particularly in the country's remote and rural areas.

Impact of operations. Ongoing ADB assistance improved the Highlands highway network and national road safety. ADB also strengthened support for private sector participation and development by providing assistance for the implementation of the national public–private partnership policy and in the delivery of rural health services, including HIV/AIDS prevention. The private sector was tapped to improve the supply and distribution of medical supplies. An ADB-supported project established a financial literacy and outreach program, and continued to strengthen the successful Nationwide Microbank, which grew to 12 branches.

ADB's first private sector project in Papua New Guinea was approved and disbursed in 2009



ADB support in the Pacific has helped train health workers including in Papua New Guinea

Samoa

Partnership priorities. The country partnership strategy, 2008–2012, emphasizes poverty reduction, with three pillars for intervention: removing infrastructure constraints, improving access to and delivery of public services, and promoting private sector development.

Impact of operations. A \$1 million grant from the Asia Pacific Disaster Response Fund helped the government provide medical care, shelter, and food to the population affected by the tsunami. The Power Sector Expansion Project facilitated installation of prepaid power meters in households.

Restoring the Reef

An ADB-financed fisheries management project in Papua New Guinea's coastal regions could begin to turn the tide against destructive fishing practices through a community-based approach

Locals wade through the shallows on a beach in the slim hope of finding a few small shells and peanut worms. Two hours away, on a palm-fringed coast on the other side of a mountain range dividing this narrow island province, shiny mullet slither in the nets of joyful fishermen.

The contrast between these two stretches of water reveals much about the story of Papua New Guinea's declining coastal resources—and the efforts of some communities to reverse the trend.

"This area has been totally overfished because it is near town, very accessible, and there are no restrictions or management of the reef," a resident complains on the beach outside Kavieng, the main port of New Ireland. "The people who

come here have no idea about the importance of managing these resources."

The big prizes—sea cucumbers, trochus shells (used to make mother-of-pearl buttons), and reef fish—have vanished because of the twin pressures of growing coastal populations and destructive fishing practices.

By contrast, villagers of Panakais on the west coast have established a no-fishing zone, although on this day they give themselves permission to break the ban for a special feast. The community has also renounced poisoning fish with deris root powder, fishing with dynamite, and night fishing by flashlight using fine-mesh nets as part of a self-imposed management plan drawn up with the help of Ailan Awareness, a local nongovernment organization.

"They told us in a scientific way why we should not catch small fish and why we should leave the spawning fish alone," says Francis Bolaf, chair of Panakais' fisheries management committee.

The community-based management approach to conserving marine resources has been pioneered through the Coastal Fisheries Management and Development Project, financed by ADB with a \$5.7 million soft loan. Seven communities in New Ireland and another 17 in Morong province had applied the methods by the time the project ended in 2007. A further 37 were waiting to participate.

"Our project was to kick-start this concept and pilot it, and I'm happy that this has been achieved and we would like to see it replicated throughout the coast," said Allan Lee, officer-in-charge at the ADB resident mission in Port Moresby.

As more communities decide to make short-term sacrifices for long-term gains, the tide could turn for Papua New Guinea's once bountiful reefs.

"They told us in a scientific way why we should not catch small fish and why we should leave the spawning fish alone"

—Francis Bolaf, chair of Panakais' fisheries management committee



Fishermen in Panakais and elsewhere are learning new ways to bring in the day's catch

Solomon Islands

Partnership priorities. A new interim country partnership strategy continued the focus on improving transport infrastructure and services and developing the private sector.

Impact of operations. Rehabilitation work under the emergency assistance program (in response to the 2007 earthquake and tsunami) progressed well and the Gizo town road was reopened. ADB continued to help the government implement company laws and establish a companies registry.

On the Same Track

Through post-conflict reconstruction, such as in Solomon Islands, ADB is helping governments restore fragile connections. The successful project has rebuilt roads and bridges, providing a lifeline to markets and hospitals

Several times a week, Mary Puke travels from Visale in West Guadalcanal to sell mangoes in Honiara, the capital of Solomon Islands. The 80-kilometer round trip used to take her about 6 hours on a route damaged in conflict more than a decade ago. She can now cover that ground in 2 hours, after ADB's Post-Conflict Emergency Rehabilitation Project restored roads and bridges.

Bridges were bombed and major roads linking provincial and market centers with communities in Guadalcanal and the Island of Malaita were severely damaged during ethnic tensions that afflicted this South Pacific archipelago in 1999–2000. An October 2000 peace agreement ended conflict between groups from Guadalcanal and Malaita provinces, but communities were left without access to markets, clinics, schools, and agricultural services.

"Frankly speaking, these were the worst conditions I'd seen in nearly 30 years of working on road projects,"



The project rejoins communities separated by conflict

says Rishi Adhar of ADB's Pacific Liaison and Coordination Office, who worked on the project, which started in 2002.

Additional funding made available by the Australian Agency for International Development (AusAID), through its Regional Assistance Mission to Solomon Islands, and the New Zealand Agency for International Development (NZAID) helped expand the rehabilitation project and avoid duplication of efforts. "By pooling our different ideas, we generally come up with a much better result," NZAID manager Guy Redding says.

The restoration of important transport links like the Tanavasa Bridge—the "Bridge of Peace," which had been blown up during the conflict—is a tangible symbol of the trust and cooperation that now exists between communities previously at war.

"The project has been widely regarded as being successful, delivering on its original objectives in an environment that was still fragile," says Paul Kelly, RAMSI development coordinator. "It also contributed to economic growth in Solomon Islands. A working network of improved roads and bridges, particularly in rural areas, has joined communities together and become a lifeline to markets and hospitals."

The Solomon Islands Road Improvement Project is the next big transport rehabilitation project. This will build on the work of ADB's Post-Conflict Emergency Rehabilitation Project, spreading the gains more widely. Policy advice and capacity building for the Ministry of Infrastructure is part of the package, and there are plans to involve youth, school dropouts, and women's groups in local road maintenance to maximize the useful life of these arteries of commerce and peaceful existence.

The restoration of important transport links such as the "Bridge of Peace" is a tangible symbol of the trust and cooperation that now exists between communities

Timor-Leste

Partnership priorities. ADB priorities include infrastructure, public administration, and ongoing support for the Instituicao de Microfinancas de Timor-Leste. Regional technical assistance was also approved to improve cross-border linkages between Indonesia and Timor-Leste.

Impact of operations. The concluded \$10 million ADF Road Sector Improvement Project rehabilitated about 123 km of deteriorated national roads, piloted road maintenance on 47 km of national roads using labor-intensive methods, and engaged roadside communities in feeder road maintenance.

Tonga

Partnership priorities. The joint ADB–World Bank field presence in Tonga has strengthened country-level interaction. A budget support program grant will help mitigate the impact of the global economic crisis.

Impact of operations. ADB supported state-owned enterprise (SOE) reforms. *Finding the Balance*, a 2009 comparative study of SOE performance, rated Tonga as having outperformed the Fiji Islands and Samoa in SOE reform.

Tuvalu

Partnership priorities. The country operations business plan, 2010–2012, focuses on improving public expenditure and financial management.

ADB priorities include infrastructure, public administration, and microfinance in Timor-Leste; budget support in Tonga; improving public expenditure financial management in Tuvalu; and strengthening the private sector in Vanuatu

Impact of operations. ADB continued to help upgrade the Tuvalu Maritime Training Institute to double the number of students. A program grant supported improved public financial management, including major changes in taxation legislation.

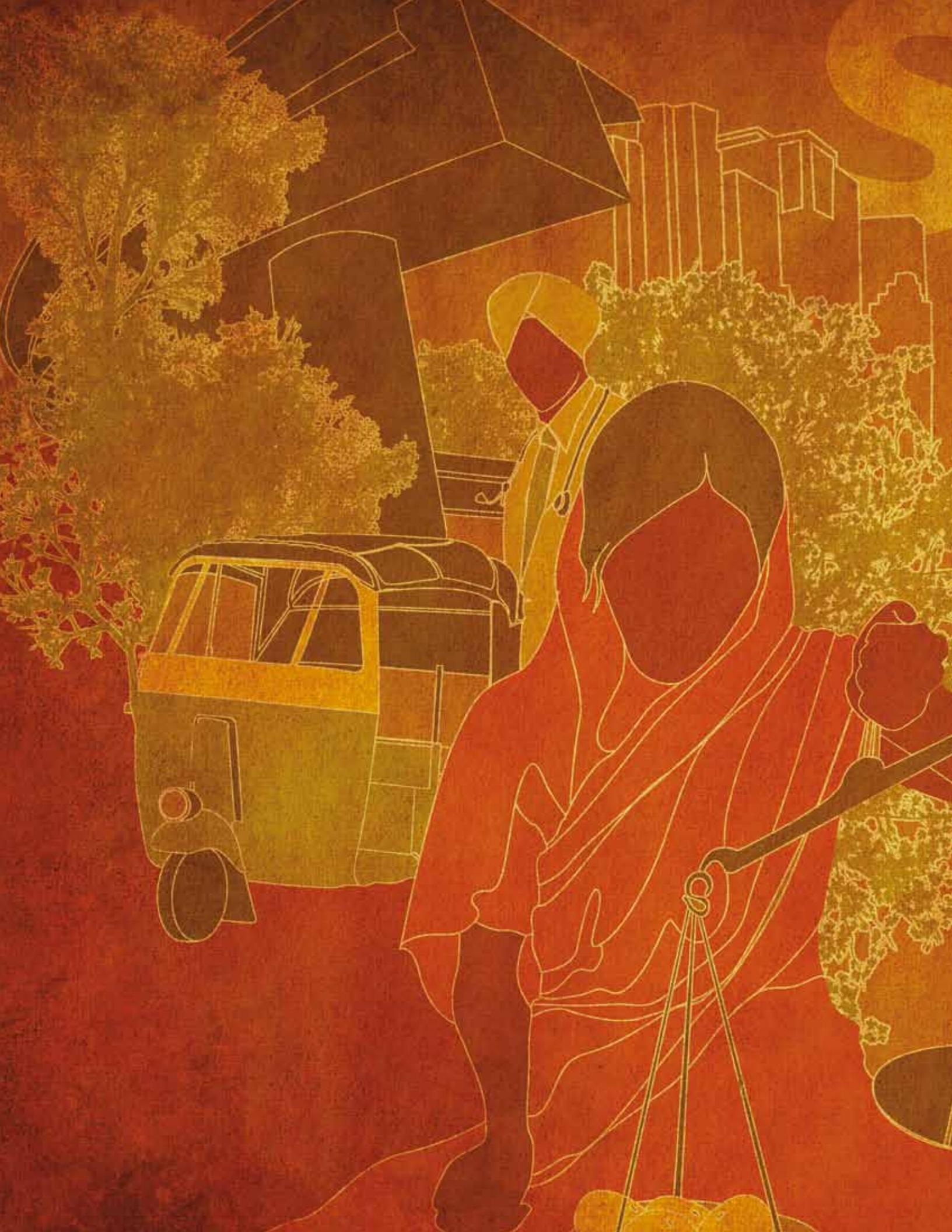
Vanuatu

Partnership priorities. The country partnership strategy, 2010–2014, focuses on transport, urban development, and energy. It aims to strengthen the private sector through an improved regulatory environment, better access to finance, and reform of state-owned enterprises.

Impact of operations. ADB continued to improve access to financial services by strengthening the Financial Services Commission's institutional framework, reforming company and bankruptcy laws, modernizing the registry of companies, and establishing a framework for secured transactions.



Once of doubtful use for heavy cargo, the improved port at Suva is now the biggest in the Fiji Islands



Chapter 10

SOUTH ASIA

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

ADB strengthened partnerships with key donors to deliver effective assistance and provided support to mitigate impacts of the global economic crisis. Regional cooperation and integration efforts were stepped up and the risk-based approach to portfolio management was strengthened. Climate change became a pillar of a country partnership strategy.

OVERVIEW

ADB's performance in South Asia remained strong. ADB strengthened donor harmonization and aid effectiveness through donor partnership in formulating country strategies.

ADB made climate change a pillar of a country partnership strategy and provided substantial assistance in response to the global economic crisis.

PORTFOLIO MANAGEMENT

ADB strengthened the risk-based approach to portfolio management. This focuses on complex and problematic projects and sectors; capacity development assistance to executing agencies; better project preparation and enhanced quality-at-entry review, including more rigorous assessment of project readiness; and closer monitoring of major deviations at all stages of the project cycle. As a result,



ADB helped preserve spending on social welfare, including urban primary health care in Dhaka, Bangladesh

loan disbursements increased to \$2.8 billion from \$2.4 billion in 2008, while contract awards and commitments reached \$3.2 billion from \$2.4 billion in 2008 (Table 22).

HIGHLIGHTS

- Included climate change as a pillar of Nepal's country partnership strategy
- Extended substantial financial assistance in response to the global economic crisis
- Further strengthened donor harmonization and aid effectiveness through partnership with key donors in formulating country partnership strategies in addition to undertaking country portfolio reviews
- Strengthened risk-based approach to portfolio management

The Global Economic Crisis: ADB's Response

Bangladesh

- Helped the government stimulate economic recovery and improve social safety nets through the Countercyclical Support Facility
- Improved service delivery, boosted the efficiency of social safety net programs, promoted public-private partnerships, and strengthened public resource management through the parallel Public Expenditure Support Facility

The Maldives

- Supported reform measures to arrest the deteriorating macroeconomic situation and help the country resume sustainable growth by providing concessional loans through the Economic Recovery Program
- Helped improve macroeconomic policy formulation and development effectiveness through technical assistance grants

Nepal

- Mitigated the reduction of remittances and tourism income by increasing investments in the productive sectors, using resources allocated from the Asian Development Fund's additional liquidity for crisis response

TABLE 21 South Asia: Grant-Financed Project Approvals by Country, 2009
(\$ million)

Country	ADF	CCF	Other Sources ^a	Total
Bangladesh				
Developing Inclusive Insurance Sector	–	–	2.0	2.0
Second Primary Education Development Program (Supplementary) ^b	–	–	30.0	30.0
Emergency Disaster Damage Rehabilitation (Supplementary) ^b	–	–	24.0	24.0
Post-Literacy and Continuing Education (Supplementary) ^b	–	–	2.5	2.5
Bhutan				
Road Network II	38.8	–	–	38.8
India				
Capacity Building and Livelihood Enhancement of Poor Water Users	–	–	2.0	2.0
Nepal				
Emergency Flood Damage Rehabilitation	25.6	–	–	25.6
Establishing Women and Children Service Centers	–	–	0.8	0.8
Second Small Towns Water Supply and Sanitation Sector	45.1	–	–	45.1
Education Sector Program – Subprogram III	70.0	–	–	70.0
Capacity Building for the Promotion of Legal Identity among the Poor	–	–	2.0	2.0
South Asia Tourism Infrastructure Development ^b	12.8	–	–	12.8
Air Transport Capacity Enhancement ^b	10.0	–	–	10.0
Energy Access and Efficiency Improvement ^b	–	0.3	4.2	4.5
Flour Fortification in Chakki Mills	–	–	1.8	1.8
Sri Lanka				
Clean Energy and Access Improvement ^b	–	4.2	–	4.2
Improving Connectivity to Support Livelihoods and Gender Equality	–	–	3.0	3.0
North East Community Restoration and Development Program II (Supplementary) ^b	–	–	7.3	7.3
Total	202.2	4.5	79.5	286.2

– = nil, ADF = Asian Development Fund, CCF = Climate Change Fund.

Note: Totals may not add up because of rounding.

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

b Grant component of a loan project.

Table 22 South Asia: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

Country	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Bangladesh	59	1,209.4	506.2	1,068.0	615.6	–	2.0
Bhutan	6	75.6	18.8	31.0	4.3	16.7	–
India	53	1,657.1	1,154.0	1,339.8	1,507.7	5.7	9.1
Maldives	9	6.9	4.5	5.3	2.7	55.6	50.0
Nepal	17	94.0	64.5	73.5	60.9	5.9	5.0
Sri Lanka	40	157.4	611.0	245.6	249.5	15.0	4.9
Total	184	3,200.5	2,358.9	2,763.2	2,440.7	8.7	7.1

– = nil.

Note: Totals may not add up because of rounding.

REGIONAL COOPERATION

ADB supported regional cooperation and integration in South Asia through the South Asian Association for Regional Cooperation (SAARC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and subregional initiatives. In April, ADB convened the first High Level Forum on Emerging Vision for Shared

ADB convened the first High Level Forum on Emerging Vision for Shared Prosperity: South Asia and Beyond

**TABLE 23 South Asia: Sovereign and Nonsovereign Loan Approvals by Country, 2009
(\$ million)**

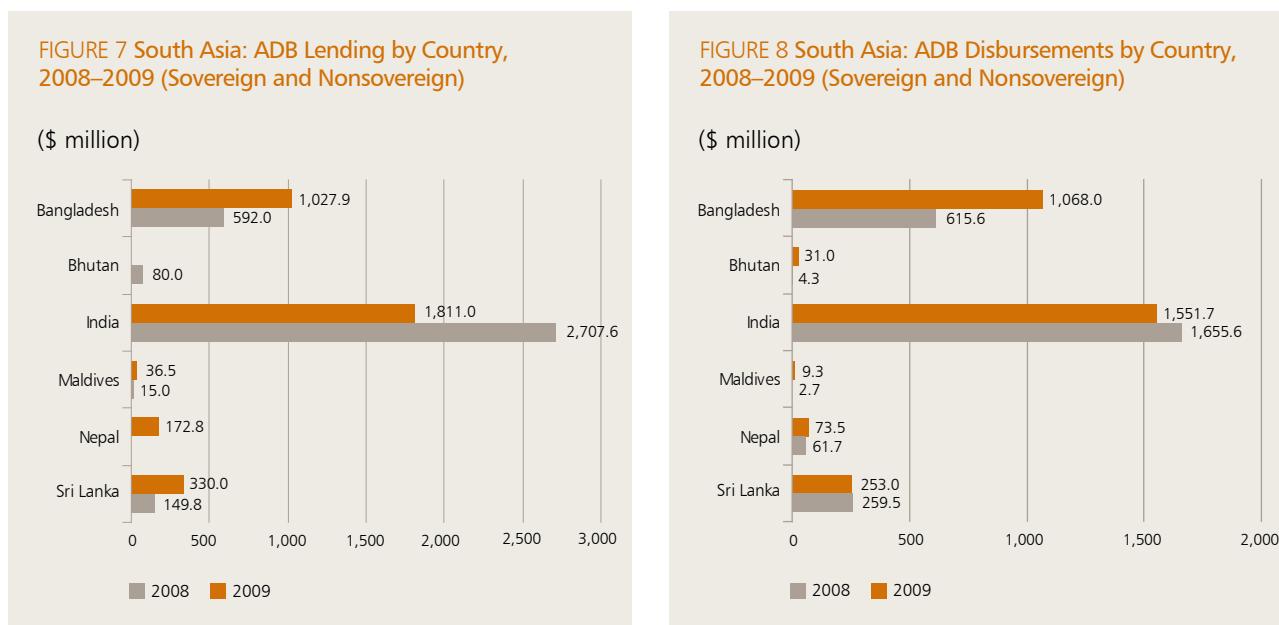
Country	OCR	ADF	Total
SOVEREIGN			
Bangladesh			
Participatory Small-Scale Water Resources Sector	–	55.0	55.0
Small and Medium-Sized Enterprise Development	–	76.0	76.0
Urban Public and Environmental Health Sector Development Program			
– Program Loan	–	70.0	70.0
– Project Loan	–	60.0	60.0
Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program ^{a,b}	600.0	144.9	744.9
South Asia Tourism Infrastructure Development (Bangladesh, India, and Nepal)	–	12.0	12.0
Padma Multipurpose Bridge Design (Supplementary)	–	10.0	10.0
India			
Uttarakhand Power Sector Investment Program – Tranche 3	30.6	–	30.6
Rajasthan Urban Sector Development Investment Program – Tranche 2	150.0	–	150.0
India Infrastructure Tranche Financing Facility – Tranche 2	200.0	–	200.0
National Power Grid Development Investment Program – Tranche 2	200.0	–	200.0
Madhya Pradesh Power Sector Investment Program – Tranche 5	166.0	–	166.0
National Highway Corridor (Sector) I – (Supplementary)	100.0	–	100.0
North Eastern Region Capital Cities Development Investment Program – Tranche 1	30.0	–	30.0
Rural Roads Sector II Investment Program – Tranche 4	185.0	–	185.0
Mizoram Public Resource Management Program	94.0	–	94.0
Developing Public Resource Management Program in Mizoram	6.0	–	6.0
South Asia Tourism Infrastructure Development (Bangladesh, India, and Nepal)	20.0	–	20.0
Second India Infrastructure Tranche Financing Facility – Tranche 1	210.0	–	210.0
Assam Power Sector Enhancement Investment Program – Tranche 1	60.3	–	60.3
Jharkhand State Roads	200.0	–	200.0
Himachal Pradesh Clean Energy Development Investment Program – Tranche 2	59.1	–	59.1
Maldives			
Economic Recovery Program	–	35.0	35.0
Capacity Building for Economic Recovery (TA Loan)	–	1.5	1.5
Nepal			
Education Sector Program (Subprogram 3)	–	25.0	25.0
South Asia Tourism Infrastructure Development (Bangladesh, India, and Nepal)	–	12.8	12.8
Air Transport Capacity Enhancement	–	70.0	70.0
Energy Access and Efficiency Improvement	–	65.0	65.0
Sri Lanka			
Clean Energy and Access Improvement	135.0	25.0	160.0
Eastern and North Central Provincial Road	–	70.0	70.0
Greater Colombo Wastewater Management	80.0	20.0	100.0
Subtotal	2,526.0	752.1	3,278.1
NONSOVEREIGN			
India			
Small and Medium Enterprise Trade Finance Development Facility	100.0	–	100.0
Subtotal	100.0	–	100.0
Total	2,626.0	752.1	3,378.1

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

Note: Totals may not add up because of rounding.

a Consists of two ADF loans.

b Consists of two OCR loans.



Prosperity: South Asia and Beyond, bringing together stakeholders from the finance and foreign ministries of South Asian countries, their neighbors, and the SAARC Secretariat to agree on approaches for advancing regional cooperation in South Asia and beyond.

ADB approved the second multi-country investment project in South Asia, which will create infrastructure for regional tourism; approved a road project for Bhutan, which has significant regional implications; and prepared the subregional transport infrastructure and trade facilitation project. ADB provided technical assistance to support resolutions of the SAARC Summit and the activities of the SAARC Secretariat, including regional food security initiatives. ADB also assisted networking among policy research institutes and think tanks involved with regional cooperation and integration.

ADB prepared the regional cooperation operations business plan for South Asia, 2010–2012, which provides \$1.6 billion for lending to regional and national projects with a regional dimension, and \$15.8 million for nonlending products and services. ADB prepared the completion report for the regional cooperation strategy and program 2006–2008 to help formulate the new strategy.

ADB approved the second multi-country investment project in South Asia, which will create infrastructure for regional tourism

FIGURE 8 South Asia: ADB Disbursements by Country, 2008–2009 (Sovereign and Nonsovereign)

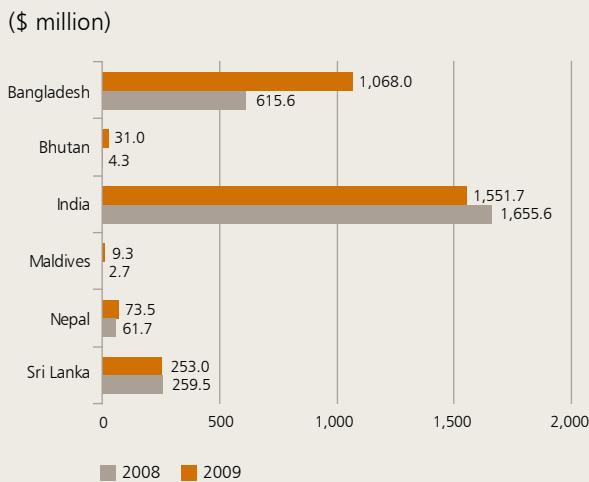


TABLE 24 South Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)^{a, b}

Country	Lending	Disbursements
Bangladesh	10,885.3	7,924.1
Bhutan	256.1	147.6
India	22,228.2	13,557.2
Maldives	152.8	80.8
Nepal	2,473.7	1,777.2
Sri Lanka	4,685.5	3,414.8
Total	40,681.6	26,901.6

Note: Totals may not add up because of rounding.

a Loan component of regional projects distributed to the countries.

b Includes nonsovereign (public and private) sector loans.

COUNTRY HIGHLIGHTS

Bangladesh

Partnership priorities. The midterm review of the country partnership strategy, 2006–2010, completed in August, validated its strategic pillars (sustainable economic growth, inclusive social development, and good governance) while underscoring the need for greater investment in basic infrastructure and further progress on economic and governance reforms.

ADB mobilized additional financing to support government efforts to stimulate economic recovery and improve social safety net programs, and funds were redirected from ongoing projects for emergency post-cyclone rehabilitation. ADB also extended its support

for small-scale water resources and small and medium-sized enterprises. Ten loans were approved totaling \$1 billion.

Impact of operations. ADB's support for primary education engendered progress in several key performance indicators. The sector-wide approach fostered

harmony among development partners and reduced transaction costs for the government. The design of the Padma Multipurpose Bridge was initiated with ADB support, and additional resources were provided through a supplementary loan to accelerate preparation of this high-priority project. The Northwest Crop Diversification Project substantially raised the incomes

Birth Free of Worry

Women in towns and cities across Bangladesh can welcome their babies safely into the world as an ADB-funded partnership works to combat maternal and child mortality

Kamrunnahar Akter says the birth of her third child at a well-equipped health care center was free of the stress she experienced in her previous deliveries.

"I have had two children at home in deliveries that had a lot of anxieties and difficulties, but here I have had no worries," Akter, who is 29, said as she rested after giving birth to a healthy boy at the center run by Progoti Samaj Kallyan Protisthan, a non-government organization (NGO) running health care centers in Dhaka operated under the Second Urban Primary Health Care Project in partnership with the Government of Bangladesh.

Akter's experience is typical of women across the country who have benefited from an innovative tie-up between local governments and NGOs to deliver primary health care to poor urban communities. Such public-private partnerships provide facilities and services to six city corporations and five municipalities across Bangladesh.

Building on an earlier ADB project, this initiative aims to reach underserved communities and, in particular, to improve child and maternal health in areas where mortality rates remain high. The under-5 child mortality is 65 per 1,000 births; 41% of children under 5 are underweight, 12% severely so.



A baby gets treatment at an ADB-funded health center

Only 52% of pregnant women obtain antenatal care from a medically trained provider and only 15% of births take place in health care facilities.

"We believe our health centers have contributed to a substantial reduction in child and maternal mortality and morbidity in Bangladesh," said Kazi Nurun Nabi, project manager of Progoti Samaj Kallyan Protisthan, who oversees an average of five deliveries per day at the maternity center where Akter gave birth.

So far the project has established 116 primary health care centers and 9 comprehensive reproductive health care centers; 41 more health care facilities and 42 community toilets will be built before the project closes at the end of 2011.

The centers also provide other medical treatment, vaccinations, family planning and nutritional advice, and education on primary health care. The project targets care to the most needy: at least 30% of the health centers' free services reach the urban poor, and nutritional supplements are supplied to severely malnourished women and children. Satellite clinics in slum areas treat patients who cannot come to the main health centers. The project has assisted more than 100,000 institutional deliveries, and over 5 million have benefited so far from the project.

The government is responsible for devising and overseeing the program, while NGOs deliver the health care and family planning services.

The project is financed mainly by ADB with cofinance from the Department for International Development (DFID) of the United Kingdom, the Swedish International Development Cooperation Agency (Sida), and the United Nations Population Fund (UNFPA). ORBIS, an international NGO, helps the project provide primary eye care services.

"We believe our health centers have contributed to a substantial reduction in child and maternal mortality and morbidity in Bangladesh"

—Kazi Nurun Nabi,
project manager of a maternity center

of some 250,000 small and marginal farmers, and ADB began preparing a second phase.

Bhutan

Partnership priorities. The July midterm review of the Bhutan country partnership strategy concluded that the strategy of poverty reduction through program and project assistance in four core sectors (roads, power and rural electrification, urban infrastructure, and financial and private sector development) and capacity development in these sectors is fully aligned with the government's Tenth Plan

and ADB's Strategy 2020. The review recommended continued implementation as planned.

Impact of operations. Accessibility is Bhutan's key development issue. The Road Network II Project increased passenger and freight transport within the country and with India, and integrated the southern region with its primary markets through the expanded road network and accessible border crossings. ADB's power interventions enabled poor households to establish income-generating microenterprises and strengthened small-scale cottage industries benefiting from

Paving the Way to Prosperity

Budhbir Tamang tells stories of close calls driving on Bhutan's treacherous mountain roads, white-knuckle experiences that left him inches from plunging to certain death.

The 27-year-old truck driver has fewer hair-raising tales after ADB assisted in the renovation and upgrading of 328 kilometers (km) of the East-West Highway, a vital passage that connects the two sides of the country. All-weather pavement was installed on the single highway bisecting the country, along with concrete barriers on the most dangerous curves.

"It's still dangerous," said Tamang, "but now my wife doesn't worry that I won't come home alive when I have to drive cross-country."

Vehicular transport in Bhutan, which did not have a single car until the 1960s, has grown rapidly in recent years, but the country's road network, comprising 4,153 km of drivable roads, provides only limited coverage and cannot meet the growing demands of larger and heavier vehicles.



Driving on Bhutan's highways is a lot safer these days, says truck driver Budhbir Tamang

The government partnered with ADB to meet Bhutan's transport needs. ADB has provided four loans and two grants totaling \$85.9 million, and has helped build or upgrade 346 km of roads and highways. The Bhutan Road Improvement Project has reduced vehicle operating costs by 19%–38%, cut travel time by 25%, and benefited nearly 100,000 people, according to an independent evaluation by ADB.

ADB is also working to improve about 140 km of the Trongsa–Gelephu highway—the vital route linking Bhutan to the India border—and about 100 km of other important road sections.

"The benefits of that project have been immense," says Pherub Phuntsho, an engineer with Bhutan's Department of Roads, who reports that heavy vehicle and bus accidents have fallen dramatically.

The impact of upgrading the East-West Highway is highly visible. Traffic in some sections of the highway has increased from as few as 4 or 5 vehicles per day before improvement to 300 or 400 vehicles per day, and twice as much in other sections.

Temphey, a 50-year-old farmer living near the western city of Wangdue, has also benefited immensely as a result of the highway improvement. The farmer of potatoes, radishes, and chili peppers used to spend more than a day hauling his goods to market by ox. Today, it takes about an hour to get his goods to market.

"I used to live like the ox in the field," Temphey says. "Now, my work is easier and I can spend more time with my family."

"My wife doesn't worry that I won't come home alive when I have to drive cross-country"

—Budhbir Tamang, truck driver

microcredit under ADB's Small and Medium Enterprises Sector Development Program. The finance sector was stronger because of sustained regulatory and policy development assistance. Access and electrification have allowed the government to establish schools and health units, increasing ADB's direct and indirect contribution to poverty reduction and achievement of the Millennium Development Goals.

India

Partnership priorities. The country partnership strategy 2009–2012 will speed up poverty reduction and social development. It will strengthen ADB support for infrastructure development, promote public–private partnerships in infrastructure development, support climate change adaptation and mitigation, and encourage innovative financing. Results and knowledge creation will also be enhanced.

Impact of operations. The Chhattisgarh Irrigation Development Project improved irrigation infrastructure and agriculture extension services, leading to an estimated 50% yield increase in irrigated rice and 30% in wheat and the piloting of new cash crops. The \$100 million Assam Power Sector Development Program, 2003–2009, helped restructure the Assam State Electricity Board, developed tariff rules, funded an electric service billing system, and lowered transmission and distribution system losses. Power supply was made more reliable and 1,200 villages were connected to the grid. ADB financed 24 projects under the first tranche of the India Infrastructure Project Financing Facility, 2008–2010, leveraging more than 10 times its own resources from other commercial sources.

The country partnership strategy 2009–2012 for India aims to speed up poverty reduction and social development, help build infrastructure, promote public–private partnerships, support climate change adaptation, and encourage innovative financing

The Maldives

Partnership priorities. Under the country partnership strategy, ADB and the government agreed to augment human resources capacity, a binding constraint in the Maldives; strengthen economic management; improve development effectiveness; and provide assistance for private sector development, energy, and transport with an emphasis on public–private partnership. The strategy contains a provision for ADB to respond quickly if circumstances change. The recent global economic slowdown has adversely affected the Maldives, and ADB approved quick-disbursing assistance to support the government's economic reform program.

Impact of operations. The Economic Recovery Program contributed \$35 million to a government emergency program supported by international financial institutions that sought to correct underlying economic distortions and restore a sustainable medium-term growth trajectory. By supporting structural reforms, the program facilitated progress toward more broad-based and sustainable development, thereby reducing vulnerability to external shocks.

Nepal

Partnership priorities. The country partnership strategy, 2010–2012, was prepared based on consultations

Donor Partnership in Formulating Country Strategies for Nepal

ADB's country partnership strategy for Nepal 2010–2012 was formulated through stakeholder consultations in partnership with the United Kingdom's Department for International Development and the World Bank. Consultations solicited feedback on Nepal's development priorities, and explored ways to ensure programs' development effectiveness.

A second round of consultations was held in December to provide feedback to stakeholders on the development partners' country strategies and discuss implementation challenges.

The donor partnership was extended to sector and thematic assessments, such as critical development constraints, gender equality and social inclusion, and climate change assessments. A "peace filter" was developed as a conflict-sensitive tool for project design and implementation.



ADB's country partnership in Nepal aims to sustain the gains of the peace process

with key stakeholders, including other development partners. It aims to sustain the gains of the peace process by promoting broad-based inclusive economic growth, inclusive social development, governance and capacity building, climate change adaptation, and environmental sustainability. The December participatory country portfolio review focused on development effectiveness. ADB approved six projects for \$336.2 million in Asian Development Fund (ADF) loans and grants and approved nine technical assistance grants for \$5.8 million.

Impact of operations. The Crop Diversification Project completed in December 2008 improved the productivity of secondary crops in 12 mid- and far-western districts. Extensive social mobilization, innovative agriculture extension services, and processing and marketing services helped increase production, raise incomes of participants, and improve nutritional status. An additional 14,963 person-years of employment were created. The ongoing Community-Based Water Supply and Sanita-

tion Project continued to provide improved water supply and sanitation services and better health and hygiene in remote areas.

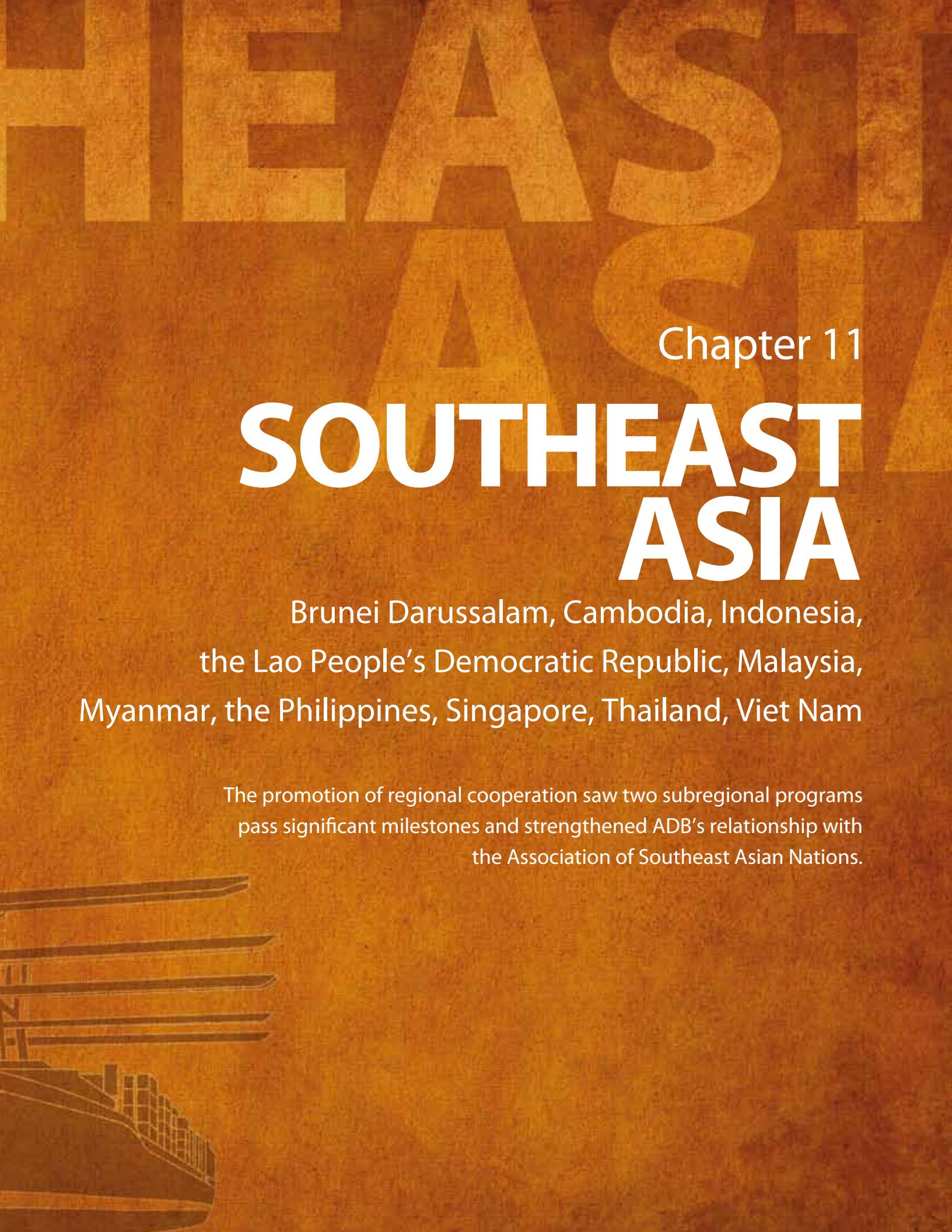
Sri Lanka

Partnership priorities. In line with the country partnership strategy, 2009–2011, ADB projects supported fiscal management, roads and transport, energy, water supply, and education. ADB focused on postwar development efforts when the long war against separatist rebels ended in mid-2009. ADB approved \$330 million in loans for three projects: the \$160 million Clean Energy and Access Improvement Project, the \$70 million Eastern and North Central Provincial Road Project, and the \$100 million Greater Colombo Wastewater Management Project.

Impact of operations. The Road Network Improvement Project improved 309 kilometers (km) of national roads and rehabilitated 450 km of flood-damaged roads. The Road Sector Development Project completed 800 km of provincial roads. A 153 km road, cofinanced by the European Union, connected the South and East of Sri Lanka. ADB continued to assist development in the previously conflict-affected northern and eastern provinces. Assistance for water supply and sanitation provided 2 million people with safe water. ADB supported the modernization of secondary education, the development of a distance education network, and expanded access to higher education.

The end of the long conflict in Nepal in mid-2009 allowed ADB to focus development assistance on fiscal management, roads and transport, energy, water supply, and education





Chapter 11

SOUTHEAST ASIA

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

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

OVERVIEW

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

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

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

HIGHLIGHTS

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

performance, results monitoring, and knowledge management.

PORTFOLIO MANAGEMENT

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

The Global Economic Crisis: ADB's Response

Cambodia

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

Indonesia

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

The Lao People's Democratic Republic

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

The Philippines

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

Viet Nam

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

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

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

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

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

b Grant component of a loan project.

TABLE 26 Southeast Asia: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

Country	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Cambodia	16	30.8	109.7	61.1	106.4	6.3	5.3
Indonesia	30	721.9	1,031.2	732.7	949.6	10.0	–
Lao People's Democratic Republic	15	24.1	30.9	37.0	49.1	6.7	11.8
Philippines	11	1,314.1	632.2	1,317.5	653.2	–	7.7
Thailand	1	–	–	–	–	–	–
Viet Nam	43	1,782.0	390.5	1,093.4	264.6	2.3	10.3
Total	116	3,873.1	2,194.3	3,241.7	2,022.9	5.2	6.7

– = nil.

Note: Totals may not add up because of rounding.

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

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

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

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

REGIONAL COOPERATION

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

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

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

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

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

COUNTRY HIGHLIGHTS

Brunei Darussalam

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

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

Cambodia

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

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

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

Indonesia

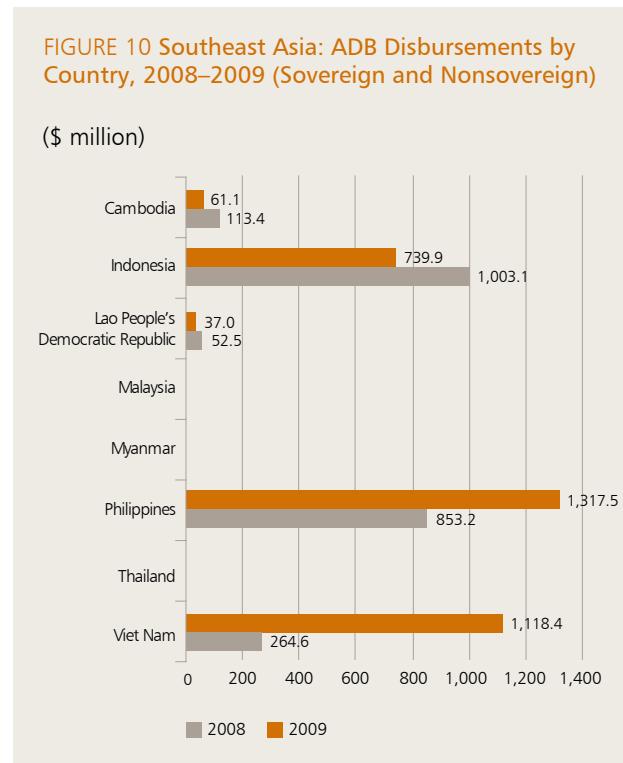
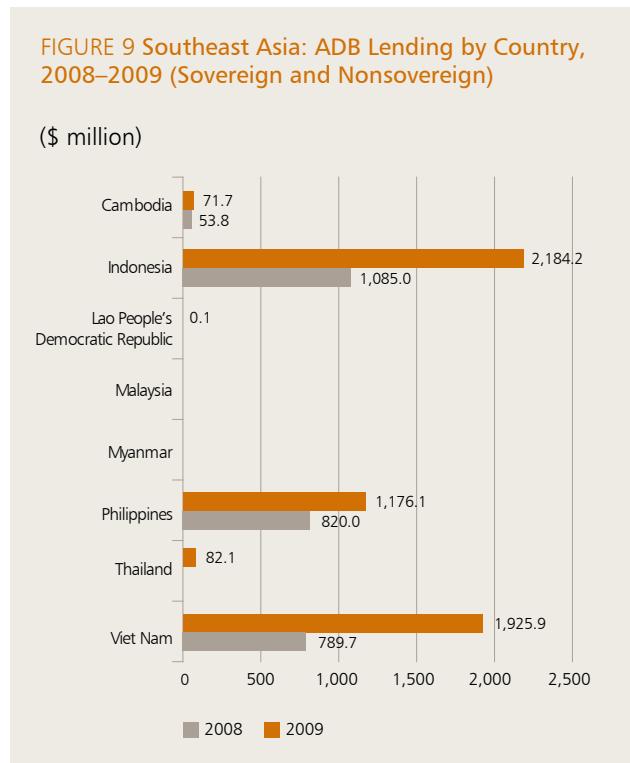
Partnership priorities. The country strategy and program for 2006–2009 was fully aligned with the government's medium-term development plan, which aimed to increase economic growth, create jobs, and accelerate the achievement of the Millennium Development Goals. ADB's largest interventions focused on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

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

The Lao People's Democratic Republic

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

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



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

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

Malaysia

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

TABLE 28 Southeast Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)^{a, b}

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

^a Loan component of regional projects distributed to the countries.

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

^c Excludes Singapore which has graduated from regular ADB assistance.

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

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

Myanmar

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

Cambodian Women: Improving Skills to Boost Income

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

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

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

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



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

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

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

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

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

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

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

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

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

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

Chasing Buses, Chasing Profits

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

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

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

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

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



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

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

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

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

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

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

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

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

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

The Philippines

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

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

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



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

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

Thailand

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

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

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

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

Viet Nam

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

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



Chapter 12

NONSOVEREIGN OPERATIONS

Amid challenging financial conditions in the wake of the global financial crisis, nonsovereign operations came under increased due diligence to reduce risks. Private sector projects approved in 2009 included a major boost to trade financing after capital markets came to a standstill. ADB focuses on nonsovereign projects with significant development impact, and its target is for half of total lending by 2020 to support the development of a healthy private sector.

ADB's nonsovereign operations are integral to the objectives of Strategy 2020, which include a target of 50% of ADB's lending operations by 2020 in support of private sector development and private sector operations. ADB focuses on nonsovereign projects with significant development impact as well as on initiatives that stimulate the private sector and lead to accelerated, sustainable, and inclusive growth.

The bulk of ADB's nonsovereign operations emanate from the Private Sector Operations Department (PSOD). In 2009, two nonsovereign public sector projects with total financing of \$190.5 million were processed by the South Asia and East Asia Departments of ADB. PSOD assists developing member countries that may have limited access to private capital by financing projects with significant development impact. The assistance is provided through

Thawing the Big Credit Freeze

ADB dramatically stepped up assistance for trade finance when banks hit by losses and writedowns lost trust in each other and stopped lending

International trade was in free-fall at the beginning of 2009. Banks had lost confidence in each other and, as concerns about the deepest recession since the 1930s reverberated around the world, lenders were so averse to risk that the once-vibrant trade finance network shut down. Asia's export-dependent economies were caught between a rock and a hard place.

Amid grave concern that the lack of trade finance would impede economic recovery, ADB ramped up its \$150 million Trade Finance Facilitation Program to \$1 billion. Through the power of leveraging with partner banks, the program's loans and guarantees on letters of credit for Asian exporters supported \$1.9 billion in trade last year—almost double the target—with ADB exposure soaring 230% year on year. The program is expected to help generate a further \$13 billion of trade by the end of 2013.

"Making it easier for companies to get hold of trade finance should boost their business and encourage them to expand and create jobs. This is critical to sustainable long-term economic growth and to the poverty reduction that goes along with it," said Robert van Zwieten, director



ADB played a part in expanding trade that ultimately cuts poverty

of ADB's Capital Markets and Financial Sectors Division, of which the program is a part.

The 443 transactions supported last year amounted to just under a quarter of the 1,650 that have received support since the program started in 2004. Of the 443 transactions, 59% helped small and medium-sized enterprises—double the average since inception—and half backed trade between developing member countries. Ranging from as little as \$6,000 to \$79 million, they supported exports as varied as agricultural commodities, medicines, electrical goods, oil, and a drilling rig.

Bangladesh, Pakistan, and Viet Nam occupied large chunks of the portfolio. Other major markets included Azerbaijan and Sri Lanka, and the program also operates in Afghanistan, Cambodia, Indonesia, Nepal, and Tajikistan.

The number of issuing banks in 2009 increased from 50 at the start of the year to 73, while 89 banks that confirm letters of credit for trading parties are now in the program after 18 joined during the year. Negotiations are ongoing with other banks as ADB targets an expansion of the program in 2010, including an aggressive push into Central Asia.

The much-anticipated recovery in the global economy is driving up trade volumes, particularly in Asia, and that is spurring a blossoming in the demand for and supply of the trade finance needed to fuel it. With ADB expecting the economy of developing Asia to expand 6.6% this year, against 1.6% growth in the United States and further likely stagnation in the Eurozone, the Trade Finance Facilitation Program will play a small but growing part of a brighter future for the region.

"Making it easier for companies to get hold of trade finance should boost their business and encourage them to expand and create jobs"

— Robert van Zwieten,
director of ADB's Capital Markets
and Financial Sectors Division



ADB has set the standard for the construction of “good dams”

nonsovereign loans to private sector entities without sovereign counterguarantees; equity investments; and credit enhancement products, including guarantees and B-loans (see Glossary), where ADB arranges a complete financing package for a project with participation from local and international commercial banks and other financial institutions. Private entities seeking assistance from ADB benefit not only from financial assistance but also from the expertise and guidance of the ADB team. Assistance is focused principally in the finance sector and in infrastructure.

In 2009, nonsovereign operations came under revised due diligence guidelines and credit procedures, which aimed to enhance the internal risk environment. Meanwhile, the external market environment continued to be characterized by challenging economic and financial conditions in the wake of the global economic crisis. Against this backdrop, the Board of Directors approved nine private sector projects, and a major boost in scope and amount for the Trade Finance Facilitation Program (TFFP). TFFP operates directly in response to the economic and financial crisis and to the deterioration in trade and trade finance specifically, and supports Strategy 2020’s regional integration agenda.

Nonsovereign operations continue to support Strategy 2020’s three development agendas: inclusive economic growth, environmentally sustainable growth, and regional integration

Newly approved financial assistance reached \$1.9 billion, consisting of \$443 million in direct loans, \$220 million in equity investments, \$72 million in partial credit risk guarantees, \$276 million in B-loans, and \$850 million in TFFP loans and guarantees. The average size of projects decreased from \$155 million for 16 projects in 2008 to \$92 million for 11 projects in 2009 (excluding TFFP).

Nonsovereign operations continue to support Strategy 2020’s three development agendas: inclusive economic growth, environmentally sustainable growth, and regional integration. In connection with environmentally sustainable growth, five projects were in the area of renewable energy, at a cost of \$426 million and representing 23% of approvals. Other approvals consisted of a \$200 million waste management project representing 11%, a \$120 million conventional energy project accounting for 6% of overall operations, TFFP representing 46%, three finance sector projects representing 13%, and one project in telecommunications (1%).

ADB’s nonsovereign operations focused on two of the core areas of operations identified in Strategy 2020: infrastructure (with particular emphasis on energy) and finance. Strategic interventions through public–private partnerships focused on renewable energy and other infrastructure sectors. For example, ADB agreed to invest \$40 million in a new public–private joint venture company that will develop, construct, and operate a portfolio of renewable energy projects in India, with an initial focus on wind power and small-scale hydroelectric power (see Boosting India’s Wind Power, p. 91). ADB finances commercially viable infrastructure projects that are structured or capable of being structured as public–private partnerships. An example is an equity investment of \$40 million in an Indonesian

Boosting India's Wind Power

ADB's long-term loans make it easier for companies to accept the financial risk and huge cost of renewable energy investments

With their 73-meter "stalks" and 26-meter "petals," the wind turbines look from afar like giant plants sprouting from the landscape in a remote corner of India's Maharashtra state. From isolated locations like this, the turbines feed nearly 80 megawatts of electricity—enough to power several thousand households—into the state grid.

Like most rural areas in energy-starved India, where during peak hours demand outstrips supply by some 20%, villages in Maharashtra commonly experience power outages of up to 12 hours a day. Without electricity, the villagers are virtually cut off from the outside world.

Tata Power is one of the major power utilities working to expand generation capacity to help make the nation's power supply more reliable. Encouraged by a loan from the private sector operations of ADB, which supports the government's



Windmills grace the landscape in Maharashtra state, where ADB backs the government's push to put the economy on a low-carbon footing

infrastructure financing facility company and a public sector loan of \$100 million to a fully government-owned holding company, which will in turn lend the entire amount to the financing facility company.

Nonsovereign projects were administered in 23 developing member countries, including ADB's first private sector intervention in Papua New Guinea, which was approved, signed, and disbursed in 2009.

COFINANCING

ADB's private sector policy restricts direct project funding to 25% of the total cost. However, in exceptional circumstances, ADB will directly support a higher

drive to provide more reliable power supply and transition India to a low-carbon economy, Tata Power has become India's largest private power player in wind energy, with a capacity of 200 megawatts, and it plans to continue to be a leading player in wind energy by developing more wind farms.

The company borrowed about \$65 million (Rs3 billion) from ADB (including cofinancing arranged by ADB). The 13-year loan helped the company fix its borrowing costs and avoid the risk rising interest rates might have on its wind power investments at Khandke in Ahmednagar district, Bramanvel in Dhulia district, and Sadawaghapur in Satara district.

The government's goal of "Power for All by 2012" requires renewable sources—solar, biomass, small hydro, and wind—to be developed. In Maharashtra, the state government is adopting a carrot-and-stick approach. It pays a higher rate for wind energy but requires power distributors to procure at least 6% of their input to the state grid from renewable energy sources by 2010, or face penalties. However, wind technology is still relatively costly and remains unattractive to some commercial enterprises.

Through its Carbon Market Initiative—a financing scheme that helps developing countries tap the global carbon market—ADB is also helping the Khandke project qualify as a Clean Development Mechanism project under the Kyoto Protocol. Under this mechanism, ADB is prepared to provide up-front financing by purchasing up to 50% of Tata Power's anticipated certified emission reductions. These payments will add significantly to the company's earnings from electricity sales.

Life for India's large rural population will improve hugely with greater access to electricity. Meanwhile, Tata Power expects to benefit both from lessons learned and cost reductions from advances in turbine technology as it expands its wind power investments.

percentage of the overall financing for small transactions with a very high development impact. Given this overall lending restriction for the private sector, cofinancing is an important instrument for ADB to enhance support for the private sector. ADB has various guarantee and cofinancing products, and demand for them has increased substantially of late, particularly since the recent financial market turmoil. In this regard, PSOD will continue to build close and collaborative relationships with the financial community, thereby enhancing the opportunities to avail of these products.

ADB applied its cofinancing instruments to mobilize cofinancing with several partners, catalyzing \$220 million of direct new money for developing member countries for two projects with an aggregate cost of \$2.2 billion.



Chapter 13

FINANCE AND ADMINISTRATION

Our People Strategy was prepared to help ADB recruit, retain, manage, and develop the human resources needed under Strategy 2020. Staff members' management and technical skills were upgraded. Business processes were streamlined.

HUMAN RESOURCES

Improving human resource management. ADB formulated the Human Resources Action Plan (2009–2010) based on the results of two initiatives carried out in 2008: the comprehensive review of ADB's human resources strategy (2005–2007) and the staff engagement survey. A priority initiative of the plan was to prepare a human resources strategy to guide the recruitment, retention, management, and development of the workforce required to implement Strategy 2020. ADB accomplished this goal by preparing Our People Strategy, which will guide human resources management through 2015.

Workforce planning exercise. To ensure that resources will be adequate to implement Strategy 2020 and that ADB operations can sustain quality at the levels supported by the ninth replenishment of the Asian Development Fund and the fifth general capital increase, the Budget, Personnel, and Management Systems Department undertook a workforce planning exercise. The exercise comprised a review of workforce requirements to identify gaps in staff head count, allocation, and skills mix, and an institutional review of strategic areas.

Staff development. ADB reprioritized staff development programs to ensure that ADB will have the staff skills needed to implement its operational programs. The development programs emphasize team-based leadership development and sector and thematic programs to support Strategy 2020. As a result, staff members at headquarters and field offices were offered 152 training programs. In all, 4,668 staff members participated in 509 learning sessions.

STAFFING

Additional staffing requirements in 2010–2012. The results of the workforce planning exercise indicated that ADB will need 500 more staff positions to implement Strategy 2020: about a 20% increase in staff strength over the 2009 level by 2012, and a total increase of 90 professional staff, 86 national officers, and 74 administrative staff positions in 2010.

2009 staffing. As of 31 December 2009, ADB's staff strength totaled 2,602 from 58 of its 67 members:

5 members of Management, and 927 professional and 1,670 local staff members, of whom 523 or about 20.1% were in field offices. Appointments and departures numbered 119 and 66 among professional staff, and 154 and 109 among local staff. Women accounted for 27.8% of all professional staff.

New position and staff management systems. ADB improved its systems for managing various aspects of staffing, including the distribution of staff among ADB's job levels.

Organizational realignments. In response to the changing environment in which it operates, ADB undertook a number of institutional realignments: it raised the institutional credit risk management unit to the level of an office; established the Office of Anticorruption and Integrity; created the Unit for Institutional Coordination within the Budget, Personnel, and Management Systems Department; and consolidated its human resources function into two divisions.

COMPENSATION AND BENEFITS

The Board of Directors approved a 1.8% weighted average increase in ADB's overall salary structure and a 3.4% salary increase for professional staff in 2010. This increase was in addition to the budget of \$1.6 million allocated for performance bonuses. For national officers and the administrative staff at ADB headquarters, the Board approved a 2.7% weighted average increase in salary structure, and a 6.9% salary increase in 2010. Management approved a new salary structure for national officers and administrative staff working at ADB's field offices, with salary increases ranging from 0.5% to 17.7%. Salary increases are effective 1 January 2010 and apply to the midpoint salary level within each staff pay grade.

Staff members at headquarters and field offices were offered 152 training programs in 2009. In all, 4,668 staff members participated in 509 learning sessions

The Board also approved lowering the vesting period from 10 to 5 years for staff retirement plan participants who were hired on or after 1 October 2006. This change is effective as of 1 January 2010 and is retroactive for participants hired on or after 1 October 2006. Thus, staff retirement plan participants who have met the 5-year service requirement are eligible for a pension. For service of less than 5 years, participants will receive a lump-sum withdrawal benefit upon termination of employment.

ADB also upgraded its relocation package and field office benefits for professional staff members assigned to field offices so that they remain competitive with other international financial institutions, especially in non-family and hardship duty stations, effective 1 June 2009.

PANDEMIC PREPAREDNESS PLAN

The pandemic crisis management team set up screening procedures at ADB gates, a screening center, and a medical hotline to respond to the outbreak of new

The net budget for internal administrative expenses in 2010 is \$439.5 million, a rise of 13% over the 2009 budget, including \$8.4 million for the Independent Evaluation Department

influenza A (H1N1). Although the systems are no longer active, the team can reactivate them as necessary.

INTERNAL ADMINISTRATIVE EXPENSES

Internal administrative expenses totaled \$379.0 million, compared to the net internal administrative budget of \$388.9 million. Of the total savings of \$9.9 million, about 2% of the 2009 internal administrative expenses budget amounting to \$7.7 million is being carried forward to 2010. The overruns in certain budget items in the operational and administrative budget categories were fully met through reallocations within the same budget categories. The savings were mainly attributable to staff vacancies and lower-than-budgeted use for relocation, business travel, office occupancy, and contractual services. These savings were partly offset by overruns in staff benefits, because of additional contribution to the staff retirement fund to meet increasing funding requirements, and in depreciation, primarily because of completion of certain information technology projects under the Information System and Technology Strategy, Phase II, for which depreciation began in 2009.

For 2010, the net internal administrative expenses budget is \$439.5 million, including the budget for the Independent Evaluation Department of \$8.4 million. The increase of \$50.6 million, or 13% over the 2009 budget, reflects a price increase of 5% and a volume growth of 8%.



A resident mission staff member consults with farmers in Bajhang district, Nepal

The 2010 budget is net of \$6.7 million in service charges estimated to be recoverable from administrating trust funds of multilateral and bilateral institutions.

In addition to internal administrative expenses, the 2010 budget includes an annual capital budget of \$6.5 million, mainly to fund cyclical capital expenditures for headquarters and field offices, and security and safety-related expenditures.

ADMINISTRATIVE SERVICES

The Office of Administrative Services (OAS) continued to improve overall service delivery, and focused on equipping staff with upgraded management and technical skills.

In May, OAS and the Regional and Sustainable Development Department jointly prepared the second sustainability report. OAS obtained ISO (International Organization for Standardization) 14001 and OSHAS (Occupational Safety and Health Assessment Series) 18001 recertification as part of its environmental health and safety management system. OAS also undertook an energy audit and launched green procurement guidelines, these activities being steps in obtaining Leadership in Energy and Environmental Design, or green building certification.

OAS improved the microfilming process, streamlined communication and transport services, automated information technology inventory management, and performed an as-is business process mapping exercise to determine which of OAS business processes could be further streamlined, automated, or otherwise made more efficient. OAS launched eTrip, a web-based online travel-planning facility, introduced new multifunctional



Researchers use the Phnom Penh Plan Learning Resource Center, ADB Cambodia Resident Mission

printers, and rationalized the use of supplies. The role of the iLink information coordinators was strengthened, and the iLink Digest, a monthly bulletin of excerpts of sector-specific research, was launched. Finally, in October, eStar, the electronic repository system, celebrated its first anniversary and, by the end of the year, contained more than 200,000 documents.

OAS adopted a pandemic crisis management plan for meeting health emergencies and demonstrated a high level of emergency response preparedness during several typhoons.

OAS support to resident missions focused on office building, property, and vehicle insurance, safety, and security. Administrative policies affecting staff members posted to field offices were likewise streamlined. OAS continued its headquarters rehabilitation program by constructing a covered walkway and upgrading the cafeteria and kitchen. Approval to build the third atrium and a car park to meet expected space requirements was also obtained.

The OAS events management unit organized more than 120 events since its inception in July 2008.

The Office of Administrative Services focused on equipping staff with upgraded management and technical skills, including international recertification of its environmental health and safety management system

INFORMATION SYSTEMS AND TECHNOLOGY

During 2009, the Office of Information Systems and Technology (OIST) continued to implement application systems, and improve the ADB network, information technology (IT) processes, and governance. It also



Resident mission officers and administrative staff, including in Bangladesh, will benefit from a new salary structure

passed the halfway mark in implementing the Information Systems and Technology Strategy II (ISTS II).

As part of implementing ISTS II and Strategy 2020, OIST completed several IT infrastructure projects during the year. These included upgrading ADB's e-mail service, payment gateway, data storage system, mainframe operating system, Oracle Enterprise Resource Planning platform, and infrastructure for the enterprise portal. Network bandwidth was likewise optimized to improve resident mission connectivity.

OIST also focused on sustaining internal control over financial reporting. Security measures were tightened for resident mission servers and the ADB network, including more powerful antivirus software for all personal computers. Web application security software was procured to assess vulnerabilities in ADB's online systems. Disaster recovery tests were conducted regularly, and remote access was provided for staff performing critical payment functions.

Integrated business processes and access by staff to appropriate information were also key priorities. Business process modeling was introduced as a part of enterprise architecture initiatives for managing ADB's business processes in a single repository.

The Operations Dashboard was launched to provide operations departments with a "one-stop shop" for online reports

Recruitment and staff management were automated. The accounting applications for 24 resident missions and payroll applications for 14 field offices were improved, paving the way for seamless integration of practices at resident missions and headquarters.

Collaboration technology solutions were given high priority, with ADB's first document repository system, eStar, being completed.

Several projects captured business process information. The Operations Dashboard was launched to provide operations departments with a "one-stop shop" for online reports. The results management system was introduced. Consultant procurement and business travel processes were progressively automated, and a fund management system for the Treasury Department was completed.

OIST continued to help users transition to new IT systems by conducting training workshops at headquarters and field offices, and it established an improved engagement model for handling business requests.

LOAN, GRANT, AND TECHNICAL ASSISTANCE DISBURSEMENTS

The Controller's Department (CTL) continued to improve its services. The business processes for loan, grant, and technical assistance disbursements were reviewed and streamlined, resulting in notable efficiency gains. CTL introduced a process of monitoring its disbursement performance against set benchmarks. The introduction of service level standards significantly increased CTL's disbursement efficiency, resulting in an 8.2% decrease in the overall disbursement processing time (inclusive of time spent with the borrowers, executing agencies, operations departments, and resident missions) from the year before, despite an increase of 15.5% in transaction volume.

By the end of the year, the disbursement processing function for loans had been delegated to seven resident missions. Seven other remote resident missions with a smaller portfolio also assisted in the initial review of borrowers' disbursement requests, and helped expedite disbursement through electronic submission of withdrawal applications from the resident mission directly to CTL. The increased role of the resident missions in disbursement improved communication with borrowers and executing agencies.

CTL strengthened its commitment to help build the capacity of developing member country borrowers and executing agencies, and of disbursement staff at the resident missions. CTL conducted 36 disbursement and loan accounting training seminars for over 1,000 borrowers and executing agency officials, and conducted consultative meetings with the regional departments to better understand their needs and improve coordination.

CTL developed a financial tool for loan accounting and servicing (eC-LAS) to help borrowers, executing agencies, and ADB project teams process and administer loans. CTL started distributing the eC-LAS and training users in the People's Republic of China, Pakistan, the Philippines, and Uzbekistan. CTL translated the eC-LAS into Chinese and started the Russian version. In addition to a website on loan disbursements, CTL started developing a website on loan accounting and servicing for borrowers, executing agencies, ADB staff, and other organizations concerned.

FINANCIAL REPORTING

CTL revised its accounting policies, especially with regard to market valuation of financial instruments. CTL also started a preliminary study on the International Financial Reporting Standards (IFRS), considering a possible transition to IFRS from the United States generally accepted accounting principles (US GAAP)-based standards. CTL,

The increased role of the resident missions in disbursement improved communication with borrowers and executing agencies

together with the staff development group, strengthened staff training on IFRS.

CTL facilitated Management's assertion and the external auditor's attestation on internal controls for financial reporting, which ADB started in fiscal year 2008, for better corporate governance. The assertion and attestation for fiscal year 2009 was accomplished with an unqualified opinion from the external auditor, Deloitte & Touche. This initiative strengthened staff awareness of internal controls. Training on internal controls, risk assessments, and testing skills was strengthened.

CTL, with the assistance of OIST, implemented the financial and management accounting system for resident missions to improve work efficiency, data reliability, and internal controls. As of 31 December, 24 of the 27 resident missions and regional offices were using the system. CTL provided accounting support for new trust funds, including the Asia Pacific Carbon Fund, the Future Carbon Fund, the Financing Partnership Facilities, and the Climate Change Fund, to ensure that ADB meets its fiduciary responsibility as the custodian of the funds it administers.



Systems were improved for managing distribution of staff among job levels

Chapter 14

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APPENDIX 1
Members, Capital Stock, and Voting Power
(as of 31 December 2009)

Member	Year of Membership	Subscribed Capital ^a (% of total)	Voting Power ^b (% of total)	Member	Year of Membership	Subscribed Capital ^a (% of total)	Voting Power ^b (% of total)
REGIONAL				Tuvalu	1993	0.001	0.300
Afghanistan	1966	0.031	0.323	Uzbekistan	1995	0.613	0.789
Armenia	2005	0.271	0.516	Vanuatu	1981	0.006	0.303
Australia	1966	5.264	4.510	Viet Nam	1966	0.310	0.547
Azerbaijan	1999	0.405	0.622	Subtotal		66.619	67.623
Bangladesh	1973	2.787	2.528	NONREGIONAL			
Bhutan	1982	0.006	0.303	Austria	1966	0.310	0.546
Brunei Darussalam	2006	0.320	0.555	Belgium	1966	0.310	0.546
Cambodia	1966	0.045	0.334	Canada	1966	4.759	4.106
China, People's Republic of	1986	5.862	4.988	Denmark	1966	0.310	0.546
Cook Islands	1976	0.002	0.300	Finland	1966	0.310	0.546
Fiji Islands	1970	0.062	0.348	France	1970	2.117	1.992
Georgia	2007	0.311	0.547	Germany	1966	3.936	3.447
Hong Kong, China	1969	0.495	0.695	Ireland	2006	0.310	0.546
India	1966	5.760	4.906	Italy	1966	1.644	1.614
Indonesia	1966	4.955	4.262	Luxembourg	2003	0.310	0.546
Japan	1966	14.198	11.657	The Netherlands	1966	0.933	1.045
Kazakhstan	1994	0.734	0.885	Norway	1966	0.310	0.546
Kiribati	1974	0.004	0.301	Portugal	2002	0.310	0.546
Korea, Republic of	1966	4.583	3.965	Spain	1986	0.310	0.546
Kyrgyz Republic	1994	0.272	0.516	Sweden	1966	0.310	0.546
Lao People's Democratic Republic	1966	0.013	0.309	Switzerland	1967	0.531	0.723
Malaysia	1966	2.477	2.280	Turkey	1991	0.310	0.546
Maldives	1978	0.004	0.301	United Kingdom	1966	1.858	1.785
Marshall Islands	1990	0.002	0.300	United States	1966	14.198	11.657
Micronesia, Federated States of	1990	0.004	0.301	Subtotal		33.381	32.377
Mongolia	1991	0.014	0.309	TOTAL		100.000	100.000
Myanmar	1973	0.495	0.695				
Nauru	1991	0.004	0.301				
Nepal	1966	0.134	0.406				
New Zealand	1966	1.397	1.416				
Pakistan	1966	5.945	5.055				
Palau	2003	0.003	0.301				
Papua New Guinea	1971	0.085	0.367				
Philippines	1966	2.168	2.033				
Samoa	1966	0.003	0.301				
Singapore	1966	0.310	0.546				
Solomon Islands	1973	0.006	0.303				
Sri Lanka	1966	0.528	0.721				
Taipei, China	1966	0.991	1.091				
Tajikistan	1998	0.782	0.924				
Thailand	1966	3.716	3.271				
Timor-Leste	2002	0.009	0.306				
Tonga	1972	0.004	0.301				
Turkmenistan	2000	0.230	0.483				

Notes: Figures may not add up because of rounding. For other details, see tables on pages 52 and 53, Volume 2 of 2009 Annual Report.

Subscription to the fifth general capital increase are ongoing; shareholding and voting power of members will change from time to time during the subscription period.

a Subscribed capital refers to a member's subscription to shares of the capital stock of ADB.

b The total voting power of each member consists of the sum of its basic votes and proportional votes. The basic votes of each member consist of such number of votes as results from the equal distribution among all members of 20% of the aggregate sum of the basic votes and proportional votes of all members. The number of proportional votes of each member is equal to the number of shares of the capital stock of ADB held by that member.

APPENDIX 2**Resolutions of the Board of Governors Adopted in 2009**

RESOLUTION NO.	SUBJECT	DATE ADOPTED
334	Decisions Relating to Section 5 of the By-Laws	9 February
335	Amendment to Section 7(B) (a) of the By-Laws	9 February
336	Increase in Authorized Capital Stock and Subscriptions Thereto	29 April
337	Financial Statements, Management's Report on Internal Control Over Financial Reporting and Independent Auditors' Reports	5 May
338	Allocation of Net Income	5 May
339	Place and Date of Forty-Third Annual Meeting (2010)	5 May
340	Procedures for the Election of Directors	16 May
341	Establishing the Legal Framework for the Use of Asian Development Fund Resources for Grants	10 June

APPENDIX 3**Selected Policy, Strategy, and Financial Papers Discussed by the Board in 2009**

SUBJECT	DATE
Comprehensive Review of the Human Resources Strategy, 2005–2007	20 January
Review of ADB's Ordinary Capital Resource Requirements	3 February
General Review of Salaries and Benefits for Headquarters National Officers and Administrative Staff	4 March
The Fifth General Capital Increase of the Asian Development Bank	6 April
Annual Financial Statements	7 April
Review of the Asian Development Bank's Loan Charges and Allocation of 2008 Net Income	7 April
Enhancing ADB's Response to the Global Economic Crisis—Establishing the Countercyclical Support Facility	16 June
Crisis Response of Asian Development Fund—Allocation of Additional Liquidity	16 June
Energy Policy	18 June
Review of the Asian Development Bank's Exposure Limits on Nonsovereign Operations	19 June
2008 Development Effectiveness Review	14 July
Safeguard Policy Statement	20 July
Work Program and Budget Framework, 2010–2012	21 September
ADB's Approach to Operations in Sri Lanka in the New Post-Conflict Environment	28 September
Review of ADB's Exposure Limits on Nonsovereign Operations	7 October
Annual Review of Salaries and Benefits for Professional Staff	20 October
ADB's Approach to Assisting the Pacific, 2010–2014	19 November
Borrowing Program for 2010	10 December
Budget of the Asian Development Bank for 2010	17 December
Asian Development Bank Institute—Three-Year Rolling Work Program, 2010–2012 and Budget for 2010	17 December
Special Capital Expenditure Budget Proposal: Expansion of ADB Headquarters Building and Selected Resident Missions	17 December

APPENDIX 4
Board of Governors
(as of 2 February 2010)

Rustam Azimov, Uzbekistan
(Chair)

Patrick Prauitch, MP, Papua New Guinea
(Vice Chair)

Elena Salgado Méndez, Spain
(Vice Chair)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan	Omar Zakhilwal	Abdul Qadeer Fitrat
Armenia	Nerses Yeritsyan	Musegh Tumasyan
Australia	Wayne Swan, MP	Bob McMullan MP
Austria	Josef Pröll	Günther Schönleitner
Azerbaijan	Samir Sharifov	Shahin Mustafayev
Bangladesh	Abul Maal A. Muhith	Md. Musharraf Hossain Bhuiyan
Belgium	Didier Reynders	Gino Alzetta
Bhutan	Wangdi Norbu	Nim Dorji
Brunei Darussalam	Pehin Dato Abdul Rahman Ibrahim	Mohd Roselan Mohd Daud
Cambodia	Keat Chhon	Aun Porn Moniroth
Canada	Lawrence Cannon	James A. Haley
China, People's Republic of	Xie Xuren	Li Yong
Cook Islands	Wilkie Rasmussen	Kevin Carr
Denmark	Susan Ulbæk	Martin Bille Hermann
Fiji Islands	Josaiia Voreqe Bainimarama	Sada Sivan Reddy
Finland	Ritva Koukku-Ronde	Pasi Hellman
France	Christine Lagarde	Ramon Fernandez
Germany	Gudrun Kopp	Rolf Wenzel
Georgia	Kakha Baindurashvili	Zurab Pololikashvili
Hong Kong, China	John Tsang Chun-wah	Norman Chan
India	Pranab Mukherjee	Ashok Chawla
Indonesia	Sri Mulyani Indrawati	Armida Alisjahbana
Ireland	Brian Lenihan, T.D.	Michael J. McGrath
Italy	Mario Draghi	Carlo Monticelli
Japan	Naoto Kan	Masaaki Shirakawa
Kazakhstan	Bakhyt Turlyhanovich Sultanov	Ruslan Erbolatovich Dalenov
Kiribati	Natan Teewe	Atanteora Beiatau
Korea, Republic of	Jeung-Hyun Yoon	Seongtae Lee
Kyrgyz Republic	Marat Abdyrakovich Sultanov	Kanat Kubatovich Asangulov
Lao People's Democratic Republic	Somdy Douangdy	Somphao Phaysith
Luxembourg	Luc Frieden	Arsène Jacoby
Malaysia	Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak	Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Maldives	Ali Hashim	Ahmed As-ad
Marshall Islands	Jack J. Ading	Amon Tibon
Micronesia, Federated States of	Finley S. Perman	Lorin Robert
Mongolia	Bayartsogt Sangajav	Purevdorj Lkhasuren
Myanmar	Hla Tun	Daw Myo Nwe
Nauru	Kieren Keke, MP	Tim Drown
Nepal	Surendra Pandey	Rameshore Prasad Khanal
The Netherlands	Vacant	Yoka Brandt

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
New Zealand	Bill English	John Whitehead
Norway	Ingrid Fiskaa	Henrik Harboe
Pakistan	Shaukat Tarin	Sibtain Fazal Halim
Palau	Kerai Mariur	Marino Rechesengel
Papua New Guinea	Patrick Pruitch, MP	Simon Tosali
Philippines	Margarito B. Teves	Amando M. Tetangco, Jr.
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Samoa	Nickel Lee-Hang	Tupaimatuna Iulai Lavea
Singapore	Tharman Shanmugaratnam	Peter Ong Boon Kwee
Solomon Islands	Snyder Rini	Shadrach Fanega
Spain	Elena Salgado Méndez	José Manuel Campa Fernández
Sri Lanka	Mahinda Rajapaksa	P.B. Jayasundera
Sweden	Joakim Stymne	Anders Bengtén
Switzerland	Beatrice Maser Mallor	Jurg Benz
Taipei, China	Fai-nan Perng	Ming-Chung Tseng
Tajikistan	Matlubkhon S. Davlatov	Kh.Kh Tagoimurodov
Thailand	Korn Chatikavanij	Sathit Limpongpan
Timor-Leste	Emilia Pires	Joao Mendes Goncalves
Tonga	Feleti Vaka'uta Sevele	Aisake Eke
Turkey	İbrahim H. Çanakçı	Memduh Aslan Akçay
Turkmenistan	Guvanchmurad Geoklenov	Muhammetgeldi Atayev
Tuvalu	Lotoala Metia	Minute Alapati Taupo
United Kingdom	Douglas Alexander	Michael Foster
United States	Timothy Geithner	Robert D. Hormats
Uzbekistan	Rustam Azimov	Galina Saidova
Vanuatu	Sela Molisa	George Singara Maniuri
Viet Nam	Nguyen Van Giau	Nguyen Van Binh

APPENDIX 5

Board of Directors and Voting Groups

(as of 2 February 2010)

Executive Directors	Alternate Directors	Members Represented
Phil Bowen	Dereck Rooken-Smith	Australia; Azerbaijan; Cambodia; Federated States of Micronesia; Georgia; Hong Kong, China; Kiribati; Nauru; Palau; Solomon Islands; Tuvalu
Howard Brown	Torben Bellers	Canada, Denmark, Finland, Ireland, The Netherlands, Norway, Sweden
Curtis S. Chin	Paul W. Curry	United States
Marwanto Harjowiryono ¹	C.J. (Stan) Vandersyp	Cook Islands, Fiji Islands, Indonesia, Kyrgyz Republic, New Zealand, Samoa, Tonga
Ashok K. Lahiri	Md. Aminul Islam Bhuiyan	Afghanistan, Bangladesh, Bhutan, India, Lao People's Democratic Republic, Tajikistan, Turkmenistan
Michele Miari Fulcis	Jose Miguel Cortes ²	Belgium, France, Italy, Portugal, Spain, Switzerland
Masakazu Sakaguchi	Yasuto Watanabe	Japan
Siraj S. Shamsuddin ³	Marita Magpili-Jimenez ⁴	Kazakhstan, Maldives, Marshall Islands, Mongolia, Pakistan, Philippines, Timor-Leste
Jaejung Song ⁵	Vacant	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Chaiyuth Sudthitanakorn ⁶	Govinda Bahadur Thapa ⁷	Brunei Darussalam, Malaysia, Myanmar, Nepal, Singapore, Thailand
Eduard Westreicher ⁸	Richard Edwards	Austria, Germany, Luxembourg, Turkey, United Kingdom
Yingming Yang ⁹	Xiuzhen Guan ¹⁰	People's Republic of China

¹ Marwanto Harjowiryono succeeded Ceppie K. Sumadilaga in August 2009.² Jose Miguel Cortes succeeded João Simões de Almeida in August 2009.³ Siraj S. Shamsuddin succeeded Marita Magpili-Jimenez in July 2009.⁴ Marita Magpili-Jimenez succeeded Siraj S. Shamsuddin in July 2009.⁵ Jaejung Song succeeded Kyung-Hoh Kim in February 2010.⁶ Chaiyuth Sudthitanakorn succeeded Md. Saad Hashim in November 2009.⁷ Govinda Bahadur Thapa succeeded Siew Juan Aw in August 2009.⁸ Eduard Westreicher succeeded Sebastian Paust in February 2009.⁹ Yingming Yang succeeded Wencai Zhang in September 2009.¹⁰ Xiuzhen Guan succeeded Fangyu Liu in August 2009.

APPENDIX 6
Committees of the Board of Directors

<p>Audit Committee</p> <p>Kyung-Hoh Kim (<i>Chair</i>) Curtis Chin Chaiyuth Sudthitanakorn Michele Miari Fulcis Dereck Rooken-Smith C. J. Vandersyp</p>	<p>Development Effectiveness Committee</p> <p>Ashok K. Lahiri (<i>Chair</i>) Eduard Westreicher Torben Bellers Marita Magpili-Jimenez Govinda Bahadur Thapa Yasuto Watanabe</p>
<p>Budget Review Committee</p> <p>Yingming Yang (<i>Chair</i>) Phil Bowen Masakazu Sakaguchi Marwanto Harjowiryono Jose Miguel Cortes Paul Curry</p>	<p>Ethics Committee</p> <p>Marwanto Harjowiryono (<i>Chair</i>) Phil Bowen Howard Brown Ashok Lahiri Yingming Yang</p>
<p>Compliance Review Committee</p> <p>Eduard Westreicher (<i>Chair</i>) Howard Brown Siraj Shamsuddin Chaiyuth Sudthitanakorn Md. Aminul Islam Bhuiyan Tsuen-Hua (James) Shih</p>	<p>Human Resources Committee</p> <p>Siraj Shamsuddin (<i>Chair</i>) Curtis Chin Kyung-hoh Kim Masakazu Sakaguchi Richard Edwards Xiuzhen Guan</p>

Working Group on the Annual Report for 2009

Richard Edwards (*Chair*)
Md. Aminul Islam Bhuiyan
Paul W. Curry
Xiuzhen Guan
Dereck Rooken-Smith
Yasuto Watanabe

APPENDIX 7**ADB Institute Advisory Council**

(as of 31 December 2009)

Masahiko Aoki	President, International Economic Association, Japan
K.M. Chandrasekhar	Cabinet Secretary, Government of India
Gang Fan	Director, National Economic Research Institute, People's Republic of China
Victor H. Frank, Jr.	President, Asian Programs Foundation, United States
Eric Girardin	Professor of Economics, Université de la Méditerranée, Aix-Marseille, France
Andrew MacIntyre	Director, Crawford School of Economics and Government, Australian National University, Australia
Jong-Wha Lee	Chief Economist, Asian Development Bank

ADB Institute Dean

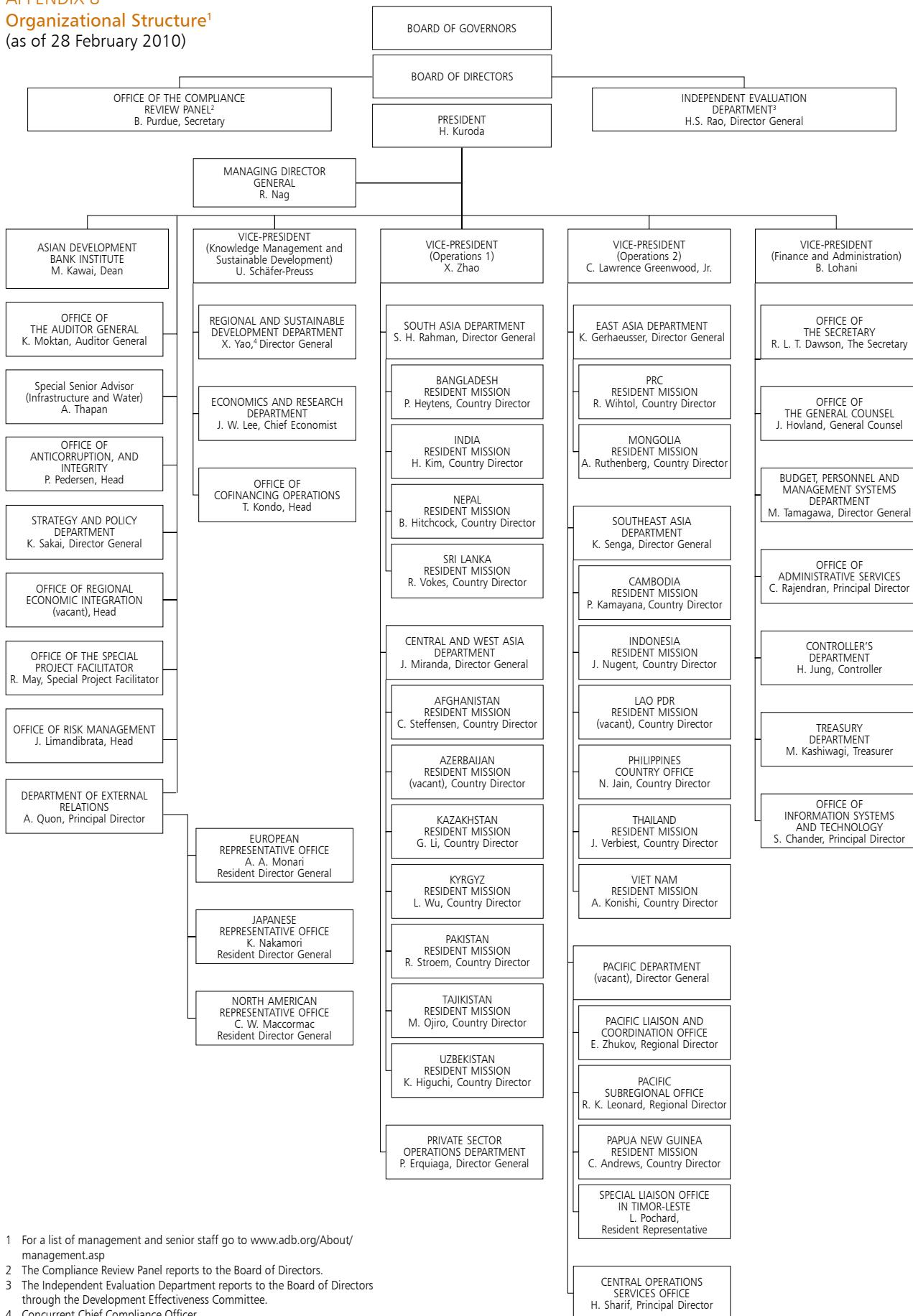
Masahiro Kawai (January 2007–present)

Peter McCawley (January 2003–January 2007)

Masaru Yoshitomi (January 1999–January 2003)

Jesus P. Estanislao (December 1997–January 1999)

APPENDIX 8

Organizational Structure¹
(as of 28 February 2010)

1 For a list of management and senior staff go to www.adb.org/About/management.asp

2 The Compliance Review Panel reports to the Board of Directors.

3 The Independent Evaluation Department reports to the Board of Directors through the Development Effectiveness Committee.

4 Concurrent Chief Compliance Officer

APPENDIX 9
Former ADB Presidents and Vice-Presidents
(as of 31 December 2009)

PRESIDENTS

Takeshi Watanabe	24 November 1966–24 November 1972
Shiro Inoue	25 November 1972–23 November 1976
Tarоichi Yoshida	24 November 1976–23 November 1981
Masao Fujioka	24 November 1981–23 November 1989
Kimimasa Tarumizu	24 November 1989–23 November 1993
Mitsuo Sato	24 November 1993–15 January 1999
Tadao Chino	16 January 1999–31 January 2005

VICE-PRESIDENTS

C.S. Krishna Moorthi	19 December 1966–31 March 1978
A.T. Bambawale	1 April 1978–28 October 1985
M. Narasimham	1 November 1985–31 July 1988
S. Stanley Katz	1 April 1978–28 September 1990
In Yong Chung	1 August 1988–31 July 1993
William R. Thomson	1 October 1990–30 June 1994
Günther G. Schulz	1 April 1983–30 June 1995
Bong-Suh Lee	1 August 1993–31 July 1998
Pierre Uhel	1 July 1995–24 November 1998
Peter H. Sullivan	6 July 1994–20 September 2000
Myoung-Ho Shin	1 August 1998–31 July 2003
John Lintjer	18 January 1999–16 January 2004
Joseph B. Eichenberger	15 December 2000–23 December 2005
Geert H.P.B. van der Linden	1 September 2003–31 August 2006
Khempheng Pholsena	5 April 2004–4 April 2007
Liqun Jin	1 August 2003–18 July 2008

APPENDIX 10
Summary of Internal Administrative Expenses – 2009 and Budget for 2010
(\$ thousand)

Item	2009			Budget 2010
	Budget	After Transfers ^a	Actual	
A. Board of Governors	1,629	1,629	1,300	2,250
B. Board of Directors	25,140	25,140	24,226	25,952
Offices of the Directors	14,850	14,850	14,540	14,847
Accountability Mechanism	2,328	2,328	2,103	2,742
Independent Evaluation	7,962	7,962	7,583	8,363
C. Operational Expenses	295,474	295,474	292,418	336,383
Salaries	150,541	145,869	145,869	168,388
Benefits	88,103	92,232	92,232	100,240
Staff Development	4,400	4,639	4,639	5,330
Relocation	6,544	6,346	4,754	7,813
Consultants	21,629	22,131	22,131	25,630
Business Travel	23,883	23,883	22,439	28,540
Representation	374	374	354	442
D. Administrative Expenses	67,896	67,896	67,040	77,230
Communications	6,479	6,479	6,066	7,906
Office Occupancy	19,047	17,587	17,587	20,372
Library	1,150	1,150	1,097	1,235
Office Supplies	1,708	1,708	1,505	1,584
Equipment/Maintenance and Support	5,683	5,897	5,897	7,172
Contractual Services	15,502	14,808	14,728	17,719
Insurance	3,037	3,272	3,272	3,572
Depreciation	14,597	16,302	16,302	16,934
Miscellaneous	693	693	584	736
E. Total Before General Contingency	390,139	390,139	384,984 ^b	441,815
F. General Contingency	3,901	3,901	0	4,418
G. Less: Reimbursements from Trust Funds	(5,172)	(5,172)	(5,981) ^c	(6,745)
Net IAE	388,868	388,868	379,003	439,488 ^d
H. Carryover of IAE Budget	–	–	7,700 ^e	–
I. Net IAE after Carryover	388,868	388,868	386,703	439,488

– = no data available or not calculated, "0" = magnitude zero, () = negative, IAE = internal administrative expenses.

Note: Totals may not add up because of rounding.

a Transfers were made between budget items without exceeding the original amount of each category to meet overruns within the same budget category.

b Includes \$1,509,000 in expenses associated with Japan Special Fund (\$1,426,000) and Japan Scholarship Program (\$83,000). Excludes the following adjustments incorporated in the financial statements to comply with the generally accepted accounting principles, and recording and reporting requirements: (i) postretirement medical benefits (\$5,083,000); (ii) actuarial assessment of costs associated with pension benefit obligations (\$18,195,000); (iii) expenses charged to the budget carryover (\$4,622,000); (iv) accumulated compensated absences (\$1,854,000); (v) accrued resettlement and repatriation allowances (\$2,578,000) and severance payments (\$605,000); and (vi) other miscellaneous adjustments (\$186,000). Total adjusted administrative expenses of \$418,108,000 reflected in the financial statements is allocated as OCR, \$193,638,000 (\$216,035,000 less \$22,397,000 of front-end fee); ADF, \$200,564,000, and Japan Special Fund and Japan Scholarship Program, \$1,509,000.

c This amount (\$5,981,000) reflects the estimated total expenses apportioned for administering the trust funds during the year.

d Net IAE budget for 2010 consist of \$8,363,000 for the Independent Evaluation Department (IED) and \$431,125,000 for ADB excluding IED.

e In 2006, the Board approved introduction of a budget carryover of up to 2% of net IAE budget to the next year, beginning with the 2007 budget. Accordingly, \$7.7 million (about 2% of the 2009 net IAE budget) has been carried over to 2010.

APPENDIX 11
Management and Staff Representation of ADB Members
(as of 31 December 2009)

Member	Management	Professional Staff	National Officer/ Administrative Staff	Total	Member	Management	Professional Staff	National Officer/ Administrative Staff	Total
REGIONAL									
Afghanistan	0	0	11	11	Austria	0	8	0	8
Armenia	0	0	5	5	Belgium	0	6	0	6
Australia	0	52	7	59	Canada	0	43	0	43
Azerbaijan	0	0	4	4	Denmark	0	6	0	6
Bangladesh	0	8	46	54	Finland	0	5	1	6
Bhutan	0	3	0	3	France	0	28	0	28
Brunei Darussalam	0	0	0	0	Germany	1	35	2	38
Cambodia	0	0	21	21	Ireland	0	1	0	1
China, People's Republic of	1	59	40	100	Italy	0	16	0	16
Cook Islands	0	0	0	0	Luxembourg	0	2	0	2
Fiji Islands	0	2	11	13	The Netherlands	0	15	0	15
Georgia	0	1	5	6	Norway	0	4	0	4
Hong Kong, China	0	5	0	5	Portugal	0	3	0	3
India	0	69	44	113	Spain	0	8	0	8
Indonesia	0	36	37	73	Sweden	0	9	0	9
Japan	1	130	4	135	Switzerland	0	5	0	5
Kazakhstan	0	5	7	12	Turkey	0	5	0	5
Kiribati	0	0	0	0	United Kingdom	0	32	0	32
Korea, Republic of	0	41	1	42	United States	1	119	2	122
Kyrgyz Republic	0	5	8	13	Subtotal	2	350	5	357
Lao People's Democratic Republic	0	1	14	15	Total	5	927	1,670	2,602
Malaysia	0	27	0	27					
Maldives	0	0	0	0					
Marshall Islands	0	0	0	0					
Micronesia, Federated States of	0	0	0	0					
Mongolia	0	3	11	14					
Myanmar	0	2	0	2					
Nauru	0	0	0	0					
Nepal	1	6	27	34					
New Zealand	0	15	0	15					
Pakistan	0	22	39	61					
Palau	0	1	0	1					
Papua New Guinea	0	1	7	8					
Philippines	0	31	1,231	1,262					
Samoa	0	1	0	1					
Singapore	0	8	0	8					
Solomon Islands	0	0	0	0					
Sri Lanka	0	11	21	32					
Taipei, China	0	5	0	5					
Tajikistan	0	2	9	11					
Thailand	0	10	9	19					
Timor-Leste	0	1	3	4					
Tonga	0	3	0	3					
Turkmenistan	0	0	0	0					
Tuvalu	0	0	1	1					
Uzbekistan	0	5	16	21					
Vanuatu	0	1	0	1					
Viet Nam	0	5	26	31					
Subtotal	3	577	1,665	2,245					

APPENDIX 12

Number of Authorized Positions in Resident Missions^a
 (2009)

Country	Professional Staff	National Officers	Analysts and Administrative Staff	Total
Resident Missions				
Bangladesh	8	15	23	46
India	14	21	24	59
Nepal	3	13	12	28
Sri Lanka	4	12	8	24
Afghanistan	7	7	7	21
Azerbaijan	1	4	1	6
Kazakhstan	3	5	6	14
Kyrgyz Republic	2	5	3	10
Pakistan	10	18	20	48
Tajikistan	3	5	6	14
Uzbekistan	3	5	7	15
Armenia	—	2	3	5
Georgia	—	2	3	5
Turkmenistan	—	—	3	3
Turkey	—	1	—	1
China, People's Republic of	11	19	21	51
Mongolia	4	6	4	14
Cambodia	5	9	7	21
Indonesia	12	15	16	43
Lao, People's Democratic Republic	4	8	5	17
Philippines	4	3	4	11
Thailand	7	5	3	15
Viet Nam	12	14	10	36
Pacific Liaison and Coordination Office in Sydney ^b	3	5	4	12
Pacific Subregional Office in Fiji Islands ^c	5	4	8	17
Papua New Guinea	3	4	5	12
Special Liaison Office in Timor-Leste	2	2	1	5
Subtotal	130	209	214	553
Resident Offices				
Europe	2	1	2	5
Japan	2	1	2	5
North America	2	1	2	5
Subtotal	6	3	6	15
Headquarters^d	756	314	912	1,982
TOTAL	892	526	1,132	2,550

a Includes outposted positions.

b Covers Nauru, Solomon Islands, and Vanuatu.

c Covers the Cook Islands, the Fiji Islands, Kiribati, Samoa, Tonga, and Tuvalu.

d Excluding Young Professionals and Board of Directors.

APPENDIX 13

Growth in Resident Missions (RMs) and Authorized Staff Positions at RMs

	Number of Resident Missions and Authorized Positions									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Number of Resident Missions (RMs)	17	18 ^a	20 ^b	22	23	23	23	24	25	
Total Authorized Positions at RM	279	317	361	389	437	448	490	520	553	
Professional Staff (PS) and National Officers (NO) Positions at RM	169	190	223	240	270	267	300	321	339	
Professional Staff ^c	65	72	80	87	107	96	112	119	130	
National Officers	104	118	143	153	163	171	188	202	209	
Administrative Staff	110	127	138	149	167	181	190	199	214	
Total Authorized Positions at ADB	2,055	2,116	2,187	2,229	2,310	2,340	2,381	2,498	2,550	
PS and NO positions at ADB	1,020	1,071	1,153	1,189	1,253	1,271	1,304	1,378	1,418	
Professional Staff ^d	729	759	791	797	824	824	836	875	892	
National Officers ^e	291	312	362	392	429	447	468	503	526	
Administrative Staff	1,035	1,045	1,034	1,040	1,057	1,069	1,077	1,120	1,132	
% of Authorized Positions at RM to Total Authorized Positions at ADB	13.6	15.0	16.5	17.5	18.9	19.1	20.6	20.8	21.7	
% of PS and NO Positions at RMs to Total PS and NO Positions at ADB	16.6	17.7	19.3	20.2	21.5	21.0	23.0	23.3	23.9	
Professional Staff	8.9	9.5	10.1	10.9	13.0	11.7	13.4	13.6	14.6	
National Officers	35.7	37.8	39.5	39.0	38.0	38.3	40.2	40.2	39.7	
Administrative Staff	10.6	12.2	13.3	14.3	15.8	16.9	17.6	17.8	18.9	

a Includes Special Office in Timor-Leste, but excludes Thailand Resident Mission (TRM).

b Excludes Thailand Resident Mission (TRM); Azerbaijan Resident Mission (AZRM); Pacific Subregional Office in Fiji Islands (SPSO); and Pacific Liaison and Coordination Office (PLCO) in Sydney, Australia.

c Includes outposted positions.

d Excludes Young Professionals and Board of Directors.

e Classification of national officers and administrative staff started only in 2003.

APPENDIX 14

Selected Knowledge Products of ADB

ADB produced many knowledge products during 2009 with operational departments producing numerous studies and building knowledge into operations. In addition, large numbers of technical assistance and regional technical assistance reports generated and disseminated knowledge. In addition to that extensive work, the four designated knowledge departments—Asian Development Bank Institute, Economics and Research Department, Office of Regional Economic Integration, and Regional and Sustainable Development Department—together with the Independent Evaluation Department, the Department of External Relations, and four regional departments—Central and West Asia Department, East Asia Department, Pacific Department, and Southeast Asia Department—produced the following products in 2009.

ASIAN DEVELOPMENT BANK INSTITUTE

Books

- ADB and ADBI. Infrastructure for a Seamless Asia. Tokyo: ADBI.
- ADB. ADBI: Year in Review. Tokyo: ADBI.
- Brooks, D. H., and D. Hummels (eds). Infrastructure's Role for Lowering Trade Costs: Building for Trade. Cheltenham, United Kingdom: Edward Elgar.
- Kawai, M., and S. Stone (eds.). Asia's Contribution to World Economic Growth and Stability. Tokyo: ADBI.

Working Papers

- Adhikari, Bhim. Market-Based Approaches to Environmental Management: A Review of Lessons from Payment for Environmental Services in Asia. ADBI Working Paper Series No. 134. March.
- Athukorala, Prema-chandra and Archanan Kohpaiboon. Intra-Regional Trade in East Asia: The Decoupling Fallacy, Crisis, and Policy Challenges. ADBI Working Paper Series No. 177. December.
- Basir, Amir Akmar. Payment Systems in Malaysia: Recent Developments and Issues. ADBI Working Paper Series No. 151. September.
- Batten, Jonathan A., Warren P. Hogan, and Peter G. Szilagyi. Foreign Bond Markets and Financial Market Development: International Perspectives. ADBI Working Paper Series No. 173. December.
- Bhattacharyay, Biswa and Prabir De. Restoring the Asian Silk Route: Toward an Integrated Asia. ADBI Working Paper Series No. 140. June.
- Bhattacharyay, Biswa. Infrastructure Development for ASEAN Economic Integration. ADBI Working Paper Series No. 138. May.
- Börsch-Supan, Axel and Alexander Ludwig. Old Europe Ages. Can it Still Prosper? ADBI Working Paper Series No. 168. November.
- Bosworth, Barry and Aaron Flaaen. America's Financial Crisis: The End of an Era. ADBI Working Paper Series No. 142. July.
- Bown, Chad and Rachel McCulloch. US-Japan and US-PRC Trade Conflict: Export Growth, Reciprocity, and the International Trading System. ADBI Working Paper Series No. 158. November.
- Cheong, Inkyo and Jungran Cho. The Impact of Free Trade Agreements (FTAs) on Business in the Republic of Korea. ADBI Working Paper Series No. 156. October.
- Cho, Dong Chul. The Republic of Korea's Economy in the Swirl of Global Crisis. ADBI Working Paper Series No. 147. August.
- Das, Ram Upendra. Imperatives of Regional Economic Integration in Asia in the Context of Developmental Asymmetries: Some Policy Suggestions. ADBI Working Paper Series No. 172. December.
- Dean, Judith M., Mary E. Lovely, and Jesse Mora. Decomposing PRC-Japan-US Trade: Vertical Specialization, Ownership, and Organizational Form. ADBI Working Paper Series No. 159. November.
- Eichengreen, Barry. Lessons of the Crisis for Emerging Markets. ADBI Working Paper Series No. 179. December.
- Greaney, Theresa M. and Yao Li. Assessing Foreign Direct Investment Relationships Between Japan, the People's Republic of China, and the United States. ADBI Working Paper Series No. 161. November.
- Gupta, Souvik and Jacques Miniane. Recessions and Recoveries in Asia: What Can the Past Teach Us about the Present Recession? ADBI Working Paper Series No. 150. September.
- Habito, Cielito F. Patterns of Inclusive Growth in Developing Asia: Insights from an Enhanced Growth-Poverty Elasticity Analysis. ADBI Working Paper Series No. 145. August.
- Hiratsuka, Daisuke, Hitoshi Sato, and Ikumo Isono. Impacts of Free Trade Agreements on Business Activity in Asia: The Case of Japan. ADBI Working Paper Series No. 143. July.
- Jitsuchon, Somchai and Chalongphob Sussangkarn. Thailand's Growth Rebalancing. ADBI Working Paper Series No. 154. October.

Jonung, Lars. Financial Crisis and Crisis Management in Sweden. Lessons for Today. ADBI Working Paper Series No. 165. November.

Katada, Saori N. Political Economy of East Asian Regional Integration and Cooperation. ADBI Working Paper Series No. 170. December.

Kawai, Masahiro and Fan Zhai. The People's Republic of China-Japan-United States Integration Amid Global Rebalancing: A Computable General Equilibrium Analysis. ADBI Working Paper Series No. 152. October.

Kawai, Masahiro and Ganeshan Wignaraja. Asian FTAs: Trends and Challenges. ADBI Working Paper Series No. 144. August.

Kawai, Masahiro and Ganeshan Wignaraja. The Asian "Noodle Bowl": Is It Serious for Business? ADBI Working Paper Series No. 136. April.

Kawai, Masahiro and Shinji Takagi. Why Was Japan Hit So Hard by the Global Financial Crisis? ADBI Working Paper Series No. 153. October.

Kawai, Masahiro, Peter Petri, and Elif Sisli-Ciamarra. Asia in Global Governance: A Case for Decentralized Institutions. ADBI Working Paper Series No. 157. October.

Kawai, Masahiro. Reform of the International Financial Architecture: An Asian Perspective. ADBI Working Paper Series No. 167. November.

Kawai, Masahiro and Fan Zhai. PRC-Latin America Economic Cooperation: Going beyond Resource and Manufacturing Complementarity. ADBI Working Paper Series No. 137. April.

Kim, Soyoung and Doo Yong Yang. International Monetary Transmission and Exchange Rate Regimes: Floaters vs. Non-Floaters. ADBI Working Paper Series No. 181. December.

Kumar, Rajiv and Pankaj Vashisht. The Global Economic Crisis: Impact on India and Policy Responses. ADBI Working Paper Series No. 164. November.

Liu, Xiangfeng. Impacts of the Global Financial Crisis on Small and Medium Enterprises in the People's Republic of China. ADBI Working Paper Series No. 180. December.

Lu, Ming and Hong Gao. When Globalization Meets Urbanization: Labor Market Reform, Income Inequality, and Economic Growth in the People's Republic of China. ADBI Working Paper Series No. 162. November.

Ma, Alyson, Ari Van Assche, and Chang Hong. Global Production Networks and the People's Republic of China's Processing Trade. ADBI Working Paper Series No. 175. December.

Mondeil, Marie and Sununtar Setboonsarng. Enhancing Biodiversity Through Market-Based Strategy: Organic Agriculture. ADBI Working Paper Series No. 155. October.

Moon, Hyungpyo. Demographic Changes and Pension Reform in the Republic of Korea. ADBI Working Paper Series No. 135. April.

Morgan, Peter. The Role and Effectiveness of Unconventional Monetary Policy. ADBI Working Paper Series No. 163. November.

Nambiar, Shankaran. Malaysia and the Global Crisis: Impact, Response, Rebalancing Strategies. ADBI Working Paper Series No. 148. August.

Padoa, Pier Carlo. Fiscal Policy in the Crisis: Impact, Sustainability, and Long-Term Implications. ADBI Working Paper Series No. 178. December.

Pomerleano, Michael. What Is the Impact of the Global Financial Crisis on the Banking System in East Asia? Working Paper 146. August.

Reside, Jr., Renato E. Global Determinants of Stress and Risk in Public-Private Partnerships (PPP) in Infrastructure. ADBI Working Paper Series No. 133. March.

Setboonsarng, Sununtar, Jun Sakai, and Lucia Vancura. Food Safety and ICT Traceability Systems: Lessons from Japan for Developing Countries. ADBI Working Paper Series No. 139. May.

Spiegel, Mark M. Developing Asian Local Currency Bond Markets: Why and How? ADBI Working Paper Series No. 182. December.

Staples, Brian Rankin and Jeremy Harris. Origin and Beyond: Trade Facilitation Disaster or Trade Facilitation Opportunity? ADBI Working Paper Series No. 171. December.

- Stone, Susan and Ginalyn Komoto. Determining Poverty Impacts on Lao People's Democratic Republic and Cambodia: Reconciling Household and GTAP Data. ADBI Working Paper Series No. 141. July.
- Strutt, Anna and Susan Stone. Transport Infrastructure and Trade Facilitation in the Greater Mekong Subregion. ADBI Working Paper Series No. 130. January.
- Thorbecke, Willem. An Empirical Analysis of ASEAN's Labor-Intensive Exports. ADBI Working Paper Series No. 166. November.
- Thorbecke, Willem. An Empirical Analysis of East Asian Computer Exports. ADBI Working Paper Series No. 160. November.
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 Sourcebook to Assist the Preparation of Governance Risk Assessments
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APPENDIX 15
Evaluation Results for Sovereign Operations

Table A15.1
Evaluation Results^a for Sovereign Operations by Country, Cumulative from Evaluation Year 1973–2009

Country	Total Rated Projects and Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Afghanistan	3	100.0	0.0	0.0
Azerbaijan	1	100.0	0.0	0.0
Bangladesh	106	58.5	33.0	8.5
Bhutan	13	84.6	7.7	7.7
Cambodia	21	85.7	14.3	0.0
China, People's Republic of	82	86.6	8.5	4.9
India	43	65.1	27.9	7.0
Indonesia	188	63.3	29.8	6.9
Kazakhstan	8	62.5	37.5	0.0
Kyrgyz Republic	17	82.4	17.6	0.0
Lao People's Democratic Republic	42	69.0	26.2	4.8
Malaysia	57	64.9	29.8	5.3
Maldives	10	80.0	10.0	10.0
Mongolia	22	68.2	27.3	4.5
Myanmar	11	63.6	27.3	9.1
Nepal	75	57.3	33.3	9.3
Pacific DMCs	100	46.0	35.0	19.0
Pakistan	143	53.8	37.1	9.1
Papua New Guinea	38	34.2	57.9	7.9
Philippines	119	47.1	36.1	16.8
Sri Lanka	74	56.8	36.5	6.8
Tajikistan	9	88.9	11.1	0.0
Thailand	64	89.1	10.9	0.0
Uzbekistan	8	50.0	37.5	12.5
Viet Nam	39	82.1	15.4	2.6
Graduate Economies ^b	61	86.9	11.5	1.6
Total	1,354	63.4	28.6	8.0

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

Note: Totals may not add up because of rounding.

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

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

Table A15.2
Evaluation Results^a for Sovereign Operations by Sector, Cumulative from Evaluation Year 1973–2009

Sector	Total Rated Projects and Programs (no.)	Proportion (%)		
		HS/GS/S	PS	US
Agriculture and Natural Resources	347	44.7	40.9	14.4
Education	101	73.3	24.8	2.0
Energy	194	79.9	18.0	2.1
Finance	144	52.1	37.5	10.4
Health and Social Protection	44	52.3	43.2	4.5
Industry and Trade	61	60.7	27.9	11.5
Multisector	61	75.4	18.0	6.6
Public Sector Management	35	51.4	42.9	5.7
Transport and ICT	231	82.7	11.7	5.6
Water and Other Municipal Infrastructure and Services	136	62.5	30.9	6.6
Total	1,354	63.4	28.6	8.0

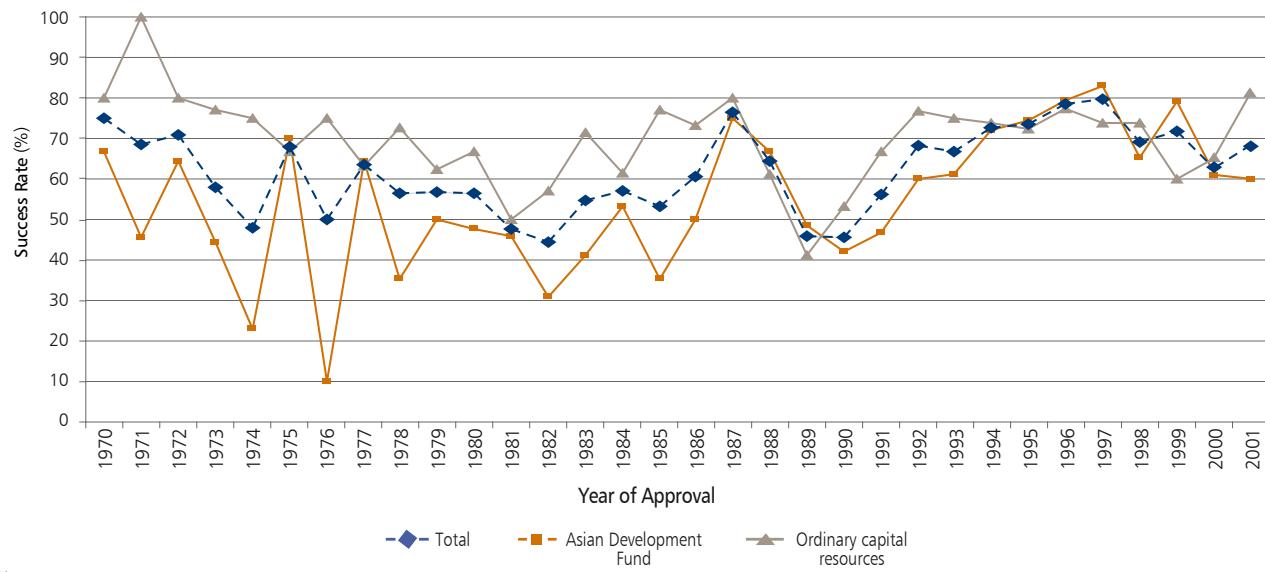
GS = generally successful, HS = highly successful, PS = partly successful, US = unsuccessful; ICT = information and communication technology.

Note: Totals may not add up because of rounding.

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

Table A15.3

Percentage of Sovereign Operations (Projects/Programs) Deemed Successful by Source of Funds



Notes:

Based on completed projects/programs evaluated from 1973 to 2009.

Project/program implementation: 4–7 years.

Completion report: 1–2 years after completion.

Project/program evaluation: 3 years or more after completion.

Data from 2002 are not included due to small sample size (less than 30).

Figures for approval years 2000 to 2001 may change as additional projects/programs are completed and evaluated.

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GLOSSARY

B-loan. A tranche of a direct loan nominally advanced by ADB, subject to eligible financial institutions' taking funded risk participations within such a tranche and without recourse to ADB. It complements an A-loan funded by ADB.

Direct value-added cofinancing. Cofinancing with active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB (such as for credit enhancement, syndication, or financial administration) to facilitate mobilization, administration, or participation in cofinancing.

Multitranche financing facility. A debt-financing facility to target discrete, sequential components of large stand-alone projects; slices (or tranches) of sector investment programs over a longer time frame than the current norm; financial intermediary credit lines; and guarantees.

Sovereign, nonsovereign. ADB lending is classified as sovereign or nonsovereign. A sovereign loan is guaranteed by the national government, while a nonsovereign loan is not guaranteed by the national government.

Nonsovereign operations. Refer to an ADB-financed transaction with a subsovereign, state-owned enterprise, other public private entity, or private sector entity as obligor or investee, normally without direct sovereign indemnity.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CoP	–	community of practice
CTL	–	Controller's Department
GMS	–	Greater Mekong Subregion
ICT	–	information and communication technology
IED	–	Independent Evaluation Department
OAI	–	Office of Anticorruption and Integrity
OAS	–	Office of Administrative Services
OCR	–	ordinary capital resources
OIST	–	Office of Information Systems and Technology
PSOD	–	Private Sector Operations Department