

For Asia and the Pacific and for the Asian Development Bank (ADB), 2000 was a year of sustained progress. The economy of developing Asia and the Pacific grew by over 7 percent, continuing the remarkable recovery from the 1997 regional financial crisis. Within this favorable economic environment, ADB was able once again to focus on its fundamental development role and to consolidate its position as a broad-based development institution. Lending rebounded to \$5.85 billion in 2000 from \$4.98 billion in 1999, with resumed activity in several developing member countries (DMCs).

The implementation of the poverty reduction strategy, approved in late 1999, got under way in earnest; it was bolstered by the successful replenishment of the Asian Development Fund (ADF) and the establishment of the Japan Fund for Poverty Reduction. New policy initiatives were agreed for work in private sector development. Deliberations began on a long-term strategic framework.

Throughout the year, ADB championed financial and regulatory reform, especially for crisis-affected countries. At year's end, in these countries, external debt structures and payment positions were quite sturdy—net capital outflow mostly related to scheduled debt repayments, and foreign exchange reserves were generally ample. Most banking indicators were stronger, and some progress was made in corporate restructuring. However, the extent of restructuring and regulatory reform was far from adequate, as complacency replaced urgency. Also, global trends and political developments unsettled capital and currency markets within the region.

For 2001, the regional economy should continue to grow albeit at a slower pace, but there are uncertainties, and economic performance will depend greatly on external developments. The performance of developed economies (especially that of the United States), the state of global electronics markets, and the political situations in some countries could all have a critical influence on overall performance.

Private sector development strategy

In March, the Board approved a new private sector development strategy. Its fundamental aim is to strengthen the private sector so that it can be the vehicle that pulls the poor out of poverty. There are three key thrusts: creating enabling conditions where business can flourish and pro-poor growth be fostered; generating business opportunities to ensure that ADB's public sector investments do not crowd out the private sector and that all possible opportunities are taken to crowd it in; and catalyzing private investments by providing direct ADB financial assistance to private sector projects that have clear development impacts or demonstration effects.

Four areas of operation will be given priority: governance in the public and private sectors because the business community needs stability and certainty in the legal and

regulatory framework; financial intermediation because good access to finance is critical to private sector development; public-private partnerships because they help balance development goals with commercial interests; and regional and subregional cooperation because cooperation offers larger markets, economies of scale, and efficient division of labor.

ADF: a concessional resource

The seventh ADF replenishment (ADF VIII)—so vital in the fight against poverty—was concluded in Okinawa, Japan in September following meetings in Australia, Italy, Thailand, and United Kingdom. For the four-year period commencing 1 January 2001, the planned ADF lending target is \$5.65 billion, financed by new contributions (\$2.91 billion) and additional commitments generated from existing and internal resources (\$2.74 billion). Portugal, whose ADB membership is being processed, and Singapore became new donors.

During the replenishment negotiations, donors agreed on several priorities for ADF VIII. These included introducing systematic performance-based allocation for ADF loans; stronger support for good governance in the region; and increased focus on gender equality, environmental protection, and regional cooperation. They recommended abandoning loss provisioning for loans and denominating loans in special drawing rights. They requested a reexamination of the allocation basis of administrative expenses between ADF resources and ordinary capital resources (OCR); an assessment of encashment of contributions on a fixed schedule/pro rata basis among donors; and an examination of technical assistance financing in the midterm review of ADF VIII.

Institutional initiatives recommended by the donors included establishing a Development Effectiveness Committee to enhance the impacts of operations and measures to improve relationships with shareholders.

JFPR: a grant resource

The Japan Fund for Poverty Reduction (JFPR), a new financial resource, was established in 2000. The Government of Japan, recognizing the continuing aftershocks of the Asian financial

crisis, provided 10 billion yen (\$92.6 million) to support innovative poverty reduction and related social development projects on a grant basis, in line with ADB's poverty reduction strategy. The JFPR is administered by ADB and is subject to all its procedures, including procurement, evaluation, and monitoring.

Developing a long-term strategic framework

ADB's vision is of a region free of poverty, and to this end, extensive work was undertaken in 2000 to develop a long-term strategic framework that will guide the work of ADB over the next 15 years. Wide-ranging discussions were held with member countries, development partners, civil society, and an expert panel, and drew on the skills of ADB staff.

The strategic focus will be on achieving sustainable economic growth, inclusive social development, and good governance. In particular, the framework embraces the philosophy and thrusts of the new private sector development strategy, and it recognizes the importance of regional development activities and ADB's unique role as the region's development bank. It also reaffirms commitment to the international development goals. Core medium-term poverty targets for 2005 are for each DMC to implement national sustainable development strategies and eliminate gender disparities in primary and secondary education. The fundamental long-term target is to halve the incidence of extreme poverty by 2015, compared with 1990.

Resident Mission Policy

ADB needs to be closer to its member countries. The Resident Mission Policy, approved in February, is a major step in this direction. The Policy provides for opening resident missions in every DMC, where feasible. To this end, resident missions were opened in the People's Republic of China and the Lao People's Democratic Republic in 2000, and approval was given to open missions in Mongolia and Thailand. These new missions are a good complement to the 13 resident missions previously established.

Microfinance Development Strategy

Despite the rapid growth in microfinance over the last twenty years, the poor in many DMCs have no access to credit or insurance. The Microfinance Development Strategy, approved in June, will help change that. It will help create an enabling policy environment for developing microfinance services and strengthen the capacity of the poor to access these services.

General operations

In 2000, the Board of Directors met formally on 66 occasions, including executive sessions, and held 30 informal meetings, including briefings, discussion seminars, and presentations. The Board approved \$5.85 billion for 90 loans in 74 projects. Of this, \$4.26 billion was from OCR and \$1.59 billion from ADF.



Board of Directors (December 2000)

Seated, left to right: Vice-President John Lintjer, Secretary Bindu N. Lohani, President Tadao Chino, Vice-President Myoung-Ho Shin
First row, standing, left to right: Yasuro Narita, Cahit Akinci, Patrick Thomas, C. Ramachandran, N. Cinnamon Dornside, Julian H. Payne, Uwe Henrich, Patricia Z. Riingen, Li Buqun, Chantale Yok-Min Wong, Ram Binod Bhattacharai, Othman Jusoh
Second row, standing, left to right: Jose Miguel Cortes, Jeung-Hyun Yoon, John S. Lockhart, M. Faizur Razzaque, John Austin, Erik Johnsson, Naoyuki Shinohara, Zhao Xiaoyu, Barry Holloway, Kh. Zaheer Ahmed, Stephen Baker, Jusuf Anwar

Forty percent of project approvals, excluding private sector and technical assistance loans, had poverty reduction as the primary or secondary objective.¹ The Board approved seven equity investments in the private sector, amounting to \$78.15 million. It also approved directly, or through authority delegated to the President, technical assistance grants amounting to \$171.99 million for 306 projects.

During the informal meetings, the Directors examined a broad range of issues, including the redesign of ADB's operational business processes, and country assistance plans for 2000–2002 and 2001–2003.

33rd Annual Meeting

The 33rd Annual Meeting of the Board of Governors was held in Chiang Mai, Thailand, from 6 to 8 May 2000.

Membership

Turkmenistan became ADB's 59th member in 2000.

Board committees²

Audit Committee

The 1999–2000 Audit Committee report underscored the importance of independence and objectivity for both the Office of the General Auditor (OGA) and the Operations Evaluation Office (OEO). The Committee reported that its new terms of reference, adopted in 1999, made it more effective and more focused. It achieved its 2000 program with fewer meetings than in previous years, although oversight of year 2000 operations was added to its program. In 2000, the Committee also formally adopted guidelines on conflict of interest for itself.

Sixteen meetings were held, including one with the external auditors (PricewaterhouseCoopers), to review ADB's draft financial statements for 1999. With the auditors' contract expiring in December 2000, the Committee also monitored the selection of the next auditors and recommended the final selection to the Board.

¹ The classification system uses ADB objectives; projects are assigned a maximum of two objectives: one primary and one optional secondary. For example, a project aimed primarily at economic growth might have secondary features for addressing social concerns.

² The membership of Board committees is shown in Appendix 4.

Policy Papers and Reports Discussed by the Board of Directors in 2000

Policy, Financial, and Administrative Papers

- Borrowing Program for 2000 *25 January*
- Membership of Portugal *25 January*
- Resident Mission Policy *17 February*
- Establishment of a Resident Mission in the People's Republic of China *24 February*
- Review of Service Charges for the Administration of Grant Cofinancing from Bilateral Sources *14 March*
- Review of the Asian Development Bank's Income Outlook and Allocation of 1999 Net Income *28 March*
- Private Sector Development Strategy *30 March*
- Partial Credit Guarantee Charges *13 April*
- Establishment of a Resident Mission in Thailand *19 April*
- Cooperation with Japan—Japan Fund for Poverty Reduction *23 May*
- Finance for the Poor—Microfinance Development Strategy *6 June*
- Cooperation with Spain—Technical Assistance Grant Fund *28 June*
- Cooperation with Denmark—Technical Assistance Grant Fund *27 July*
- Establishment of a Resident Mission in Mongolia *1 August*
- Three-Year Rolling Work Program and Budget Framework (2001–2003) *5 October*
- Seventh Replenishment of the Asian Development Fund *2 November*
- Arrangements for Transfer of Project Development Fund Grants from the Global Environment Facility *21 November*
- Review of Papua New Guinea's Classification Under ADB's Graduation Policy *14 December*
- ADB Institute—Work Program and Budget for 2001 *15 December*
- Establishment of the Development Effectiveness Committee *20 December*

Working Papers

- Promoting Good Governance: ADB's Medium-Term Agenda and Action Plan *26 April*
- Private Sector Operations—Strategic Directions and Review *31 July*
- Review of the Partial Risk Guarantee of the Asian Development Bank *1 August*
- Water for All: The Water Policy of the Asian Development Bank *1 September*
- Performance-Based Allocation of ADF Resources *22 November*
- The Long-Term Strategic Framework of the Asian Development Bank (2001–2015) *18 December*

The Committee reviewed the work program of OGA and requested it to report on the status of ADB's internal controls. It requested OGA to review the need for an appeals function for firms and individuals that ADB penalized for corrupt activities. It also reviewed the accomplishments of OEO and endorsed its work program. The Committee endorsed the proposal to expand the number of categories

Reports Discussed by the Audit Committee in 2000

Project Performance Audit Reports

- Fisheries Sector Program (Philippines) *16 February*
- Low-Income Housing Development Project (Fiji Islands) *9 August*
- West New Britain Smallholder Development Project (Papua New Guinea) *13 September*
- Second Road Improvement Project (Sri Lanka) *13 September*
- Second Agriculture Program (Lao People's Democratic Republic) *27 September*
- Walawe Irrigation Improvement Project (Sri Lanka) *27 September*

Technical Assistance Performance Audit Reports

- Advisory and Operational Technical Assistance Grants to the Energy Sector in Mongolia *27 September*

Impact Evaluation Studies

- Technical and Vocational Education Projects in Malaysia, Pakistan, Papua New Guinea, and Sri Lanka *9 August*
- Impact Evaluation Study of ADB's Program of Subregional Economic Cooperation in the Greater Mekong Subregion *16 August*

Reevaluation Studies

- Fuel Conversion Project (People's Republic of China) *9 August*
- Health and Family Planning Services Project (Bangladesh) *13 September*

Special Studies

- Social and Environmental Impacts of Selected Hydropower Projects *19 January*
- Country Assistance Program Evaluation (Viet Nam) *16 February*
- Interim Assessment of ADB's Lending to Thailand During the Economic Crisis *16 February*
- Effectiveness of ADB Approaches and Assistance to Poverty Reduction *23 February*
- Role of Nongovernment Organizations and Community-Based Organizations in ADB Projects *16 August*

of project performance from three to four: highly successful, successful, less than successful, and unsuccessful.

The Committee's Annual Report included recommendations that ADB review the need for the appropriate independence and objectivity of the Operations Evaluation Office and to formally designate the Vice-President (Finance and Administration) as ADB's Chief Financial Officer. These recommendations are being considered by ADB.

Budget Review Committee

The Budget Review Committee met in April to review the cost implications of implementing the Resident Mission Policy; and in November to review Management's 2001 budget proposal, 2000 work achievements, and 2001 work plans of ADB departments and offices.

At the April meeting, the Committee noted the need to pay attention to cost-benefit aspects of the Resident Mission Policy, and to organizational adjustments at headquarters to effect decentralization. It found that delegated disbursement processing complied with established guidelines.

At the November meeting, the Committee requested strengthening the coordination of external relations for

The Boards and Their Functions

ADB is governed by a Board of Governors, which, at the end of 2000, consisted of 59 members (43 regional and 16 nonregional). Under Article 28 of ADB's Charter, the Board of Governors is vested with all the powers of ADB. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

The Board of Governors meets formally once a year for ADB's Annual Meeting. *The resolutions approved by the Board of Governors in 2000 and its membership are shown in Appendixes 1 and 2.*

Under Article 28, the Board of Governors elects a 12-member Board of Directors, eight elected by regional members and four by nonregional members (see Appendix 3). Each Director appoints an Alternate. The President of ADB is the Chairperson of the Board of Directors.

The Board of Directors performs its duties on a full-time basis at ADB's headquarters in Manila, Philippines, and meets in regular formal and executive sessions. The Directors exercise their authority and functions through their supervision of ADB's financial statements, their approval of ADB's administrative budget, and their review and approval of policy documents and all loan, equity, and technical assistance operations.

resident and regional missions and representative offices. It also examined policy and strategic issues, recommending pragmatic implementation of the poverty reduction strategy, while noting its resource-intensive nature. It emphasized the importance of corporate governance. It noted the work of the Anticorruption Unit in ensuring proper use of funds and acknowledged the complexity of the law and policy reform issues being tackled.

The Committee noted that improved teamwork, focus, and controls in the Private Sector Group had enhanced the mainstreaming of private sector activities in ADB operations and improved the development impact of the Private Sector Development Strategy. It also noted progress in mainstreaming social development policies and environmental dimensions in operations, and establishing a nongovernment organization (NGO) center for improved NGO collaboration. It observed the need for better management and coordination of economic and sector work, encouraging greater development of staff capabilities and ADB's capacity as a knowledge center. It stressed the importance of coordination between the Economics and Development Resource Center and the ADB Institute.

In reviewing ADB's resources, the Committee welcomed the steps being taken to facilitate preparation of the borrowing program by coordinating disbursement projections across departments. It also noted that the INTEGRA Project—an integrated, web-enabled computer system—would improve disbursement programs and liquidity management, lead to a better information base for cost-sharing between OCR and ADF resources, increase staff efficiency, and ensure better linkages between resource allocations and strategic priorities. The Committee encouraged the use of other efficiency measures.

The Committee noted the streamlining of the procurement and consultant selection mechanisms, the progress of the ongoing review of loan products (including the proposed London interbank offered rate), and the difficulties of attracting commercial cofinancing for poverty reduction projects. It noted with appreciation the establishment of the Risk Management System. It recommended that project evaluation include regional technical assistance, JFPR activities, and policy evaluation. It observed the advantages of technological changes in improving products and services, and ADB's role in DMCs in spreading information and communication technology.

The Committee stressed the importance of an effective and responsive institutional structure to support the implementation of the long-term and medium-term strategic frameworks. It recommended that ADB continue to improve its recruitment methods, including incentives, in the traditionally higher paid financial sector.

The Committee recommended approval of the budget for 2001.

Inspection Committee

The Inspection Committee provided input into the *Action Plan for Strengthening the Inspection Function*, approved by the President in July. The Plan to improve outreach included translating ADB's *Inspection Policy: A Guidebook* into local languages, producing a leaflet—*You Have a Voice*—on the inspection policy (also to be translated into local languages), and conducting briefings on the policy and procedures in DMCs.

No requests for inspection were received in 2000; however, in November a complaint was received under the inspection process, to which Management responded as required. The complainants were given the option to make a written request to the Inspection Committee for an inspection of the project if they are not satisfied with the response.

Further information on the inspection policy is available on ADB's web site at <http://www.adb.org/inspection>.

Directors' visits

The Directors made three visits to DMCs in 2000: to India from 19 February to 4 March; the Lao People's Democratic Republic (Lao PDR) and Papua New Guinea (PNG) from 19 August to 1 September; and the Philippines from 14 to 17 September. In India, the Directors had discussions with representatives of the Government of India including the Finance Minister, state chief ministers, and other officials. Talks were also held with stakeholders in ADB projects, NGOs, women's groups, and business leaders. The Directors noted that ADB-funded projects and programs were generally on track. The Directors recommended closer monitoring by the India Resident Mission of project implementation and compliance with loan covenants at the state level. In the Lao PDR and PNG, the Directors visited several projects in each country and held extensive discussions with government officials, donors, and NGOs. The Directors noted that both governments need considerable assistance in building stronger institutions, and, particularly in the case of PNG, reducing the presence of poorly performing state-owned enterprises. The Directors also noted the need to resolve the graduation issue for PNG. The visit to northern Luzon, Philippines, provided the Directors with information about local level planning, stakeholder concerns, and the experiences of implementing agencies.

Special Theme

Develop a Child

Develop a child, develop a nation. Address the needs of the youngest and most vulnerable members of society, and you take the first and most vital steps to economic and social development. Few people would disagree with these assertions, but what is the record of the Asian and Pacific region? The Asian Development Bank's (ADB) President Tadao Chino has said, "It is the vulnerable, especially women and children, who bear the brunt of poverty." If ADB's vision of a region free of poverty is to be realized, today's children need to be healthy, well nourished, and educated. The region has made great strides in health, nutrition, and education, but not evenly. Sadly, for many, today's reality remains grim.

- Six million children under five years of age—more than half of the world's total—die each year in developing Asia. Underweight children account for more than half of these deaths; of the rest, most die from diseases that could be prevented by vaccination. Many who die are underweight at birth owing to the poor health of their mothers; malnutrition and poverty are mutually reinforcing across generations.
- Three quarters of the world's underweight and stunted children are in Asia; and half the children of South Asia—by far the highest rate in the world—are underweight or stunted.
- Three quarters of those suffering from vitamin A, iodine, and iron deficiencies—mostly young children and their mothers—are in Asia. Tiny amounts of vitamins and minerals are needed by the human body for normal growth and development and good health. Their absence costs lives and causes disabilities, including mental impairment.
 - More than 30 million Asian children between the ages of 6 and 11 are not enrolled in school—the majority are girls who will become tomorrow's illiterate women.
 - About 150 million Asian children between the ages of 5 and 14 have to work. Half of them have to work full time.

In sum, the world's underweight, stunted, and micronutrient-deficient children and mothers are concentrated in Asia. Also, the incidence of enrollment of girls in schools is low, particularly in South Asia.

The consequences of malnutrition are staggering: unsafe fertility, premature death, disability, lifelong susceptibility to illness, poor cognitive and learning skills, low achievement in school, low wages, and weak capacity to invest in the quality of the next generation's children.

The economic costs of malnutrition are high,¹ but improvements could be made at low cost, with political will

and in concerted partnership. Judicious investments can improve the health, nutrition, education, and environment of children. Yet, within the region, shares of national budgets allocated to basic education and children's health and nutrition are often low. The children of the poor are especially vulnerable and are often denied access to essential health care, adequate nutrition, and basic education.²

Productivity and prosperity depend largely on how effectively the children of the region are prepared for the future. If the region is to sustain economic momentum, it has to ensure that young children survive, grow, and develop to their maximum potential. The child's ability to be educated and subsequent productivity as an adult can be seriously compromised by poor health and nutrition, and a lack of a safe and caring environment during infancy and early childhood.

ADB's obligation is clear: promote services for children and break the poverty cycle.

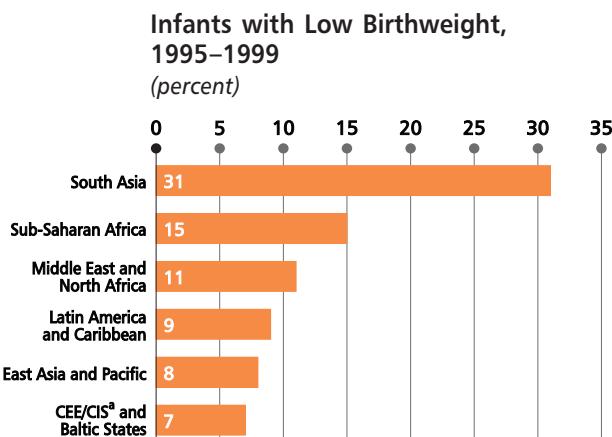
The importance of child development

The most critical stage in the life of each human being is the period up to age three. This is when the brain matures and personality develops, and when psychological and social patterns of bonding with primary caregivers and the community at large are established.

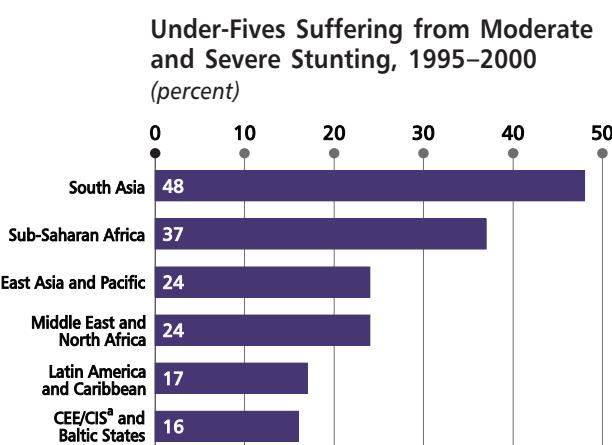
Pregnancy and infancy are when the intersecting health and nutrition needs of women and children are greatest and those needs must be at the core of efforts to improve human development (*Box 1 on page 9*). The health of the mother is crucial for the health of the child. Strategies that care for the child and mother—including legal protection of her political, social, and economic rights—are more effective than approaches that focus exclusively on the child. Preparing for pregnancy (especially the first) is critical

1 Horton, S., 1999, "Opportunities for Investments in Nutrition in Low-Income Asia," *Asian Development Review*, Volume 17 (2): 246–273.

2 Basic education is defined as the minimum set of knowledge and skills necessary to improve quality of life and participate in national development. The period of basic education is nine years (six of primary education plus three of lower secondary), usually for children between the ages of 6 and 15. Many countries in the region have extended or are extending the period of compulsory education from six to nine years (or more) as social and economic conditions require higher levels of knowledge and skills.

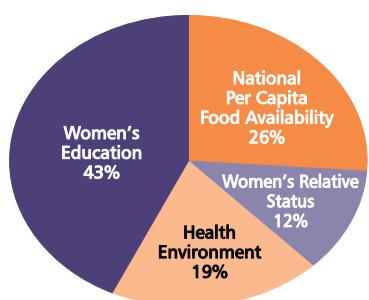


a Refers to Central and Eastern Europe/Commonwealth of Independent States.
Source: United Nations Children's Fund. *The State of the World's Children 2001*.



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Factors Contributing to Child's Nutrition, 1970–1995 (percent)



Source: United Nations Administrative Coordinating Committee/Subcommittee on Nutrition 2000.

because antenatal conditions influence neural and metabolic development of the fetus, and establish a pattern for life. Small, undernourished mothers are likely to have premature or underweight children who will be stunted by age three. These children will experience developmental delays and mental impairment, and suffer chronic susceptibility to infections in infancy and metabolic disorders such as diabetes and heart disease in midlife.

In the later preschool years, social skills and early cognition are critical areas of development. Children lacking sufficient stimulation at home can benefit greatly from specialized programs in the early primary years, and poor children in many countries benefit from community-based programs that integrate food and health care in homes and community centers. Toddlers and older preschoolers thrive in early education programs when these are interactive and participatory, and develop skills for social engagement and cooperation. The early school years also provide an opportunity to correct health and nutrition problems that may impede learning, memory, reasoning, and achievement.

Special attention has to be given to the girl child, whose physical growth, mental development, and level of education determine the quality of the next generation's children. Discrimination against girls can limit their access to adequate nutrition and health care, so that the small child eventually becomes a small mother, whose risk of dying in first pregnancy is 10 times greater than a woman of normal height and weight. The same order of risk applies to premature and small (less than 2,500 grams) babies in the first year of life. Concerted efforts are necessary to protect the health of the girl child through adolescence and young motherhood, recognizing that the potential of the child is related directly to the educational and social status of the mother. A recent study³ of 63 developing countries shows that a woman's educational achievement and social status are the main determinants of a child's nutrition, with food availability and environmental factors being less important.

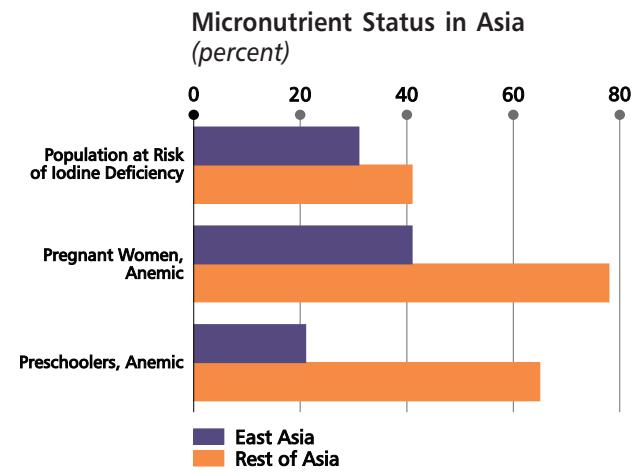
A woman's education and social status have a strong and positive impact on her child's survival and prospects. The educated and empowered Asian woman is the key to the survival, growth, mental acuity, and psychosocial development of young children. Improving her status sets in motion lifelong prospects for learning and earning with benefits to families, communities, and nations. Improving her nutrition and capacity to care for young children elevates the educational attainment of nations. Improving her education and social status lowers her fertility rate by

³ Smith, L. and L. Haddad, 2000, "Explaining Child Malnutrition in Developing Countries: A Cross-Country Analysis," Research Report 111, Washington, DC: International Food Policy Research Institute.

encouraging early employment, later marriage, and longer birth spacing—all of which benefit the survival, growth, and development of her children. When family planning and reproductive health services respond to the needs of educated women, fertility declines further in response to changing perceptions of ideal family size. Mainstreaming gender concerns in social development programs is essential for success.

Why invest in children?

The reasons for investing in the potential of poor children are both compelling and self-evident. Human capital—investment in our brains and our bodies—is essential for economic development, and enriched human development may reduce poverty more sustainably than any other



Source: United Nations Administrative Coordinating Committee/Subcommittee on Nutrition 2000.

Box 1. Investing in Children's Nutrition Makes Good Economic Sense

ADB, in collaboration with the United Nations Children's Fund (UNICEF), recently conducted a seven-country study¹ to analyze the costs of chronic undernutrition and the benefits of improved strategies to eliminate malnutrition. ADB and UNICEF concluded that well-designed nutrition interventions are highly cost-effective.

Economic costs of child malnutrition. The study showed that the cost of malnutrition in low-income Asian economies reaches at least 3–4 percent of gross domestic product annually. In India, loss of growth was 3 percent from reduced adult productivity from protein energy malnutrition, iodine deficiency disorders (IDD), and iron deficiency anemia (IDA), and 1 percent from cognitive impairment induced by iodine deficiency. Among manual laborers, productivity losses are up to 9 percent for severely stunted workers. Losses from IDA are 17 percent for workers engaged in heavy physical labor and 5 percent for moderately active workers. Losses resulting from cognitive deficits for malnourished children are 10 percent for stunted individuals, 4 percent for IDA, and 10 percent for IDD. The cost of malnutrition is staggering.

Cost-effectiveness of nutrition interventions. Nutritional deficiencies can be prevented. Promoting breastfeeding, iodizing salt, fortifying staples (cooking oil or sugar) with vitamin A, providing semiannual doses of vitamin A, and giving iodine injections and daily oral iron tablets to pregnant women each costs less than \$25 per disability-adjusted life year saved. These nutrition interventions rank competitively with immunizations; school clinics; and health,

nutrition, and family planning information. Other nutrition options, which are more expensive but still a good investment, include providing improved complementary feeding for children, and giving nutritional supplements to children and pregnant women. The long-standing practice of untargeted or wrongly targeted food subsidies in Asia has been expensive and inefficient. Investment per head in fortifying staples and complementary foods for infants is one tenth that of supplementation programs.

Returns on nutrition investments.² Targeted supplementation to at-risk groups (iron for pregnant mothers, vitamin A for under-fives) is more cost-effective than fortification although the latter is more sustainable as incomes rise and households gain access to higher quality primary health care. Fortification is the right public policy choice, providing the least-cost method of reducing clinical nutrition deficiency. It is three times as productive as vitamin A supplementation for under-fives or iron supplementation for pregnant women, four times as productive as general iodine supplementation, and twice as productive as targeted supplementation for women of reproductive age.



¹ Mason, John, Joseph Hunt, David Parker, and Urban Jonsson, "Investing in Child Nutrition in Asia," in *Asian Development Review*, 1999, Asian Development Bank, Volume 17, Numbers 1 and 2.

² World Bank, 1994, *Enriching Lives: Overcoming Vitamin and Mineral Malnutrition in Developing Countries*. Washington, DC.

strategy. ADB promotes human development policies that provide children of the poor the opportunities for growth.

Investing in children raises the efficiency of public expenditure and reduces the need for subsequent public resources to compensate for failure to address children's needs. The earlier the learning capacity of the child is addressed, the better. Investments designed to improve sanitation, health, nutrition, and education for children often benefit the whole community and allow mothers to pursue earning and education goals.

Investing in children strengthens the quality and productivity of the future labor force by developing the human brain and its capacity for curiosity, reasoning, and inquiry. Expanding a child's capacity for learning results in higher incomes for the family and permits investment in the quality of the next generation. Investments in primary education are powerful spurs to equitable growth.

Investing in the education of girls can address gender biases and break the cycle of poverty and underachievement. Girls who participate in early childhood programs are more likely to go to and stay in school. Special programs in health and nutrition can provide incentives to parents to enroll and

ADB's Health Sector Lending,^a by Country (1978–2000) (\$ million)

	Total	%
Bangladesh	134.1	6.6
Bhutan	10.0	0.5
Cambodia	20.0	1.0
Hong Kong, China	19.5	1.0
Indonesia	743.4	36.7
Kyrgyz Republic	4.1	0.2
Lao PDR	25.0	1.2
Malaysia	181.5	9.0
Marshall Islands	10.6	0.5
Micronesia	8.0	0.4
Mongolia	15.9	0.8
Myanmar	63.1	3.1
Pakistan	264.5	13.1
Papua New Guinea	119.9	5.9
Philippines	79.9	3.9
Singapore	19.0	0.9
Sri Lanka	35.4	1.7
Tajikistan	7.9	0.4
Thailand	150.0	7.4
Viet Nam	111.3	5.5
Total	2,023.2	100.0

Numbers may not add because of rounding.

^a Includes multisector loans, and health components of other loans.

keep girls in school, and ensure that gender concerns are part of social protection programs.

Investing in children will help nations meet the international development goals (IDGs) to which they—and ADB—have subscribed. Three of the seven IDGs relate directly to children and two others target maternal health (*Box 2*). ADB and its developing member countries (DMCs) also support the United Nations Convention on the Rights of the Child, which requires governments to work toward ensuring the development of each child. By agreeing to follow a framework of principles (*Box 3*), Asian governments have pledged to improve health and nutrition for all children and to provide essential education as a right and as the key to equitable growth and sustainable development.

Status of children in the region

Health and nutrition

Over the last 40 years, the health of children in Asia and the Pacific has improved. Infant and under-five mortality rates have been more than halved, in line with global trends. East Asia and the Pacific witnessed the most rapid improvement. Throughout the region, access to potable water supplies has improved and the urban-rural gap has narrowed. The health and nutrition of preschoolers has changed for the better as well, although progress has been uneven across the region. For example, in Bangladesh and Central Asia, average child size actually fell in the 1990s. Also, while life expectancy for today's newborn in South Asia is more than 10 years longer than a child born in the 1960s, it is seven years less than for newborns in East Asia and the Pacific. Infant and under-five mortality rates in South Asia, except for Sri Lanka, are among the highest in the world. Sanitation is also a problem in South Asia, with only one third of the total population—one fifth of the rural population—having access to adequate sanitation facilities.

Micronutrient deficiencies cause death and disability among the region's children. Vitamin A deficiency is implicated in a substantial proportion of maternal and under-five deaths. Major supplement programs are in place to raise vitamin A status in the region; but in South Asia, only one child in four actually receives them.

Iodine deficiency disorders are the leading cause of mental disability in the world. Iodized salt is the cost-effective solution. The Universal Salt Iodization initiative, led by the United Nations Children's Fund (UNICEF), increased the percentage of the world's households using

iodized salt from one fourth to over two thirds in the late 1990s; but a billion Asians still do not use iodized salt and lack sufficient iodine in their diets. In Bangladesh and Central Asia, palpable goiter is endemic. This means the

average child is deprived of 13–14 intelligence quotient (IQ) points that can never be recovered. The solutions are to improve iodine nutrition for pregnant women so that the embryo's brain development does not suffer, and ensure

Box 2. Adopting the International Development Goals

Following the agreements and resolutions of various conferences organized in the first half of the 1990s—such as the World Summit for Children, the International Conference on Nutrition, the International Conference on Population and Development, the World Summit for Social Development—world leaders identified broad international development goals. Three relate directly and all relate indirectly to children. Two target maternal health.

- Reduce the incidence of extreme poverty by half between 1990 and 2015;
- Attain 100 percent primary school enrollment by 2015;

- Eliminate gender disparities in primary and secondary education by 2005;
- Reduce infant and child mortality by two thirds between 1990 and 2015;¹
- Reduce maternal mortality ratio² by three quarters between 1990 and 2015;
- Provide access for all to reproductive health services by 2015;
- Ensure that every country implements a national sustainable development strategy by 2005, and reverses the loss of environmental resources by 2015.

¹ Infant mortality rate is the annual number of deaths of children less than one year of age expressed per 1,000 live births.

² Maternal mortality ratio is the number of deaths per 10,000 births attributable to pregnancy, childbearing, or puerperal complications, i.e., within six weeks following childbirth.

Box 3. Recognizing the Rights of Children

The United Nations (UN) Convention on the Rights of the Child was adopted by the UN General Assembly in November 1989 and entered into force in September 1990.

- Parties shall ensure to the maximum extent possible the survival and development of the child.
- Parties recognize the right of the child to enjoy the highest attainable standard of health and facilities for treating illness and rehabilitating health. Parties shall strive to ensure that no child is deprived of his or her right of access to such health care services.
- Parties shall pursue full implementation of this right and, in particular, shall take appropriate measures to diminish infant and child mortality; ensure that necessary medical assistance and health care are provided to all children with an emphasis on developing primary health care; combat disease and malnutrition, including within the framework of primary health care, by applying readily available technology and by providing adequate nutritious foods and clean drinking water, taking into consideration the dangers and risks of environmental pollution; ensure appropriate prenatal and postnatal health



care for mothers; ensure that all segments of society, in particular parents and children, are informed, have access to education, and are supported in the use of basic knowledge of child health and nutrition, the advantages of breastfeeding, hygiene and environmental sanitation, and the prevention of accidents; and develop preventive health care guidance for parents, and family planning education and services.

- Parties recognize the right of the child to education and with a view to achieving this right progressively and on the basis of equal opportunity, they shall, in particular make primary education compulsory and available free to all; encourage the development of different forms of secondary education, including general and vocational education, make them available and accessible to every child, and take appropriate measures such as introducing free education and offering financial assistance in case of need; make higher education accessible to all on the basis of capacity by every appropriate means; make educational and vocational information and guidance available and accessible to all children; and take measures to encourage regular attendance at schools and to reduce dropout rates.

- Parties recognize the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development.

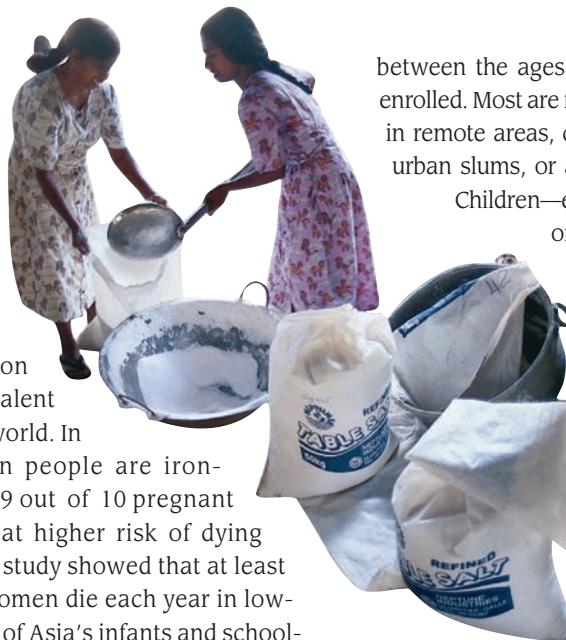
Ensuring that salt is iodized and wheat flour fortified with iron and vitamin A can provide dramatic benefits for children's health.

adequate iodine in early infant feeding that complements breastfeeding.

Anemia, a form of iron deficiency, is the most prevalent nutritional problem in the world. In Asia, more than a billion people are iron-deficient. In South Asia, 9 out of 10 pregnant women are anemic⁴ and at higher risk of dying during pregnancy. An ADB study showed that at least 65,000 anemic pregnant women die each year in low-income Asia. For about half of Asia's infants and school-age children, anemia leads to poor motor skills and delayed speech and reading. A regional initiative to reduce anemia is urgently needed (Box 4).

Education

Nearly 90 percent of East and Southeast Asian children and almost 70 percent of South Asia's children are now enrolled in primary school. Yet, more than 30 million children



between the ages of 6 and 11—the majority girls—are not enrolled. Most are from families with uneducated parents, live in remote areas, come from ethnic minority groups, live in urban slums, or are from families that are displaced.

Children—especially poor children in remote areas—often have to walk long distances to school.

For the young or undernourished, the effort can become too great. Children who are ill, tired, or hungry have limited attention spans and are unlikely to benefit from school. Those whose mother tongue is a minority language face even more difficulties. These children often drop out of school.

Children also drop out of school because their parents cannot afford to pay for transportation, school supplies, or uniforms, or because their labor may be needed at home or they have to contribute to the family's income. Most children drop out within the first two grades. Most dropouts are girls, often because of the perception that there is less value in educating daughters. In the Philippines, only 70 of every 100 children who enter Grade 1 finish primary school; in Bangladesh, the number falls to 65 out of 100; and in Cambodia to 45 out of 100. Children from low-income groups in Indonesia are much less likely to attend lower secondary school than other children.

⁴ United Nations, 2000, *Fourth Report on the World Nutrition Situation 2000*, Geneva: Administrative Coordinating Committee/Subcommittee on Nutrition.

Box 4. Eliminating Iron Deficiency Anemia

Iron deficiency anemia (IDA) afflicts 60 percent of the region's pregnant women (88 percent in South Asia), half the women of reproductive age, and 40 percent of preschoolers in Asia. About 20 percent of the 500,000 maternal deaths in developing countries worldwide are caused by IDA. Although the rates of maternal mortality and child cognitive impairment can be lowered by reducing IDA, no clear strategy for doing this has emerged.

ADB is supporting three regional public-private initiatives to address the problem of IDA. Two regional studies on food fortification and rice breeding are ongoing, and a third initiative is being developed.

The regional food fortification project in the People's Republic of China, India, Indonesia, Pakistan, Thailand, and Viet Nam focuses on fortifying wheat flour and condiments, such as soy sauce and fish sauce, with iron. With cooperation from government food regulators and food manufacturers, micronutrient malnutrition will be reduced. In addition, a

regional investment plan based on country studies will be developed; and regional workshops on food technology, regulation, and trade will be conducted.

A regional rice plant breeding project is being conducted in Bangladesh, Indonesia, Philippines, and Viet Nam through a consortium led by ADB and including the International Rice Research Institute and the International Food Policy Research Institute. A three-year research program will test varieties of rice with high densities of iron and zinc to ensure that the yield is adequate, iron and zinc are available to consumers, consumers are willing to eat the rice, producing and disseminating the new varieties are feasible for national agricultural research systems and seed companies, and the rice will be affordable to the poor.

The third regional activity will aim to set up production systems and build capacity for improved regulation, quality control, and trade of fortified flour and salt.

Box 5. Supporting Early Childhood Development

Early childhood development (ECD) programs support the biological and mental development of children from birth through the early years of primary school. They address the life cycle stages crucial to mental acuity, learning, and achievement: pregnancy through age three, the toddler phase for older preschoolers, and the early adjustment years in formal schooling.

ECD programs provide integrated child health, nutrition, and early education programs for children up to six years of age, often followed by an enriched ECD-friendly curriculum and learning environment in the early primary grades. Convergent services in centers and homes, tailored interventions within the life cycle, and partnerships between local governments, communities, and families combine to help each child realize his/her potential.

At the World Summits for Children and Education For All (EFA), governments in Asia and the Pacific committed themselves to major improvements in child health, nutrition, and educational enrollment by 2000; but few of these goals were reached. The EFA global review in 2000 concluded that child readiness for learning had been underemphasized and that ECD programs are vital to reaching poor children and children in remote areas who might enroll late or never, and are more likely to drop out of primary school.

ECD programs deliver impacts at lower cost because they capture synergies that sector-specific programs cannot. Because ECD combines nutrition, health, psychosocial care, and cognitive stimulation for infants, toddlers, and young children (with mixes appropriate to each age group), these

synergies optimize impact and lower unit costs. Children with a preschool background are better socialized, are less likely to drop out, adjust more quickly to formal learning, and achieve better results. Healthy, nourished preschoolers adjust best and achieve most.

Poverty reduction is best sustained when the lives of young children are transformed. An ECD Project (1998–2003) in the Philippines—cofinanced by ADB and the World Bank—is doing just that for five million children. About 170 local government units with the highest concentration of children at risk—based on indicators of undernutrition, mortality, and primary school dropout rates—are being targeted. The novel partnership between national and local governments and communities is reflected in cost-sharing based on the local government's ability to pay and the allocation of responsibilities to ensure ownership. The national government, through the development budget and loan proceeds, provides support systems to the local agencies.

ADB is helping ensure children can achieve their genetic potential and is preparing them with the skills they will need.



There is sometimes a misconception among the poor that attending school brings little benefit. It is difficult to dispel this notion when the schooling provided is inadequate and fails to meet minimum standards, or the schools are under-resourced and badly managed. And this is often the case. Many children in the region complete their basic education without mastering the skills needed to participate effectively in society. (Few of the region's schools teach even the rudiments of computer literacy, and still fewer are connected to the Internet.) Poor education usually results from insufficient teacher training, overcrowded and ill-equipped classrooms, badly designed curricula, inadequate instructional materials, and defective facilities.

Early childhood development (ECD) projects focus on mothers and children (normally from birth through eight years) and aim to ensure that children achieve adequate health and nutrition as well as mental stimulation and preparation for learning (Box 5). ECD activities—nutritional supplement and education, essential child health services,

and psychosocial and cognitive stimulation—are cost-effective ways of reducing dropout rates and improving learning and achievement. Yet, only a small percentage of young children benefit from ECD, mostly from middle- and upper-income groups. Investing in the needs of very young children, especially children of the poor, is an effective strategy for enhancing their capacity to learn and benefit from schooling. ADB is increasingly supporting ECD.

Environment

In the early stages of Western industrialization, children carried canaries in cages down mine shafts to alert adult workers of odorless gases seeping through rock fissures. When the canary died, the workers ran. In many ways, children are the sacrificial canaries of industrializing Asia, mute victims of an increasingly polluted environment. Respiratory infections and mental impairment are ever more common. With Asia's urbanization continuing

**ADB's Education Sector Lending,^a By Country
(1970–2000) (\$ million)**

	Total	%
Bangladesh	498.3	9.9
Bhutan	9.4	0.2
Cambodia	47.2	0.9
Cook Islands	2.7	0.1
Indonesia	2,167.3	43.0
Kazakhstan	65.0	1.3
Korea, Republic of	56.7	1.1
Kyrgyz Republic	61.3	1.2
Lao PDR	53.3	1.1
Malaysia	258.8	5.1
Maldives	6.3	0.1
Marshall Islands	14.8	0.3
Mongolia	15.5	0.3
Nepal	56.1	1.1
Pakistan	571.0	11.3
Philippines	279.2	5.5
Papua New Guinea	55.9	1.1
Samoa	7.0	0.1
Singapore	22.0	0.4
Sri Lanka	199.9	4.0
Tajikistan	7.6	0.2
Thailand	360.7	7.2
Uzbekistan	97.0	1.9
Viet Nam	129.0	2.6
Total	5,042.0	100.0

Numbers may not add because of rounding.

a Includes multisector loans, and education components of other loans.

apace, the impact of pollution on the health and cognitive development of children will get worse.

In cities and towns throughout Asia, lead pollutes the air and takes the vibrancy from children's brains and limbs. Children working in some areas of the People's Republic of China have been found to have blood lead levels far in excess of levels considered injurious in some countries, with the consequent risk to intelligence and growth. Before an ADB-financed project to improve Metro Manila's air quality led to a ban on leaded gas in the Philippines, the average child in Manila was at risk of developing with nearly five IQ points less than a child raised in a nonlead environment.

In many Asian cities, children are employed as dumpsite scavengers, a job that exposes them to toxic wastes and increases their risk of infection. Other children face the even more widely damaging effects of poor sanitation and unhealthy

water. These children are often physically stunted and mentally dulled. They enter school later and retain what they are taught at a lower rate than children who meet their genetic potential.

In rural environments, pesticide runoff into water tables damages immature respiratory and pulmonary functions in children, with disabling effects in later life. And in both rural and urban areas, water is often polluted by untreated sewage, chemical discharges, spilled toxic materials, salt from irrigation schemes, and atmospheric pollutants dissolved in rainwater.⁵

Especially vulnerable children

All children are vulnerable, the poor especially so. Many poor children are exploited. In Asia, particularly South Asia, many millions of children toil as laborers, mostly in rural areas under bonded or other restrictive conditions. An estimated 3.8 million Asian children suffer work injuries a year, resulting in 1.5 million disabilities and 19,000 fatalities.

Several hundred thousand children simply live on Asia's streets. The numbers increased in the late 1990s because of the financial crisis—fourfold in Indonesia, according to an ADB survey—and are still rising with increased urbanization. They are exposed to pollution and sexual exploitation (Box 6).

Asia has a million orphans of AIDS victims. Many are ostracized, some are themselves HIV-positive.

Nongovernment organizations (NGOs) are among the strongest advocates of improved conditions for children. ADB is supporting a special program for Indonesia's street children through a health, nutrition, and educational support initiative being implemented by the Government and NGOs.

Partnerships for children

The challenge is to give the region's children the health, nutrition, knowledge, skills, and opportunities needed to realize their full potential. Investments in children today will ensure that tomorrow's adults are empowered and productive. The challenge cannot be met by ADB alone; fortunately, others are also rising to meet it.

UNICEF focuses exclusively on children. Many bilateral and multilateral organizations promote better understanding of, and increased attention to, the problems of child labor, street children, and poor and abandoned children.

International and local NGOs are very active. Local NGOs often have the greatest knowledge of poor children in isolated

5 Asian Development Bank, 1999. "Water in the 21st Century," Annual Report 1999, Singapore: Asian Development Bank.

or marginalized communities. The private sector, through philanthropic work and subcontracted service delivery, can often provide cost-effective essential social services.

Most important are DMC governments and local authorities themselves. They are responsible for the major programs of education, health care, and water supply and sanitation. They must be convinced to place children high on their list of national priorities. Poverty agreements, currently being prepared between ADB and its DMCs, can help make this happen.

ADB support for children

Policy and strategic framework

ADB has long recognized human development as a cornerstone of overall social and economic development, and has prioritized support for investments in women and children as the most effective way to promote human development. Its 1994 population policy shows the clear link between maternal health and child health, and between maternal education and family size. The 1998 policy on gender and development emphasizes the need to support activities that improve women's access to social infrastructure services. The most effective investment in the health and education of children

is an investment in the health and education of their mothers. The 1999 Poverty Reduction Strategy requires resources to be targeted on projects benefiting women and children.

The health policy, also approved in 1999, endorses the shift in ADB's health investments toward primary health care, the area most likely to benefit poor mothers and children. Investments in primary health care as a proportion of total sector investment rose from 36 percent between 1978 and 1991 to 66 percent since 1992.

The draft water policy, for Board of Directors' consideration in 2001, recognizes the special role of women in ensuring the health and well-being of families, both as principal agents for fetching water and preventing the spread of waterborne diseases, and as highly productive farmers and irrigators.

The draft education policy, developed in 2000, also supports investments in women and children. ADB support for education has shifted toward basic education—from 11 percent of the total education sector portfolio in the 1970s and 1980s to over 40 percent in the 1990s. ADB is also a major partner in Education for All, a global movement to ensure availability of basic education to all children.

ADB's draft long-term strategic framework, developed in 2000, calls for greater emphasis on social development through direct and indirect interventions. The framework also advocates a policy and reform program, wherever necessary, to ensure adequate allocations for health and education and provide access to basic social services by the poor.

Box 6. Mariam Finds a Home

Mariam lives in Ghifari shelter in Yogyakarta, Indonesia. She had been living on the streets for six years before she ended up here.

When Mariam was eight, someone poisoned her father. The shock caused her mother to die of a heart attack. Mariam, orphaned, was then put in the care of her uncle. She was raped at the age of 10. Mariam took to the streets, where she was subjected to more sexual abuse. A police officer took her to the Ghifari shelter in 1999.

There are 500 Mariams in Yogyakarta, each with a distressing story to tell. A 1999 ADB survey of 12 Indonesian cities found that girls make up 20 percent of Indonesia's estimated 170,000 street children, yet programs for street children have usually concentrated on boys. An ADB project is changing this. Girl street children who are victims of sexual abuse or prostitution are receiving counseling, vocational training, and health services through a \$1 million project financed by the Japan Fund for Poverty Reduction (*for more on the Japan Fund for Poverty Reduction see page 140*). Local non-government organizations are implementing the project.

ADB operations

ADB investments in education, health, and nutrition—the sectors that most clearly target women and children—have accounted for about 8 percent of its total lending portfolio since 1990. This proportion is low compared with other multilateral development banks, but investment in other sectors—microcredit, water supply and sanitation, environment, and rural and urban development, for example—adds substantial amounts to ADB's overall support for children. ADB's focus on poverty reduction is increasing the flow of resources for programs supporting the poor, especially women and children.

ADB's recent support for children has been innovative. Two sector development program loans (*Box 7 on page 16*) to Indonesia in 1998 and 1999 identified policy reforms that could lessen the impact of the financial crisis on the poor and improve the delivery of basic social services.

Basic education programs in Bangladesh and Pakistan aim to improve girls' access to education and provide incentives for girls to remain in school (*Box 8 on page 16*). The Philippines' Nonformal Education Project has so far brought literacy to 465,000 learners, primarily poor rural women, and

established an alternative system for providing the equivalent of primary and secondary education to out-of-school youth through flexible delivery arrangements. Services under this Project were subcontracted by the Government to NGOs, community groups, and local government units to ensure that they were responsive, demand-driven, and cost-effective.

ADB's response to the regional needs for child immunization has been robust (*Box 9*). Immunization

programs and the control of childhood infectious diseases are being funded in Bangladesh, Cambodia, Indonesia, Philippines, and Viet Nam. An early childhood development project in the Philippines and a communicable diseases control project in Indonesia both support an integrated management of childhood illness' initiative, operating at health centers and in communities to prevent killer diseases.

Box 7. Supporting Indonesia's Children in Crisis

The Asian financial crisis left Indonesia facing rising unemployment and inflation, and a risk of reduced expenditure on social services. ADB worked closely with the Government to help provide a social safety net, and to help prevent the loss of a generation of children at risk of suffering from malnutrition and increased disease, and dropping out of school.

ADB prepared two sector development programs: to support policy reforms to improve the delivery, quality, and equity of basic education and health and nutrition services; and to ensure continued access to basic social services by the poor. The projects provided scholarships for junior secondary school, funds to enable midwives in health centers to expand outreach programs, maintain services for pregnant women, and set up feeding programs for pregnant women, infants, and young children.

To reach beneficiaries quickly, ADB funds were transferred directly to them from the Central Bank of Indonesia

through the post offices. District committees determined how the funds should be allocated among schools and health centers. Schools established committees with parent and community representation to choose students who would receive scholarships. Village midwives, health center staff, and community health volunteers identified pregnant women and young children for special monitoring and coverage by outreach and nutrition programs. Monitoring by nongovernment organizations revealed that targeting was highly successful.

During the first two and a half years of implementation, 1,945,868 children received junior secondary school scholarships and 127,409 state elementary schools received block grants; 793,188 pregnant women received medical support and supplemental feeding; and 1,051,309 infants and young children received supplementary feeding. Indonesia's investment in these women and children, with ADB support, helped save a generation at risk.

Box 8. Educating Girls

Several ADB objectives converge in girls' education. Educating girls reduces poverty, is an essential part of achieving gender equity, is a foundation of human development, and contributes directly to sustainable economic growth.

Through loans and technical assistance, ADB is ensuring that girls are given the opportunity to go to school, and is improving the quality of the schooling girls receive. In Bangladesh, ADB is supporting a project that provides 765,000 scholarships for girls as part of a strategy to encourage families to enroll their daughters in secondary school. ADB is also funding activities designed to ensure balanced treatment of gender in textbooks, and is assisting nongovernment organizations who work with indigenous communities in developing special instructional materials for 12,000 children—boys and girls—that reflect their language and culture. ADB is also providing basic school supplies through local education committees for ethnic minority children.

In the Lao People's Democratic Republic, ADB is funding a primary education project for ethnic minority girls

who have traditionally lacked access to schooling. In its first phase, the project is targeting 300 ethnic minority villages, providing multigrade classrooms, training ethnic minority teachers, involving the community in school management, and supporting a social mobilization program to persuade parents to enroll their daughters in school.

ADB has been a major supporter of girls' education in Pakistan where the enrollment rate of girls has lagged substantially behind that of boys. In one girls' primary education project, ADB funded the construction of 200 community model schools for girls, providing 400,000 additional places for girls. The model schools helped upgrade the quality of teaching for another two million girls through outreach schools. They also provided special facilities—including toilets, playground equipment, and boundary walls to ensure privacy—to encourage parents to enroll their daughters. ADB has also supported the training of 10,000 female teachers to ensure a growing supply of teachers for girls.

ADB is supporting projects in women's health (Philippines) and reproductive health (Pakistan) that aim to improve health services for women, especially reproductive health care and family planning services. The projects support integrated delivery of family planning and reproductive health; strategies to reduce maternal malnutrition and mortality; and national family reproductive health campaigns focused on preventing sexually transmitted diseases.

ADB's challenges and directions

If Asia and the Pacific are to be free of poverty, the adults of the future must have good health, sufficient knowledge, and adequate life skills. This means that high priority must be given to investment in children today.

Box 9. Immunizing Children

ADB's health policy emphasizes the importance of primary health care in Asia and the Pacific, and places high priority on immunization programs. These programs are cost-effective, impact positively on public health, benefit poor children and women, and save about 500,000 lives in the region annually.

Vaccination coverage in the region is now more than 80 percent of all children, up from 10 percent in the early 1970s. The incidence of measles has dropped by 70 percent in the last decade. The western Pacific region of the World Health Organization has been declared polio-free.

However, although new vaccines for hepatitis B and hemophilus influenza B (a cause of acute pneumonia in children) are relatively low cost and effective in preventing diseases that exact a large toll on children, they have not yet been widely deployed.

Through the Asian Vaccination Initiative, ADB conducted studies in Cambodia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Sri Lanka, Tajikistan, Uzbekistan, and Viet Nam, and collected data that help policymakers expand and sustain immunization programs. Also, ADB has actively supported immunization programs through policy dialogue. Indonesia's social protection and health and nutrition sector development programs provided resources to maintain immunization coverage during the financial crisis. In Thailand, a social sector program loan encouraged the Government to allocate additional resources for immunization. Similarly, projects in Bangladesh, Cambodia, Indonesia, Pakistan, and Viet Nam provide direct investments to strengthen immunization programs, including training health workers.

The Poverty Reduction Strategy provides the guidelines for ADB's help in realizing the international development goals (IDGs) for 2015. ADB will promote regional initiatives and country programs that ensure balanced attention to the survival, growth, development, and learning capacity of the region's children. It supports the Asian Vaccine Initiative and agro-industrial partnerships between the public and private sectors to eliminate micronutrient malnutrition, especially the Universal Salt Iodization Initiative and anemia control programs. Market-based solutions to health and nutrition problems are more likely to be sustainable. ADB will assist both the regional dialogue and the mobilization of additional resources.

At the country level, ADB will emphasize core programs in community health and nutrition. It will continue to support programs for control of childhood diseases and for safe motherhood and reproductive health care. It will encourage community-based nutrition for mothers and preschool children.

ADB will continue to support Education for All (also one of the IDGs). It will support better education access and retention for children of the poor. Its aim is to improve the quality of education for all children, but in particular it will try to ensure that poor children acquire the skills needed to improve their lives. ADB will seek to link its education investment to broader sector reform—designed to improve education efficiency (and therefore financial sustainability), enhance equity, and strengthen quality. ADB will also increase its support for nonformal education.

The focus of ADB environmental assessments will be broadened to encompass the child's environment. Sector investments in agriculture, water supply and sanitation, industry, education, and health can contribute to child growth and development. Country economic reporting will emphasize trends in the achievements of children, much as the United Nations Development Programme does by designating the under-five child mortality rate as the most sensitive indicator of equitable economic and social development.

Subregional cooperation is necessary in South Asia and Central Asia, the areas posing the greatest challenges, to promote the development of children. Solutions applied systematically in several countries with close cultural and political ties make sense. ADB will support subregional cooperation for child development.

Millions of children in Asia and the Pacific provide sad and silent testimony to the fact that economic development does not by itself reduce poverty. Children have to be put at the top of the human development agenda. The cost of helping children reach their potential is not small, but the cost of not helping them is far greater. Develop a child, develop a nation.

Operational Priorities

Within months of adopting its poverty reduction strategy in 1999, the Asian Development Bank (ADB) began focusing its work toward reducing poverty in Asia and the Pacific through the three pillars of pro-poor sustainable economic growth; social development; and good governance. Most ADB projects and programs in 2000 were processed through one or more of these pillars, and through a range of complementary priorities. Also in 2000, ADB formulated a long-term strategic framework. Once approved, this framework will guide ADB's policies and operations from 2001 to 2015.

ADB's objective: poverty reduction

Developing Asia and the Pacific is the largest developing region in the world in landmass, population, and aggregate income. Its 3.2 billion people comprise over 70 percent of the developing world's population, but account for only 47 percent of the aggregate gross domestic product (GDP) of all developing countries.¹ The region is diverse, ranging from very large countries and economies such as the People's Republic of China (PRC) and India, to very small island economies in the Pacific and small landlocked economies in continental Asia.

The region as a whole has achieved unprecedented sustained growth and development in the past three decades. Growth was accompanied by a dramatic decline in the incidence of absolute poverty, significant increases in per capita incomes, and notable improvements in key social indicators.

However, aggregate success hides a great diversity of development experiences among and within countries: not all have shared equally in the benefits of the region's growth. East² and Southeast Asia,³ spurred by astonishing growth rates, achieved remarkable socioeconomic transformation. South Asia⁴ also made significant progress, although it still lags behind East and Southeast Asia on most economic and social indicators. The Central Asian republics⁵ and Azerbaijan experienced dramatic falls in income and increased poverty, associated with the transition to market economies triggered by the breakup of the former Soviet Union. In many of the smaller economies of the Pacific,⁶ incomes have stagnated and the incidence of poverty has remained high.

As a consequence, developing Asia and the Pacific includes economies at very different stages of development,

ranging from some of the least developed and poorest countries in the world to newly industrialized economies. Similarly, wide differences exist within countries, reflecting the uneven distribution of the benefits of development, including the continuing marginalization of significant groups.

The challenge facing Asia and the Pacific is continuing and pervasive poverty. Close to two thirds of the world's poor live in the region, making it central in the fight against global poverty and in achieving the international development goals by 2015 (*see box on page 11*).

Over the years, ADB has played a key role in the fight against poverty, contributing significantly to the economic and social development of its developing member countries (DMCs). ADB adapted its priorities, lending modalities, and organizational structure to the changing needs of the region, transforming itself from what was essentially a project financier to a broad-based development institution.

With the adoption of its poverty reduction strategy at the end of 1999, ADB made reducing poverty in the region its main goal. This goal directed new operations and supporting activities in 2000. For example, in 2000, ADB embarked on a detailed analysis of poverty in its DMCs that involved all stakeholders and built on existing databases and understandings. ADB also began reorienting its country strategies, projects, and lending targets toward the new goal. Crosscutting and sector priorities were reassessed with poverty reduction in mind; and new modalities of assistance have been, and are being, designed. In addition, poverty reduction outcomes are being monitored in accordance with partnership agreements that have been signed initially with two countries and eventually with all DMCs.

1 Data are for 1998.

2 East Asia includes People's Republic of China; Hong Kong, China; Republic of Korea; Mongolia; and Taipei, China.

3 Southeast Asia includes Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

4 South Asia includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

5 The Central Asian republics include Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

6 The Pacific includes Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Developing a long-term strategic framework

The challenges currently faced by ADB's DMCs differ from those in the past. In particular, globalization, led by trade and financial liberalization and increasingly rapid changes in information and communication technology, is having a deep impact on Asian and Pacific economies and societies. Globalization changes not only the way markets work but also how governments, the private sector, and civil society work and interact. In recent years, development thinking has also been changing, with new approaches emphasizing a broader view of development, stronger ownership by stakeholders, and wider partnerships among DMC governments, private sector, civil society, and funding agencies. In addition, the fragility of the region's ecology and the tremendous damage inflicted on it by heedless development and environmental mismanagement have greatly impaired the quality of life in the region.

These challenges have made the fight against poverty even more daunting. To be more effective and responsive, ADB changed its directions, approaches, and commitments.

To guide these strategic changes, ADB began in 2000 to formulate a long-term strategic framework (LTSF). The LTSF provides the vision of the institution, its long-term strategic goals, and its fundamental operating principles. Once approved, it will guide the strategic management of ADB from 2001 to 2015.

The LTSF was prepared through extensive consultations with the Board of Directors and member countries, development partners, and civil society; and drew on the skills of ADB staff. An important feature of the LTSF was the convening of the Senior External Advisory Panel comprising nine eminent people from within and outside the region. The panel met three times: twice in Manila and once in New Delhi.

ADB's vision is an Asia and Pacific free of poverty. The LTSF is intended to contribute to this vision. ADB recognizes that pro-poor growth is essential for sustained poverty reduction; but this vision also reflects the belief that unleashing the potential of the poor will contribute substantially to overall growth and enhance the quality of life for all. ADB's mission, therefore, is to help its DMCs improve living conditions and the quality of life, with poverty reduction being accorded the paramount priority.

ADB is pursuing this vision by focusing its interventions on three core strategic areas: sustainable economic growth, inclusive social development, and governance for effective policies and institutions.

The pursuit of sustainable economic growth translates into growth-promoting activities, including investments in both physical and social infrastructure. Inclusive social development, on the other hand, means investments in social support programs and a policy reform agenda that promotes equity and empowerment. The third core area of intervention, governance for effective policies and institutions, includes providing support for public sector management at all levels, supporting legal and judicial reforms, and improving public accountability and procedures.

The three core areas are complemented by three cross-cutting strategic themes that both broaden and deepen the impact of the core interventions. The first—promoting the role of the private sector in development—recognizes the central role of the private sector and markets in the development process, and responds to the challenges of mobilizing private sector resources to address the region's increasingly complex development agenda. The second theme—regional cooperation and integration for development—reflects the need to provide wider development options to DMCs by creating greater access to resources and markets, addressing shared problems that stretch across borders, and taking advantage of opportunities for sharing knowledge and information. The third theme focuses on addressing environmental sustainability.

The LTSF reflects ADB's position as the only multilateral development bank in Asia and the Pacific with a regional focus and is intended to enhance ADB's role as a broad-based development institution. Because the development challenges of the region are far beyond the capacities and resources of individual institutions, the strategic agenda also

aims to provide a basis for selectivity and improved efficiency

in operations. Regional and global conditions will inevitably change during the life of the LTSF.

ADB will need the capacity to respond to the evolving capabilities, needs, and demands of each DMC and

reshape its role and operations accordingly. In that context, the proposed agenda is a framework for action intended to provide the basis for ADB to remain an effective development partner for all its DMCs over the next 15 years.



Transport projects develop and rehabilitate roads that directly impact on the poor.

ADB's priorities

ADB projects and programs, whether poverty interventions or otherwise, focused on one or more of the following priorities in 2000: economic growth, human development, gender and development, good governance, environmental protection, private sector development, and regional cooperation. Each is related directly to the three pillars of the poverty reduction strategy: pro-poor, sustainable economic growth; social development; and good governance. Other crosscutting priorities pursued in 2000, such as law and

policy reform and social dimensions of development, also contributed significantly to ADB's main objective.

Promoting pro-poor economic growth

Economic growth can reduce poverty by generating employment and incomes; labor-intensive growth can reduce it even faster. Promoting inclusive, more equitable, pro-poor, sustainable economic growth relies on the successful pursuit of the other pillars of ADB's poverty reduction strategy: social development and good governance.

Supporting Pro-Poor Growth through Infrastructure Development

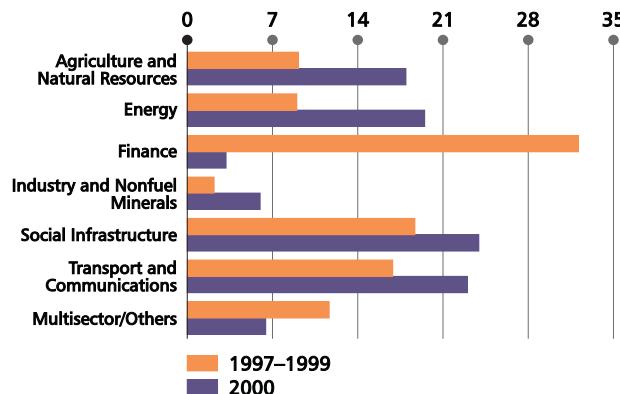
Transport and communications: In 2000, transport and communications projects focused on developing and rehabilitating roads that directly impact on the poor by lowering transport costs and improving access to markets and social services. Governance issues were pursued through new transport laws and institutions, railway restructuring programs, and decentralization. Partnerships between the public and private sectors were also promoted. In Bangladesh, the Road Maintenance and Improvement Project will upgrade primary and regional roads nationwide, provide the rural poor with better access to economic opportunities and services, and encourage growth of export industries. The Chongqing-Guizhou Roads Development Project in the People's Republic of China (PRC) will enhance incomes and reduce poverty by constructing an expressway and upgrading feeder roads that will link the expressway interchanges to poor counties and townships in the project area. In India, a loan will upgrade the Surat-Manor Tollway, which is later to be operated by a private concessionaire, a first in India. Faster delivery of goods and services will allow the local agriculture and industry sectors to become more competitive and raise the socioeconomic status of many of the 14 million predominantly poor people living in the vicinity. In Tajikistan, the Road Rehabilitation Project is improving the national highway linking the capital and secondary cities.

Energy: A review of ADB's 1995 energy policy—*Energy 2000*—confirmed the relevance of ADB's 1995 policy but recommended it be realigned to emphasize poverty reduction, private sector involvement, regional and global environment impacts, and regional trade. The review noted that access to energy must be improved, particularly for the poor. Operations in 2000 focused on rehabilitating and restructuring existing power systems, and on promoting renewable sources. In Cambodia, over 100,000 people will benefit from better electricity services through the Provincial Power Supply Project, which will expand power generation and distribution systems in eight provincial capital towns.

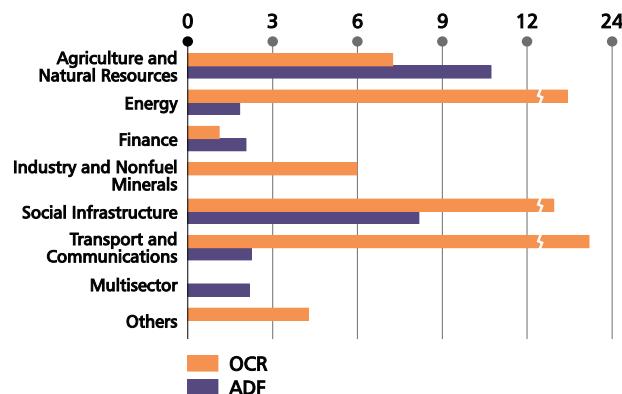
The Wind Power Development Project in the PRC promotes the development and use of renewable energy resources to help address global environment concerns. In India, the Power Transmission Improvement (Sector) Project and the Gujarat Power Sector Development Program aim to improve and lower the cost of power supplies to consumers. In Pakistan, the Energy Sector Restructuring Program will privatize the country's loss-making power utilities. The Power Rehabilitation Project in Tajikistan will rehabilitate existing hydropower plants and reinforce power transmission and distribution facilities, benefiting about one million poor people.

Industry and financial sectors: ADB continued to assist its developing member countries in sustaining their economic recovery from the Asian and Russian crises and in strengthening governance. In Mongolia, the Second Financial Sector Reform Program aims to address the impaired financial system, which is potentially the most significant constraint to achieving stable economic growth and reducing poverty. In Nepal, the Corporate and Financial Governance Project seeks to strengthen Nepal's capacity for regulating and supervising the financial system, a prerequisite for private sector development that promotes growth and pro-poor impacts. In Sri Lanka, the Private Sector Development Program aims to eliminate constraints to private business and enhance the market environment through proper regulation and more competition. ADB also supported small and medium enterprises (SMEs) to increase industrial value added and employment and to privatize state-owned enterprises. SME development—such as in the Industrial Competitiveness and Small and Medium Enterprise Development Program in Indonesia, and the Small and Medium Enterprise Development Project in Uzbekistan—aims to promote and sustain economic growth. In Pakistan, the Small- and Medium-Size Enterprise Trade Enhancement Finance Project and provision of a political risk guarantee should boost the country's exports by improving trade financing for SMEs.

Sector Distribution of Loan Approvals: 1997–1999 (average) and 2000—By Value (percent)



Sector Distribution of Loan Approvals from OCR and ADF, 2000 (percent)



Comprehensive social development must be combined with economic growth to ensure that it is pro-poor. The essential components of a comprehensive program of social development are providing adequate budgetary allocations for human development; targeting basic social services to the poor; removing gender discrimination; promoting an effective population policy; providing social protection; and promoting social capital. Likewise, good governance is an essential precondition for pro-poor growth. Good governance and pro-poor growth can be facilitated by transparent accounting and disclosure standards and efficient financial intermediation. Good governance helps establish an enabling regulatory and legal environment essential to the sound functioning of land, labor, capital, and other factor markets. In turn, the effective operation of these factor markets helps secure optimal yields from both public and private sector investments.

ADB gives priority to growth projects that impact on the poor directly, such as rural roads; rural electrification and renewable energy; reducing the cost of transport to and from

rural areas and between growth centers; providing transport to increase access of the poor to markets, education, health care, and employment; promoting micro, small, and medium enterprises through policy reforms and market infrastructure geared toward the emergence of sustainable financial institutions; and promoting sound and efficient banking systems and capital markets that are indispensable to mobilizing the saving and long-term financing essential for pro-poor growth.

In 2000, ADB provided \$3.0 billion in loans to 29 public and private sector projects in transport and communications (\$1.3 billion), energy (\$1.1 billion), finance (\$0.4 billion), and industry (\$0.2 billion) with economic growth as their primary objective. In addition, technical assistance was extended, amounting to \$47 million.

Supporting human development

ADB's main human development objective is to reduce poverty by improving the health, living standards, and livelihood of people in its DMCs. This is done by

Beyond the Green Revolution: ADB's Rural Asia Study

Rural Asia underwent an economic transformation in the 20th century: dramatically improved food security, reduced poverty, and raised incomes all resulted from the green revolution, the first major application of modern science to Asia's agriculture.

Yet serious problems remain. Economic growth has not been translated into broadly improved welfare. Health and education services and infrastructure development are still inadequate in rural areas. More than 670 million rural people (one third of the rural population) still live in abject poverty.

In 2000, ADB examined rural Asia with a view to providing a vision of Asian agriculture and rural development for the next 20 years. The main strategies recommended by the study are in the overview and five background reports (see *ADB Publications: Recent Titles* on page 276).

- Maintain sufficient levels of public investments in agricultural research (especially biotechnology), rural infrastructure, education, and health.
- Create effective safety nets.
- Facilitate an effective role for nongovernment organizations and civil society in carrying out good governance reforms.

Supporting Pro-Poor Growth through Agriculture and Natural Resource Development

In 2000, some 20 projects for 12 countries were processed in the agriculture and natural resource sector, comprising 25 loans totaling \$1.0 billion. Ten projects, including those in irrigation, are supporting crop development for the rural poor: three are targeting poverty reduction through rural development; three are developing rural financial services for the poor; three are focusing on participatory natural resource management—a sector on which the poor are heavily reliant; and one is supporting land registration. Four are sector development programs, comprising both project and program components. In addition, multisector flood relief emergency assistance was approved for Bangladesh, Cambodia, and Viet Nam. Finally, 37 technical assistance grants supported project preparation, capacity building, strategic planning, and institutional improvements in 15 countries. Two grants were for regional technical assistance: one to support research at various Consultative Group on International Agriculture Research centers, and another to conduct a study on the potential use of biotechnology in reducing poverty and achieving food security in Asia.

Crop development: The Stung Chinit Irrigation and Rural Infrastructure Project in Cambodia will increase agricultural productivity in a populous rural area, dominated by rural subsistence or semisubsistence farming that is dependent on one low-yield rainfed rice crop per year. The West Henan Agricultural Development Project in the People's Republic of China provides a model for the impoverished western provinces to promote economic growth by developing horticulture and livestock; it will lift about 340,000 people above the poverty line. The Farm Restructuring Sector Development Program in Kazakhstan promotes the recovery and growth of the agriculture sector through a combination of policy reforms and institutional development. The Crop Diversification Project in Nepal will increase farmer income by promoting production and marketing, especially of secondary agricultural crops in two regions where the poverty incidence is particularly high. The Grains Sector Development Program in the Philippines supports policy reforms that will liberalize pricing and the importation of rice and maize, replace general rice subsidies with targeted

assistance to the poor, improve rice buffer stock management, and restructure the state grain trading corporation.

Rural development: The Chittagong Hill Tracts Rural Development Project in Bangladesh is the first major effort to help the hill people since two decades of civil strife ended in 1997. The Project will increase employment and social services for the predominantly poor rural population by upgrading rural transportation infrastructure; providing microfinance, training, and other services; and creating a community investment fund to finance small-scale development activities. The Community Empowerment for Rural Development Project in Indonesia is premised on the concept of socially inclusive development. The Project—recognized by ADB President Tadao Chino for its innovative design and given a Performance Recognition Award in 2000—will promote democratic and participatory mechanisms in six poor provinces.

Financial services: The Microfinance Sector Development Program in Pakistan supports reforms that will build a conducive policy environment for developing the microfinance sector, establish mechanisms to enhance social capital, and introduce risk mitigation measures. The policy and investment package enables public-private partnerships to provide a range of affordable financial and social services to the poor, especially women who bear the burden of poverty disproportionately.

Natural resources: The Marine and Coastal Resources Management Project in Indonesia addresses critical issues of natural resource management in a decentralized framework, where resource depletion and environmental degradation are adversely affecting coastal communities. The Protected Area Management and Wildlife Conservation Project in Sri Lanka is a joint undertaking of the Government, ADB, World Bank, and the Global Environment Facility to protect Sri Lanka's globally significant biodiversity and wildlife resources.

In the Pacific, two technical assistance projects aim to support marine resource management. The Community-Based Coastal Marine Resources Development Project in the Marshall Islands will facilitate a revolving trust fund and the Coastal Fisheries Management and Development Project in Papua New Guinea will promote sustainable coastal fisheries management.



strengthening institutions; building capacity; reforming policy; and providing loans and technical assistance in the education, health and nutrition, water supply and sanitation, and urban development sectors. *For more on ADB's projects and programs in human development, see the special theme chapter on pages 6–17.*

Education: No country or region has done well in reducing poverty without first providing widespread basic education and health services. Education helps empower the poor, enhances their income-earning potential, and improves the quality of their lives. People with basic education are more productive and more likely to earn higher incomes.

ADB lending to education in 2000 emphasized basic education—particularly for girls and groups excluded for social, economic, and geographic reasons. It also covered a wide range of interventions at all levels, both formal and nonformal, and included inputs for improving quality and efficiency; institutional capacity building; personnel training; and incentive programs for girls and other disadvantaged groups. The interventions were supported through sustained policy dialogue and stakeholder participation. ADB's draft education sector policy, prepared in 2000, emphasizes the need to integrate information and communication technology in education, and recommends an increasing role for, and engagement of, the private sector in the delivery of education services.

Health: Investments in health are key to improving people's welfare and enhancing economic and social development. Improving human capital enables citizens to participate fully in civil society and thereby contribute to a nation's development. The poor are in worse health and are more likely to fall ill than the nonpoor. The

consequences of poor health to people living in poverty are severe and are largely preventable because the main determinants of the poor's health status—limited access to essential health services and higher rates of infectious disease—can be addressed at relatively low cost. Funds allocated to essential health services provide disproportionate benefits for the poor, including women, children, and other traditionally underserved groups.

Activities in the health sector in 2000 demonstrated ADB's commitment to its goal of reducing poverty. Essential curative, preventive, and promotive services were emphasized; and assistance was provided to the poor, women, children, and groups excluded for social, economic, and geographic reasons. Loans and technical assistance in 2000 assisted health sector reforms, including decentralization of health services; raised institutional capacity by strengthening management and planning and developing sustainable financing for the health sector; reduced malnutrition; addressed emerging health threats; and facilitated public-private partnerships. Projects were prepared and implemented with the participation and collaboration of nongovernment organizations.

Water supply and sanitation: ADB's water supply and sanitation projects in 2000 aimed at providing a balanced package of development benefits, including supporting human and economic development, reducing poverty, improving gender equity, and protecting public health standards and the environment. To sustain project benefits, ADB encouraged private sector involvement in the operation and maintenance of water utility enterprises. ADB also supported institutional and agency capacity building to improve the efficiency of delivery, operation and maintenance, financial management, and cost recovery.

Supporting Poverty Reduction through Education

ADB lending in 2000 for education reflects the diverse needs of its developing member countries (DMCs) and its principal goal of reducing poverty.

A loan for technological and professional skills development in Indonesia will support higher education reform by strengthening university autonomy. In the Kyrgyz Republic, the Skills and Entrepreneurship Development Project will improve formal and nonformal skills training and strengthen entrepreneurship development, especially among socially and economically disadvantaged groups. The Marshall Islands received assistance for more extensive and better skills training to improve income-generating capabilities of the poor. In the Philippines, two loans will help improve technical education and skills development:

one will provide assistance to private institutions to upgrade their technical education programs, and the other will reorient the Technical Education and Skills Development Authority by focusing on accreditation and transferring the management of schools to local governments and the private sector. In Sri Lanka, about one million students in grades 10–13 will benefit from a project that aims to modernize secondary education in the country. Over 30,000 disadvantaged students will attend school full time on stipends provided by the project.

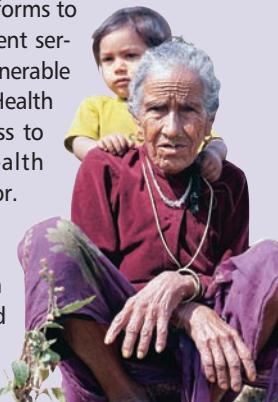
ADB will also provide technical assistance to several DMCs for sectoral reform, capacity building, improved management and delivery of education services, nonformal vocational training, and skills development.

Supporting Poverty Reduction through Primary Health Care

In 2000, loans and technical assistance to the health subsector provided primary health care to the poor.

In Bhutan, the Health Care Reform Program will assist the Government in implementing health policy reforms and strengthen primary health care through selective interventions and expanded services. In Indonesia, the Decentralized Health Services Project will devolve operational and financial responsibilities for health service delivery to the district level. The proposals in this loan were developed locally in a participatory manner, ensuring full ownership of the Project. In the Lao People's Democratic Republic, the Primary Health Care Expansion Project will improve access to, and the quality of, essential curative, preventive, and promotive health services, and improve referral services in the remote and inaccessible northern provinces of the country, where 60 percent of the population live below the poverty line. In the Federated States of Micronesia, the Basic Social Services Project will assist the Government in designing and introducing essential reforms to provide effective and cost-efficient services to poor households and vulnerable groups. In Viet Nam, the Rural Health Project will provide better access to health care and support health financing initiatives for the poor.

Technical assistance will build capacity in preventing and controlling HIV/AIDS in Cambodia and help prevent further spread of the disease in the Greater Mekong Subregion.



Supporting Poverty Reduction through Water Supply and Sanitation

In 2000, loans to the water supply and sanitation subsector helped reduce pollution, protect water resources, and enhance rural water supply and sanitation coverage, thus contributing to improved health and living conditions.

In the People's Republic of China, the Tianjin Wastewater Treatment and Water Resources Protection Project will benefit the urban population directly by removing untreated sewage, and protecting the city's sole source of raw water supply from an increasing pollution threat. Reducing the incidence of waterborne diseases, safeguarding the quality of drinking water, and providing employment opportunities to women are additional benefits expected. In the Central Asian republics, ADB is helping decentralize management and identify private sector participation in Kazakhstan, Kyrgyz Republic, and Uzbekistan, and is undertaking an assessment of the water sector in Tajikistan. In Nepal, the Small Towns Water Supply and Sanitation Sector Project will help improve water supply and sanitation conditions in 40–50 small towns along the major national highways. About 600,000 people will benefit. Also in Nepal, the Melamchi Water Supply Project will benefit about 1.5 million people living in the Kathmandu Valley. Apart from physical construction, the Project will introduce strong institutional reforms in the subsector.

In addition, ADB is undertaking a study of public-private community partnerships in 15 cities in 12 Asian and Pacific countries, as part of its efforts to prepare guidelines for effective partnerships for water supply and sanitation and solid waste.

Supporting Poverty Reduction through Urban Development

ADB helped reduce urban poverty in 2000 by providing loans and technical assistance aimed at improving the quality and supply of housing and by promoting private sector development.

In India, the Housing Finance II Project will create lines of credit for directing housing finance to low-income households and support subprojects such as slum networking and home workplace schemes to improve the access of poor families to housing, income-earning activities, and basic infrastructure and community services. In Mongolia, the cessation of public housing construction since the early 1990s, deteriorating housing conditions, and lack of finance have led to major problems for the poor, most of whom reside in urban areas. ADB is providing assistance

to improve the quality and supply of housing, especially in the poorer areas, and is strengthening institutional and housing finance systems. In the Philippines, assistance is targeted at rapid urbanization coupled with poor city planning, overconcentrated population in Metro Manila, limited urban services (especially at the provincial level), lack of local government financing, limited private sector provision of services, and massive pollution problems. The Pasig River Environmental Management and Rehabilitation Sector Development Program will contribute significantly to improving Metro Manila's urban environment. A related technical assistance grant will provide institutional capacity building for agencies with environmental management responsibilities.

Improving the Status of Women

While the primary objective of the North-West Frontier Province Barani Area Development Project—Phase II in Pakistan is poverty reduction, the Project also addresses ADB's objective of improving the status of women.

Significant gender disparities exist in the project area, with women having less access than men to basic social services such as education and health. Overall, women's literacy in the project area is estimated at 8.5 percent; and in some areas, this drops below 1 percent. Women are often malnourished as a result of their heavy workloads. They have frequent pregnancies. They have only limited access to resources.

Gender-specific interventions were designed for the Project, including forming separate women's organizations led by women themselves, and using female credit officers to ensure that at least 30 percent of borrowers in the credit component are women.

Gender specialists will be placed in the Project's management and implementation units and subunits to monitor and evaluate the process and interventions. Given the high turnover of women staff in an earlier project—because of the lack of social protection for women living alone—the Project will construct accommodation for women and provide double-cabin vehicles for mixed-gender field visits.

Gender Mainstreaming

Gender mainstreaming became more apparent in most aspects of ADB operations. Several loan and technical assistance projects approved in 2000 addressed gender issues. The Primary Health Care Expansion Project in the Lao People's Democratic Republic, which is improving access to primary health care among poor ethnic minority communities, will improve women's health by targeting reproductive health services to women; training ethnic minority women to become health workers; providing scholarships to women without basic education; constructing and/or rehabilitating health centers designed to provide privacy for women; providing gender awareness training as part of health staff training; appointing female staff at the project management level; and developing gender sensitive indicators to monitor women's use of health services.

The Crop Diversification Project in Nepal, which promotes the production and marketing of agricultural crops, is ensuring gender mainstreaming by providing quotas for employing women at the field and project management levels. All project staff will receive training in gender sensitization. To enhance women's participation in the Project, adult literacy classes for women will be held to prepare women for their roles as decision makers.

In Indonesia, the Community Empowerment for Rural Development Project is designed to

reduce poverty by increasing the incomes of poor families. The Project enhances women's participation in planning and ensures that project activities address the interests and concerns of women. The Project provides quotas for women's participation in training and in access to credit facilities. Quotas for women's participation also have been established for training programs for local government staff.

The Provincial Towns Water Supply and Sanitation Project in Papua New Guinea aims to provide low-cost basic sanitation facilities for urban dwellers. Women's groups will be mobilized to ensure women's involvement in planning, designing, and implementing the Project. Half the field workers employed by the nongovernment organizations will be women from project area communities.



Urban development and housing: Reducing the impact of poverty—caused by inadequate access to basic municipal services and shelter resulting from rapid urbanization—is a major challenge facing DMCs, which ADB addresses through its urban development and housing projects.

ADB's main objectives in urban development and housing are to reduce urban poverty; lift living standards in urban areas; enhance the quality of life, including promoting human development, raising public health awareness and standards, and improving the status of women; and achieve sustainable urban development by protecting the environment. In 2000, ADB supported urban development projects that promote good governance by decentralizing authority, responsibilities, and resources from central to local government units; and improve urban management, community participation, and partnerships with the private sector. ADB also promoted fiscal autonomy, direct cost recovery, and market-based pricing of services. Urban development includes projects on water supply and sanitation, integrated urban development, solid waste management, urban transport, and urban housing.

Supporting gender and development and improving the status of women

ADB recognizes that improving the status of women is integral in achieving its other strategic objectives. Investments that benefit women are crucial to development and to creating a healthier, better-educated society. ADB's gender and development policy supports the mainstreaming of gender equity as a key strategy in ADB operations.

In 2000, ADB's gender and development activities focused on implementing the gender policy. A gender and development action plan was drafted, three sectoral gender checklists (health, education, and water supply and sanitation) were prepared and published; and sector-based gender training was conducted for ADB staff.

A regional technical assistance—Gender and Development Initiatives—promoted and supported innovative pilot initiatives among women's nongovernment organizations (NGOs) in ADB's DMCs. The project provided small-scale grants to women's NGOs in several DMCs to improve the status of women. The NGOs conducted information campaigns in Bangladesh on the rights of women and children; provided consultations for poor women in Indonesia on legal issues; focused on preventing burns, and caring for and curing women burn victims in Pakistan, including raising public awareness of these issues and improving curative facilities of existing burn care centers; and provided business education to women in 12 rural areas in Uzbekistan.

New country-focused briefing papers on women were published for Nepal, Pakistan, and Tajikistan; and four more were prepared. Also in 2000, the Operations Evaluations Office conducted a special evaluation study on gender and development to learn how to improve the effectiveness of gender dimensions in project processing and implementation. A total of nine projects in Bangladesh, Nepal, and Viet Nam were evaluated, covering a broad range such as irrigation, microcredit, water supply and sanitation, health, fisheries, and urban infrastructure. The study aimed to recommend more effective and responsive strategies for integrating gender concerns in ADB's projects and programs.

Supporting good governance

In October 1995, ADB became the first multilateral development bank to have a Board-approved policy on governance. The policy became the basic building block for a cluster of good governance policies, which now includes policies on procurement, law and policy reform, participation of civil society, and anticorruption. Also, good governance has since been established as one of the three pillars of ADB's poverty reduction strategy.

The policy, as written in 1995, focused on dialogue with DMCs to identify governance areas most suitable for ADB's

Corporate Governance in Action

In 1994, ADB invested in Global Trust Bank Limited and Centurion Bank Limited, both in India. Each investment was to assist the entry of the private sector into the Indian banking sector, which had been dominated by state-owned banks since bank nationalization in 1969. Each investment also aimed to promote the adoption of best banking practices.

Since 1994, ADB has helped influence the quality of corporate governance in each bank through membership on its board of directors. ADB's nominee director in each case has discussed a variety of corporate governance reforms with the board and management of the bank, helping convince them of the benefits from instituting sound governance practices. Largely because of the efforts of the board and management, each bank led the way in India by establishing written corporate governance codes: detailed documents, including the list of board committees and their terms of reference, role of board members, information to be submitted to the board, definition of independent directors, and role of the board in monitoring performance. The corporate governance code of each bank was adopted in 2000.

interventions, initiate activities that would increase the understanding of governance issues by DMC officials, and forge a broad constituency for good governance in the region through numerous, but ad hoc, regional activities.

In 2000, ADB reviewed the evolution and implementation of the policy, and found some success: the policy had laid the groundwork for improved governance by revising formats, such as in budgetary processes, compliance auditing, and procurement; drafting the needed legislation; and requiring participatory procedures in ADB-funded activities. However, governance and institutional capacities were still limited, and government effectiveness needed to be enhanced. Also, a "customer-oriented" culture where the public sector sees the value of its functions in light of customer satisfaction of, and ease of access to, services remained elusive.

On a positive note, the importance of good governance in the region is now widely recognized, and the links between good governance and sustainable economic and social development are now broadly understood and more generally accepted. The quality of governance is today the subject of healthy debate in many DMCs. Consequently, ADB can now pursue governance more broadly and vigorously.

Recognizing this, ADB began work in 2000 on a medium-term agenda and action plan for governance, which aims to elevate governance issues to the top level of the development agenda in the region; develop a consensus on regional benchmarks, codes of conduct, and best practices across the range of public and private sectors, and

set indicators of good governance; and enhance the quality of governance in individual DMCs.

Once adopted, ADB will achieve these objectives by

- optimizing the impact of its operations on poverty reduction by addressing key governance issues in DMCs in a systematic and focused manner;
- initiating a regional program to raise the profile of governance and provide a regional focal point for governance issues;
- demonstrating to borrowing DMCs the cost of corruption and the value of eliminating it by setting an example of zero tolerance in ADB's own activities, and promoting the spread of good financial and other internal control systems to DMCs by encouraging their use in all agencies involved in ADB-related activities;
- actively improving the coordination of governance activities by development agencies in the region through enhanced cooperation and partnership;
- strengthening ADB's capacity to address governance issues; and
- providing regular and frequent feedback to all stakeholders on implementing the action plan and lessons learned.

Good governance and the private sector: Quality corporate governance is essential in the private sector, just as good governance is essential in the public sector. A systemic failure of corporate governance, as revealed during the Asian financial crisis, can have pervasive consequences, including an undue burden on the poor. Sound corporate

Promoting Environmental Governance

Good governance is directly related to the success of environment policies. Weak state capacity and lack of an independent judiciary can preclude effective enforcement of environment laws. At the same time, the nature of environment and natural resource management systems strongly influences governance outcomes. For example, low economic rent generated from natural resource exploitation—such as logging and mining—not only can provide incentives for inefficient production; it can increase the political influence of crony capitalists by providing access to excessive profits.

ADB has been increasingly successful in addressing environmental governance through its loan and technical assistance operations.

- Cambodia is receiving assistance to review compliance of logging concessionaires with contract conditions.
- With ADB's assistance, the People's Republic of China passed critical environmental legislation for land management; the Fiji Islands passed national environmental management legislation; and the Philippines adopted air quality legislation.

- Three technical assistance grants were approved in 2000 to build the capacity of national and provincial level staff from India, Kyrgyz Republic, and Thailand in environmental management and monitoring.

- Indonesia set up institutional mechanisms to contain forest fire and haze pollution.

- Under a technical assistance grant to build capacities, ADB and other organizations conducted 11 workshops in 2000 for 500 representatives from 14 Asian countries on topics dealing with environment, economic, and legal issues related to the Kyoto Protocol, including the Clean Development Mechanism and Joint Implementation, as well as the Buenos Aires Plan of Action.

- An early warning system was implemented under a strategic environmental framework for the Greater Mekong Subregion facilitating spatial screening for environmental impacts of proposed development activities within the subregion at the early project planning stage.

governance provides confidence to lenders, investors, and employees and may facilitate access to lower-cost capital and optimize the use of scarce resources. For example, developing the domestic capital market will often require adopting a corporate governance culture that ensures voluntary compliance coupled with effective regulatory enforcement. In most DMCs, corporate governance will have to be improved if recovery and growth are to be sustained. Through technical assistance, ADB can help review commercial laws and regulations and introduce key features of good corporate governance such as credible accounting and auditing standards; timely and accurate disclosure rules; sound environment, labor, and social standards; adequate protection of minority shareholder rights; effective bankruptcy and foreclosure regimes; and the imposition of fiduciary duties on corporate directors. ADB can also help train corporate directors on their duties and responsibilities, and on ways to be effective in balancing the interests of shareholders with those of other stakeholders—employees, customers, suppliers, investors, and communities—while maximizing value.

Protecting the environment

Sound environmental management is vital to sustainable development and ADB's objective of reducing poverty. Development will be short-lived if it is not based on

sustainable use of the natural environment and its resources. In 2000, ADB made steady progress in helping its DMCs achieve the twin objectives of environmental protection and poverty reduction.

Twelve loan projects and programs, aimed at reducing poverty while protecting or enhancing the environment and the natural resource base of its DMCs, were approved in 2000. Of these, seven had environment as their primary objectives. This number is more than double the number approved in 1999. The year's lending for environment improvement was \$1.2 billion or almost 23 percent of the total approved loan amount, higher than the average 13 percent per year over the past five years.

Timely, cautious, and judicious review of environmentally sensitive loan projects and programs ensured that their environmental impacts were mitigated and environmental risks—especially to the poor—minimized. For example, the Environmental and Social Monitoring Information System provided timely information critical for early intervention. A peer review process involving ADB staff as an environment network continued to improve the quality of environmental impact assessment reports. By fielding loan review missions during implementation, ADB was also able to monitor borrowers' compliance with agreed environmental management measures, while at the same time gauging the effectiveness of such measures.

Protecting the Environment While Reducing Poverty

About half of ADB's environmental projects and programs in 2000 focused on managing natural resources—water, fisheries, forests, and wildlife—mostly in the rural areas. Others tackled pollution and other environmental problems in the urban areas, with low-income households, particularly slum dwellers, being the primary beneficiaries.

With grant cofinancing from the Global Environment Facility (GEF), a project in the People's Republic of China (PRC) will finance three wind farms with a total power generation capacity of 78 megawatts. The Project will eliminate future emissions of sulfur and nitrogen oxides, suspended particulates, and carbon dioxide that would otherwise add to the pollution load if conventional thermal power generation were used. In Sri Lanka, two projects aim at promoting resource management in forestry and water resources, and a third—with GEF grant cofinancing—will conserve the country's natural resources and wildlife biodiversity by strengthening institutional capacity, providing equipment and infrastructure, and developing adaptive field management.

Technical assistance grants helped mainstream environmental concerns in development activities. Recognizing the important role played by the state, regional, and local authorities in environmental planning, management, and monitoring, ADB provided assistance to strengthen environmental governance in PRC, India, Indonesia, and Thailand. ADB technical assistance also equipped environmental institutions in the Kyrgyz Republic with monitoring and data management systems for effective planning, policy formulation, and decision making. In the Philippines, a grant will improve the national capacity to implement the Convention on Biological Diversity.

ADB also supported improved cooperation in addressing environmental issues. In the Central Asian republics, ADB is promoting improved environmental management by supporting the process of, and the mechanism for, regional environmental action planning and implementation. In the Pacific DMCs, ADB is promoting traditional environmental management practices, knowledge, and values to encourage more sustainable use of natural resources.

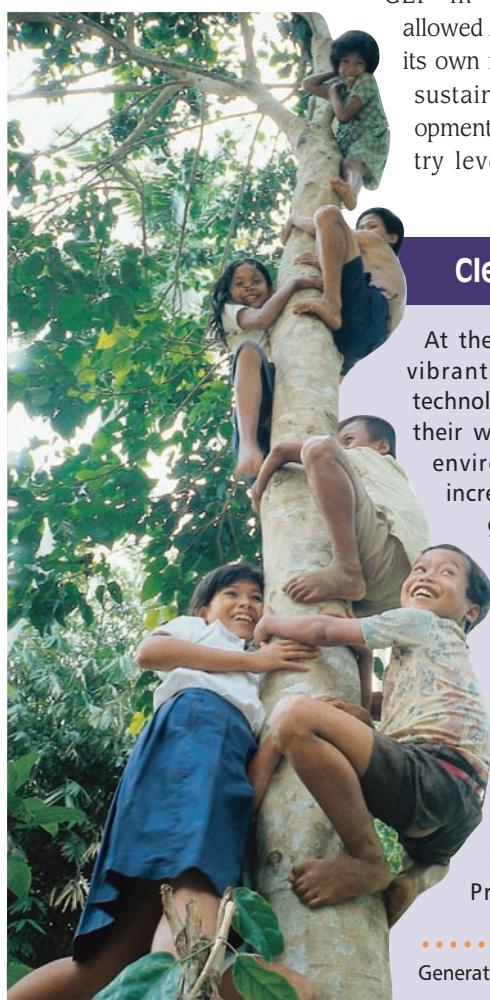
In addition to extending direct technical assistance to specific countries and regional groups, ADB worked on further strengthening the integration of environmental policies in key development sectors by preparing a new publication, the *Asian Environment Outlook* (expected publication in 2001), and formulating, for the first time, a formal environment policy paper (for Board of Directors' consideration in 2001). Consultations with stakeholders inside and outside the region (including the Central Asian republics, Japan, and United States) helped develop a prescriptive analysis of the kinds of interventions ADB can make in its policy-based and project loans, technical assistance, and policy dialogues to improve environmental quality and enhance poverty reduction. Thematic papers reflecting the perspectives of borrowing and donor countries were also prepared.

Using a more streamlined approach to grant resources, ADB also pursued new opportunities for partnership with the Global Environment Facility (GEF). The policy on "Expanded Opportunities for Regional Development Banks," adopted by

GEF in May 1999, allowed ADB to blend its own resources for sustainable development at the country level with GEF

grant resources allocated to addressing global environment issues. This enabled ADB to deliver new and greener products to its clients on more attractive lending terms. In 2000, the preparatory work for six projects availed of grants from GEF resources, while two loan projects received GEF cofinancing.

Seminars, conferences, workshops, and training programs aimed at raising environmental awareness continued to enhance the skills and knowledge of ADB staff and its DMCs. ADB cosponsored the Ministerial Conference on Environment and Development in Asia and the Pacific, organized by the Economic and Social Commission for Asia and the Pacific and hosted by the Government of Japan with the support of Kitakyushu City and Fukuoka Prefecture. As poverty is both a contributor to and a major consequence of environmental degradation, ADB President Tadao Chino emphasized during the event the importance that countries in the region must give to maintaining environmental stability. The event culminated in a ministerial declaration, a regional action program for environmentally sound and sustainable development from 2001 to 2005, and a regional message for the "Rio + 10" (i.e., United Nations Earth Summit scheduled for 2002) review of Agenda 21. In addition, several publications were prepared that support the awareness-raising activities (see *ADB Publications—Recent Titles* on page 276).



Cleaning the Urban Environment

At their best, urban centers can be vibrant areas where art, science, technology, and business flourish. At their worst, they can be plagued by environmental failures, including increased flooding and landslides, groundwater deterioration, pollution, and congestion.

ADB addressed these environment-related problems in recent projects introducing policy reforms, investment packages, and the associated institutional capacity building necessary for effective and sustainable environmental improvement. The Calcutta Environmental Improvement Project in India will provide

equitable access to municipal services and encourage more effective municipal management. About five million people will benefit from improved sewerage, solid waste management, and slum upgrading. In the Philippines, the Metro Manila Air Quality Improvement Sector Development Program, and its associated air pollution control investment loan and technical assistance, implemented in 2000, has already achieved a nationwide phaseout of leaded gasoline. The Pasig River Environmental Management and Rehabilitation Sector Development Program will contribute to achieving a clean urban environment for Metro Manila and improving the Pasig River's water quality through policy reforms and technical assistance for building the capacity of environment agency staff.

Generations will benefit from a cleaner environment, with the help of ADB.

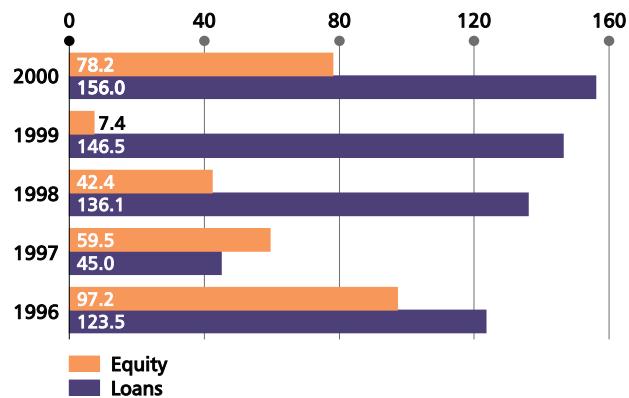
Private sector development

A strong and dynamic private sector is crucial to long-term economic growth, a necessary condition for sustained poverty reduction. ADB's Private Sector Development Strategy, approved in 2000, recognizes this. The Strategy defines how ADB can more effectively promote private sector-led growth to reduce poverty in Asia and the Pacific, and acknowledges the private sector's contribution to sustaining pro-poor growth, promoting social development, and cultivating good governance.

Sustained pro-poor, economic growth is the most powerful weapon in the fight against poverty. Growth creates employment. Moreover, private enterprise is by far the largest source of employment and investment. Economic growth also increases the tax base that enables governments, acting on good governance principles, to finance labor market programs and provide increasing levels of basic social services (health and education services, in particular) which, in turn, improve the poor's ability to increase their productivity and earning capacity. Transparency and accountability in government are also crucial to ensuring that social expenditures are effective and can reach the poor.

The private sector can impact on poverty in other ways as well. Private sector investment in infrastructure projects that are properly regulated can relieve pressure on public budgets and, thus, enable governments to redirect more resources to social spending. Private sector participation in infrastructure can also improve the delivery and efficiency of essential services, leading to a more equitable distribution

Private Sector Loans and Equity Investments
(\$ million)



of benefits to all, including the poor. Efficiency gains from privatized utilities can benefit all income classes.

The social sectors can benefit from private sector involvement as well. The private sector can be contracted to operate nonprofit social facilities such as schools and health clinics. With proper regulation, private sector management is often more efficient than public administration and can deliver better and more innovative services at a lower cost.

Private sector development strategy

The Private Sector Development Strategy aims at strengthening the role of the private sector in Asia. The Strategy is based on the concept that ADB will support efforts to expand

The Private Sector Development Strategy: Recent Examples of Its Three Thrusts

ADB's private sector development strategy helps member governments create enabling conditions, generate business opportunities, and catalyze private investment.

For example, in the People's Republic of China, ADB is working with the Chamber of Commerce to identify impediments and opportunities to stimulate private sector activities, both local and foreign. Also, technical assistance is helping structure and tender the Jiangsu Highway to the private sector. This pilot project will help develop the legal and regulatory framework for private sector participation in the road subsector. In Indonesia, ADB technical assistance helped to structure the proposed new Medan Airport Project as a public-private partnership. The public sector will build and operate the runway and the private sector will construct and operate the terminal. In Nepal, ADB is providing a loan and several technical assistance grants to upgrade regulatory framework, improve the institutional capacity

for law enforcement, and help create a sound financial system, a prerequisite for economic growth and private sector development. In Pakistan, an ADB loan will institute a framework for microfinance development and establish a microfinance bank to catalyze the sector's growth. The aim is to finance 1.6 million small income-generating activities and 4,500 small-scale, community-based infrastructure projects. Another loan to Pakistan will provide for trade initiatives through a trade finance facility, together with the establishment of the Pakistan Export Finance Guarantee Agency. Financing includes a public sector loan, a private sector investment, and a political risk guarantee. In Viet Nam, a technical assistance project will identify possible components for private sector participation in the water supply subsector, with the potential to outsource billing and collection, maintenance, vehicle fleets, and human resource management and training.

and strengthen private sector participation in its DMCs, and it provides the framework for doing that. The Strategy has three major thrusts.

- **Creating enabling conditions:** Through its public sector operations, ADB will help member governments establish the right conditions for business to flourish, and create an environment conducive to pro-poor growth. It will encourage reforms that spur entrepreneurial development and stimulate domestic and foreign private investments. ADB will help shift the government's role from owner-producer to facilitator-regulator of private sector activities, ensuring that markets work while protecting public interest. This will free public resources for use in basic education, health services, and social safety nets.

- **Generating business opportunities:** ADB will ensure that its public sector investments do not crowd out the private sector, and that opportunities are created to crowd in private sector participation. ADB will take steps to ensure that, in its public sector projects, business opportunities will be generated so that the private sector can help bear the responsibility of developing its DMCs.

- **Catalyzing private investments:** Through its Private Sector Group, ADB will continue to provide direct financial assistance to private sector projects that have clear development impacts and demonstration effects. ADB's participation in a project is usually small, but it leverages a large amount of funds from commercial sources.

Two important operating principles guide and concentrate ADB's efforts on where it can contribute best: "Think private sector development" in public sector operations (to examine private sector alternatives at key stages of ADB projects), and "Think development impact" in private sector operations (to ensure that all interventions are aimed at delivering development benefits).



Private sector operations

In many DMCs, perceptions of risk and an imperfect enabling policy and regulatory environment have not encouraged private sector investment. The direct participation of a multilateral development bank helps mitigate such perceived sovereign risks. In its private sector operations, ADB has played this catalytic and risk mitigating role. Its participation provides comfort and confidence to investors, particularly demonstrating the feasibility of pioneering transactions in client countries. Direct participation in private sector projects provides ADB with the opportunity to understand firsthand the impediments to private sector development, and increases ADB's credibility as a public policy adviser that promotes creating an enabling environment for private investment.

With these ends in mind, ADB has continued to provide direct financial assistance to private sector projects. In 2000, ADB approved 11 private sector projects involving financing commitments of \$234 million, comprising \$78 million of equity investment and \$156 million in loans without government guarantees. Two projects attracted loan cofinancing commitments of \$45 million under ADB's complementary financing scheme, and two others pioneered the use of ADB's political risk guarantee instrument to mobilize \$122 million in loans from commercial banks. Overall, ADB's participation in the 11 projects catalyzed a total of \$1.6 billion of investment commitments for development.

ADB's private sector operations focus on infrastructure and finance. Projects in these two sectors can have a significant development impact.

Public-private partnerships: In infrastructure, ADB supports projects that involve partnerships between the government and the private sector, thereby enabling governments to tap the private sector financing and management needed to deliver cost-efficient basic services and to free up the public budget for social initiatives.

Capitalizing on having public and private sector operations under one roof, ADB is able to support government efforts to attract private sector participation and to design projects that can be competitively bid to private sector developers, and assist the winning bidder in mobilizing resources for

ADB is expanding and strengthening its private sector participation in the DMCs by creating an environment conducive to pro-poor growth.

the project. In Bangladesh, for example, ADB's assistance resulted in the first build-operate-transfer (BOT) power project to be awarded to private sponsors. In 2000, ADB approved a nonsovereign loan to this project, which is being undertaken by AES Meghnaghat Limited, majority-owned by the AES Power Corporation of the United States. In Sri Lanka, ADB accomplished the same result, using an ADB loan to construct a 163-megawatt BOT power plant under a 20-year power purchase agreement with the Ceylon Electricity Board. To mobilize much needed funding for these projects, ADB, for the first time, issued political risk guarantees to partially cover currency and convertibility risks and sovereign breach of contract.

ADB's support is not limited to greenfield projects, as is illustrated in a loan to the Philippines for the North Luzon Expressway Rehabilitation and Expansion Project. Recognizing the need to decentralize economic activities in Metro Manila and support the Government's thrust to develop the national road network with private sector participation, ADB supported the Manila North Tollways Corporation, a public-private consortium, and acted as lead coordinating bank to mobilize funding from commercial banks and export credit agencies.

Financial intermediation: Well-functioning financial systems are needed to promote the private sector; financial institutions need to be strengthened to develop the domestic capacity to finance private sector-led growth. To this end, in 2000, ADB joined the Bank of Nova Scotia and Skandinaviska Enskilda Banken to form the Asian Banking Fund, which seeks to recapitalize distressed banks in the region that were affected by the financial crisis. The banking systems can be improved by introducing prudential risk management policies. This can supplement the scarce domestic fiscal resources needed to restore economic growth and create jobs.

Small and medium enterprises: Small and medium enterprises (SMEs) are major generators of the employment and income needed to help reduce poverty. ADB helps create the enabling policy environment for SMEs by promoting the establishment and provision of business advisory services, encouraging credit extension to SMEs from commercial sources, and encouraging the investment of equity funds that can cater directly to the needs of SMEs. In the People's Republic of China (PRC), ADB collaborated with the New World Group of Hong Kong, China and the Liberty Financial Group of the United States to set up a fund to invest in the manufacturing and services sectors to help transform PRC companies into financially and operationally sound enterprises. ADB also supported the formation of the Samoa Venture Capital Fund, designed to contribute to private sector-led economic growth by improving access of small enterprises in Samoa to

seed capital. Through Thailand's Small and Medium Size Enterprises Investment and Restructuring Fund, ADB with its partners will provide much-needed additional liquidity to SMEs hit by the financial crisis.

Regional cooperation

Significant progress was made in 2000 in several ADB-supported regional cooperation initiatives, including the Greater Mekong Subregion (GMS), Central Asian republics, South Asia, Southeast Asia, and the Pacific. Since its policy on regional cooperation was approved in 1994, ADB has played a major catalytic role in promoting such cooperation, facilitating cross-border investment projects and the flow of goods and people across national boundaries.

ADB has already provided considerable technical assistance and loans for investment projects in the GMS and other subregions, following a phased approach. In each case, the initial emphasis has been on increasing the understanding and awareness of DMCs of the potential of intercountry cooperation, identifying areas for collaboration, and quantifying the potential benefits. ADB has engaged the countries in roundtable dialogue on regional priorities and built agreements for multicountry participation. Project preparatory technical assistance has then been provided for priority projects, followed by loans for investments.

ADB's regional cooperation initiatives focus on regions with the most widespread poverty. The South Asian initiative, for example, covers a subregion with about 500 million people in poverty, over half of all the poor in Asia. The poor are the major beneficiaries in ADB's other regional cooperation initiatives as well. Development through regional cooperation is thus an important element in ADB's overall strategic agenda for reducing poverty.

Greater Mekong Subregion: Economic cooperation within the GMS (Cambodia, PRC, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam) was initiated by ADB in 1992. ADB has been a facilitator, catalyst, and, later, financier of the cooperation effort. Initially, the GMS program focused on identifying opportunities for regional cooperation and establishing the mechanisms for countries to engage in dialogue on the priorities and modalities for cooperation. This led to two major infrastructure projects linking the region, and also to complementary agreements that will facilitate the movement of goods and services across the region (see box on page 35). In addition to infrastructure development, the GMS program prioritized human resource development, environment, tourism, and the needs of ethnic minorities as important areas for regional cooperation.

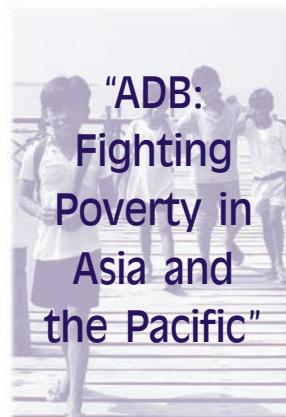
To ensure consistency with ADB's mission to reduce poverty in its DMCs, the GMS program was revised in 2000. From 2001 to 2003, the program will extend benefits of infrastructure development to the rural and border areas; address the environmental and social implications of pro-poor economic growth; broaden the participation of stakeholders and civil society; promote private sector development; and advocate good governance.

Central Asian republics subregion: Strengthening regional economic cooperation is especially important for realizing the development aspirations of the Central Asian republics (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), particularly in view of their landlocked location, far from the world's major markets. Economic growth and sustainable poverty reduction in Central Asia demand that new relations within the region and new trading partners and transport links to external markets be developed.

ADB initiated a program in early 1997 to encourage economic cooperation in Central Asia. The program, which includes the Central Asian republics and Azerbaijan and Xinjiang, PRC, focused on identifying and adopting measures to reduce and remove infrastructure bottlenecks and policy impediments to cross-border traffic and trade. Early efforts were concentrated on consensus building, and preliminary evaluations of priority regional projects in transport and energy, which led to regional projects in the road and electricity subsectors. For example, the Almaty-Bishkek Regional Road Rehabilitation Project, the first subregional cooperation project in Central Asia, approved in October 2000, will rehabilitate the link between Almaty in Kazakhstan and Bishkek in the Kyrgyz Republic.

In 2000, ADB stepped up its support for economic cooperation in Central Asia. Recent initiatives include strengthening each government's policy-making capacity, assisting with reforms of key institutions such as customs administrations, and enhancing information flows on trade and investment in the region. Consultations on other regional initiatives in agriculture, rural development, and finance have begun, as have efforts to promote cooperation in education reforms and eliminate micronutrient malnutrition. The Subregional Cooperation in Managing Education Reforms Project is reviewing key education policy issues and development strategies and advancing collective discussions on experiences and best practices on the content and process of educational reforms.

South Asia: There was significant progress in promoting subregional cooperation in South Asia in 2000. In line



with prevailing conditions and the preferences of the governments in the region, ADB focused on a project-specific approach, mainly in support of the South Asia Growth Quadrangle. This subregional cooperation program was initiated by Bangladesh, Bhutan, India, and Nepal within the larger framework of the South Asian Association for Regional Cooperation, to prepare and implement cross-border projects in these contiguous countries.

As a first step, ADB supported a Private Sector Forum in Calcutta in November 2000 to promote subregional projects in priority sectors. This was followed by a regional technical assistance project to identify and prioritize subregional projects, and a small-scale regional technical assistance to support a regional roundtable for disseminating lessons on the development of information and communication technology in India and elsewhere.

The first ADB-assisted South Asia subregional investment project is now at an advanced stage of preparation. Lafarge Surma Cement will transport limestone from a quarry in Meghalaya, India to a cement plant in Bangladesh through a cross-border conveyor system. Processing is also under way for a North-South Road Corridor project from Siliguri to Haldia in West Bengal, India, with links to border exit points in Bangladesh, Bhutan, and Nepal; the North-West Road Corridor from Panchagar to Bangla Bandh in Bangladesh; and the Fourth Road Improvement Project for Nepal's East-West Road Corridor, which links to road corridors in Bangladesh and India through Kakarbita.

East Asia subregions: Opportunities for reviving and possibly expanding regional cooperation in East Asia increased in 2000, in part because of the economic recovery and also because of improving relations among the countries in Southeast and Northeast Asia.

In December, ADB provided assistance for identifying options to strengthen economic cooperation between the PRC and Mongolia.

Economic recovery also helped another group of countries to use regional cooperation as a development tool. Brunei, Indonesia, Malaysia, and the Philippines (BIMP) had in 1994 launched the East ASEAN Growth Area (EAGA) or BIMP-EAGA to accelerate the development of specific subregions in each country, and in 1995, with ADB assistance a study to define and implement the BIMP-EAGA initiative had been prepared. However, the regional effort was put on hold during the Asian crisis. In 1999, a program to support the development of small and medium enterprises—meant to revive economic activity through regional cooperation—took shape. With ADB

The East-West Economic Corridor

To maximize the benefits of improved transport linkages, the Greater Mekong Subregion (GMS) countries adopted a holistic development approach: an economic corridor—a well-defined area where infrastructure improvements are linked with production, trade, and other development opportunities to promote economic cooperation and development among contiguous regions or countries. As their pilot project, the GMS countries selected the East-West Economic Corridor—a road link of some 1,500 kilometers from Mawlamyine in Myanmar to Da Nang in Viet Nam. In between, the road goes through Mae Sot, Tak, Phitsanulok, Khon Kaen, Kalasin, Kuchinarai, and Mukdahan in Thailand; Savannakhet in the Lao People's Democratic Republic (Lao PDR); and Quang Tri and Thua Thien Hue in Viet Nam. By 2004, it will be possible to traverse 90 percent of the Corridor along a modern, all-weather highway.

In January 2000, the GMS countries reaffirmed the high priority accorded to developing this Corridor: infrastructure improvements are either under way or are being planned for crucial portions; and sections in the Lao PDR and Viet Nam are being upgraded with concessional financing from ADB. With Japan Bank for International Cooperation financing, a second international bridge across the Mekong River at Mukdahan in Thailand and Savannakhet

in the Lao PDR is being constructed, and the Da Nang Port in the central coast of Viet Nam is being rehabilitated. Road improvements along the Corridor in the Lao PDR are being funded by the Japan International Cooperation Agency. The World Bank is providing funds for maintaining Highway No. 1 in Viet Nam, which links the Corridor to the eastern anchor port city of Da Nang. Complementing these improvements is the recent signing of a trilateral cross-border agreement by Lao PDR, Thailand, and Viet Nam to facilitate the transborder movement of goods and people between and among the three countries.

ADB financed the Preinvestment Study for the East-West Economic Corridor to formulate the cooperation and development framework. The study covered five sectors—agro-industry, trade and investment, physical infrastructure, industrial estate/export processing zones, and tourism—and indicated the considerable potential for development in each. Complementarities exist, especially trade and processing of agricultural and other primary products. Harmonizing regional development strategies and reducing trade barriers would lead to formalized and accelerated cross-border trade, and eventually to intra-industry and intrafirm trade. There is, moreover, scope for light manufacturing and other nonagricultural activities, and considerable potential for tourism.

assistance, a strategy was prepared that focused on the region's poorer areas of Kalimantan and Sulawesi in Indonesia and Mindanao and Palawan in the Philippines. Efforts to implement the strategy are ongoing.

A third group of countries—Indonesia, Malaysia, and Thailand (IMT)—formed their regional cooperation initiative in 1993. The objective of their growth triangle, the IMT-GT, was to accelerate private sector-led economic growth and development in the region. ADB assistance led to the preparation of an IMT-GT development strategy.

The Pacific: ADB supports regional cooperation in the Pacific in the areas of fisheries, civil aviation, financial sector reforms, public sector management, and governance.

A regional technical assistance for conserving and managing tuna resources in the western and central Pacific Ocean helped lead to a high-level agreement on the future of this important resource. In addition, ADB is assisting the Pacific DMCs in combating destructive fishing practices in relation to the live reef fish trade.

Given the size and remoteness of some Pacific DMCs, economic viability and efficiency in civil aviation are enhanced through cooperation. In 2000, ADB approved a regional technical assistance on cooperative airspace

management in the Pacific in response to growing recognition of the benefits of regional cooperation in this area.

Relatively weak financial sectors constrain foreign direct and private investment. An ADB-assisted review of the financial sectors in seven Pacific DMCs, completed in 2000, identified key constraints and facilitated dialogue among the Pacific DMCs for regional solutions, including the possibility of electronically linking regional stock exchanges. Another initiative will establish a regional investment opportunities database for circulation among potential foreign investors.

Another major constraint facing private investment in the Pacific is utility services for domestic and industrial consumers. In 2000, ADB continued to promote regional cooperation among utility providers through the Pacific Power Association and the Pacific Water Association. In collaboration with these organizations, ADB is undertaking an initiative that will lead to the establishment of performance benchmarks for such services in the region.

Collaboration among Pacific DMCs also includes management courses for public sector managers (organized with ADB Institute); judicial training; and support for the Pacific Technical Assistance Center (with the International Monetary Fund).

Law and policy reform

Law and policy reform is at the heart of good governance, supporting the legal and institutional framework for predictability, transparency, accountability, and participation. Over the years, ADB has provided numerous loan and technical assistance projects with law and policy reform components. In addition, stand-alone technical assistance grants focusing on law and policy reform have been provided for private sector development, particularly for finance, banking, and corporate governance; judicial reform; legal training; dissemination of legal information; and environmental protection.

In 2000, ADB continued to pursue law and policy reform by establishing and building the capacity of the legal and regulatory systems of its DMCs. To support ADB's main goal of reducing poverty, work continued on the Legal Literacy for Supporting Governance Project, which aims primarily to demonstrate the contribution of legal literacy (legal empowerment) to poverty reduction, good governance, and other development goals (see box below).

Other activities in 2000 included addressing systemic judicial and legal reforms—one of the biggest challenges facing many ADB DMCs. From the lessons of an earlier project, ADB approved technical assistance to build capacity for reform in Pakistan and to pilot test some of those reforms, including projects to reduce court delays. The project will initiate key governance and institutional reforms, including appointing a judicial policy-making body at the national level, and creating a judicial development fund. Work also began on developing a project to help strengthen the fiscal and administrative autonomy and accountability of the Philippines' judiciary, and improve the appointment process and incentive system for judges.

ADB also approved projects in support of its governance strategy and anticorruption efforts. A technical assistance for countering money laundering in Asia and the Pacific, together with the Asia-Pacific Group on Money Laundering, will identify institutional and regulatory reforms required in the nine participating DMCs to comply with international standards. Payments systems, criminal and civil laws relating to money laundering, and institutional and organizational arrangements to counter money laundering, including law enforcement agencies and financial intelligence units, will be examined in each DMC.

Also in 2000, ADB approved a corporate and financial governance project in Nepal, which will upgrade the legal and regulatory framework, standards, and policies in the corporate and financial sectors, and assist Nepal in establishing a training institute for lawyers and judges.

As part of its assistance for law and policy reform in the financial sector, ADB contributed to the regional debate on issues of insolvency and secured transactions law reform in Asia and the Pacific. In 2000, ADB published two reports that examined the issues: "Insolvency Law Reforms in the Asian and Pacific Region" and "Secured Transactions Law Reform in Asia: Unleashing the Potential of Collateral" (Volumes I and II of *Law and Policy Reform at the Asian Development Bank*). The first report established 16 good practice standards of a basic framework for an acceptable insolvency law regime. The regime could serve as a tool for DMCs to assess their own insolvency law regimes and assist in identifying and developing appropriate standards. The second report provided a comprehensive analysis of the elements necessary for creating a secured transactions regime that can promote the economic benefits resulting from an

Legal Empowerment: Advancing Good Governance and Poverty Reduction

Social exclusion and disempowerment are unhappy aspects of poverty. Under its regional technical assistance project on Legal Literacy for Supporting Governance, ADB studied the effectiveness of legal literacy activities in empowering the excluded and the disadvantaged in Bangladesh, Indonesia, Mongolia, Pakistan, Philippines, Thailand, and Viet Nam. It also examined the role legal literacy could play in promoting good governance and reducing poverty, and concluded that legal literacy is part of a larger objective to empower the disadvantaged.

Legal empowerment is not the same as promoting the rule of law, although the two overlap. While legal empowerment has strong rule of law implications, it focuses directly on the disadvantaged and on how the law can be

used to advance rights and interests in the vast array of development fields that do not feature the rule of law per se. Legal empowerment thus bridges the gap between the rule of law and socioeconomic development. Where appropriate, it integrates the rule of law into other development priorities and fields.

The study recommended that legal empowerment should be integrated into development projects; partnerships with civil society, including nongovernment organizations, should be formed as much as possible in development work; and clinical education and other law school assistance should be supported to increase the number of lawyers having development-oriented skills and a willingness to work with the poor.

Unleashing the Potential of Collateral

Secured transactions are those in which a debtor gives a creditor a security interest in movable property (not land, but including fixtures, equipment, goods, documents, and other intangibles) to assure the creditor of the debtor's payment or performance of obligations. Secured transactions laws, which govern the creation, priority, publicity, and enforcement of security interests, enable movable property to serve as collateral.

A recent ADB study, which drew on a regional technical assistance project covering People's Republic of China, India, Indonesia, Pakistan, and Thailand, highlights the importance of secured transactions, including their potential contribution to economic growth and poverty reduction. Secured transactions enhance access to credit of small and medium enterprises, microfinance institutions, and "new economy" companies in ADB developing member countries (DMCs). Their importance in mitigating the vulnerability of financial systems by diversifying credit channels is covered in the study, as is the potential contribution of secured transactions to stronger corporate governance by creditors and better transparency in registration of security interests. The study recognizes the challenges facing DMCs seeking to reform their secured transactions laws. In the absence of international best practices, the study analyzes elements that could form the foundation of an effective secured transactions regime that balances the rights of secured creditors and vulnerable social groups (for example, labor) with the need for companies to be rehabilitated. The study, *Law and Policy Reform at the Asian Development Bank, 2000*, may be accessed at <http://www.adb.org/law>.

efficient system to establish and enforce security interests over movable property (see box above).

Strengthening legal capacity in its DMCs has been a hallmark of ADB's law and policy reform activities. In 2000, following ADB assistance for drafting Cambodia's new land law, a project was approved to train the judges, other members of the legal community, and the technical staff responsible for implementing this legislation. The project's legal empowerment component will ensure that the intended beneficiaries can assert their rights under the new law.

Social dimensions of development

People must be at the center of development. To be effective and sustainable, development must serve the interests, needs, and aspirations of the people it addresses. Social

development is crosscutting and multifaceted, and is integral to reducing poverty and improving the welfare and quality of life of target beneficiaries.

ADB's social development agenda focuses on indigenous peoples, involuntary resettlement, and participatory development. In 2000, achievements were realized in all three areas.

Indigenous peoples: ADB's policy on indigenous peoples, adopted in 1998, provides that ADB-assisted development interventions will ensure that affected peoples are at least as well-off as they would have been in the absence of an intervention, and that appropriate and acceptable compensation will be provided in cases where negative impacts cannot be avoided. The policy ensures that ADB interventions are consistent with the needs and aspirations of affected peoples; compatible in substance and structure with the affected peoples' cultural, social, and economic institutions; and conceived, planned, and implemented with the informed participation of affected peoples and communities.

In 2000, ADB's Social Development Division (SOCD) continued to monitor and provide guidance in matters related to indigenous peoples in ADB operations. In addition, SOCD continued to identify project initiatives that addressed their concerns directly, and prepared an inventory of ADB's projects that targeted or affected indigenous peoples. In May 2000, at ADB's 33rd Annual Meeting in Chiang Mai, Thailand the first Indigenous Peoples Forum was held. In December 2000, operational guidelines for implementing ADB's indigenous peoples' policy were approved by the President.

A regional technical assistance for Capacity Building for Indigenous Peoples/Ethnic Minority Issues and Poverty Reduction, which resulted from the Indigenous Peoples Forum, was approved. The Project, which covers Cambodia, Indonesia, Philippines, and Viet Nam, aims to improve the implementation quality of ADB-financed projects and build the capacity of both governments and indigenous peoples' and ethnic minorities' groups. SOCD prepared profiles for selected countries to assist ADB's operational departments in early identification of indigenous peoples in project areas.

Also in 2000, ADB networking with other development institutions, indigenous peoples' organizations, and funding agencies, including the World Bank and the International Labour Organisation, was strengthened.

Involuntary resettlement: ADB's policy on involuntary resettlement, approved in 1995, addresses involuntary loss of income, assets, services, and resources resulting from ADB-assisted development interventions. The policy's main premise is to avoid involuntary resettlement whenever possible, minimize resettlement impacts, and mitigate any remaining unavoidable resettlement effects. When settlement

is required, project-specific resettlement plans should be prepared, implemented, and monitored.

Through country-specific and regional technical assistance in 2000, ADB addressed key areas of resettlement policy development in its DMCs, including Cambodia, PRC, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, and Viet Nam. These initiatives will result in enhanced national resettlement policy frameworks. ADB conducted several training programs on the resettlement policy for staff of DMC project executing agencies, and initiated technical assistance in the PRC and India to strengthen national capacity for social impact assessment, including resettlement.

Also in 2000, ADB staff participated in several conferences and workshops related to resettlement, as resource persons and in collaboration with other funding agencies, such as a workshop on urban resettlement funded by the United Kingdom's Department for International Development.

A review of the involuntary resettlement policy—begun in 1999 and completed in 2000—addressed proactive approaches to capacity building for resettlement in relation to poverty reduction and the complexities of urban resettlement. A special evaluation study of the policy impact of involuntary resettlement was also completed in 2000. Strategies to address the impoverishment risks of involuntary resettlement are being developed.

Participatory development: People's participation—an important aspect of ADB operations—is being pursued in project and technical



assistance activities, country programming, and policy development. Participation empowers people to influence decisions regarding development that affects them and their resources. A sense of ownership over development activities often motivates their sustained involvement in projects and helps ensure the effectiveness and long-term success of development investments. Participation also relates to institutions at local, regional, and national levels, and civil society, government, and the private sector—all partners in development. As participation in shared decision making expands, the basis for increased competency, integrity, and accountability in public and corporate governance also expands. Social capital—the diverse, trust-based, and normatively reinforced networks in society—is fostered through participation, contributing to effective social safety nets for the poor and other vulnerable groups.

In 2000, a regional technical assistance project provided financial support for more than 20 small-scale projects that promoted stakeholder participation in project design and provided capacity-building support in participatory development. This was the second project of its type.

Also in 2000, guidelines for incorporating participation in country strategy and program development and in project design were prepared.

Work began on a regional technical assistance project to develop case studies of sustained participation in development in Asia and the Pacific.

ADB health projects are often prepared and implemented with the participation and collaboration of nongovernment organizations.

Participatory Poverty Assessment in the Lao PDR

ADB and the World Bank, together with the Government of the Lao People's Democratic Republic, conducted a participatory poverty assessment (PPA) from May to July 2000. Based on the quantitative analysis from Lao Expenditure and Consumption Surveys, 100 villages and 40 districts were selected from the 18 provinces nationwide for the PPA.

From September to October 2000, following the field visits, extensive consultations—including a dissemination workshop and a gender and poverty workshop at the provincial level—were held to discuss the findings with civil society, nongovernment organizations, and various funding communities.

The initial findings of the PPA, together with the Medium-Term Expenditure Framework/Public Investment Program, were presented and discussed at the Seventh Roundtable Meeting in Vientiane in November 2000. A video entitled *Listening and Learning from the Poor*, jointly produced by the Government and ADB, was presented at the Meeting to facilitate discussions. The Meeting served as the High-Level Poverty Forum as envisaged in ADB's poverty reduction strategy. Based on the findings of the PPA, the Government will refine the Public Investment Program to better reflect the needs of the poor. The Government also indicated that it plans to institutionalize the participatory planning process to implement more people-centered development.

Cooperation with nongovernment organizations

Cooperation with nongovernment organizations (NGOs) strengthens the effectiveness, sustainability, and quality of development assistance that ADB provides. ADB's policy on such cooperation states that ADB should work with NGOs and incorporate NGO experience, knowledge, and expertise into its operations, so that its development efforts can more effectively address the issues and priorities of its DMCs. NGOs often hold comparative advantages in representing people and identifying development needs, designing effective programs that reach people, and representing alternative ideas and views in development. Active cooperation is a policy mandate of ADB.

ADB's processes for engaging NGOs were strengthened in 2000, with increased importance on consultation and dialogue in project and technical assistance activities, country programming, and policy development. ADB's 33rd Annual Meeting was a significant point of contact with NGOs, both within the framework of the Annual Meeting and through the engagement with civil society representatives outside

Cooperating with Nongovernment Organizations

A total of 45 public sector projects, or 64 percent of the public sector projects approved in 2000, involved nongovernment organizations (NGOs) in some significant way. For example, when preparing its assistance for flood victims in southwest Bangladesh in 2000, ADB drew on the experiences of microfinance NGOs who had spearheaded effective, long-term relief programs, and linked up with the Palli Karma Sahayak Foundation (PKSF) through the Social Rehabilitation Fund component of a larger flood rehabilitation project. ADB channeled \$10 million to PKSF and its partner organizations to onlend to poor families whose houses had been destroyed by the floods. The Fund will be self-replenishing and available for future disasters. In Papua New Guinea, NGOs and ADB are working together to develop on-site, low-cost technology solutions to sanitation where conventional sewerage is unavailable. NGOs and the national Board of Water will pilot test low-cost solutions identified through stakeholder participation under the Provincial Towns Water Supply and Sanitation Project. Most low-cost solutions available are already being implemented by NGOs, and the Project will replicate these solutions by linking with ongoing development programs in the settlements.

that framework. Consultation with NGOs gained significantly higher importance in ADB's country contact missions in both DMCs and donor countries.

In 2000, ADB reviewed its existing institutional arrangements for cooperation with NGOs. The review reflected emerging objectives in NGO cooperation, new areas of NGO engagement, and developments in both ADB's internal environment and the NGO sector that affect ADB-NGO relations. It also identified issues, challenges, and measures to be taken by ADB to strengthen its relationships with NGOs. The most significant of these measures was the creation of a network within ADB to mainstream NGO concerns in ADB operations and an NGO center to coordinate this network.

Capacity building for NGOs, within the context of NGO assistance, has emerged as a priority in ADB. Two regional technical assistance projects in 2000 addressed NGO capacity building specifically. One project, being implemented in cooperation with the Asia Foundation, is working toward developing training resources for NGOs in the areas of financial resource mobilization and management. Building on an information gathering component, country-specific training materials will be developed. The other project addresses NGO capacity-building needs in ADB's Pacific DMCs. A Pacific regional stakeholder workshop held in 2000 identified priority capacity-building needs and measures for addressing these needs. Also in 2000, ADB worked with the International Forum on Capacity Building—a global, multistakeholder effort that works toward strengthening the capacity of NGOs in developing countries—in conducting an Asian and Pacific regional workshop for NGO capacity building. A regional technical assistance project designed to promote gender-inclusive development practices in ADB's DMCs included a component that provided direct funding to women's NGOs for capacity-building initiatives.

In the area of sustainable development and poverty reduction, a regional technical assistance project implemented in 2000 supported regional NGO workshops designed to explore needs and new initiatives. The project brought together representatives of Asian and Pacific NGOs and representatives of news media, who address environmental issues, to share and discuss areas of potential cooperation. The outcomes of the project were a direct input into the sustainable development and poverty reduction efforts being undertaken by ADB and development agencies of the United Nations, and became a part of the regional Ministerial Conference on Environment and Development, organized by the Economic and Social Commission for Asia and the Pacific.

Operations

In 2000, the Asian Development Bank (ADB) continued to improve its lending portfolio and intensified its efforts to mobilize resources and improve project management. The private sector portfolio grew, and private sector operations continued to focus on the infrastructure and financial sectors where ADB has good technical experience. To achieve better project results and to harmonize its evaluation practices and standards with those of other multilateral funding agencies, ADB adopted a new classification system for its independent evaluations of project performance.

Lending

Lending for both public and private sector operations in 2000 amounted to \$5.85 billion for 90 loans in 74 projects, compared with \$4.98 billion for 66 loans in 52 projects in 1999. The rise in lending amount is attributable, in part, to the increased number of projects.

Of the total lending, loans with government guarantee were \$5.7 billion for 70 projects, comprising \$4.1 billion from ordinary capital resources (OCR) and \$1.6 billion from the Asian Development Fund (ADF). Lending to the private sector without government guarantee amounted to \$156 million for four loans. In line with ADB's main objective to reduce poverty, social infrastructure received the highest share of loans amounting to \$1.4 billion or 24 percent of total lending in 2000, followed by transport and communications, energy, and agriculture and natural resources. *For details, see Tables 1–11 in the Statistical Annex.*

Technical assistance

In 2000, 306 technical assistance grants totaling \$172 million were approved. Of this, the largest share (18 percent) went to social infrastructure, followed by agriculture and natural resources.

Resource transfers

The net transfer of resources¹ from ADB to its developing member countries (DMCs) decreased from \$1.7 billion in 1999 to \$3.7 million in 2000. During the year the net transfers to ADF borrowers were \$782.1 million (\$793.7 million in 1999). However, compared with the net transfers to OCR borrowers of \$925.3 million in 1999, there was a net inflow of \$778.4 million to ADB from OCR borrowers in 2000, mainly resulting from lower OCR loan disbursements (\$2.9 billion in 2000, \$3.7 billion in 1999) and higher OCR loan

ADB Operations

	\$ Million		%
	1999	2000	
Lending			
OCR	3,908.1	4,257.9	9.0
ADF	1,070.5	1,592.5	48.8
Total Lending	4,978.6	5,850.4	17.5
Equity Investments	7.4	78.2	956.8
Technical Assistance			
Grants ^a	173.0	172.0	(0.6)
Total	5,159.0	6,100.6	18.2

^a Including regional activities.

Resource Transfers to Developing Member Countries (\$ million)

	1999	2000
OCR		
Loan Disbursements	3,710	2,884
Principal Repayments ^a	(1,130)	(1,835)
Payments of Interest/Charges	(1,671)	(1,818)
Net Equity Investment	16	(9)
Net	925	(778)
ADF	794	782
Total	1,719	4

(^a) Represents resource inflow from developing member countries.

a Includes prepayments of \$693 million (\$75 million—1999).

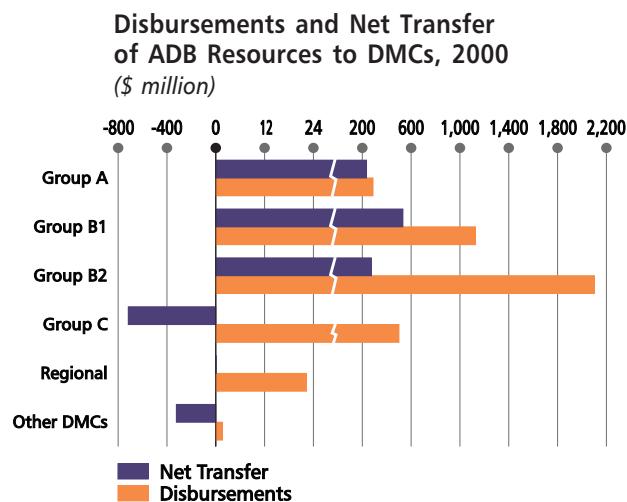
prepayments (\$693.4 million in 2000, \$74.6 million in 1999). *For details, see Tables 29–30 in the Statistical Annex.*

Loan disbursements reached \$4.0 billion, compared with \$4.8 billion in 1999. The decrease was mainly because of higher program loan disbursements in 1999. *For details, see Table 12 in the Statistical Annex.*

The 2000 disbursement ratio,² including program loans, decreased slightly to 20.5 percent from 22.2 percent in 1999

1 Defined as disbursements less principal repayments and prepayments, payments of interest and other charges, plus net equity investments.

2 Defined as ratio of total disbursements during the year over the net loan amount available at the beginning of the year, plus the loan amounts of newly approved loans that have become effective during the year; excludes private sector loans.



See box on page 43 for classification of DMC groups.

because of relatively higher program disbursements in 1999 in response to the Asian financial crisis.

Loan service payments reached \$4.0 billion in 2000, compared with \$3.1 billion in 1999. The increase was mainly because of higher OCR loan prepayments from People's Republic of China (PRC), India, Republic of Korea, and Thailand.

By volume of net resource transfer, PRC, Viet Nam, Bangladesh, and Pakistan received the largest net transfers from ADB in 2000.

Cofinancing and guarantee operations

ADB's continuing proactive approach to cofinancing in 2000 assisted its DMCs in obtaining additional financial resources in the form of grants and loans from bilateral and multilateral funding agencies, as well as from commercial sources.

In 2000, cofinancing mobilized from all sources amounted to about \$3.0 billion, equivalent to about 51 percent of ADB's total lending of \$5.85 billion. This was the second year in a row in which cofinancing was arranged for more than 50 percent of ADB's projects. Transport and communications sector projects accounted for 61 percent of total cofinancing in 2000, social infrastructure for 17 percent, energy for 13 percent, and industry and nonfuel minerals for 5 percent. For details, see *Table 7 in the Statistical Annex*.

A record 41 projects in 16 DMCs received cofinancing in 2000, compared with 27 projects in 14 DMCs in 1999. The PRC received the largest amount, with about \$1.7 billion of cofinancing (primarily from its domestic financial institutions), followed by the Philippines with \$244.3 million, Nepal with \$226.0 million, and Bangladesh

with \$188.6 million. Tajikistan and Uzbekistan received their first cofinanced loans in 2000.

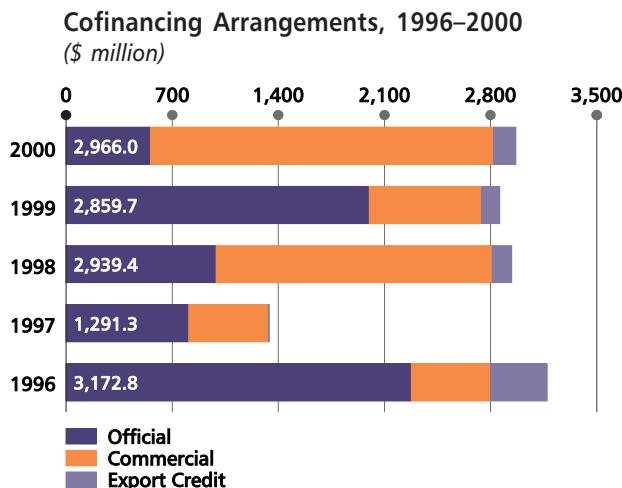
During 1970–2000, 557 ADB-assisted loan projects and programs received cofinancing in an aggregate amount of about \$35.0 billion, consisting of \$21.7 billion from official sources, \$8.1 billion from commercial sources, and \$5.2 billion from export credit sources. The energy sector accounted for \$15.0 billion (or 43 percent), followed by transport and communications (\$7.5 billion or 21 percent), agriculture and natural resources (\$4.0 billion or 12 percent), social infrastructure (\$3.0 billion or 9 percent), financial (\$2.0 billion or 6 percent), and others (\$3.5 billion or 9 percent).

Official cofinancing: Cofinancing from official sources amounted to \$557.1 million in 2000, a decrease of about 72 percent from the 1999 figure of \$2.0 billion. However, 29 projects received official cofinancing in 2000, compared with 23 in 1999. The significant decrease in the amount of official cofinancing was mainly because of the slippage of several large projects to 2001. On the other hand, the increase in the number of cofinanced projects can be attributed to ADB's emphasis on reducing poverty, which resulted in a dramatic increase in the demand for grant cofinancing for the poverty reduction components of ADB projects. Bilateral cofinancing support for ADB loan projects was received from Australia, Denmark, France, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and United States. The European Bank for Reconstruction and Development (EBRD) provided \$25 million for the Almaty-Bishkek Regional Road Rehabilitation Project, which is ADB's first cofinancing operation with EBRD. Other major multilateral cofinanciers were the Global Environment Facility, International Fund for Agricultural Development, International Development Agency, International Finance Corporation, Islamic Development Bank, Nordic Development Fund, and the OPEC Fund for International Development.

Technical assistance grants from official donors were actively pursued in 2000. In addition to Japan's annual contribution to the Japan Special Fund (JSF), Australia, Belgium, Denmark, Finland, Netherlands, New Zealand, Norway, and Switzerland contributed untied grants for technical assistance projects. In 2000, untied grants for which ADB acted as the grant administrator amounted to \$40.2 million.

Under the JSF, funded by the Government of Japan, a total of \$77.1 million for 113 technical assistance projects was financed on an untied basis in 2000, accounting for 45 percent of all technical assistance approvals. For details, see *Japan Special Fund Technical Assistance by Sector, 2000* on page 138.

The Asian Currency Crisis Support Facility (ACCSF), also funded by the Government of Japan, continued to provide assistance to DMCs affected by the financial crisis. Seven



technical assistance projects for \$7.6 million were approved in 2000. For details, see *Asian Currency Crisis Support Facility Technical Assistance by Sector, 2000* on page 140.

Out of an initial contribution from the Government of Japan in the amount of 10 billion yen (about \$92.6 million), the Japan Fund for Poverty Reduction (JFPR) financed a total of \$7.5 million for five innovative poverty reduction and related social development activities in conjunction with ADB-financed projects. The JFPR-supported activities include direct support to vulnerable populations in Indonesia, to the poor in rural areas in the Philippines, and to the poor in urban areas in Papua New Guinea and the Philippines. For details, see *Japan Fund for Poverty Reduction, Grant Assistance by Sector, 2000* on page 141 and Table 35 in the Statistical Annex.

Channel financing agreements were approved with the governments of Denmark and Spain for a total amount of untied grant funds equivalent to \$4.0 million. In addition, the Government of the Netherlands established a Cooperation Fund for Promotion of Renewable Energy and Energy Efficiency for an initial amount of \$6.0 million. Working arrangements have been established with the Global Environment Facility (GEF) for the transfer of project preparatory grant funds to ADB. About \$2.0 million in project preparatory technical assistance grants from GEF is expected to lead to about \$74.0 million in GEF grants for components of the ensuing loan projects.

Commercial cofinancing: Commercial cofinancing amounted to a record \$2.3 billion for 14 projects in 2000, an increase of about 200 percent over the \$740.0 million arranged in 1999. This includes about \$1.7 billion of cofinancing from domestic financial institutions in Cambodia, PRC, India, Kazakhstan, Pakistan, Philippines, and Viet Nam. Two complementary financing scheme loans were arranged: one for a power project in Bangladesh and another for an expressway rehabilitation and expansion project in the Philippines.

Guarantees: In 2000, ADB approved a partial credit guarantee for a power transmission project in India (\$120.0 million), and its first three political risk guarantees for a power project in Bangladesh (\$70.0 million), another in Sri Lanka (\$52.0 million); and a small and medium enterprise trade finance program in Pakistan (\$150.0 million).

Export credit cofinancing: ADB has entered into cooperation agreements with many of the leading export credit agencies (ECAs) as part of ADB's ECA collaboration

Classification of ADB's Developing Members

A revised classification system for ADB's developing member countries (DMCs), approved by the Board of Directors in December 1998, took effect on 1 January 1999. Two criteria—per capita gross national product and debt repayment capacity—are used to determine the classification of borrowing DMCs into Groups A, B1, B2, and C.¹ This system determines the degree of eligibility to borrow from the Asian Development Fund (ADF), applicable ceiling on ADB financing, and minimum share of government contribution to technical assistance costs.

Group A (ADF only) includes Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nepal, Samoa, Solomon Islands, Tajikistan, Tuvalu, and Vanuatu.

Group B1 (ADF with limited amounts of ordinary capital resources [OCR]) includes Bangladesh, Cook Islands,² Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam.

Group B2 (OCR with limited amounts of ADF) includes People's Republic of China, India, Indonesia,³ Nauru, and Papua New Guinea.

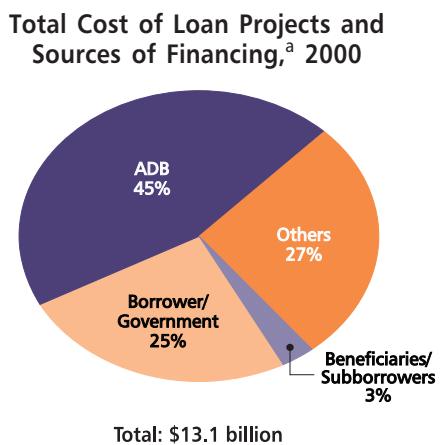
Group C (OCR only) includes Fiji Islands, Kazakhstan, Malaysia, Philippines, Thailand, and Uzbekistan.

In addition, the criteria for graduation from regular ADB assistance have been established. Four members—Hong Kong, China; Republic of Korea; Singapore; and Taipei, China—have graduated from regular ADB assistance.

¹ Azerbaijan and Turkmenistan have not been classified.

² Limited eligibility for OCR will be applied only after the external debt position improves.

³ On a watch list for graduation from ADF.



^a Includes cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

strategy. The strategy encourages the use of export credit cofinancing in public sector projects requiring significant amounts of imported procurement, and enables ADB and ECAs to work more closely and innovatively to finance projects undertaken by private sector sponsors. In 2000, export credit cofinancing totaled \$148.0 million and was provided by Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE), Export Finance and Insurance Corporation of Australia, and Export-Import Bank of Malaysia Berhad for two projects in the Philippines and Viet Nam.

Portfolio management

Portfolio performance: To strengthen the linkage between country performance and the allocation of scarce resources, ADB continues to emphasize the importance of managing and maintaining a healthy project portfolio.

Country portfolio reviews (CPRs) are gradually being expanded in terms of country coverage and frequency. In many cases, CPRs are led by ADB's resident representative. Each CPR, combining high-level ADB and DMC representation, examines the country portfolio by sector, raises systemic portfolio issues, and highlights performance indicators that do not meet established criteria. A time-bound action plan is prepared to rectify performance problems and forms the basis for follow-up discussions on portfolio performance. Where feasible, joint CPRs are now being conducted with the Japan Bank for International Cooperation and the World Bank.

In 2000, ADB began implementing a portfolio management action plan (PMAP), which operationalized the recommendations contained in the report, *Toward Real Portfolio Management: Final Report of the Working Group on*

Spring-Cleaning. The PMAP provides a framework for enhancing the development impact in DMCs by strengthening portfolio management, developing portfolio management principles in both ADB and its DMCs, and introducing disciplined supervision of projects and technical assistance. In line with the PMAP, country, sector, and project performance indicators will be developed for monitoring and measuring achievements. Indicators will include the "at risk" concept, which is a measure of the potential for a project or a portfolio to decline in performance.

The multilateral development banks and international financial institutions formed a Procurement Cooperation Group in 1998 to harmonize procurement documentation. The Group agreed in 1999 on a master bidding document for the procurement of goods and related services. In 2000, ADB's customized version of these bidding documents was finalized and posted on the ADB web site. Work on a master prequalification document for civil works, and for consultant recruitment continued in 2000, with expected completion in mid-2001. The Procurement Cooperation Group is discussing the need to develop a common framework for guidelines on procurement and on engaging consultants.

Project administration: A total of 90 new loans were approved in 2000: 86 were public sector and 4 were private sector loans. This brought the number of loans under administration to 545, comprising 496 loans in the public sector and 49 in the private sector. Of the public sector loan projects, implementation progress for 393 loans was rated satisfactory in terms of the financial, physical, and project aspects of implementation, including 31 loans rated highly satisfactory. On the other hand, 103 loans were rated less than satisfactory: all encountered implementation or operational problems. In terms of achieving their development objectives, 453 loans were rated satisfactory (including 8 rated highly satisfactory), while 43 loans were rated less than satisfactory. These ratings resulted from an assessment of the development outputs, impacts, or benefits expected from various project components and logframes. The combined unsatisfactory and partly satisfactory ratings represent 22.6 percent of the portfolio by number and 30.1 percent by value (\$10.2 billion).

To improve portfolio performance, more intensive and effective supervision of unsatisfactory and partly satisfactory projects is needed. Initiatives under the PMAP are intended to improve the transparency and accuracy of reporting project ratings, and—using the "at risk" concept—to identify potential problem projects at an early stage of implementation. Remedial measures will thus be undertaken to prevent a deterioration in project progress and portfolio performance.

Altogether, 723 project administration missions, including private sector loan and multiproject reviews, were

fielded to assess project progress and discuss the problems; to improve portfolio performance; and to strengthen the linkages between country and sector performance, including joint project reviews with the World Bank and other multilateral development banks. A total of 8,668 persondays (or an average of 14.4 persondays per project) were spent on these project reviews. Country portfolio review missions were undertaken in 19 DMCs to discuss with senior government officials implementation problems, timely submission of audited project accounts and audited financial statements, cross-sectoral issues, and remedial measures. Special portfolio restructuring for Indonesia and the Philippines was undertaken; during the review missions, \$202.1 million was identified for cancellation.

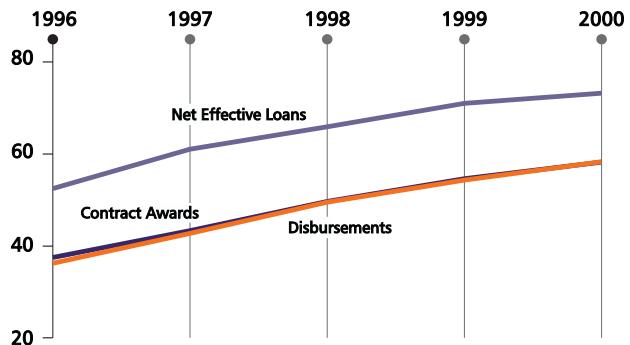
ADB's regional and resident missions continued to play an important role in project implementation. In accordance with ADB's policy on resident missions, three new missions—People's Republic of China, Mongolia, and Thailand—were approved in 2000. Two special offices—the Philippines Country Office and the Special Liaison Office for East Timor—were also established. The delegation to the field offices of major operational functions such as country programming, project processing, and portfolio management was initiated. As of end-2000, administration of a total of 10 loans for 10 projects had been delegated to the resident missions in Bangladesh, Indonesia, and Pakistan.

Eighty-seven projects were completed during the year, bringing the cumulative number of completed projects to 1,382. Fifty-one project completion reports were circulated in 2000, bringing the total number of reports prepared as of end-2000 to 928. *For details, see Table 14 in the Statistical Annex.*

Contract awards: Contract awards totaling \$3.4 billion (excluding contracts for technical assistance projects) were awarded in 2000 by executing agencies in DMCs for consulting services and procuring goods, related services, and civil works. This represented a 27 percent decrease from 1999, because 1999 included contract awards related to the Asian financial crisis and 2000 contract awards fell short of projections for several large borrowers. Consultancy contracts under loan projects totaled \$192.8 million and involved 312 consulting contracts (97 international and 215 domestic). *For details, see Tables 15–23 in the Statistical Annex.*

Loan disbursements: The 2000 loan disbursements—\$4.0 billion—fell short of the year's target of \$4.5 billion by 11 percent and the 1999 figures by 16.7 percent. OCR disbursements amounted to \$2.9 billion and ADF disbursements to \$1.1 billion, representing 72.5 percent and 27.5 percent of the total amount, respectively. Disbursements were lower than projections in 2000 because of delays in fulfilling program conditionalities and slower than expected project

Contract Awards and Disbursements, 1996–2000 (cumulative, end of year) (\$ billion)



implementation. Lower disbursements in 2000 compared with 1999 are attributable to relatively higher remaining program disbursements in 1999 as a result of the Asian financial crisis. *Disbursements in 1999 and 2000 by lending modality are shown in Table 12 in the Statistical Annex.*

Project implementation and administration seminars: Nine seminars were held on project implementation and administration, with a total of 342 DMC representatives participating in the two-week sessions. Of the nine, six in-country seminars were conducted, one each in Bangladesh, India, Indonesia, Kazakhstan, and Nepal, and a joint seminar in Tajikistan and Uzbekistan, with an average of 35 participants per country; two regional seminars were held, one at ADB headquarters and another in Papua New Guinea; and one training-of-trainers program was held in the People's Republic of China. Eight seminars on the use of consultants (attended by 278 participants) were held in India, Kyrgyz Republic, Lao People's Democratic Republic, Nepal, Pakistan, Thailand, Uzbekistan, and Viet Nam. Seminars on developing domestic consulting services were also held in Thailand and Viet Nam, attended by 153 participants.

The seminars are part of a systematic and long-term approach for improving project implementation in the DMCs. The approach includes capacity-building activities that strengthen institutions and develop human resources, and indirectly address governance issues. The seminars train project directors, managers, and key executing agency staff on the principles and techniques for managing project implementation, including familiarizing them with ADB's guidelines, practices, and policies pertaining to procurement, recruitment of consultants, disbursements, anticorruption, and associated matters.

Formal evaluation and informal feedback from the seminars indicate that the training has succeeded in strengthening skills and raising the level of understanding of

ADB's requirements related to implementing and administering projects. The structure and content are continuously reviewed to meet new demands facing ADB-financed projects, and the changing environment in which they are implemented. For example, with the emphasis on reducing poverty, seminars now include greater participation of local governments.

Business opportunities seminars: Thirty-six seminars on business opportunities were held in 2000 in Australia, Belgium, Canada, PRC, Denmark, Finland, France, Germany, Indonesia, Japan, Malaysia, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, United Kingdom, and United States. Participants were provided with an overview of business opportunities under ADB-financed loans and technical assistance, given advice on preparing bids and proposals compliant with ADB guidelines, and informed of the procedures for evaluating bids and ranking consulting proposals. The seminars were directed at consultants, suppliers, contractors, and business leaders interested in pursuing consulting contracts and projects financed by ADB.

Overall, there were more than 1,945 participants in the presentations, discussions, and one-on-one consultations. In addition, four seminars, with an average attendance of 70 at each, were held at ADB headquarters for visiting missions from Australia, Canada, Italy, and United States. Companies previously unfamiliar with ADB learned about future business opportunities, while firms that had worked on ADB-financed projects and technical assistance used the seminars to inform new employees about ADB practices. ADB also held two seminars on the Development of Domestic Consultants in Thailand and Viet Nam.

Private sector operations portfolio

ADB's private sector portfolio at the end of 2000 was \$1.2 billion, an increase of 9.7 percent from \$1.1 billion in 1999. The increase of \$109 million was primarily because of new approvals of \$234.2 million and loan repayments. Of the total private sector portfolio in 2000, 64 percent were in loans amounting to \$791.3 million and 36 percent or \$451.0 million were in equity investments.

Since ADB's first private sector investment in 1983, cumulative approvals have totaled \$1.9 billion covering 134 projects and involving some \$755.8 million of complementary financing loans. ADB's involvement also mobilized \$16.1 billion in additional financing, leveraging ADB investments at a ratio of 8.4 times. Cumulative disbursements rose by \$83.6 million to reach \$1.3 billion at the end of 2000. Of these approvals, \$553.9 million, or 29.0 percent have been repaid and divested.

ADB's private sector operations continued to focus on the infrastructure and financial/capital markets sectors. In 2000, two private sector projects were approved for the power sector, one in tollroads, and another in a water treatment plant. Infrastructure projects in the DMCs account for 47.5 percent (\$590.1 million) of the private sector portfolio. Approvals made to the financial sector included six projects in investment funds and one in an export finance guarantee agency.

At the end of 2000, 16.9 percent of the private sector portfolio or \$210.7 million were in pioneering financial institutions, which develop and strengthen capital and financial markets. Another 20 percent or \$246.3 million of the private sector portfolio were investments in funds and fund management companies that provide both equity and/or debt to infrastructure projects, small and medium enterprises, and financial institutions in DMCs. Such investments allow ADB to leverage its own available financial and staffing resources to support private investment.

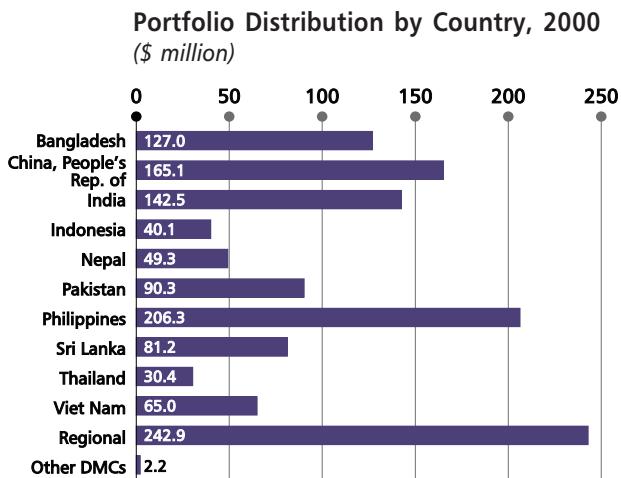
The remaining 15.7 percent (\$195.2 million) of the private sector portfolio is in agriculture and manufacturing industries. Most of these investments took place in the mid-1980s when ADB supported several DMC governments who encouraged the private sector to invest in large agricultural and industrial ventures.

Following ADB's proactive private sector approvals in 2000, projects under administration, net of repayments, cancellations, and divestments have increased by 9 projects in 1999 to 100 companies. Of these, 82 are country-specific in 13 DMCs, and 18 are in regional financial entities and funds. As for operations, 63 companies have demonstrated strong financial performance, 10 were in various stages of implementation, and 27 were underperforming. ADB continued its vigilance in risk management and in helping rehabilitate or restructure these impaired investments.

Portfolio Distribution,^a 2000

	Investments Held		
	No. of Companies	\$ Million	%
Infrastructure	19	590.1	47.5
Finance Institutions	29	210.7	16.9
Agriculture, Manufacturing, and Other Industries	17	195.2	15.7
Investment Funds	35	246.3	19.9
Total	100	1,242.3	100.0

^a At exchange rates as of 31 December 2000.



Interest and other income earned on the private sector portfolio in 2000 totaled \$31 million, compared with \$29.0 million in 1999. Dividend income amounted to \$11.4 million (4.3 percent yield), an increase from \$3.5 million (1.3 percent yield) in 1999. Capital gains from equity divestments in 2000 amounted to \$16.8 million, significantly improved from \$2.5 million in capital losses in 1999.

Provision for possible losses on impaired assets and equity investment rose slightly from \$137.5 million at the end of 1999 to \$140 million in 2000. This loss reserve is 20.6 percent of the total outstanding portfolio at the end of 2000, compared with 19.9 percent in 1999.

Performance evaluation and development impact

The Operations Evaluation Office (OEO) supports ADB's vision of a poverty-free region by pursuing excellence and independence in evaluation. In addition to its traditional focus on measuring the performance of completed projects, programs, and technical assistance, OEO has intensified its work on preparing in-depth studies of particular thematic issues; evaluating the effectiveness of ADB's operations, practices, and procedures; providing real-time feedback on ongoing operations; monitoring and reporting on actions taken by ADB and its executing agencies in response to OEO recommendations; building evaluation capacity within and outside ADB to enhance self-evaluation; and coordinating closely with multilateral and bilateral agencies on evaluation methodology.

OEO focuses on more effective feedback and the use of lessons learned by closely examining loan and technical assistance proposals and project completion reports to help improve the self-evaluation capabilities of operational

departments and the reliability of project success ratings. Training support for the Project Performance Management System, logical frameworks, and performance indicators—aimed at improving the design of new projects—and the monitoring, management, and impact assessment of ongoing projects have been expanded. OEO supports evaluation capacity building in selected DMCs. Through its follow-up action reports, OEO strives to mainstream evaluation findings in ADB's policy- and decision-making processes for Management and staff.

In 2000, OEO completed 40 reports, comprising 22 project and program performance audit reports, 3 technical assistance performance audit reports, 1 reevaluation study, 2 impact evaluation studies, 4 special evaluation studies, 1 sector synthesis, 2 technical assistance completion reports, the *Twenty-Second Annual Review of Evaluation Operations*, *Evaluation Highlights of 1999*, *Report on the Results and Impacts of ADF Operations*, *Assessing Impact on Development: Education Sector*, and the revised *Guidelines for the Preparation of Project Performance Audit Reports* for public sector projects.

Project/program performance audit reports

About half of OEO's efforts in 2000 were directed at project/program performance audit reports: 21 project and sector loans and 5 program loans were covered in 22 reports. This year OEO changed the classification of projects/programs into four categories rather than three as in previous years (see box on page 48). Breakdown by DMC group or sector reveals no clear pattern, with success rates of most projects/programs clustering in the middle two categories.

Overall ratings show that 13 projects (50 percent) were successful, including 2 (8 percent) rated highly successful; 10 projects/programs (38 percent) were assessed less than successful; and 3 (12 percent) were unsuccessful. Of the 21 project/sector loans examined in 2000, 2 (10 percent) were rated highly successful, 11 (52 percent) successful, 6 (28 percent) less than successful, and 2 (10 percent) unsuccessful. Of the five program loans evaluated, four (80 percent) were less than successful and one (20 percent) was unsuccessful.

Overall sector performance was mixed. Of the 13 projects evaluated successful or highly successful, 10 were equally distributed in the physical infrastructure sectors (energy, and transport and communications) and in the agriculture and social infrastructure sectors. One transport project and one urban development project were rated highly successful.

Of the 13 less than successful or unsuccessful projects/programs, 6 were in the agriculture and social

infrastructure sectors, while 6 were physical infrastructure projects, of which 2 telecommunications projects performed unsatisfactorily because of their weak rationale and poor project preparation.

Of the 14 projects/programs in Groups A and B1 countries (see box on page 43 for country classifications), 5 (36 percent) were successful, 8 (57 percent) were less than successful, and 1 (7 percent) was unsuccessful. The evaluated projects/programs from Group B2 countries recorded better results, with 2 of 11 (18 percent) considered highly successful. The one Group C project examined was rated successful.

Assessing Project Performance

The revised *Guidelines for the Preparation of Project Performance Audit Reports*, approved in September 2000, is a response to changes in ADB operations since 1992 and to the common concerns of funding agencies that have implications for operations evaluation. The new edition of the *Guidelines* includes a substantial revision of the criteria for rating project success, reflecting initiatives by the Evaluation Cooperation Group¹ to harmonize evaluation practices and standards. The new scheme is also broadly consistent with the principles of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Project/program performance audit reports will continue to be prepared after projects/programs have been in operation for sufficient time to permit a reasonable estimate of future achievements—usually at least three years of operational history—and provided a project/program completion report has been circulated to the Board.

A key feature of the new *Guidelines* is the use of a four-category rating system instead of the three overall assessment categories of generally successful, partly successful, and unsuccessful. The objectives of revising the *Guidelines* were to prepare a scheme that is consistent with those of the other members of the Evaluation Cooperation Group, in part to allow valid comparison of results; and to be more transparent in the rating, in particular of projects classified as partly successful.² The overall performance rating is the sum of weighted ratings calculated from assessment rating values multiplied by the weight assigned to the five key performance criteria of relevance, efficacy, efficiency, sustainability, and institutional development and other impacts. The overall rating is briefly described as follows.

Reevaluation study

Reevaluation of the Health and Family Planning Services Project in Bangladesh, done at the request of ADB's Board of Directors, confirmed the partly successful rating in the project performance audit report. The study showed that the objectives at appraisal were largely met and that the Project helped increase access to better health services among rural communities, especially for women and children. On the other hand, the study also revealed that the Project experienced lower than anticipated impact and

- **Highly successful:** The weighted average is greater than 2.5, and none of the five performance criteria has a score of less than 2. This rating is given to projects with achievements exceeding expectations and having a very high probability that the purpose and goals will be achieved sustainably and efficiently over the project life, that the project has strong relevance to the DMC's and ADB's objectives, and that there are no significant unintended negative impacts.

- **Successful:** The weighted average is from 1.6 to 2.5 with none of the five criteria having a score of less than 1. While the degree of achievement is insufficient for, or some negative results have occurred that prevent a highly successful rating, there is no major shortfall, and the expected purpose and goals will be mostly achieved sustainably over most of the expected economic life. The project is relevant to the DMC's and ADB's objectives, its implementation and operations are efficient, and any negative impacts are small relative to the gains.

- **Less than successful:** The weighted average is from 0.6 to 1.5 and the number of criteria receiving a rating of less than 1 does not exceed two. While the evaluation anticipates a significant shortfall in achieving the purpose and goals, and may consider full sustainability unlikely, it expects that some components will achieve major benefits (e.g., equivalent to at least half the level originally expected).

- **Unsuccessful:** The weighted average is less than 0.6. The evaluation considers the project as a technical and economic failure in the sense that it expects the facilities to operate at a low level of installed capacity, if at all, or with high cost requiring a large subsidy. There may be many negative impacts, and efficiency is low.

¹ Established in 1996, the Evaluation Cooperation Group works to strengthen cooperation among evaluators and harmonize evaluation methodology in its member institutions: African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, and World Bank Group.

² Some projects rated at the higher end of partly successful under the old guidelines would move to the successful category. Projects formerly rated at the lower end of generally successful would now be in the successful category, while those at the higher end would now be highly successful.

low sustainability of some benefits because of design deficiencies such as the absence of a training component, lack of adequate information and database, and limited consultations with stakeholders. Sectorwide issues that were systemic in nature also constrained project performance, such as lack of staff, inadequate budgetary allocation for operation and maintenance, weak management, and the absence of an effective monitoring and information system.

Technical assistance performance audit reports

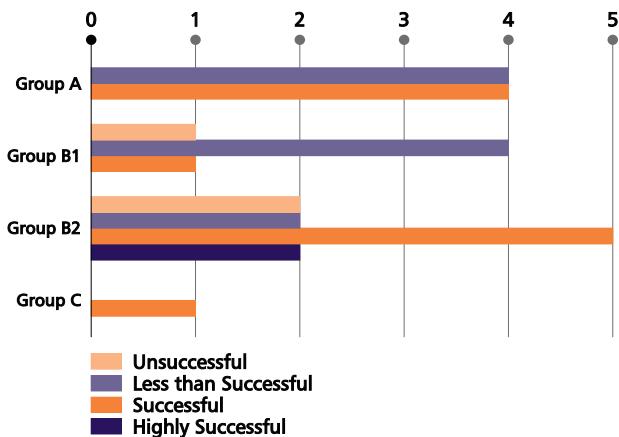
In line with OEO's initiative to assess ADB's operations by evaluating technical assistance clusters, three technical assistance performance audit reports were prepared in 2000. Of the 11 technical assistance activities reviewed, 2 (18 percent) were rated highly successful, 7 (64 percent) were successful, and 2 (18 percent) were less than successful.

In Mongolia, two technical assistance grants supported institutional capacity building in the Ministry of Nature and Environment and national environmental policy formulation, particularly in environmental impact assessment. The technical assistance on strengthening environmental procedures was successful. The other, on strengthening the environmental management capability of the Ministry, was evaluated to be less than successful. No follow-up was provided for either activity, and the gains achieved may not be sustained.

The study on road safety reviewed advisory technical assistance activities in the People's Republic of China (PRC) and India, plus a regional technical assistance. The study concluded that road safety needs to be accorded higher priority. The DMCs must reduce and prevent accidents by instituting measures such as safety education and audits. The report urges ADB to encourage regional and local activities on road safety in all its DMCs. All three technical assistance grants achieved their intended objectives; the one in the PRC and the regional technical assistance were rated highly successful.

Six institutional strengthening and organizational reform technical assistance activities in Bangladesh—aimed at ensuring Bangladesh Railway's financial viability and responsiveness to market demands—were evaluated. Three important lessons emerged: (i) prior to and during implementation, demonstrated client ownership is necessary; (ii) regular and periodic steering and management committee meetings are important means to address advisory and implementation problems; and (iii) organizational reform-oriented technical assistance should require that operationalizing and institutionalizing all new measures and

Project/Program Performance Classification by Country Group, 2000 (number)



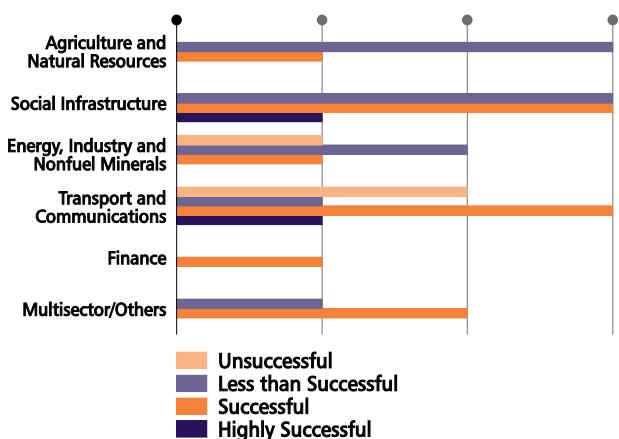
For classification of DMC groups, see box on page 43.

other instruments of change be made a specific objective, to ensure overall sustainability. Five technical assistance activities were rated successful, and one was less than successful.

Impact evaluation and special evaluation studies

The impact evaluation study on the roads subsector of Nepal revealed that ADB assistance was particularly effective in improving transport efficiency and accessibility—the main objective—while contributing to national integration. An important point from the study is that, in preparing hill

Project/Program Performance Classification by Sector, 2000 (number)



road projects, detailed evaluation of the productive and social sectors in the road catchments is needed to determine the conditions under which the road work will stimulate an appropriate level of change. Where necessary, specific complementary nonroad development efforts need to be incorporated, either as part of the project or linked to it, to ensure sufficient benefits.

An impact evaluation study assessed the impacts of rural credit assistance at the levels of households, participating financial institutions, and executing agencies in seven DMCs. It revealed that ADB assistance improved productivity, technology, and ultimately farm incomes, and enhanced the quality of the loan portfolios of financial institutions. Project impacts, however, were less evident in terms of redistributing income, reducing poverty, and developing a sound rural financial system. Notwithstanding the generally positive impact of rural credit assistance on DMCs, random cases of unfavorable impacts were noted, such as financial losses by an executing agency from foreign exchange fluctuations, difficulties for an executing agency as a result of conditionalities that pushed it beyond its mandate, and the excessive tapping of groundwater by financing shallow tubewells.

There were five key lessons: (i) a more focused and participatory approach is needed for proper targeting of the poor; (ii) rural credit projects need to help develop sound rural financial systems that cater primarily to the poor; (iii) rural credit projects should be designed, taking into consideration the capacity and mandate of financial institutions or executing agencies to avoid high administrative costs and implementation difficulties; (iv) technical assistance has been an appropriate and useful mechanism for capacity building; and (v) a mechanism for foreign exchange mitigation is needed.

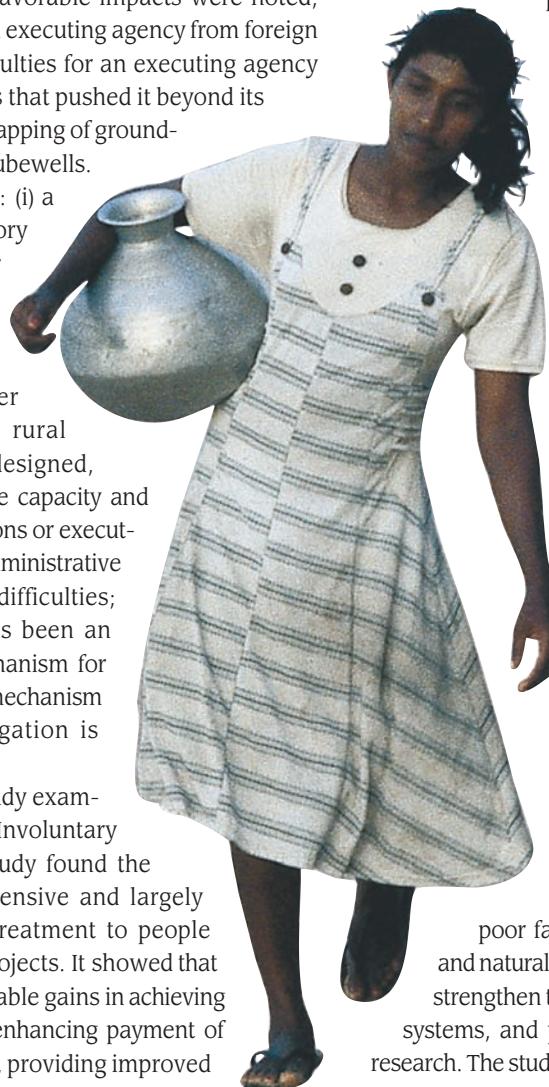
A special evaluation study examined the impacts of ADB's Involuntary Resettlement Policy. The study found the policy framework comprehensive and largely relevant in providing fair treatment to people affected by ADB-financed projects. It showed that the Policy has made considerable gains in achieving its development objectives, enhancing payment of compensation for lost assets, providing improved

housing and infrastructure, and restoring livelihood for resettled families. Likewise, it found new awareness in dealing with vulnerable groups, particularly the poor and the landless. On the other hand, the study revealed that both ADB and the executing agencies were weak in supervising and monitoring resettlement activities. DMCs faced several constraints in implementing the Policy, including lack of a comprehensive national legal framework that matches the Policy, weak institutional capacity in most DMCs for resettlement activities, poor supervision and implementation of resettlement activities, insufficient local financial resources to carry out the planned resettlement activities, weak or inadequate initial social analysis during project preparation, and lack of commitment for resettlement activities on the part of many DMCs. To alleviate these constraints, the study recommends streamlining implementation of the Policy, adopting appropriate national policies,

providing adequate ADB financing for resettlement, strengthening supervision and monitoring of project resettlement, strengthening institutional capacities of both ADB and its DMCs, and improving initial social assessment.

A special study reassessed ADB's role in and support for agriculture and natural resource research. It revealed that technologies generated from ADB-funded research projects have contributed substantially to meeting ADB's policy agenda in agriculture and natural resource research and improving farmers' incomes, particularly poor farmers in less favorable environments. Overall, the study showed that investments in such research reap high yields, score high on reducing poverty, and need to be sustained to meet the challenges ahead of feeding Asia's rapidly growing population. While ADB's present research policy remains relevant and consistent with its primary goal of reducing poverty, refinements are needed to sharpen its focus on generating appropriate technologies that will promote sustainable farming systems for

poor farmers, sustain management of agriculture and natural resources, enhance agricultural productivity, strengthen the capacity of national agricultural research systems, and promote public policy and socioeconomic research. The study recommends that ADB continue to support



cutting-edge research by international agricultural research centers and national agricultural research systems to strengthen their capabilities, modify the technical assistance funding modality, strengthen supervision and monitoring of agriculture and natural resource research projects and activities, emphasize research for poor farmers in less favorable environments, and promote intensive policy dialogue with DMC governments to ensure that adequate attention and resources are provided to national agricultural research systems.

The special study on participatory development processes reviewed the participation of project stakeholders with the aim of improving project performance, ensuring that beneficiaries more fully benefit from projects, and reducing poverty. The study revealed that participatory development processes are necessary to the performance and sustainability of most agriculture and natural resources and social infrastructure projects, where disadvantaged and poor people can directly benefit. It found that commitment and ownership by stakeholders are less intense at the project identification and preparation stages because of pressures in project processing and limited opportunities of key stakeholders to participate. The study found the selection of stakeholders to be rarely transparent at the levels of local government, nongovernment organizations, and primary stakeholders. Likewise, participatory processes are constrained by limited resources available, including time, expertise, funds, and capacities of stakeholders. Three key lessons include the need for ADB to (i) promote governance to facilitate the adoption and application of participatory pro-poor policies, (ii) prepare operational guidelines on participatory development and institutional analysis, and (iii) improve internal learning processes for ADB staff to gain exposure to participatory development methodologies and practices.

The special study on sustainability of policy reforms through advisory technical assistance (ADTA) evaluated 30 technical assistance projects in the power and water subsectors across five DMCs. It concluded that ADTAs have achieved immediate outputs in terms of specific tasks (such as reports, training, or draft legislation), but their contribution to a sustainable



policy reform process remains generally below potential. If ADTAs are to become strategic instruments in the reform process, they need to provide more than technical solutions to policy issues. Four key areas to enhance the effectiveness and sustainability of policy reforms through ADTAs were identified: (i) policy reform needs to be treated as a dynamic process within a given sector, and not a one-off policy change or a set of fixed institutional changes; (ii) ownership is the key to success and sustainability; (iii) the effectiveness of future ADTAs depends largely on the ability of ADB to allocate the required resources; and (iv) greater accountability for results from ADTAs needs to be addressed at multiple levels. The central message of the study is to enhance the effectiveness of ADTAs by building greater ownership and participation, the crucial first step toward sustainable policy reforms.

Strengthening the evaluation capability of DMCs

In 2000, OEO completed its ongoing assistance to develop project performance management in Nepal, and administered two new advisory technical assistance grants for strengthening project performance management in the People's Republic of China (PRC) and the Philippines. The technical assistance for capacity building in project performance management in the PRC assessed the training needs within the newly established Key Project Inspectors Office of the State Development Planning Commission. The technical assistance for institutionalizing a results-oriented monitoring and evaluation system within the Government of the Philippines pilot tested and installed draft results-oriented monitoring and evaluation systems and software.

Also in 2000, two technical assistance completion reports were prepared. One, for strengthening evaluation capacity in Thailand, highlighted the value of executing agency and government commitment to technical assistance success. The other, for special studies on selected operational issues, revealed the increasing recognition and advantage of impact and special evaluation studies on thematic issues to draw out lessons learned, provide deeper insights, and disseminate feedback.

Regional and Country Highlights

The Asian Development Bank (ADB) engages in activities aimed at reducing poverty in developing Asia and the Pacific through pro-poor sustainable economic growth, social development, and good governance. These activities are discussed in this chapter in the context of each member's economic performance, domestic policies, and ADB's operational strategies. Developing member countries (DMCs) and economies are grouped by region as in the case of the People's Republic of China (PRC); the Central Asian republics¹ (CARs), Azerbaijan, and Mongolia; Southeast Asia;² South Asia;³ and the Pacific,⁴ or by economic growth, as in the case of the newly industrialized economies (NIEs) of Hong Kong, China; Republic of Korea; Singapore; and Taipei, China.

Developing Asia and the Pacific

The annual growth rate of gross domestic product (GDP) for all of developing Asia and the Pacific taken together increased from 6.3 percent in 1999 to 7.2 percent in 2000, with growth in the PRC and the NIEs continuing to be the most rapid in the region.

Strong export growth, positive external balances, and revived domestic demand characterized the region's economic performance. However, the rise in international oil prices in 2000 affected India's GDP growth, mainly because it is the most heavily oil-dependent economy in the region. The volatility in currency and equity markets in 2000 had little impact on the economic performance of the rest of developing Asia and the Pacific, mainly because of minimum pressure on the balance of payments in the crisis-affected countries and NIEs. Flexible exchange rates in most countries, low levels of short-term debt, and strong reserve positions helped the region as a whole to maintain macroeconomic stability.

Although GDP growth accelerated in 2000, the equity markets in most of the major economies of developing Asia did not perform well, mainly because of their large technology capitalizations. The currencies of many of these countries weakened in 2000 because of higher oil prices, rising interest rates, and political uncertainties in Indonesia; Philippines; Taipei, China; and Thailand.

Soft equity market performance and weakening domestic currencies notwithstanding, aggregate demand and consumer confidence remained at high levels, on average, suggesting that the negative wealth effect resulting from the decline in stock prices in developing Asia was not as significant as historically experienced in the United

States (US) (except for the NIEs).⁵ Consumption levels thus returned to their precrisis levels in most of the crisis-affected countries, while investment spending continued to slacken considerably. Weak credit growth and low rates of capacity utilization characterized this softness in investment.

Inflation slowed to 1.5 percent in 2000 from 2.5 percent in 1999. Overall, inflation was not a concern in the region and monetary policy remained accommodative, partly in an effort to stimulate credit growth, which in most countries remained below precrisis levels.

As for the external account, exports continued to expand in the region, recording a growth rate of 19.9 percent in 2000. Electrical and electronic products were the major sources of growth in exports, as the boom in information and communication technology (ICT) continued worldwide. Although net exports contributed positively to growth in 2000 in most countries, the size of this contribution diminished relative to recent years. From a peak contribution of around 7 percent of total growth in 1998, net exports contributed an average of only 2 percent of total growth in the region in 2000, suggesting that while exports grew strongly, imports on average grew more rapidly. The recovery in imports relative to previous years resulted from a combination of restocking of inventories of intermediate inputs, rising demand for imported consumer goods as domestic demand strengthened, and an increase in oil prices. As a result, current account surpluses in 2000 narrowed for the region as a whole. In 2000, market participants perceived the crisis-affected countries to have slowed implementation of needed structural reforms, thus leading to a downturn in investor confidence. This, combined with domestic equity markets declining in tandem with the US stock markets, led to a net private capital

1 The Central Asian republics include Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

2 Southeast Asia includes Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Thailand, and Viet Nam.

3 South Asia includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. ADB has not had operations in Afghanistan since 1980.

4 The Pacific includes Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

5 The wealth effect occurs when the prices of assets held by households (e.g., houses or stock market shares) increase, making consumers feel wealthier and thus inclined to spend more. When the prices of these assets fall, a negative wealth effect occurs, making consumers inclined to spend less.

Economic Indicators of ADB's Developing Member Countries and Rest of Developing World

	DMCs ^a			Western Hemisphere ^b			Africa			Central and Eastern Europe ^c		
	1998	1999	2000 ^d	1998	1999	2000	1998	1999	2000	1998	1999	2000
GDP Growth Rate (%)	0.2	6.3	7.2	2.2	0.3	4.3	3.1	2.2	3.4	2.0	1.3	3.1
Inflation Rate (%)	8.9	2.5	1.5	10.2	9.3	8.9	9.1	11.8	12.7	18.7	20.6	18.8
Merchandise Exports Growth Rate (%)	(5.9)	6.9	19.9	(4.1)	5.1	17.9	(13.7)	7.2	25.6
Merchandise Imports Growth Rate (%)	(17.2)	8.9	24.6	4.9	(6.0)	13.9	(0.9)	0.7	9.0
External Debt Outstanding (\$ billion)	848.9	840.0	...	748.6	764.5	774.8	299.7	303.8	301.3	175.7	180.4	189.2
Debt-Service Ratio ^e	13.4	15.8	...	51.3	59.7	50.5	21.8	20.7	17.5	16.4	19.6	17.8

... Data not available.

() Negative.

a Developing member countries.

b Includes Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Netherlands Antilles, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

c Includes Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Slovak Republic, Slovenia, Ukraine, and Federal Republic of Yugoslavia.

d Preliminary estimates from country sources.

e As percentage of exports of goods and services.

Sources: International Monetary Fund, *World Economic Outlook*, October 2000 (<http://www.imf.org>); and ADB data file.

outflow of \$3.8 billion in 2000 from the five crisis-affected countries (see table above).

Because of strong reserve positions and low short-term debt-to-GDP ratios, public debt and external liabilities were not a major concern in the region in 2000. Short-term nominal interest rates across the region remained below precrisis average levels, except for Indonesia. Central banks in the region kept short-term interest rates low to encourage financial sector reforms and to bolster domestic demand to sustain growth.

The major exports from developing Asia to the US are manufactured goods, a large portion of which are ICT and electronics-related products. With the US now accounting for half of global expenditure on ICT, exports from the major countries of Southeast Asia (with the exception of Indonesia) and the NIEs are vulnerable to a slowdown in the global economy as a whole. In addition to a slowdown in domestic GDP growth resulting in a slackening in foreign trade, indirect linkages through consumption and investment may also transmit a global slowdown to the domestic economy via capital outflows and rising interest rates.

Intraregional trade accounts for the largest external dependency in most countries in developing Asia. There is

thus a potential virtuous circle of rapid growth in intraregional trade, leading to increased domestic demand and higher real incomes and to even more rapid growth in intraregional trade. However, for this virtuous circle to prevail in the region, the external environment will have to remain favorable. Continued global GDP growth and expansion in international trade volumes, combined with firmness in the prices of oil and other commodities, are crucial to maintaining export growth momentum. A major concern is thus a correction in global economic growth.

Sustainable growth in the region also depends on individual countries completing corporate and financial sector reforms necessary for reducing vulnerability to downturns in the global economy.

The global economy⁶

In 2000, the global economy continued to recover from the 1997–1998 slowdown caused by the Asian financial crisis, growing by 4.8 percent, which is the best growth performance in 13 years. The biggest boost to global growth from 1998 to 2000 came from the US, where GDP growth in 2000

⁶ Data for the global economy discussion are derived from International Monetary Fund, *World Economic Outlook*, October 2000 (<http://www.imf.org>); official sources; and ADB data files.

was 5.0 percent. Economic growth was also vigorous in developing Asia, the Euroarea,⁷ Latin America, and the transitional economies of Russia and Central and Eastern Europe. Growth in Russia accelerated in 2000 because of increases in the international prices of oil and gas.

However, the sustainability of global economic growth became uncertain in the second half of 2000. Prospects of further interest rate hikes and a slower pace of economic growth in the US, then in its ninth year of expansion, dominated concerns in global financial markets and among policymakers. The technology-heavy Nasdaq index in the US fell by roughly 33 percent on expectations that a slowdown in the US economy would be led by a softening of growth in the technology sector. Given the high correlation of Asian equity markets with the Nasdaq index and the high degree of dependence of most major economies in developing Asia on electronic exports to the US, domestic currency and stock markets plunged across the region. The euro fell to a record low, causing the Group of 7 countries (Canada, France, Germany, Italy, Japan, United Kingdom, and US) and the European Central Bank to intervene in currency and money markets to arrest a further decline in its value. Inflationary expectations for 2001 and euro-related concerns led to a tightening of monetary policy by major industrial economies in 2000.

Amid improving domestic demand in Asia, Europe, and Latin America and dwindling winter oil inventories in the US, oil prices increased, reaching \$36 per barrel by November 2000, compared with \$25 per barrel in December 1999, and leading to further concerns about a global economic downturn.

Consumer price inflation remained generally low in both developed and developing economies as a result of stronger fiscal discipline and monetary restraint in many countries. While oil prices rose by over 70 percent, nonfuel prices remained at levels similar to those in 1999, which helped keep inflation subdued in product markets. However, asset prices displayed considerable volatility in most industrial economies.

World trade volume rose by over 12 percent in 2000, more than double the growth rate recorded in 1999, with the developing countries affected by the 1997 global financial crisis (Latin America and developing Asia) remaining at the forefront in world trade volume growth.

The majority of global capital flows in 2000 were characterized by a net inflow to the US, which attracted

Net Private Capital Flows to Developing Asia (\$ billion)

	1997	1998	1999	2000
Asia and Pacific	73.3	(1.1)	31.3	49.4
Five Most Affected Asian Economies ^a	4.9	(38.7)	(5.2)	(3.8)
Other Asian Economies	68.4	37.6	36.5	53.2
Equity Investment	57.9	61.0	72.8	64.8
Foreign Direct Investment	52.0	55.8	53.7	49.9
Portfolio Investment	5.8	5.2	19.1	14.9
Private Credit Flows	15.4	(62.1)	(41.5)	(15.3)
Total Net Private Flows	73.3	(1.1)	31.3	49.4

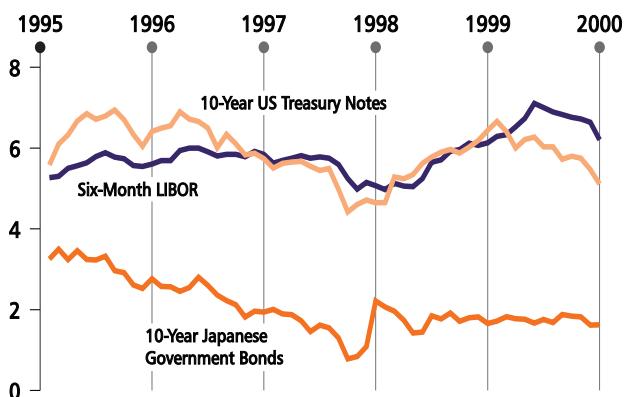
() Negative.

Note: Total may not add because of rounding.

a Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand.

Source: The Institute of International Finance, Inc., *Capital Flows to Emerging Market Economies*, 24 January 2001 (<http://www.iif.org>).

Major Interest Rates (percent)



significant direct and portfolio investment. These inflows—net of outflows—financed a US current account deficit of 4.4 percent of GDP in 2000. Much of the net capital outflow from the European Union⁸ was used to finance foreign mergers and acquisitions and issuance of liabilities internationally by regional banks.

The overall growth in the industrial countries notwithstanding, there was considerable variation in economic performance among individual countries in this grouping.

⁷ The Euroarea includes the 11 countries that adopted the euro as their single currency on 1 January 1999 (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain) plus Greece, which adopted the euro on 1 January 2001.

⁸ The European Union, also known as the European Community, refers to Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom.

GDP growth in Japan in 2000 was 1.7 percent, largely led by exports and information technology-related consumption and investment.

The US GDP growth rate rose to 5.0 percent in 2000 from 4.2 percent in 1999, although consumer price inflation remained at a moderate rate of 3.4 percent in 2000. Owing to the downward adjustment in the price of technology stocks, the strong wealth effect in the US during the past few years began to moderate in 2000, causing private consumption growth to remain flat at 5.3 percent. As for the external balance, consumption demand has been increasingly met by imports, resulting in an increase in the US current account deficit to 4.4 percent of GDP in 2000 from 3.6 percent of GDP in 1999.

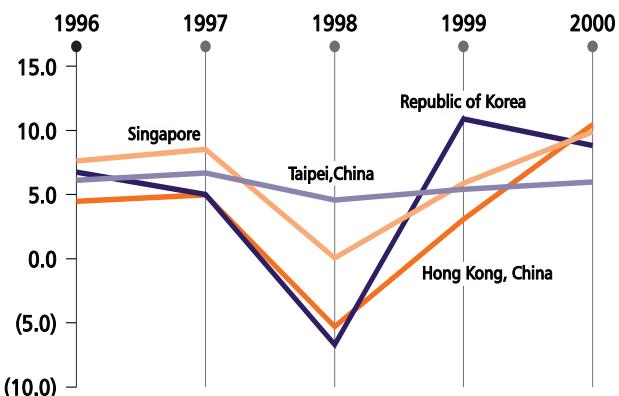
In 2000, the Euroarea gained momentum for the third time in the past decade. GDP growth was 3.4 percent, compared with 2.6 percent in 1999. The Euroarea benefited both from the boost given to exports by the weak euro and increased domestic consumption and investment. Unemployment remained high at 9.0 percent in 2000, but was nevertheless lower than the 9.9 percent recorded in 1999. The European Central Bank (ECB) raised interest rates in August and October, but inflation remained above ECB's medium-term target of 2 percent. Large differentials in inflation rates remained among the Euroarea member countries.

In sum, the major vulnerabilities of the global economy are a slowdown in the US economy and external imbalances in the industrial countries. As for the US, the concern is on whether the previous strong productivity gains in computer technology and increases in labor productivity across a wide range of sectors that take advantage of computer technology can be sustained. As for the industrial countries as a whole, external imbalances continued to grow—notably the current account deficit in the US. Any correction of significant proportions in the US current account would negatively impact manufactured exports from developing Asia. Further, if the adjustment is large, the US dollar would weaken relative to other currencies, further depressing the US demand for exports from Asia and the Pacific.

Newly industrialized economies

The strong economic recovery in the NIEs, which has occurred since 1999, accelerated in 2000. While growth in the Republic of Korea slowed slightly to 8.8 percent in 2000 from its previous high rate of 10.9 percent, all other economies saw significant increases in GDP growth. The rapid recovery from the financial crisis of 1997 largely

Newly Industrialized Economies
GDP Growth Rates (percent)



resulted from a high level of consumer confidence, buoyant exports, and strengthened investor sentiment. Private consumption was robust in most of these economies, underpinned by increases in incomes. Gross fixed investment strengthened as firms upgraded their ICT facilities and expanded their capacities in infrastructure and manufacturing. As domestic demand continued to expand, inflation turned upward, but remained under control, with consumer prices increasing by less than 1.1 percent in 2000 for the NIEs as a whole.

Exports continued to play a key role in the recovery, spurred by external demand for electronic products and semiconductors in particular. While surpluses in the current account were maintained in all NIEs, the size of these surpluses decreased in Hong Kong, China and the Republic of Korea.

With the exception of the Republic of Korea, ADB has no operations in the NIEs.

Hong Kong, China

Economic performance

Economic growth: Hong Kong, China's 1999 recovery strengthened in 2000, as real GDP growth reached 10.5 percent in 2000, compared with 3.1 percent growth in 1999 and a contraction of 5.3 percent in 1998. Buoyant exports, spurred by a favorable global environment, fueled growth in both private consumption expenditure and domestic investment.

Domestic demand recorded solid growth in 2000, with private consumption rising by 5.4 percent in real terms, supported by improved real labor income and increased employment. Overall investment spending expanded by 8.8 percent in real terms because of strong growth in

expenditure on machinery and equipment by the private sector. The contraction in private expenditure on building and construction moderated to 8.2 percent in real terms, which was more than offset by a revival in expenditure on machinery and equipment.

Employment: Labor market conditions improved in 2000, as the sustained economic recovery further strengthened demand for labor. With a seasonally adjusted unemployment rate of 4.4 percent in the fourth quarter of 2000, nominal wages and earnings rebounded to positive year-on-year growth by the second quarter of 2000, compared with modest declines in the first quarter of 2000 and for 1999 as a whole.

Inflation: Despite an upward trend in the world prices of some commodities (especially fuel) the composite consumer price index fell by 3.7 percent in 2000, mainly because of cost and price adjustments resulting from a stagnating property market and excess production capacity. The continuing freeze in government fees and in some public utility charges also contributed to the fall in price level. Nevertheless, the rate of decline in consumer prices slowed from 5.1 percent in the first quarter of 2000 to 4.5 percent in the second quarter, and further to 2.8 and 2.2 percent in the third and fourth quarters, respectively.

Fiscal balance: The overall fiscal balance unexpectedly recorded a surplus of Hong Kong dollars (HK\$)10.0 billion in FY2000 (ending 31 March), in contrast to a projected deficit of HK\$36.5 billion, thereby reducing the urgency of implementing new revenue-raising measures. Therefore, the Government's budget for FY2001 did not include major initiatives to increase consumption or corporate taxes. The unexpected surplus reflected not only low levels of government spending but also strong revenue inflows generated by investing the Government's fiscal reserves within a buoyant stock market in 1999.

External sector: Total exports of goods surged by 17.1 percent in real terms in 2000, mainly reflecting a broad-based strengthening of import demand in major overseas markets, and improved price competitiveness of domestic exports, resulting from downward adjustments in prices and production costs in the local economy. Total imports also grew markedly by 18.1 percent in real terms in 2000 because of significant reexport growth and an increase in retained imports. For invisible trade, export of services remained robust, rising by 14.3 percent in real terms in 2000, amid continued increases in exports of trade-related services, offshore trading activities, and inbound tourism. Import of services registered a relatively moderate increase of 2.6 percent in real terms during the same period. Despite a widening visible trade deficit, the current account surplus in the first three quarters of 2000 was about HK\$68.6 billion, equivalent to 5.4 percent of GDP.

Domestic policies: Several policy measures for improving the competitiveness of the banking subsector were undertaken by the Hong Kong Monetary Authority. The first phase of the interest rate deregulation for time deposits with a maturity of less than seven days was implemented in July 2000. The second phase is planned for 2001. A detailed study of the feasibility of establishing an explicit deposit protection scheme in Hong Kong, China was conducted in the first half of 2000; the purpose of the scheme is to provide protection to small depositors, thereby contributing to the stability of the financial system. The Securities and Futures Bill, introduced into the legislature in November 2000, will consolidate all existing relevant legislation, and make the regulatory framework for the securities and futures markets consistent with international standards and practices. Merger of the two stock exchanges and three clearinghouses into a single holding company—the Hong Kong Exchange and Clearing Limited—was undertaken in 2000, which in the long run will facilitate on-line trading.

The Mandatory Provident Fund (MPF) System was launched on 1 December 2000 to provide retirement protection for the workforce in Hong Kong, China. The MPF System will help alleviate the financial burden of a rapidly aging population on future generations. In addition, accumulating a large pool of long-term saving will facilitate developing the local capital market, particularly the bond market.

Republic of Korea

Economic performance

Economic growth: The economy rebounded in 1999 and 2000 after a deep recession in 1998 in the wake of the Asian financial crisis, with real GDP growth reaching 10.9 percent in 1999 and 8.8 percent in 2000. The recovery was most evident in manufacturing, which achieved nearly 20 percent growth each year in 1999–2000. The information and communication technology-related manufacturing subsector showed strong growth performance of more than 40 percent growth in 2000.

The economy began to slow in 2000; the quarterly growth rate dropped from 4.1 percent in the second quarter of 1999 to 1.2 percent in the second quarter of 2000, and fell further in the fourth quarter of 2000. Growth in private consumption also turned negative during the latter half of 2000. However, the slowdown was less evident in exports, with the quarterly growth rate of export volume remaining

at about 5 percent in the third and fourth quarters of 2000, similar to the year-ago levels. The continued steady growth in export volume suggests that the recent overall economic slowdown stemmed mainly from depressed domestic demand.

Employment: The unemployment rate dropped to below 4 percent in 2000 from 6.3 percent in 1999. Given that the long-run average unemployment rate prior to the crisis was about 2.5 percent, unemployment remained relatively high. Two factors appear to have contributed to this. First, structural changes in the labor market following the 1997 crisis, such as greater flexibility in the labor market and extended unemployment benefits, may have increased the natural unemployment rate for the Republic of Korea. Second, the recent slowdown in growth may have kept the unemployment rate from falling further.

Inflation: The consumer price inflation rate, which was as low as 0.8 percent in 1999, reached 2.3 percent in 2000. The precrisis (1990–1997) average GDP growth rate was about 7.3 percent, with the average inflation rate at around 4.5 percent.

Fiscal balance: In 2000, the consolidated central government finance statistics recorded a surplus for the first time since 1996. This improvement in fiscal performance was achieved through a 23.7 percent increase in total revenue and a 5.8 percent reduction in expenditure and net lending. In particular, income, profit, and collection of capital gains taxes registered growth of 40.3 percent, with corporate income tax revenues increasing by more than 90.9 percent. The surge in corporate income tax resulted from the economic recovery, leading to an increase in corporate profits in 1999 and the first half of 2000. On the expenditure side, cuts in transfer payments and net lending contributed substantially to fiscal improvement. Total government expenditure as a percentage of GDP decreased from 25 percent in 1999 to about 24 percent in 2000.

External sector: Exports continued to expand, achieving a 21.1 percent rate of growth in 2000. Imports, however, grew even faster at 36.3 percent. This resulted in a decline in the current account surplus to 2.4 percent of GDP from 6.0 percent of GDP in 1999. As rapid economic growth and investor confidence were restored, the capital account turned into surplus in 1999, further improving to \$11.5 billion in 2000. As a result, the Republic of Korea's foreign exchange reserves increased further from \$74 billion in 1999 to about \$96 billion in 2000.

Overall, the performance of the external sector improved in 1999 and 2000. Reflecting this improvement, the average exchange rate of the won to the US dollar dropped from 1,399 in

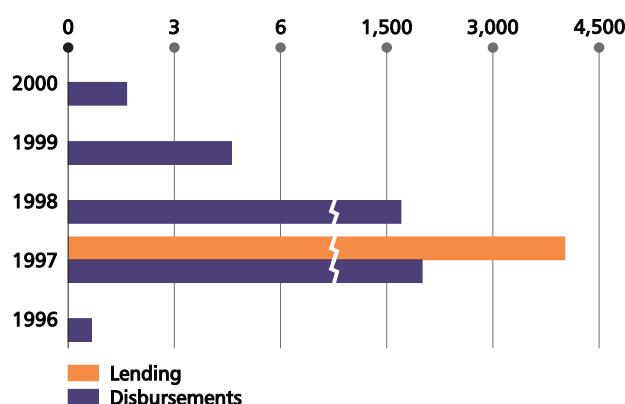
1998 to 1,189 in 1999 and 1,121 in 2000. However, this increased to 1,265 at the end of 2000 because of the slowdown in growth, delayed structural reforms, and higher oil prices.

Domestic policies: The first phase of financial sector restructuring began immediately following the crisis. The second phase began in late 2000 and is expected to be completed during the first quarter of 2001. Although the first phase was largely successful, the Government decided that more public money and greater efficiency in using it were needed to carry out the second phase successfully. As a result, the Korea Deposit Insurance Corporation and the National Assembly agreed on 2 December 2000 to raise 40 trillion won in additional public money to complete financial and corporate restructuring. More than 100 trillion won of public money had already been used for restructuring. Of the additional public money, 4 trillion won has already been injected into six commercial banks. Also, to increase the efficiency

Republic of Korea Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Finance	22	4,710.0	74.3
Social Infrastructure	22	635.1	10.0
Transport and Communications	11	459.5	7.3
Energy	10	234.4	3.7
Agriculture and Natural Resources	8	163.8	2.6
Industry and Nonfuel Minerals	8	135.5	2.1
Total	81	6,338.3	100.0

Republic of Korea Lending and Disbursements, 1996–2000 (\$ million)



in the use of public money, the National Assembly promulgated the Special Law on the Management of Public Money on 20 December 2000.

In addition to capital injections, the Government has established a financial holding company that will incorporate four financially weak banks. The holding company started operations during the first quarter of 2001. For the banks that did not receive injections of public money, the Government is encouraging mergers to increase the size of the banks and to strengthen their competitiveness.

Corporate restructuring continued in 2000. Regulatory changes aimed at improving corporate transparency and governance structures were introduced, followed by actions to resolve nonperforming loans. *Chaebol* (conglomerates) restructuring was emphasized and included simplifying and improving their financial structure by removing cross guarantees between *chaebol* affiliates. This resulted in improved transparency and accountability.

ADB operations

Project implementation: The Government did not withdraw the final tranche of the Financial Sector Program loan (\$300 million). Accordingly, the technical assistance loan for institutional strengthening of the financial sector is the only loan being implemented. This loan was rated satisfactory in terms of implementation and development objectives.

Singapore

Economic growth: Singapore's economy continued to grow in 2000, expanding at 9.9 percent, compared with 5.9 percent in 1999. External demand remained the key locomotive of growth, riding on strong global demand. Domestic demand was also robust. Investment in information and communication technology (ICT) strengthened in 2000, causing growth of fixed capital formation to reach 5.9 percent in 2000. Private consumption expenditure rose by 9.4 percent as consumer confidence returned as a result of improved labor market conditions, recovery in property prices, and reduction in previous high savings rates. Consumer demand weathered the negative impacts of high oil prices in the second half of 2000 and the negative wealth effect resulting from a softer stock market. The sustained growth in consumption spending tracked the upturn in the credit cycle quite closely.

Employment: Overall employment creation increased to its precrisis level, with gains occurring in both manufacturing and services. The seasonally adjusted

unemployment rate continued to fall throughout 2000, finishing at 2.8 percent, from its peak of 4.3 percent. Many jobs were created as a result of the restructuring in manufacturing, particularly the disk drive subsector.

Inflation: As productivity-enhancing machinery investment peaked and wages rebounded from their depressed levels during the crisis, unit labor costs began to rise in 2000. The Government's aggressive drive to deregulate the services sector (banking, stockbroking, power, telecommunications, and media) had a disinflationary impact in 2000. Rising oil prices were of some concern in 2000, but the relatively benign profile of trend inflation in 2000 led the Monetary Authority of Singapore (MAS) to accommodate the shock from the oil price rise through inflation. Prices of residential properties recovered, but those of nonresidential properties remained sluggish. Consumer price inflation rose to 1.3 percent in 2000, compared with a flat growth in 1999.

Fiscal balance: Public consumption in 2000 grew by 13.7 percent—a rate higher than private consumption. On a fiscal year basis (ending 31 March), the budget surplus moderated to S\$3.5 billion in FY2000. Revenues increased because of the strong performance of the economy, but this was more than offset by the increase in expenditures and special transfers (such as top-ups to citizens' Central Provident Fund accounts and contributions to the Eldercare Fund and Lifelong Learning Endowment Fund).

External sector: Exports, which suffered during the crisis, grew by 20.3 percent in 2000, compared with 4.5 percent in 1999, while imports grew by 22.2 percent in 2000, compared with 9.0 percent in 1999. As a result, the current account surplus narrowed to 23.6 percent of GDP in 2000 from 25.9 percent in 1999. Although exports are growing strongly, imports are also recovering, reflecting a combination of restocking of inventories of intermediate inputs and increasingly strong demand for consumer goods.

MAS adopted a broadly neutral stance with respect to the exchange rate in 2000, acting only occasionally to support the Singapore dollar when its value was weakened by devaluation of other Asian currencies.

Domestic policies: Efforts to improve the business environment and to divest government holdings in companies moved forward in 2000. Sales of government interests in transport companies (airline and metropolitan rail) were initiated, while preparations to reduce state interests in leading enterprises in other sectors progressed. However, government holdings in private companies are unlikely to be reduced markedly in the near term. Restrictions on foreign investments are being relaxed, most

notably in communications, media, insurance, and banking, to enable foreign companies to enter these areas. The Government continues to invest selectively in priority areas such as ICT infrastructure, biotechnology, and worker training. This is meant to encourage the economy's transition from a base for manufactured exports to a fully networked, knowledge-intensive economy and a hub for Asian finance, ICT, and transport.

Taipei, China

Economic performance

Economic growth: Taipei, China's economic recovery in 1999 strengthened further in 2000. Real GDP growth accelerated to 6.0 percent in 2000, compared with 5.4 percent in 1999. The major contributing factor was the sharp increase in exports and export-driven private investment, which has benefited from strong global demand for semiconductors and telecommunications-related products. Private investment increased by 13.9 percent, compared with a contraction of 0.7 percent in 1999. Public sector investment shrank by 8.3 percent as implementation of government projects was sluggish. Total fixed investment grew by 7.8 percent, while private consumption increased by 5.6 percent, from the 5.4 percent achieved in 1999. Government consumption contracted by 1.2 percent largely because of the reining-in of the fiscal deficit that ballooned following the earthquake of 1999. Led by the robust performance of the high-technology sector, the industrial production index rose by 7.7 percent, compared with 7.5 percent in 1999. However, the output of traditional industries remained low. Agriculture sector output fell by 1.3 percent because of unfavorable weather. In the services sector, telecommunications was the main engine of growth, while the contribution of the financial sector and government services to growth remained weak.

Employment: The unemployment rate has risen gradually in recent years from a low 1.4 percent in 1993, passing 2.6 percent in 1996, to a record 2.9 percent in 1999. Since then, unemployment has remained high, recording 3.0 percent at the end of 2000. The slowdown in the financial sector, the downturn of construction and traditional industries, and the influx of foreign workers were the main reasons for the rising unemployment rate.

Inflation: Prices rose in 2000 as a result of higher prices for oil and other commodities, and depreciation of the New Taiwan dollar. Consumer price inflation was 1.3 percent, up from 0.2 percent in 1999, while wholesale inflation reached 1.8 percent, from the 4.5 percent price deflation in 1999. Import prices rose by 4.6 percent.

Fiscal balance: The budget deficit, which went from 3.4 percent of GDP in 1998 to 6.0 percent in 1999, fell to 4.7 percent in 2000 primarily because of cuts in government expenditure. In particular, government capital expenditure shrank by 19.2 percent in 2000.

External sector: Export growth jumped from 10 percent in 1999 to 22 percent in 2000. Recovering Asian economies and surging global demand for ICT-related products were the major driving forces. Import growth was also high at 26.5 percent in 2000, compared with 6.2 percent in 1999. Rapid growth in private investment contributed to increased capital goods imports. Reflecting this, the trade surplus is estimated at \$13.6 billion in 2000.

Domestic policies: In 2000, the Government restrained its expenditure to reduce the budget deficit. Despite a more liberal monetary stance earlier in the year, broad money (M2) growth slowed later in the year partly because of an outflow of foreign capital, which was triggered by the rise of the interest rates in the US and the Euroarea countries. As a consequence, M2 growth was 6.5 percent in 2000, lower than the 8.3 percent achieved in 1999. Facing the economic slowdown, the central bank lowered the rediscount rate at the end of December to stimulate the economy.

The banking subsector has suffered from overcrowding and growing nonperforming loans (NPLs) in recent years, with excessive competition and limited market share dragging down bank profitability. Moreover, the downturn in traditional industries, and the flagging real estate and stock markets pushed up the aggregate NPL ratio of financial institutions to 5.5 percent by the end of 2000. The NPL ratio of cooperative associations and credit departments of farmers' and fishermen's associations was particularly high, reaching 15.6 percent. The Government has attempted to resolve the overcrowding problem and improve the quality of bank assets by amending the Banking Law to relax restrictions on bank investment activities and raise the foreign ownership ceiling from 15 percent to 25 percent, and passing the Merger Act of Financial Institutions to encourage mergers, even by foreign financial institutions.

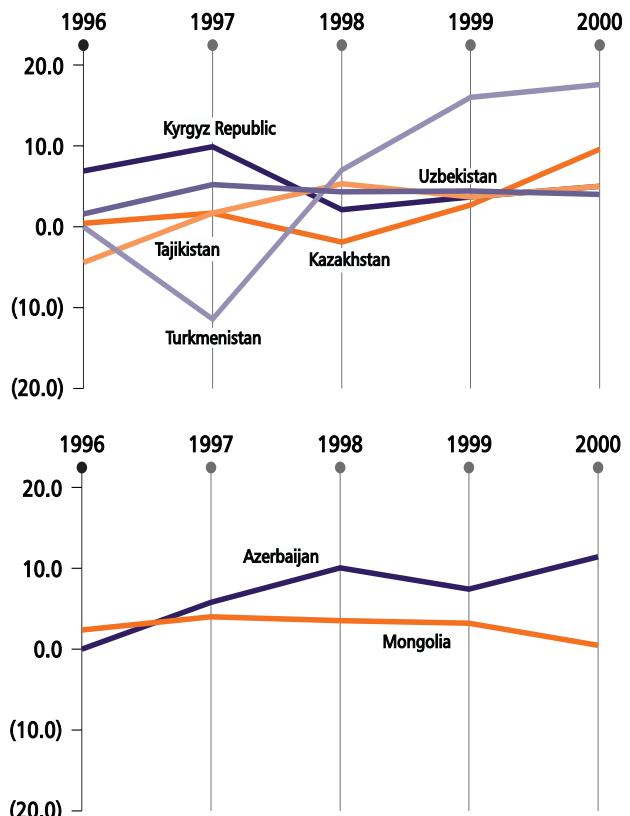
Central Asian Republics, Azerbaijan, and Mongolia

In 2000, the economies of the Central Asian republics (CARs), Azerbaijan and Mongolia enjoyed a strong recovery, albeit at differing paces, supported by a marked improvement in the Russian economy and strengthening of international mineral and commodity prices. Kazakhstan and Turkmenistan experienced high GDP growth rates of 9.6 and 17.6 percent, respectively in 2000, driven by large-scale oil and gas exports to Russia, still the largest market for these countries' exports. By contrast, Uzbekistan's growth slowed to 4.0 percent, which was a little below the government target of 4.2 percent. The main reasons for this were contraction in agriculture sector output and sluggishness in the industry sector. For the subregion as a whole, average GDP growth in 1999 was 4.7 percent, rising to about 8 percent in 2000. The higher GDP growth for 2000 was achieved with an inflation rate of 15.9 percent in 2000, nearly half its 1997 level. An important issue across the subregion is the narrow growth base—concentrated in agriculture, and oil and gas—which impedes broad-based employment creation and diversification of exports. Labor markets thus remained weak and unemployment rates high. Although inflation rates fell in most of the CARs, they remained at high levels, particularly in Tajikistan and Uzbekistan, at 24.0 and 24.9 percent, respectively. During 2000, inflation in the CARs was mainly caused by high world energy prices, drought, and excessive aggregate demand.

In 2000, the subregion continued to implement macroeconomic stabilization and poverty reduction measures. Stabilization measures included tight fiscal policy and consolidation of money supply, and foreign exchange and trade reforms. The fiscal reforms achieved mixed results mainly because of the narrow tax base, weak tax administration, and the need for new fiscal expenditures for developing infrastructure and reducing poverty.

The progress thus far in strengthening the CARs' financial systems has been encouraging, particularly in the areas of policy and institutional reforms. However, the financial sectors remain weak points in their respective economies, particularly with regard to public confidence in financial institutions, much of which is attributed to outdated financial infrastructure. This hampers resource mobilization and results in inefficient allocation of resources. Diversifying the production base is another issue prominent on the CARs' respective policy agendas, since sustained industrial growth and balance-of-payments stability can only be achieved with a diversified economic structure. A distinctively market-oriented economic policy regime, which provides appropriate incentives to the

Central Asian Republics, Azerbaijan, and Mongolia: GDP Growth Rates (percent)



private sector, is crucial to sustained growth in the CAR economies. This should include privatization of state-owned enterprises as a means of providing impetus to the emergence of a competitive private sector.

Kazakhstan

Economic performance

Economic growth: During the second half of 1999, the economy began to recover from the recession induced by soft international commodity markets and the 1998 economic crisis in Russia, with GDP increasing by 9.6 percent in 2000, compared with 2.7 percent in 1999. Two external factors contributed to this surge in growth: rising world prices for oil and metals—Kazakhstan's major exports—and economic recovery in Russia. Industry sector output grew by 14.6 percent in 2000, mainly because of sharp increases in production of oil and metals. However, agriculture sector output contracted in 2000, as grain production shrank because of unfavorable weather.

Employment: Because economic growth in 2000 was mainly driven by growth in the oil and metals subsectors, employment did not improve significantly. While the official unemployment rate for October 2000 was 3.8 percent, slightly lower than 3.9 percent for December 1999, actual unemployment was much higher because some workers officially classified as employed were on mandatory, unpaid leave, and many other unemployed people were not officially registered as unemployed.

Inflation: Consumer price inflation in 2000 subsided to 9.8 percent, much lower than the inflation rate of 17.8 percent in 1999. Increased productivity, an improved fiscal position, and a stable national currency were the main contributing factors. The tenge (T), which depreciated sharply against the US dollar after the authorities floated it in April 1999, remained relatively stable in 2000, fluctuating within a range of T138–T145 to the US dollar.

Fiscal balance: The Government's fiscal position continued to improve in 2000, helped by strong economic growth, increased oil revenues, and strengthened tax collection and public expenditure management. For the first year since independence, Kazakhstan recorded a state budget surplus, albeit at a relatively low level of 0.1 percent of GDP. To reduce volatility in its budgetary revenues, which are highly dependent on oil exports, the Government will establish an offshore state oil fund for maintaining stable resource flows to the budget and preserving national wealth generated from oil.

External sector: The country's balance of payments improved in 2000, achieving a surplus of 3.8 percent of GDP, compared with a deficit of 1.1 percent of GDP in 1999. Foreign direct investment (FDI) remained at \$1.6 billion in 2000. Kazakhstan issued its fourth Eurobond, for a total of \$350 million in April 2000. Strong export growth, renewed inflows of FDI, and issuance of the Eurobond helped strengthen the country's international reserve position, with gross international reserves rising to \$2.1 billion (equivalent to 5.0 months of imports) by the end of 2000. External public debt decreased from \$4.1 billion (33.4 percent of GDP) at the end of 1999 to \$3.8 billion (32.5 percent of GDP) at the end of 2000, mainly because of debt prepayment to the International Monetary Fund.

Domestic policies: Maintaining stability, fostering growth, implementing structural reforms, and reducing poverty were the major issues on the Government's policy agenda in 2000. The Government maintained a tight fiscal policy, emphasizing improved revenue collection and better expenditure management. Discussions began in Parliament on a new tax code.

In 2000, the central bank pursued an expansive monetary policy for stimulating growth. It reduced the

refinancing rate to 14 percent in 2000 from 18 percent in 1999, and lowered the required reserve ratio for commercial banks from 10 percent to 8 percent on demand and short-term time deposits. Reforms for strengthening the financial sector were also undertaken in 2000: including amending the Law on Banks and Banking to bring the country's financial system more in line with international banking standards.

As for trade policy, the Government converted all specific tariffs into ad valorem equivalents (except for tariffs on alcohol) to strengthen duty collections. The crude oil export quota was abolished. The Government also submitted a fresh application for membership to the World Trade Organization.

ADB operations

Operational strategy: Against the background of reducing poverty, ADB's operational strategy for Kazakhstan encourages the transition to a market-based economy by supporting the Government's reform agenda, institutional change, and social protection; promotes environmental rehabilitation; strengthens the long-term growth potential; and encourages the creation of a new output structure and production capacity through private sector investment. ADB assistance is directed at six priority areas: (i) strengthened reform management at the central and local government levels; (ii) infrastructure, especially rehabilitation projects; (iii) education and training; (iv) industry, focusing on the problems of reforming medium enterprises; (v) agriculture; and (vi) private sector development, where potential projects have been identified in the financial, agribusiness, and energy sectors. A new country strategy and program will be formulated in 2001 to reflect ADB's and the Government's priority of fighting poverty.

Policy dialogue: Policy dialogue with the Government in 2000 centered on poverty reduction, public investment programming, and agricultural reform. ADB assistance on developing the medium-term poverty reduction strategy will help guide Kazakhstan's medium- to long-term socioeconomic development programs. Efficiency in the use of scarce public resources will be enhanced by improvements in preparing, monitoring, and evaluating public investment programs. In the agriculture sector, policy dialogue focused on strengthening the country's policy, legal, and regulatory frameworks, with the objective of creating an enabling environment for implementing farm restructuring.

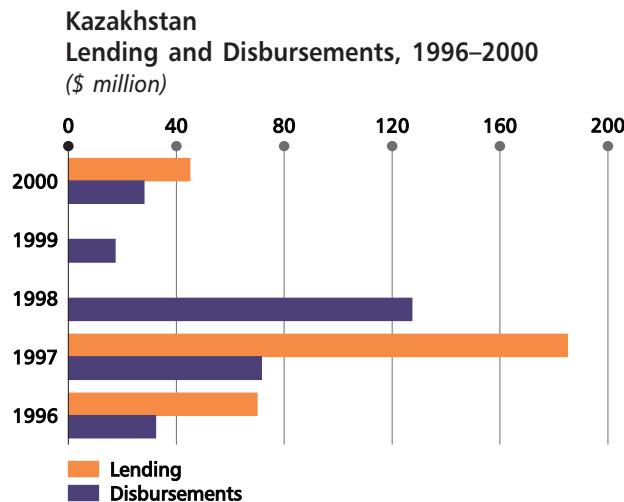
Loans and technical assistance: In 2000, ADB approved three loans totaling \$110 million: Almaty-Bishkek Regional Road Rehabilitation (Kazakhstan component), Farm Restructuring Sector Development Program (policy

Kazakhstan
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	5	185.0	35.2
Transport and Communications	2 ^a	115.0	21.9
Finance	1 ^b	100.0	19.1
Social Infrastructure	3	65.0	12.4
Multisector	2	60.0	11.4
Total	13	525.0	100.0

a Includes Kazakhstan loan component for the Almaty-Bishkek Regional Road Rehabilitation amounting to \$65 million approved in 2000.

b The Pension Reform Program was reclassified from "Others" to Finance.



loan), and Farm Restructuring Sector Development Program (investment loan). ADB also approved six technical assistance grants totaling \$3.6 million.

Project implementation: Since joining ADB in 1994, Kazakhstan has received 13 loans, of which 9 were active at the end of 2000. Contract awards totaled \$13.6 million, bringing the cumulative figure to about \$346 million. The contract award ratio was 10.2 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$28.1 million, bringing cumulative disbursements to \$340.2 million. The disbursement ratio was 28.2 percent, higher than the ADB-wide average of 20.5 percent.

The Government and ADB made strong efforts in 2000 to improve project implementation: counterpart funds for ADB-financed projects were provided largely on time; the institutional structure for project administration was strengthened, with more project implementation unit staff

being recruited; and the executing agencies made progress in complying with loan covenants and financial management procedures. With the assistance of the Kazakhstan Resident Mission, further improvements in project implementation are expected. The relocation of the Kazakhstan Resident Mission to Astana strengthened ADB's ties with the Government and enabled ADB to better understand the country's development priorities and constraints, and respond effectively to its requests for ADB assistance.

Kyrgyz Republic

Economic performance

Economic growth: Preliminary trends for 2000 indicate a sustainable economic recovery in the Kyrgyz Republic, with GDP growth at about 5 percent. But for the poor performance of food grain crops in the latter part of the year, this would have been even higher. The agriculture sector output still recorded a 3.9 percent growth mainly because of solid performance in the horticulture, tobacco, and animal husbandry subsectors. The industry sector grew at 6.0 percent.

Employment: According to official statistics, 80,900 jobs were created in 2000, with total employment reaching 1.8 million. However, the official unemployment rate increased from 2.9 percent in 1999 to 3.1 percent in 2000; the negative social impact of this rise was worsened by deteriorating job quality. Migration of the workforce from high-wage sectors to the low-wage agriculture sector drove real wages down and poverty incidence up.

Inflation: The Government followed a tight monetary policy in 2000 to curb inflation and stabilize the domestic currency. Against a targeted broad money growth rate of 12 percent, money supply grew at 12.3 percent during the year. Consumer price inflation fell to 18.7 percent in 2000 from 35.9 percent in 1999, although increases in the prices of food products contributed 57 percent to overall inflation, placing a heavy burden on the poor.

Fiscal balance: The Government set an ambitious budget deficit target of 6.8 percent of GDP for 2000, against a deficit of 12.2 percent in 1999. Depressed industry sector output, a narrow tax base, and weak tax administration hampered fiscal consolidation. On the expenditure side, additional spending for defense, necessary to prevent or at least minimize the impact of rising military instability in the subregion, put pressure on government finances.

External sector: Foreign trade rebounded from a 21.8 percent decline in 1999 to register a 5.0 percent growth in US dollar terms for 2000. Aided by a massive depreciation of the som in 1999, exports grew at 9.1 percent, while imports increased by 1.4 percent during the period. Consequently, the trade deficit fell sharply to \$50 million in 2000, from \$84 million in 1999. At the end of 1999, external debt reached \$1.3 billion, or about 130 percent of annual GDP. Tariffs have been reduced significantly, reflecting the country's commitment to complying with WTO entry requirements. In 2000, the number of tariff rates was compressed to four, with a maximum rate of 20 percent. The new structure is expected to yield an average tariff of 5.2 percent. The domestic currency depreciated from 39 som to the US dollar in 1999 to 48.9 som in 2000. Gross external reserves stood at \$269.4 million at the end of the third quarter of 2000.

Domestic policies: In 2000, improvements were made in fiscal and monetary management and in implementing structural reforms. External debt increased, posing a serious fiscal challenge in the medium term. As a consequence, the Government began prioritizing its public investment projects and began work on a comprehensive development framework for addressing poverty, while moving toward a market economy and maintaining good governance.

Revived growth of light manufacturing and agro-based industry resulted from privatizing about 60 percent of the manufacturing subsector. Businesses continued to face difficulties because of deficiencies in the policy and institutional environment and a weak financial infrastructure. Public enterprise restructuring has been delayed, further straining the budget. The agriculture sector showed considerable dynamism, driven essentially by the private farms created after 1995. This sector could act as an engine of growth for the entire economy.

ADB operations

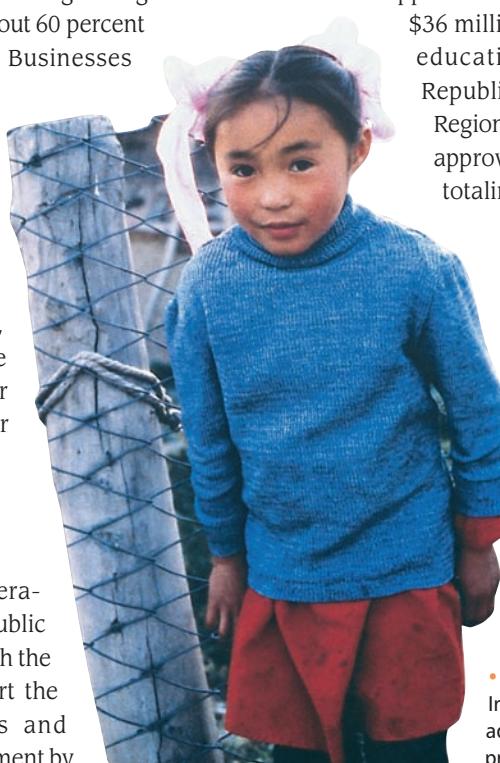
Operational strategy: ADB's operational strategy for the Kyrgyz Republic was finalized in December 1996, with the primary objectives being to support the Government's reform activities and strengthen its development management by

encouraging institutional change, strengthening institutional capacity, and improving public services. ADB has since made significant changes in its operational program to address poverty reduction. Activities will be concentrated on improved public services, particularly those provided by local governments; agriculture, including rural finance; human development; and infrastructure, especially rehabilitation projects to preserve the economic utility of past investments in the road subsector.

Policy dialogue: Policy dialogue with the Government continued on ADB support for policy and institutional reforms in the financial, infrastructure, and agriculture sectors. As part of its objective of reducing poverty, ADB assisted the Government in developing its comprehensive development framework to formulate and help implement a national poverty reduction strategy. The framework has three main thrusts: (i) poverty reduction and social protection; (ii) sustainable economic growth; and (iii) good governance and legal and judicial reform. Workshops conducted from February to December 2000 helped consolidate the Government's policies and priorities in these areas. ADB's ongoing technical assistance initiative in the country will help formulate the National Strategy for Poverty Reduction, which is expected to be completed in 2001.

Loans and technical assistance: In 2000, ADB approved three project loans totaling \$66 million: \$36 million for water supply, \$25 million for education, and \$5 million for the Kyrgyz Republic component of the Almaty-Bishkek Regional Road Rehabilitation Project. ADB also approved eight technical assistance projects totaling \$4.9 million.

Project implementation: Since joining ADB in 1994, the Kyrgyz Republic has received 18 loans, of which 14 were active at the end of 2000. Contract awards totaled \$9.2 million, bringing the cumulative figure to \$282.2 million. The contract award ratio was 6.7 percent, lower than the ADB-wide average of 21 percent, mainly because newly approved projects had not reached the contract award phase. Disbursements during the year



In the Central Asian republics, ADB is addressing the development needs by promoting regional cooperation.

totaled \$21.4 million, bringing cumulative disbursements to \$256.4 million. The disbursement ratio was 11.9 percent, lower than the ADB-wide average of 20.5 percent.

Despite fiscal constraints, ADB-financed projects in the Kyrgyz Republic continued to perform well, although project implementation, particularly physical infrastructure, was hampered by bad weather. Weaknesses were identified in the submission of project progress reports, audited accounts, and financial statements; and in compliance with covenants.

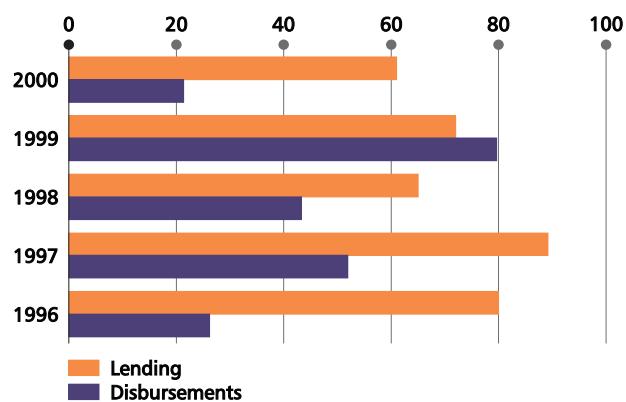
A significant event in 2000 was the establishment of the Kyrgyz Resident Mission, which strengthened the Government's and ADB's relations and opened up new possibilities for more direct policy dialogue. It also had a positive impact on project implementation, aid coordination, and ADB response to civil society and nongovernment organizations.

Kyrgyz Republic Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	3	105.0 ^a	23.2
Social Infrastructure	4	93.7	20.7
Agriculture and Natural Resources	3	88.5	19.6
Finance	4	80.0	17.7
Multisector	3	55.0	12.2
Energy	1	30.0	6.6
Total	18	452.2	100.0

^a Includes Kyrgyz Republic loan component of the Almaty-Bishkek Regional Road Rehabilitation Project amounting to \$5 million.

Kyrgyz Republic Lending and Disbursements, 1996–2000 (\$ million)



Tajikistan

Economic performance

Economic growth: GDP grew by 5.0 percent in 2000, up from 3.7 percent in 1999, despite the worst drought in 74 years. The growth rate increased because of improved stability and security following completion of the peace process and parliamentary elections in 2000, and the economic recovery of Russia, still a major export market for Tajikistan. The drought, however, necessitated a government appeal to international funding agencies for \$76.6 million in emergency food and related assistance, and the Government allocated an additional \$30 million from the budget to purchase seeds. Cotton production rose by 7.1 percent in 2000. Industry sector output grew by 10.3 percent in 2000, compared with 5 percent in 1999.

Employment: Labor markets remained weak, and the narrow base of economic growth has limited employment opportunities. The official unemployment rate in August 2000 was 3.1 percent; the unofficial rate was about 30 percent. The official figures do not include unemployment in inactive state-owned enterprises.

Inflation: Consumer price inflation was 24.0 percent in 2000. Inflation was fueled by a drought-induced 30 percent rise in food prices and by high world energy prices. The currency continued to depreciate, falling by 30 percent against the US dollar in 2000. In October, the somoni replaced the Tajik ruble as the national currency at a rate of 1 somoni to 1,000 Tajik rubles.

Fiscal balance: The fiscal position improved in 2000 because of better tax collection, continued rationalization of government expenditures, and positive economic growth. Improved tax collection led to government revenue of 13.7 percent of GDP, from 13.5 percent in 1999. The budget deficit in 2000 fell to 0.7 percent of GDP despite the emergency expenditures required by the drought, compared with 3.1 percent in 1999.

External sector: The current account deficit increased to 5.7 percent of GDP in 2000, compared with 3.5 percent of GDP in 1999. Imports expanded by 13.6 percent in 2000, while exports grew by 11.4 percent. Exports were led by aluminum, which grew by 44 percent and accounted for 55 percent of exports. Cotton exports fell by 5.4 percent and accounted for 12 percent of exports. Gross international reserves stood at 1.9 months of imports at the end of 2000, up from 1.0 month at the end of 1999. Tajikistan's external debt is over 100 percent of GDP, and the country's debt service burden is becoming fiscally unsustainable, equal to 44 percent of government

revenue in 2000. The PRC converted Tajikistan's bilateral debt to a grant in 2000.

Domestic policies: The authorities continued to pursue tight monetary and fiscal policies in 2000. Although Tajikistan's three-year IMF reform program went off track in early 2000 because of loose monetary policy, strong corrective measures were taken by the middle of 2000, and the third year of the program was approved in October. Tax collection improved and fiscal targets were restored. The Government has committed to reducing poverty, and in October completed an interim national poverty reduction strategy that incorporates employment promotion, economic growth, and social safety net reforms.

The structural reform process, including privatization, accelerated in 2000.

ADB operations

Operational strategy: ADB's interim operational strategy for Tajikistan, endorsed in 1998, aims to facilitate the country's transition to a market economy, assist in the postconflict rehabilitation and reconstruction, and support natural disaster rehabilitation. The strategy focuses on agriculture and agroprocessing; infrastructure rehabilitation, especially road and power; and education. After a detailed social sector review, support in the third area was broadened to include health and social protection.

Policy dialogue: Policy dialogue with the Government continued on reforms begun under the Postconflict Infrastructure Program, particularly in the energy and transport sectors. ADB supported the Government in preparing new energy and transport laws that established the Ministry of Energy and the Ministry of Transport in 2000, and worked with the Government to produce an environment profile of Tajikistan that will help guide ADB's future support. Policy dialogue in the agriculture and social sectors is ongoing. ADB will continue to assist in strengthening the legal system. ADB initiated its poverty reduction strategy

Tajikistan Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Multisector	3	45.0	45.5
Energy	1	34.0	34.3
Transport and Communications	1	20.0	20.2
Total	5	99.0	100.0

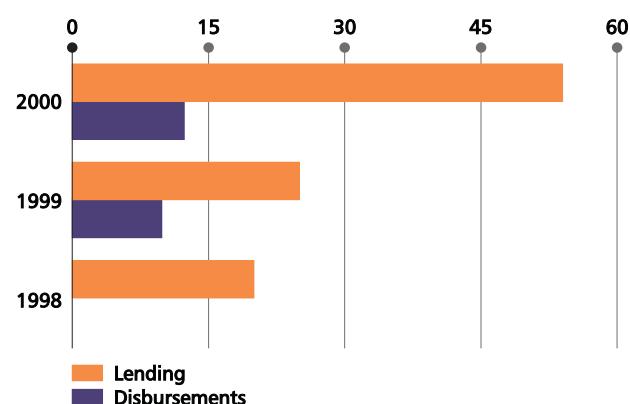
for Tajikistan in April 2000, in close coordination with the World Bank, International Monetary Fund, and United Nations Development Programme. Based on a government request and on discussions with major stakeholders, ADB will assist the Government in drafting a national poverty reduction strategy; a poverty partnership agreement with ADB will follow.

Loans and technical assistance: In 2000, ADB approved two project loans totaling \$54 million. The Power Rehabilitation Project will improve power supply to poor communities in the war-damaged Khatlon and Dushanbe regions and will rehabilitate the Nurek Hydropower Plant and Central Hydropower Plant. The Road Rehabilitation Project will improve transport infrastructure in the Khatlon region. Both loans received cofinancing—a first for ADB operations in Tajikistan. The OPEC Fund committed \$4.0 million cofinancing for the road project; and the Islamic Development Bank and Switzerland scheduled cofinancing of \$9.3 million and \$6.0 million, respectively, for the power project. ADB also approved 10 technical assistance grants totaling \$4.8 million.

Project implementation: Since joining ADB in 1998, Tajikistan has received five loans. Contract awards totaled \$13.7 million, bringing the cumulative figure to \$23.6 million. The contract award ratio was 18.4 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$12.3 million, bringing cumulative disbursements to \$22.2 million. The disbursement ratio was 35.5 percent, higher than the ADB-wide average of 20.5 percent.

The second tranche (\$10 million) of the Postconflict Infrastructure Program loan, approved in 1998, was released in December 2000 after reforms in the transport and energy sectors were implemented.

**Tajikistan
Lending and Disbursements, 1998–2000
(\$ million)**



Tajikistan's capacity to implement projects is limited by the Government's tight fiscal position and the resulting scarcity of counterpart funds; weak administrative structures; and limited experience with ADB policies, procedures, and practices. In 2000, implementation delays were experienced in satisfying loan effectiveness conditions and fulfilling program loan conditions. Government officials and executing agency staff participated in a regional project implementation seminar in Tashkent, but more work will be required to raise implementation skills to an acceptable level. All ADB projects are accompanied by substantial technical assistance for capacity building.

Turkmenistan

Economic performance

Economic growth: Turkmenistan experienced a sharp fall in GDP following independence. Since 1998, however, the economy has improved steadily. For the first time since independence, real GDP increased, rising by 7 percent in 1998 and 16 percent in 1999. These increases resulted from improved cotton, wheat, gas, and oil production. In 2000, GDP growth increased to 17.6 percent, mainly because of large-scale gas exports to Russia.

Employment: Turkmenistan guarantees employment to every citizen. Thus, official unemployment figures do not exist. The share of employment of working age people (defined as men between the ages of 16 and 59 and women between the ages of 16 and 54) decreased from 78 percent of the labor force in 1992 to 74.4 percent in 1998, despite a steady increase in the employable population, indicating an overall increase in hidden unemployment. Almost 48 percent of the population is employed in agriculture, including forestry and fisheries, while less than 13 percent work in the industry sector.

Inflation: Inflation has remained low since 1998, not only because of tight monetary control, but also because of an extensive subsidy for basic consumer goods. Year-on-year inflation for the first five months of 2000 was about 11 percent, compared with an average of 20 percent for the same period in 1999.

Fiscal balance: Unlike most republics of the former Soviet Union, Turkmenistan did not incur a fiscal crisis after independence. According to official statistics, state budget deficits appeared to be under control. Data released by the

finance ministry in early July showed a budget surplus equivalent to 0.3 percent of GDP for the period January–June 2000.

External sector.⁹ The current account deficit widened to 33 percent of GDP in 1998, mainly caused by a difficult export situation, accompanied by rising imports. With the resumption of gas exports to Russia, the trade balance improved, with a recorded trade surplus of \$400 million for the first nine months of 2000. The current account is expected to experience a small deficit in 2000, mainly as a result of a growing deficit in the services account.

The capital account improved significantly after independence, recording an \$870 million surplus in 1998. Turkmenistan's external debt surged to 54.0 percent of GDP in 1999 from a debt-free position following independence. Reflecting the rise in external debt and the fall in export earnings, the debt service ratio increased from 35.1 percent in 1997 to 97.6 percent in 1998, dropping to 55.0 percent in 1999 following a sharp increase in export revenues. The country's gross official reserves reached \$1.5 billion (equivalent to about 14 months of imports) in 1999.

Several measures have been taken to attract foreign direct investment (FDI) since independence. FDI peaked at \$233.0 million in 1995 and has declined to around \$100.0 million in 1999.

Domestic policies: The Government is pursuing a strategy of social and economic transformation. Extensive state-led investment and ambitious agricultural targets appear in the development plan, which may not be feasible, given the lack of FDI and concessional assistance and the ongoing regionwide drought.

The Government's progress in privatization has been limited. Only a few state-owned enterprises have been privatized, and their importance to the economy as a whole is marginal. Moreover, the private sector has limited access to foreign exchange, making structural investments—which would require foreign equipment—difficult.

The main challenges facing the Government are consolidating the budget and improving public resource management, unifying and liberalizing the exchange rate, and reducing further the role of the state in commercial and productive activities. Turkmenistan has good long-term potential for developing its resource base, but realizing this will require significant changes in policies and carefully managing debt and public expenditure. Diversifying the economy remains a challenge, since it remains dominated by the production and export of energy and cotton and is thus vulnerable to external shocks.

⁹ External sector data were provided by the International Monetary Fund.

ADB operations

Turkmenistan became ADB's 59th member in August 2000. An economic mission visited Turkmenistan in November 2000 to gather information needed to prepare an economic report and an interim operational strategy that will define ADB's initial development cooperation activities in the country.

The proposed strategy, which will be consistent with the Government's long-term development objectives as described in its 2000–2010 Development Program and with ADB's objective to reduce poverty, will have two main strategic objectives: (i) enhance human and social development and (ii) promote sustainable economic growth. The focus of human and social development will be on maintaining and upgrading the human resource base in terms of basic education and vocational training; building capacity to improve public sector management; and improving basic services, such as clean drinking water, sanitation, and heating, especially for the rural poor. The focus of sustainable growth will include improving the technological efficiency of agricultural production; ensuring ecological safety primarily in terms of bettering the management of water resources to increase efficiency and improve maintenance of irrigation systems; and encouraging private sector development.

Uzbekistan

Economic performance

Economic growth: GDP growth was 4.0 percent in 2000, compared with an official target of 4.2 percent, and growth of 4.4 percent in 1999, representing a fifth year of consecutive GDP growth. The agriculture sector output contracted because of a poor cotton harvest resulting from the drought. While growth in the industry sector remained strong, it was lower than expected because of a sharp drop in FDI.

Employment: With new employment opportunities expected to grow slowly, the emergence of surplus labor will pose a major challenge. Although officially registered unemployment was just 0.6 percent of the workforce at the end of 1999, considerable hidden unemployment and underemployment exist in the state-owned enterprises and collective farms.

Inflation: Although official statistics reported average annual inflation at 24.9 percent for 2000, compared with 29.1 percent for 1999, estimates by the International Monetary Fund and the European Bank for Reconstruction and Development put the inflation rate much higher, at over 50 percent. The inflation target of 20.0 percent, set

by the authorities at the beginning of 2000, was exceeded because of a 51.0 percent increase in wages and an increase in fuel prices effective 1 August. Interest rates are negative in real terms.

Fiscal balance: With improved tax collection and expenditure control measures, the state budget recorded a deficit of 1.0 percent of GDP for 2000, lower than the 2.8 percent deficit targeted at the beginning of the year. Total government revenues reached 28.5 percent of GDP in 2000, with total expenditures equal to 29.6 percent of GDP.

External sector: The current account position improved, with a surplus equivalent to 0.8 percent of GDP being attained in 2000, compared with a deficit of 0.1 percent in 1999. Export earnings increased slightly in 2000 despite lower gold prices and falling cotton export volumes. Imports declined because of increased import compression and intensified import substitution policies, resulting from devaluation of the domestic currency and import controls. The external debt increased from 26.4 percent to 29.0 percent of GDP over the same period.

Domestic policies: Monetary policy remained relatively loose, with interest rates negative and growth in money supply estimated at 27.1 percent in 2000. Bank credit increased significantly in real terms. Overall, the country's financial sector, including its equity and bond markets, is at an early stage of development.

Some major steps in banking reforms have been undertaken in recent years. A government resolution, enacted in January 1999, regulated the use of bank accounts for tax purposes. In addition, the Government has created a Bank Privatization Agency and nominated five banks for the first round of privatization.

In 2000, the Government took several steps to reduce the number of exchange rates and the spread between them. Current account convertibility remains one of the main policy concerns to be addressed by the Government in 2001.

ADB operations

Operational strategy: ADB's new operational strategy for Uzbekistan, approved in March 2000, supports reducing poverty in a sustainable manner. The strategy, which recognizes the Government's reform program as being essential for reducing poverty, has two objectives: (i) manage the transition by developing market-based institutions, which will involve supporting basic reforms, developing the financial sector, and minimizing the social costs of transition especially in social and urban services; and (ii) harness the potential for growth by encouraging regional cooperation and trade, developing agriculture and

Uzbekistan
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	3	190.0	49.1
Social Infrastructure	3	97.0	25.1
Agriculture and Natural Resources	1	50.0	12.9
Finance	1	50.0	12.9
Total	8	387.0	100.0

rural development, and providing direct support to the private sector to complement public sector projects.

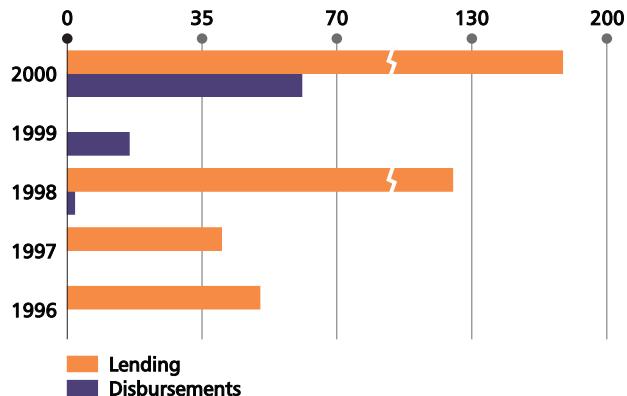
Policy dialogue: Policy dialogue with the Government continued on reforms in the education and railways subsectors, and small and medium enterprise (SME) development. In the railways subsector, dialogue was on, among others, adopting a regulatory framework, restructuring the Uzbekistan railways, and assessing the social impact of the restructuring program. In SME development, dialogue was on encouraging growth and protecting the legitimate interests of SMEs engaged in lawful entrepreneurial activities; guaranteeing legal and intellectual property rights of entrepreneurs; and introducing transparency, equity, and fairness in the inspection process. In processing the SME Development Project, significant achievements were also made on foreign exchange and surrender systems.

Loans and technical assistance: In 2000, ADB approved three loans totaling \$177 million to support reforms in the senior secondary education, modernize railways, and develop SMEs. ADB also approved five technical assistance grants totaling \$3.3 million: two for project preparation and three for advisory and operational purposes.

Project implementation: Since joining ADB in 1995, Uzbekistan has received eight loans, all of which were active at the end of 2000. Contract awards totaled \$49.7 million, bringing the cumulative figure to \$102.2 million. The contract award ratio was 10.5 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$60.9 million, bringing cumulative disbursements to \$78.8 million. The disbursement ratio was 31.7 percent, higher than the ADB-wide average of 20.5 percent.

In June 2000, ADB conducted its second country portfolio review. To address project implementation constraints, ADB and the Government developed an action plan that recommends increased high-level government monitoring of ADB-financed projects and more frequent meetings with

Uzbekistan
Lending and Disbursements, 1996–2000
(\$ million)



resident mission staff. Also, ADB will continue to strengthen the supervisory capabilities of executing agency staff on all aspects of project implementation. In response to ADB's Resident Mission Policy, additional staff were assigned to the Uzbekistan Resident Mission to handle portfolio management.

Azerbaijan

Economic performance

Economic growth: Real GDP growth continued to be strong at 11.4 percent in 2000, following an impressive 7.4 percent in 1999. Strong performance in the oil and oil-related subsectors, which grew by more than 20 percent and now accounts for about 26 percent of GDP, was the major contributing factor. Agriculture, on the other hand, registered only an estimated 6 percent increase. Growth remained slow in the other non-oil sectors.

Employment: In 2000, unemployment officially stood at only 1 percent of the labor force, but underemployment is estimated to have been about 18 percent, a level similar to that for 1999. Unemployment among those aged 29 or below accounted for 53 percent of the overall total.

Inflation: Consumer price inflation accelerated sharply during the first few years following independence, but the macroeconomic stabilization program launched in 1995 brought inflation down to 3.7 percent in 1997. In 2000, consumer price inflation measured 1.8 percent, compared with negative 8.5 percent in 1999. The return of inflation resulted from the easing of monetary policy beginning in mid-1999, which caused the broad money supply to increase above 20 percent in 2000, compared with 15 percent in 1999. Rising world oil prices also contributed to the return of inflation.

Fiscal balance: The total fiscal deficit in 2000 is estimated to have fallen to 2.3 percent of GDP from 5.4 percent of GDP in 1999. Reduction in public expenditure, estimated at 21.5 percent of GDP in 2000 as compared with 25 percent of GDP in 1999, was the main factor contributing to lower fiscal deficit. Reduced levels of capital outlays and spending on wages and salaries brought down the expenditure level. Total government revenues fell slightly to 19.2 percent of GDP in 2000, compared with 19.6 percent of GDP in 1999.

External sector: The current account deficit fell in 2000 to \$43 million, or 0.9 percent of GDP, from \$600 million (15 percent of GDP) in 1999. The trade balance improved in 2000, registering a surplus of \$400 million, or 8 percent of GDP, compared with a deficit of \$408 million (10.2 percent of GDP) in 1999. Revenues from oil exports, which benefited from rising world oil prices, were the main contributing factor. Total exports rose to \$1.9 billion in 2000 from \$1.0 billion in 1999. Total imports also increased, but by a much smaller degree, to \$1.5 billion from \$1.4 billion during the same period, while imports in the oil-related subsector fell by 28 percent. With the end of the major investment phase of the Azerbaijan International Operating Company, a major oil consortium, gross foreign investment fell to \$493 million in 2000, compared with \$688 million in 1999. Gross foreign exchange reserves are estimated to have increased slightly from \$674 million in 1999 to \$680 million by the end of 2000. Total external public and publicly-guaranteed debt rose to \$1.2 billion by end-2000, equivalent to 24 percent of GDP. Meanwhile, external debt service costs rose slightly to 4.4 percent of exports of goods and services in 2000, compared with 4 percent a year earlier.

Domestic policies: The Government continued its tight fiscal stance, but eased monetary policy in 2000 in response to the rebound in world oil prices and the gradual return to economic stability in Russia and other neighboring countries. With the adoption of a more flexible exchange rate, the manat (M) depreciated to an average level of M4,474 to the US dollar in 2000, compared with M4,126 per US dollar in 1999, helping promote export competitiveness. The amended Tax Code, approved in July 2000, is expected to expand fiscal revenues by broadening the tax base. However, increasing much-needed social expenditures while keeping the fiscal deficit under control remains a challenge for the Government, as do managing larger projected oil revenues and diversifying industry to reduce oil dependence.

ADB operations

ADB's interim operational strategy for Azerbaijan focuses on reducing poverty and raising the people's living standards in

a sustainable manner. ADB's operations will initially enhance human development; promote sustainable growth, including private sector development; and support good governance and institutional strengthening. Two operational areas have been prioritized: (i) direct assistance to the poor and (ii) poverty reduction through non-oil sector development.

Mongolia

Economic performance

Economic growth: Mongolia's economy continued to perform below its potential in 2000, with marginal GDP growth, increased inflation, and deteriorating current account balance. Following a 3.5 percent average annual GDP growth from 1997 to 1999, GDP grew by only 0.5 percent in 2000. During 1999–2000, Mongolia experienced its most severe winter in three decades; as a consequence, nearly 10 percent of the country's livestock were lost, affecting the livelihood of about 20 percent of the population.

Since 1995, the percentage of people living below the official poverty line has remained high at about 36.0 percent, while both the depth and the severity of poverty have increased. The poor, especially small livestock herders and the unemployed in urban areas, remain highly vulnerable to even minor external shocks, adverse climatic developments, and the difficulties involved in making the transition to a market economy.

Employment: The official unemployment rate is 10 percent of the registered workforce. Unemployment is strongly correlated with poverty in the urban areas, where 52 percent of the poor are unemployed, compared with 20 percent unemployed among the rural poor and 30 percent of the poor nationwide.

Inflation: Consumer price inflation, which had declined from 37.0 percent in 1997 to 7.6 percent in 1999, rose to 11.6 percent in 2000. The increase in food prices was particularly sharp, which had an adverse effect on the living standards of the urban poor who spend most of their income on food. To a large extent, excessive growth in money supply caused the resurgence of inflation in 2000. Money supply (M2), increased to about 32 percent in 1999, and rapid growth in money supply continued for most of 2000. During the first 10 months of the year, money supply growth averaged about 35.0 percent, although by December 2000, this had fallen to 17.6 percent.

Fiscal balance: The negative impacts of the severe 1999–2000 winter made macroeconomic management difficult. The Government's response was to follow expansionary fiscal and

monetary policies. The fiscal deficit imbalance was exacerbated by the run-up to the July parliamentary elections, reaching about 10.8 percent of GDP, which breached the 8.5 percent target for 2000 agreed under the International Monetary Fund's Poverty Reduction and Growth Facility program.

External sector: A large fiscal imbalance and rapid monetary expansion contributed to the persistence of a current account deficit of nearly 15.0 percent of GDP in 2000. Large current account deficits in recent years have resulted in rapid accumulation of external debt, which nearly doubled from \$532 million in 1996 to about \$935 million in 2000, or from 46 percent of GDP to nearly 100 percent of GDP. About 53 percent of this debt is owed to multilateral institutions, 40 percent to bilateral donors, and the remainder to commercial lenders.

Domestic policies: The landslide victory of the Mongolian People's Revolutionary Party in July 2000 ended the political instability that had afflicted the country since 1998. The new Government has targeted an annual GDP growth rate of 6 percent for the next four years. In addition, the new Government has emphasized the importance of deepening economic reforms, promoting an export-oriented economy, and improving governance and social equity in its action program for the next four years.

ADB operations

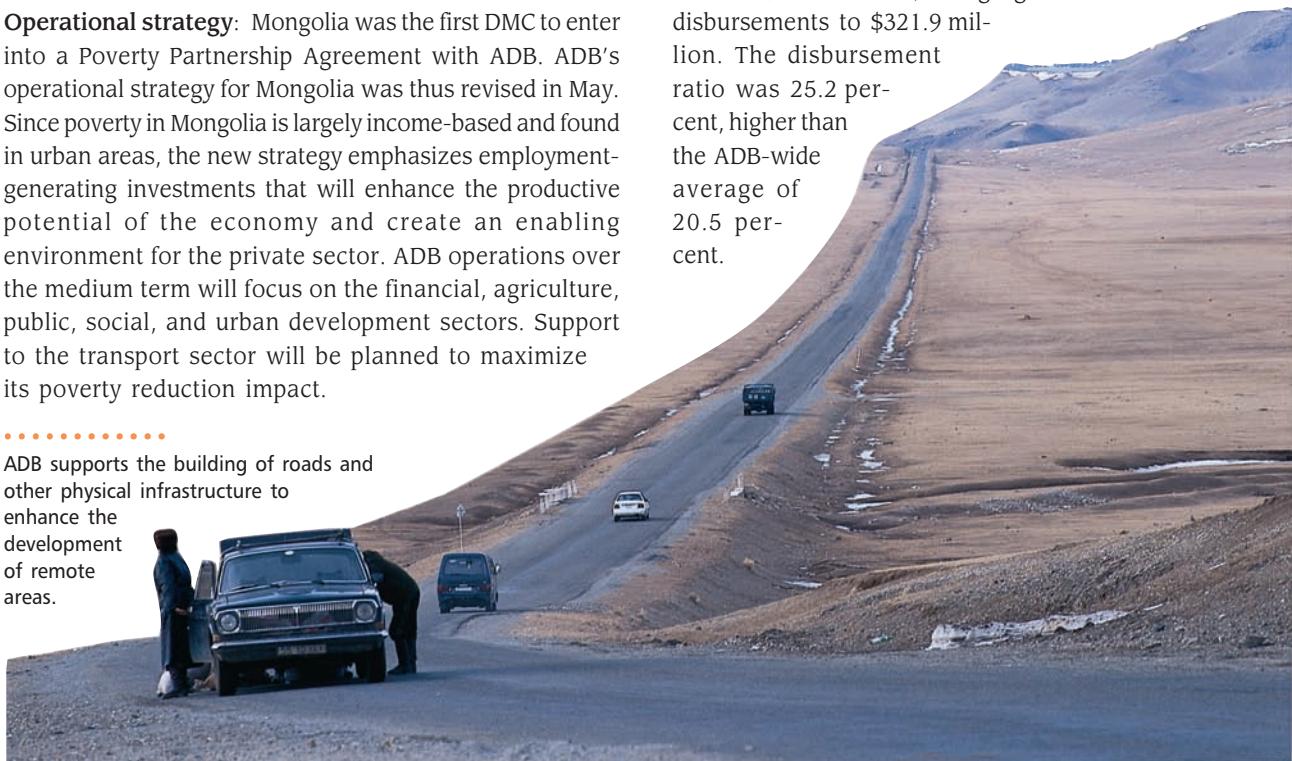
Operational strategy: Mongolia was the first DMC to enter into a Poverty Partnership Agreement with ADB. ADB's operational strategy for Mongolia was thus revised in May. Since poverty in Mongolia is largely income-based and found in urban areas, the new strategy emphasizes employment-generating investments that will enhance the productive potential of the economy and create an enabling environment for the private sector. ADB operations over the medium term will focus on the financial, agriculture, public, social, and urban development sectors. Support to the transport sector will be planned to maximize its poverty reduction impact.

ADB supports the building of roads and other physical infrastructure to enhance the development of remote areas.

Policy dialogue: Policy dialogue with the Government focused on formulating the new operational strategy and resulted in the Poverty Partnership Agreement. ADB and the Government agreed to work together to reduce, at least by half, the proportion of people below the official poverty line by 2005. Extensive policy dialogue was undertaken in developing the financial and agriculture sector programs that were supported with lending in 2000. Support for reforms within specific sectors and subsectors continued.

Loans and technical assistance: In 2000, ADB approved four loans totaling \$41.9 million: the Cadastral Survey and Land Registration Project, the Second Financial Sector Reform Program, and the Agriculture Sector Development Program (program and investment loans). ADB also approved five technical assistance grants totaling \$3.6 million for preparing a rural finance project and a housing sector finance project programmed for 2001, strengthening the financial sector, building capacity in the agriculture sector, and assisting in a cadastral survey and land registration.

Project implementation: Since joining ADB in 1991, Mongolia has received 25 loans, of which 15 were active at the end of 2000. Contract awards totaled \$36.4 million, bringing the cumulative figure to \$340.5 million. The contract award ratio was 27 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$32.9 million, bringing cumulative disbursements to \$321.9 million. The disbursement ratio was 25.2 percent, higher than the ADB-wide average of 20.5 percent.



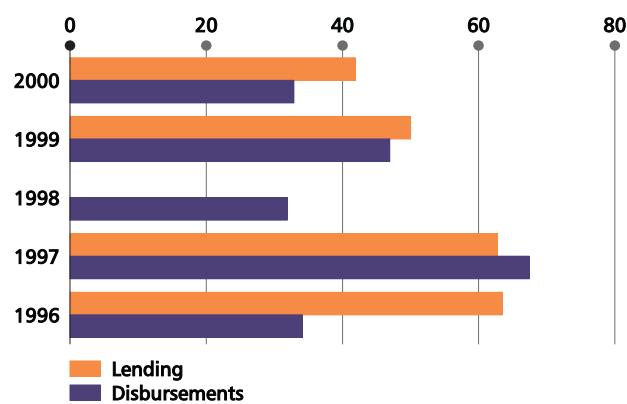
Despite fiscal constraints and institutional weaknesses, ADB's ongoing loan portfolio in Mongolia was generally performing satisfactorily. Given the tight budgetary situation, adequate provision of counterpart funds to ADB-funded projects was a major concern. A time-bound action plan agreed between the Government and ADB includes measures to accelerate project start-up, use ADB's advance procurement action procedures, enhance implementation readiness of new projects, release counterpart funds in a timely manner, and improve timeliness in submitting audited financial statements.

The Resident Mission in Mongolia, approved in August 2000, is expected to play a significant role in improving portfolio performance.

Mongolia Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	5	134.5	28.7
Energy	4	93.8	20.0
Agriculture and Natural Resources	5	64.9	13.8
Industry and Nonfuel Minerals	2	60.0	12.8
Finance	3	53.0	11.3
Social Infrastructure	5	38.2	8.1
Others	1	25.0	5.3
Total	25	469.4	100.0

Mongolia Lending and Disbursements, 1996–2000 (\$ million)



People's Republic of China

Economic performance

Economic growth: The People's Republic of China's (PRC) GDP growth rate reached 8 percent in 2000, compared with 7.1 percent in 1999. Growth in 2000 was mainly driven by domestic consumption and investment. Industry sector growth rose by 9.6 percent in 2000, compared with 8.1 percent in 1999. The agriculture sector, on the other hand, suffered from a severe drought and a decline in retail food prices. Consequently, the agriculture sector growth declined from 2.8 percent in 1999 to 2.4 percent in 2000. Retail sales grew by 9.7 percent in 2000, compared with 6.8 percent in 1999. A combination of fiscal stimulus packages and recovery in nonstate investment led to strong growth in domestic fixed investment. Expansionary monetary policy and low interest rates also supported domestic demand and growth. The prime lending rate was 5.9 percent in 2000, compared with 11 percent in mid-1996. Since June 1999, the domestic bank lending rate has been lower than the comparable rate on dollar-denominated assets in the international capital market. The industry sector maintained robust growth. The profitability of both state-owned and private enterprises improved because of increased demand and a generally favorable economic environment.

Employment: The urban unemployment rate in 2000 was about the same as the official estimate of urban unemployment at the end of 1999: 3.1 percent of the urban labor force. However, this estimate does not cover workers who were laid off as part of state-owned enterprise reforms and have not found alternative employment.

Inflation: The deflationary trend of the past two years was arrested in 2000, with consumer price inflation increasing by about 0.4 percent. However, if the price of oil-related goods and price adjustments of some service products are excluded, the consumer price index would have declined by 1.5 percent in 2000.

Fiscal balance: The March 2000 budget continued an expansionary fiscal stance. For 2000, government expenditures increased by 20.4 percent, and revenues by 16.9 percent. The fiscal deficit was at 2.8 percent of GDP in 2000, compared with 2.1 percent of GDP in 1999.

External sector: Exports rose by about 28 percent to \$249 billion and imports surged by about 37 percent to \$217 billion in 2000. The growth of PRC's exports to the Republic of Korea, Russia, and the countries of the Association of Southeast Asian Nations increased over 40 percent during the year, while its imports of primary products, such as crude oil, metal, wood and timber, and paper, increased by 82 percent.

The current account surplus in 2000 was about \$14.0 billion, compared with \$15.6 billion in 1999. Actual foreign direct investment (FDI) increased by 1.0 percent in 2000. FDI contracts in 2000 increased by 51.3 percent. Foreign exchange reserves of about \$165.0 billion, an external debt of \$151.0 billion, and a debt service ratio of 15.0 percent define the external payments position.

Domestic policies: Since 1998, fiscal and monetary policies have supported domestic demand and growth. Lowering interest rates and reserve requirements for banks has eased monetary policy. This overall policy stance continued in 2000. Broad money supply growth was 15.0 percent in 2000, similar to that in 1999. To prepare the economy for membership in the World Trade Organization (WTO), the People's Bank of China considered introducing mechanisms to gradually allow a greater role for market forces in determining the exchange and interest rates. Expansionary fiscal policy was again adopted in 2000 to increase investment in infrastructure and stimulate growth. The fiscal deficit was reduced because of increased revenue collection. Tighter tax administration and stricter enforcement of antismuggling measures increased tax revenues. Improved profitability of industrial enterprises also helped revenue collection.

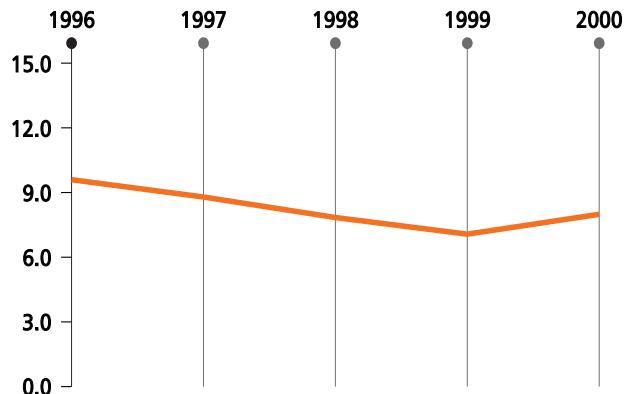
The Government addressed worsening urban unemployment by promoting the development of the private sector, especially the small and medium enterprises (SMEs), and initiating reforms of the social security system such as unemployment insurance and the minimum living standard support system for urban residents.

Building on a constitutional amendment giving greater constitutional status to the private sector, several economic laws were enacted to develop a better legal and regulatory framework for the market economy to function efficiently. The Government also sought to improve private firms' access to credit by setting up credit guarantee schemes for SMEs in 70 cities.

If Asia and the Pacific are to be free of poverty, children must be placed high on the list of national priorities.



People's Republic of China GDP Growth Rate (percent)



The PRC's accession to WTO and the commitments to cut tariffs, liberalize trade and investment, and open up domestic sectors for foreign participation will bring significant efficiency gains and wider consumer choices. In preparation, the Government has amended three major laws relating to foreign investment: foreign joint ventures law, foreign cooperatives law, and solely owned foreign-funded ventures law. The Government has also revised several laws, including a patent law, to make them more compatible with WTO rules. More than 1,000 laws and regulations will be reviewed to make them consistent with WTO rules.

In the past 20 years of reform, substantial disparities in regional living standards have developed. Per capita GDP in the western region of the country is about two thirds the national average and only one third that in the eastern coastal region. The March 2000 session of the National People's Congress endorsed a proactive policy for promoting growth, developing infrastructure, and improving natural resource management in the country's western region.

ADB operations

Operational strategy: ADB's operational strategy for the PRC emphasizes three broad objectives: (i) improving economic efficiency, (ii) promoting

growth to reduce poverty, and (iii) ensuring environmental protection and natural resource management. The pursuit of these objectives will help maximize employment creation, correct factor market distortions, address market failures of rapid growth by spreading the benefits of growth more equitably, and reduce environmental degradation.

ADB will continue to assist the Government in deepening its macroeconomic structural reforms. Economic efficiency will be improved by adopting market-based approaches in all sectors in which ADB operates.

To promote economic growth and reduce poverty, traditional growth projects are being located in poor regions. ADB will also incorporate components in traditional economic growth projects that will have a broader impact on poverty reduction, such as including feeder and market roads in highway projects and rural electrification in power projects. While the share of ADB-supported projects in the inland provinces is increasing, support for key projects in the coastal provinces—especially those that improve the environment in urban areas, address social concerns, or support the private sector—will continue.

ADB targets six areas for environmental protection and natural resource management: (i) improving air and water quality in urban areas; (ii) increasing efficiency and greater diversification to cleaner sources in the energy sector; (iii) increasing energy conservation and using clean technology processes in the industry sector; (iv) promoting comprehensive basin planning and pollution cleanup in rivers and lakes; (v) protecting watersheds, conserving biodiversity, and preserving unique ecosystems; and (vi) strengthening institutional capacity in sectoral agencies.

People's Republic of China Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	35	4,968.0	48.2
Energy	17	1,866.3	18.1
Social Infrastructure	7	846.5	8.2
Multisector	6	730.0	7.1
Industry and Nonfuel Minerals	5	686.8	6.7
Finance	6	530.0	5.2
Agriculture and Natural Resources	8	513.9	5.0
Others	1	156.0	1.5
Total	85	10,297.5	100.0

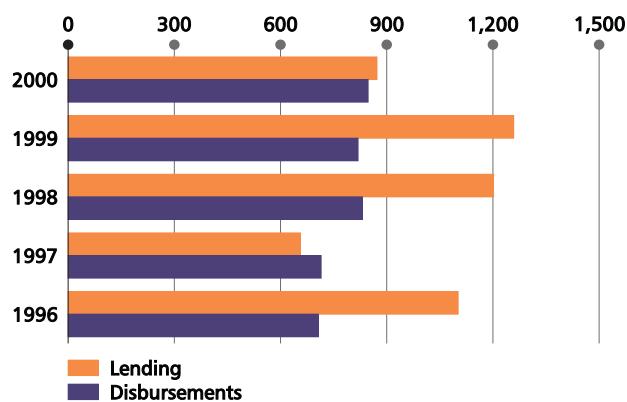
Policy dialogue: Policy dialogue with the Government focused on protecting the environment, improving development management, and reducing poverty, including developing social safety nets.

At the International Poverty Reduction Conference in May 2000, which was cosponsored by ADB with World Bank, United Nations Development Programme, and PRC's Leading Group on Poverty Alleviation and Development, participants agreed that the delivery of poverty reduction programs could be strengthened by developing mechanisms that target poor people living outside the poor rural areas. Recognizing that urban unemployment and poverty are likely to increase as market-oriented reform deepened, ADB actively engaged the Government in promoting social security reforms to offset the social costs of enterprise reform and address the threat of rising urban poverty.

Efforts to support sound development management, including discussions on ADB's Anticorruption Policy, continued in 2000. ADB promoted transparent and competitive bidding procedures in the PRC in procurement. Through its Law and Policy Reform Program, ADB continued to assist the Government in developing a legal and regulatory framework consistent with the needs of a market economy. Advisory inputs from the ongoing technical assistance for the Development of Economic Laws are being used to either prepare or improve seven pieces of legislation pertaining to bankruptcy, company law, social security, administrative licensing, closure of financial institutions, commercial and economic entities law, and trust law. Through active interaction with other coinvestors, ADB is also helping advance corporate governance in private sector enterprises.

In 2000, an ADB-supported seminar discussed the global and domestic impact of the PRC's membership in

People's Republic of China Lending and Disbursements, 1996–2000 (\$ million)



the WTO. The policy issues and challenges facing the PRC as a WTO member were also highlighted in ADB's 2000 country economic review of the PRC.

ADB continued to advance its environment improvement agenda in the PRC. An international conference in November 2000—sponsored by the PRC Council for International Cooperation on Environment and Development, of which ADB is a member—brought many recommendations on improving the environment to the attention of senior PRC leaders. As a result of the policy dialogue for the wind power project, a "green credit" system for wind energy projects will be developed, thus furthering the environment agenda. A major focus of ADB's environment work in 2000 was transjurisdictional pollution issues for which a cluster technical assistance was approved.

Loans and technical assistance: In 2000, ADB approved six loans totaling \$872.3 million. These included a railway project and two road projects, which are located in the inland provinces and will improve access to markets for poor communities in the provinces of Anhui, Guizhou, and Shaanxi, and Chongqing Municipality; an agriculture development project focusing on poverty reduction in West Henan; a wastewater treatment and water resources development in Tianjin; and a project to develop wind power in Xinjiang, Heilongjiang, and Liaoning provinces. The Wind Power Project involved \$12 million Global Environment Facility (GEF) cofinancing—half as a grant and half as a zero interest loan—the first time ADB mobilized GEF cofinancing in the PRC.

ADB also approved 25 technical assistance grants totaling \$16.7 million. Of these, 7 were to prepare new projects and 18 were to support policy-oriented studies and promote capacity building. One technical assistance project will assist the Government in preparing a strategic study for supporting the sustainable development of the western region, where most of the PRC's absolute poor live. In addition, ADB approved an equity investment of up to \$25 million in a fund designed to attract foreign investors to invest in private sector companies.

Project implementation: Since joining ADB in 1986, the PRC has received 85 loans, of which 48 were active at the end of 2000. Contract awards totaled \$757.9 million, bringing the cumulative figure to \$6.2 billion. The contract award ratio was 27.5 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$847.5 million, bringing cumulative disbursements to \$5.8 billion. The disbursement ratio was 22.8 percent, higher than the ADB-wide average of 20.5 percent.

The PRC has demonstrated a strong capability for project implementation. Overall, portfolio performance

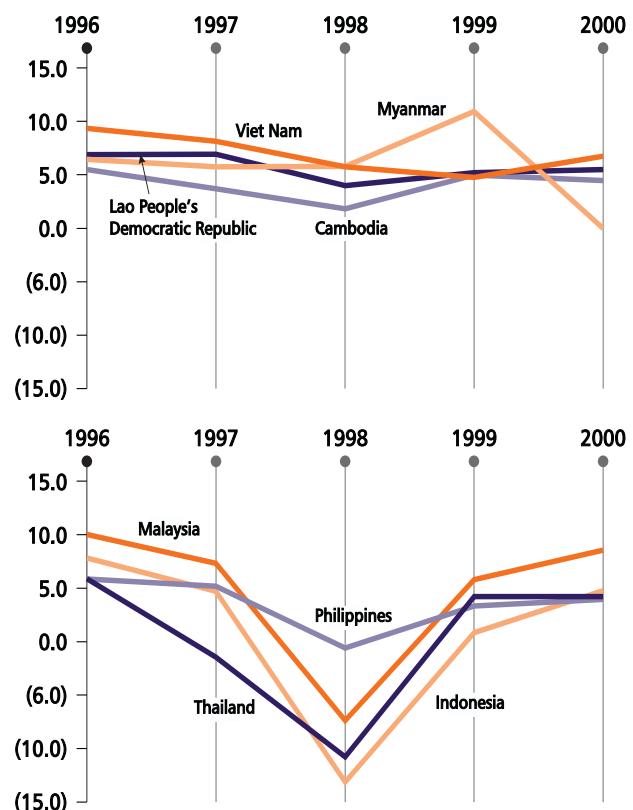
improved in 2000, compared with 1999 in terms of implementing loans and technical assistance projects and submitting audited financial statements.

Establishing the PRC Resident Mission (PRCM) was a significant event in ADB's PRC operations in 2000. The PRCM will help ADB strengthen portfolio management, address project implementation issues, and provide training to executing agencies. The PRCM enabled ADB to strengthen its partnership with the Government, enhance its relationships with the local funding community, raise its profile in the domestic and international media, and reach out to nongovernment organizations.

Southeast Asia

In 2000, the Southeast Asian economies maintained their growth momentum that began in 1999. All these economies registered positive growth rates, with Malaysia recording the highest at 8.5 percent, and Thailand and the Philippines the lowest at about 4.0 percent. Malaysia achieved substantial progress in financial and corporate restructuring,

Selected Southeast Asian Economies
GDP Growth Rates (percent)



which contributed to its sound growth. Nonperforming loans in Malaysia decreased significantly by the end of 2000, thereby enabling the local banks to increase the supply of credit; the economic recovery, in turn, permitted borrowers to accelerate debt service. In contrast, the restructuring in Indonesia was delayed for financial and political reasons, resulting in growth below the country's potential. In the Philippines, the Mindanao conflict and political uncertainties adversely affected the economy.

Overall, GDP growth was supported by growing exports and an upturn in fixed investment and consumption. Exports enjoyed impressive growth in Indonesia, Malaysia, Thailand, and Viet Nam, which in turn led to buoyant imports. This caused the current account balances, as a percent of GDP, to deteriorate in all countries in 2000. The continuing current account surpluses, coupled with increased receipts of official capital flows over the last two to three years, greatly strengthened the external reserve position of some countries. Indonesia saw a much stabilized rate of inflation in 2000, although it remained high compared with some neighboring economies. Consumer prices rose by 4.4 percent in the Philippines because of the persistent fiscal deficit and increased oil prices. Inflation in other countries remained relatively stable.

Unemployment rates remained much higher than in the precrisis period in most countries, while progress in poverty reduction was mixed. Poverty incidence in Indonesia, which rose dramatically from 11 percent in 1996 to 24 percent in 1998, decreased in 1999. However, in Thailand, poverty incidence increased from 12.9 percent in 1998 to 15.9 percent in 1999. Because the current economic recovery is not strong enough to reduce poverty in all countries, except for Malaysia, economic growth needs to be accelerated and made more broad-based, and social assistance schemes strengthened. Creating job opportunities in the rural and agriculture sectors and labor-intensive small enterprises is of paramount importance in this context. Diffusion of information and communication technology is also needed to avoid a possible digital divide in most economies in Southeast Asia.

Regional conflicts in Indonesia need to be addressed urgently to improve investor confidence and to facilitate domestic economic activity and international trade. Expediting financial and corporate restructuring is likewise critical in Indonesia and Thailand. In the transitional economies—Cambodia, Lao People's Democratic Republic, and Viet Nam—broadening the industrial base, reducing poverty, and boosting outward-oriented growth are vital to sustaining growth. Reducing poverty and raising socioeconomic welfare require a dynamic industry sector and a more productive agriculture sector for exports and jobs.

Cambodia

Economic performance

Economic growth: Real GDP growth was 4.5 percent in 2000. The slowdown in growth relative to the previous year was a consequence of the adverse effects of the worst floods in 70 years on agriculture, which offset a robust expansion of industry and services. Double-digit growth of real industrial value added resulted from a continued rapid expansion of textile exports to Europe, Japan, and US. The gradually improving political climate strengthened locally financed investment and further expanded construction activities. The services sector expanded partly because of increasing domestic consumer confidence and also because of the rising popularity of the Angkor complex, which fueled swift growth in tourism. The floods cost the country about \$150 million, equivalent to 5 percent of GDP. The rural sector was especially hard hit, with 400,000 hectares of rice cultivation lost. In 2000, timber production accounted for a declining share in Cambodia's economy as the export of timber products was curbed by stricter environmental laws and the country's move to encourage more value-added exports.

Employment: Unemployment rates remain low at 6 percent, although it is estimated that 46 percent of the population work as unpaid family laborers. The real wages of unskilled laborers are estimated to have fallen from 5 percent to 10 percent between 1997 and 1999.

Inflation: Average annual consumer price inflation was about -0.8 percent in 2000, down from 4.0 percent in 1999. The impact of rising fuel prices and housing costs was offset by falling prices of food items. The riel was fairly stable, depreciating by only about 1 percent against the US dollar in 2000. Although total liquidity rose by over 20 percent in 2000, the velocity of money fell, preventing the expansion from becoming inflationary. Double-digit growth in both foreign currency deposits and private sector credit indicated increased confidence in the economy.

Fiscal balance: In FY2000 (ending 31 December), the Government generated public saving equivalent to 1.7 percent of the GDP. Revenues (excluding grants) increased marginally from 11.5 percent of GDP in FY1999 to 11.6 percent in FY2000, while total expenditures increased from 15.9 percent of GDP to 17.2 percent. While the budget deficit increased from 4.4 percent to 5.6 percent of GDP in FY2000, foreign financing was more than sufficient to cover this gap, and total domestic debt decreased.

External sector: Exports (excluding reexports) surged to \$980 million in 2000, compared with \$710 million in 1999.

Textile exports continued to grow rapidly, while exports of timber and rubber declined as a result of new forestry reforms. Imports during the same period grew from \$940 million to \$1.2 billion, leading to a small increase in the trade deficit. Transfers, foreign direct investment, and official loans were more than adequate to cover the current account deficit and to increase gross official reserves from \$422 million in 1999 to \$490 million in 2000.

Domestic policies: In 2000, the Government continued to implement policies for strengthening macroeconomic management and economic governance. Fiscal policy reforms focused on strengthening revenue collections and improving budget execution. In the financial sector, the National Bank of Cambodia launched a structural reform that included cancelling licenses of nonviable banks. In the external sector, the Government focused on ensuring compliance with the ASEAN Free Trade Area and on pursuing efforts necessary for eventual membership in the World Trade Organization.

ADB operations

Operational strategy: ADB's operational strategy for Cambodia focuses on economic growth and poverty reduction, in line with the Government's own priorities. Three priority areas have been identified. First, to support broad-based economic development of rural areas, ADB will lead in facilitating water resource management, while supporting rural development, critical wetlands protection, and agriculture sector reform. Second, to assist human and social development, ADB will facilitate a sector approach in education and provide complementary support in health and water supply. Third, to bolster private sector development, ADB will support the development of the nation's road network, while taking a key role in the financial sector and a supportive role in energy. In addition, ADB will provide strategic support to governance in economic planning, public finance management, and legal reform.

Policy dialogue: Policy dialogue with the Government continued on land management, public financial management, and financial sector reform. The consultative group of funding agencies focused on regular policy dialogue with the Government in forestry management, public administration reform, demobilizing military personnel, social sector development, and legal and judicial reform.

Loans and technical assistance: In 2000, ADB approved four loan projects totaling \$109.6 million: Rural Credit and Savings, Stung Chinit Irrigation and Rural Infrastructure, Provincial Power Supply, and Emergency Flood Rehabilitation. ADB also approved nine technical

assistance grants totaling \$4.4 million: three for project preparation, and six for capacity building.

Project implementation: Since joining ADB in 1966, Cambodia has received 17 loans, of which 13 were active at the end of 2000. Contract awards totaled \$114.4 million, bringing the cumulative figure to \$288.2 million. The contract award ratio was 56.2 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$50.8 million, bringing cumulative disbursements to \$203.1 million. The disbursement ratio was 19.1 percent, lower than the ADB-wide average of 20.5 percent.

Overall, portfolio implementation in Cambodia improved in 2000, compared with 1999. However, the 2000 country portfolio review found that, while improvements were evident for many of the points in the action plan, only partial compliance had been achieved for some, most

Cambodia

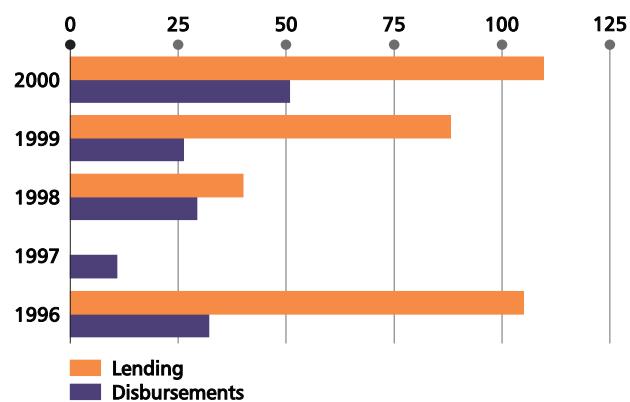
Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	3 ^a	123.0	25.3
Multisector	2	122.7	25.3
Social Infrastructure	5	100.0	20.6
Agriculture and Natural Resources	4	91.1	18.8
Energy	3	48.5	10.0
Total	17	485.3	100.0

^a Includes Cambodia loan component for the Greater Mekong Subregion: Phnom Penh-Ho Chi Minh City Highway Project amounting to \$40 million.

Cambodia

Lending and Disbursements, 1996–2000 (\$ million)



notably in increasing delegation of authority for contract awards, disbursement approvals, and contract variation approvals. In this regard, further delegation of approval authority in line ministries would facilitate more efficient project implementation. To eliminate front-end delays to projects, the Government has agreed to improve the implementation readiness of new projects.

In 2000, the Cambodia Resident Mission recruited additional staff members, allowing it to take a greater role in project administration.

Indonesia

Economic performance

Economic growth: Indonesia achieved modest growth in 2000, with GDP rising by 4.8 percent, signaling the end of the sharp recession of 1998 in which GDP contracted by 13.1 percent and 0.8 percent growth occurred in 1999. This turnaround was mainly brought about by a rise in exports. Imports also recovered, but at a pace that was only about half of exports. In contrast to surging exports, domestic spending by businesses, households, and the public sector rose only moderately. Investment spending rose from a very low base, but has yet to demonstrate a broad-based recovery. Household income recovered from the recent recession, but weak demand for labor still restrained spending.

Employment: Indonesia has a relatively flexible labor market and even during the financial crisis, on an annual basis, the number of people reported working increased. Changes in aggregate economic activity, even severe changes, are reflected in real wage rates rather than in aggregate employment. Thus, preliminary estimates for 2000 suggest that modest GDP growth encouraged only a small increase in aggregate employment—up roughly 2 percent from 1999.

Inflation: During 2000, consumer price inflation registered 3.8 percent, considerably lower than the 20.7 percent rate in 1999. Price increases were larger than targeted, especially during the second half of 2000 when renewed weakness in the rupiah led to upward inflationary pressure. In addition, higher fuel costs, resulting from the Government's program of reducing subsidies, also led to price increases in the second half of the year.

Fiscal balance: Budgeted spending (including transfers to local governments) in FY2000¹⁰ was projected to increase

relative to the previous fiscal year by slightly more than one percentage point to 21.6 percent of GDP. Against this, revenues were budgeted to increase by only about one-half percentage point. The overall budget deficit was thus projected to reach 4.8 percent of GDP in FY2000, up from 4 percent during the preceding fiscal year.

The largest single element in the expenditure budget is domestic interest payments, at 4.2 percent of GDP. Interest payments on external debts are less than half the domestic debt burden.

External sector: Exports in 2000 were a significant factor in restoring economic growth. Most of the increase in exports occurred in non-oil and gas products, electrical equipment, textiles, and some natural resource products, particularly aluminum and nickel. Imports were led by raw material purchases. Capital goods imports have yet to recover, indicating lack of widespread investment spending. Overall, the current account showed a surplus of \$7.8 billion or 5.1 percent of GDP in 2000. The inflow of funds from exports was partially offset by continued capital outflow—both net negative foreign direct investment and outflows of portfolio capital.

Domestic policies: In 2000, the Indonesian Parliament sponsored a national debate that led to the adoption of a medium-term development strategy. The strategy sets out five broad national objectives: (i) ensuring national cohesion and social stability; (ii) achieving good governance and rule of law; (iii) accelerating economic recovery and strengthening the foundations of sustained growth; (iv) developing the social sectors and human welfare; and (v) strengthening regional autonomy, rural and urban development, and structural poverty programs.

In 2000, published reports suggested that as many as one million people had been displaced because of violence or threats of violence. The peace and order situation has been a major factor in discouraging investment, both domestic and foreign.

The focus on improving good governance is a result of the crisis since in many respects the weakest link in Indonesia's past development strategy was governance. The Government's strategy includes an anticorruption program; administrative and fiscal decentralization; improved public financial management; civil service reforms; dismantling state monopolies; and further deregulating trade, finance, industry, and investment. The Government also attaches high priority to widening the scope for market-based economic decision making.

¹⁰ Fiscal year (FY)2000 was 1 April–31 December 2000. The nine-month year was a transition between the 12-month year that is supposed to end on 31 March and FY2001, which corresponds to the calendar year. Comparisons between fiscal years are thus complicated by different monthly patterns in addition to structural changes in budget procedures. Analysis of FY2000 used GDP estimates for the relevant nine-month period.

Although access to social services has generally improved, the quality of services has not matched needs, especially as Indonesians face an increasingly open international market.

Next to debt service, subsidies are the largest item in central government spending, accounting for 3–4 percent of GDP. The largest subsidy is for petroleum products and smaller subsidies exist for food and electricity. In an effort to reduce subsidies, fuel prices were raised in October 2000; however, this met considerable political opposition.

The economic crisis resulted in a transfer of financial assets to the public sector, reflecting recapitalization of the banking subsector. The next steps involve asset sales or privatization to provide revenues that will offset the large public debt and increase the scope for private sector development. Toward the end of 2000, the Government asset management agency, the Indonesian Bank Restructuring Agency, had successfully met its 2000 targets mainly through a series of large sales to foreign investors.

In 2000, the Government issued regulations for implementing decentralization laws passed in 1999. These programs will transfer major administrative and fiscal responsibilities to local governments, largely at the district level, to meet local needs.

ADB operations

Operational strategy: ADB's operational strategy for Indonesia was completed in 2000. The strategy focuses principally on reducing poverty and regional inequities. The strategy recognizes the need for considerably improved governance and encourages sustainable recovery and pro-poor growth by enabling private sector development; improving regional equity through balanced regional development; promoting human and social development; and mainstreaming environmental management to ensure sustainable use of natural resources.

Policy dialogue: Policy dialogue with the Government occurred in forums such as the Consultative Group for Indonesia, the Governance Partnership meetings, and in discussions on program loan implementation.

ADB assisted the Government in drafting regulations on decentralization under the Community and Local Government Support Sector Development Program.

Dialogue on the financial sector focused on pending reforms in financial and corporate governance, including greater accountability of company directors and auditors and introduction of a law to prevent money laundering. Financial sector supervision and regulation were also discussed, including issues relating to the nonbank financial

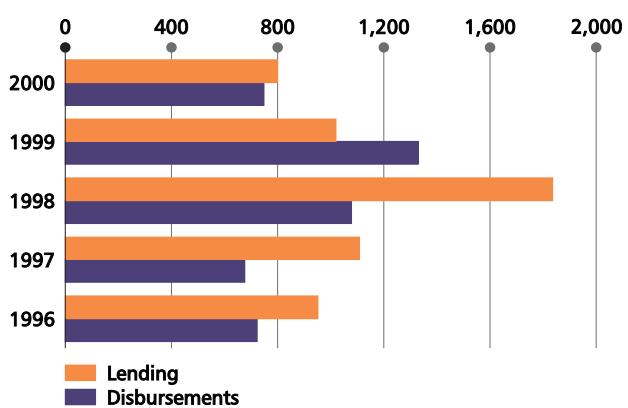
Indonesia

Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	64	4,399.1	24.7
Agriculture and Natural Resources	96	3,856.7	21.6
Energy	28	3,130.0	17.5
Transport and Communications	31	2,544.9	14.3
Finance	10	2,437.0	13.7
Multisector	7	689.0	3.9
Industry and Nonfuel Minerals	14	631.7	3.5
Others	4	140.6	0.8
Total	254	17,829.0	100.0

Indonesia

Lending and Disbursements, 1996–2000 (\$ million)



sector and an appropriate policy environment for small and medium enterprise (SME) development.

Reforms in the power subsector have been stalled pending the promulgation of the new Electricity Law. Restructuring Perusahaan Listrik Negara (the national electric board), which is essential for developing a more efficient and competitive market for electricity, has also been delayed.

Loans and technical assistance: In 2000, ADB approved seven loans totaling \$800.0 million, including one program loan. The loans were for SME development, rural development, road rehabilitation, environmental protection, higher education, and decentralized health services. A project to assist girl street children in Yogyakarta received a grant from the Japan Fund for Poverty Reduction. ADB also approved 16 technical assistance grants totaling \$13.4 million, 4 of which were for project preparation.

Project implementation: Since joining ADB in 1966, Indonesia has received 254 loans, of which 74 were active at the end of 2000. Contract awards totaled \$707.3 million, bringing the cumulative total to \$10.7 billion. The contract award ratio was 20.3 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$748.4 million, bringing cumulative disbursements to \$11.4 billion. The disbursement ratio was 18.5 percent, lower than the ADB-wide average of 20.5 percent.

The 2000 country portfolio review highlighted both project-specific and countrywide issues that inhibited implementation: insufficient government counterpart funds, delays in disbursements because of slow approval of withdrawal applications by the Government and ADB, slow approval of contract awards, and uncertainties surrounding the changes in Cabinet and the decentralization laws. Agreements have been reached on ways to handle these issues on a project-specific basis, and as a coordinated government response.

The ADB crisis-related program loan package provided considerable budgetary support to the Government, particularly in maintaining vital social sector expenditures. In 2000, program loan tranches totaling \$270 million were released. An important achievement was facilitating critical implementing regulations under laws on decentralization.

The Indonesia Resident Mission (IRM) continued to play a significant role in project administration, with 20 ongoing loans assigned to it for administration. Following delegation of more responsibilities under the Resident Mission Policy, IRM is expected to focus more prominently on improving portfolio performance, and is expected to have a more effective role in policy dialogue. To address a critical issue, such as the lack of counterpart funds, ADB agreed to increase its share in financing project cost to 80 percent during the first three years of implementation for projects approved in 2000.

Lao People's Democratic Republic

Economic performance

Economic growth: In 2000, real economic growth increased to 5.5 percent, compared with 5.2 percent in 1999 and 4.0 percent in 1998, supported by a more stable macroeconomic environment and strong agricultural production. Agricultural production accounted for about half of GDP. Growth in the industry sector was 7.3 percent in 2000, compared with 7.5 percent in 1999. Moderate growth of 7.2 percent was achieved in manufacturing, which accounts for over 75 percent of the industry sector. Despite a weak banking subsector, growth of 6.4 percent in aggregate

services was achieved on the strength of the tourism and real estate subsectors.

Employment: The official unemployment rate for 2000 stood at 4.3 percent. Forty-five percent of the population is currently below 15 years of age; the labor force in the Lao PDR is estimated at 1 million to 1.5 million in 2000. Traditional agriculture practices still dominate the economy and currently more than 80 percent of the population is involved in agriculture.

Inflation: Since the second half of 1999, a tight monetary policy has been maintained, which included strict control of central bank credit to the Government, banks, and enterprises, as well as prudent lending by commercial banks. Broad money (M2) grew by 120 percent during the first half of 1999, but then contracted by almost 20 percent during the second half of the year. In 2000, M2 grew by about 36 percent. As a result, the annual inflation rate, as measured by the consumer price index, declined from 128.4 percent in 1999 to 23.2 percent in 2000. The exchange rate has been stable at around 7,500–8,000 kip per US dollar since October 1999.

Fiscal balance: The overall budget deficit was reduced to 8.1 percent of GDP in 2000 from 10.5 percent of GDP in 1999, financed by foreign grants and external loan disbursements. Total revenue collections in 2000 have increased to 13.6 percent of GDP from 12.2 percent in 1999. Government expenditure was reduced from 22.7 percent of GDP in 1999 to 21.7 percent in 2000. The shares in GDP of capital expenditure and current expenditures were 13 percent and 8.7 percent, respectively. Current expenditures are at substantially low levels because of the continued fiscal squeeze of the past several years. Wages and salaries of government workers and maintenance expenditures have fallen significantly in real terms.

External sector: Exports to the Greater Mekong Subregion (GMS) accounted for about 65 percent of total exports, of which 40 percent went to Viet Nam and more than 20 percent to Thailand. In turn, most imports were from the GMS, especially from Thailand. Total exports in 2000 amounted to \$331 million, representing an increase of 8.3 percent compared with the previous year. Total imports amounted to \$591 million, representing an increase of 6.6 percent relative to 1999. The trade deficit declined from 13.1 percent of GDP in 1999 to 12.0 percent in 2000. Foreign direct investment (FDI) and official development assistance (ODA) increased from \$139 million in 1999 to \$249 million in 2000; ODA—both bilateral and multilateral—amounted to about 80 percent of total investment inflows. In 2000, official foreign exchange reserves increased to around \$130 million, equivalent to 2.5 months of imports. To strengthen its reserve position, the Government

transferred revenues from timber royalties directly to its foreign exchange reserve account in 2000. An interbank foreign exchange market was established. Debt service was around \$54 million in 2000, equivalent to 11.3 percent of exports of goods and nonfactor services.

Domestic policies: The Government's efforts to restrain monetary expansion have contributed to economic stabilization. Fiscal reforms and ways to encourage saving are currently being discussed in conjunction with a possible new IMF Poverty Reduction Growth Facility and an ADB financial sector program loan. The current system of economic management continued to improve. The Government introduced economic reforms to realize the potential competitiveness of the Lao economy. The focus is on formulating policy reforms, implementing them, and appropriating the resources required for their implementation. The Government recognized that the private sector is critical to achieving sustainable economic growth and poverty reduction.

ADB operations

Operational strategy: ADB's new operational strategy for the Lao PDR will be formulated in 2001, and will fully reflect the Government's socioeconomic plan for 2001–2005. The main strategic focus will be on agriculture and rural development, sustainable natural resource management, and human resource development. Governance and private sector development will be important components.

The lending and technical assistance program in 2000 focused increasingly on efforts to reduce poverty. Activities included direct poverty interventions and continued to promote economic growth projects with a high impact on poverty reduction.

Lao People's Democratic Republic Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	11 ^a	304.0	34.2
Energy	13	223.3	25.2
Social Infrastructure	12	183.4	20.7
Agriculture and Natural Resources	11	126.8	14.3
Finance	2	50.0	5.6
Total	49	887.5	100.0

^a Includes Lao PDR loan component for the Greater Mekong Subregion: East-West Corridor amounting to \$32 million.

Policy dialogue: Policy dialogue with the Government dealt with developing national and regional poverty benchmarks and establishing a poverty monitoring system. To this end, ADB undertook a joint participatory poverty assessment with the Government and the World Bank to identify the nature and root causes of poverty in the Lao PDR. Dialogue also centered on fiscal management, financial sector reform, private sector development, and environmental management. A policy-based loan in support of financial sector reform was successfully completed in 2000, and a follow-up policy-based loan is planned. ADB also assisted the Government in formulating the medium-term expenditure framework with the public investment program for 2001–2003. ADB will conduct the public expenditure review—together with the Government, IMF, and the World Bank—to ensure that public expenditures appropriately incorporate the Government's strategy for reducing poverty.

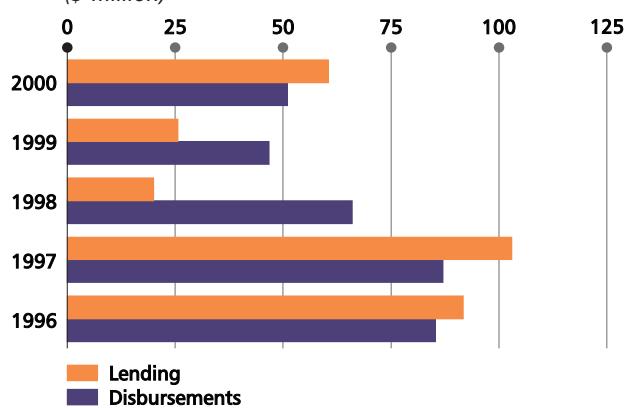
Loans and technical assistance: In 2000, ADB approved three loans totaling \$60.5 million: Primary Health Care Expansion Project; Decentralized Irrigation Development and Management Sector Project; and Rural Access Roads Project. ADB also approved 13 technical assistance grants totaling \$7.6 million.

Project implementation: Since joining ADB in 1966, the Lao PDR has received 49 loans, of which 20 were active at the end of 2000. Contract awards totaled \$43.5 million, bringing the cumulative figure to \$665.6 million. The contract award ratio was 24.5 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$51.0 million, bringing cumulative disbursements to \$615.6 million. The disbursement ratio was 21.3 percent, higher than the ADB-wide average of 20.5 percent.

A country portfolio review in 2000 found that the overall portfolio performance was generally satisfactory. After the

Lao People's Democratic Republic Lending and Disbursements, 1996–2000

(\$ million)



1999 review, the Government had addressed key issues for improving project implementation, such as clarifying procurement procedures and allocating appropriate counterpart funds. Portfolio performance could be further improved. A time-bound action plan, agreed between the Government and ADB during the 2000 review, includes measures for establishing effective monitoring systems for contract awards, submission of audited financial statements, and compliance of loan covenants; strengthening procurement coordination by the Ministry of Finance; improving budget preparation and allocation procedures; and simplifying fund-flow mechanisms and disbursement procedures. Implementation of the plan will be closely monitored through quarterly project review meetings between the Government and the Lao Resident Mission.

Malaysia

Economic performance

Economic growth: GDP growth in Malaysia during 2000 is estimated by the Government at 8.5 percent, as a result of robust external demand for manufactured goods, buoyant consumer demand, and a recovery in gross fixed investment. Reflecting a strong fiscal stimulus in 2000, public investment is projected to rise by 14.5 percent, compared with 7.9 percent in 1999. Growth in private investment is also projected to have rebounded to 27.2 percent. Private consumption demand remained at relatively high levels because of improved consumer confidence, resulting from a recovery-induced increase in disposable income and low interest rates. On the supply side, higher growth led by the manufacturing subsector was followed by a rebound in the services sector because of the overall improvement in economic performance. Construction activity grew moderately. Agriculture sector output grew marginally, as moderate growth in crude palm oil production and sawlogs was offset by a decline in rubber output.

Employment: The continuing recovery led to a decline in the unemployment rate to 2.9 percent of the labor force in 2000, from 3.0 percent in 1999. Reflecting a higher level of economic activity, the number of job vacancies in 2000 increased by 14 percent relative to 1999, whereas the number of workers retrenched declined by 32.4 percent. Although real wages increased by an estimated 12.9 percent during the year, this was more than offset by an increase in real labor productivity of 22.7 percent.

Inflation: After averaging 2.8 percent in 1999, consumer price inflation decreased steadily during 2000 to

average 1.6 percent. Despite an increase in inflation during the fourth quarter of 2000 because of higher energy prices and bus fares, overall inflation during the year was kept subdued by moderate food price increases, minimal imported inflation, and persistent excess capacity in some sectors of the economy.

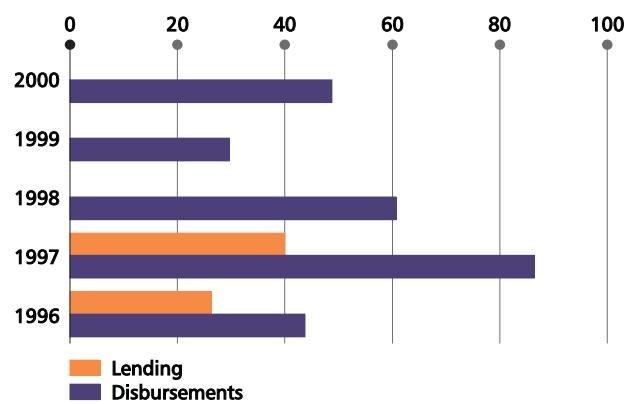
Fiscal balance: During 2000, the Government pursued expansionary fiscal and monetary policies to consolidate and extend the economic recovery. The fiscal deficit for 2000 is officially estimated at Malaysian dollar (M\$)18 billion, or 5.5 percent of GDP, representing a large increase over the previous year's actual deficit of M\$9.5 billion (3.2 percent of GDP).

External sector: The trade account is estimated to register a surplus of \$19.6 billion in 2000, lower than the surplus of \$22.8 billion recorded in 1999, as import growth

Malaysia Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	21	750.6	37.8
Agriculture and Natural Resources	26	566.0	28.5
Energy	11	321.5	16.2
Transport and Communications	15	255.1	12.8
Industry and Nonfuel Minerals	1	53.0	2.7
Others	1	26.3	1.3
Finance	1	15.0	0.7
Total	76	1,987.5	100.0

Malaysia Lending and Disbursements, 1996–2000 (\$ million)



outpaced export growth. The services account is, however, estimated to record a larger deficit, owing to Malaysia's dependence on trade-related service imports and increased outflows of profits and dividend payments from an improving Malaysian economy. These developments have led to a fall in the current account surplus from 15.9 percent of GDP in 1999 to an estimated 8.8 percent of GDP in 2000. A smaller current account surplus and a deficit in the overall capital account led to a decline in external reserves to \$29.9 billion (or 4.5 months of imports) as of end-2000, compared with \$30.8 billion as of end-1999. Malaysia's external debt position improved during the first nine months of 2000 because of higher repayments of short-term debt. The debt service ratio decreased correspondingly from 4.8 percent at the end of 1999 to 4.2 percent at end-September 2000.

Domestic policies: With inflationary pressures remaining subdued, the Government continued with its accommodative monetary policy stance, maintaining low interest rates and its fixed exchange rate regime. Total loans outstanding in the banking system at end-2000 amounted to M\$453 billion, an increase of 5.2 percent relative to the end-1999 level of M\$429.7 billion. During the year, substantial progress was made in merging the country's domestic banks to achieve a more effective and competitive banking system.

ADB operations

Operational strategy: ADB's operational strategy for Malaysia was approved before the Asian financial crisis in 1997, and is therefore no longer relevant. In the short term, the Government and ADB might envisage a lighter assistance program for Malaysia, which would include ADB's goal of reducing poverty and strengthening regional cooperation.

Policy dialogue: New areas of policy dialogue are expected in line with the objectives and scope of the assistance program to which the Government and ADB agree.

Loans and technical assistance: No loans or technical assistance grants were approved in 2000.

Project implementation: Since becoming a member of ADB in 1966, Malaysia has received 76 loans, of which 5 were active at the end of 2000. Contract awards totaled \$24.5 million, bringing the cumulative figure to \$1.4 billion. The contract award ratio was 24.6 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$48.7 million, bringing cumulative disbursements to \$1.4 billion. The disbursement ratio was 29.9 percent, higher than the ADB-wide average of 20.5 percent.

Myanmar

Economic performance

Economic growth: Myanmar's growth rates have improved in recent years. According to official data, GDP grew by 5.8 percent in FY1998 (ending 31 March 1998), and is reported to have risen by 10.9 percent in FY1999 primarily because of favorable weather and an increase in land area under cultivation. However, Myanmar still faces structural problems that prevent the economy from achieving a higher level of socioeconomic development. These include a continuous fiscal deficit, inefficient management of state economic enterprises (SEEs), weak external performance, and a dual exchange rate system.

Employment: Official data indicate that in FY1997, the labor force consisted of about 22.5 million, 14.2 million of whom were employed, implying an unemployment rate of 4.1 percent. The agriculture sector is the largest employer, accounting for 56.5 percent of the labor force. This is followed by trade, hotels and restaurants, and manufacturing.

Inflation: The inflation rate rose to around 30–50 percent in FY1997 and FY1998 because of the Asian financial crisis, as well as budget deficits and expansionary monetary policy. However, the inflation rate dropped to about 11 percent in FY1999, and is estimated to have fallen throughout FY2000, largely because of the increase in agricultural production and the introduction of treasury bills and bonds as a means for financing the fiscal deficit.

Fiscal balance: Government revenues as a percentage of GDP declined from 7.2 percent in FY1998 to 4.9 percent in FY1999 because of a slow increase in tax receipts. Expenditures as a percentage of GDP declined from 6.9 percent in FY1998 to 5.8 percent in FY1999, with the GDP ratio of capital expenditures declining faster than that of current expenditures. The government budget registered a substantial deficit of kyats (MK)20.2 billion in FY1999. The SEEs' deficit almost doubled from MK47.5 billion in FY1997 to MK85.9 billion in FY1998, but declined to MK71.4 billion in FY1999. Combining the government and SEE deficits, the consolidated budget deficit for FY1999 amounted to MK110.5 billion or 5.0 percent of GDP.

External sector: Despite restrictions on imports, weak export performance has kept the trade deficit high. With a reduction in imports, and a surplus in the services and transfers accounts, the current account deficit has been decreasing. Foreign reserves continued to be inadequate, covering only about 1.6 months of imports.

Domestic policies: The most critical policy issue continued to be the dual exchange rate system. The foreign

Myanmar
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	15	316.1	59.5
Social Infrastructure	6	99.1	18.7
Transport and Communications	2	42.5	8.0
Energy	5	31.8	6.0
Industry and Nonfuel Minerals	2	21.4	4.0
Finance	2	20.0	3.8
Total	32	530.9	100.0

exchange value of domestic currency has fallen sharply since the second half of 1998, making it more difficult for the country to reform the exchange rate system. The second most important policy issue is the recurrent large fiscal deficit resulting from a small tax base. Despite a significant reduction in government expenditures, the nonfinancial public sector deficit remains high. This used to be financed by the central bank credit, which contributed to inflationary pressure; however, treasury bills and bonds are now increasingly used to finance the public sector deficit.

ADB operations

Operational strategy: ADB continued to monitor economic developments in Myanmar. An operational strategy will be formulated when appropriate.

Loans and technical assistance: No loans have been provided to Myanmar since 1986 and no technical assistance since 1987.

Project implementation: All 32 loans, which were approved before 1986, were closed by the end of 1998. However, Myanmar is involved in ADB's regional cooperation initiative for the Greater Mekong Subregion, participating in regional meetings and workshops supported by ADB's regional technical assistance.

Philippines

Economic performance

Economic growth: The economy registered GDP growth of 3.9 percent in 2000, continuing the recovery staged in 1999. The agriculture sector grew by 3.4 percent, the services

sector by 4.4 percent, and the industry sector by 3.6 percent. The contraction in investment appeared to have bottomed out in 2000, as gross domestic capital formation grew by 0.8 percent in the face of stronger investment in durable equipment. Meanwhile, the corporate sector has not recovered fully from the crisis as indicated by the continued high rate of nonperforming loans in the banking system, which rose from about 12.3 percent in 1999 to 16.2 percent by the end of November 2000.

Escalation of the conflict in Mindanao had an adverse impact on investor perceptions and the Government's ability to implement planned development initiatives, further slowing growth. The recovery was also affected by slow progress in key reforms initiated by the Government.

Employment: The unemployment rate rose from 9.3 percent at the beginning of 2000 to 10.1 percent in October. On an annual basis, however, unemployment was higher at 11.1 percent in 2000, compared with 9.7 percent in 1999. With the development of rural productivity interventions, the agriculture sector is expected to absorb a significant portion of the growing labor force and to decrease the current unemployment rate, especially in the rural areas.

Inflation: The inflation rate declined to about 3.0 percent in early 2000. Sufficient supplies of basic food stocks arising from positive agriculture sector performance in 1999 and prudent monetary management are responsible for holding inflation in check. The average consumer price inflation rate for 2000 was 4.4 percent, lower than the Government's target of 5.0–6.0 percent. Inflation increased in the latter part of 2000 because of the rise in world oil prices, depreciation of the peso, and adjustments in wages.

Fiscal balances: The Government's fiscal deficit of 136.1 billion pesos (P) for 2000 has surpassed the targeted deficit of P62.5 billion for the year. This is attributed to lower-than-projected tax revenue collection and privatization proceeds. Revenue collection was 11.8 percent lower than the target, while the privatization proceeds were 22.3 percent of the target for 2000.

The two-year standby arrangement with the International Monetary Fund (IMF) was extended to December 2000. However, during the October 2000 IMF Review Mission, the standby arrangement was allowed to lapse. Currently, the Government is looking at the possibility of entering into an IMF postprogram monitoring framework.

External sector: Notwithstanding the strong performance of the current account, the balance-of-payments position weakened in January–October 2000 because of higher net outflows in the financial account. As a result, gross international reserves declined although minimally by 0.54 percent to \$15.0 billion by December 2000. The rate

of export growth, which had been robust throughout the crisis, was 8.7 percent in 2000. Growth slowed significantly in the first quarter and recovered to 13.3 percent in the second quarter of 2000; and despite a drop in overseas remittances, a current account surplus of about \$8.1 billion was achieved in 2000. The external debt to GDP ratio as of end-September 2000 declined to 63.8 percent from 69.0 percent for the comparable period in 1999 despite the peso depreciation.

Domestic policies: The highest priorities of the Government are to improve macroeconomic stability; consolidate fiscal management by improving tax collections, expediting the privatization process, rationalizing expenditures, and improving cash management; promote good governance in the public, financial, and corporate sectors; accelerate structural reforms for improving stability, promoting private sector participation, and enhancing competition; accelerate rural development; and improve access to social services.

The Government's renewed attempts to accelerate structural reforms have begun to show results. The amendments to the General Banking Act will considerably strengthen the central bank's supervisory authority, strengthen prudential regulations, and promote transparency and good governance. Liberalizing foreign participation in banks is expected to enhance competition in banking. The Security Regulation Code, which was passed in July, will increase transparency and strengthen regulation in the capital market. The Omnibus Power Sector Reform Bill was in the final stages of deliberation in Congress. While preparations on privatizing the

National Power Corporation have begun, legislation has yet to



be enacted, and measures for strengthening its financial position prior to privatization are still pending. Restructuring of government corporations such as the National Food Authority and the Philippine National Railways is also ongoing.

Several laws for promoting competition and creating an investor-friendly environment are in process: the Retail Trade Liberalization Act liberalizes foreign ownership of retail enterprises; the E-commerce law provides a basis for Internet-based transactions; and the Regional Headquarters law grants additional incentives to multi-national corporations for establishing regional headquarters in the Philippines.

ADB operations

Operational strategy: ADB's operational strategy for the Philippines addresses priorities arising from the Asian financial crisis and emphasizes poverty reduction and social development through three main objectives: promoting equitable growth; improving basic social services, including health and education; and improving management and protection of the environment.

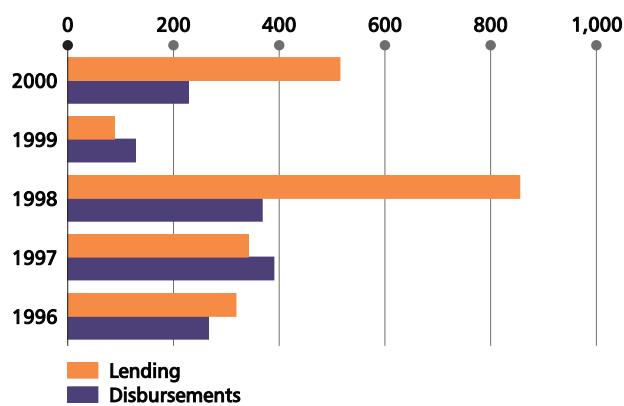
Policy dialogue: Policy dialogue with the Government included improving the performance and financial health of the National Power Corporation and restructuring the electricity subsector; restructuring the National Food Authority through the Grains Sector Development Program; improving the urban environment through the Pasig River Environmental Management and Rehabilitation Sector Development Program; and improving air quality under the Metro Manila Air Quality Improvement Sector Development Program.

Loans and technical assistance: In 2000, ADB approved seven public sector loans (two of which are program loans) totaling \$470.0 million. In its private sector operations, ADB approved a \$45.0 million (plus a \$25.0 million commercial loan under an ADB complementary finance scheme)—jointly financed as part of a debt package with other international finance institutions—for upgrading and operating the North Luzon Expressway. ADB also approved 12 technical assistance grants totaling \$6.4 million to help the Government strengthen its capacity, particularly in the areas of procurement, local government planning and financing, and project monitoring and auditing.

Philippines
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Energy	27	2,257.6	28.6
Agriculture and Natural Resources	63	1,920.3	24.3
Social Infrastructure	37	1,380.6	17.5
Transport and Communications	26	1,105.9	14.0
Finance	15	598.0	7.6
Others	3	296.0	3.8
Multisector	6	283.7	3.6
Industry and Nonfuel Minerals	6	47.2	0.6
Total	183	7,889.3	100.0

Philippines
Lending and Disbursements, 1996–2000
(\$ million)



Three projects were financed under the Japan Fund for Poverty Reduction: Sustainable Livelihood for the Poor in Southern Philippines, On-Site Urban Upgrading for Vulnerable Slum Communities of Payatas, and Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City.

Project implementation: Since joining ADB in 1966, the Philippines has received 183 loans, of which 60 were active at the end of 2000. Contract awards totaled \$176.6 million, bringing the cumulative figure to \$4.6 billion. The contract award ratio for 2000 was 11.1 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$228.0 million, bringing cumulative disbursements to \$4.9 billion. The disbursement ratio was 11.3 percent, lower than the ADB-wide average of 20.5 percent.

During 2000, the Government achieved several targets in ADB's 1999 country portfolio review: nearly complete compliance with loan covenants relating to audited accounts, resolving the licensing requirements for foreign contractors, canceling most loan saving that had been identified, and improving postevaluation ratings of project performance. Progress in resolving many other issues was mixed. The project implementation issues identified during the 2000 review include delays in loan effectivity; slow recruitment of consultants, and difficulties in complying with ADB's selection guidelines; slow procurement of goods and civil works; delayed progress in policy reform issues; and poor disbursement performance. To help address these issues, a time-bound action plan was agreed with the Government, and ADB held joint quarterly portfolio review meetings with the World Bank, the Japan Bank for International Cooperation, and the Government, allowing greater collaboration between the funding agencies and the key oversight agencies of the Government.

The action plan emphasizes reducing the number of underperforming projects, accelerating disbursements, and improving quality control at entry. New initiatives were instituted to improve project preparedness before loan approval and to cancel nonperforming loans or loan components whenever these are detected. In response, the Government has also taken several important initiatives to improve portfolio performance.

Loan implementation in the Philippines is expected to improve over the coming years with the establishment of the Philippines Country Office (PhCO) in 2000. PhCO will improve the quality of ADB's operations in the Philippines; and strengthen coordination and partnership with the Government, civil society, and other funding agencies.

Thailand

Economic performance

Economic growth: GDP grew by 5.9 percent during the first half of 2000, but slowed markedly during the second half. For the whole year, the GDP growth rate is likely to be 4.2 percent, the same level achieved in 1999. The recovery during the first half of 2000 was mainly because of strong export performance, the lagged effects of earlier fiscal stimulus, and an accommodating monetary policy. The slowdown was mainly attributable to external and domestic factors, including the steep rise in world oil prices, the slowdown in the US economy, and the national election in January 2001. The manufacturing production index (MPI) increased by

10.7 percent in 2000. However, the industry capacity utilization rate decreased to 55.9 percent in 2000 from 60 percent in 1999.

Employment: The high unemployment rate caused by the financial crisis eased in 2000. According to the latest survey, the unemployment rate declined to 3.2 percent (or 1.1 million people) in 2000, from 4.2 percent (or 1.4 million people) in 1999.

Inflation: Following a year of historically low inflation of 0.3 percent in 1999, consumer price inflation increased by 1.6 percent in 2000, largely because of rising world oil prices and depreciation of the baht (B) against most major currencies. However, the core inflation rate, which is the 12-month increase in consumer prices, excluding food and energy, remained relatively low at 0.7 percent, well within the Bank of Thailand's inflation target range of 0–3.5 percent for 2000–2002.

Fiscal balance: The Government maintained an expansionary fiscal stance to boost domestic demand, provide liquidity, and establish a social safety net for minimizing the impact of the financial crisis on the poor. For FY2000 (ending 30 September), the government cash deficit was B116 billion (2.4 percent of GDP), down from B135 billion (2.9 percent of GDP) in FY1999.

External sector: The external sector continued to be the main engine of growth, with exports increasing by 19.6 percent and imports by 31.3 percent in 2000. The current account balance continued to be in surplus at \$10 billion in 2000. International reserves remained at a comfortable level of \$32.7 billion at the end of 2000, or more than two times the short-term debt, and providing about six months of import coverage. Total external debt decreased from \$96.3 billion at the end of 1999 to \$81.3 billion in November 2000, with the maturity profile shifting toward long-term debt. The share of short-term debt to total external debt declined from 52 percent in 1995 to 18 percent in November 2000.

Domestic policies: The Government launched two economic packages in August and October 2000. The August package focused on supporting rural and community development, and the October package aimed at strengthening the economic and social foundation for long-term sustainable growth. In 2000, overall monetary and liquidity conditions were supportive of economic recovery. To spur domestic demand, the Bank of Thailand maintained a low interest rate policy, keeping the key policy rate (the 14-day repurchase rate) at 1.5 percent per annum. On an end-of-period basis in 2000, the increase in money supply (M2) and M2A (including finance and security companies) was 3.6 percent and 2.2 percent, respectively, compared with 2.1 percent and 1.3 percent at the end of 1999. With high liquidity in the money market, interest rates dropped to low

levels, with the interbank rate reaching 1.7 percent in the fourth quarter 2000. The prime (minimum lending) rate declined from 8.2–8.5 percent during the last quarter of 1999 to 7.5–8.2 percent in the same period in 2000. The deposit rate (one-year fixed deposit) declined from 4.0 to 4.2 percent in the fourth quarter of 1999 to 3.5 percent in the fourth quarter of 2000. However, commercial banks remained cautious in new lending. The growth in commercial bank credit to the private sector declined by 10.2 percent at the end of 2000. Financial sector reform is progressing. Nonperforming loans declined to 18.0 percent of total loans in December 2000 from a peak of 47.7 percent in May 1999, but remained relatively large at around B858 billion (about \$20 billion).

ADB operations

Operational strategy: ADB's interim operational strategy for Thailand, which was prepared in May 1999, incorporates major shifts in priorities in response to the financial crisis. It includes three objectives: (i) reduce poverty and improve the quality of life, (ii) engage in macroeconomic structural adjustment, and (iii) strengthen competitiveness to promote efficient and sustainable growth. All ADB projects—except those involving national systems—are to be concentrated in Thailand's northern, northeastern, and southern areas. These areas are relatively less developed and are where the majority of Thailand's population lives, including most of the target groups living below the poverty line. This geographic focus will lessen growing disparities within the country and maximize the impact of the poverty reduction program. The strategy further suggests that ADB assistance be focused on the agriculture/rural development, social (education, health, and social welfare), and financial sectors. ADB's approach links activities in Thailand with those in neighboring countries through subregional economic cooperation initiatives.

Policy dialogue: Policy dialogue with the Government in 2000 led to an ongoing poverty reduction and social protection assessment by the National Economic and Social Development Board and ADB. The assessment will include extensive discussions with stakeholders and facilitate the poverty reduction efforts of the Government and funding agencies. The findings will be discussed at a high-level forum, after which ADB's strategy and program for Thailand will be prepared. These activities are also expected to culminate in a poverty partnership agreement between the Government and ADB, which will set targets for reducing poverty and establish mechanisms for monitoring progress.

ADB will target agriculture/rural development and education. Technical assistance grants may be provided

to support reforms in Thailand's financial sector, principally in developing capital markets, restructuring specialized financial institutions, and improving the financial framework for small and medium enterprise development. ADB will also engage the Government and civil society in promoting governance, decentralization and multilevel planning, strategic planning, monitoring and evaluation, and management of natural resources and the environment.

Loans and technical assistance: No new loans were approved for Thailand in 2000, primarily because of concerns over the level of public debt in the wake of Thailand's stabilization and structural adjustment program. In March 2000, ADB approved a \$25.0 million equity investment in the Small and Medium Enterprises Investment and Restructuring Fund. The Fund, which has a target of \$100.0 million, will invest in promising businesses in need

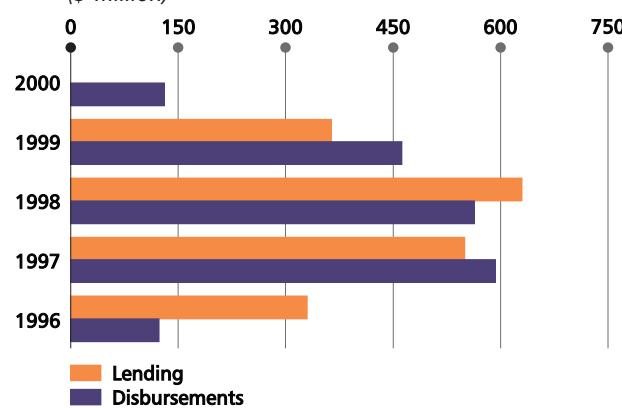
Thailand

Cumulative ADB Lending

(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Energy	27	1,632.3	30.5
Transport and Communications	17	1,214.5	22.7
Social Infrastructure	15	758.7	14.2
Agriculture and Natural Resources	13	709.1	13.3
Multisector	1	500.0	9.4
Finance	9	494.5	9.2
Industry and Nonfuel Minerals	1	39.0	0.7
Total	83	5,348.1	100.0

Thailand Lending and Disbursements, 1996–2000 (\$ million)



of expansion capital. ADB approved technical assistance grants totaling \$2.6 million for six projects, one of which was financed by the Government of Switzerland.

Project implementation: Since joining ADB in 1966, Thailand has received 83 loans, of which 13 were active at the end of 2000. Contract awards totaled \$29.2 million, bringing the cumulative figure to \$4.1 billion. The contract award ratio was 7.5 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$130.5 million, bringing cumulative disbursements to \$3.9 billion. The disbursement ratio was 18.3 percent, lower than the ADB-wide average of 20.5 percent.

The overall portfolio performance in Thailand is generally satisfactory, comparing favorably with ADB-wide averages for postevaluation findings, project completion report ratings, project performance report ratings of active projects, and cost overruns. Although implementation slowed during the financial crisis, sufficient counterpart funds were provided to avoid any hindrance in implementation from this aspect. Nevertheless, the 2000 country portfolio review indicated the need to shorten the time required from loan approval to loan signing, eliminate delays in contract awards caused by slow recruitment of consultants and slow prequalification of contractors and bid evaluations, and maintain implementation schedules to decrease the need for loan extensions. To help eliminate delays at project start-up, the Government has agreed to improve the implementation readiness of all new projects and minimize the conditions for loan effectiveness.

In April 2000, ADB approved the establishment of a resident mission in Thailand, to be operational by August 2001.

Viet Nam

Economic performance

Economic growth: According to official data, Viet Nam's real GDP growth was estimated at 6.8 percent, an increase from 4.8 percent in 1999, the main source of this growth being strong performance in exports and industry. The resurgence of industry sector growth to 9.7 percent was spurred by rising domestic and external demand, with the domestic nonstate sector outperforming the state and foreign private sectors. The agriculture sector performed well (4.0 percent according to official statements) despite the flood in the central region and drought in the north.

Recent data show that the incidence of poverty, based on international poverty benchmarks, has declined over

the last five years: from 58 percent in FY1993 (ending 31 March) to 37 percent in FY1998. However, many individuals who were positioned just below the poverty line in 1993 are now clustered just above it.

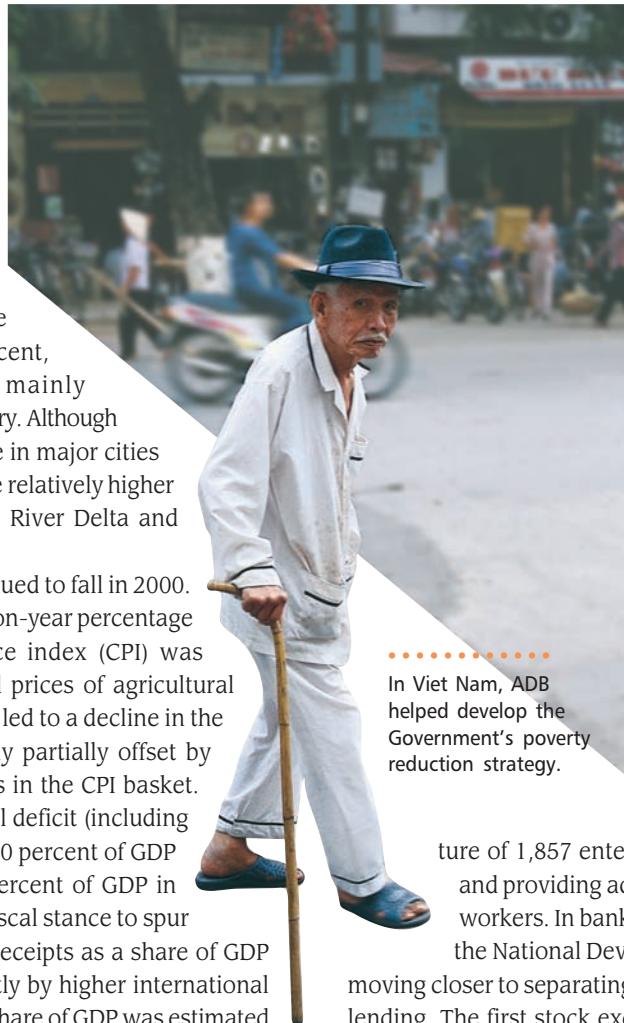
Employment: In 2000, the urban unemployment rate decreased slightly to 6.4 percent, from 6.7 percent in 1999, mainly because of the economic recovery. Although the overall unemployment rate in major cities declined in 2000, the rates were relatively higher in the urban areas of the Red River Delta and central northern regions.

Inflation: Inflation continued to fall in 2000. As of end-December, the year-on-year percentage change in the consumer price index (CPI) was -0.6 percent. The fall in world prices of agricultural commodities, particularly rice, led to a decline in the food price index that was only partially offset by higher prices of nonfood items in the CPI basket.

Fiscal balance: The fiscal deficit (including onlending) was estimated at 3.0 percent of GDP in 2000, compared with 2.8 percent of GDP in 1999, reflecting easing of the fiscal stance to spur economic recovery. Revenue receipts as a share of GDP were 18.7 percent, helped partly by higher international prices for oil. Expenditure as a share of GDP was estimated to have increased by 2.5 percent over the previous year, as a result of a 25 percent wage increase in public sector salaries and higher capital spending. Although the fiscal deficit was contained within manageable limits, the decline in non-oil revenues as a share of GDP since 1996 is cause for concern.

External sector: Exports grew by 21.3 percent in 2000, compared with 24.1 percent in 1999. The surge in the value of oil exports and fast-growing manufactured exports were the major driving forces. Imports grew by about 29.1 percent in 2000, compared with 3.8 percent in 1999. As a result, the current account surplus narrowed to 2.0 percent of GDP in 2000 from 4.0 percent in 1999. The slowdown in inflows from foreign direct investment (FDI) continued in 2000, with the sectors having attracted FDI in the past (heavy industry, real estate, and construction) reaching their saturation points.

With the signing of the US-Viet Nam Trade Agreement in July 2000, the prospects for the external sector rose but the benefits may not be realized for some time. Viet



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In Viet Nam, ADB helped develop the Government's poverty reduction strategy.

Nam's external debt position improved as a result of a major write-down on its debt to Russia.

Domestic policies: The Government's fiscal and monetary policies were accommodative in 2000. Money supply grew by 40.6 percent. The Government continued with reforms in 2000 in private sector development, state-owned enterprises (SOEs), and banking. The Enterprise Law, which became effective on 1 January 2000, contributed to a surge in the number of registered private firms. By December 2000, 14,400 new firms had registered, more than triple the number registered in 1999. The government has formulated an SOE reform plan that includes equitization/divestiture

of 1,857 enterprises, restructuring 423 others, and providing adequate safety nets for redundant workers. In banking, the Government established the National Development Assistance Fund, thus, moving closer to separating policy lending from commercial lending. The first stock exchange was opened in July 2000 in Ho Chi Minh City.

ADB operations

Operational strategy: Work on ADB's new operational strategy for Viet Nam was begun in 2000, with expected completion in 2001.

ADB loan operations in 2000 were guided by the 1995 operational strategy and focused on policy reform, infrastructure rehabilitation, and human development. Based on ADB's poverty reduction strategy and the Government's emerging development priorities, ADB's future strategy for Viet Nam will likely focus on three priorities: (i) economic growth and private sector development (with particular emphasis on domestic small and medium enterprises) through policy reform in the financial and agriculture sectors, and improved governance; (ii) improved human and social capital by investing in secondary education, health, and urban development in

provincial and district towns; and (iii) geographic and socioeconomic targeting by concentrating up to a third of ADB operations on the central region of the country, particularly on the north central coast and the central highlands, which are among the poorest regions in Viet Nam.

Policy dialogue: Policy dialogue evolved around the Government's preparation of Viet Nam's Socioeconomic Development Strategy for 2001–2010, to be adopted in April 2001. Policy recommendations and issues for further analysis were synthesized in the *Viet Nam Development Report 2001—Entering the 21st Century*, a joint report by the World Bank, ADB, and United Nations Development Programme, and discussed at the December 2000 Consultative Group Meeting in Hanoi.

In close collaboration with other funding agencies and nongovernment organizations, ADB also supported the formulation of the Government's poverty reduction strategy through a small-scale technical assistance and helped with three regional consultation workshops on the draft strategy.

Dialogue with the Government on good governance focused on policy and structural reforms in public administration, the legal sector, private sector development, SOEs, and banking reforms.

Loans and technical assistance: In 2000, ADB approved four loans totaling \$223.5 million in the fields of rural health, rural credit, and agricultural diversification, and including a private sector loan for a build-operate-transfer water treatment project; and approved a reallocation of \$58.3 million loan to provide emergency assistance for flood rehabilitation in the Mekong Delta and central region of Viet Nam. ADB also approved 12 technical assistance projects totaling more than \$9.1 million.

Project implementation: Since joining ADB in 1966, Viet Nam has received 43 loans, of which 29 were active at the end of 2000. Contract awards totaled \$176.3 million, bringing the cumulative figure to \$1,029.4 million. The contract award ratio was 19.0 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$237.4 million, bringing cumulative disbursements to \$813.8 million. The disbursement ratio was 18.7 percent, lower than the ADB-wide average of 20.5 percent.

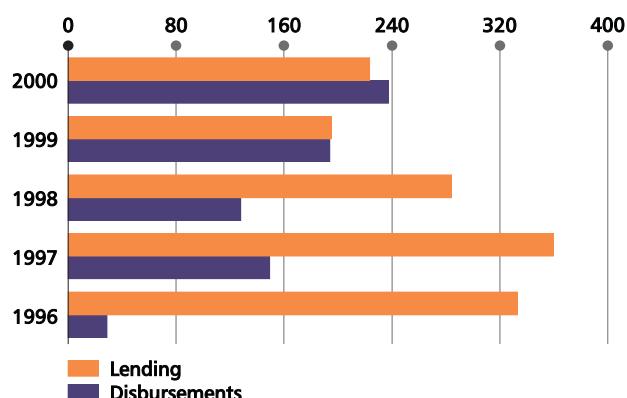
Overall portfolio performance in Viet Nam continued to improve in 2000; implementation progress and achievement of development objectives were generally satisfactory. The improvement was attributed to government efforts, supported by ADB technical assistance to familiarize the executing agencies with implementation procedures and requirements, and to monthly project implementation review meetings held by the Viet Nam Resident Mission with the

Viet Nam Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	15	604.8	28.8
Social Infrastructure	12	549.9	26.2
Transport and Communications	8 ^a	531.2	25.3
Energy	3	186.3	8.9
Industry and Nonfuel Minerals	3	130.0	6.2
Finance	2	97.0	4.6
Total	43	2,099.2	100.0

^a Includes Viet Nam loan component for the Greater Mekong Subregion: Phnom Penh-Ho Chi Minh City Highway Project amounting to \$100 million and Greater Mekong Subregion: East-West Corridor amounting to \$25 million.

Viet Nam Lending and Disbursements, 1996–2000 (\$ million)



Ministry of Planning and Investment, and the line ministries and executing agencies concerned. A gap still exists between the increasing level of commitment and actual disbursements. Issues to be addressed are centralized and cumbersome approval processes; inadequate project implementation capacity; delays in recruiting consultants and procuring goods and services; lack of counterpart funds; and issues on land acquisition, resettlement, and compensation.

To address these issues, a Project Management Conference, cosponsored by ADB, World Bank, and Japan Bank for International Cooperation, was organized in April 2000. In addition, a country portfolio review was undertaken by ADB in the fourth quarter of 2000, after which the Government and ADB agreed to a time-bound action plan to improve overall portfolio performance.

East Timor

East Timor, occupying the eastern part of the island of Timor, is situated between Australia and Indonesia.

Following a referendum in August 1999, East Timor was placed under the supervision of the United Nations. On 9 December 1999, a Trust Fund for East Timor (TFET) was established with the assistance of funding agencies. The TFET grant projects are formulated and supervised by ADB and the World Bank.

Economic performance

The economy was severely affected by the violence and destruction that followed the referendum, with some estimates indicating a 40 percent decline in real gross domestic product (GDP) in 1999. Public and private property was damaged, the agricultural cycle and trade were disrupted, and a substantial part of infrastructure was destroyed. Low cash activities; low demand; and lack of capital, infrastructure, and a transport system constrain the economy. Unemployment is high and humanitarian assistance continues to be an important source of support for a sizable part of the population.

As conditions in the country gradually returned to normal, the economy rebounded. Given the low base, real GDP growth was estimated at 15 percent in 2000, largely as a result of reconstruction work and the gradual restoration of commerce, business, and basic services. Because of favorable weather, the output of maize, rice, and coffee (the major export commodity) also improved in 2000. Inflation slowed, along with reduced regional disparities in staple food prices. The recovery process is expected to gather momentum and be led by agriculture, construction, and services; prices are expected to stabilize in the coming years. The combined sources budget of East Timor for FY2001 (ending 30 June) provides for a total revenue of \$25.1 million and total expenditure, including net lending, of \$183.0 million. The overall deficit of \$157.9 million (about 55 percent of GDP) will be financed largely from external grants.

In 2000, the National Consultative Council adopted the US dollar as the legal tender, although the Indonesian

rupiah continued to be used. The Central Payments Office began providing basic depository and payment services. Several regulations related to banking and the payments system were enacted. The Central Fiscal Authority has also started revenue and budgetary functions. The Department of Economic Affairs and the National Planning and Development Agency were created.

ADB operations

ADB's strategy for East Timor during the transition period focuses on supporting the reconstruction and development of the economy. Capacity building at various levels among East Timorese continues to be a priority. ADB is also helping reduce poverty and improving the quality of basic services through its TFET grant projects.

East Timor is not yet a member of ADB and is not eligible for loans. However, ADB's Board of Directors made East Timor eligible for technical assistance grants primarily for capacity building. In 2000, ADB approved 12 technical assistance grants totaling \$4.9 million. Also in 2000, ADB established its Special Liaison Office in East Timor.

ADB is helping rebuild the economy and lives in East Timor.



South Asia

South Asia sustained its growth in 2000, with aggregate GDP remaining at 5.8 percent, despite a slowdown in the Indian economy. GDP growth in India slowed marginally because of lower-than-expected growth in agriculture sector output and slower growth in the industry sector. Bangladesh performed well in 2000, recovering from the devastating floods of 1999. The other South Asian economies showed strong signs of recovery in 2000, mainly because of higher growth in agriculture sector output. Exports in India recorded a double-digit rate of growth in 2000, spurred by the recovery in global trade and depreciation of the rupee. The growth of exports in other South Asian countries was also high.

All of the South Asian countries recorded large fiscal deficits in 2000 despite efforts to stabilize their annual budgetary shortfalls and restructure their overall revenue collection and expenditure management programs. Persistent fiscal imbalances resulted in the high cost of capital, crowded out financial resources for the private sector, and discouraged private sector investment. High population growth, insufficient GDP growth, low human

resource development, and improper social assistance have constrained efforts to reduce poverty in the subregion, home to more than half of Asia's poor. Sustained vigorous reforms to address macroeconomic and social sector impediments are critical for the subregion to improve the welfare of its people and to accelerate socioeconomic progress.

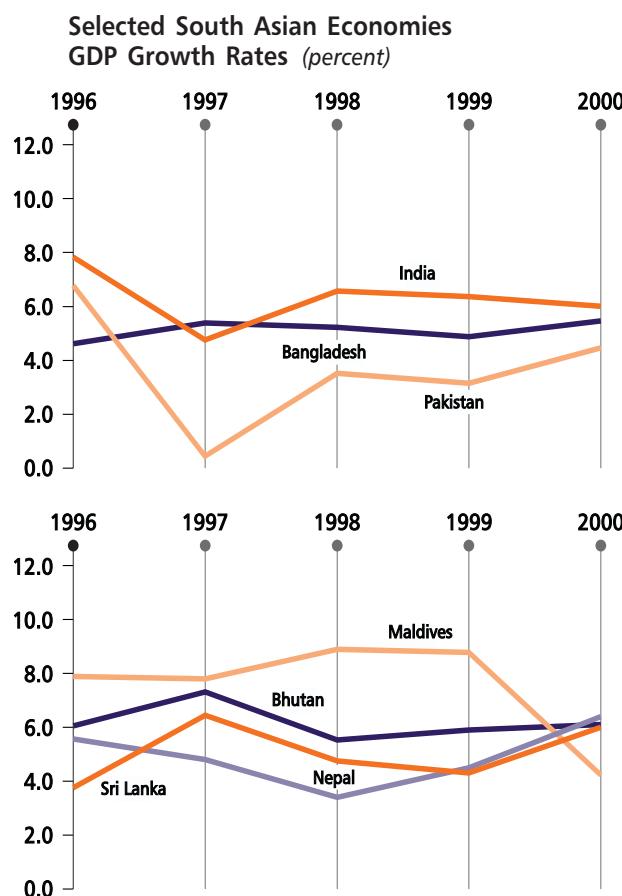
Bangladesh

Economic performance

Economic growth: The Bangladesh economy recovered in FY2000 (ending 30 June) with GDP growth of 5.5 percent, compared with GDP growth of 4.9 percent in FY1999. As is usual in Bangladesh, flooding in 1999 left a deposit of nutrient-rich silt that boosted food grain output the following year. Thus, FY2000 saw record-high food grain production of 24.9 million tons, compared with only 21.8 million tons in FY1999. Food grain output in FY2000 was also boosted by an adequate supply of key agricultural inputs—fertilizer, diesel, and seeds—at stable prices, allowing Bangladesh to attain food grain self-sufficiency in FY2000. For the agriculture sector as a whole, value added increased by 6.4 percent in FY2000, compared with 4.8 percent the previous year. The growth rate of industry sector output increased to 5.6 percent in FY2000, from 4.9 percent the preceding year. The services sector—comprising trade, transport, catering, financial intermediation, public administration, and professional services—maintained growth of 5.0 percent, slightly higher than in FY1999.

Employment: About two million people enter the labor force annually in addition to an already significant number of underemployed workers. Relatively slow economic growth, limited capacity for employment in agriculture, and sluggish performance in the country's labor-intensive manufacturing subsector all contribute to the labor absorption dilemma facing policymakers. The only avenue of employment for the growing labor force is self-employment in the low-productivity segments of the informal sector.

Inflation: Consumer price inflation slowed to 3.4 percent in FY2000 from 8.9 percent the preceding year. Improved availability of food items because of a bumper harvest, weak commercial sector demand, excess capacity in manufacturing, and delays in adjusting administered prices all lowered the inflation rate. Food price inflation declined sharply from 11.8 percent in FY1999 to 4.1 percent in FY2000, while the inflation rate for nonfood items also fell from 4.1 percent to 3.3 percent. Food grain production,



well in excess of demand, caused the open market price of coarse rice to decline by 14 percent.

Fiscal balance: As a consequence of weak revenue mobilization and a surge in expenditure, the budget deficit increased sharply to 6.1 percent of GDP in FY2000, compared with 4.8 percent in FY1999. Net domestic financing of the budget deficit increased to 3.3 percent of GDP in FY2000 from 2.4 percent in FY1999. The Government's bank borrowing to finance the budget deficit increased from 0.9 percent of GDP in FY1999 to 1.6 percent in FY2000.

External sector: The growth rate of exports in FY2000 rose to 8.2 percent, compared with 2.9 percent the previous year, which was mainly depressed because of floods. Export growth continued to be concentrated narrowly in just two products—ready-made garments and knitwear—which accounted for 76 percent of total exports in FY2000. Import growth was relatively slow at 4.4 percent in FY2000, mainly because of reduced food imports resulting from the bumper harvest. However, imports of nonfood items increased by 13 percent because of a higher level of imports of petroleum and oil products, chemicals, textiles, and capital goods. With the trade deficit remaining at almost the same level as the previous year and 14 percent growth in remittances, the current account deficit declined to 1 percent of GDP in FY2000, compared with 1.4 percent of GDP the preceding year. Despite improvement in the current account, Bangladesh's overall balance of payments remained fragile, with foreign exchange reserves totaling only \$1.6 billion (2.3 months' equivalent of imports) at the end of FY2000. While foreign exchange reserves declined to only \$1.3 billion in mid-November, December 2000 saw a slight increase to \$1.5 billion (equivalent to less than two months' imports). In light of this, Bangladesh Bank introduced measures for improving foreign exchange reserves during FY2000.

Domestic policies: Broad money (M2) growth accelerated to 19 percent at the end of FY2000, compared with 13 percent in FY1999. Government borrowing from the banking system increased by 31 percent, while Bangladesh Bank accounted for about half of total credit expansion. The growth rate of bank credit to the private sector declined to 11 percent from 14 percent the previous year, mainly because of depressed economic activity and high borrowing costs. This notwithstanding, the Government took some measures to loosen the supply of money and credit in FY2000, including withdrawing the interest rate band for small-scale and cottage industries and the agriculture sector, lowering the bank rate from 8 percent to 7 percent, and reducing the cash reserve ratio requirement of banks by one percentage point to 4 percent.

Bangladesh's financial sector, which is dominated by banks, is in distress because of its significant portfolio of nonperforming loans, low recovery rates, large spreads necessary for covering its substantial provisioning and management costs, weak overall institutional capacity, and deficient legal framework. As of 30 June 2000, the nonperforming bank loan ratio increased to 40 percent, from 32 percent at end-1995. Although in recent years only private and foreign commercial banks have been able to reduce nonperforming loans, some progress has been made in the legal and regulatory framework, which has allowed some recovery of bad loans. The banking companies' act was amended to disqualify defaulting directors from remaining on the boards of banks, and changes in loan classification and provisioning standards were introduced, bringing them closer to international standards. Steps for regulating insider lending have also recently been taken.

Under the ADB-assisted Capital Market Development Program loan, the Government adopted a reform package for strengthening and more closely regulating the capital market. In addition, the Government enacted the Privatization Act of 2000, which provides the Privatization Commission greater flexibility in divestment. Another law divided the Investment Corporation of Bangladesh into three separate corporate entities that carry out merchant banking, engage in mutual fund operations, and undertake stock brokerage activities. The Government also further liberalized private sector investment.

In mid-August 2000, the Government adjusted the administered prices of natural gas and various fuel oils upward by 15 percent and 9–20 percent, respectively, to avert further losses incurred from subsidizing these products. The taka was also devalued by 5.9 percent.

ADB operations

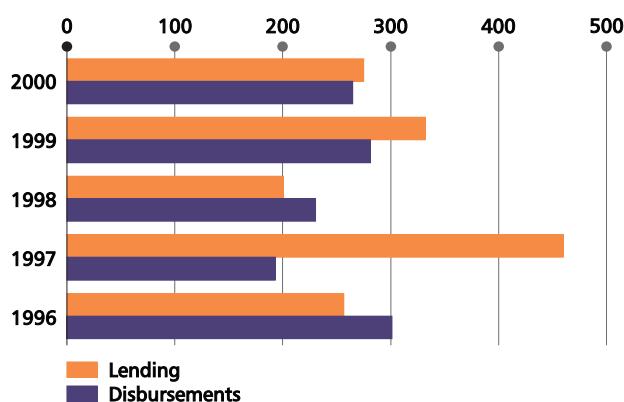
Operational strategy: ADB's operational strategy for Bangladesh continued to focus on reducing poverty by promoting private sector-led economic growth, creating better development opportunities for the poor, improving human development to increase the productivity of the poor, and protecting the environment. In April 2000, the Government and ADB signed the Partnership Agreement on Poverty Reduction, which sets medium (to 2005) and long-term (to 2010) goals for reducing poverty.

Policy dialogue: In keeping with its emphasis on reducing poverty and in line with the operational strategy and the Partnership Agreement, policy dialogue with the Government in 2000 focused on ensuring land tenure security and sustainability of investments in rural

Bangladesh
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	62	2,127.8	34.4
Energy	21	1,276.8	20.6
Transport and Communications	19	1,190.8	19.2
Social Infrastructure	23	956.4	15.5
Industry and Nonfuel Minerals	8	262.5	4.2
Finance	8	217.6	3.5
Multisector	2	158.8	2.6
Total	143	6,190.7	100.0

Bangladesh
Lending and Disbursements, 1996–2000
(\$ million)



infrastructure; promoting policy formulation and reform in microfinance, rural infrastructure, and agriculture input supply; and updating the 1989 Road Transport Policy. Projects approved in 2000 support these objectives. The Chittagong Hill Tracts Rural Development Project will encourage the Government to establish a land commission. The Northwest Crop Diversification Project will ensure better service to farmers by microfinance institutions, emphasize the need for well-functioning operation and maintenance systems and for local participation in selecting and managing rural infrastructure, and continue discussions on promoting growth in food crop production by removing market restrictions. The Road Maintenance and Improvement Project will help prepare a new National Land Transport Policy to include road maintenance, road safety, private sector participation, and the role of transport in poverty reduction.

Loans and technical assistance: In 2000, ADB approved six loans totaling \$275.1 million: a flood rehabilitation loan, a private sector power loan, and loans for the agriculture, road improvement, and rural development sectors. ADB also approved seven technical assistance grants totaling \$5.2 million.

Project implementation: Since joining ADB in 1973, Bangladesh has received 143 loans, of which 37 were active at the end of 2000. Contract awards totaled \$291.6 million, bringing the cumulative figure to \$4.5 billion. The contract award ratio was 30.7 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$264.9 million, bringing cumulative disbursements to about \$4.5 billion. The disbursement ratio was 21.8 percent, higher than the ADB-wide average of 20.5 percent.

A country portfolio review, undertaken in 2000, and a review of the 1999 Action Plan indicated the need for improvements in delegating authority to project directors; streamlining procedures for recruiting consultants; simplifying procedures for land acquisition and resettlement; and ensuring adequate counterpart funds. Subsequently, ADB approved technical assistance to strengthen the Government's capacity in project monitoring, account management, and audit; and streamline contract awards and disbursement procedures in line agencies.

Bhutan

Economic performance

Economic growth: Bhutan's economy continued to grow strongly in 2000, with real GDP expanding by 6.1 percent, up from 5.9 percent in 1999. Large hydropower and industry sector projects expanded construction activities; once these projects are commissioned, more rapid industry sector growth, particularly in electricity, is expected.

Employment: Since an estimated 85 percent of the population lives in rural areas, agriculture remains the major employer, accounting for 75 percent of total employment. The Government (public administration and defense), the second largest employer, accounted for only 4.7 percent of total employment. Excluding agriculture, the private sector employed 2.9 percent of Bhutan's workforce in 1999. The Government is addressing the policy and institutional constraints, and is establishing the National Technical Training Authority and the National Employment Board.

Inflation: Consumer price inflation declined markedly in FY2000 (ending 30 June) to 3.6 percent from 9.2 percent

in FY1999 largely because of a drop in prices of edible oil. Money supply growth remained at 21.4 percent in FY2000 as in the previous year. The increase in money supply, however, did not translate into an increase in the inflation rate because of a rise in the monetization of the economy.

Fiscal balance: The Government continued to cover its expenditures from current revenues in FY2000. Inflows of foreign grants were insufficient to cover development expenditures. Thus, the overall budget deficit grew to 3.9 percent of GDP, up from 1.8 percent in the previous year.

External sector: The dollar value of exports grew by 5.6 percent in FY2000 after a decline of 5.0 percent in the previous year. Import growth moderated to 14.1 percent in FY2000 from 19.3 percent in the previous year. The trade account deficit widened slightly from 15 percent of GDP in FY1999 to 17 percent of GDP in FY2000; the current account deficit rose from 25 percent of GDP to 29 percent of GDP during the same period. Capital flows, mostly in the form of aid for infrastructure investments, covered the current account deficit, resulting in an overall balance-of-payments surplus of more than 8 percent of GDP, compared with 11 percent in the previous year. This increase in foreign exchange reserves gave Bhutan enough foreign currency at the end of the fiscal year to cover 19 months of imports. External debt, mainly from multilateral development agencies, continued to be small. At the end of FY2000, total public external debt was 40 percent of GDP. Debt service in FY2000 was about 5 percent of merchandise export earnings.

Domestic policies: The National Assembly passed several important bills, including Pesticides Act; Environment Assessment Act; Negotiable Instruments Act; Companies Act; and Sales Tax, Customs and Excise Act. In addition, the Personal Income Tax Act was submitted for further public discussion, with implementation planned for FY2002.

ADB operations

Operational strategy: ADB's new operational strategy for Bhutan, finalized in 2000, aims to reduce poverty and improve the quality of life. ADB will support this goal by promoting economic growth and social inclusion through physical and social infrastructure, and private sector development; employment creation; and improved economic management. The impact of private sector-led development on income and employment generation could be strengthened with more efficient financial intermediation; road transport development and expanded power transmission and distribution systems; and strengthened vocational, technical, and basic skills training.

Policy dialogue: Policy dialogue with the Government focused on promoting private sector development; improving the efficiency of public service delivery and cost recovery; and protecting the environment. ADB will continue to support the Government's efforts to provide an enabling environment for private sector development by rationalizing and strengthening banking and financial institutions; continuing liberalization of foreign trade and exchange, and investment regulations; liberalizing interest rates to reflect the true underlying cost of resource mobilization, intermediation, and risk; and preparing transparent legislation and regulatory procedures. Financial viability and sustainability of power operations will be pursued by making the Department of Power a corporate entity. ADB also supports the ongoing efforts to improve domestic resource mobilization, including cost recovery of public service delivery, particularly in the health and urban services.

Bhutan

Cumulative ADB Lending

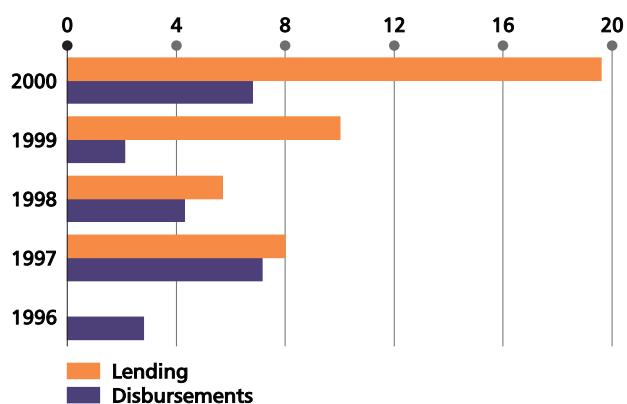
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	4	26.1	27.5
Transport and Communications	3	19.3	20.3
Energy	2	17.5	18.5
Multisector	2	12.4	13.1
Finance	3	10.5	11.1
Agriculture and Natural Resources	2	7.8	8.2
Industry and Nonfuel Minerals	1	1.2	1.3
Total	17	94.8	100.0

Bhutan

Lending and Disbursements, 1996–2000

(\$ million)



Loans and technical assistance: In 2000, ADB approved two loans totaling \$19.6 million for health care reform and road improvement. The health care reform program will strengthen the financing, management, and regulatory framework of the health sector. The road improvement project will improve the East-West Highway, thereby increasing access to health, education, and other essential services and helping bring poor communities into the economic mainstream. ADB also approved five technical assistance grants totaling \$2.0 million.

Project implementation: Since joining ADB in 1982, Bhutan has received 17 loans, of which 7 were active at the end of 2000. Contract awards totaled \$10.2 million, bringing the cumulative figure to \$57.8 million. The contract award ratio was 29.4 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$6.9 million, bringing cumulative disbursements to \$54.1 million. The disbursement ratio was 16.3 percent, lower than the ADB-wide average of 20.5 percent.

A country portfolio review in 2000 showed that while project implementation in Bhutan has improved, several issues still exist: limited involvement of executing agencies at early stages of the project cycle, particularly in designing technical assistance; slow utilization and liquidation of imprest accounts; and transfer of project staff because of extended out-of-country training and as a consequence of the ongoing reorganization of ministries. ADB and the Government agreed on a time-bound action plan to improve portfolio performance by enhancing the ownership level during the project feasibility study and throughout the project cycle. In 2000, ADB assisted the Government in its first study on poverty. The poverty assessment benchmarks and analysis will become the basis for developing institutional capabilities to plan, monitor, and evaluate future poverty interventions.

India

Economic performance

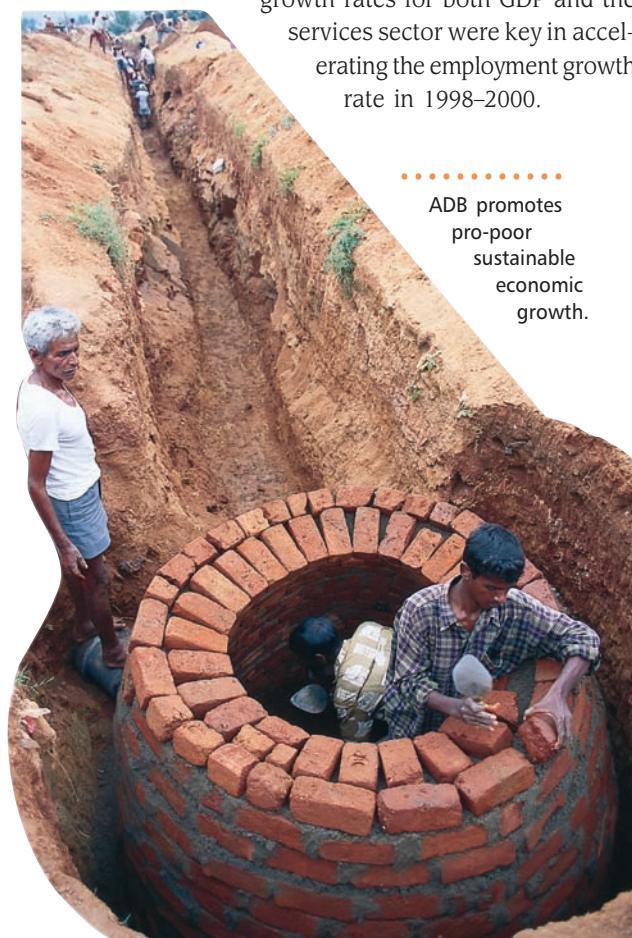
Economic growth: During FY2000 (ending 31 March 2001), the optimism that prevailed at the beginning of the year gradually waned, mainly because of unfavorable monsoon conditions in some areas and sluggishness in the industry sector. The agriculture sector also performed below expectations because of uneven and erratic rainfall. In some regions such as Gujarat, Rajasthan, and Madhya Pradesh, rainfall was below the annual average by as much as 30–40 percent. Food grain production thus fell short of the target level of

202 million tons, and is likely to be only 199 million tons in 2000–2001.

The industry sector also failed to sustain the recovery begun in the previous year, its outlook being revised downward during the year to reflect the negative economic environment for new investment. The index of industrial production showed an increase of 5.7 percent during the first nine months of the year, compared with 6.4 percent in the previous corresponding period. The capital goods sector showed the lowest growth, reflecting a wait-and-see attitude on the part of investors amid weak demand and higher interest rates. The deceleration in the capital goods sector was accompanied by an overall slowdown in industry sector activities, including manufacturing and power. Growth in the services sector is expected to decelerate to about 8.3 percent during the year, compared with 9.6 percent the previous year. Reflecting the negative mood in the overall economy, the 2000 GDP growth is estimated at 6.0 percent, compared with the 6.5–7.0 percent level targeted at the beginning of the year.

Employment: Sustained high growth rates for both GDP and the services sector were key in accelerating the employment growth rate in 1998–2000.

ADB promotes pro-poor sustainable economic growth.



Inflation: The inflation rate for FY2000, measured by year-on-year changes in the monthly average of the wholesale price index was 7.0 percent, from 3.3 percent the previous year, mainly because of a rise in fuel prices of almost 32 percent in the latter month of FY2000. Prices of agricultural products remained relatively stable.

Fiscal balance:¹¹ While the Government was able to contain expenditures at its budgeted level, the rate of increase in tax revenues slowed during the second half of the year with the slowdown in non-oil imports, which meant growth in customs duties collections was minimal. The Government also reduced excise duties on crude oil and petroleum products as part of its efforts to reduce the deficit in the oil pool account. Revenues from public sector disinvestment also fell short of the budgeted amount by 70 percent. Overall, assuming slower GDP growth in FY2000, the estimated fiscal deficit is approximately 5.1 percent of GDP. The fiscal deficit was met mainly by market borrowings, which put further pressure on domestic liquidity during the second half of the current fiscal year.

External sector: The impressive performance of the export sector continued in FY2000, with exports up by 20.4 percent or to \$32.3 billion during the first nine months of this fiscal year, compared with \$26.8 billion during the same period a year ago. Imports grew by only 9 percent and the trade deficit dropped by \$2.3 billion, despite the surge in the oil import bill, mainly because of robust growth in exports and a decline in non-oil imports. Because of the strong export performance, higher oil prices did not put undue pressure on the balance of payments with the current account deficit remaining at around 1.6 percent of GDP during FY2000.

In FY1999, the rupee depreciated by 2.8 percent against the US dollar. Higher oil prices, rising inflation, and a stronger US dollar against all major currencies caused the rupee to lose nearly 7 percent of its value from the beginning of FY2000. However, depreciation in the real effective rate was less than 2 percent in FY2000.

Foreign direct investment inflows were \$1.9 billion during the first nine months of FY2000, marking a slight increase, compared with \$1.5 billion during the same period in the previous year. About half of foreign direct investment went to energy (power and oil refineries) and telecommunications. Foreign institutional investment recorded a net outflow of \$476 million, compared with significant net inflows of \$1.1 billion in FY1999. However, foreign exchange reserves remained at a comfortable level,

having gradually fallen during the first half of the fiscal year, but rising again during the second half to \$41.6 billion.

Domestic policies: The macroeconomic environment was less favorable in FY2000 than previously. In recent years, the Reserve Bank of India has maintained low interest rates and provided sufficient liquidity to support industry sector recovery. Ample liquidity to the corporate sector helped strengthen performance of the industry sector during the previous fiscal year. However, rising US interest rates and the subsequent depreciation of the rupee prompted the Reserve Bank of India to raise the interest rate and reserve ratio in July 2000, which was followed by a hike in the prime lending rate to commercial borrowers. Because of the large fiscal deficit, government borrowing also put pressure on interest rates. Both higher interest rates and tightening liquidity adversely affected the industry sector and the overall economic outlook in FY2000. The Government introduced a Fiscal Responsibility and Budget Management Bill in the winter session of the Parliament to bring the government debt down to 50 percent of GDP by 2001.

ADB operations

Operational strategy: ADB's operational strategy for India promotes employment and poverty reduction by minimizing bottlenecks in key infrastructure sectors; developing and improving the enabling environment for private sector investment; improving public resource mobilization and management at the state level, including enhancing resource allocation for social sectors; and strengthening the focus on urban development, environmental improvement, and housing finance. ADB's operational program continues to be selective with regard to sector and geography: state-level operations will account for up to 50 percent of annual lending in the next few years. Support for private sector infrastructure development (including power generation and transmission, and ports) and public-private partnerships continues to be the main focus of private sector operations.

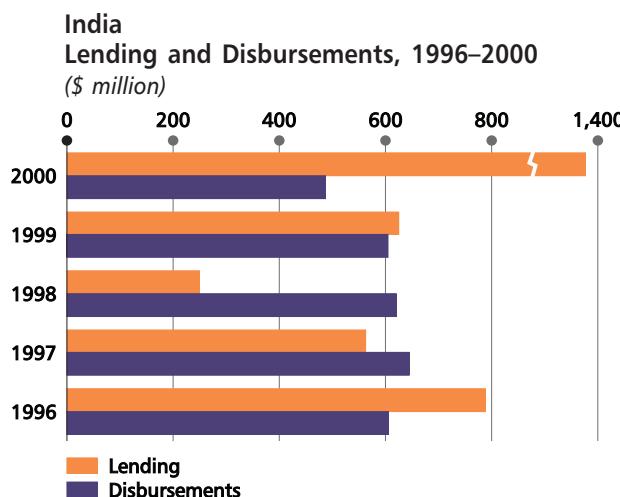
Policy dialogue: Policy dialogue with the Government focused on improving the urban environment, instituting economic and structural reforms at the state level, implementing policy and institutional reforms in the power subsector at the national and state levels, and strengthening the role of community-based and microfinance institutions in housing finance. ADB's projects in 2000 supported these objectives. For example, the Calcutta Environmental

¹¹ India uses fiscal deficit/surplus. While the definition of the budget deficit/surplus includes all types of borrowings in the capital account in deriving total revenue, the revenue stream for fiscal deficit consists of sustainable sources of government revenues (taxes, nontax revenues, and grants) and certain ad hoc incomes in the capital account (proceeds from loan repayments and incomes from privatization).

India**Cumulative ADB Lending
(as of 31 December 2000)**

Sector	No. of Loans	\$ Million	%
Energy	19	3,416.8	37.3
Transport and Communications	13	2,155.6	23.6
Finance	11	1,330.0	14.5
Social Infrastructure	14	1,330.0	14.5
Others	2	500.0	5.5
Multisector	2	250.0 ^a	2.7
Industry and Nonfuel Minerals	4	175.9	1.9
Total	65	9,158.3	100.0

^a Adjusted after termination of loan for the Private Sector Infrastructure Facility amounting to \$50 million.



Improvement Project will support improved urban management and municipal administration and address urban poverty and environmental concerns. The Gujarat Power Sector Development Program will support restructuring of the state's power sector; and the Power Transmission Improvement (Sector) Project will improve generation capacity by strengthening the power transmission network, building long-term institutional capacity, and facilitating private sector participation. The Housing Finance II Project will channel financing from formal institutions through intermediaries such as community-based finance institutions and nongovernment organizations.

Loans and technical assistance: In 2000, ADB approved nine loans for five projects, totaling \$1.3 billion: four loans for the social infrastructure sector (housing

finance), one for transport, one for environmental improvement, and three for the energy sector (including one program loan). ADB also approved 16 technical assistance grants totaling \$9.5 million.

Project implementation: Since joining ADB in 1966, India has received 65 loans, of which 40 were active at the end of 2000. Contract awards totaled \$380.8 million, bringing the cumulative figure to \$5.8 billion. The contract award ratio was 20.3 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$487.0 million, bringing cumulative disbursements to \$5.5 billion. The disbursement ratio was 22.2 percent, higher than the ADB-wide average of 20.5 percent.

Project implementation in India continued to be affected by delays in recruiting consultants, and in selecting and awarding contracts. In addition to several specific actions to minimize delays at project start-up, such as preparing consultant selection documents prior to loan negotiations and encouraging executing agencies to use direct payment and commitment letters to ease cash flow pressures, ADB and the Government agreed on a time-bound action plan to improve portfolio performance. Among other things, the plan calls for following up on results of random audits undertaken by the India Resident Mission.

Maldives**Economic performance**

Economic growth: The Maldives' economy grew by 4.2 percent in 2000, compared with an annual average growth rate of 8.2 percent in 1995–1999. This slowdown was because of underperformance in two key sectors: fisheries and tourism. In addition, high oil prices since early 1999 dampened economic growth. The total fish catch declined by about 17 percent, compared with the previous year. While tourist arrivals increased by 8.7 percent in 2000, this was more than offset by the decline in hotel rates because of lower occupancy rates following the opening of 13 new resorts.

Employment: Official unemployment data are not available in the Maldives, but the country faces large challenges in accommodating the 5,000 new graduates expected to join the labor force annually over the next five years and reducing the current heavy reliance on expatriate labor.

Inflation: Consumer price inflation averaged negative 1.1 percent in 2000, as prices of food and other commodities declined relative to 1999.

Fiscal balance: The fiscal deficit as a percentage of GDP fell from 6.6 percent in 1999 to 4.1 percent in 2000, because of expenditure-reducing measures and larger than expected revenues. In recent years, the fiscal deficit has been monetized by borrowing from the Maldives Monetary Authority (MMA). Continued borrowings from the MMA thus drove the total government debt to 15.1 percent of GDP in 2000.

External sector: Exports increased by 13.2 percent in 2000, largely because of increases in the export value of fish products despite a reduction in total fish catch. Imports decreased by 1.0 percent because of the economic slowdown, resulting in a narrowing of the trade deficit from 67.6 percent of GDP in 1999 to 53.3 percent in 2000 and a decline in the current account deficit from 11.1 percent of GDP in 1999 to 4.6 percent in 2000. The overall balance of payments also improved as a result of an increase in foreign grants and loans. Foreign exchange reserves recorded a slight decline to an estimated 3.7 months' equivalent of imports in November 2000 from 3.9 months' equivalent in November 1999. The total external debt position improved slightly from 36.6 percent of GDP in 1999 to 36.2 percent in 2000, comprised almost entirely of medium- and long-term debt. The debt service ratio of 3.9 percent in 1999 was maintained in 2000.

Domestic policies: While the country remained vulnerable to external shocks because of its dependence on tourism and fishing, the economy remained stable, as the Government consolidated its fiscal position and accelerated structural reforms necessary for sustained rapid growth. The Government continued to aim at broadening the tax base by introducing a corporate income tax and a rental value tax, and by making the revenue system more resilient to external shocks. The Government also prepared for the issuance of treasury bills for replacing the system of automatic financing through the MMA.

ADB operations

Operational strategy: ADB's operational strategy for the Maldives will be developed after a poverty analysis has been completed. ADB support is expected in five key areas: (i) regional development by providing basic social and economic infrastructure for a more equitable and cost-effective distribution of social and economic services; (ii) environmental management by strengthening institutional capacities in monitoring and enforcing environmental rules and regulations, and taking environmental protection measures; (iii) human resource development especially through higher education and skills training; (iv) improved public sector management

and decentralization; and (v) increased private sector participation in the economy.

Policy dialogue: Policy dialogue with the Government focused on regional development, improving the postsecondary education system, and strengthening the power supply capacity in Malé and the outer islands. Other important issues included enhancing the Government's public accounting system, developing a system of national accounts, preparing a science and technology master plan, improving legal and judicial training; and enhancing the capacity of the customs office.

Loans and technical assistance: No loans were approved in 2000. ADB approved three technical assistance grants totaling \$1.4 million.

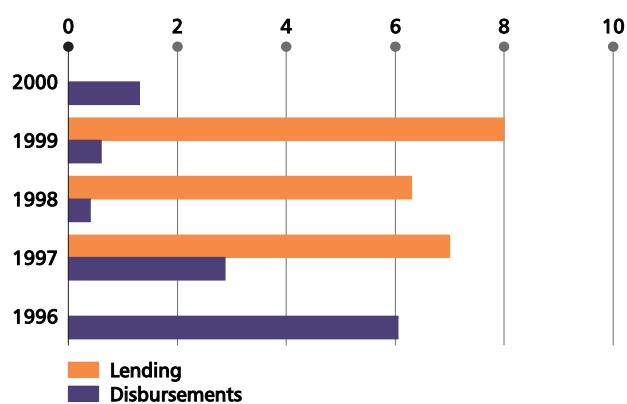
Project implementation: Since joining ADB in 1978, the Maldives has received nine loans, of which three were active at the end of 2000. Contract awards totaled \$7.5 million, bringing the cumulative figure to \$42.7 million. The contract award ratio was 46.8 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$1.3 million, bringing cumulative disbursements

Maldives

Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Energy	3	22.3	40.4
Transport and Communications	3	16.2	29.4
Multisector	2	10.4	18.8
Social Infrastructure	1	6.3	11.4
Total	9	55.2	100.0

Maldives Lending and Disbursements, 1996–2000 (\$ million)



to \$36.1 million. The disbursement ratio was 6.3 percent, lower than the ADB-wide average of 20.5 percent, because most projects were at early stages of implementation.

In 2000, ADB and the Government undertook a country portfolio review. Delays have been observed primarily in the initial phases of implementation and have related to recruiting consultants, procurement, and contract awards. ADB has been assisting the Government in improving project implementation performance by providing consultancies and training under ongoing projects.

Nepal

Economic performance

Economic growth: Nepal's economy was stable in FY2000 (ending 15 July). Real GDP grew by 6.4 percent in FY2000, up from 4.5 percent in FY1999, because of better performance in the agriculture and industry sectors. Growth in real agriculture sector output reached 5 percent in FY2000 partly because of improved weather. Increased production of principal food crops led the recovery in agriculture. In FY2000, rice production exceeded 4 million metric tons, an 8.6 percent increase in output over the previous year. Maize and wheat production also benefited from the favorable weather, with output expanding by 7.4 and 9.0 percent, respectively. Industry sector output grew by 8.7 percent in FY2000, compared with 6.0 percent the previous year. The number of tourists visiting Nepal declined by 3 percent in FY2000.

Employment: Because Nepal's economy is dominated by subsistence agriculture, the labor force participation rate is high and the unemployment rate low. The overall unemployment rate in 2000 was less than 2 percent, but the urban unemployment rate was higher at 7 percent.

Inflation: Money supply growth continued to be rapid, with broad money (M2) increasing by about 22 percent in FY2000, compared with 21 percent in FY1999. At 3.5 percent in FY2000, inflation was at its lowest rate in more than 20 years after a more than 11 percent increase in FY1999. Increased agriculture sector output kept growth in the price of food items in check at less than 1 percent on average during the year. This helped to counteract increases in the administered prices of fuel, electricity, and water, which caused the nonfood price index to increase by 7 percent.

Fiscal balance: The fiscal deficit of 3.9 percent was the same in FY2000 as in FY1999. Domestic revenue collection was 5 percent lower than budgeted, with actual revenue totaling about 11 percent of GDP, roughly the same

level as in the previous year. This low level of collections was offset by slower-than-budgeted growth in development expenditure, which rose by 17 percent rather than the 48 percent envisaged in the budget. Foreign grants and loans financed about 50 percent of development expenditures.

External sector: While the dollar value of net service receipts continued to fall in FY2000, this was offset by an increase in the dollar value of net transfers, mainly because of rising remittances. The current account deficit of 1.5 percent of GDP was smaller than the average deficit of 8 percent during the 1990s. Official loans and grants continued to decline from their peak in FY1998, but the \$292 million net inflow more than offset the deficit in the current account. As a result, Nepal's foreign exchange reserves grew from \$887 million in FY1999 to \$981 million by the end of FY2000, enough to cover about six months of imports. External debt as a percentage of GDP fell to about 48 percent in FY2000. Because of the concessional nature of borrowing, the external debt service ratio was at a manageable level of 5.3 percent of export earnings.

Domestic policies: To sustain growth rapid enough to reduce poverty, the Government will continue the reforms begun in the early 1990s and provide an environment conducive to private sector development. For this to occur, financial sector reform will need to increase the savings rate and channel these funds into productive investments. In FY2000, the Government continued to implement the Agriculture Perspective Plan, further liberalizing agriculture by removing fertilizer subsidies. Prioritizing development expenditures and preparing a three-year rolling expenditure plan are also being expedited to raise the efficiency of public sector investments.

ADB operations

Operational strategy: ADB's operational strategy for Nepal, approved in 1999, focuses on achieving sustainable poverty reduction by generating productive employment opportunities and increased rural incomes from broad-based economic growth, improving basic social services, and protecting and improving the environment. The strategy calls for building effective institutions to implement socio-economic development in a market economy. Five key elements of the strategy are being emphasized: improved governance to strengthen key institutions and promote private sector participation, support for the Government's initiative in decentralization, private sector development, gender equity, and subregional cooperation.

Policy dialogue: The strategy emphasizes that building capacity to maximize and sustain the development impact

of investments must take precedence over levels of assistance. Prerequisites for future interventions include garnering strong stakeholder support for ADB's proposed assistance and formulating long-term institutional development strategies. ADB support to particular sectors/subsectors depends on progress toward strengthening the policy and institutional environment in them. Longer-term technical assistance would support policy and institutional reforms.

ADB is focusing on fewer sectors/subsectors and linking future lending to progress in addressing major country performance issues. Country-specific performance standards are regularly monitored and progress reports, which are prepared jointly by ADB and the Government, are part of the annual country strategy and program planning for Nepal.

Loans and technical assistance: In 2000, ADB approved four loans totaling \$173.3 million for the agriculture, social, and financial sectors. ADB also approved nine technical assistance grants totaling \$7.3 million.

Project implementation: Since joining ADB in 1966, Nepal has received 99 loans, of which 25 were active at the end of 2000. Contract awards totaled \$48.3 million, bringing the cumulative figure to \$1.2 billion. The contract award ratio was 15.9 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$99.6 million, bringing cumulative disbursements to \$1.2 billion. The disbursement ratio was 37 percent, higher than the ADB-wide average of 20.5 percent.

In the past three years, Nepal's disbursement performance has exceeded the ADB-wide Asian Development Fund average. There has been a decrease in transferring key project staff, which has led to greater continuity in project implementation. Submission of audited accounts has been generally satisfactory. Local groups and communities are increasingly being involved in ADB-supported projects, particularly on gender issues. ADB is supporting the country's governance reform program, including civil service reform and efforts to reduce corruption.

In 2000, the Nepal Resident Mission continued to support improved project implementation by holding monthly meetings with project managers, and, together with the Government and the World Bank, conducted quarterly meetings to review the portfolio and work toward better project implementation. A joint memorandum of understanding summarized five key areas of concern: (i) expediting consultant recruitment, (ii) streamlining procurement procedures, (iii) strengthening project management (particularly staff recruitment, transfer, and incentives), (iv) improving financial management and governance, and

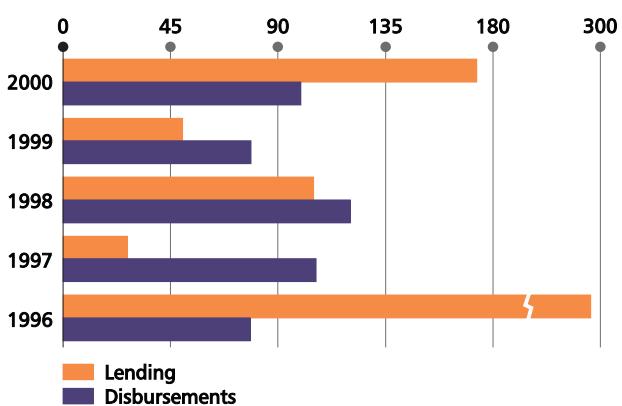
Nepal

Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	51	788.5	42.5
Energy	14	432.4	23.3
Social Infrastructure	13	292.1	15.7
Transport and Communications	12	224.7	12.1
Industry and Nonfuel Minerals	5	75.1	4.1
Others	3	35.6	1.9
Finance	1	7.3	0.4
Total	99	1,855.7	100.0

Nepal

Lending and Disbursements, 1996–2000 (\$ million)



(v) enhancing portfolio/project monitoring and evaluation with key performance indicators. The Government agreed to a time-bound action plan to improve portfolio performance.

Pakistan

Economic performance

Economic growth: The new Government (which assumed power in October 1999) introduced several measures to stabilize the economy. As a result, Pakistan's economic performance during FY2000 (ending 30 June) showed signs of recovery, compared with FY1999.

In FY2000, the economy grew by 4.5 percent, the highest rate since 1996, largely because of the strong performance of the agriculture sector. Bumper crops of

cotton and wheat, coupled with increased rice production, led agriculture to grow by 7.0 percent. The cotton crop especially gave a boost to the textile industry after three years of lackluster activity. Strong growth in agriculture also helped contain imports of edible oil and wheat. Large-scale manufacturing, however, declined marginally by 0.7 percent in FY2000, compared with an increase of 3.7 percent during FY1999. This occurred mainly because of a sharp fall in sugar production. During FY2000, the services sector grew by 4.5 percent against the target of 5.2 percent.

Employment: The Government estimated that 2.4 million people were unemployed in FY2000, compared with 2.3 million in FY1999. The overall unemployment rate was about 6.1 percent, with higher rates in the urban areas.

Inflation: During FY2000, consumer price inflation was 3.6 percent, the lowest in three decades, mainly because of improved availability of agricultural and food products. Despite a sharp increase in international oil prices, the price subindexes for fuel and electricity, and transport and communications, posted less-than-expected increases of 6.0 percent and 8.7 percent, respectively, in FY2000, compared with 1.7 percent and 8.2 percent in FY1999. However, because of a rise in domestic interest rates and sharp depreciation of the Pakistan rupee, price indexes are likely to increase in FY2001.

Fiscal balance: The fiscal deficit for FY2000 was 6.5 percent of GDP, higher than for FY1999. Delays in passing on the cost of higher international oil prices to domestic consumers, the settlement of accumulated tax returns, and an overrun in defense expenditure were major factors in the higher-than-planned fiscal deficit. Under the agreement with International Monetary Fund (IMF), the Government is committed to reducing the fiscal deficit to 5.2 percent of GDP in FY2001.

External sector: In FY2000, Pakistan reduced its current account deficit to about \$1.0 billion from \$2.4 billion in FY1999. This was made possible by a reduced trade deficit. Exports recorded an 8.4 percent increase in FY2000, led by an increase in

textile exports. Although the value of oil imports increased because of higher oil prices, overall imports remained relatively flat in value terms because of lower levels of food, defense, and other non-oil imports.

Following the advice of IMF, the Government moved to a floating exchange rate regime in September 2000. The Pakistan rupee was allowed to depreciate 12 percent against the US dollar and remained relatively stable. Foreign exchange reserves continued to decline to about \$1.0 billion as of October 2000, down from \$1.4 billion at the close of FY2000. This vulnerable foreign exchange position is a major concern of the Government. An IMF arrangement with the Government in November 2000 enabled other multilateral development banks to resume lending to Pakistan. Under the arrangement, \$1.5 billion is to be provided to Pakistan from ADB, IMF, and World Bank. Since Pakistan's foreign exchange requirement for the current fiscal year is estimated at \$3.5 billion, the balance of \$2.0 billion is expected to be met by a second round of debt rescheduling with the Paris and London clubs in early 2001.

Domestic policies: Sustained implementation of political structural reforms—fiscal reforms, financial sector restructuring, and privatization—is key if Pakistan is to achieve its long-term development objectives, which include faster economic growth and poverty reduction. Improving the quality of governance is a precondition for success of the reforms, and for sustainable development.

Poverty reduction is another area of concern. Using the caloric definition, poverty is estimated by the Government at 30 percent.

In 2000, the main focus of the Government's fiscal reforms was improving revenue collection by broadening the tax base and strengthening tax administration. The Government introduced several measures for this: an agricultural income tax; a more integrated, client-based, and functional tax administration system; a tax amnesty scheme; and a comprehensive tax survey and documentation drive.



ADB began to forge partnership agreements on poverty reduction in 2000, a major step toward improving the quality of life.

In the financial sector, detailed privatization plans have been drafted, and disposal of the remaining shares of national commercial banks and other state-owned financial institutions is proceeding. With help mainly from ADB, the Government has introduced major capital market reforms, including establishing a national clearing and settlement system, automating stock exchange transactions, and establishing credit rating agencies for strengthened information flows and market efficiency.

The pace of privatization has accelerated recently. Initial measures included the passing of a privatization law and forthcoming listing on the stock exchange of two national commercial banks and a partially privatized bank.

ADB operations

Operational strategy: ADB's new operational strategy for Pakistan will be formulated in 2001, and is expected to focus more directly on poverty reduction. ADB's current operations are guided by the operational framework of March 1999. The framework reflects the changed economic circumstances faced by Pakistan following the nuclear tests in 1998, and focuses on improving economic efficiency and export competitiveness, ensuring human and social development, and strengthening governance. It provides the basis for ADB's sector focus, intersectoral linkages, and goals to reduce poverty and improve environmental management.

Policy dialogue: Policy dialogue with the Government continued to focus on policy and institutional reforms to reduce poverty, improve public sector governance and efficiency, and promote private sector growth. Weak governance was recognized as a main factor contributing to the poor delivery of government services; decentralization and incentives—such as increased transparency in decision making and more effective legal systems and tax reforms—are needed. Policy dialogue also focused on structural reforms in the export, energy, and microfinance sectors.

Loans and technical assistance: In 2000, ADB approved seven loans totaling \$707.0 million for the rural development, industry, financial, and energy sectors, including one technical assistance loan for \$5.0 million to expedite energy sector restructuring. ADB also approved eight technical assistance grants totaling \$7.9 million.

Project implementation: Since joining ADB in 1966, Pakistan has received 192 loans including 20 private sector loans without government guarantee, of which 51 were active at the end of 2000. Contract awards totaled \$384.8 million, bringing the cumulative figure to \$7.5 billion. The contract award ratio was 24.9 percent,

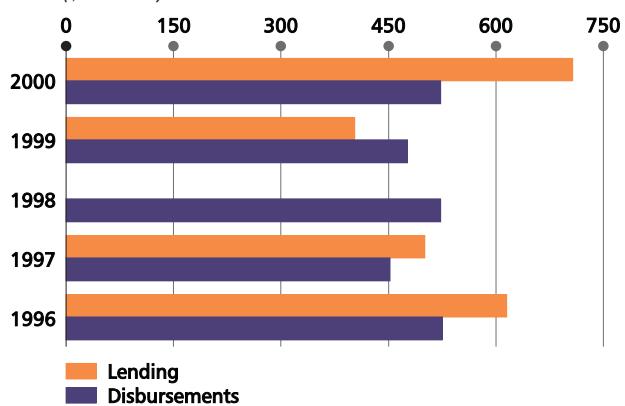
Pakistan

Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Energy	46	3,062.0	29.1
Agriculture and Natural Resources	58	3,034.6	28.9
Finance	33	1,427.0	13.6
Social Infrastructure	24	1,078.2	10.2
Industry and Nonfuel Minerals	17	798.4	7.6
Transport and Communications	11	767.0	7.3
Multisector	3	344.0	3.3
Total	192	10,511.2	100.0

Pakistan

Lending and Disbursements, 1996–2000 (\$ million)



higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$522.6 million, bringing cumulative disbursements to \$7.8 billion. The disbursement ratio was 27.5 percent, higher than the ADB-wide average of 20.5 percent.

Although Pakistan has a good disbursement record, project implementation continued to be delayed. The Government and ADB agreed on a comprehensive action plan—updated at each country portfolio review—that addresses policy- and governance-related covenants in loan agreements. Difficulties in complying with covenants were attributed to a lack of ownership, an unclear definition of responsibilities, inadequate follow-up, and resource and capacity constraints. The action plan identifies tasks to help improve capacity for complying with these covenants.

As a result of slowed project implementation, some loan closing dates had to be extended. The Government

and ADB agreed to address problems with decision making, procurement delays, project management skills and coordination, conflicts between government regulations and ADB guidelines, and public expenditure management.

Sri Lanka

Economic performance

Economic growth: After achieving growth momentum during the second half of 1999, Sri Lanka recorded an annual growth rate of 6.0 percent in 2000, compared with 4.3 percent in 1999. Growth in agriculture slowed. The services sector showed steady growth and the industry sector outperformed other sectors. The rapid growth of the industry sector was attributed to a favorable external trade environment that began during the second half of 1999. In the agriculture sector, foreign exchange earnings from tea and coconut increased; but paddy output declined because of unfavorable weather. In the industry sector, production of textiles and garments, and rubber and plastic products expanded because of increased world demand. The steady growth of the services sector reflected the continued fast growth in telecommunications, following large investments in past years. Total tourist arrivals declined slightly, reflecting security concerns.

Employment: The unemployment rate dropped from 8.9 percent in 1999 to 8 percent in 2000, indicating economic recovery. While graduates had difficulty finding jobs, rural poor youth filled vacancies in security establishments. The number of foreign migrant workers also increased.

Inflation: Consumer price inflation was 6.2 percent in 2000, up from 4.7 percent in 1999. Key factors for the higher inflation rate were high food prices because of less favorable weather in 2000 and high oil prices.

Fiscal balance: Defense expenditure increased to 5.6 percent of GDP in 2000 from 4.4 percent in 1999. To counterbalance this, the Government raised the national security levy and excise taxes on alcohol and tobacco, and reduced nonessential capital expenditure by about 10 percent. Despite many fiscal consolidation efforts, the budget deficit increased to 9.8 percent of GDP from 7.5 percent in 1999.

External sector: Exports grew by 17.8 percent in 2000, maintaining the momentum achieved in late 1999, while imports soared by 22.9 percent. The high export growth rate resulted from strong economic growth in Europe and the

US, and recovery in Asia. The main contributors to export growth were textiles and garments, which increased by 20.5 percent. Imports of investment goods such as transport equipment and machinery showed a slower growth rate of 13.4 percent. However, imports of intermediate goods such as crude oil and textiles increased by 22.9 percent, reflecting Sri Lanka's export-led import structure and high oil prices. As a consequence, the current account deficit increased to 7.3 percent of GDP from 3.7 percent in 1999. The ratio of external debt to GDP decreased from 59.0 percent in 1999 to 57.8 percent in 2000. Official reserves stood at 1.5 months of merchandise imports. The Sri Lankan rupee depreciated by 9.9 percent on average in 2000, reflecting a deteriorating balance of payments.

Domestic policies: In 2000, the Government broadened the tax base, and rationalized the tax system and expenditure. To widen the tax base, the automatic waiver under the excise special ordinance was amended to minimize revenue loss, and the National Security Levy was extended to a wider range of services. In rationalizing the tax system, a Revenue Protection Unit was set up to strengthen revenue enforcement laws and prevent abuses. The Goods and Services Tax Law was amended to ensure smooth administration and to ease difficulties experienced in some sectors. Audit and management committees were established to improve financial prudence in public enterprises and statutory agencies, and a separate unit in the Ministry of Finance and Planning was set up to evaluate government expenditure. The central bank widened the bandwidth for foreign exchange trading, and allowed the rupee to depreciate against the US dollar at the end of 2000. The central bank also increased its overnight repurchase rate, a key instrument for the monetary policy, mainly to maintain stability in the foreign exchange market, with the rate reaching 20 percent at the end of 2000, compared with 9.2 percent at the end of 1999.

ADB operations

Operational strategy: ADB's operational strategy for Sri Lanka, finalized in 1999, focuses on assisting the country's poverty reduction efforts through improved efficiency, more sustainable pro-poor economic growth, and better development opportunities for the poor. These objectives are being achieved by supporting policy and institutional reforms to promote private sector development and improve public sector management; supporting human development to address the gap in marketable skills and thereby improve employment and income levels, especially in areas where the poor are concentrated; enhancing the country's

Sri Lanka
Cumulative ADB Lending
(as of 31 December 2000)

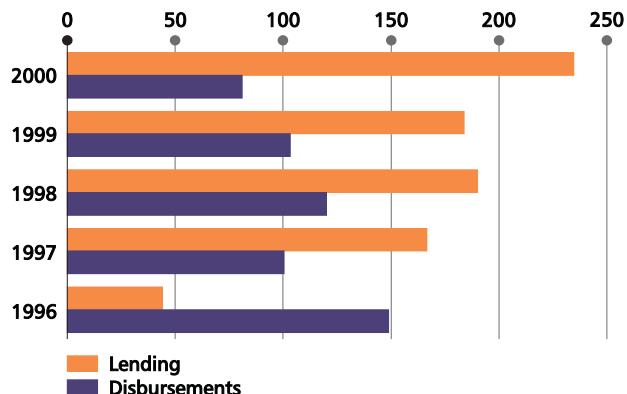
Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	41	895.6	34.5
Social Infrastructure	17	517.0	19.9
Finance	15	446.0	17.2
Transport and Communications	13	427.3	16.4
Energy	10	291.8	11.2
Multisector	1	14.7	0.6
Industry and Nonfuel Minerals	2	5.1	0.2
Total	99	2,597.5	100.0

infrastructure through public and private investment and an improved sector policy and regulatory environment; preserving the country's natural resource base; and instituting measures to mitigate the social and environmental impact of economic transition.

Policy dialogue: Policy dialogue with the Government focused on improving public sector governance and efficiency, promoting private sector growth, and reducing poverty. ADB worked with the Government to resolve issues of good governance, accountability, transparency, decentralization, and cooperation, and coordination among government and nongovernment public and private institutions. ADB continued its efforts to build local capacities to support the Government's policy on decentralization and the devolution of power to the provinces, which the Government considers to be a possible solution to the civil conflict. ADB also provided a program cluster for private sector development, aiming to facilitate private sector entry and participation in the economy through an enhanced market system; increased labor market mobility; and improved private sector access to finance. The policy dialogue on poverty reduction was strengthened in all sectors of ADB's program.

Loans and technical assistance: In 2000, ADB approved seven loans totaling \$234.7 million: Forest Resources Management Sector, Water Resources Management, Secondary Education Modernization, Protected Area Management and Wildlife Conservation, Private Sector Development Program (two loans), and Kelanitissa Power (private sector loan). ADB also approved 11 technical assistance grants totaling \$6.7 million to support institutional capacity building and to prepare projects.

Sri Lanka
Lending and Disbursements, 1996–2000
(\$ million)



Project implementation: Since joining ADB in 1966, Sri Lanka has received 99 loans, of which 29 were active at the end of 2000. Contract awards totaled \$57.8 million, bringing the cumulative figure to \$1.7 billion. The contract award ratio was 7.6 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$81.0 million, bringing cumulative disbursements to \$1.7 billion. The disbursement ratio was 13.2 percent, lower than the ADB-wide average of 20.5 percent.

A country portfolio review was undertaken in October 2000. Portfolio performance was characterized by delays in start-up and project implementation, caused by cumbersome and time-consuming contracting and procurement rules and procedures, and noncompliance with some major financial loan covenants. Five measures which will accelerate procurement and remove impediments to project implementation include (i) increasing the level of authority for awarding contracts for projects financed by external funding agencies, (ii) including project directors in technical evaluation committees to promote ownership, (iii) adding guidelines on advance procurement action in government bidding procedures, (iv) using ADB's standard bidding documents in all procurement, and (v) implementing a new circular for establishing the project management unit and appointing the project director and other staff.

Additional measures taken by the Government and ADB for improving overall portfolio performance include identifying key impediments to smooth implementation of the loan portfolio, providing training seminars for staff of executing agencies on ADB's loan administration procedures and requirements, and convening monthly portfolio performance review meetings with project directors and officials of line ministries.

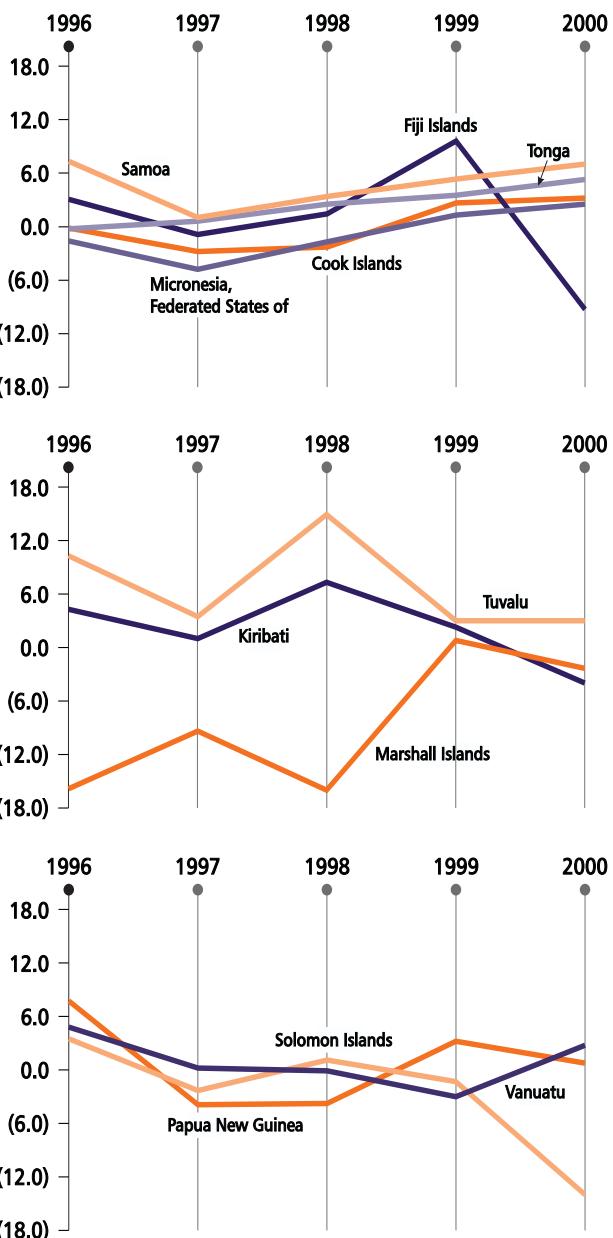
The Pacific

The economic recovery momentum achieved in the Pacific in 1999 could not be sustained in 2000 because of political instability and social unrest in the Fiji Islands and Solomon Islands, and subdued economic growth in Papua New Guinea. Aggregate real GDP for the 12 Pacific DMCs declined by a weighted average of about 2 percent in 2000. The weighted average inflation rate in the Pacific increased to about 11.5 percent in 2000 from 10.0 percent in 1999, because of generally weak currencies and rising fuel prices. However, macroeconomic stability was maintained during the extremely difficult periods in 2000 as a result of generally prudent fiscal and monetary policies.

Many Pacific DMCs, particularly Papua New Guinea, Solomon Islands, and Vanuatu have low human development and high human poverty indexes. The cost of living in the Pacific DMCs is high by international standards because of the narrow production base and consequent dependence on international trade, which implies high transport costs. Through regional- and country-level technical assistance, ADB embarked in 2000 on systematically documenting poverty in the Pacific DMCs by preparing an interim poverty assessment. The need for strengthening public service delivery was increasingly recognized as a means of extending the benefits of reforms to the poor and vulnerable.

ADB prepared "A Pacific Strategy for the New Millennium" in 2000, which focuses on poverty reduction; continuing support for economic management, governance, and public sector reforms; private sector development; a more active role for women; and sustainable environmental management. Supporting objectives of the strategy (when approved) will include building capacity for governance, strengthening physical and financial infrastructure, supporting the role of civil societies, and developing information and communication technology in the Pacific. The strategy proposes a subregional approach, which takes into account differences among the various Pacific DMCs. For example, in the resource-rich but relatively poor countries (Papua New Guinea, Solomon Islands, and Vanuatu), ADB will support governance, public sector reform, and poverty reduction by investing in social and physical infrastructure. The role of women will be particularly supported. In the more economically advanced Pacific DMCs (Cook Islands, Fiji Islands, Federated States of Micronesia, Samoa, and Tonga) with more advanced skills bases but moderate resource potential, ADB will focus on private sector

**Selected Pacific Economies
GDP Growth Rates (percent)**



growth through policy reform, physical infrastructure strengthening, and financial sector reform. In the island atoll DMCs (Kiribati, Marshall Islands, Nauru, and Tuvalu) that are severely disadvantaged by their size, isolation, and limited resource bases, ADB will support trust funds, develop niche markets for tourism, and enhance skills for labor export. ADB will continue to emphasize regional cooperation.

Cook Islands

Economic performance

The Cook Islands' real GDP recorded positive growth of 3.2 percent in FY2000 (ending 30 June). Growth in tourist numbers continued. The black pearl industry showed growth of 6.0 percent, as did the commercial agriculture sector at 4.0 percent. Inflation in 2000 was 2.0 percent, compared with 1.4 percent in FY1999. Despite a trade deficit equivalent to 53.0 percent of GDP, the current account ran a surplus of 5.9 percent of GDP because of increased tourism.

Domestic policies: The budget was in surplus by New Zealand (NZ)\$2.3 million in FY2000. Tax revenues increased by 15.3 percent, reflecting improved trading conditions and settlement of large tax assessments. Government expenditure increased by 7.5 percent because of increased spending on education, health, welfare, cultural development, environmental protection, and the prioritizing of debt reserves. Government debt stood at 74.5 percent of GDP in FY2000, with the Government indicating that it will be allocating NZ\$1 million each financial year to future debt repayment. The money supply has accelerated in line with the recent economic recovery. The principal policy issue for the Cook Islands remains that of completing the economic restructuring program (which was begun in 1996) and consolidating its achievements. For private sector development, areas requiring government attention include tariff reform, privatization, an appropriate regulatory framework, and review of laws and regulations affecting the operation of markets for labor and transport services. In view of a high incidence of noncommunicable diseases, particularly diabetes and hypertension, public awareness programs have been put in place.

ADB operations

Operational strategy: ADB's operational strategy for the Cook Islands is to continue the ongoing reform process, as the country moves into a phase of consolidation, by providing timely and focused technical assistance on matters where in-country expertise is unavailable. ADB also aims to provide enabling environments for private sector growth. Loans and technical assistance grants will strengthen in-country capacities to sustain essential infrastructure and services. A medium-term objective is to establish effective regulatory and management frameworks in key sectors that may be shifted to private control or management. Initiatives will be taken to improve services in the outer island communities.

Policy dialogue: Policy dialogue with the Government focused on private sector-led development, including enhanced participation of the private sector in providing public utilities and the need to retain a high degree of fiscal discipline in a period of strong economic growth. The policy agenda included debt management and the need to prioritize and minimize perceived requirements for increased public sector expenditure.

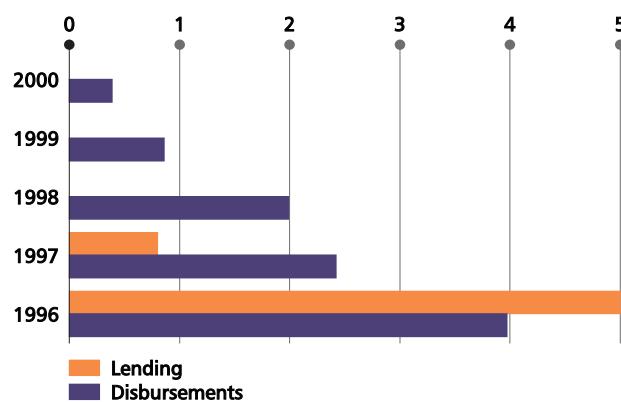
Loans and technical assistance: No loans were approved in 2000. ADB approved two advisory technical assistance grants totaling \$280,000 to prepare the Cook Islands' economic report and review its pension and insurance schemes.

Project implementation: Since joining ADB in 1976, the Cook Islands has received 11 loans, of which 2 were active at the end of 2000. Contract awards totaled \$610,000, bringing the cumulative figure to \$24.6 million. The contract award ratio was 18.4 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year

Cook Islands Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Finance	3	6.0	24.5
Transport and Communications	2	5.4	22.0
Others	1	5.0	20.4
Multisector	3	4.6	18.8
Social Infrastructure	1	2.7	11.0
Agriculture and Natural Resources	1	0.8	3.3
Total	11	24.5	100.0

Cook Islands Lending and Disbursements, 1996–2000 (\$ million)



totaled \$390,000, bringing cumulative disbursements to \$22.2 million. The disbursement ratio was 28.4 percent, higher than the ADB-wide average of 20.5 percent.

ADB's portfolio performance in the Cook Islands was satisfactory in terms of implementation progress and achieving development objectives. The Cook Islands complied with the submission of audited project accounts and financial statements, and environmental and social covenants.

Fiji Islands

Economic performance

The economy of the Fiji Islands contracted by 9.3 percent in 2000, reflecting the impact of unexpected political developments in May and the associated widespread civil unrest that followed. Manufacturing, construction, and tourism were the worst affected. Because of weak demand, inflation was low at 1.1 percent in 2000. Exports and imports declined sharply, but the current account realized a modest surplus. The capital account deficit also narrowed slightly, largely as a result of capital controls. The balance of payments showed a small deficit. Foreign exchange reserves covered around six months of imports.

Domestic policies: In response to an expected decline in government revenue of around 15.0 percent in 2000, the new Government implemented a mini-budget in July 2000 with expenditure being 10.0 percent lower than originally budgeted. The revised deficit target was equivalent to 3.5 percent of GDP. Despite these efforts, total government debt was 42.9 percent of GDP in 2000. The Reserve Bank of Fiji acted swiftly, following the developments of May 2000, to protect foreign exchange reserves and the exchange rate. A credit ceiling was imposed on commercial banks, interest rates were increased, and selective exchange controls were imposed. Following some improvements in the fiscal and balance-of-payments

positions, a gradual relaxation of monetary policy was initiated in September 2000. Other key issues in the Fiji Islands include uncertainties in the garment and sugar industry, poor productivity in the sugar industry, and low private sector investment.

ADB operations

Operational strategy: ADB is closely monitoring the situation in the Fiji Islands. The medium-term focus is to stimulate economic growth by encouraging private sector development and export-oriented activities that support job creation. This will involve enhancing public sector reforms, supporting the establishment and functioning of an efficient financial sector and capital market, promoting corporatization and commercialization of public sector enterprises, selecting public sector investments for infrastructure development and poverty reduction, and addressing environment and natural resource management concerns.

Policy dialogue: Policy dialogue with the interim Government focused mainly on good governance, enterprise policy reforms, cost recovery, and operation and maintenance in the road subsector.

Loans and technical assistance: No loans were approved in 2000. Before the political events unfolded in May, ADB approved four advisory technical assistance grants totaling \$590,000 for preparing a medium-term development plan, managing national debt, reviewing Fiji Development Bank's operations, and mapping land boundaries to harmonize resource use.

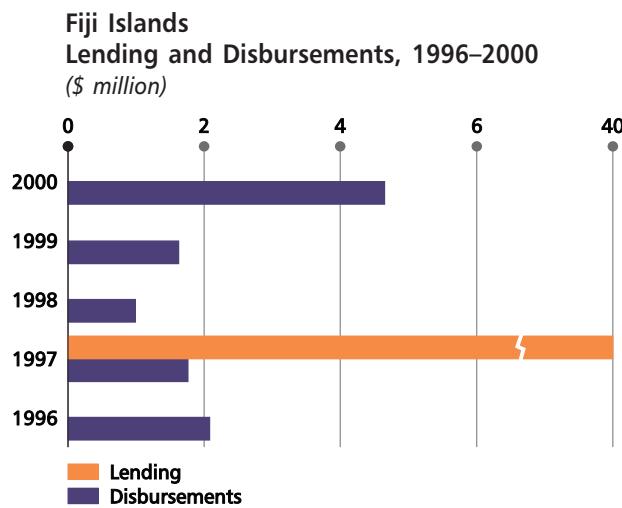
Project implementation: Since joining ADB in 1970, the Fiji Islands has received 13 loans, of which 1 was active at the end of 2000. Contract awards totaled \$1.2 million, bringing the cumulative figure to \$116.3 million. The contract award ratio was 3.5 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year



ADB assistance to Pacific developing member countries is aimed at creating an environment that will lead to improved productivity.

Fiji Islands
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	4	78.0	48.4
Energy	3	36.9	22.9
Agriculture and Natural Resources	3	27.6	17.1
Social Infrastructure	1	9.6	6.0
Finance	2	9.0	5.6
Total	13	161.1	100.0



totaled \$4.6 million, bringing cumulative disbursements to \$119.2 million. The disbursement ratio was 12.0 percent, lower than the ADB-wide average of 20.5 percent.

Nearly all ADB activities in the Fiji Islands were on hold in 2000. Because of a prolonged wet season, the Third Road Upgrading Project, the only ongoing project, was progressing slowly but generally satisfactorily. The Fiji Islands complied with the submission of audited project accounts and financial statements, and environmental covenants were being implemented.

Kiribati

Economic performance

Real GDP of Kiribati declined by 4.0 percent in 2000. The Revenue Equalization Reserve Fund reached around Australian (A)\$658 million by the end of 2000, and returned investment income was equivalent to around A\$23.9 million

as interest and dividends, equal to 33.3 percent of GDP. General retail prices increased by only 0.2 percent in the 12 months to October 2000. Exports declined while imports increased, and the current account moved to a deficit of an estimated 5 percent of GDP. However, international reserves are extremely healthy because of the Reserve Fund of about 10 years of import cover.

Domestic policies: The overall budget deficit in 2000 is estimated at 5.3 percent of GDP, slightly lower than the previous year, mainly because of higher-than-estimated fishing license revenue. Current expenditure in 2000 was A\$63.8 million and development expenditure was A\$20.8 million. Current expenditure in 2000 was virtually unchanged from 1999. External debt in 2000 was A\$14.7 million (\$8.2 million US equivalent) or a relatively modest 20.4 percent of GDP. External debt service was 1.2 percent of the exports of goods and services in 2000. The broad money supply, as calculated from the Bank of Kiribati balance sheet, grew by 5.0 percent in 2000. Key policy issues identified in the National Development Strategy for 2000–2003 include reforming the public sector, strengthening the banking sector, improving the investment climate, rationalizing the tax and tariff systems, improving data collection and analysis, developing human resources, and promoting outer island development.

ADB operations

Operational strategy: ADB's operational strategy for Kiribati is to promote sustainable growth, reduce poverty, and improve the living standards of the people. ADB aims to achieve these objectives by enabling the Government to implement effectively its National Development Strategy and to start empowering local governments. ADB operations focus on reducing poverty, reforming the public sector, providing social infrastructure, and developing the outer islands.

Kiribati
Cumulative ADB Lending
(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	1	10.2	67.6
Transport and Communications	2	2.3	15.2
Energy	2	1.6	10.6
Finance	1	1.0	6.6
Total	6	15.1	100.0

Policy dialogue: Policy dialogue with the Government included assisting the public service reform; restructuring the Public Utilities Board; improving sustainability of operations in the utilities subsector, including cost recovery, and operation and maintenance; conserving water; and protecting the environment. A comprehensive program was prepared with ADB assistance for infrastructure improvements in water supply, sewerage, and solid waste management. Institutional reforms, designed to enhance the effectiveness and efficiency in operating and maintaining public utilities, were also identified.

Loans and technical assistance: No loans were approved in 2000. ADB approved two technical assistance grants totaling \$500,000: an advisory technical assistance for public sector reform and a project preparatory technical assistance grant for outer islands development.

Project implementation: Since joining ADB in 1974, Kiribati has received six loans, of which one was active at the end of 2000. Contract awards totaled \$2.0 million, bringing the cumulative figure to \$6.6 million. The contract award ratio was 25.7 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$1.1 million, bringing cumulative disbursements to \$4.8 million. The disbursement ratio was 10.7 percent, lower than the ADB-wide average of 20.5 percent.

One loan—the Sanitation, Public Health, and Environment Improvement Project—was ongoing in 2000. After a slow start-up, including a delay in recruiting consultants, the Project progressed and was classified as partly satisfactory in terms of implementation and achieving its development objectives.

Marshall Islands

Economic performance

Real GDP in the Marshall Islands declined by about 2.3 percent in FY2000 (ending 30 September). While government expenditure grew marginally, trade and transportation, primary production, and manufacturing contracted. Because of a stronger US dollar and low domestic demand, inflation was about negative 2 percent despite a rise in fuel prices. Exports in FY2000 increased by 10 percent, while imports declined slightly, leading to a trade deficit of 53 percent of GDP. However, the current account in FY2000 was in surplus of 7.6 percent of GDP. On the capital account, the main item was loan repayments, which absorbed most of the current account surplus.

Domestic policies: The budget in FY2000 was in surplus of 5.2 percent of GDP. Total government revenue of \$62.1 million was lower than the FY1999 figure, mainly because of reduced import taxes. Fishing license fee collections increased by 50 percent. Government expenditure in FY2000 increased slightly. Total external debt was 72 percent of GDP. The Marshall Islands had to overcome three important structural obstacles: lack of secure leasehold title to develop land, a complex taxation system, and governance problems. A bill to establish registration of development land that would be available for lease to investors under government-guaranteed title was tabled. Tax reform was on the policy agenda, and a review of the taxation policy may be conducted in 2001. The Government has also started developing a public finance management reform program to establish clear and robust systems of annual and medium-term budgeting, financial control, accounting, internal audit, and reporting to Parliament. About 600–700 new jobs per year are needed to keep up with population growth. The Marshall Islands thus needs to increase foreign direct investment inflows and expand existing enterprises.

ADB operations

Operational strategy: ADB's operational strategy for the Marshall Islands aims at assisting the Government in its economic and financial reforms, and supporting essential services in education, health, and water supply. Assistance will be directed to disadvantaged women and children in the outer islands and toward creating income-generating skills and an enabling environment for small business development. ADB's medium-term program will be directed toward skills training and vocational education with poverty reduction as a primary objective; support for sound financial management by strengthening public finance, and promoting the use of trust funds for long-term financial stability; and continued assistance to the private sector. In addition, a new country economic report will include a development strategy for the Government, confirm the strategic focus, and form the basis for determining ADB operations in the Marshall Islands.

Policy dialogue: Policy dialogue with the Government focused on enhancing economic activity and improving financial management through fiscal discipline and responsibility. Improving governance—especially transparency in government decision making and increased accountability—was an ongoing dialogue. The use of trust funds for attaining a self-reliant economy with decreased dependence on external transfers is an important part of the overall objective.

Loans and technical assistance: In 2000, ADB approved a \$6.8 million loan for a skills training and vocational education project. ADB also approved four technical assistance grants totaling \$888,000: three advisory technical assistance grants for developing coastal marine resources, strengthening the Ministry of Finance, and reviewing the health management information system; and one project preparatory technical assistance for outer island infrastructure development.

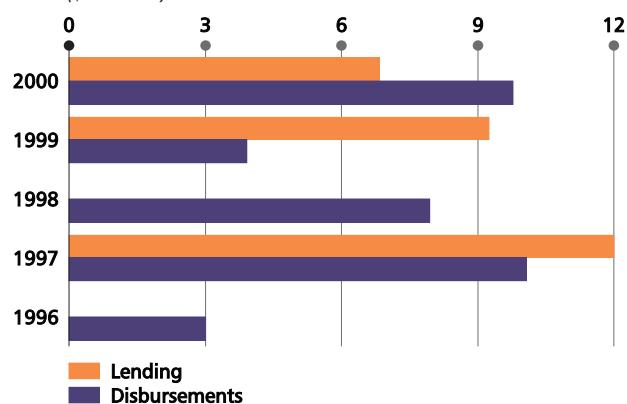
Project implementation: Since joining ADB in 1990, the Marshall Islands has received nine loans, of which five were active at the end of 2000. Contract awards totaled \$9.7 million, bringing the cumulative figure to \$41.7 million. The contract award ratio was 49.4 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$9.8 million, bringing cumulative disbursements to \$39.8 million. The disbursement ratio was 56.4 percent, higher than the ADB-wide average of 20.5 percent.

Although delays were encountered, all five ongoing projects were generally meeting their development

Marshall Islands Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Social Infrastructure	5	30.4	51.4
Finance	1	12.0	20.3
Multisector	2	9.8	16.6
Agriculture and Natural Resources	1	6.9	11.7
Total	9	59.1	100.0

Marshall Islands Lending and Disbursements, 1996–2000 (\$ million)



objectives. Minor changes in scope were made on two projects, and a minor change in implementation arrangements was made on one. While sufficient counterpart funds were available, lack of qualified counterpart staff remained a constraint. All ongoing loan projects and technical assistance have capacity-building components, including project management and training. The third and last tranche under the program loan was released in June 2000. Compliance with the submission of audited project accounts and financial statements continued to be an issue, and external auditors were appointed. The environmental and social covenants were either met or being implemented. A hands-on approach among ministers and heads of executing agencies has helped expedite implementation and disbursement.

Federated States of Micronesia

Economic performance

The real growth rate in FY2000 (ending 30 September) in the Federated States of Micronesia was 2.5 percent, led by manufacturing, construction, and transport. The Public Sector Reform Program, implemented in the latter half of the 1990s, facilitated a return to positive growth in 1999 and 2000. Exports more than doubled in FY2000, mainly because of increased fish exports. Imports also increased as growth returned to positive levels. The current account surplus, including official transfers, declined from \$55.7 million in FY1996 to \$6.5 million in FY2000 because of a decrease in the US Compact funding level. The inflation rate in FY2000 was estimated at 2.8 percent.

Domestic policies: The consolidated general government balance in FY2000 attained a surplus of 0.4 percent of GDP. Total revenues were \$152.8 million, of which \$96.0 million (42 percent of GDP) came as grants, including \$79.4 million from the US Compact. There were improvements at the state level, but the fiscal deficit at the national level needs to be improved. To achieve self-sufficiency, domestic revenue and taxation administration need to be improved substantially. Introduction of a value-added tax is expected to improve revenue generation. Overall, the formal sector remained stagnant and unable to provide sufficient employment. The number of jobs in the private sector needs to be expanded. A policy environment for private sector development must be put in place to attract foreign direct investment, particularly in commercial agriculture, fisheries, and tourism. The lowest-income households are in the outer islands where there are few employment opportunities in the formal sector and commercial activity is weak.

ADB operations

Operational strategy: ADB's operational strategy for the Federated States of Micronesia reflects the Government's development strategy of implementing economic reforms—which was presented to the Fourth Consultative Group Meeting in Manila in February 2000—and is consistent with ADB's goal to reduce poverty. The strategy will support two major complementary initiatives of consolidated public sector reforms and private sector-led economic growth. The needs of individual states will be emphasized. Stronger linkages will be established with the states' performance and commitment to reform and policy-related dialogue. The strategic priorities also include improving basic social services and developing overall economic and policy management capacity of both national and state governments.

Policy dialogue: Policy dialogue with the Government focuses on reforms in public financial management and economic planning. A detailed program has been prepared for improving basic social services delivery. Long-term

sustainability of economic reforms and a move toward economic self-reliance have been the major thrusts of ADB policy-related assistance. Improving state performance and better coordination between states and national governments to expedite decision making and implement well-coordinated programs nationwide were also important aspects of the continuing dialogue.

Loans and technical assistance: In 2000, ADB approved a \$8.0 million loan for health and education. ADB also approved two advisory technical assistance grants totaling \$800,000.

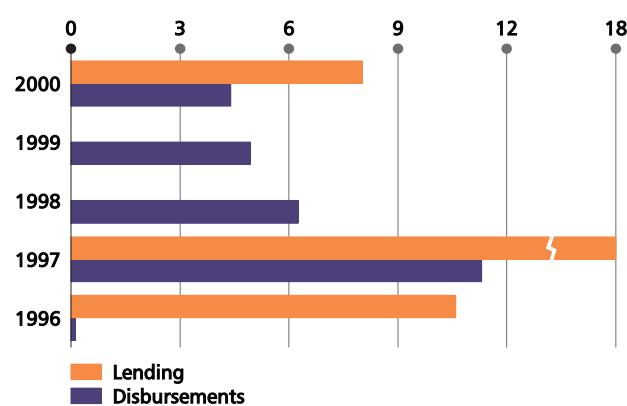
Project implementation: Since joining ADB in 1990, the Federated States of Micronesia has received four loans, of which three were active at the end of 2000. Contract awards totaled \$5.6 million, bringing the cumulative figure to \$29.4 million. The contract award ratio was 37.4 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$4.4 million, bringing cumulative disbursements to \$27.3 million. The disbursement ratio was 39.9 percent, higher than the ADB-wide average of 20.5 percent.

Two projects—Fisheries Development Project and Water Supply and Sanitation Project—were ongoing in 2000, and an additional loan for basic social services was awaiting effectivity. After a delayed start, the Micronesian Longline Fishing Company component of the fisheries project was operating satisfactorily and was profitable during the latter half of 2000. The Kosrae State component of the Water Supply and Sanitation Project was canceled and funds were reallocated to components of other states. Audited project accounts and financial statements were not always submitted on time. The environmental and social covenants were being implemented for both loans.

Federated States of Micronesia Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Finance	1	18.0	41.7
Social Infrastructure	1	10.6	24.6
Multisector	1	8.0	18.6
Agriculture and Natural Resources	1	6.5	15.1
Total	4	43.1	100.0

Federated States of Micronesia Lending and Disbursements, 1996–2000 (\$ million)



Nauru

Economic performance

No evidence exists to suggest that real GDP grew in FY2000 (ending 30 June). Profits from phosphate mining fell because of the stronger US dollar, as the impact of changes in the exchange rate on the cost of inputs was greater than the impact on revenues. The only major construction project, the Ainabare boat harbor, was completed in 2000. However, revenue from fishing agreement license fees registered a 60 percent increase over FY1999. Prices of commodities rose to around 7.5 percent in FY2000 in response to the weakening Australian dollar (A\$) and higher fuel prices.

Domestic policies: In FY2000, the budget deficit was over A\$10 million or about 18 percent of GDP, almost four times greater than the budgeted deficit. The level of government external debt is estimated at A\$280 million. External debt service was about 13 percent of exports of goods and services. Total money supply declined in FY2000. Confidence in the banking sector fell because of the weak liquidity position of the Bank of Nauru. In 2000, liquidity problems were chronic and withdrawals from personal accounts were rationed. Options to reform the banking sector are being considered, including revising the banking laws. Other major economic problems facing Nauru include the imminent depletion of the primary phosphate resource and persistent fiscal difficulties. In 1998, Nauru embarked on the Fiscal and Financial Reform Program, supported by an ADB loan. The Program encountered some hurdles, but the recently formed Nauru Committee for Development Planning is now overseeing it for more effective implementation.

ADB operations

Operational strategy: ADB's operational strategy for Nauru is to reach an economic level sustainable by available resources and improve income-generating capability and social indicators. ADB will provide assistance to tighten regulatory laws and controls for offshore banking operations to minimize dubious banking activities. ADB's medium-term assistance will help diversify the economy and develop the private sector through small business development. Being the only multilateral funding agency active in Nauru, ADB played a lead role in assisting the country in its efforts to recover from its financial difficulties. The major focus is to help the Government implement the Fiscal and Financial Reform Program and support privatization and employment-generating initiatives.

Policy dialogue: Policy dialogue with the Government focused on improving fiscal discipline across the financial sector and increasing transparency and accountability in public finance. ADB encouraged the Government to create a regulatory environment consistent with internationally accepted standards for operating offshore banks and companies registered in Nauru, essential to sustain reforms and attain self-reliance.

Loans and technical assistance: No loans were approved in 2000. ADB approved one advisory technical assistance grant for \$300,000 to strengthen the Ministry of Finance and support the Bureau of Statistics Office.

Project implementation: Since joining ADB in 1991, Nauru has received one program loan that was still active at the end of 2000. No contract awards were made during

the year; cumulative contract awards totaled \$2.3 million. There were no disbursements during the year; total disbursements remained at \$2.3 million. Progress was made in implementing the Fiscal and Financial Reform Program loan, the only ongoing loan in 2000. This resulted in considerably reducing government expenditure through a substantial downsizing of the civil service.

Papua New Guinea

Economic performance

The rate of real GDP grew by 0.8 percent in 2000—along with 0.9 percent growth in agriculture, forestry, and fisheries; 7.9 percent contraction in mining; and 2.0–5.0 percent growth in other sectors. The trade balance improved in 2000 largely because of increased exports. This led to an overall balance-of-payments surplus of 5.7 percent of GDP, despite a large capital account deficit. In mid-2000, foreign exchange reserves were equivalent to 2.7 months of imports. There was considerable variability in the exchange rate during the year. In 2000, year-on-year inflation was 17.9 percent.

Domestic policies: The budget deficit in 2000 was about 1.8 percent of GDP, compared with a deficit of 2.6 percent in 1999. Total public debt in 2000 was 60.8 percent of GDP, compared with 63.1 percent in 1999 and 65.8 percent in 1998. Growth of the money supply slowed considerably in 2000, reflecting weaker economic growth and tighter monetary policy. Despite the tight monetary stance, interest rates declined in 2000, indicating lower inflationary expectations and ample liquidity in the banking system. The Government, which assumed office in July 1999, restored macroeconomic stability in a relatively short time, and is implementing a comprehensive structural reform program. The key objectives of the reform program are improving governance and public sector performance, sustaining macroeconomic stability, and removing barriers to investment and economic growth. A new central bank act came into effect in June 2000, which introduces price stability as the primary goal for monetary policy and increases independence for the central bank.

ADB operations

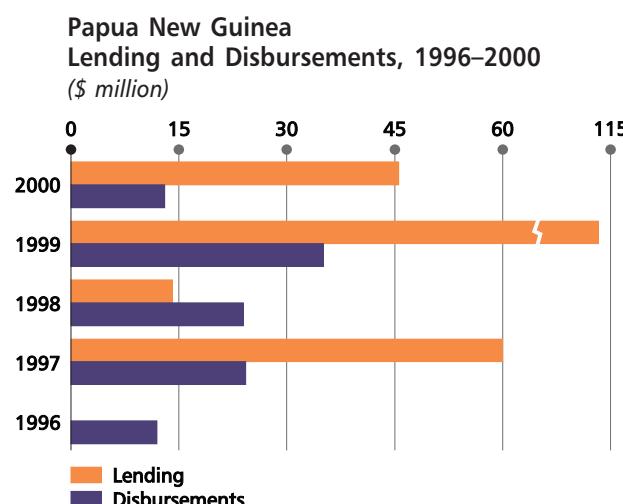
Operational strategy: ADB's operational strategy for Papua New Guinea focuses on reducing poverty through improved governance, private sector development, and improved social indicators. At the Government's request, ADB took

the lead in improving public sector financial management and assisted the Government in designing and implementing a public sector reform program that focuses on improving performance and governance. Developing longer-term, income-earning opportunities is a key concern that is being addressed by support for private sector development. In addition, ADB is supporting sector policy enhancements, market strengthening, and market access improvements, notably through transport infrastructure investments. The third strategic concern is to improve social indicators, especially for women and the poor, with emphasis on the rural areas.

Policy dialogue: Policy dialogue with the Government continued on the underlying issues of development management, improving management of the road and maritime transport subsectors, enhancing microfinance services, sustaining town water supply and sanitation, and

Papua New Guinea Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Transport and Communications	12	254.7	32.9
Social Infrastructure	16	215.5	27.8
Agriculture and Natural Resources	11	178.7	23.1
Finance	5	57.9	7.5
Energy	5	43.0	5.5
Multisector	3	16.0	2.1
Industry and Nonfuel Minerals	1	8.4	1.1
Total	53	774.2	100.0



strengthening public sector management. The need for rational and evidence-based decision making continued to underline dialogue.

Loans and technical assistance: In 2000, ADB approved three loans totaling \$45.5 million for maritime navigation aids system, microfinance and employment, and provincial towns water supply and sanitation. ADB also approved eight technical assistance projects totaling \$3.3 million: four to provide advisory services and four to prepare loan projects in coastal water fisheries, agro-industry, and community water transport.

Project implementation: Since joining ADB in 1971, Papua New Guinea has received 53 loans, of which 14 were active at the end of 2000. Contract awards totaled \$23.1 million, bringing the cumulative figure to \$525.1 million. The contract award ratio was 15.3 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$13.0 million, bringing cumulative disbursements to \$520.8 million. The disbursement ratio was 8.8 percent, lower than the ADB-wide average of 20.5 percent, attributed to the approval of large projects in late 1998 and 1999.

Ongoing projects were reviewed in 2000 to ensure continuing priorities; as a result, outstanding loans worth \$6.0 million were cancelled. The closure of two loans during the year resulted in further cancellation of \$7.4 million. ADB, in collaboration with the Government, continued measures to resolve problems in project implementation. ADB reemphasized the importance of strict compliance with its procurement and anticorruption requirements.

Samoa

Economic performance

The economy is estimated to have grown by more than 7.0 percent in 2000, dominated by construction, commerce, and hotels and restaurants. The overall level of local food supplies and inflows of remittances also increased. Dramatic growth in the monetized fishing sector in recent years was a major development. Inflation was contained at 0.5 percent in 2000, about the same level as in the corresponding period in 1999. Foreign exchange reserves in September 2000 equaled over six months of import cover. The overall balance of payments remained healthy in 2000, mainly aided by capital inflows.

Domestic policies: The FY2000 (ending 30 June) budget ended in a deficit of 0.6 percent of GDP, the first deficit since 1994. In mid-2000, external government debt was around 65 percent of GDP. The debt service cost in

2000 was around 7 percent of exports of goods and services. The money supply was estimated to be 11.4 percent higher than the previous year, reflecting the growing economy. The banking system remained strong in terms of capitalization and continued to be profitable. However, the central bank kept a close watch on monetary developments to ensure that inflationary pressures were kept under control. The Government proposed consolidating measures taken in recent years: tax and tariff reforms, financial sector reforms, and privatization and public enterprise reform initiatives. Further regulation, infrastructure, and taxation are needed for the rapid growth of the export fishing sector.

ADB operations

Operational strategy: ADB's operational strategy for Samoa supports the Government's reform measures, which are aimed at making the economy more private enterprise-based and competitively structured. ADB will continue to support public sector reform and financial sector liberalization, private sector-led growth, corporatization and privatization of state-owned enterprises, improved management of power and infrastructure facilities, education, and skills development.

Policy dialogue: Policy dialogue continued on strengthening the Government's capacity in macroeconomic management and policy formulation. ADB supported policy initiatives to promote the development of an economic environment conducive to business activities.

Loans and technical assistance: In 2000, ADB approved two loans totaling \$10.5 million for the education sector and for small business development. ADB also approved three advisory technical assistance grants totaling \$1.8 million. ADB also approved an equity investment in a venture capital fund.

Project implementation: Since joining ADB in 1966, Samoa has received 28 loans, of which 3 were active at the end of 2000. Contract awards totaled \$60,000, bringing the cumulative figure to \$94.5 million. The contract award ratio was almost 1 percent, lower than the ADB-wide average of 21 percent. Disbursements during the year totaled \$260,000, bringing cumulative disbursements to \$90.9 million. The disbursement ratio was 2.4 percent, lower than the ADB-wide average of 20.5 percent. The low ratios are attributed to a delay in the release of the second tranche of the Financial Sector Program loan and effectivity of a large loan close to the end of 2000.

Two loans—Education Sector Program and Financial Sector Program—were ongoing in 2000 and were classified as satisfactory in terms of implementation progress and

Samoa

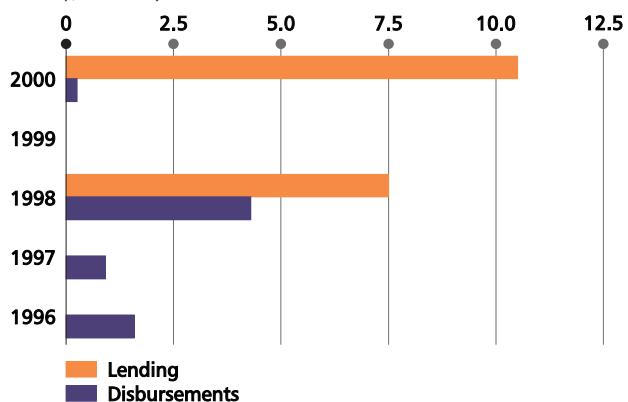
Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Agriculture and Natural Resources	9	41.5	38.5
Finance	7	27.0	25.0
Energy	6	15.0	13.9
Transport and Communications	4	13.0	12.0
Social Infrastructure	1	7.0	6.5
Multisector	1	4.4	4.1
Total	28	107.9	100.0

Samoa

Lending and Disbursements, 1996–2000

(\$ million)



achieving their development objectives. The loan for small business development was awaiting effectivity. The response of the financial sector to the liberalization measures was positive. Release of the second tranche was delayed because two second tranche conditions had not been met.

Solomon Islands

Economic performance

In 2000, the economy contracted by about 14 percent because of ethnic unrest and social tension. A peace agreement was signed on 15 October 2000, paving the way for reconstruction and rehabilitation. Because of lower domestic demand and import prices, the end-of-period inflation rate in 2000 was 6.6 percent. Exports declined by about 29 percent and imports by 15 percent in US dollar terms because of disrupted export production and low

demand for imported goods. Gross international reserves were estimated to be \$33.4 million at the end of 2000, sufficient to cover about two months of imports.

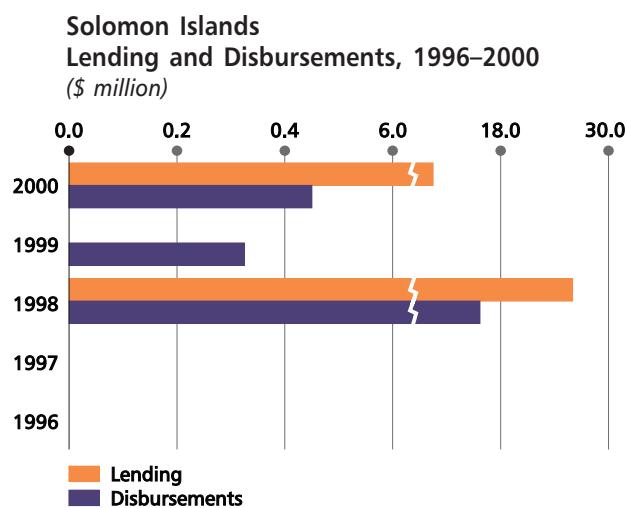
Domestic policies: Total government earnings and tax revenues are estimated to have fallen short of the 2000 budget estimates by over 30 percent. The overall budget balance in 2000 was a deficit, equivalent to 4.5 percent of GDP. The stock of central government debt at the end of 2000 reached about 75 percent of GDP, with about 60 percent in external debt. The Government has generally managed to meet its debt service obligations, but arrears in other expenditure areas are rising. Total domestic credit increased by 12 percent in the first nine months to September 2000. Broad money grew 9.5 percent in 2000.

ADB operations

Operational strategy: The social conflict in Solomon Islands disrupted the delivery and impact of development

Solomon Islands Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Finance	4	30.0	37.8
Agriculture and Natural Resources	4	20.2	25.5
Multisector	2	10.5	13.2
Energy	2	8.9	11.2
Transport and Communications	3	8.0	10.1
Social Infrastructure	1	1.7	2.2
Total	16	79.3	100.0



assistance during most of 2000; and from the second quarter of the year, ADB operations were on hold. The sharp economic downturn and the widespread devastation of economic and social infrastructure required reformulating ADB's operational strategy to respond to immediate needs. Following the signing of a peace agreement in October, ADB operations were partly resumed to facilitate emergency rehabilitation of basic infrastructure.

Policy dialogue: Policy dialogue with the Government focused on measures to stop revenue leakages and sustain basic services amid the public service contraction. Dialogue also focused on various options for promoting devolution and local control over resources.

Loans and technical assistance: In 2000, ADB approved one loan of \$10 million for post-conflict emergency rehabilitation. ADB also approved two technical assistance grants totaling \$800,000.

Project implementation: Since joining ADB in 1973, Solomon Islands has received 16 loans, of which 2 were active at the end of 2000. No contract awards were made during the year. Cumulative contract awards totaled \$53.8 million. Disbursements during the year totaled \$450,000, bringing cumulative disbursements to \$54.1 million.

One loan—Privatization of State-Owned Enterprises—was ongoing in 2000 and was classified as satisfactory in achieving its development objectives. The Post-Conflict Emergency Rehabilitation was awaiting effectivity.

Tonga

Economic performance

The economy grew by 5.3 percent in FY2000 (ending 30 June), led by trade and services and supported by increased remittances and a recovery in agriculture. Inflation rose to 5.3 percent in FY2000. The current account recorded a deficit of 6.7 percent of GDP, while the capital account deteriorated substantially because of declining net private capital flows. The official capital balance recorded a small deficit. By mid-2000, foreign exchange reserves declined to 2.5 months' import cover from 3.5 months in mid-1999.

Domestic policies: Following fiscal deficits in recent years, a surplus of 0.8 percent of GDP was achieved in FY2000, resulting from lower capital expenditure and, to some extent, increased tax revenues from higher imports. Total external debt in FY2000 was estimated at \$62.2 million or 41 percent of GDP, comprising mostly concessional loans. Monetary conditions were tightened in FY1999 and FY2000

in response to official reserves losses. The tight monetary policy resulted in a slowdown in private sector credit growth in FY2000 from the level of 18 percent in 1998. Broad money increased by 8.5 percent in FY2000, following an increase of 15 percent in FY1999. Maintaining adequate foreign exchange reserves, in light of high levels of imports of consumer and intermediate goods, is a challenge. Tonga's taxation system is under review. The system relies heavily on the taxation of trade, with high effective rates of import duties. The planned expansion of the sales tax reduced import duties. Eliminating the bulk of exemptions will facilitate productive investments and lead to a more equitable and efficient tax system. The planned revisions to the licensing procedures for businesses should also facilitate private sector development.

ADB operations

Operational strategy: ADB's operational strategy for Tonga is to support reforms in economic policy, public sector management, governance, and private sector development. ADB continued to support the Government's development strategy of sustainable economic growth by promoting private sector development, to ensure equitable distribution of development benefits and environment conservation.

Policy dialogue: Policy dialogue with the Government continued to focus on policies to strengthen public sector management, improve the delivery of basic public services, promote private sector-led economic growth, enhance social security, and improve financial sector efficiency.

Loans and technical assistance: No loans were approved in 2000. ADB approved two advisory technical assistance grants totaling \$271,000.

Project implementation: Since joining ADB in 1972, Tonga has received 13 loans, of which 2 were active at the end of 2000. Contract awards totaled \$740,000, bringing the cumulative figure to \$47.0 million. The contract award ratio was 113.8 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$2.9 million, bringing cumulative disbursements to \$41.0 million. The disbursement ratio was 81.7 percent, higher than the ADB-wide average of 20.5 percent. The high ratios reflect a portfolio comprised of loans in their final stages, which is not associated with corresponding new commitments.

The two ongoing loans—Transport Infrastructure Project and Outer Islands Agriculture Development Project—were classified as satisfactory in terms of implementation progress and achieving their development objectives. Both loans complied with the submission

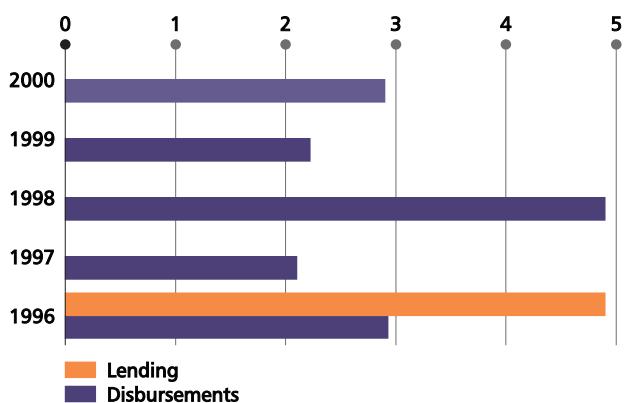
Tonga

Cumulative ADB Lending (as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Multisector	5	11.4	26.6
Transport and Communications	2	11.3	26.3
Energy	1	7.3	17.0
Finance	2	6.5	15.2
Agriculture and Natural Resources	2	6.0	14.0
Industry and Nonfuel Minerals	1	0.4	0.9
Total	13	42.9	100.0

Tonga

Lending and Disbursements, 1996–2000 (\$ million)



of audited project accounts and financial statements, and their environmental covenants.

Tuvalu

Economic performance

Growth in 2000 is estimated to be 3 percent, led by construction. In 2000, the inflation rate increased to 5 percent, largely because of increased airfares. The lease of Tuvalu's Internet domain address resulted in revenue of A\$24.9 million, consisting of a windfall payment of A\$19.3 million and three quarterly payments totaling A\$5.6 million. For the first three quarters of 2000, a nominal return of 17 percent, or 10 percent real return, on the Tuvalu Trust Fund was achieved. Revenues from fishing license fees remained stable in 2000 at over A\$9.0 million. Overall

Tuvalu's external position is sound because of these sources of revenues.

Domestic policies: Total government revenue at A\$44 million was almost double the budget estimate for 2000 as a result of the windfall "dot" television revenue. Total government expenditure was A\$22 million, including special development expenditure of A\$8.2 million in 2000. The main development issues are devolving administrative responsibilities to the communities of the outer islands and improving infrastructure and services for the outer islands. A Falekaupule Trust Fund for island development was invested with professional fund managers in Australia in February 2000, with an initial capital base of A\$11.2 million. The Government is renovating and expanding the system of water catchment and storage, and embarking on a program of providing electricity to the outer islands. Issues such as the structure of electricity tariffs and authority to manage the supply of electricity in the outer islands need to be resolved. Improved health, education, and telecommunications in the outer islands are also areas of concern.

ADB operations

Operational strategy: ADB's operational strategy for Tuvalu aims to promote sustainable economic and social development by promoting human development; reforming the public sector, including corporatizing government businesses; enhancing private sector development; and improving the economic and social conditions of the outer islands. Assisting the Government in developing the potential for labor export is also an important task.

Policy dialogue: Policy dialogue with the Government continued on economic and financial management, public sector reform, and developing the outer islands.

Loans and technical assistance: No loans were approved in 2000. ADB approved one preparatory technical assistance grant totaling \$250,000 for upgrading the Tuvalu Maritime Training Institute.

Project implementation: Since joining ADB in 1993, Tuvalu has received one loan. No contract awards or disbursements were made during the year. Cumulative contract awards to Tuvalu totaled \$2.8 million and cumulative disbursements, \$2.8 million.

The ongoing loan—Island Development Program—was classified as satisfactory in terms of implementation progress and achieving its development objectives. Economic and social covenants for the loan were being implemented. The main development constraints include isolation, small and weak institutional capacity, and limited absorptive capacity.

Vanuatu

Economic performance

The economy recovered in 2000 with an estimated growth of 2.8 percent, following negative growth of 3 percent in 1999. The tourism and construction industries led the recovery. Major ongoing construction projects include the Efate ring road, expanding the main airports on Efate and Santo, rehabilitating infrastructure damaged by Cyclone Dani, and developing the urban infrastructure. The agriculture sector continued to experience weakness. Inflation, moderate in recent years, was 2.7 percent in 2000. Despite a negative trade balance, a small surplus in the current account was expected in 2000. However, a sizable deficit is expected on the capital account of at least 4.0 percent of GDP in 2000.

Domestic policies: The budget deficit in 2000 reached about 8.0 percent of GDP because of the rollover of development projects from the 1999 budget. Controls on recurrent expenditure were tight during the year. Total taxation revenue for 2000 was slightly below the levels forecast in the budget, although value-added tax collections were in line with forecasts. External debt service was 1.3 percent of exports of goods and services. The major monetary initiative in 2000 was reintroducing foreign exchange guidelines. At the end of 2000, foreign exchange reserves were estimated to cover 5.4 months of imports. The Government's long-term objective for the overall budget deficit is to ensure that borrowing is limited to development expenditures and on concessional terms. The quality and availability of infrastructure and government services fell dramatically outside the major towns of Port Vila and Luganville. To address this problem, an outer island infrastructure development program—an important component of the next phase of the Comprehensive Reform Program—was formulated.

ADB operations

Operational strategy: ADB's operational strategy for Vanuatu is to continue supporting the Comprehensive Reform Program (which ADB has supported since 1997); promoting private sector-led growth; developing the productive sectors, particularly agriculture and fisheries; and providing infrastructure and social services. Crosscutting concerns include addressing good governance, poverty, employment, and other social issues.

The first phase of the Comprehensive Reform Program was completed by the end of 2000; Phase II will start in 2001.

Vanuatu**Cumulative ADB Lending**

(as of 31 December 2000)

Sector	No. of Loans	\$ Million	%
Finance	3	26.0	50.7
Social Infrastructure	1	10.0	19.5
Transport and Communications	2	9.2	17.9
Multisector	2	5.0	9.8
Agriculture and Natural Resources	1	1.1	2.1
Total	9	51.3	100.0

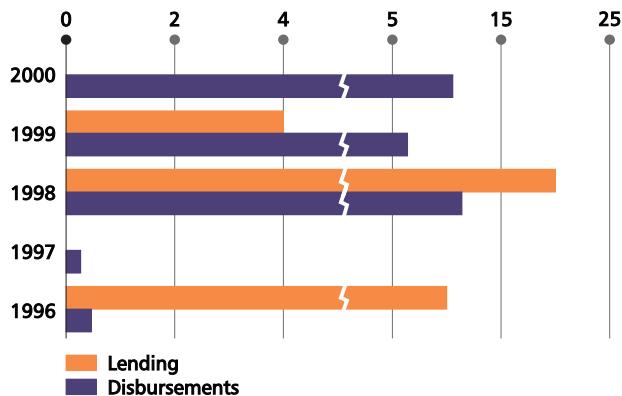
Policy dialogue: Policy dialogue with the Government focused on identifying directions to ensure sustainability of both economic and public sector reforms. Good governance, services delivery, sound economic and financial management, poverty reduction, and an environment favorable to private sector investment were key issues. Continued support to the central agencies and the State Law Office was maintained to ensure progress in the Comprehensive Reform Program and the check-and-balance function of the legal sector in safeguarding good governance. Support was provided to strengthen the function of the national women's council and to enhance frontline services in education and health.

Loans and technical assistance: No loans were approved in 2000. ADB approved three advisory and one project preparatory technical assistance grants totaling \$1.4 million.

Project implementation: Since joining ADB in 1981, Vanuatu has received nine loans, of which three were active at the end of 2000. Contract awards totaled \$9.5 million,

Vanuatu**Lending and Disbursements, 1996–2000**

(\$ million)



bringing the cumulative figure to \$46.4 million. The contract award ratio was 95.5 percent, higher than the ADB-wide average of 21 percent. Disbursements during the year totaled \$10.6 million, bringing cumulative disbursements to \$45.7 million. The disbursement ratio was 63 percent, higher than the ADB-wide average of 20.5 percent.

The three ongoing loans were classified as satisfactory in terms of achieving their development objectives. However, because of delays in recruiting consultants and slow contract awards, one loan was classified as partly satisfactory for implementation progress. One project underwent two changes in scope. Some delays were experienced with the submission of audited project accounts and financial statements. However, efforts continued on improving the status of compliance with other financial covenants, such as cost recovery and tariff structure adjustment under the Urban Infrastructure Project. Environmental and social covenants were met.

Strategic Planning and Support Activities

The Asian Development Bank's (ADB) vision is of an Asia and Pacific free of poverty. ADB defined this goal and the intellectual backbone for achieving it in 1999 with the approval of the poverty reduction strategy. In 2000, work on the broad-based operational framework to support the poverty strategy was completed. Once approved, this long-term strategic framework will guide ADB's operational management over the next 15 years. This and other activities in support of ADB's objectives—such as research and development, information management, resident missions, and external relations—are discussed in this chapter.

The planning process

ADB's planning process integrates its increasing scope of development assistance services with its organizational capacity to deliver those services. ADB regularly updates the strategic framework within which it plans country-specific operations, reviews and adjusts policies in the context of experience and emerging needs of its developing member countries (DMCs), and develops operational work plans based on these strategies and policies. The planning process establishes long-term, medium-term, and annual business objectives; sets overall and country-specific operational priorities; and after achieving agreement both with client DMCs and within ADB, establishes the milestones and road maps to follow in implementing its programs.

In 1999 and 2000, ADB undertook a major strategic reorientation to better support the challenges confronting its DMCs. It redesigned its business processes, placing greater emphasis on individual country operations, expanded stakeholder participation, and a selective and focused approach to its program in each DMC. Also in 2000, extensive work was undertaken to develop a long-term strategic framework to guide ADB's work from 2001 to 2015. Once approved, the strategic focus will be on achieving sustainable economic growth, inclusive social development, and good governance. Within this broad framework, ADB will work with each DMC to develop an individual country strategy and program with the objective of reducing poverty, and a three-year rolling operational program to translate the strategy into action. These country-based plans will form the basis for ADB's overall three-year rolling work program, which in turn will provide the framework for the annual administrative budget.

Economics and Development Resource Center

The Economics and Development Resource Center (EDRC) assisted ADB's operations and services in 2000 through policy research, methodology development, and country economic studies and projections. In addition, EDRC helped

build the capacity of staff and DMCs principally in statistics, project economic analysis, and financial management. It also disseminated knowledge in collaboration with other development agencies and regional research institutes. EDRC aligned its core functions more closely with ADB's main goal of reducing poverty and initiated several institutional reforms within its three divisions.

In line with ADB's poverty reduction strategy, the Project Economic Evaluation Division moved from its function of conducting project reviews to placing greater emphasis on developing methodologies for assessing poverty impacts in project economic analysis, and to providing analytical support and advice to projects at entry.

The reorientation of the Economic Analysis and Research Division helped support ADB's strategic initiatives; fostered greater collaboration with ADB programs, projects, and strategy and policy departments; promoted more active participation in interagency activities and networking with development agencies and research organizations; and improved the quality of its economic outlook assessment. The Division initiated research and produced a theme chapter on information and communication technology development for the *Asian Development Outlook 2000 Update*. It also prepared the Asia and Pacific Forum on Poverty, scheduled for February 2001.

To strengthen ADB's knowledge and information base and augment its policy research capacity for addressing evolving development requirements, EDRC began networking with development agencies and regional research institutes and formed an interagency advisory group. EDRC's publications program was reviewed by an interdepartmental panel to strengthen its operational relevance and ensure that research results are widely disseminated in the development community (see page 276 for recent titles). As a result, the analyses of economic projections in *Asian Development Outlook 2000* and its *Update*, one of ADB's flagship publications, are being strengthened.

The Statistics and Data Systems Division was also reoriented toward supporting the operationalization of the poverty reduction strategy. To this end, the content of ADB's statistical database system is being broadened to include poverty and social statistics, and the frequency of data

collection is being increased to provide timely support for economic and sector work and projections. The statistical capacity-building activities in 2000 also emphasized poverty analyses and data gathering. A technical working group was established in September to review the structure and content of ADB's statistical database to improve its user-friendliness and usefulness to ADB and its DMCs. The review is expected to be completed in 2001.

Eleven major methodology and policy research studies were conducted in 2000: (i) pro-poor growth and institutional constraints on poverty reduction in the DMCs, (ii) measuring and monitoring poverty, (iii) distributional and poverty impact assessment of ADB projects, (iv) impact of transport and other infrastructure investments on poverty and growth, (v) developing a framework for designing and implementing policy-based lending that emphasizes the participatory process in economic policy formulation, (vi) linkages between policy-based lending and poverty reduction, (vii) updating the guidelines for preparing and presenting financial analysis of projects, (viii) international competitiveness of Asian economies, (ix) developing government bond markets in selected DMCs, (x) role of educational decentralization in promoting effective schooling in selected DMCs, and (xi) information and communication technology development.

Major capacity-building activities included in-house training and workshops for DMC officials in project economic analyses and financial governance. Training was



"ADB: Making a Difference in Asia and the Pacific"

enhanced with the completion of the CD-ROM (compact disc read only memory) on the *Guidelines for the Economic Analysis of Projects*, good practice examples, and other training materials and tutorials. Capacity building and institutional strengthening in statistics for DMCs focused on improving DMC census capability; compiling national account data; and developing poverty, environmental, financial, and monetary statistics. Working with the ADB Institute and the Colombo Plan Secretariat, EDRC also provided capacity building in taxation, international finance, small and medium enterprise development, and capital market development.

Knowledge dissemination activities also strengthened interagency collaboration and networking with regional research institutes. Major conferences and seminars organized in 2000 included the Asia Development Forum (see page 123); participation in the Economic and Social Commission for Asia and the Pacific Regional Consultative Meeting on Financing for Development; the Joint ADB-Organisation for Economic Co-operation and Development (OECD) Conference on Asian Perspectives; the Thirteenth Workshop on Asian Economic Outlook; the Workshop on Harmonizing and Improving Business Tendency Surveys; Monetary and Financial Statistics and Rebasing and Linking National Accounts Statistics; and the International Training Program on Environment Statistics.

The Distinguished Speakers' Program focused on information and communication technology and the digital divide. Modest financial contributions were given to the East

Regional Economic Monitoring in 2000

ADB's Regional Economic Monitoring Unit, established in 1999 in response to the Asian financial crisis, assists its developing member countries in harnessing the full benefits of global financial integration and international capital flows, while minimizing any disruptive effects. The Unit supports the Association of Southeast Asian Nations (ASEAN) and the ASEAN plus 3 (People's Republic of China, Japan, and Republic of Korea) surveillance process, and houses the Asia Recovery Information Center (ARIC) web site.

In 2000, the Unit prepared various reports drawn from high frequency information (weekly, monthly, and quarterly) produced in the public and private sectors, including two each of the *ASEAN Economic Outlook* and the *East Asian Economic Outlook*. The inaugural issue of the *Asia Recovery Report* was prepared and posted on the ARIC web site, and two subsequent issues were also made available on-line.

The Unit hosted a workshop on monitoring private capital flows within East Asia, and produced a summary of the workshop proceedings and proposals for future collaboration on capital flows monitoring.

Six officials seconded to the Unit in 2000 from the ASEAN ministries of finance and central banks were trained in methods of economic monitoring. The Unit assisted in establishing surveillance units in the ministries of finance of Indonesia, Philippines, and Thailand to develop the in-house capacities needed to respond to their obligations under the ASEAN surveillance process.

Work on the ARIC web site continued in 2000. To strengthen its function as a knowledge portal, two new sections—ARIC Policy Forum and Editorials/Opinion—were launched. In May 2000, the web site was rated as one of the "Best of the Web" by *Forbes Magazine*.

Asian Economic Association, Hong Kong Economic Association, and the American Committee on Asian Economic Studies to strengthen their research and dissemination activities. ADB's representation in the international policy and development community was also strengthened through more frequent participation by senior staff in high-profile international conferences.

EDRC and ADB Institute complement each other's work, with the former focusing on emerging policy issues and operational support, the latter on long-term development issues, and both working closely in capacity-building activities. In 2000, EDRC staff were often invited to ADB Institute as resource speakers, and the outputs of EDRC's policy studies and analytical work were used as background materials for ADB Institute's capacity-building activities. In addition, they jointly conducted two capacity-building activities: (i) the Tenth Tax Conference and (ii) the Tenth Seminar on International Finance.

Asian Development Bank Institute

The Tokyo-based ADB Institute carries out innovative development research and provides capacity building and training for middle- to top-level policymakers and officials of development institutions from ADB's DMCs. In 2000, the Institute continued to explore postcrisis development for Asia through an overarching paradigm-organizing matrix covering the broad areas of development paradigms for Asia, strengthening financial and foreign exchange markets, sustaining Asian competitiveness, and new challenges for the public sector. Because the Institute began operations just after the Asian crisis, its research agenda has focused particularly on the financial and foreign exchange markets. In 2000, research included identifying the nature of the crisis while preventing the occurrence of another, assessing the relationship between financial market structure and development and the financial crisis, strengthening banks and capital markets in crisis-hit economies, sequencing financial market liberalization, and reforming corporate governance in crisis-hit East Asia.

Preventing another crisis: The Asian Policy Forum—established in December 1999—is a regionwide mechanism for enhancing intellectual and analytical leadership among Asian policy-making communities. The Forum brings together leading researchers to provide policy recommendations on the most challenging development issues confronting Asian policymakers.

With the Institute as secretariat, the Forum operates in six-month cycles—from selecting a key policy issue and conducting literature reviews, analyses, and international

workshops, to developing policy recommendations that reflect the broad views of the Forum membership. At the end of each cycle, policy recommendations are issued, accompanied by a technical background paper and additional supporting documents such as country reports.

The first Forum cycle focused on how to prevent another capital account crisis. The resulting policy recommendations were discussed and disseminated at ADB's Annual Meeting in Chiang Mai, Thailand, in May 2000; at the Asia Development Forum in Singapore in June; and at the International Finance Seminar conducted in Singapore in October with ADB and the Technical Cooperation Directorate, Ministry of Foreign Affairs, Singapore. Additional dissemination activities at the policymakers' level took place in People's Republic of China, India, Indonesia, Pakistan, and Philippines.

Based on the success of the first cycle, the Institute launched in September 2000 a second Forum on the conceptual and technical underpinnings on how to develop the corporate bond market. The final report and related technical background papers are expected to be presented at ADB's Annual Meeting in Hawaii, United States, in May 2001.

Financial market structures and development: In May 2000, ADB Institute and the Wharton School of the University of Pennsylvania held a high-level workshop on the development of financial markets in Asia. Two dozen policymakers and academics considered the nature of financial crises, and measures to prevent them and mitigate double mismatches; comparisons of bank-based and market-based financial systems; the role of corporate bond markets; and law and corporate governance, including investor protection, financial market development, and economic growth. The Institute also organized a workshop in September 2000 on External Environment and the Sustainability of the East Asian Recovery, where 20 senior officials from crisis-affected economies explored scenarios for the global economy and their possible impact on the Asian economic recovery.

Capital market and bank reforms: A Tokyo round-table in April 2000 was the second in a series of meetings to discuss future initiatives in capital market reforms in Asia, attended by senior executives of Asian economic regulatory organizations who are members of the International Organization of Securities Commissions, and their colleagues from OECD and ADB member countries. This meeting focused on progress reports on reform and the development of bond markets. Key themes emerged on the need to develop domestic bond markets to overcome an over-reliance on bank financing, particularly short-term bank financing; establish robust systems for issuing, trading, clearing and settlement, market surveillance and enforcement, and

credit ratings; and pursue other financial reforms, particularly banking reforms. Midyear, the Institute joined the Financial Supervisory Agency of Japan in organizing the second high-level conference on bank regulation for crisis-affected economies. Top bankers from Asia reviewed the progress of postcrisis bank restructuring with their counterparts from Europe, Japan, United States, and the Bank for International Settlements, and addressed issues related to family businesses and corporate governance of Asian banks, and supervisory practices in the age of information technology-based banking.

Capacity-building and training achievements: ADB Institute held, as planned, 17 capacity-building and training activities in 2000. Two additional programs were conducted: (i) High-Level Policy Seminar on Lessons from the Asian Crisis and Its Implications for Cambodia, jointly with ADB's Cambodia Resident Mission; and (ii) a workshop on Regional Arrangements for Strengthening Financial Architecture for Asia under the Asia Development Forum, jointly with ADB, the World Bank Institute, the Institute of Southeast Asian Studies, and the Government of Singapore.

The 19 capacity-building and training activities benefited nearly 860 participants (20 percent were women) from 45 developed and developing countries. The Institute achieved nearly 4,500 participant-days of completed activities, compared with the 3,000 originally envisaged.

To disseminate ADB Institute's work to a broader audience, summaries of the proceedings of all capacity-building and training activities and two books were prepared and distributed in hard copy and posted on ADB Institute's web site (*see page 276 for recent titles*). The Institute also deepened its collaboration with ADB by cooperating with several departments for the first time in conducting its programs.

Reducing poverty: In December, in commemoration of its third anniversary, ADB Institute held a high-level symposium on development paradigms and poverty reduction. The symposium identified new issues in this development goal and helped determine the thrust of the Institute in the area of poverty research.

Many capacity-building activities in 2000 were realigned to address poverty reduction issues, and some were designed to focus exclusively on poverty reduction. One such activity was the high-profile Shanghai Mayors' Forum on the theme of fighting urban poverty. In addition, a special seminar for government officials on reducing poverty was organized jointly by the Institute and ADB's Poverty Reduction Unit in November.

Administrative highlights: Development of ADB Institute's library, and information and communication technology capacity proceeded steadily in 2000, and

included procuring three major on-line journal and news libraries that provide at-desk access to more than 1,500 full-text serial subscriptions. The library also introduced its on-line catalog (all ADB Institute publications can be accessed free of charge at <http://www.adbi.org>).

As of 31 December 2000, ADB Institute had a staff of 30, comprising 14 professional staff members and 16 staff members in support functions. There were 11 visiting scholars and 13 research associates throughout the year. The new advisory councilors for the Institute (*see Appendix 5*) were appointed for two-year terms.

Resident and regional missions and representative offices

ADB's field offices in 2000 included resident missions, a regional mission, a country office, extended missions, and representative offices. Each supported ADB's objective of reducing poverty by strengthening representation in its regional and nonregional members, and by providing broader and more direct access to its constituencies.

Resident missions

ADB's Resident Mission Policy, approved by the Board of Directors in February 2000, outlines the framework and strategic orientation of the resident missions. To enable the resident missions to contribute more effectively to ADB's support to its DMCs, the Policy advocates closer interaction with DMC stakeholders and intensified in-country activities.

In 2000, the resident missions provided the primary operational interface between ADB and the host DMC. The missions helped implement ADB's goal of reducing poverty and related strategic objectives in the DMCs and enhanced policy dialogue with the DMCs. They were the recognized intellectual resource and knowledge base on development issues in the DMCs. The resident missions also created strong partnerships with DMC development stakeholders, including governments, the private sector, and civil society; enhanced ADB's responsiveness to local needs and issues; took the lead in aid coordination where possible; and promoted subregional cooperation.

The work of the resident missions was grouped into two broad categories: standard and specific functions. Standard functions are those that the resident missions perform as ADB's principal representatives in the field: promoting relationships with government, civil society, and the private sector; engaging in policy dialogue and support; reporting on country activities; coordinating aid;

and assisting in external relations and information dissemination. For example, several missions (Cambodia, Indonesia, and Viet Nam) maintained close contacts with nongovernment and research organizations. The Viet Nam Resident Mission ensured that ADB, for the first time, was joint author of the *Viet Nam Development Report 2001*, which was submitted to the Consultative Group meeting held in Hanoi in 2000. In the area of information dissemination, several resident missions maintained web sites in 2000; and others (Bangladesh, India, Kazakhstan, and Pakistan) produced newsletters. Others (the People's Republic of China [PRC] and Nepal) worked to increase ADB's exposure in the international and domestic media.

The specific functions carried out by the missions relate to delivering and implementing ADB projects. More complex and resource intensive, these functions include country programming, project and technical assistance processing, portfolio management and project administration, and economic and sector work and analyses. In 2000, several resident missions (Bangladesh, Cambodia, PRC, Indonesia, and Lao People's Democratic Republic [Lao PDR]) assumed responsibility for country programming. The Bangladesh country assistance plan for 2001–2003 was prepared for the first time entirely by the Bangladesh Resident Mission. The Indonesia Resident Mission assumed full responsibility for country planning and programming, and processed the first project by a resident mission—the Technological and Professional Skills Development Sector Project. The Kazakhstan Resident Mission prepared the country assistance plan and processed an advisory technical assistance.

ADB had 13 resident missions in 2000, one each in Bangladesh, Cambodia, PRC, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao PDR, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam. ADB also had extended missions (nonpermanent representation) in Papua New Guinea and Thailand. Preparatory work to establish resident missions in Mongolia and Thailand was ongoing.

The PRC Vice Minister of Finance Jin Liqun (left) and ADB President Tadao Chino opened the PRC Resident Mission in Beijing in 2000.



Regional mission

The South Pacific Regional Mission in Port Vila, Vanuatu, liaises with the eight member nations: Cook Islands, Fiji Islands, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. In 2000, the Regional Mission assisted with administering loan and technical assistance projects; promoted relationships with governments, civil society, and bilateral and multilateral funding agencies; undertook activities relating to country programming, processed new loan and technical assistance projects, and managed portfolios; provided economic and other inputs for ADB's policy, project, and institutional development in the region; disseminated information about ADB activities; and promoted private sector development.

Country office

In 2000, ADB opened the Philippines Country Office in its headquarters in Manila to strengthen its partnership with the Government, civil society, and stakeholders, and to improve the effectiveness of its operations in the Philippines. The Office will strengthen ADB's client orientation and be more responsive to the needs of the Philippines by providing a more focused communication channel to address country issues. Staff will coordinate the design and implementation of ADB projects; monitor and analyze the economic and social situation; prepare strategies for reducing poverty; and pursue policy dialogue with the Government and stakeholders.

Special liaison office

In 2000, ADB established the Special Liaison Office in East Timor to provide field support to ADB staff traveling to East Timor and help in project processing and implementation. To facilitate ADB activities in East Timor and assist executing agencies in ADB projects, the Office strengthened its dialogue with the transitional administration and East Timorese leadership, and coordinated closely with collaborating funding agencies.

Representative offices

ADB has representative offices in Europe (Frankfurt), Japan (Tokyo), and North America (Washington, DC). In 2000, the offices helped raise ADB's profile with key interest groups and the public at large, and enabled ADB to communicate more effectively and in a more timely manner with the development community, businesses, academics, and nongovernment organizations. Other important functions included disseminating information and improving public relations through their respective newsletters; fulfilling speaking engagements; and making media arrangements. Each office also strengthened ADB's representation in its donor member countries and assisted in its resource mobilization efforts by promoting cofinancing with official and commercial sources. Each also promoted greater awareness in the private sector of development trends and opportunities in Asia and the Pacific, leading to increased investment within the region and in ADB-assisted projects and programs.

Information management

Information systems and technology

The implementation of ADB's Information Systems and Technology Strategy for 1998–2002 continued in 2000 when the high-speed fiber-optic backbone and state-of-the-art networking equipment, installed at ADB's headquarters in 1999, were placed in operation and fine-tuned. The server infrastructure for file and print services, E-mail, and document archival was consolidated and made scalable to provide for any unforeseen increases in workload. Scalable and powerful intranet and Internet servers were also installed as was the hardware infrastructure necessary to support the INTEGRA project (*box at right*). The Society for Worldwide Interbank Financial Telecommunications (SWIFT) electronic funds transfer system was upgraded, and security hardware and software were installed to connect it to the ADB-wide network.

Formalized contract arrangements were made with all telecommunications providers to obtain service-level agreements and lower pricing. The capacity of ADB's Internet connection was increased fourfold. Two videoconferencing facilities were installed in headquarters, and videoconferencing from the desktop over the ADB-wide network was prototyped. The availability and use of remote dial-in connectivity to the network by mission travelers and resident missions without direct data links to the network were greatly increased.

In support of the Resident Mission Policy, data links between headquarters and seven resident missions were either newly installed or upgraded. New or upgraded server and local area network facilities were installed in 11 resident missions. Videoconferencing facilities were made available to nine resident missions and representative offices, and internal telephone exchange systems were installed in six. Low-cost international direct dialing facilities were provided to all resident missions and representative offices with direct connections to the headquarters telephone exchange system.

Records and Archives

ADB's Records Center maintains department files and records not required for daily use. A records protection program within the Records Center allows microfilming of vital records and dispersal to off-site storage, to ensure that ADB's operations will continue during emergencies.

The Archives preserves and makes available records of permanent value on ADB's history. In 2000, the Archives acquired and appraised 15,000 textual records; 33,000 photographs, slides, and negatives; 300 films and videos; and 1,300 sound recordings. An on-line archival retrieval service allowed staff to access documents electronically through an image scanning system.

INTEGRA

INTEGRA is the project that will replace ADB's major computer systems with an integrated, web-enabled environment. It forms a significant part of ADB's Information Systems and Technology Strategy for 1998–2002. With INTEGRA, ADB will strengthen its ability to deliver development services. In addition to introducing modern technology, INTEGRA focuses ADB efforts on streamlining, automating, and integrating business processes. The end result will be to provide more timely and up-to-date information for decision making within ADB and for external users. Staff, borrowers, donors, and other external users will be able to access relevant data electronically from anywhere in the world through data communications links.

INTEGRA was launched in 1999 to provide an integrated software solution for ADB's human resources, finance, and project/product operations. The first phase of the business process review and design was completed in 2000. ADB will start to see the impact of the new systems with the implementation of the human resources and finance modules in 2001 and the project/product module in 2002.

Library

The Library, with a collection of approximately 200,000 volumes, is ADB's knowledge resource center for printed and electronic information. It provides research assistance in all disciplines related to ADB's strategic objectives, programs, and projects. The collection specializes in development economics, key economic sectors, and the countries of Asia and the Pacific. Sectoral emphasis includes agriculture, energy, finance, environment, law, transport and communications, and social infrastructure.

A full range of library services supports ADB's poverty reduction agenda. In addition, educational institutions and individual researchers from around the world make regular use of the Library's collections and services via the Internet, telephone, or fax inquiries, or in-person visits. On-line services and access continued to be enhanced in 2000.

The Library and the Learning Resources Center (LRC) merged in October 2000 to provide unified access to all materials and assist ADB staff in their continuous learning and upgrading of skills. Merging the Library and the LRC will also facilitate the transition to E-learning and distance-learning activities within ADB and its projects.

External relations activities

The primary roles of the Office of External Relations (OER) are to provide information to the public and improve awareness and understanding of ADB's objectives and operations, particularly its determination to reduce poverty in Asia and the Pacific. The Office is guided by policies on information dissemination approved by the Board of Directors in 1994. These effectively require nearly all information on ADB's policy and public sector work to be in the public domain.

In 2000, ADB strengthened its external relations capability. Greater efforts were made in several directions to raise ADB's international profile. Media relations were key to successful projection of ADB's messages. OER met regularly with journalists and arranged interviews with Management and staff, who were provided with media training. It issued news releases, organized press conferences, and placed articles in newspapers, magazines, and other journals. Outreach efforts with nongovernment organizations (NGOs) were expanded. At ADB's Annual Meeting in Thailand, OER ran a media center for more than 460 journalists. For the launch of the *Asian Development Outlook 2000*, it held press conferences and presentations in Bangkok and several other Asian cities, and in Europe.

It also gave media support to the replenishment negotiations for the Asian Development Fund.

ADB's web site (<http://www.adb.org>) proved of increasing importance in ADB's external relations work. In 2000, the site was redesigned and expanded. Complementary sites were opened for several overseas offices, and a special section was introduced on ADB's antipoverty work. The complete annual reports of the past three years were put on-line as were many other ADB publications and documents, including all country assistance plans and nearly all reports and recommendations of the President.

External relations were fostered also by OER's involvement in speech writing and delivery. Its Speakers' Bureau matched ADB speakers with events, and many academic and business groups visiting headquarters were provided with multimedia briefings. OER also participated in book fairs and exhibits.

OER's Publications Unit and Public Information Center continued to play an important part in increasing awareness and understanding of ADB's work. Fifty-five publications for commercial distribution were produced in 2000, as were numerous information brochures, the quarterly news-magazine, *ADB Review*, and fact sheets on members. The Publications Unit also distributes ADB documents as part of the disclosure policy. More than 2,000 documents were sent to NGOs alone in 2000. *For a list of recent titles of ADB publications, see page 276.*

The Publications Unit is also the dispatch point for the Depository Library Program, a worldwide network of some 146 libraries (details can be found on ADB's web site) that offers the public free access to ADB documents and publications. Seven libraries joined the program in 2000.

OER also provided extensive video and photographic services. Four new videos were produced in 2000 focusing on poverty reduction, and about 90 photography assignments were undertaken.

OER also has an important internal communications function. Aside from disseminating news releases to staff, it produced the quarterly *Bank Forum*, the Weekly Press Review, and the Daily News Digest. It also gave advice and support on the staging of events within and outside ADB, such as ADB's anniversary celebration.



Administration

Vital to the success of the Asian Development Bank's (ADB) operations is the efficient administration of its programs and activities. In 2000, work procedures were streamlined and strengthened, the staff skills mix was broadened, and more field offices were opened—all in support of ADB's principal objective to reduce poverty in its developing member countries (DMCs). This chapter reviews the measures taken to ensure efficient operations, including the internal audit and anticorruption functions.

Human resource management, training, and development

In 2000, human resource programs and activities were targeted at supporting ADB's operational agenda on poverty reduction, private sector development, policy development and reforms, and institutional capacity building; addressing the growing needs of the field offices in line with the Resident Mission Policy; developing and implementing strategies to achieve balanced staff composition in terms of skills, nationality, gender, and age; improving delivery of training and development programs and staff services; and initiating change management programs as part of the human resource management information system.

A major challenge was to identify and meet the skills requirements in support of ADB's goal to reduce poverty in the region, a challenge that was met by closely coordinating ADB's Human Resources Division and its operational divisions and by involving operational staff in the selection process. Targeted training and development programs included a seminar series on macroeconomics with a module on poverty reduction, short seminars on poverty-related topics, and a series of ADB-wide forums to familiarize staff with the strategies that support poverty reduction.

The approval of the Resident Mission Policy in February 2000 expanded the role of the field offices. This required the formulation of supporting human resource policy initiatives, including clarifying the roles and responsibilities of staff in the field offices, improving the selection process for staff assigned from headquarters to the offices, and identifying and delivering related training and development. Action plans were formulated in 2000 for implementation in 2001.

ADB continued to implement its nine-point Gender Action Plan to achieve gender balance within its professional staff; revised external recruitment and selection process for professional staff and revised selection system for supporting staff to ensure transparency; and desired skills-mix profile by redeploying positions and recruiting staff with broad-based

multidisciplinary backgrounds and/or special skills in poverty reduction, economics, and financial management.

With regard to staff development, training modalities were structured along technical, managerial, and supervisory needs. Staff enhanced their technical competencies by participating in seminars on privatization and commercialization, financial analysis and management, financial management in the resident missions, the Certification of Financial Analysts Study program, mission leader mentoring program, commercial cofinancing instruments, financial restructuring, and macroeconomics. New training initiatives included fraud detection, gender and poverty, and Internet web site design. Managerial and supervisory competency-based programs were developed for both professional and supporting staff, and included supervisory training for senior supporting staff, mission leadership program, managerial focus groups, new manager training, and communications training. Innovative methods to enhance training included hub training in which training events in specified field offices were made accessible to other field offices within the region. In support of ADB's Career Management Policy, an in-house Masters in Business Administration program is ongoing. In addition, staff members were trained to cope with the challenges of the integrated software package to be introduced in 2001 (see box on page 126).

To enhance the relationship with member governments and familiarize their officials with ADB's policies and procedures, the annual orientation program of DMC officials was again offered to about 30 participants.

At the end of 2000, ADB had a staff of 2,058 coming from 47 of its 59 members. The total comprised 732 professional staff members¹ and 1,326 supporting staff members,² of which 228 staff³ or about 11 percent were located in 18 field offices. During the year, there were 92 appointments and 45 departures of professional staff members, while 91 supporting staff members joined ADB, and 53 left. The number of women professional staff increased from 151 or 22 percent at the end of 1999, to 184 or 25.1 percent of total professional staff at the end of 2000.

¹ Includes Management, i.e., the President and Vice-Presidents; Directors' Advisors; staff on secondment and special leave without pay; and staff on loan to the ADB Institute.

² Includes staff on special leave without pay.

³ Includes 54 professional staff, 57 national officers (locally recruited professional staff), and 117 supporting staff.

Compensation

A 6.1 percent salary increase was approved for professional staff effective 1 January 2001. A comprehensive review of the Supporting Staff Compensation System was completed, following which a 10.2 percent salary increase was approved, effective 1 April 2000.

The review of the terms and conditions of assignment of professional staff to field offices was also completed for implementation in January 2001. Also in 2000, there was continued emphasis on providing health education and cost-effective medical services to staff members.

Administrative services

Several measures were undertaken in 2000 in line with ADB's continuing efforts to streamline business processes, simplify work procedures, and implement automation enhancements. These included integrating the databases in the records center and archives, thereby accelerating information access; implementing a lump-sum scheme for shipping household goods and personal effects, giving staff greater flexibility to manage their own shipments; and streamlining management of the office supplies store and outsourcing more transportation requirements, resulting in cost saving. A new server-based software system in the commissary improved inventory and procurement management. Process and systems improvements were also introduced in various functional areas including enhancing security measures, introducing digital printing technology, and implementing a long-term supply contract for the procurement of recurring items.

Budget

Actual internal administrative expenses (IAE) for 2000 amounted to \$204.9 million, a saving of \$10.5 million against the original budget of \$215.4 million. The saving resulted mainly because of depreciation of the Philippine currency, lower-than-budgeted expenses for the 33rd Annual Meeting and for staff costs, net savings realized in various operational and administrative expenses, and not using the 1 percent general contingency. Effective

budgetary monitoring and efficiency measures continued to have a positive effect on budgetary resource management and cost containment.

The IAE budget for 2001 of \$226.9 million (*summarized in Appendix 9*) was formulated to provide ADB with an improved and expanded capacity to implement its strategic priorities and deliver related outputs and services in a timely manner, without compromising quality or development impact. Consequently, the budget increase in 2001 over the 2000 budget is mainly associated with the provision of 30 new and additional professional staff positions. The 2001 budget also gives priority to implementing the Resident Mission Policy, improving information and communication technology services, and providing for the Inspection Function. Against the increase in staff resources, ADB has continued its cost-effectiveness measures, staff redeployment efforts, skills-mix improvement, and business process reforms.

From 2001, ADB will include, as part of the annual budgetary process, a capital budget that incorporates items of a cyclical and regular nature. This will supplement the existing capital expenditure program for items that are significant or policy related. For 2001, the annual capital budget totals \$3.5 million, mainly earmarked for improving the headquarters building infrastructure, replacing microcomputers and peripherals, and upgrading the network and information and communication technology infrastructure.

Audit and anticorruption

The Office of the General Auditor (OGA) conducts periodic, independent, and objective appraisals of ADB activities to ensure the adequacy and effectiveness of controls, and to identify the means for improving economy and efficiency in the use of resources in carrying out



Participation of stakeholders empowers them and makes them committed to manage, implement, and sustain development projects. An ADB staff member listens to a woman from the Lao People's Democratic Republic.

ADB's development mission. OGA is also the focal point in ADB's drive against corruption and for dealing with alleged incidents of corruption or fraud in its projects or by its staff. OGA reports directly to the President. The Audit Committee of the Board of Directors reviews OGA's activities.

Project-related audits conducted in 2000 led to recommendations for enhancing effectiveness and efficiency in the review of audited project accounts (APAs) and financial statements (FSs) submitted by executing agencies; implementing revisions to the Project Performance Report to enhance its effectiveness as a tool for monitoring submission of APA/FS, for following up with executing agencies regarding significant disclosures in the auditor's report, and for monitoring completion of scheduled processes during project implementation; and formulating appropriate guidelines for the procurement, utilization, and disposal of vehicles and other equipment for technical assistance projects.

OGA audited several consultant's contracts in 2000 with the assistance of appointed auditors. These audits resulted in more effective procedures for selecting consultants for ADB-financed technical assistance projects.

Audits of administrative and financial areas of ADB provided recommendations for implementing more effective and economical measures of procurement at the commissary, and improving accounting and control of inventory of goods; strengthening internal controls relating to the receipt of procured library materials and to the request for payment of same, and for expediting the automation of issuance and return of materials in ADB's library; enhancing the effectiveness and efficiency of procedures within the Food Services Unit relating to the payment of the monthly subsidy to the contractor, physical inventory taking, and procurement of supplies; and improving the monitoring and liquidation procedures for travel claims at the ADB Institute.

The review of mainframe computer fallback facilities resulted in a recommendation to adopt procedures for restoring mainframe computer services at the fallback site in the event of unexpected interruption at the headquarters building and for implementing appropriate security measures against fire and unauthorized access at the fallback site.

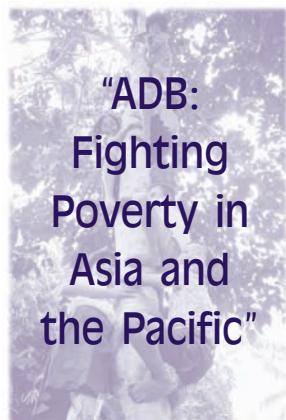
ADB's Anticorruption Unit, established in 1999, is the point of contact for reporting allegations of fraud and corruption among ADB-financed projects or its staff. The Unit has investigated several allegations of fraud and corruption; in all, the sources of allegations are treated with

the utmost confidentiality and discretion. The procedures followed by the Unit in its investigations and the results thereof can be found at <http://www.adb.org/anticorruption>. The Unit carried out one project procurement-related audit in a selected DMC in 2000. In coordination with ADB's Human Resources Division, the Unit conducted seminars on the Anticorruption Policy for new staff, and developed training materials and conducted fraud awareness seminars for ADB staff, officials from executing agencies, and other parties.

OGA continued to supervise two long-term regional training programs involving the Asian Organization of Supreme Audit Institutions and the South Pacific Organization of Supreme Audit Institutions, and a technical assistance for upgrading the accounting and auditing capability of the Government of the People's Republic of China. A regional technical assistance to strengthen the capability of government auditors of three Central Asian republics to conduct audits and to deter fraud and corrupt practices in ADB projects was approved in 2000. Close liaison with Supreme Audit Institutions and multilateral development banks (MDBs) was maintained through meetings and attendance at international conferences and the annual meeting of the Auditor Generals of the MDBs.

The ADB-wide study on internal controls, identifying inherent risks and critical controls in the areas of country assistance planning and programming and of operations evaluation of projects, was completed. OGA actively participated in the ongoing implementation of the financial management and human resource management information system, focusing on project risk analysis, overall design reviews, and security and control aspects; acquisition of the Treasury Risk Management System software, specifically with regard to reviewing requirements and evaluating risk management software in the areas of internal control and security; and fallback tests for the Society for Worldwide Interbank Financial Telecommunications (SWIFT, an electronic funds transfer system) and ADB's mainframe facilities, conducted in 2000 at the backup sites.

OGA provided integrated assistance to ADB's external auditors in their continuing audit of ADB's annual financial statements throughout the year, and in the certification of the interim financial statements for ADB's various bond offerings. Also, OGA completed the bidding and selection process for the external auditors for fiscal years 2001–2004 and assisted the Evaluation Committee.



ADB Resources and Financial Management

The Asian Development Bank's (ADB) activities to reduce poverty through social development were bolstered in 2000 with the establishment of the Japan Fund for Poverty Reduction. This new fund, which provides grants to social development activities in line with the poverty reduction strategy, is discussed in this chapter. The year 2000 also marked the successful seventh replenishment of the Asian Development Fund, the only multilateral source of concessional assistance dedicated exclusively to the needs of Asia and the Pacific.

Ordinary capital resources

Ordinary capital resources (OCR) come from three distinct sources: (i) private capital markets in the form of borrowings; (ii) paid-in capital provided by government funds; and (iii) accumulated retained income (reserves), which provides a buffer for any operational risk.

Financial policies: The review of ADB's income and reserves policy, undertaken by the Board of Directors in 1997, identified ADB's decisive income indicators as the interest coverage ratio (ICR) and the reserve:loan ratio (RLR). The ICR is the ratio of net income to financial expenses plus a factor of one. It measures the extent to which net income can fall without jeopardizing ADB's ability to service its financial expenses from current income. The review concluded that the minimum policy level for the ICR should be about 1.31. The RLR is the ratio of total reserves to the sum of outstanding loans, equity investments, and the present value of guarantees. The RLR measures the adequacy of ADB's earning base relative to its loan assets. The policy approved in the 1997 review was to maintain an RLR of about 25 percent.

On 1 January 2000, the recommendations approved by the Board in the review of OCR loan charges undertaken in 1999 became effective. The ADB lending spread was raised from 40 basis points to 60 basis points, which was applied to all outstanding pool-based loans. A front-end fee of 1 percent was introduced for new loans, and a commitment fee of a flat 0.75 percent was adopted for new program loans.

A major review of OCR loan products was initiated in 2000. The review aims to assist ADB in being more responsive to the needs of its borrowers by assessing the preferences of its clients and the current menu of ADB loan products. The review is expected to be completed in 2001.

Capitalization: As of 31 December 2000, ADB's authorized capital stock amounted to \$45.5 billion (special drawing rights [SDR]34.9 billion). The subscribed capital stock stood at \$45.3 billion (SDR34.7 billion).

During the year, Turkmenistan's membership subscription became effective.

Performance and allocation of net income

At the end of 2000, ADB's ICR stood at 1.4, and the RLR was 27.3 percent. During the year, in accordance with the income and reserves policy approved in 1997, ADB reviewed its income outlook and allocation of 1999 net income. Based on the review, the Board of Governors approved that the entire amount of \$449.9 million of the 1999 net income be allocated to reserves; and \$80.0 million of the amount currently held in ADB's surplus account be reallocated to ADB's Technical Assistance Special Fund (TASF).

Further, the Board of Directors approved that (i) in 2000, ADB be allowed to convert an equivalent amount of \$300 million of nondollar operating currencies into United States (US) dollars; and (ii) the current structure and level of OCR loan charges be maintained.

Lending rates: ADB's three lending windows for loans from OCR are the pool-based multicurrency loan window, the pool-based single-currency loan window in US dollars, and the market-based loan (MBL) window. The lending rates for the pool-based multicurrency and pool-based single-currency loan windows are determined on the basis of the previous semester's average cost of borrowings plus a lending spread (of 60 basis points since 1 January 2000). The MBL window provides single-currency loans in US dollars, Japanese yen, or Swiss francs to private sector borrowers and government-guaranteed financial intermediaries at current terms. The interest rates on loans from the MBL window are on either fixed or floating rate terms.

ADB's pool-based variable lending rates for the first half of 2000 were 5.72 percent per annum for multicurrency

Lending Rates^a
(% per annum)

	1999	2000	
1 January	5.84	5.72	multicurrency
	6.38	6.46	US dollar
1 July	5.65	5.68	multicurrency
	6.24	6.53	US dollar

^a Lending rates are set on 1 January and 1 July every year and are valid for six-month periods.

loans and 6.46 percent per annum for US dollar loans. For the second half of 2000, the lending rate for multicurrency loans decreased to 5.68 percent per annum, while the rate for US dollar loans increased to 6.53 percent per annum.

The lending rates for MBLs are determined on the basis of the six-month London interbank offered rate plus a lending spread. The lending spread for MBL loans to financial intermediaries in the public sector is the same as that applicable for OCR pool-based loans. For private enterprises, the lending spread is determined on a case-to-case basis to cover ADB's risk exposure to particular borrowers and projects.

Income and expenses: Gross income increased by 13.5 percent, from \$2 billion in 1999 to \$2.3 billion in 2000, because of an increase in income from loans, investments, and other sources. Of the total gross income, \$1.9 billion was generated by the loan portfolio, \$400 million by the investment portfolio, and \$40 million from other sources (see table).

The average yield on the loan portfolio increased to 6.6 percent in 2000 from 6.4 percent in 1999, mainly because of an increase in lending spread. The yield on the investment portfolio increased to 5 percent in 2000 from 3.9 percent in 1999. This increase was attributed to favorable conditions prevailing in international fixed-income markets during the year. The overall net return on average operating assets achieved for the year was 1.7 percent, compared with 1.3 percent in 1999.

Total operating expenses were \$1.7 billion, up by \$97.3 million, or 6.2 percent from the previous year. The rise in expenses was because of a \$129.5 million increase in financial expenses net of a \$13.3 million decrease in administrative expenses and an \$18.9 million decrease in the provision for losses. The provision for losses was lower for 2000 (\$5.9 million), compared with 1999 (\$24.8 million) primarily because of aberrant loss provisions established during 1999 as a result of operational difficulties in some investee companies. Total operating expenses accounted for 72.8 percent of the gross income, compared with 77.8 percent in 1999.

Net income for 2000, before appropriation of guarantee fees to the Special Reserve, amounted to \$625.7 million, a 39.1 percent increase from the previous year. This compared with a 3.6 percent decrease in net income in 1999.

Income and Expenses—Ordinary Capital Resources (\$ million)

	Actual				
	1996	1997	1998	1999	2000
Total Income	1,561.7	1,449.7	1,832.5	2,027.8	2,300.9
From Loans	1,170.0	1,127.9	1,440.9	1,674.6	1,861.3
From Investments	359.8	311.7	382.9	344.0	399.9
From Other Sources	31.9	10.1	8.7	9.2	39.7
Less: Expenses					
Interest and Other					
Financial	877.9	853.2	1,206.5	1,447.2	1,576.7
Administrative ^a	108.8	95.7	121.7	105.9	92.6
Provision for Losses	2.9	32.9	37.4	24.8	5.9
Total Expenses	989.6	981.8	1,365.6	1,577.9	1,675.2
Net Income^b	572.1	467.9	466.9	449.9	625.7

Note: Figures may not add because of rounding.

a Net of administration charge allocated to the Asian Development Fund.

b Before appropriation of guarantee fees to the Special Reserve.

Loans

OCR loan approvals, disbursements, repayments, and prepayments: In 2000, 41 OCR loans totaling \$4.3 billion were approved, compared with 34 OCR loans totaling \$3.9 billion approved in 1999. Of the 2000 amount, 78.7 percent of the loans went to India, People's Republic of China, Indonesia, and Philippines. Disbursements in 2000 totaled \$2.9 billion, a decrease of 22.3 percent from \$3.7 billion in 1999. Principal repayments for the year were \$1.9 billion, of which \$693.4 million represented prepayments on loans. In 2000, 14 loans were fully prepaid and 1 loan was partially prepaid. On 31 December 2000,

Net Income, 1996–2000 (\$ million)



cumulative loans outstanding after allowance for possible losses amounted to \$28.2 billion.

Status of loans: Two public sector OCR loans to Myanmar and 12 private sector loans were in nonaccrual status at the end of 2000. The total outstanding balances of these loans amounted to \$864,000 and \$77.7 million, respectively, comprising about 0.3 percent of the total OCR loans outstanding.

Borrowings

In 2000, ADB raised funds totaling about \$1.7 billion through one global bond issue and three opportunistic/private placement transactions. The average life of the borrowings undertaken in 2000, assuming the put option in one borrowing is exercised, was about 5.6 years, compared with about 4.5 years in 1999. After swaps, \$1.6 billion of the borrowings was in US dollar fixed-rate liabilities, with an average all-in cost of 7.5 percent per annum and an average life of 5 years, compared with 5.6 percent per annum and 5.2 years in 1999. The remainder was a US dollar floating-rate liability with a life of 15 years. Of the total borrowings, \$1.6 billion was designated for use in the US dollar pool-based lending window and about \$93 million for the market-based lending window.

In 2000, ADB followed a funding strategy of selective bond issuance composed of cost-efficient opportunistic/private placement transactions and benchmark public bond issues. ADB used a currency swap transaction to convert a borrowing into a targeted interest rate and currency. In addition, ADB used short-term bridge financing as a remedial measure to avoid temporary deficiencies in the currencies required for loan disbursements or debt service.

Also in 2000, as part of its efforts to maintain a borrowing presence in the major capital markets, ADB completed a global bond issue in the amount of \$1 billion.

Borrowings, 2000

(amounts in millions)

Type	Borrowing	Principal Amount	US\$ Equivalent ^a
Global	Public Offering	7.50% 5-Year Bonds due 2005	US\$1,000
	Public Offering	7.50% 15-Year Bonds due 2015 ^b	US\$300
Eurobond Market	Private Placement	15-Year Notes due 2015 ^c	¥10,000
	Public Offering	7.00% 5-Year Notes due 2005	US\$300
Total			1,692.6

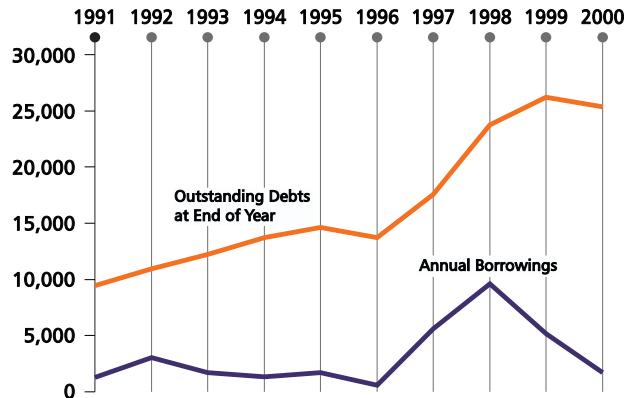
a At ADB's exchange rates effective on the date the terms of the borrowings were determined by the President.

b With put option in year 5.

c Interest rate to be determined on the basis of US dollar/Japanese yen exchange rate 15 business days prior to interest payment date.

Borrowings, 1991–2000

(\$ million)



The transaction achieved broad primary market distribution and became a liquid and tradable benchmark in the US global bond market. ADB's monitoring of funding opportunities in niche bond markets resulted in the completion of three opportunistic transactions in an aggregate amount of \$693 million: a \$300 million global put bond issue; a \$300 million Eurodollar bond issue; and a structured private placement of about \$93 million equivalent. Aside from generating cost-efficient funding, these three transactions contributed to the expansion of ADB's investor base.

In addition, ADB raised \$250 million in short-term funds through issuance of Euro-commercial paper (ECP). Such ECP was refinanced by a long-term borrowing in June.

Liquidity portfolio management

The liquidity portfolio functions as a buffer on the balance sheet; it provides protection against adverse cash flow situations. ADB's policy is to maintain the year-end level of liquid assets at no less than 40 percent of undisbursed loan balances. This helps ensure the uninterrupted

availability of funds to meet loan disbursements, debt servicing, and other expenses. In addition, the liquidity portfolio contributes to ADB's earning base.

The Investment Authority, which is approved by the Board of Directors, governs the investment of liquid assets. Its primary objective is to ensure security and liquidity of funds invested. Subject to meeting this objective, ADB seeks to maximize the return on investments.

ADB's investments are made in the same currencies as received. In accordance with its Charter, ADB does not convert currencies for investment purposes. At present, liquid investments are held in 18 currencies.

The new investment strategy, approved in 1999, is designed to optimize the trade-off between expected risk and return on the portfolio. As part of the implementation of this strategy, the OCR liquidity portfolio was segregated into a core, an operational cash, and a cash cushion portfolio to maximize the efficiency of cash investments, increase transparency by separately tracking the returns of these portfolios, and enable tracking of the funding cost of the cash cushion portfolio.

The restructuring of the core portfolio was largely completed in 2000. This restructuring involved the construction of portfolios that replicate the risk and return characteristics of external benchmarks by extending portfolio duration and using, in the US dollar portfolio, a limited amount of AAA- and AA-rated corporate bonds.

In addition, amounts of \$300 million each of the US dollar core portfolio were allocated to investment in mortgage-backed securities (AAA-rated), asset-backed securities (AAA-rated), and corporate bonds (A-rated). These allocations are managed by external asset management firms that were identified after a thorough and transparent selection process.

OCR investments decreased to \$7.5 billion equivalent as of 31 December 2000 from \$8.2 billion equivalent as of 31 December 1999. The financial rate of return on overall OCR investments was 6.1 percent, compared with 3.5 percent in 1999.

Risk management: The Risk Management Division of ADB's Treasurer's Department is responsible for formulating and implementing the guidelines, procedures, and systems strategy for treasury risk management. The Division identifies, quantifies, and monitors market and credit risk exposure relating to treasury activities. In addition, it reviews the effectiveness of risk measurement techniques and introduces enhancements, where appropriate. The Division undertakes performance measurement and monitoring relative to benchmarks, and oversees the selection and monitoring of external asset managers under both the

External Asset Management Program and the Staff Retirement Plan.

Cash management operations: With the sharp increase in lending and in program or fast-disbursing loans following the Asian financial crisis in 1997, realized levels of new lending and loan disbursements tended to differ considerably from planned levels. In response, it became clear that strengthening certain aspects of ADB's operations—that would factor in postcrisis volatility and resulting uncertainty—was required. Accordingly, interdepartmental meetings were held in 2000 to establish a rigorous and time-bound system for making disbursement estimates available on a monthly basis. In essence, the operational planning processes within ADB were strengthened to ensure the generation and dissemination of more accurate and timely information, thereby improving the efficiency of ADB's cash management operations.

Special Funds

ADB is authorized by its Charter to establish and administer Special Funds. Currently it handles the Asian Development Fund (ADF), the Technical Assistance



Special Fund, the Japan Special Fund, including the Asian Currency Crisis Support Facility, and the ADB Institute Special Fund.

Asian Development Fund

The ADF is the concessional lending window of ADB that provides loans to its DMCs with low per capita gross national product and limited debt repayment capacity. The governments of 26 donor members (both regional and nonregional) have contributed to the ADF, which is the only multilateral source of concessional assistance dedicated exclusively to the needs of Asia and the Pacific. The ADF supports activities that promote poverty reduction and improvement in the quality of life of ADB's poorer DMCs. The ADF is therefore an important instrument of multilateral cooperation for achieving poverty reduction through equitable and sustainable development in the poorest countries of Asia and the Pacific.

ADF VIII: Negotiations on the seventh ADF replenishment (ADF VIII), which is intended to provide resources for ADB's concessional lending operations for the period 2001–2004, were concluded in September 2000. The replenishment agreed upon was \$5.65 billion (at the average daily exchange rates for the period 1 October 1999–31 March 2000). Of this amount, the 25 donors to the replenishment will contribute a total of \$2.91 billion, while the balance of \$2.74 billion will be met from commitment authority generated by repayments of earlier loans. The largest contribution (\$1.1 billion) was offered by Japan. The US will contribute \$412.0 million, while the European donors will make a total contribution of \$859.8 million. Contributions from Asia and the Pacific will account for almost half the total replenishment. First-time contributors are Portugal (as an expected new member of ADB) and Singapore.

During the negotiations, donors agreed on several operational priorities and approaches for strengthening the multilateral foundation of ADF and ADB. These included plans for a more robust performance-based allocation system for ADF resources and greater support for enhancing good governance in the region, promoting gender equality, improving the environment, and enhancing cooperation among developing member countries (DMCs).

Resolution No. 276, which sets out the terms and conditions of the replenishment, was adopted by the Board of Governors on 13 December 2000. The Resolution envisages that contributions will be paid to ADB and become

available for operational commitments in four equal amounts over the four years covered by the replenishment.

ADF VII: The sixth replenishment of the Asian Development Fund (ADF VII) was authorized by Resolution No. 247 of the Board of Governors on 22 March 1997 to finance ADB's concessional lending operations over the four years 1997–2000. In March 2000, the balance of 77 percent of the US' second tranche became available to ADB for operational commitments, thereby releasing the remaining 77 percent of the third tranches of Austria, France, Germany, Malaysia, and Turkey. Italy and New Zealand paid their third installments in February 2000. In addition, 18 donors paid their fourth installments in full.¹ Australia did not pay its fourth installment, while the US did not pay its third and fourth installments. As a result, four donors—Austria, France, Germany, and Malaysia—exercised their pro rata rights and did not release their fourth installments for operational commitments.

ADF loan approvals, disbursements, and repayments: In 2000, 49 ADF loans totaling \$1.6 billion were approved, compared with 32 ADF loans totaling \$1.1 billion approved in 1999. Of the 2000 amount, about 41 percent went to Pakistan, Bangladesh, and Sri Lanka. Disbursements in 2000 totaled \$1,135.0 million, an increase of 1.9 percent from \$1,113.8 million in 1999. At the end of the year, cumulative disbursements from ADF resources were \$16.5 billion. Loan repayments during the year amounted to \$208.4 million, and cumulative repayments were \$1.4 billion. As of 31 December 2000, ADF loans outstanding amounted to \$15.5 billion, net of the allowance for possible losses of \$6.7 million.

ADF Commitment Authority

(\$ million) (year-end)

	1999 ^a	2000 ^a
ADF VII Contributions	1,601.6	1,978.2
ADF VI Contributions ^b	430.1	417.0
Expanded Advance Commitment Authority	1,500.0	2,231.4
Total ADF Resources	3,531.7	4,626.6
Less:		
Loans Committed	3,367.9	4,471.0
Provision for Disbursement Risk	132.1	155.7
Total	31.8	0.0

^a Total does not add because of rounding.

^b Amounts of ADF VI contributions released for operational commitments during the ADF VII period.

¹ Another donor, Italy, paid its fourth installment in full in February 2001.

Status of loans: Four public sector ADF loans to Afghanistan, 28 public sector loans to Myanmar, and one private sector loan were in nonaccrual status as of the end of 2000. Total outstanding ADF loans to Afghanistan amounted to \$30.5 million, to Myanmar \$460.7 million, and to the private sector \$6.0 million, together comprising about 3.2 percent of the total ADF loans outstanding.

Portfolio position: The ADF investment portfolio at the end of 2000 amounted to \$2.3 billion, compared with \$2.1 billion at the end of 1999. About 47 percent of the portfolio was invested in bank deposits, and 53 percent in floating and fixed income securities. The financial rate of return on ADF investments in 2000 was 5.2 percent, compared with 3.8 percent in 1999.

The portfolio was denominated in 14 currencies, with yen and US dollars accounting for 35 percent of the portfolio.

ADF revenue and expenses: In 2000, the excess of ADF revenue over expenses (net income) was \$163.6 million, bringing the accumulated surplus to \$1.5 billion at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to \$265.9 million. Expenses consist mainly of administration charges payable to OCR of \$102.3 million net of provision for losses written back of \$21,000.

Technical Assistance Special Fund

Review of activities: In May 2000, the Board of Governors approved the reallocation of \$80.0 million from OCR's surplus account to the Technical Assistance Special Fund (TASF). During the year, India made a direct voluntary contribution (its 16th) to the TASF, amounting to \$103,000 equivalent. This was made on a wholly untied basis.

At the end of 2000, total TASF resources amounted to \$899.5 million. Of this, \$784.0 million had been committed, leaving an uncommitted balance of \$115.5 million. *For details, see Table 32 in the Statistical Annex.*

Operations and resource position: Technical assistance committed (approved and effective) increased from \$63.1 million in 1999 to \$80.5 million in 2000 with 199 technical assistance projects effective during the year. During 2000, \$13.4 million (\$7.0 million in 1999), representing completed and canceled technical assistance projects, was written back as a reduction in technical assistance for the period, and the corresponding undisbursed commitment was eliminated. Revenue from investments increased from \$7.1 million in 1999 to \$9.7 million in 2000, mainly because of better returns from the Canadian and Euro portfolios. As a result of increased technical assistance

Technical Assistance Special Fund Cumulative Resources (\$ million)

	1999	2000
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	421.0	501.0
Direct Voluntary Contributions	87.2	87.3
Income from Investment and Other Sources	66.5	76.7
Transfers from TASF to ADF	(3.5)	(3.5)
Total	809.2	899.5

() Negative.

and unfavorable exchange adjustments, offsetting the fund allocation from OCR and revenue for the period, the uncommitted balance available for future commitments decreased from \$116.3 million in 1999 to \$115.5 million in 2000. In terms of technical assistance approved during the year, the TASF contributed 45.2 percent of funding for total technical assistance.

At the end of 2000, TASF investments stood at \$238.8 million, up by 10.5 percent from 1999. Other assets—comprising due from banks, advances to consultants, and others—totaled \$12.9 million. Accounts payable to OCR and others amounted to \$505,000.

Japan Special Fund

Review of activities: The technical assistance grants funded by the Japan Special Fund (JSF) continued to support ADB operations aimed at reducing poverty. In March 2000, the Government of Japan contributed a further 4.1 billion yen (\$37.6 million equivalent) as a

Japan Special Fund Technical Assistance by Sector, 2000

	\$ Million	%
Social Infrastructure	19.3	25.0
Agriculture and Natural Resources	14.7	19.1
Others	14.1	18.3
Transport and Communications	11.7	15.2
Finance	8.9	11.5
Energy	5.1	6.6
Multisector	2.9	3.8
Industry and Nonfuel Minerals	0.4	0.5
Total	77.1	100.0

Beneficiaries Recognize JSF Assistance

ADB's efforts to reduce poverty in Asia and the Pacific were reinforced again in 2000 as the Japan Special Fund (JSF) continued to help fund social infrastructure improvements in Cambodia, People's Republic of China, Indonesia, Mongolia, Philippines, Sri Lanka, and Uzbekistan. Positive recognition of the JSF technical assistance—which also funded agriculture and natural resources, transport and communications, environment, and energy activities—was forthcoming from beneficiaries and governments alike.

Residents from low- and middle-income households in Mongolia expressed strong support for a JSF-funded technical assistance to the urban development sector that is expected to result in the first Housing Finance Project in Mongolia and the establishment of a viable Housing Finance System in the country.

In Indonesia, the government agency, BAPEDAL, lauded the successful implementation of the Capacity Building for Decentralization of Environmental Impact

Assessment (EIA) process, which was instrumental in strengthening the role of EIA in the project permit system. The technical assistance helped integrate and simplify the EIA process by introducing and prioritizing strategic environmental assessment, establishing mechanisms to promote transparency and stakeholder participation in the EIA process, and reaching an understanding between central and local governments in further developing environment institutions at the district and city levels.

In the People's Republic of China, residents of Anhui Province expressed willingness to participate in the implementation of the JSF-financed Acid Rain Control and Environmental Improvement Project. The technical assistance will have three main components: (i) an environmental policy package; (ii) a set of subprojects to reduce sulfur dioxide, control acid rain, and improve the environment; and (iii) an institutional strengthening component, which is expected to have a positive effect on raising public awareness.

regular contribution to the JSF. As of 31 December 2000, Japan's cumulative contribution to the JSF, since its inception in 1988, amounted to 90.6 billion yen (about \$782.6 million equivalent), comprising regular contributions of 72.6 billion yen and supplementary contributions of 18.0 billion yen. In 2000, ADB approved 113 technical assistance grants for JSF funding in an aggregate amount of \$77.1 million. The uncommitted balance as of 31 December 2000 was \$51.1 million. *For details, see Table 33 in the Statistical Annex.*

Sectoral activities: In 2000, the JSF financed 38 percent of the total amount of technical assistance approved by ADB, including 85 percent of the total amount of project preparatory technical assistance approved during the year. *The breakdown of JSF approvals by sector is shown in the table.*

Asian Currency Crisis Support Facility

Review of activities: The Asian Currency Crisis Support Facility (ACCSF) was established in March 1999 for a three-year period as an independent component of the JSF. Administered by ADB, the ACCSF is funded entirely by the Government of Japan as part of its financial assistance under the New Miyazawa Initiative to countries in the region most affected by the Asian financial crisis: Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand. The ACCSF modalities comprise interest payment assistance (IPA), technical assistance grants, and

guarantees. ACCSF assistance must be approved within the three-year period after the ACCSF was established (i.e., not beyond 22 March 2002).

In March 2000, the Government of Japan contributed 15.0 billion yen (\$136.6 million equivalent) for its third contribution to the ACCSF. At the end of 2000, Japan's cumulative contributions for the IPA and technical assistance component of the ACCSF amounted to 27.5 billion yen (\$241.0 million equivalent). In 2000, ADB approved seven technical assistance grants for ACCSF funding amounting to \$7.6 million. The uncommitted balance of ACCSF funds for IPA and technical assistance as of 31 December 2000 was \$125.9 million. *For details, see Table 34 in the Statistical Annex.*

ACCSF financing is targeted at activities that support policy dialogue, human resource development, institutional strengthening, and other relevant efforts focusing on bank restructuring and corporate debt restructuring; creating or developing sound financial monitoring, supervision, and regulation; enhancing public sector and corporate governance; developing social safety nets; and protecting the environment.

The Government of Japan has also deposited a promissory note for 360.0 billion yen (\$3.2 billion equivalent) in the ACCSF custodian account, which may be encashed to meet a call on any guarantees issued under the ACCSF. Although opportunities for using ACCSF guarantees in relation to ADB operations in the DMCs eligible for ACCSF financing were identified in 2000, no ACCSF guarantee operations were concluded during the year.

Sectoral activities: In 2000, the ACCSF financed 4 percent of the total amount of technical assistance approved by ADB. *The breakdown of the ACCSF technical assistance approvals by sector is shown in the table.*

ADB Institute Special Fund

The costs for operating ADB Institute are met from the ADB Institute Special Fund, which is administered by ADB in accordance with the Statute of ADB Institute. Japan made its fourth contribution in the amount of 909.0 million yen (equivalent to \$8.3 million) in March 2000.

As of 31 December 2000, cumulative commitments amounted to 5.3 billion yen (equivalent to about \$43.0 million) excluding translation adjustments. Of the total contributions received, \$37.4 million had been used as of 31 December 2000, mainly for research and capacity-building activities, including organizing symposia and training, preparing research reports and publications, and associated administrative expenses.

As of 31 December 2000, the balance of net current assets available for future projects and programs of ADB Institute was about \$5.9 million.

Other funds managed by ADB

Other funds include the Japan Fund for Poverty Reduction, Japan Scholarship Program, and various channel financing arrangements.

Asian Currency Crisis Support Facility Technical Assistance by Sector, 2000

	\$ Million	%
Industry and Nonfuel Minerals	3.5	46.1
Social Infrastructure	2.8	36.8
Agriculture and Natural Resources	1.1	14.5
Others	0.2	2.6
Total	7.6	100.0

Japan Fund for Poverty Reduction

The Japan Fund for Poverty Reduction (JFPR) was established in May 2000 to support ADB-financed projects with innovative poverty reduction and related social development activities on a grant basis in line with the ADB's poverty reduction strategy. The JFPR has four objectives: (i) support well-targeted poverty reduction and social development activities that have a direct impact on the poor and on socially or economically excluded or vulnerable groups; (ii) stimulate the self-help capacities of the poor; (iii) enhance widespread stakeholder participation at the community level; and (iv) provide a systematic impact on DMCs' operations and approaches toward sustainable poverty reduction. The JFPR will finance activities that are aimed directly at poverty reduction, and provide innovative and demonstrative impacts on poverty reduction.

The Government of Japan contributed 10 billion yen (\$92.6 million) to the JFPR in 2000. During the year, the JFPR financed five innovative poverty reduction and related social development activities for a total of \$7.5 million: (i) Assisting

Assisting Girl Street Children in Indonesia

Child victims of sexual abuse and prostitution in Yogyakarta are receiving counseling, and medical and health services because of a \$1 million project financed by the Japan Fund for Poverty Reduction.

The pilot scheme, which is assisting nearly 500 young girls, will be replicated in other cities in Indonesia. Counseling programs for girl street children who are either at risk of, or who have experienced, sexual abuse are being established, and different approaches to prevention and rehabilitation are being evaluated. The Project is also developing culturally acceptable, cost-effective, and sustainable programs to help the Government, nongovernment organizations (NGOs), and social workers address the needs of the nearly 34,000 girl

street children in Indonesia. Low-cost accommodation for pregnant girls and young mothers will be provided. Partnerships among Government, NGOs, and the private sector will generate financial support to ensure project sustainability.

The Project, which was launched in November 2000, met with approval from stakeholders, especially NGOs, for its innovative approach of directly helping the socially vulnerable.

The project complements other ADB initiatives in Indonesia: the Social Protection Sector Development Program and Health and Nutrition Sector Development Program, both of which aim to provide basic education, counseling, and training for street children.

Japan Fund for Poverty Reduction Grant Assistance by Sector, 2000

	\$ Million	%
Social Infrastructure	3.7	49.6
Agriculture and Natural Resources	2.8	37.1
Others	1.0	13.3
Total	7.5	100.0

Girl Street Children at Risk of Sexual Exploitation in Indonesia (\$1.0 million), (ii) Supporting the Sustainable Livelihood for the Poor in Southern Philippines (\$2.8 million), (iii) On-site Integrated Urban Upgrading for Vulnerable Slum Communities of Payatas in the Philippines (\$1.0 million), (iv) Low-Cost Sanitation, Community Awareness, and Health Education Program in Papua New Guinea (\$1.7 million), and (v) Off-site and Off-city Relocation of Vulnerable Slum Communities of Muntinlupa City in the Philippines (\$1.0 million). The nature of the JFPR toward direct intervention to poverty and enhanced community participation has been well received by stakeholders and appreciated by the beneficiaries. *For details, see Table 35 in the Statistical Annex.*

Japan Scholarship Program

The Japan Scholarship Program (JSP) was established in 1988 to provide an opportunity for well-qualified citizens of DMCs to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific. The Program is funded by the Government of Japan and administered by ADB. Currently, 18 institutions in 10 countries participate in the JSP.

Between 1988 and 2000, the Government of Japan contributed more than \$40 million to the JSP. A total of 1,164 scholarships have been awarded to recipients from 33 member countries. Of the total, 871 recipients have already completed their courses. Women have received 335 scholarships. The number of new scholarships awarded annually has grown from 49 in 1988 to 135 in 2000.

Channel financing arrangements

Official grant cofinancing plays a vital role in ADB operations, particularly in view of the continuing constraints on TASF and ADF resources. These grant funds support ADB's technical assistance program and finance soft components of its loan projects.

JSP Scholars Value Assistance

During a gathering of Japan Scholarship Program (JSP) scholars, recipients expressed appreciation for the JSP. The financial assistance, which covers tuition, books, subsistence allowance, housing allowance, medical insurance, travel, and research subsidies, not only provided the scholars with the opportunity for a higher education, but also allowed interaction among the various DMC nationalities. Upon completing their studies, the scholars are expected to contribute to the economic and social development of their home countries—a requirement which, the scholars say, they are well qualified and willing to meet.

A majority of such grants are provided by bilateral donors under channel financing arrangements (CFAs). ADB acts as administrator of the funds and applies its own guidelines and procedures in recruiting consultants, procurement, disbursement, and project supervision.

Under a CFA, the donor enters into a comprehensive agreement with ADB whereby the donor provides an untied grant fund to be administered by ADB (but the fund does not become part of ADB's own resources); the donor indicates its preferred sectors and recipient countries in the use of the fund; ADB regularly provides the donor with a list and description of proposed technical assistance projects that satisfy the donor's preferences; and the donor and ADB agree on the specific activities to be financed under the fund. Funds provided under a CFA are transferred to an interest-bearing account and may also be invested by ADB pending disbursement. Donors are provided with regular financial statements and progress reports on the use of the fund. ADB is responsible for project preparation, processing, and administration. CFAs may be replenished with additional funds at the donor's discretion.

The primary advantage of CFAs is that funding for a number of individual technical assistance projects may be provided under a single agreement. Accordingly, they minimize the need for detailed negotiations on a case-by-case basis and foster administrative efficiency. The first CFA was negotiated in 1980. Since then, ADB has entered into CFAs with 12 bilateral donors: Australia, Belgium, Denmark, Finland, France, Italy, Netherlands, New Zealand, Norway, Spain, Sweden, and Switzerland. To date, 140 technical assistance grants have been financed under CFAs in a total aggregate amount of about \$66 million.

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REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying balance sheets and the related statements of income and expenses, of cash flows, and of changes in capital and reserves present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank-Ordinary Capital Resources at 31 December 2000 and 1999, and the results of its operations, its cash flows, and the changes in its capital and reserves for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying summary statements of loans and of borrowings as at 31 December 2000 and 1999, and of statement of subscriptions to capital stock and voting power as at 31 December 2000 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
7 March 2001

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**BALANCE SHEET****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	A S S E T S	
	2000	1999
DUE FROM BANKS (Notes B and C)	\$ 62,546	\$ 72,972
INVESTMENTS (Notes B, C, D, and J)		
Government and government-guaranteed obligations	\$ 3,623,338	\$ 2,295,714
Time deposits	2,065,190	3,643,433
Other securities	<u>1,844,480</u>	<u>7,533,008</u>
LOANS OUTSTANDING (OCR-5) (Notes A, B, and E)		
Members and guaranteed by members	27,825,302	27,936,529
Private sector	<u>405,424</u>	<u>407,612</u>
	28,230,726	28,344,141
Less—allowance for possible losses	<u>75,610</u>	<u>72,991</u>
	28,155,116	28,271,150
EQUITY INVESTMENTS (Notes A, B, and F)	265,272	272,616
Less—allowance for possible losses	<u>61,775</u>	<u>61,522</u>
	203,497	211,094
ACCRUED INCOME		
On investments	87,313	86,564
On loans	<u>408,735</u>	<u>496,048</u>
	496,048	459,066
RECEIVABLE FROM MEMBERS (Note I)		
Nonnegotiable, noninterest-bearing demand obligations (Note C)	384,045	381,576
Amounts required to maintain value of currency holdings	8,725	5,495
Subscription installments	<u>1,169</u>	<u>393,939</u>
	393,939	389,014
OTHER ASSETS		
Receivable from currency swaps (Note H)	5,942,697	6,666,875
Notional amounts required to maintain value of currency holdings (Note I)	677,808	708,431
Property, furniture, and equipment (Notes B and G)	156,256	155,395
Investment related receivables	86,026	4,431
Unamortized issuance costs of borrowings	46,613	56,135
Miscellaneous (Note L)	<u>103,003</u>	<u>7,012,403</u>
	7,012,403	101,403
TOTAL	\$43,856,557	\$45,294,657

See notes to financial statements (OCR-8).

LIABILITIES, CAPITAL, AND RESERVES

	2000	1999
BORROWINGS (OCR-6) (Note H)	\$ 25,367,175	\$ 26,285,451
ACCRUED INTEREST ON BORROWINGS	378,140	405,960
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Payable for currency swaps (Note H)	\$ 6,633,736	\$ 7,484,515
Notional amounts required to maintain value of currency holdings (Note I)	279,051	340,351
Investment related payables	222,646	79,405
Advance payments on subscriptions (Note I)	102	8,802
Miscellaneous (Note G)	<u>142,072</u>	<u>7,277,607</u>
CAPITAL AND RESERVES (OCR-4)		
Capital stock (OCR-7) (Notes B and I)		
Authorized (SDR34,909,940,000)		
Subscribed		
(SDR34,746,270,000 - 2000)	45,271,263	47,596,805
SDR34,656,690,000 - 1999)	<u>42,087,172</u>	<u>44,249,150</u>
Less—"callable" shares subscribed		
"Paid-in" shares subscribed	3,184,091	3,347,655
Less—subscription installments not due	<u>72,232</u>	<u>160,426</u>
Subscription installments matured	3,111,859	3,187,229
Less—capital transferred to the Asian Development Fund	<u>62,031</u>	<u>65,386</u>
	3,049,828	3,121,843
Ordinary reserve (Note J)	7,166,484	6,688,873
Special reserve (Note J)	181,608	181,608
Surplus (Note J)	116,645	196,645
Net income after allocations and appropriations (OCR-2) (Note J)	625,716	449,873
Accumulated other comprehensive income (OCR-4) (Note J)	<u>(306,646)</u>	<u>10,833,635</u>
TOTAL	\$43,856,557	\$45,294,657

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**STATEMENT OF INCOME AND EXPENSES****For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
INCOME (Note K)		
From loans (Notes B and E)		
Interest	\$1,807,955	\$1,625,654
Commitment charge	46,860	47,789
Others	6,519	1,192
	<u>\$1,861,334</u>	<u>\$1,674,635</u>
From investments (Notes B and D)		
Interest	403,490	386,426
Net loss on sales	(3,628)	(42,475)
	<u>399,862</u>	<u>343,951</u>
From other sources—net (Notes E and P)	<u>39,734</u>	<u>9,233</u>
TOTAL INCOME	\$2,300,930	\$2,027,819
EXPENSES (Note K)		
Interest and other financial expenses (Note H)	1,576,745	1,447,218
Administrative expenses (Note M)	92,559	105,894
Provision for possible losses (Notes B and E)	5,910	24,834
TOTAL EXPENSES	1,675,214	1,577,946
NET INCOME	625,716	449,873
APPROPRIATION OF GUARANTEE FEES		
TO SPECIAL RESERVE (Note J)	—	—
NET INCOME AFTER APPROPRIATION		
TO SPECIAL RESERVE	\$ 625,716	\$ 449,873

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 2000 and 1999

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	\$ 1,570,741	\$ 1,425,823
Interest on investments received	400,347	407,745
Interest and other financial expenses paid	(1,485,833)	(1,257,541)
Administrative expenses paid	(56,385)	(121,937)
Others—net	21,741	12,400
Net Cash Provided by Operating Activities	<u>450,611</u>	<u>466,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in) time deposits, other obligations of banks, corporate bonds and others	1,958,287	(2,246,019)
Sales of investment securities	5,493,655	8,300,935
Maturities of investment securities	39,502,521	87,602,260
Purchases of investment securities	(46,389,783)	(93,773,186)
Principal collected on loans	1,856,437	1,151,803
Loans disbursed	(2,640,125)	(3,492,014)
Property, furniture, and equipment acquired	(10,570)	(3,754)
Net purchases of equity investments	511	(20,013)
Net Cash Used in Investing Activities	<u>(229,067)</u>	<u>(2,479,988)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	1,944,312	7,508,639
Bonds purchased for redemption and borrowings redeemed	(1,969,637)	(5,523,641)
Matured capital subscriptions collected ¹	20,301	35,207
Borrowing issuance expenses paid	(6,491)	(10,708)
Demand obligations of members encashed	23,967	25,413
Net currency swaps	(172,193)	61,446
Resources transferred to TASF	(80,000)	(80,000)
Net Cash (Used in) Provided by Financing Activities	<u>(239,741)</u>	<u>2,016,356</u>
Effect of Exchange Rate Changes on Due from Banks	<u>7,771</u>	<u>7,497</u>
Net (Decrease) Increase in Due from Banks	<u>(10,426)</u>	<u>10,355</u>
Due from Banks at Beginning of Year	<u>72,972</u>	<u>62,617</u>
Due from Banks at End of Year	<u>\$ 62,546</u>	<u>\$ 72,972</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income (OCR-2)	\$ 625,716	\$ 449,873
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in accrued interest and other expenses	1,752	32,432
Change in accrued income, including interest and commitment charges added to loans	(299,873)	(228,254)
Depreciation and amortization	96,218	153,303
Net loss from sales of investments	3,628	42,475
Change in administration charge receivable	33,653	(39,643)
Provision for possible losses charged	5,910	24,834
Others—net	(16,393)	31,470
Net Cash Provided by Operating Activities	<u>\$ 450,611</u>	<u>\$ 466,490</u>

¹ In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$47,508 (\$56,697 – 1999) were received from members. See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES**STATEMENT OF CHANGES IN CAPITAL AND RESERVES****For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Notes B and I)

	Capital Stock	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocation and Appropriations	Accumulated Other Comprehensive Income	Total
Balance—							
1 January 1999	\$3,102,543	\$6,211,102	\$181,608	\$276,645	\$ 464,257	\$(172,908)	\$10,063,247
Comprehensive income for the year 1999 (Note J)					449,873	97,302	547,175
Change in SDR value of paid-in shares subscribed	(66,367)						(66,367)
Additional paid-in shares subscribed during the year	15,417						15,417
Change in subscription installments not due	68,600						68,600
Change in SDR value of capital transferred to Asian Development Fund	1,650						1,650
Allocation of 1998 net income to ordinary reserve (Note J)		464,257			(464,257)		—
Allocation of surplus to Technical Assistance Special Fund (Note J)				(80,000)			(80,000)
Credit to ordinary reserve for change in SDR value of capital stock (Note J)		13,514					13,514
Balance—							
31 December 1999 (Forward)	\$3,121,843	\$6,688,873	\$181,608	\$196,645	\$ 449,873	\$ (75,606)	\$10,563,236

	Capital Stock	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocation and Appropriations	Accumulated Other Comprehensive Income	Total
Balance—							
31 December 1999 (Forward)	\$3,121,843	\$6,688,873	\$181,608	\$196,645	\$ 449,873	\$ (75,606)	\$10,563,236
Comprehensive income for the year 2000 (Note J)					625,716	(231,040)	394,676
Change in SDR value of paid-in shares subscribed	(157,007)						(157,007)
Additional paid-in shares subscribed during the year	7,600						7,600
Change in subscription installments not due	74,037						74,037
Change in SDR value of capital transferred to Asian Development Fund	3,355						3,355
Allocation of 1999 net income to ordinary reserve (Note J)		449,873			(449,873)		—
Allocation of surplus to Technical Assistance Special Fund (Note J)				(80,000)			(80,000)
Credit to ordinary reserve for change in SDR value of capital stock (Note J)	27,738						27,738
Balance—							
31 December 2000	\$3,049,828	\$7,166,484	\$181,608	\$116,645	\$ 625,716	\$ (306,646)	\$10,833,635

Accumulated Other Comprehensive Income (Note J)**For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments		Unrealized Investment Holding Gains (Losses)		Accumulated Other Comprehensive Income	
	2000	1999	2000	1999	2000	1999
Balance, 1 January	\$ (78,329)	\$ (200,036)	\$ 2,723	\$ 27,128	\$ (75,606)	\$ (172,908)
Other comprehensive income for the year	(297,673)	121,707	66,633	(24,405)	(231,040)	97,302
Balance, 31 December	\$ (376,002)	\$ (78,329)	\$ 69,356	\$ 2,723	\$ (306,646)	\$ (75,606)

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**SUMMARY STATEMENT OF LOANS****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor	Loans Outstanding ¹	Undisbursed Balance of Effective Loans ²	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Bangladesh	\$ 13,333	\$ 85,334	\$ 138,000	\$ 236,667	0.56
China, People's Rep. of	5,113,655	2,819,622	974,300	8,907,577	21.16
Fiji Islands	52,053	34,272	—	86,325	0.20
India	4,214,919	1,684,409	825,000	6,724,328	15.98
Indonesia	6,982,572	2,973,848	435,000	10,391,420	24.69
Kazakhstan	283,133	61,503	110,000	454,636	1.08
Korea, Rep. of	3,981,042	3,353	—	3,984,395	9.47
Malaysia	497,694	107,007	—	604,701	1.44
Myanmar	864	—	—	864	n.a. ³
Nauru	2,300	2,700	—	5,000	0.01
Nepal	43,703	1,381	—	45,084	0.11
Pakistan	2,223,435	463,065	150,000	2,836,500	6.74
Papua New Guinea	150,061	101,506	20,600	272,167	0.65
Philippines	2,534,363	1,618,232	249,003	4,401,598	10.46
Sri Lanka	15,314	30,000	15,000	60,314	0.14
Thailand	2,002,264	584,093	—	2,586,357	6.14
Uzbekistan	74,782	112,915	177,000	364,697	0.87
Viet Nam	41,239	28,761	35,000	105,000	0.25
	28,226,726	10,712,001	3,128,903	42,067,630	99.95
Regional	4,000	16,000	—	20,000	0.05
TOTAL – 31 December 2000	28,230,726	10,728,001	3,128,903	42,087,630	100.00
Allowance for possible losses	(75,610)			(75,610)	
NET BALANCE – 31 December 2000	\$28,155,116	\$10,728,001	\$3,128,903	\$42,012,020	
Made up of loans to:					
Members and guaranteed by members	\$ 27,825,302	\$ 10,657,925	\$ 2,822,903	\$ 41,306,130	
Private sector (net of allowance for possible losses)	329,814	70,076	306,000	705,890	
Net balance – 31 December 2000	<u>\$28,155,116</u>	<u>\$10,728,001</u>	<u>\$3,128,903</u>	<u>\$42,012,020</u>	
TOTAL – 31 December 1999	\$28,344,141	\$11,674,073	\$1,919,574	\$41,937,788	
Allowance for possible losses	(72,991)			(72,991)	
NET BALANCE – 31 December 1999	\$28,271,150	\$11,674,073	\$1,919,574	\$41,864,797	
Made up of loans to:					
Members and guaranteed by members	\$ 27,936,529	\$ 11,533,289	\$ 1,769,574	\$ 41,239,392	
Private sector (net of allowance for possible losses)	334,621	140,784	150,000	625,405	
Net balance – 31 December 1999	<u>\$28,271,150</u>	<u>\$11,674,073</u>	<u>\$1,919,574</u>	<u>\$41,864,797</u>	

¹ The interest rates charged on loans outstanding range from 5.75% per annum to 11.00% per annum on loans to governments or with government-guarantee and 6.33% per annum to 13.73% per annum for loans to the private sector. Amounts outstanding on loans made under the Pool-Based Variable Interest Rate System and market-based variable interest rate loans totaled \$27,298,476 (\$27,113,648 – 1999). The average yield on loans in 2000 was 6.59% (6.41% – 1999).

² Of the undisbursed balances, ADB has made irrevocable commitments to disburse various amounts totaling \$165,122 (\$309,432 – 1999).

³ Below 0.01%.

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
2001	\$1,270,571	2010	13,770,360
2002	1,460,540	2015	10,096,491
2003	1,595,928	2020	5,594,599
2004	1,695,367	2025	1,586,042
2005	1,779,956	2028	108,873
		Total	\$38,958,727

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	2000	1999	Currency	2000	1999
Australian dollar	\$ 122	\$ 188	New Zealand dollar	624	983
Deutsche mark	–	7,000	Swiss franc	121,459	978,709
Euro	14,350	20,370	United States dollar	19,018,616	16,563,028
Japanese yen	9,075,555	10,773,863	Total	\$28,230,726	\$28,344,141

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES**SUMMARY STATEMENT OF BORROWINGS****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

B o r r o w i n g s			
	Principal Outstanding ¹		Weighted Average Cost (%)
	2000	1999	2000
Long-Term Borrowing:			
Australian dollar	\$ 838,125	\$ 969,000	5.57
Austrian schilling	67,578	73,093	8.08
Canadian dollar	165,585	172,307	7.88
Deutsche mark	—	—	—
Euro	714,745	773,071	5.55
Hong Kong dollar	256,419	385,976	7.91
Japanese yen	5,531,275	6,549,570	4.60
Korean won	63,885	69,777	12.33
Netherlands guilder	296,030	329,336	7.08
New Taiwan dollar	590,717	622,716	5.73
Pound sterling	480,754	522,615	8.86
Swiss franc	844,384	1,013,278	4.80
United States dollar	15,490,881	14,418,609	6.38
Subtotal	<u>25,340,378</u>	<u>25,899,348</u>	5.97
Short-Term Borrowing:			
United States dollar	—	<u>370,000</u>	—
Principal amount outstanding	25,340,378	26,269,348	5.97 ²
Unamortized discounts and premiums	<u>26,797</u>	<u>16,103</u>	
TOTAL	<u>\$25,367,175</u>	<u>\$26,285,451</u>	

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING⁵

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
2001	\$1,939,945	2010	5,061,008
2002	5,687,728	2015	438,520
2003	4,617,677	2020	138,525
2004	4,440,362	2025	43,852
2005	2,972,761		
		Total	<u>\$25,340,378</u>

¹ Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in United States dollar equivalents) are:

Currency	Aggregate Face Amount		Discounted Value	
	2000	1999	2000	1999
Swiss franc	\$ 300,313	\$ 307,064	\$138,526	\$134,565
United States dollar	1,254,591	1,254,591	979,258	906,987

Currency Swap Arrangements ³					
Payable (Receivable)		Weighted Average Cost (Return) %	Net Currency Obligation		
2000	1999		2000	2000	1999
\$ (835,049)	\$ (964,236)	(5.57)	\$ 3,076	\$ 4,764	
(67,753)	(73,313)	(8.08)	(175)	(220)	
(165,080)	(171,570)	(7.88)	505	737	
(714,747)	(773,074)	(5.55)	(714,747)	(773,074)	
—	—	—	714,745	773,071	
(256,393)	(385,801)	(7.91)	26	175	
2,200,546	2,999,202	5.39 ⁴	7,512,561	9,402,288	
(219,260)	(146,484)	(3.97) ⁴			
(63,885)	(69,777)	(12.33)	—	—	
(295,597)	(328,771)	(7.08)	433	565	
(590,517)	(622,442)	(5.73)	200	274	
(333,813)	(362,497)	(7.47)	146,941	160,118	
315,496	331,802	6.23	792,597	907,023	
(367,283)	(438,057)	(2.70)			
4,117,694	4,153,511	5.77 ⁴	17,575,255	16,241,267	
(2,033,320)	(2,330,853)	(7.03) ⁴			
—	—	—	—	—	370,000

INTEREST RATE SWAP ARRANGEMENTS⁶

	Notional Amount	Average Rate (%)			Maturing Through
		Receive	Pay		
Receive Fixed Swaps:					
Australian dollar ⁷	\$ 263,112	6.34	4.89		2001-2005
Deutsche mark ⁸	87,704	4.40	3.62		2010
Japanese yen	87,704	5.50		0.16	2004
United States dollar	3,731,840	6.02		6.34	2002-2004
Receive Floating Swaps:					
Japanese yen	438,519	2.01	4.56		2002-2004
United States dollar	20,900	6.78	7.06		2007-2014
Total	\$4,629,779				

² The weighted average cost of borrowings outstanding at 31 December 2000, after adjustment for swap activities, was 5.81% (5.66% - 1999).

² The weighted average cost of borrowings outstanding at 31 December 2000, after adjustment for swap activities, was 5.81% (5.08% - 1999).

³ At 31 December 2000, the remaining duration of currency swap agreements ranged from 1 to 22 years. Approximately 22.76 % of the currency swap receivables and 23.91% of the payables are due from 31 December 2005 through 1 August 2022.

4 Includes cost of related interest rate swap transaction.

5 Bonds with put options were considered maturing on the first put date.

6 The interest rate swap information is based on interest rates at 31 December 2000. To the extent that interest rates change, variable interest rate information will change.

7 Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.

8 Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER****31 December 2000**

Expressed in Thousands of United States Dollars (Note B)

MEMBER	SUBSCRIBED CAPITAL						VOTING POWER	
	Number of Shares	Percent of Total	Par Value of Shares			Number of Votes	Percent of Total	
			Total	Callable	Paid-in			
REGIONAL								
Afghanistan	1,195	0.034	\$ 15,570	\$ 10,593	\$ 4,977	15,918	0.366	
Australia	204,740	5.892	2,667,578	2,480,767	186,811	219,463	5.053	
Azerbaijan	15,736	0.453	205,026	190,603	14,423	30,459	0.701	
Bangladesh	36,128	1.040	470,715	437,752	32,964	50,851	1.171	
Bhutan	220	0.006	2,866	2,567	300	14,943	0.344	
Cambodia	1,750	0.050	22,801	18,918	3,883	16,473	0.379	
China, People's Rep. of	228,000	6.562	2,970,635	2,762,547	208,088	242,723	5.588	
Cook Islands	94	0.003	1,225	1,147	78	14,817	0.341	
Fiji Islands	2,406	0.069	31,348	29,146	2,202	17,129	0.394	
Hong Kong, China	19,270	0.555	251,071	233,481	17,589	33,993	0.783	
India	224,010	6.447	2,918,649	2,714,261	204,387	238,733	5.497	
Indonesia	192,700	5.546	2,510,708	2,334,893	175,815	207,423	4.776	
Japan	552,210	15.893	7,194,799	6,690,938	503,861	566,933	13.053	
Kazakhstan	28,536	0.821	371,798	345,753	26,045	43,259	0.996	
Kiribati	142	0.004	1,850	1,720	130	14,865	0.342	
Korea, Rep. of	178,246	5.130	2,322,385	2,159,769	162,616	192,969	4.443	
Kyrgyz Republic	10,582	0.305	137,874	128,219	9,655	25,305	0.583	
Lao PDR	492	0.014	6,410	5,720	691	15,215	0.350	
Malaysia	96,350	2.773	1,255,354	1,167,433	87,920	111,073	2.557	
Maldives	142	0.004	1,850	1,720	130	14,865	0.342	
Marshall Islands	94	0.003	1,225	1,147	78	14,817	0.341	
Micronesia, Fed. States of	142	0.004	1,850	1,720	130	14,865	0.342	
Mongolia	532	0.015	6,931	6,449	482	15,255	0.351	
Myanmar	19,270	0.555	251,071	233,481	17,589	33,993	0.783	
Nauru	142	0.004	1,850	1,720	130	14,865	0.342	
Nepal	5,202	0.150	67,777	63,022	4,756	19,925	0.459	
New Zealand	54,340	1.564	708,001	658,426	49,576	69,063	1.590	
Pakistan	77,080	2.218	1,004,283	933,952	70,331	91,803	2.114	
Papua New Guinea	3,320	0.096	43,257	40,247	3,010	18,043	0.415	
Philippines	84,304	2.426	1,098,405	1,021,494	76,911	99,027	2.280	
Samoa	116	0.003	1,511	1,355	156	14,839	0.342	
Singapore	12,040	0.347	156,870	145,887	10,984	26,763	0.616	
Solomon Islands	236	0.007	3,075	2,866	208	14,959	0.344	
Sri Lanka	20,520	0.591	267,357	248,634	18,723	35,243	0.811	
Taipei, China	38,540	1.109	502,142	466,989	35,153	53,263	1.226	
Tajikistan	10,134	0.292	132,037	122,747	9,290	24,857	0.572	
Thailand	48,174	1.386	627,664	583,704	43,960	62,897	1.448	
Tonga	142	0.004	1,850	1,720	130	14,865	0.342	
Turkmenistan	8,958	0.258	116,715	108,506	8,208	23,681	0.545	
Tuvalu	50	0.001	651	599	52	14,773	0.340	
Uzbekistan	23,834	0.686	310,536	288,790	21,746	38,557	0.888	
Vanuatu	236	0.007	3,075	2,866	208	14,959	0.344	
Viet Nam	12,076	0.348	157,339	139,294	18,045	26,799	0.617	
Total Regional (Forward)	2,212,431	63.674	\$28,825,985	\$26,793,562	\$2,032,423	2,845,520	65.515	

MEMBER	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Percent of Total	Par Value of Shares			Number of Votes	Percent of Total
			Total	Callable	Paid-in		
Total Regional (Forward)	2,212,431	63.674	\$28,825,985	\$26,793,562	\$2,032,423	2,845,520	65.515
NONREGIONAL							
Austria	12,040	0.347	156,870	145,887	10,984	26,763	0.616
Belgium	12,040	0.347	156,870	145,887	10,984	26,763	0.616
Canada	185,086	5.327	2,411,504	2,242,634	168,870	199,809	4.600
Denmark	12,040	0.347	156,870	145,887	10,984	26,763	0.616
Finland	12,040	0.347	156,870	145,887	10,984	26,763	0.616
France	82,356	2.370	1,073,025	997,873	75,152	97,079	2.235
Germany	153,068	4.405	1,994,338	1,854,666	139,672	167,791	3.863
Italy	63,950	1.840	833,211	774,854	58,357	78,673	1.811
Netherlands	36,294	1.045	472,878	439,771	33,107	51,017	1.175
Norway	12,040	0.347	156,870	145,887	10,984	26,763	0.616
Spain	12,040	0.347	156,870	145,887	10,984	26,763	0.616
Sweden	12,040	0.347	156,870	145,887	10,984	26,763	0.616
Switzerland	20,650	0.594	269,051	250,198	18,853	35,373	0.814
Turkey	12,040	0.347	156,870	145,887	10,984	26,763	0.616
United Kingdom	72,262	2.080	941,509	875,582	65,927	86,985	2.003
United States	552,210	15.893	7,194,799	6,690,938	503,861	566,933	13.053
Total Nonregional	1,262,196	36.326	16,445,278	15,293,610	1,151,668	1,497,764	34.485
TOTAL	3,474,627	100.000	\$45,271,263	\$42,087,172	\$3,184,091	4,343,284	100.000

Note: Figures may not add due to rounding.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

**NOTE A-NATURE OF OPERATIONS AND
 LIMITATIONS ON LOANS, GUARANTEES,
 AND EQUITY INVESTMENTS**

Nature of Operations

The Asian Development Bank (ADB), a multilateral development finance institution, was established in 1966 with its headquarters in Manila, Philippines. ADB and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its purpose is to foster economic development and co-operation in the Asian and Pacific region and to contribute to the acceleration of the process of economic development of the developing member countries (DMCs) in the region, collectively and individually. ADB provides financial and technical assistance (TA) for projects and programs which will contribute to achieving this purpose.

Mobilizing financial resources, including cofinancing, is an integral part of ADB's operational activities. In addition, ADB, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include technical assistance grants as well as regional programs.

ADB's ordinary operations comprise loans, equity investments, and guarantees. It finances its ordinary operations through borrowings, paid-in capital, and retained earnings.

Limitations on Loans, Guarantees, and Equity Investments

Article 12, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments, and guarantees made by ADB shall not exceed the total of ADB's unimpaired subscribed capital, reserves, and surplus, exclusive of the special reserve. At 31 December 2000, the total of such loans, equity investments, and guarantees aggregated approximately 80.7% (77.4% - 1999) of the total subscribed capital, reserves, and surplus as defined.

Article 12, paragraph 3 of the Charter provides that equity investments shall not exceed 10% of the unimpaired paid-in capital together with reserves and surplus, exclusive of the special reserve. At 31 December 2000, such equity investments represented approximately 3.7% (3.5% - 1999) of the paid-in capital, reserves, and surplus, as defined.

**NOTE B-SUMMARY OF SIGNIFICANT
 ACCOUNTING POLICIES**

Functional Currencies and Reporting Currency

The currencies of members are all functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Valuation of Capital Stock

The authorized capital stock of ADB is defined in Article 4, paragraph 1 of the Charter "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (ADB's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending ADB's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR10,000.

As of 31 December 2000, the value of the SDR in terms of the current United States dollar was \$1.30291 (\$1.37338 - 1999) giving a value for each share of ADB's capital equivalent to \$13,029.10 (\$13,733.80 - 1999). However, ADB could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

CONTINUED

Translation adjustments other than those relating to maintenance of SDR capital values (*see Notes I and J*), are charged or credited to "Accumulated translation adjustments" and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

Investments

All investment securities held by ADB other than derivative instruments are considered by Management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." All derivative instruments are marked to market. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in income from investments and are measured by the difference between amortized cost and the net proceeds of sales.

Loans

ADB's loans are made to or guaranteed by members, with the exception of loans to the private sector, and have maturities ranging between 4 and 30 years. ADB requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. It is the policy of ADB to place in nonaccrual status loans for which principal, interest, or other charges are overdue by six months. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by ADB. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted.

ADB determines that a loan is impaired and therefore subject to provisioning when principal or interest is in arrears for one year for public sector loans made to or guaranteed by a member (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a

valuation allowance is established with a corresponding charge to provision for possible losses.

ADB's periodic evaluation of the adequacy of the allowance for possible losses is based on its past loan loss experience, known and inherent risks in existing loans, and adverse situations that may affect a borrower's ability to repay.

Equity Investments

Investments in equity securities without readily determinable fair values are reported at cost less an allowance for possible losses.

Provisions for possible loss of value are established quarterly based on Management's evaluation of potential losses for such investments. Equity securities with readily determinable fair values are reported at fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." ADB applies the equity method of accounting to one investment where it has the ability to exercise significant influence.

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost and, except for land, depreciated over estimated useful lives on a straight-line basis. Maintenance, repairs, and minor betterments are charged to expense.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, ADB considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

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Reclassification

Certain 1999 amounts have been reclassified to conform with the 2000 presentation.

**NOTE C—RESTRICTIONS ON USE OF CURRENCIES
AND DEMAND OBLIGATIONS OF MEMBERS**

In accordance with Article 24, paragraph 2(i) of the Charter, the use by ADB or by any recipient from ADB of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 39 DMCs for 2000 (38 – 1999), cash in banks (due from banks) and demand obligations totaling \$54,221,000 (\$63,377,000 – 1999) and \$233,767,000 (\$233,248,000 – 1999), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, two members have restricted the use by ADB or by any recipient from ADB of their currencies to payments for goods or services produced in their territories. Cash in banks (due from banks), demand obligations of members, and investments totaling \$45,000 (\$23,000 – 1999), \$2,966,000 (\$3,495,000 – 1999) and \$4,604,000 (\$3,427,000 – 1999), respectively, have been so restricted.

NOTE D-INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 2000 and 1999 expressed in United States dollars were as follows:

Currency	2000	1999
Australian dollar	\$ 266,777,000	\$ 301,277,000
Canadian dollar	251,606,000	321,462,000
Deutsche mark	-	23,090,000
Euro	387,748,000	476,069,000
Italian lira	-	17,854,000
Japanese yen	1,088,950,000	1,619,039,000
Pound sterling	226,308,000	244,327,000
Swiss franc	874,819,000	175,648,000
United States dollar	4,117,683,000	4,672,815,000
Others	319,117,000	347,110,000
Total	\$7,533,008,000	\$8,198,691,000

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 2000 were as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less	\$3,002,161,000	\$3,002,103,000
Due after one year through five years	4,243,280,000	4,180,204,000
Due after five years through ten years	287,567,000	284,348,000
Total	\$7,533,008,000	\$7,466,655,000

Additional information relating to investments in government and government-guaranteed obligations and other securities is as follows:

	2000	1999
As of 31 December		
Amortized cost	\$5,401,464,000	\$4,572,373,000
Estimated fair value	5,467,817,000	4,555,258,000
Gross unrealized gains	66,458,000	551,000
Gross unrealized losses	105,000	17,666,000
For the years ended 31 December		
Change in net unrealized gains (losses)	83,468,000	(37,514,000)
Proceeds from sales	5,493,655,000	8,300,935,000
Gross realized gains	9,094,000	14,511,000
Gross realized losses	12,722,000	56,986,000

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities. Included in other securities as of 31 December 2000 are corporate bonds, asset-backed securities and other obligations of banks amounting to \$801,978,000 (nil – 1999), \$269,991,000 (nil – 1999) and \$772,511,000 (\$2,259,544,000 – 1999), respectively.

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ADB is restricted by its Investment Authority to invest in (a) securities which are obligations of a limited class of issuers, primarily government or government-guaranteed obligations, multilateral banks and selected commercial banks; and (b) derivatives of such securities. Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of both securities, financial futures and options. To increase returns, ADB may invest in securities denominated in currencies other than the originating functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options, and covered forwards are held for risk management rather than for trading purposes.

Asset-backed Securities: Asset-backed securities are instruments whose cash flow is based on the cash flows of a pool of underlying assets managed by a trust.

Futures: Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. Changes in the market value of open futures contracts are recognized as gains or losses in the period of the change and included in income from investments. At 31 December 2000, there were no outstanding purchase nor sales contracts (nil – 1999).

NOTE E-LOANS AND GUARANTEES

Loans

The carrying amount and estimated fair value of loans outstanding at 31 December 2000 and 1999 were as follows:

	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Loans to the public sector with interest at variable rates	\$27,017,745,000	\$27,017,745,000	\$26,815,606,000	\$26,815,606,000
Loans to the public sector with interest at fixed rates	807,557,000	983,315,000	1,120,923,000	1,386,947,000
Loans to the private sector	329,814,000	359,132,000	334,621,000	352,283,000
Total	\$28,155,116,000	\$28,360,192,000	\$28,271,150,000	\$28,554,836,000

Prior to 1 July 1986, the lending rate of ADB was based on a multicurrency fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, ADB adopted a multicurrency pool-based variable lending rate system. In addition, in July 1992, ADB introduced a pool-based variable United States dollar lending system, and in November 1994, a market-based variable lending system was made available to financial intermediaries in the public sector and to the private sector. For loans to the private sector, approximately 66%

(72% – 1999) of the loans were based on a variable interest rate.

Since 1988, ADB has charged front-end fees for private sector loans. Effective 1 January 2000, ADB levies front-end fee of 1% for new public sector loans for which the loan negotiations are completed after that date. In addition, the lending spread applied to all outstanding pool-based OCR loans and new public sector market-based loans has been increased from 0.4% to 0.6%. Also effective the same date, a flat commitment fee of 0.75% is charged for new program

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loans, while the progressive commitment fee of 0.75% is maintained for project loans. Front-end fee of \$8,531,000 for the year ended 31 December 2000 was offset against loan origination costs and recognized as a reduction in administrative expenses.

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 2000 are shown in OCR-5. The carrying amounts of loan outstanding by loan products at 31 December 2000 and 1999 were as follows:

	2000	1999
Public Sector		
Fixed rate		
multicurrency loans	\$ 748,078,000	\$ 1,044,517,000
Pool-based		
multicurrency loans	8,617,170,000	10,918,735,000
Pool-based single currency (US\$) loans	14,215,879,000	11,773,000,000
Market-based loans - floating rate	4,244,175,000	4,200,277,000
	<hr/>	<hr/>
	27,825,302,000	27,936,529,000
Private Sector		
Pool-based		
multicurrency loans	19,221,000	26,746,000
Currency specific loans	208,729,000	217,899,000
Private sector facility loans	15,672,000	24,673,000
Market-based loans - floating rate	131,588,000	115,203,000
Market-based loans - fixed rate	26,214,000	10,917,000
Revolving facility - AFIC	4,000,000	12,174,000
	<hr/>	<hr/>
Less: Allowance for possible loss	<hr/>	<hr/>
	75,610,000	72,991,000
	<hr/>	<hr/>
Total	\$28,155,116,000	\$28,271,150,000

Public Sector Loans

The fair value of loans outstanding to or guaranteed by members with interest rates which vary based on the pool-based variable lending rate system and with market-based variable interest rates was determined using the entry value

method. Under this method, fair value was determined based on the terms at which a similar loan would currently be made by ADB to a similar borrower. For such loans, fair value approximated the carrying amount. For undisbursed balances of effective loans and for loans not yet effective, the contractual amount approximated fair value.

The fair value of loans outstanding to or guaranteed by members with fixed interest rates (principally loans made prior to 1 July 1986) was determined using a discounted cash flow method. This method takes into account the scheduled cash flows over the average life, by currency, of the loans, and current funding costs for the average life, including a factor for administrative costs.

The estimated fair value of loans to or guaranteed by members was not affected by credit risks based on ADB's experience with its borrowers.

Two public sector loans to Myanmar were in nonaccrual status as of 31 December 2000 (two - 1999). The principal outstanding and overdue at that date was \$864,000 (\$929,000 - 1999). Loans in nonaccrual status resulted in \$66,000 (\$68,000 - 1999) not being recognized as income from public sector loans for the year ended 31 December 2000. The accumulated interest and other charges on these loans that were not recognized as income as of 31 December 2000 would have totaled \$207,000 (\$141,000 - 1999).

Private Sector Loans

The fair value of loans outstanding to the private sector with interest rates which vary based on the pool-based variable lending rate system and with market-based variable interest rates was determined using the entry value method. The fair value of loans outstanding to the private sector with fixed interest rates was determined using a discounted cash flow method.

Twelve private sector loans were in nonaccrual status as of 31 December 2000 (eleven - 1999). The principal outstanding at that date was \$77,699,000 (\$72,048,000 - 1999) of which \$42,116,000 (\$30,770,000 - 1999) was overdue. Loans in nonaccrual status resulted in \$7,214,000 (\$6,289,000 - 1999) not being recognized in income from private sector loans for the year ended 31 December 2000. The accumulated interest and other charges on these loans that were not recognized as of 31 December 2000 would have totaled \$21,704,000 (\$14,490,000 - 1999).

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Loan Loss Provision

ADB has not suffered any losses of principal on public sector loans. No loan loss provisions have been made against outstanding public sector loans, but loan loss provisions have been made against private sector loans during the year (see Note K).

Information pertaining to loans which are subject to loan loss provisions at 31 December 2000 and 1999 is as follows:

	2000	1999
Loans not subject to loss provisions	\$28,148,427,000	\$28,267,493,000
Loans subject to loss provisions	82,299,000	76,648,000
Total	<u>\$28,230,726,000</u>	<u>\$28,344,141,000</u>
Average amount of loans subject to loss provisions	\$ 83,601,000	\$ 79,534,000
Related interest income on such loans	\$ 6,429,000	\$ 5,687,000
Cash received on related interest income on such loans	\$ 1,506,000	\$ 1,431,000

The changes in the allowance for possible loan losses during 2000 and 1999 were as follows:

	2000	1999
Balance – 1 January	\$72,991,000	\$61,507,000
Provision during the year	3,045,000	11,014,000
Translation adjustments	(426,000)	470,000
Balance – 31 December	<u>\$75,610,000</u>	<u>\$72,991,000</u>

Loan Guarantees and Cofinancings

ADB extends guarantees for the benefit of its members which are not reflected in the financial statements. Such guarantees include partial credit guarantees where only certain principal and/or interest payments are covered. Such guaranteed payments are generally due 10 or more years from the loan inception date. The present value of the contingent future payment obligations of all outstanding guarantees at 31 December 2000 and 1999 is used to calculate ADB's lending limitation. None of these amounts were subject to call as of that date. ADB estimates that the fair value of guarantees outstanding at 31 December 2000 approximates their present value. The estimated fair value of loans to or guaranteed by members was not affected by credit risks based on ADB's experience with its borrowers.

As of 31 December 2000 and 1999, the outstanding amount and present value of ADB's guarantee obligations covered:

	2000		1999	
	Outstanding Guaranteed Amount	Present Value	Outstanding Guaranteed Amount	Present Value
Complementary Loans				
China, People's Rep. of	\$ 28,709,000	\$ 19,361,000	\$ 29,358,000	\$ 16,361,000
India	65,778,000	40,849,000	73,242,000	36,876,000
Indonesia	24,987,000	16,709,000	27,822,000	15,395,000
Papua New Guinea	1,601,000	1,515,000	2,695,000	2,419,000
Subtotal	<u>121,075,000</u>	<u>78,434,000</u>	<u>133,117,000</u>	<u>71,051,000</u>
Bond Issue				
Philippines	105,245,000	42,702,000	117,188,000	34,340,000
Term Loans				
Sri Lanka	115,268,000	74,103,000	117,568,000	62,051,000
Total	<u>\$341,588,000</u>	<u>\$195,239,000</u>	<u>\$367,873,000</u>	<u>\$167,442,000</u>

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ADB functions as lead lender in cofinancing arrangements with other participating financial institutions who also provide funds to ADB's public and private sector borrowers. In such capacity, ADB provides loan administration services, which include loan disbursement and loan collection. The

participating financial institutions have no recourse to ADB for their outstanding loan balances.

Loans administered by ADB on behalf of participating institutions as of 31 December 2000 and 1999 were as follows:

	2000		1999	
	Amount	No. of Loans	Amount	No. of Loans
Public sector loans	\$1,212,135,000	44	\$1,617,530,000	44
Private sector loans	271,844,000	12	253,454,000	12
Total	\$1,483,979,000	56	\$1,870,984,000	56

During the year ended 31 December 2000, a total of \$224,000 (\$510,000 - 1999) was received as compensation for arranging and administering such loans. This amount has been included in "Income from Other Sources."

NOTE F-EQUITY INVESTMENTS

ADB's investments in equity securities issued by private enterprises located in DMCs include a \$12,511,000 (\$11,908,000 - 1999) investment in the Asian Finance and Investment Corporation Ltd. (AFIC) which is accounted for on the equity method. The holding represents 30.3% of the investee's issued ordinary share capital and net assets. ADB also holds 100% of AFIC issued convertible noncumulative preference shares in the amount of \$25,000,000 (\$25,000,000 - 1999). In September 2000, ADB together with other financiers, renewed the revolving credit facility up to a maximum aggregate principal amount outstanding at any time of \$45,000,000 (\$92,000,000 - 1999). ADB's obligations amount to \$20,000,000, of which, at 31 December 2000, the outstanding loan is \$4,000,000 (\$12,174,000 - 1999). This amount has been included in "Loans Outstanding" (see Note E).

Unrealized gains on equity investments reported at market value were \$3,003,000 at 31 December 2000 (\$19,838,000 - 1999) and are reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income."

Undisbursed equity investment commitments were \$185,377,000 at 31 December 2000 (\$149,928,000 - 1999).

NOTE G-PROPERTY, FURNITURE, AND EQUIPMENT

In 1991, under the terms of an agreement with the Philippines (Government), ADB returned the former headquarters premises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, ADB was compensated \$22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and accordingly, is deferred and amortized over the estimated life of the new headquarters building as a reduction of occupancy expense. The amortization for the year ended 31 December 2000 amounted to \$567,000 (\$566,000 - 1999) reducing depreciation expense for the new headquarters building from \$4,700,000 (\$4,700,000 - 1999) to \$4,133,000 (\$4,134,000 - 1999). At 31 December 2000, the unamortized deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES - Miscellaneous") was \$17,040,000 (\$17,607,000 - 1999). At 31 December 2000, accumulated depreciation for property, furniture, and equipment was \$78,898,000 (\$69,910,000 - 1999).

NOTE H-BORROWINGS AND SWAPS

ADB uses derivative financial instruments in connection with its borrowing activities to diversify its funding sources across public and private debt markets, currencies and instruments. Currency swaps are used to convert a currency borrowed under advantageous terms into one of ADB's major operational currencies, taking advantage of the opportuni-

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ties offered in different financial markets. Such currency swaps enable ADB to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

ADB issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease its cost of borrowing. However, ADB enters into simultaneous currency and/or interest rate swaps to hedge fully against the effects of such embedded derivatives.

ADB has a potential risk of loss if the swap counterparty fails to perform its obligations (see Note O). In order to reduce such credit risk, ADB only enters into long-term swap transactions with counterparties eligible under ADB's swap guidelines which include a requirement that the counterparties have a credit rating of double A or higher. ADB does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

Interest rate swaps: Under a typical interest rate swap agreement used by ADB, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. Amounts receivable or payable under the terms of the swap are accrued over the

period to which the payment relates and the related cost or income is included in interest and other financial expenses. The terms of ADB's interest rate swap agreements specifically match the terms of particular borrowings.

Currency swaps: Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the currency swapped out, and a payable is created for the currency swapped in. Swap premiums and discounts are deferred and amortized over the life of the underlying instruments. Such amortizations are included in interest and other financial expenses. The terms of ADB's currency swap agreements specifically match the terms of particular borrowings.

The fair value of borrowings outstanding is estimated using prevailing market prices where available, or estimated replacement values where market prices are not available.

The fair value of outstanding currency and interest rate swap agreements are determined at the estimated amount that ADB would receive or pay to terminate the agreements based upon market quotes from dealers.

As of 31 December 2000 and 1999, the carrying amounts and estimated fair values of borrowings and swaps were as follows:

	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Balance sheet financial instruments:				
Borrowings	\$25,367,175,000	\$25,937,318,000	\$26,285,451,000	\$26,315,305,000
Currency swap receivables	5,942,697,000	6,143,773,000	6,666,875,000	6,779,405,000
Currency swap payables	6,633,736,000	6,887,112,000	7,484,515,000	7,767,028,000
Off-balance sheet financial instruments:				
Interest rate swaps	\$ 4,629,779,000	\$ 36,937,000	\$ 4,713,402,000	\$ (75,534,000)

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**NOTE I-CAPITAL STOCK, CAPITAL TRANSFERRED
 TO ASIAN DEVELOPMENT FUND, MAINTENANCE
 OF VALUE OF CURRENCY HOLDINGS, AND
 MEMBERSHIP**

Capital Stock

The authorized capital stock of ADB as of the end of 2000 and 1999 consists of 3,490,994 shares, of which 3,474,627 shares (3,465,669 – 1999) have been subscribed by members. Of the subscribed shares, 3,230,244 (3,221,916 – 1999) are "callable" and 244,383 (243,753 – 1999) are "paid-in." The "callable" share capital is subject to call by ADB only as and when required to meet ADB's obligations incurred on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. The "paid-in" share capital has been paid or is payable in installments, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, ADB accepts nonnegotiable, noninterest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by ADB for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to determine a fair value for these receivables.

As of 31 December 2000, all matured installments amounting to \$3,111,859,000 (\$3,187,229,000 – 1999) were received except for \$1,169,000 (\$1,943,000 – 1999) from two countries (two – 1999). Installments not due aggregating \$72,232,000 (\$160,426,000 – 1999) are receivable as follows:

Year ending 31 December:

2001	\$52,550,000	2003	\$2,052,000
2002	17,630,000		

Payments in respect of capital subscription installments in advance of due dates are shown in the balance sheet (under the caption "ACCOUNTS PAYABLE AND OTHER LIABILITIES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by ADB as of the date on which such payments are actually due.

Capital Transferred to Asian Development Fund

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the Special Funds of ADB. The resources so set aside amounting to \$62,031,000 as of 31 December 2000 (\$65,386,000 – 1999) expressed in terms of the SDR on the basis of \$1.30291 (\$1.37338 – 1999) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar—see Note B), were allocated and transferred to the Asian Development Fund.

Maintenance of Value of Currency Holdings

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, ADB implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of ADB's holdings of certain member currencies. The settlement of such amounts is not determinable and, accordingly, it is not practicable to determine a fair value for these receivables.

Since 1 April 1978, inasmuch as the valuation of ADB's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to determine a fair value for such receivables and payables. The notional amounts as of 31 December 2000 consisting of receivables of \$677,808,000 (\$708,431,000 – 1999) and payables of \$279,051,000 (\$340,351,000 – 1999) consist of (a) the increase of \$239,791,000 (\$369,650,000 – 1999) in amounts required to maintain the value of currency holdings to the extent of ma-

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tured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 2000 and (b) the net decrease of \$158,966,000 (increase of \$1,570,000 – 1999) in the value of such currency holdings in relation to the United States dollar during the same period.

Membership

As of 31 December 2000, ADB is owned by 59 member countries, 43 countries from the region and 16 countries from outside the region (see *OCR-7*). As at 31 December 2000, Turkmenistan has subscribed to 8,958 shares (15,736 shares by Azerbaijan – 1999) of ADB's capital stock and remitted the required paid-in portion of its subscription.

NOTE J-RESERVES

Ordinary Reserve and Net Income

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. During 2000, \$449,873,000 of the net income for the year ended 31 December 1999 was allocated to the Ordinary Reserve (\$464,257,000 – 1999).

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see *Note B*) resulted in a net credit of \$27,738,000 to the Ordinary Reserve during the year ended 31 December 2000 (\$13,514,000 – 1999). That credit is the decrease in the value of the matured and paid capital subscriptions caused by the change during the year in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

Special Reserve

The Special Reserve includes commissions on loans and guarantee fees on guarantees set aside pursuant to Article 17 of the Charter. Special Reserve assets consist of term deposits and government and government-guaranteed obligations and are included under the heading "INVESTMENTS." The amount of guarantee fees earned of \$604,000 for 2000 did not fully

cover the net charge of \$896,000 in 1999 resulting from the guarantee refund made to Thailand. As such, no amount was appropriated to Special Reserve for 2000 (nil – 1999).

Surplus

During 2000, the Board of Governors allocated \$80,000,000 (\$80,000,000 – 1999) out of Surplus to Technical Assistance Special Fund. Surplus represents funds for future use to be determined by the Board of Governors.

Comprehensive Income and Accumulated Other Comprehensive Income

Comprehensive income has two major components: net income and other comprehensive income. Other comprehensive income includes such items as unrealized gains and losses on available-for-sale securities and listed equity investments, as well as foreign currency translation adjustments.

NOTE K-INCOME AND EXPENSES

Total income from loans for the year ended 31 December 2000 was \$1,861,334,000 (\$1,674,635,000 – 1999). The average yield on the loan portfolio during the year was 6.59% (6.41% – 1999).

Total income from investments for the year ended 31 December 2000 was \$399,862,000 (\$343,951,000 – 1999). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 5.03% (3.96% – 1999). If unrealized gains and losses were included, the annualized rate of return would have been 6.09% (3.54% – 1999).

Income from other sources includes an increase in the share of the net assets of an equity investment of \$667,000 (\$1,573,000 – 1999) accounted for on the equity method and gains of \$4,530,000 representing the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity (charge of \$1,908,000 to financial expenses – 1999).

Dividends received for the year ended 31 December 2000 amounted to \$11,354,000 (\$3,525,000 – 1999).

Total interest expense incurred for the year ended 31 December 2000 amounted to \$1,560,606,000 (\$1,425,535,000 – 1999).

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
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Other financial expenses consist of amortization of borrowings' issuance costs and other expenses of \$16,139,000 (\$19,775,000 - 1999).

Administrative expenses (other than those pertaining directly to ordinary operations and special operations) for the year ended 31 December 2000 were apportioned between Ordinary Capital Resources and the Asian Development Fund according to the number of loans and equity investments approved during the year. Of the total administrative expenses of \$203,389,000 (\$201,433,000 - 1999), \$102,299,000 (\$95,528,000 - 1999) was accordingly charged to the Asian Development Fund. The balance of administrative expenses after allocation was offset by front-end fee from new loans for the year ended 31 December 2000 of \$8,531,000 (see Note E).

For the year ended 31 December 2000, the provision for possible losses totaled \$5,910,000 (\$3,045,000 for private sector loans and \$2,865,000 for equity investments). For the year ended 31 December 1999, the provision for losses totaled \$24,834,000 (\$14,047,000 for private sector loans and \$10,787,000 for equity investments).

NOTE L-OTHER ASSETS-MISCELLANEOUS

Included in miscellaneous assets are amounts receivable from the following related funds as of 31 December 2000 and 1999:

	2000	1999
Asian Development Fund (Note K)	\$8,823,000	\$42,476,000
Technical Assistance Special Fund	502,000	91,000
Japan Special Fund	144,000	205,000
Asian Development Bank Institute Special Fund	115,000	252,000
Total	\$9,584,000	\$43,024,000

**NOTE M-STAFF RETIREMENT PLAN AND
POSTRETIREMENT MEDICAL BENEFITS**

Staff Retirement Plan

ADB has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the employee has not reached the normal retirement age of 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make voluntary contributions. ADB's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Postretirement Medical Benefits Plan

In 1993, ADB adopted a cost-sharing plan for retirees' medical insurance premiums. Under the plan, ADB is obligated to pay 75% of the Group Medical Insurance Plan premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

CONTINUED

The following table sets forth the pension and postretirement benefits at 31 December 2000 and 1999:

	Pension Benefits		Postretirement Medical Benefits	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	\$530,866,000	\$505,507,000	\$ 56,791,000	\$ 57,130,000
Service cost	17,968,000	19,978,000	1,874,000	1,754,000
Interest cost	42,354,000	34,092,000	4,510,000	3,802,000
Participants' contributions	21,812,000	23,260,000	—	—
Amendments	—	64,000	(4,082,000)	—
Actuarial (gain) loss	(12,919,000)	(28,555,000)	3,167,000	(4,700,000)
Benefits paid	(24,067,000)	(23,480,000)	(1,029,000)	(1,195,000)
Benefit obligation at end of year	<u>\$576,014,000</u>	<u>\$530,866,000</u>	<u>\$ 61,231,000</u>	<u>\$ 56,791,000</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$754,458,000	\$634,314,000	\$ —	\$ —
Actual return on plan assets	(32,545,000)	108,047,000	—	—
Employer's contribution	10,164,000	12,317,000	1,029,000	1,195,000
Plan participants' contributions	21,812,000	23,260,000	—	—
Benefits paid	(24,067,000)	(23,480,000)	(1,029,000)	(1,195,000)
Fair value of plan assets at end of year	<u>\$729,822,000</u>	<u>\$754,458,000</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status				
Unrecognized actuarial (gain)	\$153,808,000	\$223,592,000	(\$61,231,000)	(\$56,791,000)
Unrecognized prior service cost	(146,392,000)	(224,303,000)	(272,000)	(3,439,000)
Unrecognized transition obligation	2,775,000	3,821,000	(4,082,000)	—
	<u>(3,322,000)</u>	<u>(4,427,000)</u>	<u>10,115,000</u>	<u>12,524,000</u>
Net amount recognized	<u>\$ 6,869,000</u>	<u>\$ (1,317,000)</u>	<u>(\$55,470,000)</u>	<u>(\$47,706,000)</u>
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	\$ 7,144,000	\$ —	\$ —	\$ —
Accrued benefit liability	(286,000)	(1,455,000)	(55,470,000)	(47,706,000)
Intangible asset	—	64,000	—	—
Accumulated other comprehensive income	<u>11,000</u>	<u>74,000</u>	<u>—</u>	<u>—</u>
Net amount recognized	<u>\$ 6,869,000</u>	<u>\$ (1,317,000)</u>	<u>(\$55,470,000)</u>	<u>(\$47,706,000)</u>
Weighted-average assumptions as of 31 December				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase varies with age and averages	6.50%	6.75%	6.50%	6.75%

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

For measurement purposes, a 9.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 2000. The

rate was assumed to decrease gradually to 4.75% for 2009 and remain at that level thereafter.

Components of net periodic benefit cost:

	Pension Benefits		Postretirement Medical Benefits	
	2000	1999	2000	1999
Service cost	\$ 17,968,000	\$ 19,978,000	\$1,874,000	\$1,754,000
Interest cost	42,354,000	34,092,000	4,510,000	3,802,000
Expected return on plan assets	(52,559,000)	(44,542,000)	-	-
Amortization of prior service cost	1,046,000	982,000	-	-
Amortization of transition obligation	(1,105,000)	(1,105,000)	2,409,000	2,409,000
Recognized actuarial (gain) loss	(5,726,000)	34,000	-	-
Net periodic benefit cost	\$ 1,978,000	\$ 9,439,000	\$8,793,000	\$7,965,000

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$592,000,000, \$589,000,000, and \$303,000,000, respectively as of 31 December 2000 and \$574,000,000, \$572,000,000, and \$289,000,000, respectively, as of 31 December 1999.

A one-percentage-point change in assumed health care trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	\$ 1,379,000	\$(1,081,000)
Effect on postretirement benefit obligation	11,314,000	(9,059,000)

CONTINUED

NOTE N-FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of ADB's significant financial instruments as of 31 December 2000 and 1999 are summarized as follows:

	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
On-balance sheet financial instruments:				
ASSETS:				
Due from banks	\$ 62,546,000	\$ 62,546,000	\$ 72,972,000	\$ 72,972,000
Investments (Note D)	7,533,008,000	7,533,008,000	8,198,691,000	8,198,691,000
Loans outstanding (Note E)	28,155,116,000	28,360,192,000	28,271,150,000	28,554,836,000
Equity investments	203,497,000	203,497,000	211,094,000	211,094,000
Other assets				
Nonnegotiable, noninterest-bearing demand obligations	384,045,000	384,045,000	381,576,000	381,576,000
Currency swap receivables (Note H)	5,942,697,000	6,143,773,000	6,666,875,000	6,779,405,000
LIABILITIES:				
Borrowings (Note H)	25,367,175,000	25,937,318,000	26,285,451,000	26,315,305,000
Other liabilities				
Currency swap payables (Note H)	6,633,736,000	6,887,112,000	7,484,515,000	7,767,028,000
	Notional/Contract Amount	Unrealized Gain (Loss)	Notional/Contract Amount	Unrealized Gain (Loss)
Off-balance sheet financial instruments:				
Borrowings (Note H)				
Interest rate swaps	\$ 4,629,779,000	\$ 36,937,000	\$ 4,713,402,000	\$ (75,534,000)
Guarantees (Note E)	341,588,000	-	367,873,000	-

Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

ADB is a party to off-balance sheet financial instruments. These financial instruments involve elements of credit risk in excess of amounts reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract.

NOTE O-OFF-BALANCE SHEET CREDIT RISK

ASIAN DEVELOPMENT BANK-ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

	2000	1999
Credit risk at 31 December:		
Currency swaps (Note H)	\$ 47,036,000	\$ 97,323,000
Interest rate swaps (Note H)	50,892,000	18,110,000
Guarantees (Note E)	195,239,000	167,442,000

NOTE P-SPECIAL AND TRUST FUNDS

ADB's operations include special operations, which are financed from special funds resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund, Japan Special Fund, and the Asian Development Bank Institute Special Fund.

In addition, ADB, alone or jointly with donors, administers on behalf of the donors, including members of ADB, their agencies and other development institutions, projects/programs supplementing ADB's operations. Such projects/programs are funded with external funds administered by ADB and with external funds not under ADB's administration. The funds are restricted for specific uses including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of ADB under these arrangements range from project processing to project implementation including the facilitation of procurement of goods and services.

Special funds and funds administered by ADB on behalf of the donors are not included in the assets of Ordinary Capital Resources. The breakdown of the total of such funds together with the funds of the special operations as of 31 December 2000 and 1999 was as follows:

	2000		1999	
	Total Net Assets	No. of Funds	Total Net Assets	No. of Funds
Special Funds				
Asian Development Fund	\$20,992,561,000	1	\$22,086,878,000	1
Technical Assistance Special Fund	115,457,000	1	116,289,000	1
Japan Special Fund	326,977,000	1	218,318,000	1
Asian Development Bank Institute Special Fund	7,614,000	1	15,115,000	1
Subtotal	21,442,609,000	4	22,436,600,000	4
Trust Funds				
Funds administered by ADB	140,310,000	21	60,038,000	24
Funds not administered by ADB	8,234,000	1	12,503,000	1
Subtotal	148,544,000	22	72,541,000	25
Total	\$21,591,153,000	26	\$22,509,141,000	29

During the year ended 31 December 2000, a total of \$655,000 (\$911,000 - 1999) was received as compensation for admin-

istering projects/programs under Trust Funds. The amount has been included in "Income from Other Sources."

REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying balance sheets and the related statements of revenue and expenses, of cash flows, and of changes in unexpended balances and capital present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank-Asian Development Fund at 31 December 2000 and 1999, and the results of its operations, its cash flows and the changes in its unexpended balances and capital for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying summary statements of loans as at 31 December 2000 and 1999, and of resources as at 31 December 2000 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
7 March 2001

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND**BALANCE SHEET****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
ASSETS		
DUE FROM BANKS (Note B)	\$ 7,591	\$ 30,151
INVESTMENTS (Notes B and C)		
Government and government-guaranteed obligations	\$ 590,283	\$ 297,644
Time deposits	1,072,066	1,226,719
Other securities	<u>599,069</u>	<u>562,621</u>
	2,261,418	2,086,984
LOANS OUTSTANDING (ADF-5) (Notes B and D)	15,531,500	15,960,241
Less—allowance for possible losses	<u>6,667</u>	<u>6,929</u>
	15,524,833	15,953,312
ACCRUED REVENUE		
On investments	27,826	18,188
On loans	<u>39,536</u>	<u>37,062</u>
	67,362	55,250
DUE FROM CONTRIBUTOR(S) (Notes B and E)	3,154,538	4,066,554
OTHER ASSETS	1,345	182
TOTAL	\$21,017,087	\$22,192,433
LIABILITIES, UNEXPENDED BALANCES, AND CAPITAL		
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 8,823	\$ 42,476
ADVANCE PAYMENTS ON CONTRIBUTIONS (ADF-6)	2,704	29,601
OTHER LIABILITIES		
Investment related payables	\$ 12,429	\$ 32,729
Others	<u>570</u>	<u>749</u>
	12,999	33,478
UNEXPENDED BALANCES AND CAPITAL		
Amounts available for loan commitments (ADF-6)		
Contributed Resources (Note B)	19,319,810	20,452,212
Set-Aside Resources (Note G)	62,031	65,386
Transfers from Ordinary Capital Resources and Technical Assistance Special Fund (Note A)	<u>232,670</u>	<u>232,855</u>
	19,614,511	20,750,453
Accumulated surplus (ADF-4)	1,463,144	1,299,577
Accumulated other comprehensive income (ADF-4) (Notes B and H)	<u>(85,094)</u>	<u>36,848</u>
	20,992,561	22,086,878
TOTAL	\$21,017,087	\$22,192,433

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND**STATEMENT OF REVENUE AND EXPENSES****For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000			1999		
REVENUE						
From loans (Notes B and D)		\$150,327			\$141,187	
From investments (Notes B and C)						
Interest	\$115,148				\$76,754	
Net gain on sales	1	115,149			193	76,947
From other sources—net		378	\$265,854			296
						\$218,430
EXPENSES						
Administrative expenses (Note F)		102,308			95,536	
Provision for possible losses (written back)						
charged (Notes B and D)	(21)	102,287			469	96,005
EXCESS OF REVENUE OVER EXPENSES—						
NET INCOME	\$163,567			\$122,425		

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND**STATEMENT OF CASH FLOWS****For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest charges on loans received	\$ 119,869	\$ 105,748
Interest on investments received	92,267	66,397
Cash received from other sources	479	307
Administrative expenses paid	(135,962)	(55,893)
Net Cash Provided by Operating Activities	<u>76,653</u>	<u>116,559</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from (invested in) time deposits, other obligations of banks and corporate bonds	8,215	(492,118)
Sales of investment securities	1,209,982	504,171
Maturities of investment securities	6,975,952	11,583,696
Purchases of investment securities	(8,510,592)	(12,240,970)
Principal collected on loans	208,442	177,296
Loans disbursed	(1,109,423)	(1,085,246)
Net Cash Used in Investing Activities	<u>(1,217,424)</u>	<u>(1,553,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received and encashed ¹	<u>1,121,856</u>	<u>1,462,481</u>
Net Cash Provided by Financing Activities	<u>1,121,856</u>	<u>1,462,481</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(3,645)</u>	<u>(3,611)</u>
Net (Decrease) Increase in Due from Banks	<u>(22,560)</u>	<u>22,258</u>
Due from Banks at Beginning of Period	<u>30,151</u>	<u>7,893</u>
Due from Banks at End of Period	<u>\$ 7,591</u>	<u>\$ 30,151</u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES—NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses—net income (ADF-2)	\$ 163,567	\$ 122,425
Adjustments to reconcile excess of revenue over expenses—net income to net cash provided by operating activities:		
Change in accrued revenue on investments and loans	(15,431)	(5,870)
Change in accrued/prepaid administrative expenses	(33,653)	39,643
Capitalized charges on loans	(24,666)	(27,412)
Changes in receivables/payables	101	(9,609)
Provision for possible losses (written back) charged	(21)	469
Amortization of discounts/premiums	(13,243)	(2,935)
Net gain on sales of securities	(1)	(193)
Others—net	—	41
Net Cash Provided by Operating Activities	<u>\$ 76,653</u>	<u>\$ 116,559</u>

1 In addition, nonnegotiable, noninterest-bearing demand promissory notes amounting to \$495,274 (\$781,718 – 1999) were received from contributing members.

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND
STATEMENT OF CHANGES IN UNEXPENDED BALANCES AND CAPITAL
For the Years Ended 31 December 2000 and 1999
Expressed in Thousands of United States Dollars (Note B)

	Contributed Resources	Set-Aside Resources	Transfers from OCR & TASF	Accumulated Surplus	Accumulated Other Comprehensive Income	Total
Balance— 1 January 1999	\$19,020,422	\$67,036	\$233,256	\$1,177,152	\$ 37,532	\$20,535,398
Comprehensive income for the year 1999 (Note H)				122,425	(684)	121,741
Change in amount of contributed resources available for loan commitments	1,431,790					1,431,790
Change in SDR value of set-aside resources		(1,650)				(1,650)
Change in value of transfers from Technical Assistance Special Fund			(401)			(401)
Balance— 31 December 1999	\$20,452,212	\$65,386	\$232,855	\$1,299,577	\$ 36,848	\$22,086,878
Comprehensive income for the year 2000 (Note H)				163,567	(121,942)	41,625
Change in amount of contributed resources available for loan commitments	(1,132,402)					(1,132,402)
Change in SDR value of set-aside resources		(3,355)				(3,355)
Change in value of transfers from Technical Assistance Special Fund			(185)			(185)
Balance— 31 December 2000	\$19,319,810	\$62,031	\$232,670	\$1,463,144	\$ (85,094)	\$20,992,561

Accumulated Other Comprehensive Income (Note H)
For the Years Ended 31 December 2000 and 1999
Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments		Unrealized Investment Holding Gains (Losses)		Accumulated Other Comprehensive Income	
	2000	1999	2000	1999	2000	1999
Balance, 1 January	\$ 39,830	\$ 35,880	\$ (2,982)	\$ 1,652	\$ 36,848	\$ 37,532
Other comprehensive income for the year	(126,890)	3,950	4,948	(4,634)	(121,942)	(684)
Balance, 31 December	\$ (87,060)	\$ 39,830	\$ 1,966	\$ (2,982)	\$ (85,094)	\$36,848

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND**SUMMARY STATEMENT OF LOANS****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

Borrower/Guarantor ¹	Loans Outstanding	Undisbursed Balances of Effective Loans ²	Loans Not Yet Effective ²	Total Loans	Percent of Total Loans
Afghanistan	\$ 30,560	\$ —	\$ —	\$ 30,560	0.14
Bangladesh	4,193,804	803,072	205,036	5,201,912	24.54
Bhutan	50,186	33,809	—	83,995	0.40
Cambodia	191,136	204,657	53,985	449,778	2.12
Cook Islands	20,167	1,089	—	21,256	0.10
Indonesia	644,763	111,772	166,818	923,353	4.35
Kazakhstan	44,986	9,480	—	54,466	0.26
Kiribati	3,997	8,421	—	12,418	0.06
Kyrgyz Republic	252,665	151,042	30,089	433,796	2.05
Lao PDR	574,330	177,103	60,142	811,575	3.83
Maldives	31,618	18,371	—	49,989	0.23
Marshall Islands	39,292	6,779	6,874	52,945	0.25
Micronesia, Fed. States of	26,863	6,106	8,077	41,046	0.19
Mongolia	305,071	91,208	41,524	437,803	2.06
Myanmar	460,656	—	—	460,656	2.17
Nepal	1,100,288	143,986	221,947	1,466,221	6.92
Pakistan	3,900,619	842,979	208,377	4,951,975	23.36
Papua New Guinea	269,067	30,634	25,201	324,902	1.53
Philippines	841,504	129,046	—	970,550	4.58
Samoa	70,716	9,966	3,514	84,196	0.40
Solomon Islands	46,331	231	10,125	56,687	0.27
Sri Lanka	1,533,791	473,514	201,281	2,208,586	10.42
Tajikistan	21,968	20,531	54,995	97,494	0.46
Thailand	57,553	—	—	57,553	0.27
Tonga	35,512	522	—	36,034	0.17
Tuvalu	2,800	1,223	—	4,023	0.02
Uzbekistan	1,734	17,123	—	18,857	0.09
Vanuatu	45,616	3,391	—	49,007	0.23
Viet Nam	733,907	883,184	190,281	1,807,372	8.53
BALANCE – 31 December 2000	15,531,500	4,179,239	1,488,266	21,199,005	100.00
Allowance for possible losses	(6,667)			(6,667)	
NET BALANCE – 31 December 2000	<u>\$15,524,833</u>	<u>\$4,179,239</u>	<u>\$1,488,266</u>	<u>\$21,192,338</u>	
BALANCE – 31 December 1999	\$15,960,241	\$4,662,464	\$ 910,378	\$21,533,083	
Allowance for possible losses	(6,929)			(6,929)	
NET BALANCE – 31 December 1999	<u>\$15,953,312</u>	<u>\$4,662,464</u>	<u>\$ 910,378</u>	<u>\$21,526,154</u>	

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$9,839 (\$10,765 – 1999).

2 Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, ADB has entered into irrevocable commitments to disburse various amounts totaling \$88,474 (\$105,523 – 1999).

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amount	Five Years Ending 31 December	Amount
2001	\$366,816	2010	2,924,319
2002	327,938	2015	3,722,111
2003	357,197	2020	4,061,218
2004	400,354	2025	3,527,924
2005	434,000	2030	2,250,893
		2035	1,132,185
		2038	205,784
		Total	\$19,710,739

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	2000	1999	Currency	2000	1999
Australian dollar	\$ 383,838	\$ 421,550	Korean won	66	73
Austrian schilling	626	677	New Zealand dollar	21,778	25,962
Belgian franc	36	39	Norwegian krone	40,984	49,882
Canadian dollar	790,524	761,906	Pound sterling	263,517	297,710
Danish krone	83,638	82,942	Swedish krona	89,779	80,481
Euro	2,299,201	2,344,711	Swiss franc	176,349	175,784
Japanese yen	9,567,705	9,864,985	United States dollar	1,813,459	1,853,539
			Totals	\$15,531,500	\$15,960,241

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND**STATEMENT OF RESOURCES****31 December 2000**

Expressed in Thousands of United States Dollars (Note B)

	Effective Amounts Committed	Effective Amounts Committed		Amounts Not Yet Available		Amounts Available		Amounts Received	Amounts Receivable
	Committed During 2000	At Exchange Rates Per Resolutions	At 31 Dec. 2000 Exchange Rates	For Loan Commitments	For Loan Commitments	For Loan Commitments	For Loan Commitments		
CONTRIBUTED RESOURCES									
Australia	\$ -	\$ 1,139,532	\$ 747,865	\$ 32,350	\$ 715,515	\$ 715,515	\$ -		
Austria	-	144,706	135,867	4,107	131,760	131,760	-		
Belgium	-	138,556	119,388	-	119,388	119,388	-		
Canada	-	1,280,180	1,044,850	-	1,044,850	1,044,850	-		
Denmark	-	154,229	129,737	-	129,737	129,737	-		
Finland	-	100,391	71,685	-	71,685	71,685	-		
France	-	831,755	679,202	25,036	654,166	654,166	-		
Germany	-	1,132,547	1,065,694	30,982	1,034,712	1,034,712	-		
Hong Kong, China	-	20,270	20,270	-	20,270	20,270	-		
Indonesia	-	14,960	14,960	-	14,960	14,960	-		
Italy	-	707,302	429,843	20,446	409,397	409,397	-		
Japan	-	6,441,291	10,459,353	-	10,459,353	10,459,353	-		
Korea, Rep. of	-	77,170	56,831	-	56,831	56,831	-		
Malaysia	-	10,000	6,709	1,677	5,032	5,032	-		
Nauru	-	1,933	1,933	-	1,933	1,433	500		
Netherlands	-	413,497	383,286	-	383,286	383,286	-		
New Zealand	-	70,473	44,217	-	44,217	44,217	-		
Norway	-	138,458	97,350	-	97,350	97,350	-		
Spain	85	103,744	74,400	-	74,400	74,400	-		
Sweden	-	249,844	158,465	-	158,465	158,465	-		
Switzerland	-	214,910	224,862	-	224,862	224,862	-		
Taipei,China	-	31,080	28,936	-	28,936	28,936	-		
Thailand	-	4,000	2,391	-	2,391	2,391	-		
Turkey	-	100,386	100,386	-	100,386	100,386	-		
United Kingdom	-	725,477	611,017	-	611,017	611,017	-		
United States	-	2,924,928	2,924,928	200,017	2,724,911	2,724,911	-		
Total	85	17,171,619	19,634,425	314,615	19,319,810	19,319,310 ¹	500		
SET-ASIDE RESOURCES									
(Note G)	-	-	62,031	-	62,031	-	-		
TRANSFER FROM ORDINARY CAPITAL RESOURCES									
	-	-	230,000	-	230,000	-	-		
TRANSFERS FROM TECHNICAL ASSISTANCE SPECIAL FUND²									
	-	-	2,670	-	2,670	-	-		
TOTAL	\$85	\$17,171,619	\$19,929,126	\$314,615	\$19,614,511	\$19,319,310	\$500		

1 Excludes \$2,704 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 2000.

2 Includes translation adjustments amounting to \$802 as of 31 December 2000.

See notes to financial statements (ADF-7).

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

NOTE A-NATURE OF OPERATIONS

The Asian Development Fund (the Fund) was established on 28 June 1974 to more effectively carry out the special operations of the Asian Development Bank (ADB) by providing resources on concessional terms which are made available almost exclusively to the least developed borrowing countries.

The resources of the Fund have been subsequently augmented by six replenishments, the most recent of which became effective in September 1997 in a total amount equivalent to US\$2,657,777,000 to cover the operational requirements for the four-year period from January 1997. In 1997, unallocated net income of \$230,000,000 held in the surplus account of ADB's Ordinary Capital Resources was allocated to the Fund to supplement donors' contributions.

**NOTE B-SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Functional Currencies and Reporting Currency

The currencies of contributing member countries are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, amounts available for loan commitments and advance payments on contributions are translated from their functional currencies to the reporting currency, generally at the applicable rates of exchange at the end of a reporting period. Revenue and expense amounts are translated for each semimonthly period, generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments" and reported in "UNEXPENDED BALANCES AND CAPITAL" as part of "Accumulated other comprehensive income." Exchange gains or losses on currency transactions among functional currencies are included in revenue.

Investments

All investment securities held by the Fund are considered by Management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "UNEXPENDED BALANCES AND CAPITAL" as part of "Accumulated other comprehensive income." Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in revenue from investments and are measured by the difference between amortized cost and the net proceeds of sales.

Loans

It is the policy of the Fund to place in nonaccrual status loans made to eligible developing member countries if the principal or interest with respect to any such loans are overdue by six months. Interest on nonaccruing loans are included in revenue only to the extent that payments have actually been received by the Fund. ADB follows a policy of not taking part in debt rescheduling agreements with respect to public sector loans. In the case of private sector loans, ADB may agree to debt rescheduling only after alternative courses of action have been exhausted.

ADB determines that a loan is impaired and, therefore, subject to provisioning when principal or interest are in arrears for one year for public sector loans made to or guaranteed by a member country (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a valuation allowance is established with a corresponding charge to provision for possible losses.

ADB's periodic evaluation of the adequacy of the allowance for possible losses is based on its past loan loss experience, known and inherent risks in existing loans and adverse situations that may affect a borrower's ability to repay.

Contributed Resources

Contributions by member countries are included in the financial statements as amounts committed from the date

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

Instruments of Contribution are deposited and related formalities are completed.

Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Fund considers that its cash and cash equivalents are limited to 'DUE FROM BANKS.'

Reclassification

Certain 1999 amounts have been restated to conform with the 2000 presentation.

NOTE C-INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 2000 and 1999 expressed in United States dollars were as follows:

Currency	2000	1999
Australian dollar	\$ 267,308,000	\$ 251,443,000
Canadian dollar	191,797,000	173,470,000
Danish krone	30,726,000	29,447,000
Euro	454,888,000	401,454,000
Japanese yen	65,893,000	233,903,000
Norwegian krone	65,464,000	54,580,000
Pound sterling	367,517,000	318,618,000
Swedish krone	35,767,000	41,337,000
United States dollar	735,625,000	551,096,000
Others	46,433,000	31,636,000
Total	<u>\$2,261,418,000</u>	<u>\$2,086,984,000</u>

The estimated fair value and amortized cost of the investments by contractual maturity at 31 December 2000 were as follows:

	Estimated Fair Value	Amortized Cost
Due in one year or less	\$1,641,066,000	\$1,640,563,000
Due after one year through five years	603,915,000	602,693,000
Due after five years through ten years	16,437,000	16,196,000
Total	<u>\$2,261,418,000</u>	<u>\$2,259,452,000</u>

Additional information relating to investments in government and government-guaranteed obligations and other securities is as follows:

	2000	1999
As of 31 December		
Amortized cost	\$1,187,386,000	\$863,247,000
Estimated fair value	1,189,352,000	860,265,000
Gross unrealized gains	2,088,000	-
Gross unrealized losses	122,000	2,982,000
For the years ended 31 December		
Change in net unrealized gains (losses)	4,948,000	(4,634,000)
Proceeds from sales	1,209,982,000	504,171,000
Gross gains	13,000	245,000
Gross losses	12,000	52,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 4.96% (4.03% - 1999). If unrealized gains and losses were included, the annualized rate of return would have been 5.17% (3.79% - 1999).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on the Fund's investments. Included in other securities as of 31 December 2000 are corporate bonds and other obligations of banks amounting to \$229,400,000 (nil - 1999) and \$369,669,000 (\$562,621,000 - 1999), respectively.

CONTINUED

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D-LOANS AND LOAN LOSS PROVISION

Loans

On 14 December 1998, the Board of Directors approved an amendment to ADF loan terms, as follows: (i) for loans to finance specific projects, 32-year maturity including an 8-year grace period; (ii) program loans to support sector development, 24-year maturity including an 8-year grace period; and (iii) all new loans bear a 1% interest charge during the grace period, and 1.5% during the amortization period, with equal amortization. The new ADF lending terms took effect on 1 January 1999 and apply only to new loans for which formal loan negotiations were completed on or after 1 January 1999. Prior to 1 January 1999, loans of the Fund were extended to eligible developing member countries, which bore a service charge of 1% and required repayment over periods ranging from 35 to 40 years. The Fund requires borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed.

The fair value of loans are determined using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by ADB to a similar borrower. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on ADB's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by countries as of 31 December 2000 are shown in ADF-5.

The principal amount outstanding of public sector loans in nonaccrual status as of 31 December 2000 was \$491,216,000 (\$535,727,000 - 1999) of which \$55,693,000 (\$40,152,000 - 1999) was overdue. Loans in nonaccrual status resulted in \$5,162,000 (\$5,045,000 - 1999) not being recognized as income from loans for the year ended 31 December 2000. The accumulated interest on these loans that was not recognized as income as of 31 December 2000 would have totaled \$18,170,000 (\$13,008,000 - 1999). The loans in nonaccrual status as of 31 December 2000 were four loans made to

Afghanistan and 28 loans to Myanmar. (Four loans to Afghanistan and 28 loans to Myanmar - 1999).

One private sector loan was in nonaccrual status as of 31 December 2000 (nil - 1999). The principal outstanding at that date was \$6,015,000 (nil - 1999). Loan in nonaccrual status resulted in \$122,000 (nil - 1999) not being recognized in income from private sector loans for the year ended 31 December 2000.

Private sector loans outstanding as of 31 December 2000 were \$7,115,000 (\$7,778,000 - 1999), net of accumulated provision for possible loan losses as of 31 December 2000 of \$2,724,000 (\$2,986,000 - 1999), and there were no undisbursed loan commitments (nil - 1999).

Loan Loss Provision

ADB makes provision for possible losses on loans to the private sector, based on an evaluation by ADB of the collectibility of loans outstanding.

ADB makes provision for possible losses on loans made to the public sector when principal or interest is in arrears for a year or more unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning. The amount of any loss provision is determined by comparing the carrying value of the loan to the present value of expected cash inflows discounted at the loan's effective interest rate.

During the 2000 financial year, no loan loss provisions (nil - 1999) were made against public sector loans while \$21,000 (charges of \$469,000 - 1999) has been written back against private sector loans.

Information pertaining to loans which are subject to loan loss provisions as at 31 December 2000 and 1999 is as follows:

	2000	1999
Loans without loss provisions	\$15,492,067,000	\$15,917,379,000
Loans subject to loss provisions	39,433,000	42,862,000
Total	<u>\$15,531,500,000</u>	<u>\$15,960,241,000</u>
Average amount of loans subject to loss provisions	\$ 41,189,000	\$ 39,873,000
Related interest charges on such loans	\$ 442,000	\$ 427,000
Cash received on related interest charges on such loans	\$ 29,000	\$ 63,000

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

The changes in the allowance for possible loan losses during 2000 and 1999 were as follows:

	2000	1999
Balance – 1 January	\$6,929,000	\$6,267,000
Provision (written back) charged during the year	(21,000)	469,000
Translation adjustments	<u>(241,000)</u>	<u>193,000</u>
Balance – 31 December	<u>\$6,667,000</u>	<u>\$6,929,000</u>
Made up of:		
Against public sector loans		
Afghanistan	\$3,943,000	\$3,943,000
Against private sector loans	<u>2,724,000</u>	<u>2,986,000</u>
Total	<u>\$6,667,000</u>	<u>\$6,929,000</u>

NOTE E—NOTES OF CONTRIBUTORS

Notes of contributors are nonnegotiable, noninterest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions encashable by ADB at par upon demand.

ADB currently expects that the notes outstanding at 31 December 2000 will be encashed in varying amounts over the seven-year period ending 31 December 2007.

The fair value of notes of contributors are determined using an entry value method whereby fair value is determined, based on the terms at which notes are currently being accepted from contributors. On this basis, the fair value of outstanding notes of contributors approximates their carrying amount.

NOTE F—ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge from Ordinary Capital Resources amounting to \$102,299,000 (\$95,528,000 – 1999). The charge represents an apportionment of all administrative expenses of ADB (other than those pertaining directly to ordinary operations and special operations), based on the number of loans and equity investments approved during the year.

NOTE G—SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Asian Development Bank (the Charter), the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by member countries pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by member countries pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973, to be used as a part of the Special Funds of ADB. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of ADB is defined in Article 4, paragraph 1 of the Charter, "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (ADB's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer had par values in terms of gold. Pending ADB's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources have been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 2000, the value of the SDR in terms of the current United States dollar was \$1.30291 (\$1.37338 - 1999). On this basis, Set-Aside Resources amounted to \$62,031,000 (\$65,386,000 - 1999). If the capital stock of ADB as of 31 December 2000 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

NOTE H—COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income has two major components: net income and other comprehensive income. Other comprehensive income include such items as unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments.

NOTE I-FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quota-

tions are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction, or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and E for discussions with respect to investments, loans, and notes of contributors, respectively.

REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank-Technical Assistance Special Fund at 31 December 2000 and 1999, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statement of resources as at 31 December 2000 and summary statement of technical assistance approved and effective for the year ended 31 December 2000 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
7 March 2001

ASIAN DEVELOPMENT BANK-TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF FINANCIAL POSITION****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
ASSETS		
DUE FROM BANKS (Note B)	\$ 1,156	\$ 3,672
INVESTMENTS (Notes B and C)		
Government and government-guaranteed obligations	\$ 26,095	\$ 50,346
Time deposits	159,220	147,977
Other obligations of banks	<u>53,454</u>	<u>238,769</u>
ACCRUED REVENUE	3,356	2,138
OTHER ASSETS	8,457	8,095
TOTAL	\$251,738	\$230,064
LIABILITIES AND UNCOMMITTED BALANCES		
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 502	\$ 91
ACCOUNTS PAYABLE AND OTHER LIABILITIES	3	3
UNDISBURSED COMMITMENTS (Notes B and E)	135,776	113,681
UNCOMMITTED BALANCES (TASF-2 and TASF-4) (Note B)		
Unrestricted net assets	115,457	116,289
TOTAL	\$251,738	\$230,064

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK-TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D)	\$ 80,103	\$ 80,070
REVENUE		
From investments (Notes B and C)		
Interest	\$9,624	\$7,806
Unrealized investment gains (losses)	112	(699)
	<u>9,736</u>	<u>7,107</u>
From other sources—net (Note E)	388	322
	<u>388</u>	<u>7,429</u>
Total	<u>90,227</u>	<u>87,499</u>
EXPENSES		
Technical assistance (TASF-5) (Notes B and E)	80,456	63,059
Financial expenses	4	2
Total	<u>80,460</u>	<u>63,061</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	9,767	24,438
EXCHANGE LOSSES—net (Note B)	<u>(10,599)</u>	<u>(5,336)</u>
(DECREASE) INCREASE IN NET ASSETS	(832)	19,102
NET ASSETS AT BEGINNING OF YEAR	116,289	97,187
NET ASSETS AT END OF YEAR	\$115,457	\$116,289

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK-TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF CASH FLOWS****For the Years Ended 31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$80,173	\$80,000
Interest on investments received	7,937	8,374
Cash received from other activities	525	61
Technical assistance disbursed	(58,407)	(46,629)
Financial expenses paid	<u>(4)</u>	<u>(2)</u>
Net Cash Provided by Operating Activities	<u>30,224</u>	<u>41,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks	(57,212)	(27,637)
Sales of investment securities	2,048	839
Maturities of investment securities	41,939	6,534
Purchases of investment securities	<u>(19,423)</u>	<u>(18,548)</u>
Net Cash Used in Investing Activities	<u>(32,648)</u>	<u>(38,812)</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(92)</u>	<u>(536)</u>
Net (Decrease) Increase in Due from Banks	<u>(2,516)</u>	<u>2,456</u>
Due from Banks at Beginning of Year	<u>3,672</u>	<u>1,216</u>
Due from Banks at End of Year	<u>\$ 1,156</u>	<u>\$ 3,672</u>
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
(Decrease) Increase in net assets (TASF-2)	\$ (832)	\$19,102
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Change in contributions receivable	70	(70)
Change in undisbursed commitments	22,095	12,644
Translation adjustments	10,736	5,075
Unrealized investment (gains) losses	(112)	699
Change in advances for technical assistance to member countries	(860)	4,470
Amortization of discounts/premiums	(469)	497
Change in accrued interest receivable and others	<u>(404)</u>	<u>(613)</u>
Net Cash Provided by Operating Activities	<u>\$30,224</u>	<u>\$41,804</u>

See notes to financial statements (TASF-6).

**ASIAN DEVELOPMENT BANK-TECHNICAL ASSISTANCE SPECIAL FUND
STATEMENT OF RESOURCES**

31 December 2000

Expressed in Thousands of United States Dollars (Note B)

	Contributions Committed During 2000	Cumulative Contributions Committed	Contributions Utilized During 2000	Cumulative Contributions Utilized	Contributions Unutilized
DIRECT VOLUNTARY CONTRIBUTIONS					
Australia	\$ —	\$ 2,484	\$ —	\$ 2,484	\$ —
Austria	—	159	—	159	—
Bangladesh	—	47	—	47	—
Belgium	—	1,394	—	1,394	—
Canada	—	3,346	—	3,346	—
China, People's Rep. of	—	600	—	600	—
Denmark	—	1,963	—	1,963	—
Finland	—	237	—	237	—
France	—	1,697	—	1,697	—
Germany	—	3,315	—	3,315	—
Hong Kong, China	—	100	—	100	—
India	103	2,763	103	2,763	—
Indonesia	—	250	—	250	—
Italy	—	774	—	774	—
Japan	—	47,710	—	47,710	—
Korea, Rep. of	—	1,900	—	1,900	—
Malaysia	—	909	—	909	—
Netherlands	—	1,338	—	1,338	—
New Zealand	—	1,096	—	1,096	—
Norway	—	3,279	—	3,279	—
Pakistan	—	1,387	70	1,387	—
Singapore	—	1,100	—	1,100	—
Spain	—	190	—	190	—
Sri Lanka	—	6	—	6	—
Sweden	—	861	—	861	—
Switzerland	—	1,035	—	1,035	—
Taipei, China	—	200	—	200	—
United Kingdom	—	5,617	—	5,617	—
United States	—	1,500	—	1,500	—
Total	103	87,257	173	87,257	—
REGULARIZED TASF REPLENISHMENTS, ALLOCATION FROM ORDINARY CAPITAL RESOURCES NET INCOME AND OTHER RESOURCES ¹ (Note D)	80,000	815,101	90,886	700,213	114,888
TRANSFERS TO ASIAN DEVELOPMENT FUND	—	(3,472)	—	(3,472)	—
UNREALIZED INVESTMENT HOLDING GAINS	—	569	—	—	569
TOTAL	\$80,103	\$899,455	\$91,059²	\$783,998	\$115,457

¹ Other resources represent income and replenishments accruing to TASF since 1 April 1980.

² Includes exchange loss amounting to \$10,599.

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK-TECHNICAL ASSISTANCE SPECIAL FUND
SUMMARY STATEMENT OF TECHNICAL ASSISTANCE APPROVED AND EFFECTIVE
For the Year Ended 31 December 2000

Expressed in Thousands of United States Dollars (Note B)

Recipient	Project Preparation	Project Implementation/ Advisory	Total
Bangladesh	\$ (144)	\$ 1,102	\$ 958
Bhutan	—	38	38
Cambodia	—	(7)	(7)
China, People's Rep. of	284	5,008	5,292
Cook Islands	—	61	61
East Timor	—	3,793	3,793
Fiji Islands	—	1,720	1,720
India	450	12,121	12,571
Indonesia	(83)	1,670	1,587
Kazakhstan	99	(344)	(245)
Kiribati	—	150	150
Kyrgyz Republic	—	2,329	2,329
Lao PDR	150	4,755	4,905
Malaysia	(14)	(253)	(267)
Maldives	132	1,411	1,543
Marshall Islands	—	361	361
Micronesia, Fed. States of	—	791	791
Mongolia	(135)	1,247	1,112
Nepal	(4)	1,378	1,374
Pakistan	500	6,828	7,328
Papua New Guinea	(248)	533	285
Philippines	(26)	3,731	3,705
Samoa	—	1,447	1,447
Solomon Islands	71	462	533
Sri Lanka	44	597	641
Tajikistan	228	150	378
Thailand	150	2,719	2,869
Tonga	—	202	202
Tuvalu	—	(79)	(79)
Uzbekistan	(29)	1,256	1,227
Vanuatu	183	1,128	1,311
Viet Nam	100	2,128	2,228
Total	\$1,708	\$58,433	60,141
Regional Activities			20,315
TOTAL			\$80,456

Negative amounts represent net undisbursed commitments written back to balances available for future commitments (Notes B and E).

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK-TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2000 and 1999

NOTE A-NATURE OF OPERATIONS

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to developing member countries of the Asian Development Bank (ADB) and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the TASF are presented on the basis of unrestricted and temporarily restricted net assets.

TASF reports contributed cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. There were no restricted net assets at 31 December 2000 and 1999.

Investments

All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions from members are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance (TA) projects/programs with specified procurement sources are classified as temporarily restricted contributions. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

Technical Assistance to Member Countries

Technical assistance is recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment is eliminated accordingly.

Reporting Currency

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar is the functional and reporting currency and is used to measure exchange gains and losses.

Translation of Currencies

Assets, liabilities, and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are recognized at applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currencies other than United States dollars are translated for each semimonthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

Reclassification

Certain 1999 amounts have been reclassified to conform with the 2000 presentation.

NOTE C-INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 2000 and 1999 expressed in United States dollars were as follows:

Currency	2000	1999
Australian dollar	\$ 5,113,000	\$ 5,757,000
Canadian dollar	129,910,000	128,083,000
Euro	18,528,000	60,886,000
Swiss franc	81,954,000	17,924,000
Others	3,264,000	3,509,000
Total	<u>\$238,769,000</u>	<u>\$216,159,000</u>

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 5.18% (3.50% - 1999).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on TASF investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D-FUNDING

Since inception in 1967, direct contributions have been made by 29 member countries. In 1986 and 1992, the Board of Governors, in authorizing a replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 and \$140,000,000, respectively, to be used for technical assistance to ADF borrowing developing member countries and for regional technical assistance.

In addition, an aggregate amount equivalent to \$501,000,000 has been allocated to TASF out of OCR in 1992 to 1995 and in 1998 to 2000.

Some of the direct contributions received were subject to restricted procurement sources, while some were given

on condition that the technical assistance be made on a reimbursable basis.

The total contributions received for the years ended 31 December 2000 and 1999 were without restrictions.

NOTE E-UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent effective ongoing grant-financed TA projects/programs which are not yet disbursed as of the end of the year. During 2000, an amount of \$13,390,000 (\$7,038,000 - 1999) representing completed and canceled TA projects has been written back as a reduction in technical assistance of the period and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts undisbursed because ADB expects that grants will be made for all projects/programs covered by the commitments. When TA provided as a project preparatory grant leads to an ADB loan, the amount of the grant exceeding \$250,000 will be refunded by the borrower through the loan proceeds under the terms of that ADB loan. Refinanced amounts of \$279,000 (\$296,000 - 1999) were charged to such loans and credited to revenue from other sources of the TASF during the year ended 31 December 2000.

NOTE F-FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.

REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, in terms of United States dollars, the financial position of the Asian Development Bank-Japan Special Fund at 31 December 2000 and 1999, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



Boston, Massachusetts
7 March 2001

ASIAN DEVELOPMENT BANK-JAPAN SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 2000 and 1999

Expressed in Thousands of United States Dollars (Note B)

	2000			1999		
	ACCSF	JSF Regular & Supplementary	Total	ACCSF	JSF Regular & Supplementary	Total
						ASSETS
DUE FROM BANKS (Note B)	\$ 61	\$ 537	\$ 598	\$ 73	\$ 4,535	\$ 4,608
INVESTMENTS (Notes A, B, and C)						
Government and government-guaranteed obligations	103,281	10,676	113,957	98	—	98
Time deposits	127,616	136,256	263,872	116,754	255,227	371,981
Other securities	—	145,816	145,816	—	39,679	39,679
	230,897	292,748	523,645	116,852	294,906	411,758
EQUITY INVESTMENTS (Notes A, B, and D), net	—	338	338	—	709	709
ACCRUED REVENUE	46	6,701	6,747	30	5,803	5,833
OTHER ASSETS (Note E)	71	4,289	4,360	—	4,781	4,781
TOTAL	\$231,075	\$304,613	\$535,688	\$116,955	\$310,734	\$427,689
LIABILITIES AND UNCOMMITTED BALANCES						
ACCOUNTS PAYABLE AND OTHER LIABILITIES						
Payable to Ordinary Capital Resources	\$ —	\$ 144	\$ 144	\$ 11	\$ 194	\$ 205
Other Liabilities (Note E)	4,807	60	4,867	485	59	544
	4,807	204	5,011	496	253	749
UNDISBURSED COMMITMENTS (Notes B and F)						
Technical assistance	13,099	114,416	127,515	6,182	118,295	124,477
Interest payment assistance	76,185	—	76,185	84,145	—	84,145
	89,284	114,416	203,700	90,327	118,295	208,622
NET ASSETS (JSF-2) (Note B), represented by:						
Uncommitted balances (Note G)						
Unrestricted	—	43,469	43,469	—	66,718	66,718
Temporarily restricted (Notes A and H)	136,637	57,276	193,913	26,129	54,710	80,839
	136,637	100,745	237,382	26,129	121,428	147,557
Net accumulated investment income						
Temporarily restricted (Notes A and H)	347	89,248	89,595	3	70,758	70,761
	136,984	189,993	326,977	26,132	192,186	218,318
TOTAL	\$231,075	\$304,613	\$535,688	\$116,955	\$310,734	\$427,689

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK-JAPAN SPECIAL FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended 31 December 2000 and 1999
Expressed in Thousands of United States Dollars (Note B)

	2000			1999		
	ACCSF	JSF Regular & Supplementary	Total	ACCSF	JSF Regular & Supplementary	Total
CHANGES IN UNRESTRICTED NET ASSETS						
CONTRIBUTIONS (Notes B and H)	\$ –	\$ 37,561	\$ 37,561	\$ –	\$ 16,781	\$ 16,781
REVENUE FROM OTHER SOURCES	–	150	150	–	72	72
UNREALIZED INVESTMENT (LOSSES) GAINS ON EQUITY INVESTMENTS (Note D)	–	(330)	(330)	–	506	506
NET ASSETS RELEASED FROM (PUT BACK INTO) RESTRICTIONS (Notes B and H)	9,632	(557)	9,075	95,678	3,463	99,141
Total	9,632	36,824	46,456	95,678	20,822	116,500
EXPENSES						
Technical assistance (Notes B and F)	9,575	59,274	68,849	6,628	55,801	62,429
Interest payment assistance (Note B)	–	–	–	89,000	–	89,000
Administrative expenses	57	1,485	1,542	50	1,368	1,418
Total	9,632	60,759	70,391	95,678	57,169	152,847
CONTRIBUTIONS AND REVENUE LESS THAN EXPENSES	–	(23,935)	(23,935)	–	(36,347)	(36,347)
EXCHANGE (LOSSES) GAINS (Note B)	–	(116)	(116)	–	532	532
DECREASE IN UNRESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS	–	(24,051)	(24,051)	–	(35,815)	(35,815)
TRANSLATION ADJUSTMENTS (Note B)	–	802	802	–	(538)	(538)
DECREASE IN UNRESTRICTED NET ASSETS	–	(23,249)	(23,249)	–	(36,353)	(36,353)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
CONTRIBUTIONS (Notes B and H)	136,587	–	136,587	104,367	31,838	136,205
REVENUE FROM INVESTMENTS (Notes B and C)	401	19,823	20,224	53	16,576	16,629
NET ASSETS (RELEASED FROM) PUT BACK INTO RESTRICTIONS (Notes B and H)	(9,632)	557	(9,075)	(95,678)	(3,463)	(99,141)
EXCHANGE GAINS (LOSSES) (Note B)	10	–	10	(35)	–	(35)
TRANSLATION ADJUSTMENTS (Note B)	(16,514)	676	(15,838)	17,425	418	17,843
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	110,852	21,056	131,908	26,132	45,369	71,501
INCREASE (DECREASE) IN NET ASSETS	110,852	(2,193)	108,659	26,132	9,016	35,148
NET ASSETS AT BEGINNING OF YEAR	26,132	192,186	218,318	–	183,170	183,170
NET ASSETS AT END OF YEAR	\$136,984	\$189,993	\$326,977	\$26,132	\$192,186	\$218,318

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK-JAPAN SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 2000 and 1999

Expressed in Thousands of United States Dollars (Note B)

	2000			1999			
	ACCSF	JSF Regular & Supplementary		Total	ACCSF	JSF Regular & Supplementary	
							Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Contributions received	\$ 136,587	\$ 37,561	\$ 174,148	\$ 104,367	\$ 48,619	\$ 152,986	
Interest on investments received	128	17,731	17,859	11	13,767	13,778	
Technical assistance disbursed	(2,684)	(60,622)	(63,306)	—	(72,389)	(72,389)	
Interest assistance paid	(3,736)	—	(3,736)	(4,855)	—	(4,855)	
Administrative expenses paid	(14)	(2,038)	(2,052)	—	(972)	(972)	
Others—net	11	19	30	(35)	141	106	
Net Cash Provided by (Used in) Operating Activities	<u>130,292</u>	<u>(7,349)</u>	<u>122,943</u>	<u>99,488</u>	<u>(10,834)</u>	<u>88,654</u>	
CASH FLOWS FROM INVESTING ACTIVITIES							
Net cash (invested in) withdrawn from time deposits, other obligations of banks and corporate bonds	(21,072)	14,048	(7,024)	(108,770)	15,159	(93,611)	
Sales of investment securities	9,309	—	9,309	66,161	49,181	115,342	
Maturities of investment securities	298,815	—	298,815	174,840	—	174,840	
Purchases of investment securities	(423,740)	(10,696)	(434,436)	(231,268)	(47,964)	(279,232)	
Net Cash (Used in) Provided by Investing Activities	<u>(136,688)</u>	<u>3,352</u>	<u>(133,336)</u>	<u>(99,037)</u>	<u>16,376</u>	<u>(82,661)</u>	
Effect of Exchange Rate Changes on Due from Banks	<u>6,384</u>	<u>(1)</u>	<u>6,383</u>	<u>(378)</u>	<u>(1,336)</u>	<u>(1,714)</u>	
Net (Decrease) Increase in Due from Banks	<u>(12)</u>	<u>(3,998)</u>	<u>(4,010)</u>	<u>73</u>	<u>4,206</u>	<u>4,279</u>	
Due from Banks at Beginning of Year	<u>73</u>	<u>4,535</u>	<u>4,608</u>	<u>—</u>	<u>329</u>	<u>329</u>	
Due from Banks at End of Year	<u>\$ 61</u>	<u>\$ 537</u>	<u>\$ 598</u>	<u>\$ 73</u>	<u>\$ 4,535</u>	<u>\$ 4,608</u>	
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Increase (decrease) in net assets (JSF-2)	\$ 110,852	\$ (2,193)	\$ 108,659	\$ 26,132	\$ 9,016	\$ 35,148	
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Unrealized investment losses (gains)	7	382	389	—	(506)	(506)	
Translation adjustments	16,514	(1,478)	15,036	(17,425)	120	(17,305)	
Change in undisbursed commitments	(1,043)	(3,879)	(4,922)	90,327	(15,955)	74,372	
Amortization of discounts/premiums	(264)	(1,245)	(1,509)	(13)	(284)	(297)	
Others—net	4,226	1,064	5,290	467	(3,225)	(2,758)	
Net Cash Provided by (Used in) Operating Activities	<u>\$ 130,292</u>	<u>\$ (7,349)</u>	<u>\$ 122,943</u>	<u>\$ 99,488</u>	<u>\$(10,834)</u>	<u>\$ 88,654</u>	

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK-JAPAN SPECIAL FUND
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

NOTE A—NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Asian Development Bank (ADB) entered into a financial arrangement whereby Japan agreed to make an initial contribution and ADB became the administrator. The purpose of JSF is to help developing member countries (DMCs) of ADB restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to DMCs of ADB. While JSF resources are used mainly to finance technical assistance (TA) operations, these resources may also be used for equity investment operations in ADB's DMCs. Under the agreement between ADB and Japan, ADB may invest the proceeds of JSF pending disbursement. The revenue from such investments, if retained by ADB, may only be used to pay for direct and identifiable costs incurred in the administration of JSF.

In March 1999, the Board approved the acceptance and administration by ADB of a new facility, the Asian Currency Crisis Support Facility (ACCSF) to assist Asian currency crisis-affected member countries (CAMCs). Funded by Japan, ACCSF was established within JSF to assist in the economic recovery of CAMCs through interest payment assistance (IPA) grants, TA grants and guarantees. ACCSF funds must be committed within three years after the date the facility became effective. Thereafter, the use of any residual funds, if and when the purpose of ACCSF is considered to be fulfilled, shall be decided in consultation between ADB and Japan.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of JSF are presented on the basis of unrestricted and temporarily restricted net assets. ACCSF funds are separately reported in the financial statements.

JSF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by JSF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions by Japan are included in the financial statements from the date indicated by Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific TA projects/programs or for IPA grants are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such.

Technical Assistance and Interest Payment Assistance

Technical assistance and interest payment assistance are recognized in the financial statements when the related project or assistance is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in TA for the period and the corresponding undisbursed commitment is eliminated, accordingly.

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen, while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in Japanese yen are translated for each semimonthly period at the applicable rates of exchange at the beginning

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of each period; such practice approximates the application of average rates in effect during the period. Exchange gains or losses on currency transactions arise on translation differences between the date a project/program is committed and the timing of disbursements. Exchange gains or losses are charged or credited to operations.

Equity Investments

Equity investments with readily determinable fair values are reported at fair value. ADB makes provisions for possible loss of value quarterly based on Management's evaluation of potential losses on investments without readily determinable fair values.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported

amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

Reclassification

Certain 1999 amounts have been reclassified to conform with the 2000 presentation.

NOTE C-INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 2000 and 1999 expressed in United States dollars were as follows:

Currency	2000			1999			
	ACCSF	JSF Regular and Supplementary		Total	ACCSF	JSF Regular and Supplementary	
		ACCSF	Total			ACCSF	Total
Japanese yen	\$230,897,000	\$	–	\$230,897,000	\$116,852,000	\$	–
United States dollar	–	292,748,000		292,748,000	–	294,906,000	294,906,000
Total	\$230,897,000	\$292,748,000		\$523,645,000	\$116,852,000	\$294,906,000	\$411,758,000

The annualized rates of return on the average investments held under ACCSF and JSF funds during the year, based on the portfolio held at the beginning and end of each month were 1.18% and 6.42%, respectively (0.07% and 5.22% – 1999).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on JSF's investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D-EQUITY INVESTMENTS

ADB used JSF resources to make an equity investment in India in 1990 totaling \$338,000 at 31 December 2000 (\$709,000 – 1999). The investment is reported at its estimated fair value and the unrealized loss of \$330,000 (gain of \$506,000 – 1999) is charged against income for the year.

NOTE E-OTHER ASSETS AND LIABILITIES

Included in other assets and liabilities are interfund transfers between JSF and ACCSF. As of 31 December 2000, an amount of \$584,000 (\$485,000 – 1999) was receivable from ACCSF. The said amount is reflected as other assets under JSF and other liabilities under ACCSF.

ASIAN DEVELOPMENT BANK-JAPAN SPECIAL FUND
NOTES TO FINANCIAL STATEMENTS
31 December 2000 and 1999

NOTE F-UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent TA projects/programs and IPA grants which have become effective but have not been disbursed. During 2000, an amount of \$11,751,000 (\$4,779,000 - 1999), representing completed and canceled TA projects, has been written back as a reduction in technical assistance for the period and the corresponding undisbursed commitment has been eliminated. The fair value of undisbursed commitments approximates the amounts outstanding because JSF expects

that disbursements will substantially be made for all the projects/programs covered by the commitments.

NOTE G-UNCOMMITTED BALANCES

Uncommitted balances are composed of amounts which have not been committed by ADB as at 31 December 2000. These balances include TA projects/programs that had been approved but which had not yet become effective.

As of 31 December 2000 and 1999 these balances were as follows:

	2000			1999		
	ACCSF	JSF Regular and Supplementary	Total	ACCSF	JSF Regular and Supplementary	Total
Uncommitted balances	\$136,637,000	\$100,745,000	\$237,382,000	\$26,129,000	\$121,428,000	\$147,557,000
TA projects/programs approved by Japan and ADB but not yet effective	(1,875,000)	(38,725,000)	(40,600,000)	(3,850,000)	(32,859,000)	(36,709,000)
TA projects/programs approved by Japan and not yet effective	(8,865,000)	(10,918,000)	(19,783,000)	(3,000,000)	(18,630,000)	(21,630,000)
Uncommitted balances available for new commitments	\$125,897,000	\$ 51,102,000	\$176,999,000	\$19,279,000	\$ 69,939,000	\$ 89,218,000

NOTE H-CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

All contributions for the years ended 31 December 2000 and 1999 were received during the respective years. Some of the contributions received were with the restriction that they were to be utilized for specific TA projects/programs and IPA grants. Such contributions were classified as temporarily restricted support.

Temporarily restricted uncommitted balances are available for the following purposes as of 31 December 2000 and 1999:

	2000	1999
Asian Currency Crisis Support Facility	\$136,637,000	\$26,129,000
Japan Special Fund Environment-Related Activities	29,113,000	27,710,000
Financial Sector	10,997,000	10,843,000
Private Sector Promotion	9,676,000	9,032,000
Gender and Development Training/Symposium	7,096,000	6,777,000
	394,000	348,000
	<u>57,276,000</u>	<u>54,710,000</u>
Total	\$193,913,000	\$80,839,000

Accumulated investment income net of accumulated administrative expenses has been categorized as temporarily restricted net assets because, under the terms of the agreement between ADB and Japan, it may only be used for defraying of the Fund's administrative expenses.

Net assets released from restrictions relate to commitments for technical assistance and interest payment assistance satisfying the conditions specified by the donor and, in the case of accumulated investment income, to defray the administrative expenses of the Fund.

NOTE I-GUARANTEES

To assist in the economic recovery of CAMCs, a guarantee facility is provided under ACCSF. In this connection, Japan has made available a noninterest-bearing, nonnegotiable note in the amount of ¥60 billion (\$3.2 billion), encashable by ADB at any time to meet any calls on the guarantee facility. As of 31 December 2000, no guarantee has been made.

NOTE J-FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, C, D, and E for discussions with respect to investments, equity investments, and undisbursed commitments, respectively.

REPORT OF INDEPENDENT AUDITORS

Asian Development Bank

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, and of cash flows present fairly, in all material respects in terms of United States dollars, the financial position of the Asian Development Bank-Asian Development Bank Institute Special Fund at 31 December 2000 and 1999, and the results of its activities and changes in net assets and its cash flows for the years ended 31 December 2000 and 1999, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the management of the Asian Development Bank Institute; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



Boston, Massachusetts
7 March 2001

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND**STATEMENT OF FINANCIAL POSITION****31 December 2000 and 1999**

Expressed in Thousands of United States Dollars (Note B)

	2000	1999
ASSETS		
DUE FROM BANKS (Note B)	\$ 940	\$ 595
INVESTMENTS (Notes B, C, and D)		
Time deposits and government securities	4,041	10,665
PROPERTY, FURNITURE, AND EQUIPMENT (Note B)	\$4,752	\$5,291
Less—allowance for depreciation	<u>2,787</u>	<u>2,194</u>
	1,965	3,097
OTHER ASSETS	1,869	2,074
TOTAL	\$8,815	\$16,431
LIABILITIES AND UNCOMMITTED BALANCES		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 115	\$ 252
ACCOUNTS PAYABLE AND OTHER LIABILITIES	1,086	1,064
UNCOMMITTED BALANCES (ADBISF-2)		
Unrestricted net assets	7,614	15,115
TOTAL	\$8,815	\$16,431

See notes to financial statements (ADBISF-4).

**ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended 31 December 2000 and 1999

Expressed in Thousands of United States Dollars (Note B)

	<u>2000</u>	<u>1999</u>
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (Note B)	\$ 8,278	\$ 6,654
REVENUE		
Income from investments (Notes B and C)	12	13
Income from other sources—net	<u>4</u>	<u>4</u>
Total	<u>8,294</u>	<u>6,671</u>
EXPENSES		
Administrative expenses	10,306	9,718
Program expenses	<u>4,379</u>	<u>2,059</u>
Total	<u>14,685</u>	<u>11,777</u>
CONTRIBUTIONS AND REVENUE LESS THAN EXPENSES	(6,391)	(5,106)
EXCHANGE (LOSSES) GAINS—NET	(57)	73
TRANSLATION ADJUSTMENTS (Note B)	<u>(1,053)</u>	<u>2,150</u>
DECREASE IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	(7,501)	(2,883)
NET ASSETS AT BEGINNING OF YEAR	15,115	17,998
NET ASSETS AT END OF YEAR	\$ 7,614	\$15,115

See notes to financial statements (ADBISF-4).

**ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
STATEMENT OF CASH FLOWS**

For the Years Ended 31 December 2000 and 1999

Expressed in Thousands of United States Dollars (Note B)

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 8,278	\$ 6,654
Interest on investments received	10	9
Expenses paid	<u>(13,964)</u>	<u>(9,981)</u>
Net Cash Used in Operating Activities	<u>(5,676)</u>	<u>(3,318)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from time deposits	4,661	2,815
Sales of investment securities	25,678	49,741
Purchases of investment securities	<u>(24,908)</u>	<u>(49,012)</u>
Net Cash Provided by Investing Activities	<u>5,431</u>	<u>3,544</u>
Effect of Exchange Rate Changes on Cash	<u>590</u>	<u>(345)</u>
Net Increase (Decrease) in Due From Banks	345	(119)
Due from Banks at Beginning of Year	<u>595</u>	<u>714</u>
Due from Banks at End of Year	<u>\$ 940</u>	<u>\$ 595</u>
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Decrease in net assets (ADBISF-2)	\$ (7,501)	\$ (2,883)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Translation adjustments	1,053	(2,150)
Amortization of discounts/premiums	(3)	(3)
Depreciation	864	813
Others—net	<u>(89)</u>	<u>905</u>
Net Cash Used in Operating Activities	<u>\$ (5,676)</u>	<u>\$ (3,318)</u>

See notes to financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2000 and 1999

NOTE A—NATURE OF OPERATIONS

In 1996, the Asian Development Bank (ADB) approved the establishment of the Asian Development Bank Institute (the Institute) in Tokyo, Japan as a subsidiary body of ADB. The Institute commenced its operations upon the receipt of the first funds from Japan on 24 March 1997, and it was inaugurated on 10 December 1997. The Institute's funds may consist of voluntary contributions, donations, and grants from ADB member countries, nongovernment organizations, and foundations. The objectives of the Institute, as defined under its Statute, are the identification of effective development strategies and capacity improvement for sound development management in developing member countries.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the Institute are presented on the basis of those for not-for-profit organizations.

The Institute reports donor's contributions of cash and other assets as unrestricted support as these are made available to the Institute without conditions other than for the purposes of pursuing the objectives of the Institute.

Investments

All investment securities held by the Institute are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method.

Contributions

Contributions from donors are included in the financial statements from the date committed.

Functional Currency and Reporting Currency

The currencies of contributing members are functional currencies. The reporting currency is the United States dollar and the financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities, and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the period are translated at the applicable exchange rates as of the respective dates of commitment. Revenue and expense amounts in currency other than the United States dollar are translated for each semimonthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Institute considers that its cash and cash equivalents are limited to "DUE FROM BANKS."

NOTE C—INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 2000 and 1999, the estimated fair value of the investments approximates the amortized cost. All such investments are due within one year or less.

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 0.12% (0.10% - 1999).

CONTINUED

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments.

In 1999, the Board of Directors approved a new Investment Authority. The new Investment Authority allows investment in higher-yielding investment instruments, such as high-quality corporate bonds, mortgage-backed securities, and asset-backed securities.

NOTE D-FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

The Institute's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments.

NOTE E-STAFF RETIREMENT PLAN AND POSTRETIREMENT MEDICAL BENEFITS

Staff Retirement Plan

The Institute participates in the contributory defined benefit Staff Retirement Plan (the Plan) of ADB. Every member of the

professional staff, as defined under the Plan, shall, as a condition of service, become a participant from the first day of service, provided that at such a date, the staff has not reached the normal retirement age of 60. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the statement of financial position. The costs of administering the Plan are absorbed by ADB, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their salary to the Plan and may also make voluntary contributions. The Institute's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Postretirement Medical Benefits Plan

The Institute participates in the cost-sharing plan of ADB for retirees medical insurance premiums of ADB. Under the plan, the Institute is obligated to pay 75% of the Group Medical Insurance Plan premiums for retirees and their eligible dependents who elect to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits.

ASIAN DEVELOPMENT BANK-ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND**NOTES TO FINANCIAL STATEMENTS****31 December 2000 and 1999**

The following table sets forth the pension and postretirement benefits at 31 December 2000 and at 31 December 1999:

	Pension Benefits		Postretirement Medical Benefits	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 560,000	\$ 264,000	\$ 179,000	\$ 110,000
Service cost	254,000	298,000	92,000	117,000
Interest cost	70,000	42,000	21,000	15,000
Plan participants' contributions	142,000	59,000	—	—
Amendments	—	—	(17,000)	—
Actuarial gain	(276,000)	(103,000)	(23,000)	(63,000)
Benefit obligation at end of year	<u>\$ 750,000</u>	<u>\$ 560,000</u>	<u>\$ 252,000</u>	<u>\$ 179,000</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 330,000	\$ 140,000	\$ —	\$ —
Actual return on plan assets	(22,000)	37,000	—	—
Employer contribution	201,000	94,000	—	—
Plan participants' contributions	142,000	59,000	—	—
Fair value of plan assets at end of year	<u>\$ 651,000</u>	<u>\$ 330,000</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status	\$ (99,000)	\$ (230,000)	\$ (252,000)	\$ (179,000)
Unrecognized actuarial (gain)	(334,000)	(119,000)	(79,000)	(63,000)
Unrecognized prior service cost	—	—	(17,000)	—
Net amount recognized	<u>\$ (433,000)</u>	<u>\$ (349,000)</u>	<u>\$ (348,000)</u>	<u>\$ (242,000)</u>
Amounts recognized in the statement of financial position consist of:				
Accrued benefit liability	<u>\$ (433,000)</u>	<u>\$ (349,000)</u>	<u>\$ (348,000)</u>	<u>\$ (242,000)</u>
Net amount recognized	<u>\$ (433,000)</u>	<u>\$ (349,000)</u>	<u>\$ (348,000)</u>	<u>\$ (242,000)</u>
Weighted-average assumptions as of 31 December				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	8.00%	8.00%	n/a	n/a
Rate of compensation increase varies with age and averages	6.50%	6.75%	6.50%	6.75%

For measurement purposes, a 9.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for the valuation as at 31 December 2000. The rate was assumed to decrease gradually to 4.75% for 2009 and remain at that level thereafter.

There were no projected benefit obligation, accumulated benefit obligation, nor fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets as of 31 December 2000 (\$560,000, \$430,000, and \$330,000 – 31 December 1999).

	Pension Benefits		Postretirement Medical Benefits	
	2000	1999	2000	1999
Components of net periodic benefit cost:				
Service cost year	\$ 254,000	\$ 298,000	\$ 92,000	\$ 117,000
Interest cost	70,000	42,000	21,000	15,000
Expected return on plan assets	(33,000)	(21,000)	—	—
Recognized actuarial loss	(6,000)	—	(7,000)	—
Net periodic benefit cost	<u>\$ 285,000</u>	<u>\$ 319,000</u>	<u>\$ 106,000</u>	<u>\$ 132,000</u>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1-Percentage- Point Increase</u>	<u>1-Percentage- Point Decrease</u>
Effect on total service and interest cost components	\$21,000	\$(18,000)
Effect on postretirement benefit obligation	45,000	(36,000)

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THE RECORD

(amounts in \$ million)

	1966–2000 ^a	1997	1998	1999	2000
OPERATIONAL ACTIVITIES					
TOTAL LENDING (amount)	88,039^b	9,344	5,982	4,979	5,850
Number of Projects ^c	1,624	74	57	52	74
OCR Loans (amount)	63,686	7,794	4,995	3,908	4,258
Number of Loans	932	42	39	34	41
Disbursements (amount)	41,766	5,304	5,623	3,710	2,884
ADF Loans (amount)	24,353	1,550	987	1,070	1,592
Number of Loans	871	48	27	32	49
Disbursements (amount)	16,528	1,154	1,144	1,114	1,135
A. Government and Government-Guaranteed Loans (amount)	86,715	9,299	5,846	4,832	5,694
Number of Projects ^c	1,551	72	51	48	70
OCR Loans (amount)	62,377	7,749	4,859	3,762	4,102
Number of Loans	860	40	32	30	37
Disbursements (amount)	40,868	5,238	5,539	3,647	2,823
ADF Loans (amount)	24,338	1,550	987	1,070	1,592
Number of Loans	866	48	27	32	49
Disbursements (amount)	16,513	1,154	1,144	1,114	1,135
B. Private Sector Loans^b (amount)	1,324	45	136	146	156
Number of Projects ^c	72	2	6	4	4
OCR Loans (amount)	1,309	45	136	146	156
Number of Loans	72	2	6	4	4
Disbursements (amount)	898	66	84	63	61
ADF Loans (amount)	14	—	—	—	—
Number of Loans	5	—	—	—	—
Disbursements (amount)	14	—	—	—	—
EQUITY INVESTMENT^b (amount)	618	60	42	7	78
Number of Investments	108	7	5	1	7
EQUITY UNDERWRITING^b (amount)	40	—	—	—	—
Number of Commitments	6	—	—	—	—
TECHNICAL ASSISTANCE^d (amount)	1,899	153	148	173	172
Number of Projects	4,502	293	244	314	306
COFINANCING^e (amount)	34,991	1,291	2,939	2,860	2,966
Number of Projects	557	33	24	27	41
RESOURCES					
Ordinary Capital Resources					
Authorized Capital (at end of period)	45,485	47,102	49,154	47,945	45,485
Subscribed Capital (at end of period)	45,271	46,411	48,456	47,597	45,271
Borrowings (gross)	41,801	5,588	9,617	5,186	1,693
Outstanding Debt (at end of period)	25,340	17,542	23,780	26,269	25,340
Ordinary Reserve (at end of period)	7,166	5,867	6,211	6,689	7,166
Special Reserve (at end of period)	182	179	182	182	182
Gross Income	25,390	1,450	1,832	2,028	2,301
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	8,680	468	474	450	626
Special Funds Resources					
Asian Development Fund					
Total Resources (at end of period)	20,993	18,219	20,535	22,087	20,993
Technical Assistance Special Fund					
Total Resources (at end of period) ^f	899	637	722	809	899
Japan Special Fund					
Regular and Supplementary Contributions (at end of period) ^f	854	658	734	799	854
Asian Currency Crisis Support Facility ^f	241	—	—	104	241
ADB Institute Special Fund ^g					
Total Resources (at end of period)	43	12	28	35	43

^a Cumulative totals may not add because of rounding.^b Amounts and numbers adjusted to exclude terminated loans.^c Projects with multiple loans are counted once. Cumulative number of projects excludes supplementary loans.^d Comprising technical assistance grants funded by ADB and other sources. Regional technical assistance projects included.^e Adjusted to reflect changes in cofinancing arrangements.^f Figures revised to include other resources and transfers to Asian Development Fund.^g Figures represent contributions.

Table 1
PUBLIC AND PRIVATE SECTOR LOAN APPROVALS BY COUNTRY, 2000
(\$ million)

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
BANGLADESH					
Chittagong Hill Tracts Rural Development	—	30.00	30.00	60.30	26 Oct
Northwest Crop Diversification	—	46.30	46.30	66.20	21 Nov
Road Maintenance and Improvement	22.00	72.00	94.00	160.20	29 Nov
Meghnaghat Power ^b	50.00	—	50.00	300.00	5 Dec
Southwest Flood Damage Rehabilitation	—	54.80	54.80	71.90	21 Dec
Subtotal	72.00	203.10	275.10	658.60	
BHUTAN					
Health Care Reform Program	—	10.00	10.00	10.00	21 Sep
Road Improvement	—	9.60	9.60	12.80	3 Oct
Subtotal	—	19.60	19.60	22.80	
CAMBODIA					
Rural Credit and Savings	—	20.00	20.00	26.56	27 Apr
Stung Chinit Irrigation and Rural Infrastructure	—	16.00	16.00	23.80	5 Sep
Provincial Power Supply	—	18.60	18.60	24.20	5 Dec
Emergency Flood Rehabilitation	—	55.00	55.00	70.50	21 Dec
Subtotal	—	109.60	109.60	145.06	
CHINA, PEOPLE'S REPUBLIC OF					
Hefei-Xi'an Railway	300.00	—	300.00	2,835.00	17 Aug
Chongqing-Guizhou Roads Development (Leichong Expressway)	120.00	—	120.00	345.00	21 Nov
Chongqing-Guizhou Roads Development (Chongzun Expressway)	200.00	—	200.00	834.00	21 Nov
Tianjin Wastewater Treatment and Water Resources Protection	130.00	—	130.00	340.70	11 Dec
West Henan Agricultural Development	64.30	—	64.30	151.30	19 Dec
Wind Power Development	58.00	—	58.00	98.00	20 Dec
Subtotal	872.30	—	872.30	4,604.00	
INDIA					
Surat-Manor Tollway	180.00	—	180.00	280.00	27 Jul
Housing Finance II					21 Sep
- Housing and Urban Development Corporation	100.00	—	100.00	121.00	
- National Housing Bank	40.00	—	40.00	50.00	
- Housing Development Finance Corporation	80.00	—	80.00	246.00	
- Industrial Credit and Investment Corporation of India	80.00	—	80.00	100.00	
Power Transmission Improvement (Sector)	250.00	—	250.00	491.50	6 Oct
Gujarat Power Sector Development Program					13 Dec
- Program Loan	150.00	—	150.00	150.00	
- Project Loan	200.00	—	200.00	310.20	
Calcutta Environmental Improvement	250.00	—	250.00	360.00	19 Dec
Subtotal	1,330.00	—	1,330.00	2,108.70	
INDONESIA					
Industrial Competitiveness and Small and Medium Enterprise Development Program	200.00	—	200.00	200.00	16 Mar
Community Empowerment for Rural Development	65.00	50.00	115.00	170.20	19 Oct
Marine and Coastal Resources Management	—	50.00	50.00	70.20	26 Oct
Technological and Professional Skills Development Sector	180.00	—	180.00	250.00	29 Nov
Road Rehabilitation (Sector)	190.00	—	190.00	250.00	11 Dec
Decentralized Health Services	—	65.00	65.00	87.00	14 Dec
Subtotal	635.00	165.00	800.00	1,027.40	

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

CONTINUED

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
KAZAKHSTAN					
Farm Restructuring Sector Development Program					
- Program Loan	25.00	–	25.00	25.00	14 Nov
- Project Loan	20.00	–	20.00	30.77	
Subtotal	45.00	–	45.00	55.77	
KYRGYZ REPUBLIC					
Community-Based Infrastructure Services Sector	–	36.00	36.00	45.00	8 Jun
Skills and Entrepreneurship Development	–	25.00	25.00	31.30	28 Nov
Subtotal	–	61.00	61.00	76.30	
LAO PEOPLE'S DEMOCRATIC REPUBLIC					
Primary Health Care Expansion	–	20.00	20.00	25.00	24 Aug
Decentralized Irrigation Development and Management Sector	–	15.50	15.50	24.20	28 Nov
Rural Access Roads	–	25.00	25.00	37.50	7 Dec
Subtotal	–	60.50	60.50	86.70	
MARSHALL ISLANDS					
Skills Training and Vocational Education	–	6.82	6.82	9.10	29 Nov
Subtotal	–	6.82	6.82	9.10	
MICRONESIA, FEDERATED STATES OF					
Basic Social Services	–	8.02	8.02	11.71	20 Dec
Subtotal	–	8.02	8.02	11.71	
MONGOLIA					
Cadastral Survey and Land Registration	–	9.90	9.90	12.70	27 Jan
Second Financial Sector Reform Program	–	15.00	15.00	15.00	22 Jun
Agriculture Sector Development Program					21 Dec
- Program Loan	–	7.00	7.00	7.00	
- Project Loan	–	10.00	10.00	13.08	
Subtotal	–	41.90	41.90	47.78	
NEPAL					
Small Towns Water Supply and Sanitation Sector	–	35.00	35.00	53.90	12 Sep
Crop Diversification	–	11.00	11.00	14.04	9 Nov
Corporate and Financial Governance	–	7.30	7.30	13.30	14 Dec
Melamchi Water Supply	–	120.00	120.00	464.00	21 Dec
Subtotal	–	173.30	173.30	545.24	
PAKISTAN					
North-West Frontier Province Barani Area Development Phase II	–	52.00	52.00	99.00	28 Nov
Small- and Medium-Size Enterprise Trade Enhancement Finance	150.00	–	150.00	302.00	7 Dec
Microfinance Sector Development Program					13 Dec
- Program Loan	–	70.00	70.00	70.00	
- Project Loan	–	80.00	80.00	217.20	
Energy Sector Restructuring Program	300.00	50.00	350.00	350.00	14 Dec
- Capacity Enhancement in the Energy Sector	–	5.00	5.00	6.00	
Subtotal	450.00	257.00	707.00	1,044.20	
PAPUA NEW GUINEA					
Rehabilitation of the Maritime Navigation Aids System	20.60	–	20.60	30.12	12 Sep
Microfinance and Employment	–	9.60	9.60	20.51	19 Oct
Provincial Towns Water Supply and Sanitation	–	15.34	15.34	23.30	14 Dec
Subtotal	20.60	24.94	45.54	73.93	

^a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

CONTINUED

	OCR	ADF	Total	Total Project Cost ^a	Date Approved
PHILIPPINES					
Grains Sector Development Program					
- Program Loan	100.00	–	100.00	100.00	24 Apr
- Project Loan	75.00	–	75.00	136.20	
Pasig River Environmental Management and Rehabilitation Sector Development Program					20 Jul
- Program Loan	100.00	–	100.00	100.00	
- Project Loan	75.00	–	75.00	150.00	
Technical Education and Skills Development	25.00	–	25.00	70.00	24 Aug
- Fund for Technical Education and Skills Development	20.00	–	20.00	20.00	
North Luzon Expressway Rehabilitation and Expansion ^b	45.00	–	45.00	377.50	26 Oct
Infrastructure for Rural Productivity Enhancement Sector	75.00	–	75.00	150.00	31 Oct
Subtotal	515.00	–	515.00	1,103.70	
SAMOA					
Education Sector	–	7.00	7.00	10.06	5 Sep
Small Business Development	–	3.50	3.50	4.86	21 Nov
Subtotal	–	10.50	10.50	14.92	
SOLOMON ISLANDS					
Post-Conflict Emergency Rehabilitation	–	10.00	10.00	10.00	21 Dec
Subtotal	–	10.00	10.00	10.00	
SRI LANKA					
Forest Resources Management Sector	–	27.00	27.00	40.00	28 Jun
Secondary Education Modernization	–	50.00	50.00	76.00	12 Sep
Water Resources Management	–	19.70	19.70	28.20	19 Sep
Protected Area Management and Wildlife Conservation	–	12.00	12.00	34.72	19 Oct
Private Sector Development Program (Subprogram I)	15.00	85.00	100.00	100.00	12 Dec
Kelanitissa Power ^b	26.00	–	26.00	104.00	19 Dec
Subtotal	41.00	193.70	234.70	382.92	
TAJIKISTAN					
Power Rehabilitation	–	34.00	34.00	62.80	20 Dec
Road Rehabilitation	–	20.00	20.00	26.80	20 Dec
Subtotal	–	54.00	54.00	89.60	
UZBEKISTAN					
Senior Secondary Education	57.00	–	57.00	132.20	8 Feb
Railway Modernization	70.00	–	70.00	155.00	31 Oct
Small and Medium Enterprise Development	50.00	–	50.00	100.00	11 Dec
Subtotal	177.00	–	177.00	387.20	
VIET NAM					
Thu Duc Build-Operate-Transfer Water Treatment ^b	35.00	–	35.00	140.00	9 Nov
Rural Health	–	68.30	68.30	98.70	9 Nov
Tea and Fruit Development	–	40.20	40.20	57.60	14 Nov
Rural Enterprise Finance	–	80.00	80.00	145.51	12 Dec
Subtotal	35.00	188.50	223.50	441.81	
REGIONAL					
Almaty-Bishkek Regional Road Rehabilitation					31 Oct
- Kazakhstan Component	65.00	–	65.00	112.40	
- Kyrgyz Republic Component	–	5.00	5.00	6.70	
Subtotal	65.00	5.00	70.00	119.10	
TOTAL	4,257.90	1,592.48	5,850.38	13,066.54	

a Total project cost includes financing by ADB, governments, borrowers, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

Table 2
LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968–1970—1998–2000

	Total Lending ^a (\$ million)	Agriculture and Natural Resources	Energy	Finance	Industry and Nonfuel Minerals	Social Infrastructure	Transport and Communications	Multi-sector/Others
(percent of total lending)								
Average during								
1968–1970	128.44	19.48	11.98	23.36	15.06	6.10	24.03	0.00
1969–1971	199.25	20.48	25.38	19.57	8.69	4.20	21.68	0.00
1970–1972	271.92	15.69	33.06	13.97	5.04	10.75	21.48	0.00
1971–1973	330.53	15.78	32.18	15.49	0.42	12.25	23.88	0.00
1972–1974	428.42	18.76	26.71	15.06	4.02	14.12	21.32	0.00
1973–1975	543.16	27.87	23.03	16.73	4.25	10.44	17.68	0.00
1974–1976	661.30	29.27	21.35	17.44	5.48	9.85	16.61	0.00
1975–1977	774.22	30.51	22.02	15.46	4.19	10.85	16.97	0.00
1976–1978	940.36	27.42	21.53	14.37	7.25	13.45	15.98	0.00
1977–1979	1,098.92	29.86	24.03	11.81	5.62	16.55	12.10	0.04
1978–1980	1,282.01	30.95	24.88	10.96	3.93	16.84	12.39	0.06
1979–1981	1,454.96	32.56	27.21	10.72	0.90	19.11	9.41	0.09
1980–1982	1,598.97	34.00	27.71	10.00	0.74	15.97	11.53	0.06
1981–1983	1,751.46	33.68	26.60	10.61	2.36	18.26	7.52	0.96
1982–1984	1,937.03	34.18	28.98	7.01	1.91	14.36	12.12	1.43
1983–1985	1,978.52	32.42	24.63	6.50	1.87	20.30	12.75	1.53
1984–1986	2,013.77	35.46	25.26	4.65	0.34	17.48	14.40	2.40
1985–1987	2,081.84	30.63	17.47	11.24	3.06	15.24	20.54	1.81
1986–1988	2,512.17	26.90	18.76	12.84	7.46	11.32	21.27	1.45
1987–1989	3,053.71	22.37	16.41	17.16	6.69	14.60	21.94	0.82
1988–1990	3,564.93	25.83	20.78	12.67	4.50	15.15	19.37	1.71
1989–1991	4,115.48	25.30	26.04	10.83	3.58	14.86	17.93	1.45
1990–1992	4,561.39	21.63	28.15	9.53	3.79	12.95	20.82	3.13
1991–1993	4,973.89	13.87	30.33	9.09	5.45	14.30	23.70	3.25
1992–1994	4,616.65	10.98	27.80	7.63	4.44	14.16	29.49	5.49
1993–1995	4,791.51	12.07	30.62	6.59	3.36	17.56	26.67	3.13
1994–1996	4,829.86	14.11	26.77	7.62	2.58	17.13	25.40	6.39
1995–1997	6,718.20	12.71	18.15	29.16	1.30	18.37	16.31	4.00
1996–1998	6,883.75	10.09	11.15	33.86	1.29	15.25	18.47	9.88
1997–1999	6,768.38	9.14	9.00	32.41	2.22	18.70	16.86	11.67
1998–2000	5,603.82	11.32	13.68	11.48	4.53	20.77	22.81	15.41
Cumulative (1968–2000)	88,089.42	18.72	21.36	14.76	3.57	16.69	19.74	5.21

0.00 Data negligible.

a Total column may not tally because of rounding.

Table 3
LOAN APPROVALS BY SECTOR, 2000

		\$ Million		
		OCR	ADF	Total
AGRICULTURE AND NATURAL RESOURCES				
BAN	Chittagong Hill Tracts Rural Development	–	30.00	30.00
BAN	Northwest Crop Diversification	–	46.30	46.30
CAM	Rural Credit and Savings	–	20.00	20.00
CAM	Stung Chini Irrigation and Rural Infrastructure	–	16.00	16.00
PRC	West Henan Agricultural Development	64.30	–	64.30
INO	Community Empowerment for Rural Development	65.00	50.00	115.00
INO	Marine and Coastal Resources Management	–	50.00	50.00
KAZ	Farm Restructuring Sector Development Program			
	- Program Loan	25.00	–	25.00
	- Project Loan	20.00	–	20.00
LAO	Decentralized Irrigation Development and Management Sector	–	15.50	15.50
MON	Cadastral Survey and Land Registration	–	9.90	9.90
MON	Agriculture Sector Development Program			
	- Program Loan	–	7.00	7.00
	- Project Loan	–	10.00	10.00
NEP	Crop Diversification	–	11.00	11.00
PAK	North-West Frontier Province Barani Area Development Phase II	–	52.00	52.00
PAK	Microfinance Sector Development Program			
	- Program Loan	–	70.00	70.00
	- Project Loan	–	80.00	80.00
PHI	Grains Sector Development Program			
	- Program Loan	100.00	–	100.00
	- Project Loan	75.00	–	75.00
PHI	Infrastructure for Rural Productivity Enhancement Sector	75.00	–	75.00
SRI	Forest Resources Management Sector	–	27.00	27.00
SRI	Protected Area Management and Wildlife Conservation	–	12.00	12.00
VIE	Rural Enterprise Finance	–	80.00	80.00
VIE	Tea and Fruit Development	–	40.20	40.20
	Subtotal	424.30	626.90	1,051.20
ENERGY				
BAN	Meghnaghata Power ^a	50.00	–	50.00
CAM	Provincial Power Supply	–	18.60	18.60
PRC	Wind Power Development	58.00	–	58.00
IND	Power Transmission Improvement (Sector)	250.00	–	250.00
IND	Gujarat Power Sector Development Program			
	- Program Loan	150.00	–	150.00
	- Project Loan	200.00	–	200.00
PAK	Energy Sector Restructuring Program	300.00	50.00	350.00
	- Capacity Enhancement in the Energy Sector	–	5.00	5.00
SRI	Kelanitissa Power ^a	26.00	–	26.00
TAJ	Power Rehabilitation	–	34.00	34.00
	Subtotal	1,034.00	107.60	1,141.60
FINANCE				
MON	Second Financial Sector Reform Program	–	15.00	15.00
NEP	Corporate and Financial Governance	–	7.30	7.30
PNG	Microfinance and Employment	–	9.60	9.60
SAM	Small Business Development	–	3.50	3.50
SRI	Private Sector Development Program (Subprogram I)	15.00	85.00	100.00
UZB	Small and Medium Enterprise Development	50.00	–	50.00
	Subtotal	65.00	120.40	185.40
INDUSTRY AND NONFUEL MINERALS				
INO	Industrial Competitiveness and Small and Medium Enterprise Development Program	200.00	–	200.00
PAK	Small- and Medium-Size Enterprise Trade Enhancement Finance	150.00	–	150.00
	Subtotal	350.00	–	350.00

– Data not applicable.

^a Private sector loan without government guarantee.

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), IND (India), INO (Indonesia), KAZ (Kazakhstan), LAO (Lao People's Democratic Republic), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), SRI (Sri Lanka), TAJ (Tajikistan), UZB (Uzbekistan), and VIE (Viet Nam).

CONTINUED

		\$ Million		
		OCR	ADF	Total
SOCIAL INFRASTRUCTURE				
BHU	Health Care Reform Program	—	10.00	10.00
PRC	Tianjin Wastewater Treatment and Water Resources Protection	130.00	—	130.00
IND	Housing Finance II			
	- Housing and Urban Development Corporation	100.00	—	100.00
	- National Housing Bank	40.00	—	40.00
	- Housing Development Finance Corporation	80.00	—	80.00
	- Industrial Credit and Investment Corporation of India	80.00	—	80.00
INO	Technological and Professional Skills Development Sector	180.00	—	180.00
INO	Decentralized Health Services	—	65.00	65.00
KGZ	Community-Based Infrastructure Services Sector	—	36.00	36.00
KGZ	Skills and Entrepreneurship Development	—	25.00	25.00
LAO	Primary Health Care Expansion	—	20.00	20.00
RMI	Skills Training and Vocational Education	—	6.82	6.82
NEP	Small Towns Water Supply and Sanitation Sector	—	35.00	35.00
NEP	Melamchi Water Supply	—	120.00	120.00
PNG	Provincial Towns Water Supply and Sanitation	—	15.34	15.34
PHI	Pasig River Environmental Management and Rehabilitation Sector Development Program			
	- Program Loan	100.00	—	100.00
	- Project Loan	75.00	—	75.00
PHI	Technical Education and Skills Development	25.00	—	25.00
	- Fund for Technical Education and Skills Development	20.00	—	20.00
SAM	Education Sector	—	7.00	7.00
SRI	Secondary Education Modernization	—	50.00	50.00
SRI	Water Resources Management	—	19.70	19.70
UZB	Senior Secondary Education	57.00	—	57.00
VIE	Thu Duc Build-Operate-Transfer Water Treatment ^a	35.00	—	35.00
VIE	Rural Health	—	68.30	68.30
	Subtotal	922.00	478.16	1,400.16
TRANSPORT AND COMMUNICATIONS				
BAN	Road Maintenance and Improvement	22.00	72.00	94.00
BHU	Road Improvement	—	9.60	9.60
PRC	Hefei-Xi'an Railway	300.00	—	300.00
PRC	Chongqing-Guizhou Roads Development (Leichong Expressway)	120.00	—	120.00
PRC	Chongqing-Guizhou Roads Development (Chongzun Expressway)	200.00	—	200.00
IND	Surat-Manor Tollway	180.00	—	180.00
INO	Road Rehabilitation (Sector)	190.00	—	190.00
LAO	Rural Access Roads	—	25.00	25.00
PNG	Rehabilitation of the Maritime Navigation Aids System	20.60	—	20.60
PHI	North Luzon Expressway Rehabilitation and Expansion ^a	45.00	—	45.00
TAJ	Road Rehabilitation	—	20.00	20.00
UZB	Railway Modernization	70.00	—	70.00
REG	Almaty-Bishkek Regional Road Rehabilitation			
	- Kazakhstan Component	65.00	—	65.00
	- Kyrgyz Republic Component	—	5.00	5.00
	Subtotal	1,212.60	131.60	1,344.20
MULTISECTOR				
BAN	Southwest Flood Damage Rehabilitation	—	54.80	54.80
CAM	Emergency Flood Rehabilitation	—	55.00	55.00
FSM	Basic Social Services	—	8.02	8.02
SOL	Post-Conflict Emergency Rehabilitation	—	10.00	10.00
	Subtotal	—	127.82	127.82
OTHERS				
IND	Calcutta Environmental Improvement	250.00	—	250.00
	Subtotal	250.00	—	250.00
TOTAL		4,257.90	1,592.48	5,850.38

— Data not applicable.

a Private sector loan without government guarantee.

Key: BAN (Bangladesh), BHU (Bhutan), CAM (Cambodia), PRC (People's Republic of China), IND (India), INO (Indonesia), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), RMI (Marshall Islands), FSM (Federated States of Micronesia), NEP (Nepal), PNG (Papua New Guinea), PHI (Philippines), REG (Regional), SAM (Samoa), SOL (Solomon Islands), SRI (Sri Lanka), TAJ (Tajikistan), UZB (Uzbekistan), and VIE (Viet Nam).

Table 4
DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBERS, 1968–2000
Percentage of Value of Loans Approved in Period

	1968–1972		1973–1977		1978–1982	
	OCR	ADF	OCR	ADF	OCR	ADF
Afghanistan	—	2.6	—	7.1	—	0.9
Azerbaijan	—	—	—	—	—	—
Bangladesh	—	—	0.5	27.3	—	32.8
Bhutan	—	—	—	—	—	—
Cambodia	—	0.8	—	—	—	—
China, People's Rep. of	—	—	—	—	—	—
Cook Islands	—	—	—	—	—	0.1
Fiji Islands	0.6	—	0.1	—	0.8	—
Hong Kong, China	2.9	—	1.7	—	0.8	—
India	—	—	—	—	—	—
Indonesia	—	34.6	17.2	4.5	28.4	2.1
Kazakhstan	—	—	—	—	—	—
Kiribati	—	—	—	0.2	—	—
Korea, Rep. of	26.2	1.8	20.9	—	18.4	—
Kyrgyz Republic	—	—	—	—	—	—
Lao PDR	—	2.2	—	0.8	—	1.1
Malaysia	10.6	1.6	10.9	—	9.6	—
Maldives	—	—	—	—	—	0.1
Marshall Islands	—	—	—	—	—	—
Micronesia, Fed. States of	—	—	—	—	—	—
Mongolia	—	—	—	—	—	—
Myanmar	—	—	0.3	13.6	—	11.4
Nauru	—	—	—	—	—	—
Nepal	0.3	17.7	—	9.1	—	7.3
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1
Papua New Guinea	—	7.1	0.8	2.2	0.8	1.9
Philippines	13.5	1.7	21.2	1.2	19.1	2.7
Samoa	—	2.7	—	1.4	—	0.7
Singapore	12.1	1.5	1.4	—	1.1	—
Solomon Islands	—	—	—	1.0	—	0.2
Sri Lanka	1.7	11.1	0.1	8.4	—	8.6
Taipei, China	13.3	—	—	—	—	—
Tajikistan	—	—	—	—	—	—
Thailand	9.9	—	11.9	0.8	15.9	2.7
Tonga	—	—	—	0.2	—	0.2
Turkmenistan	—	—	—	—	—	—
Tuvalu	—	—	—	—	—	—
Uzbekistan	—	—	—	—	—	—
Vanuatu	—	—	—	—	—	0.1
Viet Nam	—	5.6	0.2	3.0	—	—
Regional	—	—	—	—	—	—
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Lending (\$ million)	753.9	201.5	2,326.9	964.9	4,856.2	2,351.1

— nil.

0.0 is equivalent to value less than 0.05.

1983–1987		1988–1992		1993–1997		1998–2000		
OCR	ADF	OCR	ADF	OCR	ADF	OCR	ADF	
—	—	—	—	—	—	—	—	Afghanistan
—	—	—	—	—	—	—	—	Azerbaijan
—	31.7	—	25.4	0.2	21.2	1.3	17.5	Bangladesh
—	0.8	—	0.2	—	0.3	—	1.0	Bhutan
—	—	—	1.1	—	2.5	—	5.4	Cambodia
2.0	—	12.3	—	23.4	—	25.3	—	China, People's Rep. of
—	0.1	—	0.1	—	0.2	—	—	Cook Islands
0.2	—	0.4	—	0.2	—	—	—	Fiji Islands
—	—	—	—	—	—	—	—	Hong Kong, China
9.5	—	24.9	—	13.0	—	16.8	—	India
33.7	3.7	31.0	5.7	22.2	3.7	26.5	4.5	Indonesia
—	—	—	—	1.6	0.8	0.3	—	Kazakhstan
—	0.0	—	0.0	—	—	—	0.3	Kiribati
9.2	—	0.9	—	18.4	—	—	—	Korea, Rep. of
—	—	—	—	—	3.5	—	5.4	Kyrgyz Republic
—	1.9	—	3.5	—	5.8	—	2.9	Lao PDR
8.3	—	3.1	—	0.9	—	—	—	Malaysia
—	0.2	—	0.2	—	0.2	—	0.4	Maldives
—	—	—	0.1	—	0.5	—	0.4	Marshall Islands
—	—	—	—	—	0.5	—	0.2	Micronesia, Fed. States of
—	—	—	0.5	—	4.8	—	2.5	Mongolia
—	3.5	—	—	—	—	—	—	Myanmar
—	—	—	—	—	—	0.0	—	Nauru
—	9.5	0.0	7.3	0.2	5.2	—	9.0	Nepal
15.9	34.3	10.1	29.0	4.1	20.5	5.8	9.7	Pakistan
1.3	1.6	0.6	2.4	0.2	0.6	0.9	1.2	Papua New Guinea
12.1	1.4	10.9	11.7	6.7	3.1	11.0	0.2	Philippines
—	0.4	—	0.6	—	0.0	—	0.5	Samoa
—	—	—	—	—	—	—	—	Singapore
—	0.6	—	0.1	—	0.0	—	1.0	Solomon Islands
—	9.8	—	11.7	0.0	7.8	0.6	14.5	Sri Lanka
—	—	—	—	—	—	—	—	Taipei, China
—	—	—	—	—	—	—	2.7	Tajikistan
7.8	—	5.5	—	8.5	—	7.6	—	Thailand
—	0.2	—	0.3	—	0.2	—	—	Tonga
—	—	—	—	—	—	—	—	Turkmenistan
—	—	—	—	—	—	—	0.1	Tuvalu
—	—	—	—	0.3	0.3	2.3	—	Uzbekistan
—	0.3	—	0.1	—	0.1	—	0.6	Vanuatu
—	—	—	—	0.1	18.2	0.6	14.5	Viet Nam
—	—	0.3	—	—	—	1.0	5.5	Regional
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	TOTAL
6,755.7	3,617.3	13,978.5	6,428.3	21,853.8	7,139.5	13,161.3	3,650.1	Lending (\$ million)

Table 5
SECTORAL DISTRIBUTION OF LOANS,^a 2000

	OCR		ADF		Total		%
	No. of Loans	\$ Million	No. of Loans	\$ Million	No. of Projects ^b	\$ Million	
Agriculture and Natural Resources	7	424.30	18	626.90	20	1,051.20	17.97
Energy	7	1,034.00	4	107.60	8	1,141.60	19.51
Finance	2	65.00	5	120.40	6	185.40	3.17
Industry and Nonfuel Minerals	2	350.00	—	—	2	350.00	5.98
Social Infrastructure	12	922.00	13	478.16	20	1,400.16	23.93
Transport and Communications	10	1,212.60	5	131.60	13	1,344.20	22.98
Multisector	—	—	4	127.82	4	127.82	2.19
Others	1	250.00	—	—	1	250.00	4.27
TOTAL	41	4,257.90	49	1,592.48	74	5,850.38	100.00

— Data not applicable.

a Includes private sector loans.

b A project with multiple loans is counted as one project.

Table 6
LOAN APPROVALS BY COUNTRY AND SOURCE OF FUNDS,^a 2000
(amounts in \$ million)

	OCR	ADF	Total	%
Bangladesh	72.00	203.10	275.10	4.70
Bhutan	—	19.60	19.60	0.34
Cambodia	—	109.60	109.60	1.87
China, People's Rep. of	872.30	—	872.30	14.91
India	1,330.00	—	1,330.00	22.73
Indonesia	635.00	165.00	800.00	13.67
Kazakhstan	45.00	—	45.00	0.77
Kyrgyz Republic	—	61.00	61.00	1.04
Lao PDR	—	60.50	60.50	1.03
Marshall Islands	—	6.82	6.82	0.12
Micronesia, Fed. States of	—	8.02	8.02	0.14
Mongolia	—	41.90	41.90	0.72
Nepal	—	173.30	173.30	2.96
Pakistan	450.00	257.00	707.00	12.08
Papua New Guinea	20.60	24.94	45.54	0.78
Philippines	515.00	—	515.00	8.80
Samoa	—	10.50	10.50	0.18
Solomon Islands	—	10.00	10.00	0.17
Sri Lanka	41.00	193.70	234.70	4.01
Tajikistan	—	54.00	54.00	0.92
Uzbekistan	177.00	—	177.00	3.03
Viet Nam	35.00	188.50	223.50	3.82
Regional	65.00	5.00	70.00	1.20
TOTAL	4,257.90	1,592.48	5,850.38	100.00

— Data not applicable.

a Includes loans to private sector without government guarantee.

Table 7
PROJECTS INVOLVING COFINANCING, 2000
(\$ million)

	Member	ADB Loan		Amount of Cofinancing	Source of Cofinancing
		OCR	ADF		
Chittagong Hill Tracts Rural Development	BAN	–	30.00	15.00 ^a	Danish International Development Agency (DANIDA), Denmark
		–	–	3.60	Palli Karma-Sahayak Foundation, Bangladesh
Meghnaghat Power ^b	BAN	50.00	–	20.00	Commercial banks under ADB's Complementary Financing Scheme
		–	–	80.00	Infrastructure Development Company Limited
		–	–	70.00	Commercial banks under ADB's Political Risk Guarantee
Emergency Flood Rehabilitation	CAM	–	55.00	2.00 ^a	World Food Program
Provincial Power Supply	CAM	–	18.60	2.50 ^a	Agence Francaise de Developpement (AFD), France
Rural Credit and Savings	CAM	–	20.00	3.84	Local financial institutions, Cambodia
Stung Chinit Irrigation and Rural Infrastructure	CAM	–	16.00	2.60 ^a	AFD
Chongqing-Guizhou Roads Development (Chongzun Expressway)	PRC	200.00	–	164.30	China Construction Bank (CCB)
		–	–	171.00	China Development Bank (CDB)
Chongqing-Guizhou Roads Development (Leichong Expressway)	PRC	120.00	–	79.30	CCB
Hefei-Xi'an Railway	PRC	300.00	–	1,221.70	CDB
Tianjin Wastewater Treatment and Water Resources Protection	PRC	130.00	–	87.80	CDB
Wind Power Development	PRC	58.00	–	12.00 ^c	Global Environment Facility (GEF)
		–	–	9.40	Domestic banks, PRC
Calcutta Environmental Improvement	IND	250.00	–	30.00 ^a	Department for International Development, United Kingdom
Power Transmission Improvement (Sector)	IND	250.00	–	16.30	Domestic banks, India
		–	–	120.00	Commercial banks under ADB's Partial Credit Guarantee
Farm Restructuring Sector Development Program (Project Loan)	KAZ	20.00	–	3.49	Domestic banks, Kazakhstan
Almaty-Bishkek Regional Road Rehabilitation	KAZ	65.00	–	25.00	European Bank for Reconstruction and Development
		–	–	0.40 ^a	Transport Corridor Europe Caucasus Asia (TRACECA)
Almaty-Bishkek Regional Road Rehabilitation	KGZ	–	5.00	0.40 ^a	TRACECA
Decentralized Irrigation Development and Management Sector	LAO	–	15.50	2.70 ^a	AFD
Rural Access Roads	LAO	–	25.00	5.00	OPEC Fund for International Development (OPEC Fund)
Second Financial Sector Reform Program	MON	–	15.00	32.00	International Development Association (IDA)
Melamchi Water Supply	NEP	–	120.00	80.00	IDA
		–	–	52.00	Japan Bank for International Cooperation (JBIC) (official development assistance [ODA])
		–	–	18.00 ^a	Japan
		–	–	9.00	Nordic Development Fund (NDF)
		–	–	28.00 ^a	Norwegian Agency for Development Cooperation
		–	–	14.00	OPEC Fund
		–	–	25.00	Swedish International Development Cooperation Agency (Sida)
North-West Frontier Province Barani Area Development Phase II	PAK	–	52.00	14.80	International Fund for Agricultural Development
Small- and Medium-Size Enterprise Trade Enhancement Finance	PAK	150.00	–	1.20	Participating financial institutions, Pakistan
Grains Sector Development Program (Program Loan)	PHL	100.00	–	150.00	Commercial banks under ADB's Political Risk Guarantee
		–	–	0.60 ^a	United States Agency for International Development

a Refers to a grant.

b Private sector loan without government guarantee.

c Consists of both a grant of \$6 million and a contingent interest-free loan of \$6 million.

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), IND (India), KAZ (Kazakhstan), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MON (Mongolia), NEP (Nepal), PAK (Pakistan), and PHI (Philippines).

CONTINUED

	Member	ADB Loan		Amount of Cofinancing	Source of Cofinancing
		OCR	ADF		
Infrastructure for Rural Productivity Enhancement Sector	PHI	75.00	—	1.00 ^a	International Labour Organization
North Luzon Expressway Rehabilitation and Expansion ^b	PHI	45.00	—	10.63	ABB Export Bank, Switzerland
		—	—	30.00	Compagnie Francaise d' Assurance pour le Commerce Exterieur (COFACE), France
		—	—	10.63	Credit Agricole, France
		—	—	10.63	Dai-Ichi Kangyo Bank, Japan
		—	—	10.63	Deutsche Genossenschaftsbank, Germany
		—	—	55.00	Export Finance and Insurance Corporation, Australia
		—	—	45.00	International Finance Corporation
		—	—	10.62	Indosuez, France
		—	—	10.62	Industrial Bank of Japan
		—	—	10.62	Sumitomo Bank, Japan
		—	—	10.62	Westdeutsche Landesbank, Germany
Pasig River Environmental Management and Rehabilitation Sector Development Program (Project Loan)	PHI	75.00	—	2.20 ^a	DANIDA
		—	—	0.50 ^a	United States Trade Development Agency
Technical Education and Skills Development	PHI	25.00	—	10.00	DANIDA
		—	—	8.00	NDF
		—	—	7.00	OPEC Fund
Microfinance and Employment	PNG	—	9.60	0.91 ^a	Australian Agency for International Development (AusAID)
Provincial Towns Water Supply and Sanitation Rehabilitation of the Maritime Navigation Aids System	PNG	—	15.34	1.80 ^a	AusAID
Kelanitissa Power ^b	SRI	26.00	—	52.00	Commercial banks under ADB's Political Risk Guarantee
Private Sector Development Program (Subprogram I)	SRI	15.00	85.00	1.00 ^a	Sida
Protected Area Management and Wildlife Conservation	SRI	—	12.00	10.20 ^a	GEF
		—	—	4.00 ^a	Netherlands
Secondary Education Modernization	SRI	—	50.00	7.00	NDF
Power Rehabilitation	TAJ	—	34.00	9.30	Islamic Development Bank
		—	—	6.00 ^a	Swiss Development Corporation
Road Rehabilitation	TAJ	—	20.00	4.00	OPEC Fund
Railway Modernization	UZB	70.00	—	5.00	OPEC Fund
Senior Secondary Education	UZB	57.00	—	57.00	JBIC (ODA)
Rural Health	VIE	—	68.30	0.50 ^a	United Nations Population Fund
		—	—	1.00 ^a	United Nations Children's Fund
		—	—	0.30 ^a	World Health Organization
Tea and Fruit Development	VIE	—	40.20	4.90	Participating financial institutions, Viet Nam
Thu Duc Build-Operate-Transfer Water Treatment ^b	VIE	35.00	—	48.00	COFACE
		—	—	15.00	Export-Import Bank of Malaysia Berhad
TOTAL		2,016.60	706.54	2,966.04	

^a Refers to a grant.^b Private sector loan without government guarantee.

Key: PHI (Philippines), PNG (Papua New Guinea), SRI (Sri Lanka), TAJ (Tajikistan), UZB (Uzbekistan), and VIE (Viet Nam).

Table 8
PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY COUNTRY, 2000
(\$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Total ADB Approvals	Project Cost/Fund Size
Bangladesh						
AES Meghnaghat Power Limited ^a	50.00	–	50.00	20.00	70.00	300.00
China, People's Republic of						
Liberty New World China Enterprises	–	25.00	25.00	–	25.00	300.00
Pakistan						
Pakistan Export Finance Guarantee Agency Limited ^b	–	2.00	2.00	–	2.00	10.00
Philippines						
Manila North Tollways Corporation	45.00	–	45.00	25.00	70.00	377.50
Samoa						
Venture Capital Fund	–	0.40	0.40	–	0.40	1.60
Sri Lanka						
AES Kelanitissa (Private) Limited ^c	26.00	–	26.00	–	26.00	102.74
Thailand						
Thailand Small- and Medium-Size Enterprises Investment and Restructuring Fund	–	25.00	25.00	–	25.00	100.00
Thailand Small and Medium Enterprise Fund Management Co.	–	0.25	0.25	–	0.25	
Viet Nam						
Lyonnaise Vietnam Water Company Limited	35.00	–	35.00	–	35.00	140.00
Regional						
Asian Banking Fund	–	25.00	25.00	–	25.00	300.00
Ankar Capital Management LLC	–	0.50	0.50	–	0.50	
TOTAL	156.00	78.15	234.15	45.00	279.15	1,631.84

– Data not applicable.

a ADB also approved a political risk guarantee of \$70 million.

b ADB also approved a public sector political risk guarantee of \$150 million.

c ADB also approved a political risk guarantee of \$52 million.

Table 9
PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS BY SECTOR, 2000
(\$ million)

	Loan	Equity Investment	Total ADB Funds	Complementary Loan	Total ADB Approvals	Total Project Cost
Infrastructure^a	156.00	–	156.00	45.00	201.00	920.24
Investment Funds	–	76.15	76.15	–	76.15	711.60
Financial Institutions ^b	–	2.00	2.00	–	2.00	–
Agriculture, Manufacturing and Other Industries	–	–	–	–	–	–
TOTAL	156.00	78.15	234.15	45.00	279.15	1,631.84

– Data not applicable.

a ADB also approved two political risk guarantees totaling \$122 million to two infrastructure projects.

b ADB also approved a public sector political risk guarantee of \$150 million for small- and medium-size enterprise trade enhancement finance.

Table 10
PRIVATE SECTOR LOAN AND EQUITY INVESTMENT APPROVALS BY YEAR, 1987–2000
(amounts in \$ million)

	No. of Projects ^a	Loan	Equity Investment ^b	Total ADB Funds	Complementary Loan	Total ADB Approvals ^a
1987	7	20.50	27.61	48.11	5.00	53.11
1988	12	58.00	35.67	93.67	—	93.67
1989	16	95.70	67.59	163.29	51.10	214.39
1990	17	78.85	35.94	114.79	24.00	138.79
1991	10	156.80	20.52	177.32	—	177.32
1992	4	50.00	5.42	55.42	81.50	136.92
1993	9	182.10	20.70	202.80	19.30	222.10
1994	9	—	48.70	48.60	—	48.60
1995	8	68.00	99.41	167.41	5.83	173.24
1996	8	123.50	97.15	220.65	191.50	412.15
1997	6	45.00	59.50	104.50	—	104.50
1998	7	136.12	42.44	178.56	151.08	329.64
1999	4	146.50	7.40	153.90	187.50	341.40
2000 ^c	11	156.00	78.15	234.15	45.00	279.15

— Data not applicable.

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

c In 2000, ADB also approved three political risk guarantees: two totaling \$122 million in support of private sector operations and one amounting to \$150 million for public sector operations.

Table 11
CUMULATIVE PRIVATE SECTOR APPROVALS BY COUNTRY, 1983–2000
(amounts in \$ million)

	No. of Projects ^a	Loan	Equity Investment ^b	Total ADB Funds	Complementary Loan	Total ADB Approvals ^a
Bangladesh	5	117.20	14.46	131.66	20.00	151.62
Bhutan	1	—	0.53	0.53	—	0.53
China, People's Rep. of	7	116.50	72.30	188.80	171.50	357.30
India	20	160.70	105.80	266.50	105.00	349.77
Indonesia	11	82.00	26.65	108.65	63.50	164.97
Korea, Rep. of	4	—	8.96	8.96	—	7.07
Malaysia	1	—	2.00	2.00	—	0.18
Nepal	4	49.55	3.26	52.81	5.83	57.62
Pakistan	22	241.80	30.62	272.42	129.90	377.85
Philippines	19	282.32	36.85	319.17	233.58	548.49
Samoa	9	—	0.40	0.40	—	0.40
Sri Lanka	7	72.00	13.22	85.22	—	83.41
Thailand	2	31.46	52.07	83.53	—	77.09
Viet Nam	1	65.00	—	65.00	26.50	91.50
Regional	21	105.00	291.87	396.87	—	396.87
TOTAL	134	1,323.53	658.98	1,982.51	755.81	2,738.31^c

— Data not applicable.

a Net of cancellations.

b Includes equity investments, lines of equity, and equity underwritings.

c In 2000, ADB also approved three political risk guarantees: two totaling \$122 million in support of private sector operations and one amounting to \$150 million for public sector operations.

Table 12
LOAN DISBURSEMENTS, 1999 AND 2000
(amounts in \$ thousand)

	1 9 9 9			% of Total Disbursements		
	OCR	% of Total OCR	ADF	% of Total ADF	Total	
Project^a						
Nondevelopment Finance Institution	1,562,939	42	824,353	74	2,387,292	49
Development Finance Institution	267,455	7	5,187	—	272,642	6
Total Project Loans	1,830,394	49	829,540	74	2,659,934	55
Program^b	1,544,800	42	129,114	12	1,673,914	35
Sector^c	271,811	7	155,175	14	426,986	9
Private Sector^d	62,806	2	—	—	62,806	1
TOTAL	3,709,811	100	1,113,829	100	4,823,640	100
	2 0 0 0			% Change (2000/1999)		
	OCR	% of Total OCR	ADF	% of Total ADF	Total	
Project^a						
Nondevelopment Finance Institution	1,695,503	59	749,765	66	2,445,268	61
Development Finance Institution	96,962	3	552	—	97,514	2
Total Project Loans	1,792,465	62	750,317	66	2,542,782	63
Program^b	739,500	26	198,940	18	938,440	23
Sector^c	291,052	10	185,791	16	476,843	12
Private Sector^d	61,038	2	—	—	61,038	2
TOTAL	2,884,055	100	1,135,048	100	4,019,103	100

— Data not applicable.

() Negative.

a A project loan is a loan provided to finance specific projects. ADB uses development finance institutions in its developing member countries (DMCs) as vehicles to finance small- to medium-sized projects in the private sector.

b A program loan is a loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.

c A sector loan is a loan provided to develop a specific sector or subsector. It finances a large number of subprojects in a single sector or subsector.

d Excludes equity investments.

Table 13
PROGRAM LOAN DISBURSEMENTS, 2000
(\$ million)

	OCR	ADF	Total
Bangladesh	—	37.78	37.78
Bhutan	—	4.90	4.90
Cambodia	—	13.50	13.50
India	151.50	—	151.50
Indonesia	270.00	—	270.00
Lao PDR	—	11.26	11.26
Marshall Islands	—	2.75	2.75
Mongolia	—	12.21	12.21
Nepal	—	24.34	24.34
Pakistan	228.00	50.39	278.39
Philippines	70.00	—	70.00
Tajikistan	—	9.15	9.15
Vanuatu	—	4.80	4.80
Viet Nam	20.00	27.86	47.86
TOTAL	739.50	198.94	938.44

— Data not applicable.

Table 14

NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION, PROJECT COMPLETION REPORTS (PCRs) CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED, AND PROJECT/PROGRAM PERFORMANCE AUDIT REPORTS (PPARs) CIRCULATED
 (as of 31 December 2000)

	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans	Cumulative No. of Cofinanced Projects
Afghanistan	9	8	8	—	1	2
Azerbaijan	—	—	—	—	—	—
Bangladesh	143	135	133	5	5	61
Bhutan	17	17	16	—	—	5
Cambodia	17	14	16	—	—	8
China, People's Rep. of	85	78	83	—	—	33
Cook Islands	11	11	11	—	—	1
Fiji Islands	13	13	13	—	—	5
Hong Kong, China	5	5	5	—	—	—
India	65	58	55	1	—	18
Indonesia	254	248	228	17	2	53
Kazakhstan	13	10	8	2	—	2
Kiribati	6	6	6	—	—	1
Korea, Rep. of	81	81	80	—	—	8
Kyrgyz Republic	18	16	14	—	—	6
Lao PDR	49	46	45	—	3	28
Malaysia	76	76	74	1	1	9
Maldives	9	9	9	—	—	5
Marshall Islands	9	8	9	—	—	1
Micronesia, Fed. States of	4	3	4	—	—	—
Mongolia	25	21	21	—	—	5
Myanmar	32	32	28	2	2	12
Nauru	1	1	1	—	—	—
Nepal	99	94	88	1	9	40
Pakistan	192	186	159	23	5	71
Papua New Guinea	53	50	42	10	—	11
Philippines	183	177	154	17	4	62
Samoa	28	26	24	—	4	9
Singapore	14	14	14	—	—	2
Solomon Islands	16	15	15	—	—	5
Sri Lanka	99	93	92	2	5	33
Taipei, China	12	12	12	—	—	—
Tajikistan	5	3	5	—	—	2
Thailand	83	83	79	2	2	36
Tonga	13	13	13	—	—	3
Turkmenistan	—	—	—	—	—	—
Tuvalu	1	1	1	—	—	—
Uzbekistan	8	5	7	1	—	2
Vanuatu	9	9	8	—	1	3
Viet Nam	43	37	38	3	—	15
Regional	3	3	6 ^e	1	—	—
TOTAL	1,803	1,717	1,624	88	44	557

— Nil or data not applicable.

a Includes special implementation assistance loans, special assistance, and private sector loans; excludes loans withdrawn by borrowers.

b Blended loans and multiloan projects are counted as one project; supplementary loans and special implementation assistance loans are not counted as separate projects.

c Includes projects/loans that have been approved but still awaiting effectivity, inactive loans, and fully disbursed private sector loans without government guarantee but still under administration; excludes projects/loans exclusively financed from other sources.

No. of Loans Under Administration ^c	No. of Projects Under Administration ^{a,c}	Cumulative No. of PCRs Circulated/Prepared	No. of Projects Completed in 2000 ^d	No. of Loans Closed in 2000	No. of PCRs Circulated in 2000	No. of PPARs Circulated in 2000	
—	—	—	—	—	—	—	Afghanistan
—	—	—	—	—	—	—	Azerbaijan
37	35	86	4	9	4	2	Bangladesh
7	6	7	1	1	—	1	Bhutan
13	13	1	1	2	—	1	Cambodia
48	46	30	6	9	7	2	China, People's Rep. of
2	2	9	1	1	1	—	Cook Islands
1	1	10	—	—	—	—	Fiji Islands
—	—	5	—	—	—	—	Hong Kong, China
40	29	21	4	4	4	2	India
74	65	134	15	13	2	3	Indonesia
9	6	3	—	—	1	—	Kazakhstan
1	1	4	—	—	—	—	Kiribati
1	1	59	—	—	—	—	Korea, Rep. of
14	13	3	1	—	1	—	Kyrgyz Republic
20	20	22	5	—	3	1	Lao PDR
5	5	48	2	4	1	—	Malaysia
3	3	6	—	—	—	2	Maldives
5	5	2	2	1	—	—	Marshall Islands
3	3	1	—	—	1	—	Micronesia, Fed. States of
15	13	6	2	2	3	1	Mongolia
—	—	26	—	—	—	—	Myanmar
1	1	—	—	—	—	—	Nauru
25	24	59	4	3	—	2	Nepal
51	47	98	13	8	7	2	Pakistan
14	13	26	2	1	—	—	Papua New Guinea
60	49	95	9	—	3	1	Philippines
3	3	19	—	—	—	—	Samoa
—	—	7	—	—	—	—	Singapore
2	2	13	2	1	—	—	Solomon Islands
29	28	55	4	3	7	2	Sri Lanka
—	—	1	—	—	—	—	Taipei, China
5	5	—	1	—	—	—	Tajikistan
13	12	46	2	1	3	—	Thailand
2	2	12	2	1	—	—	Tonga
—	—	—	—	—	—	—	Turkmenistan
1	1	—	—	—	—	—	Tuvalu
8	7	—	—	—	—	—	Uzbekistan
3	3	5	2	—	—	—	Vanuatu
29	28	7	2	1	2	—	Viet Nam
1	1	2	—	—	1	—	Regional
545	493	928	87	65	51	22	TOTAL

d Projects which were physically completed in 2000.

e Includes the regional projects—Greater Mekong Subregion (GMS): Phnom Penh to Ho Chi Minh City Highway Project (Cambodia and Viet Nam loan components); GMS: East-West Corridor Project (Lao PDR and Viet Nam loan components); and Almaty-Bishkek Regional Road Rehabilitation (Kazakhstan and Kyrgyz Republic loan components).

Table 15
AMOUNT OF LOANS APPROVED, CONTRACTS AWARDED, AND DISBURSEMENTS
(as of 31 December 2000; amounts in \$ million)

	Cumulative Loan Amounts Approved ^{a,b}	Cumulative Net Effective Loans ^{b,c,d}	Contracts Awarded in 2000 ^{b,d,e}	Cumulative Contracts Awarded ^{b,d,e}
Afghanistan	95.10	27.90	—	34.21
Azerbaijan	—	—	—	—
Bangladesh	6,190.71	5,349.18	291.63	4,529.42
Bhutan	94.76	87.91	10.25	57.76
Cambodia	485.27	407.74	114.42	288.18
China, People's Rep. of	10,297.50	8,672.45	757.90	6,158.90
Cook Islands	24.47	23.25	0.61	24.57
Fiji Islands	161.10	153.47	1.20	116.27
Hong Kong, China	101.50	94.50	—	94.50
India	9,158.30	7,239.02	380.84	5,830.78
Indonesia	17,828.99	14,461.85	707.32	10,671.91
Kazakhstan	525.00	411.23	13.62	345.96
Kiribati	15.14	13.25	2.04	6.60
Korea, Rep. of	6,338.33	5,562.07	1.89	5,571.18
Kyrgyz Republic	452.20	407.41	9.18	282.25
Lao PDR	887.54	792.72	43.50	665.60
Malaysia	1,987.54	1,458.69	24.53	1,375.27
Maldives	55.18	54.47	7.49	42.72
Marshall Islands	59.12	46.61	9.71	41.71
Micronesia, Fed. States of	43.12	33.44	5.55	29.40
Mongolia	469.42	413.10	36.36	340.48
Myanmar	530.86	411.83	—	418.77
Nauru	5.00	5.00	—	2.30
Nepal	1,855.68	1,397.84	48.28	1,236.48
Pakistan	10,511.24	9,174.83	384.84	7,508.76
Papua New Guinea	774.17	652.92	23.07	525.10
Philippines	7,889.27	6,664.30	176.59	4,621.87
Samoa	107.92	100.89	0.06	94.51
Singapore	181.08	144.44	—	130.22
Solomon Islands	79.31	54.30	—	53.77
Sri Lanka	2,597.46	2,185.58	57.77	1,743.51
Taipei,China	100.39	91.14	—	90.28
Tajikistan	99.00	42.72	13.74	23.61
Thailand	5,348.07	4,465.73	29.19	4,053.13
Tonga	42.89	41.47	0.74	46.96
Turkmenistan	—	—	—	—
Tuvalu	4.00	4.02	—	2.80
Uzbekistan	387.00	208.87	49.69	102.18
Vanuatu	51.25	49.06	9.54	46.40
Viet Nam	2,099.18	1,718.39	176.26	1,029.44
Regional ^g	105.00	105.00	—	—
TOTAL	88,039.05	73,228.62	3,387.79	58,237.76

— Data not applicable.

a Includes special assistance loans and private sector loans but excludes loans withdrawn by the borrower. The US dollar equivalent is in accordance with the exchange rate prevailing within ADB at the time of loan signing.

b Totals may not add because of rounding.

c Net refers to cancellation and refund of unused loan amounts.

d The US dollar equivalent is in accordance with the exchange rate prevailing in ADB on 31 December 2000. The cumulative contracts awarded exceed the net effective loan amounts due to the following reasons:

- (i) for countries without active loans, the base contract amount of loans that were closed prior to computerization does not reflect the adjustment with regard to procurement data, e.g., Afghanistan; and
- (ii) for countries with active loans, the contract amount inputted is the percentage of ADB-financed portion and each contract amount was adjusted upon completion of disbursement.

% of Cumulative Contracts Awarded to Cumulative Net Effective Loans ^d	Disbursements in 2000 ^b	Cumulative Disbursements ^{b,f}	% of Cumulative Disbursements to Cumulative Net Effective Loans	
122.6	–	27.90	100.0	Afghanistan
–	–	–	–	Azerbaijan
84.7	264.87	4,460.72	83.4	Bangladesh
65.7	6.86	54.10	61.5	Bhutan
70.7	50.83	203.08	49.8	Cambodia
71.0	847.52	5,852.83	67.5	China, People's Rep. of
105.7	0.39	22.16	95.3	Cook Islands
75.8	4.65	119.20	77.7	Fiji Islands
100.0	–	94.50	100.0	Hong Kong, China
80.5	486.98	5,540.28	76.5	India
73.8	748.38	11,375.04	78.7	Indonesia
84.1	28.08	340.25	82.7	Kazakhstan
49.8	1.07	4.83	36.5	Kiribati
100.2	1.65	5,558.71	99.9	Korea, Rep. of
69.3	21.36	256.37	62.9	Kyrgyz Republic
84.0	51.01	615.61	77.7	Lao PDR
94.3	48.72	1,351.68	92.7	Malaysia
78.4	1.30	36.10	66.3	Maldives
89.5	9.77	39.84	85.5	Marshall Islands
87.9	4.40	27.34	81.7	Micronesia, Fed. States of
82.4	32.88	321.89	77.9	Mongolia
101.7	–	411.83	100.0	Myanmar
46.0	–	2.30	46.0	Nauru
88.5	99.63	1,252.54	89.6	Nepal
81.8	522.59	7,848.89	85.5	Pakistan
80.4	13.01	520.78	79.8	Papua New Guinea
69.4	228.07	4,916.77	73.8	Philippines
93.7	0.26	90.92	90.1	Samoa
90.2	–	144.44	100.0	Singapore
99.0	0.45	54.07	99.6	Solomon Islands
79.8	81.03	1,682.07	77.0	Sri Lanka
99.1	–	91.14	100.0	Taipei, China
55.3	12.32	22.19	51.9	Tajikistan
90.8	130.53	3,881.64	86.9	Thailand
113.2	2.90	40.95	98.7	Tonga
–	–	–	–	Turkmenistan
69.6	–	2.80	69.6	Tuvalu
48.9	60.90	78.83	37.7	Uzbekistan
94.6	10.56	45.67	93.1	Vanuatu
59.9	237.45	813.76	47.4	Viet Nam
–	8.70	90.08	85.8	Regional ^g
79.5	4 ,019.10	58,294.10	79.6	TOTAL

e Excludes private sector loans without government guarantee.

f The cumulative disbursements may exceed the cumulative contracts awarded due to disbursed amount without procurement contract summary sheet, e.g., interest during construction, contingencies, and private sector loans which do not require procurement.

g A private sector loan to Asian Finance and Investment Corporation Ltd.

Table 16

**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a
PROJECT AND PROGRAM LOANS COMBINED—ORDINARY CAPITAL RESOURCES**

	1967–1976		1977–1986		1987–1996		1997–2000	
	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.15	3.91	1.43	2.46	1.90	4.09	1.54	11.16
Austria	2.38	0.84	0.57	0.30	0.28	0.31	0.45	0.02
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00	0.08	0.00
Belgium	0.22	0.53	0.49	0.04	0.48	0.00	0.24	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00
Canada	2.19	2.29	0.91	6.79	0.81	4.48	0.58	2.46
China, People's Rep. of	0.00	0.00	0.00	0.00	9.39	0.00	17.02	0.00
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.13	1.94	0.29	2.91	0.15	1.89	0.26	1.56
Fiji Islands	0.09	0.00	0.24	0.00	0.16	0.03	0.03	0.00
Finland	0.05	0.00	0.04	0.31	0.47	0.32	0.19	0.17
France	3.78	6.05	2.02	2.98	2.27	4.39	1.33	6.89
Germany	7.57	10.36	4.79	4.34	5.66	6.21	3.14	2.31
Hong Kong, China	0.60	0.00	1.65	0.47	1.17	0.08	0.53	1.18
India	1.45	3.35	0.67	0.34	9.97	1.29	9.14	3.51
Indonesia	0.00	0.00	8.54	9.58	17.36	29.08	13.10	18.20
Italy	3.36	11.06	1.35	4.08	3.82	2.27	1.06	3.07
Japan	42.33	7.33	22.82	12.58	11.63	7.31	6.83	3.12
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.03
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	9.67	1.31	16.74	4.06	6.40	0.79	15.25	1.09
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	3.32	0.17	4.86	0.88	3.42	1.20	2.82	0.19
Maldives	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Netherlands	2.17	2.20	0.90	2.60	0.61	5.60	0.45	4.93
New Zealand	0.17	1.42	0.42	1.46	0.09	0.17	0.08	1.23
Norway	0.15	0.00	0.03	0.25	0.06	0.00	0.03	1.34
Pakistan	0.01	0.00	0.57	0.04	3.02	0.37	2.33	0.00
Papua New Guinea	0.00	0.00	0.25	0.07	0.27	0.19	0.26	0.06
Philippines	1.14	0.94	8.43	1.59	3.36	4.14	1.23	6.57
Samoa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.56	0.00	1.53	0.32	1.56	0.12	2.32	2.52
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Spain	0.00	0.00	0.00	0.00	0.19	0.00	0.18	0.00
Sri Lanka	0.00	0.00	0.00	0.03	0.01	0.02	0.01	0.01
Sweden	0.57	0.13	0.54	0.04	0.81	0.15	0.26	0.30
Switzerland	1.91	1.07	1.51	5.86	1.69	6.19	0.50	5.53
Taipei, China	1.77	0.09	1.70	3.20	0.75	1.01	0.68	1.49
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	2.28	0.00	6.94	0.09	3.48	1.64	3.20	2.14
Tonga	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.19	0.00	0.11	0.00
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	4.03	3.61	2.76	11.08	1.53	6.90	1.66	6.30
United States	6.94	41.40	7.01	21.26	6.55	9.76	6.69	12.36
Uzbekistan	0.00	0.00	0.00	0.00	0.02	0.00	0.41	0.29
Vanuatu	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.04	0.00	0.09	0.00
Regional	0.00	0.00	0.00	0.00	0.00	0.00	5.37	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	1,151.81	65.59	5,006.38	327.46	17,780.48	825.74	14,943.24	350.55

^a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 17
**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a
PROJECT AND PROGRAM LOANS COMBINED—ASIAN DEVELOPMENT FUND**

	1967–1976		1977–1986		1987–1996		1997–2000	
	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)	Goods, Related Services, and Civil Works (%)	Consulting Services (%)
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00	0.00	0.00
Australia	4.89	6.10	0.83	3.75	1.18	5.64	0.82	7.09
Austria	0.12	0.00	0.34	0.00	0.16	0.00	0.36	0.01
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.20	0.00	5.80	0.94	14.03	3.73	14.78	4.66
Belgium	0.18	0.00	0.58	0.05	0.36	0.00	0.04	0.03
Bhutan	0.00	0.00	0.00	0.00	0.18	0.01	0.22	0.00
Cambodia	0.00	0.00	0.00	0.00	0.31	0.00	1.50	0.06
Canada	0.61	18.30	0.51	7.39	0.40	3.11	0.33	6.82
China, People's Rep. of	0.00	0.00	0.00	0.00	5.68	0.00	6.11	0.01
Cook Islands	0.00	0.00	0.04	0.00	0.05	0.01	0.03	0.13
Denmark	0.02	0.93	0.79	0.00	0.33	1.68	0.47	3.15
Fiji Islands	0.12	0.00	0.05	0.00	0.02	0.02	0.07	0.00
Finland	0.01	0.00	0.07	1.34	0.18	0.20	0.21	2.13
France	0.13	0.00	1.37	2.57	1.43	4.01	2.20	6.30
Germany	14.61	22.63	5.08	1.68	3.69	5.35	1.71	5.44
Hong Kong, China	0.27	0.00	0.74	0.00	0.83	0.00	0.31	0.00
India	4.42	1.63	6.30	9.30	2.27	1.84	2.69	0.33
Indonesia	0.00	0.00	1.14	1.85	3.49	4.70	2.33	0.93
Italy	5.68	5.49	2.75	0.82	1.68	2.94	2.16	0.06
Japan	38.73	21.17	25.35	15.18	5.47	3.56	3.49	10.40
Kazakhstan	0.00	0.00	0.00	0.00	0.32	0.00	0.69	0.19
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Korea, Rep. of	5.66	1.84	5.31	2.01	6.79	1.70	5.58	0.00
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.44	0.00	0.92	0.38
Lao PDR	0.00	0.00	0.05	0.00	0.79	0.08	0.72	1.03
Malaysia	0.57	2.56	0.36	0.54	1.02	0.00	0.98	0.00
Maldives	0.00	0.00	0.02	0.00	0.00	0.00	0.01	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.06	0.00	0.18	0.12
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.23	0.00
Mongolia	0.00	0.00	0.00	0.00	0.14	0.00	0.33	0.18
Myanmar	0.00	0.00	0.78	0.00	0.13	0.00	0.01	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.82	0.00	2.28	0.50	3.27	1.16	2.72	1.99
Netherlands	1.68	5.57	1.22	2.22	1.61	5.22	0.35	2.90
New Zealand	0.56	2.46	0.81	2.00	0.46	3.48	0.49	1.26
Norway	0.05	0.00	0.02	0.57	0.36	0.28	0.01	1.26
Pakistan	0.00	0.00	4.76	0.47	15.57	9.91	13.20	5.64
Papua New Guinea	2.60	0.00	1.52	0.19	1.16	0.39	0.29	0.17
Philippines	0.14	1.10	2.74	2.83	4.85	5.04	2.48	3.68
Samoa	0.09	0.00	0.28	0.07	0.06	0.07	0.02	0.00
Singapore	4.83	0.00	1.85	0.11	4.02	0.16	3.67	0.22
Solomon Islands	0.00	0.00	0.28	0.09	0.10	0.00	0.38	0.00
Spain	0.00	0.00	0.00	0.00	0.06	0.00	0.08	0.00
Sri Lanka	0.00	0.12	3.11	0.26	4.38	1.39	5.26	1.18
Sweden	0.01	0.14	1.64	0.04	0.57	2.19	0.16	0.97
Switzerland	0.33	0.00	2.64	6.18	0.93	2.58	0.40	0.41
Taipei, China	0.74	0.11	0.20	0.04	0.76	0.00	0.31	1.48
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	0.51	0.33
Thailand	1.66	0.20	2.35	0.05	0.94	0.01	1.90	0.00
Tonga	0.00	0.00	0.15	0.00	0.07	0.06	0.11	0.00
Turkey	0.00	0.00	0.00	0.00	0.30	0.00	4.20	0.20
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	6.96	2.83	6.44	21.11	2.02	17.81	0.59	13.81
United States	3.30	6.82	8.98	15.96	6.28	11.68	2.45	14.27
Uzbekistan	0.00	0.00	0.00	0.00	0.05	0.00	0.60	0.00
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00	0.19	0.01
Viet Nam	0.00	0.00	0.08	0.00	0.68	0.00	9.72	0.77
Regional	0.00	0.00	0.00	0.00	0.00	0.00	0.39	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL VALUE (\$ million)	260.83	27.69	2,447.95	155.37	9,288.56	568.07	4,136.35	334.24

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 18
CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 2000
PROJECT LOANS—ORDINARY CAPITAL RESOURCES (amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution ^b
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	4.09	0.27	15.43	16.74	19.52	1.21
Austria	6.30	0.41	0.08	0.09	6.38	0.39
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.00	0.00	0.00	0.00	0.00	0.00
Belgium	2.05	0.13	0.00	0.00	2.05	0.13
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00
Canada	3.45	0.23	3.33	3.61	6.78	0.42
China, People's Rep. of	695.59	45.63	0.00	0.00	695.59	43.03
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.24	0.08	0.10	0.11	1.34	0.08
Fiji Islands	1.19	0.08	0.00	0.00	1.19	0.07
Finland	3.30	0.22	0.00	0.00	3.30	0.20
France	36.84	2.42	11.00	11.93	47.84	2.96
Germany	36.33	2.38	0.00	0.00	36.33	2.25
Hong Kong, China	6.60	0.43	2.20	2.39	8.80	0.54
India	155.29	10.19	10.58	11.48	165.87	10.26
Indonesia	320.60	21.03	12.51	13.57	333.11	20.61
Italy	16.78	1.10	2.79	3.02	19.56	1.21
Japan	19.57	1.28	0.00	0.00	19.57	1.21
Kazakhstan	2.83	0.19	0.10	0.10	2.93	0.18
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	44.73	2.93	0.00	0.00	44.73	2.77
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	26.50	1.74	0.02	0.02	26.51	1.64
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	5.49	0.36	0.42	0.45	5.91	0.37
New Zealand	2.39	0.16	1.30	1.41	3.69	0.23
Norway	0.04	0.00	0.00	0.00	0.04	0.00
Pakistan	0.00	0.00	0.00	0.00	0.00	0.00
Papua New Guinea	2.06	0.14	0.14	0.15	2.20	0.14
Philippines	48.22	3.16	2.54	2.76	50.76	3.14
Samoa	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	2.17	0.14	3.55	3.85	5.71	0.35
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	4.92	0.32	0.00	0.00	4.92	0.30
Sri Lanka	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	1.27	0.08	0.00	0.00	1.27	0.08
Switzerland	6.25	0.41	10.35	11.23	16.60	1.03
Taipei, China	2.66	0.17	0.00	0.00	2.66	0.16
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	12.36	0.81	0.00	0.00	12.36	0.76
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	1.17	0.08	0.00	0.00	1.17	0.07
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	12.16	0.80	6.92	7.50	19.07	1.18
United States	27.57	1.81	7.84	8.51	35.41	2.19
Uzbekistan	10.35	0.68	1.00	1.08	11.35	0.70
Vanuatu	0.00	0.00	0.00	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.00	0.00
Regional	2.03	0.13	0.00	0.00	2.03	0.13
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	1,524.37	100.00	92.19	100.00	1,616.56	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

b Total may not add because of rounding.

Table 19
CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 2000
PROJECT LOANS—ASIAN DEVELOPMENT FUND (amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution ^b
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	5.06	0.69	10.23	10.17	15.29	1.82
Austria	6.64	0.90	0.00	0.00	6.64	0.79
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	148.03	20.08	3.26	3.24	151.29	18.06
Belgium	0.00	0.00	0.00	0.00	0.00	0.00
Bhutan	3.89	0.53	0.00	0.00	3.89	0.46
Cambodia	32.79	4.45	0.17	0.17	32.95	3.93
Canada	0.52	0.07	0.02	0.02	0.53	0.06
China, People's Rep. of	57.54	7.80	0.02	0.02	57.56	6.87
Cook Islands	0.31	0.04	0.03	0.02	0.34	0.04
Denmark	11.44	1.55	2.36	2.34	13.80	1.65
Fiji Islands	0.00	0.00	0.00	0.00	0.00	0.00
Finland	0.21	0.03	0.21	0.20	0.42	0.05
France	8.78	1.19	0.00	0.00	8.78	1.05
Germany	7.40	1.00	4.56	4.53	11.95	1.43
Hong Kong, China	0.00	0.00	0.00	0.00	0.00	0.00
India	13.79	1.87	0.28	0.28	14.07	1.68
Indonesia	27.09	3.68	0.52	0.51	27.61	3.30
Italy	1.32	0.18	0.05	0.05	1.37	0.16
Japan	24.89	3.38	15.14	15.04	40.03	4.78
Kazakhstan	0.78	0.11	0.17	0.17	0.95	0.11
Kiribati	0.13	0.02	0.00	0.00	0.13	0.02
Korea, Rep. of	23.24	3.15	0.00	0.00	23.24	2.77
Kyrgyz Republic	3.87	0.53	0.58	0.58	4.46	0.53
Lao PDR	6.53	0.89	3.09	3.07	9.61	1.15
Malaysia	5.59	0.76	0.00	0.00	5.59	0.67
Maldives	0.53	0.07	0.00	0.00	0.53	0.06
Marshall Islands	2.28	0.31	0.31	0.31	2.59	0.31
Micronesia, Fed. States of	1.36	0.18	0.00	0.00	1.36	0.16
Mongolia	4.76	0.65	0.01	0.01	4.77	0.57
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	21.85	2.96	0.20	0.20	22.05	2.63
Netherlands	0.05	0.01	3.69	3.67	3.74	0.45
New Zealand	4.98	0.68	0.62	0.61	5.60	0.67
Norway	0.12	0.02	2.30	2.29	2.42	0.29
Pakistan	71.57	9.71	7.18	7.13	78.74	9.40
Papua New Guinea	1.17	0.16	0.16	0.16	1.34	0.16
Philippines	24.77	3.36	4.24	4.21	29.01	3.46
Samoa	0.06	0.01	0.00	0.00	0.06	0.01
Singapore	2.86	0.39	0.00	0.00	2.86	0.34
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.24	0.03	0.00	0.00	0.24	0.03
Sri Lanka	42.74	5.80	2.16	2.15	44.90	5.36
Sweden	0.72	0.10	0.67	0.67	1.39	0.17
Switzerland	3.04	0.41	0.00	0.00	3.04	0.36
Taipei, China	0.15	0.02	0.00	0.00	0.15	0.02
Tajikistan	1.44	0.20	1.09	1.08	2.53	0.30
Thailand	42.06	5.71	0.00	0.00	42.06	5.02
Tonga	0.33	0.04	0.00	0.00	0.33	0.04
Turkey	1.22	0.17	0.67	0.67	1.90	0.23
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	7.82	1.06	23.34	23.19	31.15	3.72
United States	10.83	1.47	13.23	13.14	24.06	2.87
Uzbekistan	2.12	0.29	0.00	0.00	2.12	0.25
Vanuatu	0.33	0.05	0.04	0.04	0.37	0.04
Viet Nam	98.00	13.29	0.07	0.07	98.07	11.70
Regional	0.00	0.00	0.00	0.00	0.00	0.00
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	737.22	100.00	100.65	100.00	837.87	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

b Total may not add because of rounding.

Table 20

CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 2000

PROJECT LOANS—ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED (amounts in \$ million)

	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded ^b	% Distribution ^b
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	9.15	0.40	25.67	13.31	34.81	1.42
Austria	12.94	0.57	0.08	0.04	13.03	0.53
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	148.03	6.55	3.26	1.69	151.29	6.16
Belgium	2.05	0.09	0.00	0.00	2.05	0.08
Bhutan	3.89	0.17	0.00	0.00	3.89	0.16
Cambodia	32.79	1.45	0.17	0.09	32.95	1.34
Canada	3.97	0.18	3.35	1.74	7.32	0.30
China, People's Rep. of	753.13	33.30	0.02	0.01	753.15	30.69
Cook Islands	0.31	0.01	0.03	0.01	0.34	0.01
Denmark	12.68	0.56	2.45	1.27	15.14	0.62
Fiji Islands	1.19	0.05	0.00	0.00	1.19	0.05
Finland	3.51	0.16	0.21	0.11	3.72	0.15
France	45.62	2.02	11.00	5.70	56.62	2.31
Germany	43.72	1.93	4.56	2.36	48.28	1.97
Hong Kong, China	6.60	0.29	2.20	1.14	8.80	0.36
India	169.08	7.48	10.86	5.63	179.94	7.33
Indonesia	347.69	15.37	13.02	6.75	360.72	14.70
Italy	18.10	0.80	2.83	1.47	20.93	0.85
Japan	44.45	1.97	15.14	7.85	59.59	2.43
Kazakhstan	3.61	0.16	0.27	0.14	3.88	0.16
Kiribati	0.13	0.01	0.00	0.00	0.13	0.01
Korea, Rep. of	67.97	3.01	0.00	0.00	67.97	2.77
Kyrgyz Republic	3.87	0.17	0.58	0.30	4.46	0.18
Lao PDR	6.53	0.29	3.09	1.60	9.61	0.39
Malaysia	32.08	1.42	0.02	0.01	32.10	1.31
Maldives	0.53	0.02	0.00	0.00	0.53	0.02
Marshall Islands	2.28	0.10	0.31	0.16	2.59	0.11
Micronesia, Fed. States of	1.36	0.06	0.00	0.00	1.36	0.06
Mongolia	4.76	0.21	0.01	0.01	4.77	0.19
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	21.85	0.97	0.20	0.10	22.05	0.90
Netherlands	5.54	0.25	4.11	2.13	9.65	0.39
New Zealand	7.37	0.33	1.92	0.99	9.29	0.38
Norway	0.16	0.01	2.30	1.19	2.46	0.10
Pakistan	71.57	3.16	7.18	3.72	78.74	3.21
Papua New Guinea	3.23	0.14	0.30	0.16	3.53	0.14
Philippines	72.99	3.23	6.78	3.52	79.77	3.25
Samoa	0.06	0.00	0.00	0.00	0.06	0.00
Singapore	5.02	0.22	3.55	1.84	8.57	0.35
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	5.16	0.23	0.00	0.00	5.16	0.21
Sri Lanka	42.74	1.89	2.16	1.12	44.90	1.83
Sweden	1.99	0.09	0.67	0.35	2.66	0.11
Switzerland	9.30	0.41	10.35	5.37	19.65	0.80
Taipei, China	2.81	0.12	0.00	0.00	2.81	0.11
Tajikistan	1.44	0.06	1.09	0.57	2.53	0.10
Thailand	54.42	2.41	0.00	0.00	54.42	2.22
Tonga	0.33	0.01	0.00	0.00	0.33	0.01
Turkey	2.40	0.11	0.67	0.35	3.07	0.13
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	19.97	0.88	30.26	15.69	50.23	2.05
United States	38.40	1.70	21.07	10.93	59.47	2.42
Uzbekistan	12.47	0.55	1.00	0.52	13.47	0.55
Vanuatu	0.33	0.01	0.04	0.02	0.37	0.02
Viet Nam	98.00	4.33	0.07	0.04	98.07	4.00
Regional	2.03	0.09	0.00	0.00	2.03	0.08
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	2,261.60	100.00	192.83	100.00	2,454.43	100.00

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

b Total may not add because of rounding.

Table 21
**ESTIMATES OF PAYMENT TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT
UNDER PROGRAM LENDING, 2000^a**

	Ordinary Capital Resources (OCR)		Asian Development Fund (ADF)		Combined OCR and ADF	
	\$ Million	% Distribution	\$ Million	% Distribution	\$ Million	% Distribution
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	25.95	3.54	2.17	1.08	28.12	3.01
Austria	1.12	0.15	0.00	0.00	1.12	0.12
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	10.73	1.46	0.00	0.00	10.73	1.15
Belgium	4.43	0.60	0.00	0.00	4.43	0.47
Bhutan	0.36	0.05	0.00	0.00	0.36	0.04
Cambodia	5.05	0.69	0.00	0.00	5.05	0.54
Canada	7.99	1.09	6.57	3.28	14.57	1.56
China, People's Rep. of	21.46	2.93	7.03	3.51	28.49	3.05
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	1.44	0.20	2.73	1.36	4.17	0.45
Fiji Islands	0.00	0.00	0.00	0.00	0.00	0.00
Finland	3.29	0.45	0.00	0.00	3.29	0.35
France	20.66	2.82	2.66	1.33	23.32	2.50
Germany	26.76	3.65	1.60	0.80	28.35	3.04
Hong Kong, China	9.04	1.23	0.00	0.00	9.04	0.97
India	55.49	7.57	6.36	3.17	61.85	6.63
Indonesia	5.47	0.75	1.35	0.67	6.81	0.73
Italy	11.78	1.61	0.00	0.00	11.78	1.26
Japan	66.82	9.12	2.37	1.18	69.19	7.41
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	39.10	5.33	1.57	0.78	40.67	4.36
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	29.57	4.03	2.11	1.05	31.68	3.39
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.24	0.12	0.24	0.03
Myanmar	1.22	0.17	0.00	0.00	1.22	0.13
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.72	0.10	0.00	0.00	0.72	0.08
Netherlands	5.42	0.74	1.02	0.51	6.44	0.69
New Zealand	2.28	0.31	0.00	0.00	2.28	0.24
Norway	1.87	0.26	0.00	0.00	1.87	0.20
Pakistan	109.25	14.91	50.39	25.15	159.65	17.10
Papua New Guinea	5.05	0.69	0.00	0.00	5.05	0.54
Philippines	47.34	6.46	0.00	0.00	47.34	5.07
Samoa	0.36	0.05	0.00	0.00	0.36	0.04
Singapore	47.59	6.49	53.05	26.48	100.64	10.78
Solomon Islands	1.80	0.25	0.00	0.00	1.80	0.19
Spain	4.79	0.65	0.06	0.03	4.85	0.52
Sri Lanka	0.63	0.09	0.00	0.00	0.63	0.07
Sweden	5.58	0.76	0.00	0.00	5.58	0.60
Switzerland	6.78	0.92	0.60	0.30	7.37	0.79
Taipei, China	11.16	1.52	0.14	0.07	11.30	1.21
Tajikistan	0.00	0.00	9.16	4.57	9.16	0.98
Thailand	15.92	2.17	13.06	6.52	28.98	3.11
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	1.51	0.21	0.00	0.00	1.51	0.16
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	16.08	2.19	0.44	0.22	16.51	1.77
United States	87.82	11.98	12.45	6.22	100.27	10.74
Uzbekistan	0.00	0.00	4.16	2.07	4.16	0.45
Vanuatu	0.36	0.05	4.80	2.40	5.16	0.55
Viet Nam	12.97	1.77	11.55	5.76	24.52	2.63
Regional	0.00	0.00	2.75	1.37	2.75	0.29
International Organizations	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	733.00	100.00	200.36	100.00	933.36	100.00

Note: Figures may not add due to rounding.

a Estimates are based on import data drawn from the latest information available on borrowers' trade statistics compiled by the International Monetary Fund *Direction of Trade Statistics*.

Table 22
CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a
TECHNICAL ASSISTANCE OPERATIONS
(as of 31 December 2000; amounts in \$ million)

	ADB's Own Resources	% Distribution	Administered Trust Funds	% Distribution	Japan Special Fund	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.00
Australia	91.00	12.51	17.70	8.29	72.77	12.45	181.46	11.89
Austria	0.15	0.02	0.00	0.00	0.00	0.00	0.15	0.01
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	6.00	0.82	1.37	0.64	3.02	0.52	10.39	0.68
Belgium	2.72	0.37	0.71	0.33	0.43	0.07	3.86	0.25
Bhutan	0.06	0.01	0.02	0.01	0.02	0.00	0.09	0.01
Cambodia	0.37	0.05	0.00	0.00	0.02	0.00	0.40	0.03
Canada	52.36	7.20	26.47	12.40	46.38	7.93	125.21	8.21
China, People's Rep. of	4.47	0.61	0.90	0.42	3.84	0.66	9.20	0.60
Cook Islands	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Denmark	9.23	1.27	1.82	0.85	13.87	2.37	24.91	1.63
Fiji Islands	0.38	0.05	0.00	0.00	0.04	0.01	0.41	0.03
Finland	3.75	0.52	4.59	2.15	6.95	1.19	15.29	1.00
France	13.81	1.90	10.52	4.93	14.19	2.43	38.52	2.52
Germany	10.96	1.51	4.91	2.30	22.29	3.81	38.16	2.50
Hong Kong, China	11.26	1.55	1.25	0.58	14.49	2.48	27.00	1.77
India	23.57	3.24	3.95	1.85	10.62	1.82	38.13	2.50
Indonesia	9.73	1.34	1.29	0.61	5.41	0.93	16.44	1.08
Italy	4.20	0.58	0.64	0.30	2.57	0.44	7.42	0.49
Japan	15.93	2.19	5.66	2.65	17.52	3.00	39.11	2.56
Kazakhstan	0.14	0.02	0.00	0.00	0.02	0.00	0.16	0.01
Kiribati	0.03	0.00	0.00	0.00	0.00	0.00	0.03	0.00
Korea, Rep. of	4.15	0.57	0.98	0.46	3.08	0.53	8.21	0.54
Kyrgyz Republic	0.15	0.02	0.00	0.00	0.02	0.00	0.18	0.01
Lao PDR	2.32	0.32	0.00	0.00	0.46	0.08	2.78	0.18
Malaysia	6.55	0.90	0.08	0.04	2.94	0.50	9.57	0.63
Maldives	0.05	0.01	0.00	0.00	0.00	0.00	0.06	0.00
Marshall Islands	0.07	0.01	0.00	0.00	0.00	0.00	0.07	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.34	0.05	0.00	0.00	0.31	0.05	0.65	0.04
Myanmar	0.63	0.09	0.48	0.23	0.00	0.00	1.12	0.07
Nauru	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	3.97	0.55	0.89	0.42	1.15	0.20	6.01	0.39
Netherlands	17.13	2.35	18.77	8.79	21.61	3.70	57.51	3.77
New Zealand	40.45	5.56	3.64	1.71	39.56	6.77	83.66	5.48
Norway	2.34	0.32	3.16	1.48	3.20	0.55	8.70	0.57
Pakistan	7.16	0.98	0.17	0.08	1.39	0.24	8.72	0.57
Papua New Guinea	0.71	0.10	0.00	0.00	0.00	0.00	0.71	0.05
Philippines	43.87	6.03	9.29	4.35	17.87	3.06	71.03	4.66
Samoa	0.56	0.08	0.00	0.00	0.85	0.15	1.42	0.09
Singapore	10.44	1.44	0.00	0.00	5.11	0.87	15.55	1.02
Solomon Islands	0.41	0.06	0.00	0.00	0.00	0.00	0.41	0.03
Spain	0.49	0.07	1.29	0.60	0.71	0.12	2.50	0.16
Sri Lanka	8.75	1.20	1.06	0.50	2.43	0.42	12.24	0.80
Sweden	4.59	0.63	2.85	1.34	4.99	0.85	12.43	0.81
Switzerland	7.91	1.09	4.65	2.18	8.47	1.45	21.03	1.38
Taipei, China	1.06	0.15	0.07	0.03	2.03	0.35	3.16	0.21
Tajikistan	0.04	0.01	0.00	0.00	0.01	0.00	0.05	0.00
Thailand	7.53	1.03	1.89	0.89	7.81	1.34	17.23	1.13
Tonga	0.18	0.02	0.00	0.00	0.00	0.00	0.18	0.01
Turkey	0.09	0.01	0.08	0.04	0.00	0.00	0.18	0.01
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.04	0.01	0.00	0.00	0.00	0.00	0.04	0.00
United Kingdom	110.77	15.23	36.32	17.01	95.46	16.32	242.54	15.90
United States	158.86	21.84	41.88	19.62	122.83	21.01	323.57	21.21
Uzbekistan	0.05	0.01	0.02	0.01	0.02	0.00	0.09	0.01
Vanuatu	0.72	0.10	0.00	0.00	0.93	0.16	1.65	0.11
Viet Nam	1.29	0.18	0.03	0.02	1.62	0.28	2.95	0.19
Regional	0.48	0.07	0.00	0.00	0.52	0.09	1.00	0.07
International Organizations	23.23	3.19	4.07	1.91	4.90	0.84	32.19	2.11
TOTAL	727.51	100.00	213.48	100.00	584.74	100.00	1,525.74	100.00

Note: Figures may not add due to rounding.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 23
CONTRACTS AWARDED BY COUNTRY OF ORIGIN,^a 1998–2000
TECHNICAL ASSISTANCE OPERATIONS (amounts in \$ million)

	1998		1999		2000 ^a	
	Value	%	Value	%	Value	%
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	16.68	12.32	16.38	13.26	20.99	13.54
Austria	0.00	0.00	0.00	0.00	0.00	0.00
Azerbaijan	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.94	0.69	0.40	0.32	1.43	0.92
Belgium	0.01	0.00	0.40	0.32	0.13	0.08
Bhutan	0.02	0.01	0.03	0.02	0.02	0.01
Cambodia	0.03	0.02	0.03	0.02	0.07	0.04
Canada	9.76	7.21	7.31	5.92	12.13	7.82
China, People's Rep. of	2.76	2.04	1.07	0.86	1.28	0.83
Cook Islands	0.00	0.00	0.00	0.00	0.01	0.01
Denmark	3.22	2.38	0.14	0.11	1.84	1.18
Fiji Islands	0.01	0.01	0.00	0.00	0.03	0.02
Finland	2.15	1.59	0.57	0.46	1.54	0.99
France	0.59	0.43	3.54	2.86	0.22	0.14
Germany	2.56	1.89	3.20	2.59	6.45	4.16
Hong Kong, China	3.38	2.50	0.92	0.74	4.61	2.97
India	3.26	2.40	2.43	1.97	1.91	1.23
Indonesia	0.55	0.41	1.04	0.84	0.68	0.44
Italy	1.19	0.87	0.48	0.39	0.95	0.61
Japan	2.79	2.06	3.48	2.81	2.64	1.70
Kazakhstan	0.01	0.01	0.01	0.01	0.02	0.01
Kiribati	0.00	0.00	0.03	0.02	0.00	0.00
Korea, Rep. of	0.35	0.25	0.28	0.23	0.12	0.08
Kyrgyz Republic	0.01	0.01	0.04	0.03	0.05	0.03
Lao PDR	0.05	0.04	0.12	0.09	2.01	1.30
Malaysia	0.30	0.22	1.33	1.07	0.62	0.40
Maldives	0.01	0.01	0.00	0.00	0.03	0.02
Marshall Islands	0.06	0.04	0.02	0.01	0.00	0.00
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.04	0.03	0.06	0.05	0.17	0.11
Myanmar	0.01	0.01	0.15	0.12	0.09	0.06
Nauru	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.39	0.29	0.23	0.19	0.32	0.20
Netherlands	8.60	6.35	2.37	1.92	11.29	7.28
New Zealand	9.04	6.67	12.07	9.77	6.89	4.44
Norway	0.13	0.10	0.20	0.16	0.69	0.45
Pakistan	0.37	0.27	0.84	0.68	0.52	0.34
Papua New Guinea	0.19	0.14	0.02	0.02	0.13	0.08
Philippines	8.65	6.38	5.43	4.39	8.68	5.60
Samoa	0.00	0.00	0.02	0.02	0.34	0.22
Singapore	0.56	0.42	1.60	1.30	1.15	0.74
Solomon Islands	0.01	0.01	0.21	0.17	0.18	0.12
Spain	0.00	0.00	0.02	0.02	0.00	0.00
Sri Lanka	0.80	0.59	0.14	0.11	3.34	2.15
Sweden	1.21	0.89	0.10	0.08	0.63	0.41
Switzerland	0.99	0.73	1.41	1.14	2.18	1.40
Taipei, China	0.04	0.03	0.00	0.00	0.03	0.02
Tajikistan	0.01	0.01	0.01	0.01	0.00	0.00
Thailand	2.13	1.57	2.36	1.91	1.39	0.90
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.00	0.00
Turkmenistan	0.00	0.00	0.00	0.00	0.00	0.00
Tuvalu	0.00	0.00	0.00	0.00	0.04	0.02
United Kingdom	15.55	11.48	22.95	18.57	19.22	12.39
United States	33.36	24.63	27.44	22.21	35.90	23.15
Uzbekistan	0.02	0.02	0.04	0.03	0.02	0.01
Vanuatu	0.17	0.13	1.22	0.99	0.09	0.06
Viet Nam	0.13	0.10	0.91	0.73	1.50	0.97
Regional	0.00	0.00	0.50	0.40	0.48	0.31
International Organizations	2.35	1.73	0.04	0.03	0.01	0.01
TOTAL	135.45	100.00	123.53	100.00	155.05	100.00

Note: Figures may not add due to rounding.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US dollar value equivalent of contract.

Table 24

TECHNICAL ASSISTANCE GRANTS BY COUNTRY AND REGIONAL ACTIVITIES,^a 1967–2000, 1999, 2000
 (amounts in \$ thousand)

	1 9 6 7 – 2 0 0 0 ^b			1 9 9 9					
	No.	Amount	%	No.	ADB Financing	JSF Financing	ACCSF Financing ^c	Other Sources	Total
Afghanistan	16	2,565.70	0.14	—	—	—	—	—	—
Azerbaijan	—	—	—	—	—	—	—	—	—
Bangladesh	260	140,763.33	7.41	15	3,979.00	3,400.00	—	3,500.00	10,879.00
Bhutan	71	26,525.15	1.40	5	550.00	1,650.00	—	—	2,200.00
Cambodia	75	54,148.60	2.85	14	—	2,981.00	—	860.00	7,541.00
China, People's Rep. of	352	183,166.05	9.64	28	5,338.00	14,592.00	—	—	19,930.00
Cook Islands	23	7,495.00	0.39	—	—	—	—	—	—
East Timor	12	4,942.90	0.26	—	—	—	—	—	—
Fiji Islands	63	18,916.80	1.00	7	2,466.50	—	—	—	2,466.50
India	129	63,326.86	3.33	11	6,655.00	—	—	500.00	7,155.00
Indonesia	389	165,045.27	8.69	19	850.00	3,636.00	5,788.00	1,000.00	11,274.00
Kazakhstan	34	18,854.00	0.99	2	—	850.00	—	700.00	1,550.00
Kiribati	29	9,040.00	0.48	1	861.00	—	—	—	861.00
Korea, Rep. of	33	5,010.15	0.26	—	—	—	—	—	—
Kyrgyz Republic	42	26,040.50	1.37	6	2,322.50	600.00	—	—	2,922.50
Lao PDR	174	83,517.78	4.40	11	1,270.00	4,040.00	—	—	5,910.00
Malaysia	92	25,202.30	1.33	—	—	—	—	—	—
Maldives	38	13,478.00	0.71	3	995.00	810.00	—	—	1,805.00
Marshall Islands	36	14,527.00	0.76	2	600.00	—	—	—	600.00
Micronesia, Fed. States of	29	18,352.00	0.97	5	1,300.00	—	—	—	1,300.00
Mongolia	92	45,970.65	2.42	8	2,201.00	1,920.00	—	—	4,121.00
Myanmar	38	10,716.00	0.56	—	—	—	—	—	—
Nauru	5	1,244.00	0.07	2	244.00	—	—	—	244.00
Nepal	214	96,569.70	5.08	10	2,060.00	2,300.00	—	—	4,360.00
Pakistan	211	85,477.40	4.50	7	1,800.00	300.00	—	—	2,100.00
Papua New Guinea	109	35,001.60	1.84	7	2,508.00	1,081.00	—	—	3,589.00
Philippines	273	112,594.25	5.93	10	4,650.00	1,000.00	1,690.00	—	7,340.00
Samoa	66	17,801.50	0.94	5	1,290.00	—	—	—	1,290.00
Singapore	2	577.42	0.03	—	—	—	—	—	—
Solomon Islands	51	10,900.24	0.57	7	990.00	—	—	150.00	1,140.00
Sri Lanka	181	70,284.60	3.70	12	4,400.00	3,530.00	—	—	7,930.00
Taipei, China	1	100.00	0.01	—	—	—	—	—	—
Tajikistan	19	10,340.00	0.54	7	1,045.00	2,795.00	—	—	3,840.00
Thailand	133	49,028.60	2.58	5	2,650.00	—	3,000.00	600.00	6,250.00
Tonga	43	10,776.50	0.57	—	—	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—	—
Tuvalu	12	3,036.00	0.16	1	600.00	—	—	—	600.00
Uzbekistan	30	17,700.00	0.93	8	2,250.00	1,400.00	—	—	3,650.00
Vanuatu	44	12,114.76	0.64	7	2,045.00	—	—	—	2,045.00
Viet Nam	118	75,515.46	3.98	13	2,380.00	6,568.00	—	1,390.00	10,338.00
Subtotal	3,539	1,546,666.06	81.43	238	62,000.00	53,453.00	10,478.00	9,300.00	135,231.00
Regional	963	352,639.76	18.57	76	25,145.00	7,510.00	—	4,861.60	37,516.60
TOTAL	4,502	1,899,305.83	100.00	314	87,145.00	60,963.00	10,478.00	14,161.60	172,747.60

^a Excludes technical assistance financed under loans, which are included in ADB's loan data.^b Cumulative data are adjusted to exclude technical assistance projects withdrawn by the government.^c Asian Currency Crisis Support Facility.

2 0 0 0								
%	No.	ADB Financing	JSF Financing	ACCSF Financing ^c	Other Sources	Total	%	
—	—	—	—	—	—	—	—	Afghanistan
—	—	—	—	—	—	—	—	Azerbaijan
6.30	7	600.00	4,590.00	—	—	5,190.00	3.02	Bangladesh
1.27	5	100.00	1,954.00	—	—	2,054.00	1.19	Bhutan
4.37	9	1,050.00	3,386.00	—	—	4,436.00	2.58	Cambodia
11.54	25	5,665.00	11,050.40	—	—	16,715.40	9.72	China, People's Rep. of
—	2	280.00	—	—	—	280.00	0.16	Cook Islands
—	12	4,042.90	900.00	—	—	4,942.90	2.87	East Timor
1.43	4	590.00	—	—	—	590.00	0.34	Fiji Islands
4.14	16	9,545.00	—	—	—	9,545.00	5.55	India
6.53	16	3,180.00	2,195.00	5,825.00	2,180.00	13,380.00	7.78	Indonesia
0.90	6	100.00	3,480.00	—	—	3,580.00	2.08	Kazakhstan
0.50	2	150.00	350.00	—	—	500.00	0.29	Kiribati
—	—	—	—	—	—	—	—	Korea, Rep. of
1.69	8	1,185.00	3,090.00	—	650.00	4,925.00	2.86	Kyrgyz Republic
3.42	13	5,350.00	2,300.00	—	—	7,650.00	4.45	Lao PDR
—	—	—	—	—	—	—	—	Malaysia
1.04	3	750.00	700.00	—	—	1,450.00	0.84	Maldives
0.35	4	548.00	340.00	—	—	888.00	0.52	Marshall Islands
0.75	2	800.00	—	—	—	800.00	0.47	Micronesia, Fed. States of
2.39	5	600.00	2,985.00	—	—	3,585.00	2.08	Mongolia
—	—	—	—	—	—	—	—	Myanmar
0.14	1	—	300.00	—	—	300.00	0.17	Nauru
2.52	9	3,580.00	3,735.00	—	—	7,315.00	4.25	Nepal
1.22	8	7,905.00	—	—	—	7,905.00	4.60	Pakistan
2.08	8	736.00	1,420.00	—	1,181.00	3,337.00	1.94	Papua New Guinea
4.25	12	1,393.20	3,228.00	1,775.00	—	6,396.20	3.72	Philippines
0.75	3	1,320.00	500.00	—	—	1,820.00	1.06	Samoa
—	—	—	—	—	—	—	—	Singapore
0.66	2	800.00	—	—	—	800.00	0.47	Solomon Islands
4.59	11	1,085.00	5,600.00	—	—	6,685.00	3.89	Sri Lanka
—	—	—	—	—	—	—	—	Taipei, China
2.22	10	450.00	3,800.00	—	600.00	4,850.00	2.82	Tajikistan
3.62	6	450.00	1,600.00	—	500.00	2,550.00	1.48	Thailand
—	2	271.00	—	—	—	271.00	0.16	Tonga
—	—	—	—	—	—	—	—	Turkmenistan
0.35	1	—	250.00	—	—	250.00	0.15	Tuvalu
2.11	5	300.00	3,020.00	—	—	3,320.00	1.93	Uzbekistan
1.18	4	1,033.00	330.00	—	67.00	1,430.00	0.83	Vanuatu
5.98	12	1,755.00	4,924.00	—	2,440.00	9,119.00	5.30	Viet Nam
78.28	233	55,614.10	66,027.40	7,600.00	7,618.00	136,859.50	79.58	Subtotal
21.72	73	22,046.00	11,060.00	—	2,022.00	35,128.00	20.42	Regional
100.00	306	77,660.10	77,087.40	7,600.00	9,640.00	171,987.50	100.00	TOTAL

Table 25
TECHNICAL ASSISTANCE GRANTS, 2000
(\$ thousand)

	Project Preparatory	Advisory and Operational
BANGLADESH		
Second Nonformal Education	600.00 ^a	—
Regional Rail Traffic Enhancement	900.00 ^a	—
Road Network Improvement and Maintenance	800.00 ^a	—
Pension and Insurance Sector Project	600.00 ^a	—
Organizational Reform of Bangladesh Railway (Phase III)	—	840.00 ^a
Capacity Building of the Securities and Exchange Commission and Selected Capital Market Institutions	—	850.00 ^a
Strengthening the National Accounts and Poverty Monitoring System	—	600.00
BHUTAN		
Poverty Assessment and Analysis	—	100.00
Road Planning and Management Strengthening	—	954.00 ^a
Public Sector Resource Management	—	300.00 ^a
Institutional Development of the National Technical Training Authority	—	300.00 ^a
Project Appraisal and Portfolio Management for Financial Institutions	—	400.00 ^a
CAMBODIA		
Education Sector Development Program	800.00 ^a	—
Financial Sector Development Program	800.00 ^a	—
Rural Development	600.00 ^a	—
Capacity Building in Public-Private Partnerships for Transport	—	150.00
Education Strategic Support	—	150.00
Develop a Strategy for Management of Provincial Power Supplies	—	150.00
Building Capacity in Tourism Planning	—	586.00 ^a
Capacity Building for HIV/AIDS Prevention and Control	—	600.00 ^a
Implementation of Land Legislation	—	600.00
CHINA, PEOPLE'S REPUBLIC OF		
Ningxia-Shapotou Water Resources Development	930.00 ^a	—
Ganzhou-Longyan Railway	750.00 ^a	—
Hebei Province Wastewater Treatment	850.00 ^a	—
Southern Sichuan Roads Development	800.00 ^a	—
Fujian Soil Conservation and Rural Development Project (Phase II)	650.00	—
Harbin Water Supply	720.00 ^a	—
Capacity Building for Social Assessments	—	781.40 ^a
Study of Funding Options for Agricultural Research in the People's Republic of China	—	150.00
Strengthening Urban Solid Waste Management	—	600.00 ^a
Implementation of the Tendering and Bidding Law and Related Regulations	—	565.00
Acid Rain Control and Environmental Improvement	964.00 ^a	—
Policy Support for the PRC 2020 Project (Phase III)	—	900.00
Development of a Small and Medium-Sized Enterprise Credit Support System	—	750.00
Global Environment Facility Partnership on Land Degradation in Dryland Ecosystems	—	100.00
Establishing an Enterprise Sample Survey System	—	600.00
Assessment of Small and Medium Cities Urban Infrastructure Development	—	150.00
Institutional Strengthening of China Development Bank	—	600.00 ^a
Development of Financing Policies and Mechanisms for Small and Medium-Sized Enterprises	—	700.00 ^a
Private Sector Development	—	600.00
Interregional Power Transmission Network Development Strategy	—	800.00 ^a

^a To be financed from the Japan Special Fund (JSF).

CONTINUED

	Project Preparatory	Advisory and Operational
CHINA, PEOPLE'S REPUBLIC OF		
Preparing National Strategies for Soil and Water Conservation	–	800.00
Jiangsu Highway Build-Operate-Transfer Project	–	555.00 ^a
Transjurisdiction Environmental Management (Technical Assistance Cluster)	–	2,100.00 ^b
Policy Support for Social Security Reform under Tenth Five-Year Plan	–	150.00
Preparing a Methodology for Development Planning in Poverty Blocks under the New Poverty Strategy of PRC	–	150.00
COOK ISLANDS		
Preparing an Economic Report	–	180.00
Review of the Superannuation and Insurance Schemes	–	100.00
EAST TIMOR		
Community Empowerment Program	–	990.00
Transport Sector Restoration	–	1,000.00
Capacity Building for Governance and Public Sector Management	–	1,000.00
Poverty Assessment and Statistics in East Timor (Phase I)	–	52.90
Rehabilitation of the Telecommunications Sector	–	150.00
Microfinance	–	150.00
Environmental Assessment Capacity Improvement	–	250.00
Rehabilitation of the Telecommunications Sector (Phase II)	–	150.00
Formulating Strategies for Economic and Social Development	–	650.00 ^a
Capacity Building for Local Government	–	150.00
Strengthening the Microfinance Policy and Legal Framework	–	250.00 ^a
Economic Policy Forum	–	150.00
FIJI ISLANDS		
Strengthening Debt Management	–	150.00
Preparation of a Medium-Term National Development Plan	–	150.00
Capacity Building of the Native Land Trust Board in Preparing Land Maps and Establishing Land Boundaries	–	140.00
Fiji Development Bank Review	–	150.00
INDIA		
Preliminary Engineering for the West Bengal Corridor Development Project	150.00	–
Resettlement and Environmental Assessment for the West Bengal Corridor Development Project	150.00	–
Economic and Poverty Analysis for the West Bengal Corridor Development Project	150.00	–
Supporting Fiscal Reforms in Kerala	–	1,000.00
Environmental Management at the State Level (Technical Assistance Cluster)	–	3,620.00
Establishing a Public-Private Joint Venture for the West Bengal North-South Economic Corridor Development	–	150.00
Policy and Operational Support and Capacity Building for the Insurance Regulatory and Development Authority	–	800.00
Development of Secondary Debt Market	–	600.00
Reducing Poverty in Urban India	–	300.00
Participatory Poverty Assessment at the State Level	–	690.00
Support for India States' Reform Forum 2000	–	85.00

^a To be financed from the JSF.^b Of this amount, \$2 million is to be financed from the JSF.

CONTINUED

	Project Preparatory	Advisory and Operational
INDIA		
Institutional Strengthening of the Aid Accounts and Audit Division of the Ministry of Finance	—	600.00
Reorganization Plan for Gujarat Electricity Board	—	600.00
Consumer Awareness and Participation in Power Sector Reforms	—	50.00
Support to Gujarat Electricity Regulatory Commission	—	450.00
Building Housing and Urban Development Corporation's Capacity for Lending to Community-Based Finance Institutions	—	150.00
INDONESIA		
Decentralized Health Services	180.00 ^a	—
Preparation of the Decentralized Basic Education Project	150.00 ^b	—
Outer Island Electrification	800.00	—
Poor Farmers' Income Improvement	420.00 ^c	—
Monitoring and Evaluating the Social Protection Sector Development Program (Supplementary)	—	2,000.00 ^b
Monitoring and Evaluating the Health and Nutrition Sector Development Program (Supplementary)	—	1,000.00 ^d
Public Expenditure Management and the Implications of Decentralization	—	225.00 ^d
Promoting Deregulation and Competition	—	1,500.00 ^d
Small and Medium Enterprise Development	—	2,000.00 ^d
Improving Public Sector Procurement	—	780.00
Governance Audit of the Public Prosecution Service	—	1,000.00
Corporate Governance Reform	—	300.00
Financial Management System	—	1,100.00 ^d
Capacity Building for Decentralized Natural Resources Management	—	775.00 ^c
Support for Health Sector Policy Reform	—	1,000.00 ^c
Public Relations Activities in Support of Government's Anticorruption Efforts	—	150.00
KAZAKHSTAN		
Preparation of the Locust Management Project	100.00	—
Rural Water Supply Sector	600.00 ^c	—
Improvement of the Road Sector Efficiency	—	750.00 ^c
Deepening of Agricultural Reforms and Development Programs	—	800.00 ^c
A Comprehensive Medium-Term Poverty Reduction Strategy	—	830.00 ^c
Capacity Building for Public Investment Programming	—	500.00 ^c
KIRIBATI		
Outer Islands Development Program	350.00 ^c	—
Public Service Reform	—	150.00
KYRGYZ REPUBLIC		
Community-Based Early Childhood Development	700.00 ^c	—
Second Phase of the Corporate Governance and Enterprise Reform Program	700.00 ^c	—
Capacity Building in the Ministry of Agriculture and Water Resources (Phase II)	—	585.00
Institutional Strengthening for Community-Based Infrastructure Services	—	650.00 ^c
Support to the National Strategy for Poverty Reduction	—	600.00
Environmental Monitoring and Management Capacity Building II	—	650.00 ^e
Improvement of the Road Sector Efficiency	—	440.00 ^c
Improving the Enabling Environment for Skills and Entrepreneurship Development	—	600.00 ^c

a Of this amount, \$30,000 is to be financed by the Government of Australia with ADB acting as executing agency.

b To be financed by the Government of Australia with ADB acting as executing agency.

c To be financed from the JSF.

d To be financed from the Asian Currency Crisis Support Facility (ACCSF).

e To be financed by the Government of Finland with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
Small Towns Development	700.00 ^a	—
Energy and Transport Socio-Environmental Management	150.00	—
Nam Ngum River Basin Development	850.00 ^a	—
Smallholder Development Project	750.00 ^a	—
Management Information System (Phase II) (Supplementary)	—	280.00
Assessing a Concession Agreement for the Lao PDR Component of the Chiang Rai to Kunming Highway	—	150.00
Towards Implementation of the Agriculture Strategy	—	100.00
Participatory Assessment of Poverty in the Lao PDR	—	150.00
Rural Finance Development (Technical Assistance Cluster)	—	2,020.00
Strengthening Corporate Governance and Management of State-Owned Commercial Banks	—	900.00
Capacity Building for Primary Health Care	—	800.00
Strengthening Social and Environmental Management Capacity in the Department of Roads	—	200.00
Participatory Poverty Monitoring and Evaluation	—	600.00
MALDIVES		
Information Technology Development	150.00	—
Science and Technology Masterplan	—	600.00
Capacity Building for the Maldives Customs Services	—	700.00 ^a
MARSHALL ISLANDS		
Outer Island Transport Infrastructure	340.00 ^a	—
Strengthening the Capacity of the Ministry of Finance	—	150.00
Community-Based Coastal Marine Resources Development	—	298.00
Reviewing the Health Management Information System	—	100.00
MICRONESIA, FEDERATED STATES OF		
Improving Capacity in Performance-Based Public Finance Management Implementation	—	500.00
Improving Access to Laws	—	300.00
MONGOLIA		
Rural Finance	700.00 ^a	—
Housing Sector Finance	600.00 ^a	—
Capacity Building for Cadastral Survey and Land Registration	—	990.00 ^a
Strengthening Financial Sector Development	—	600.00
Capacity Building in Agriculture	—	695.00 ^a
NAURU		
Strengthening the Ministry of Finance and Supporting the Bureau of Statistics	—	300.00 ^a
NEPAL		
Second Secondary Education Sector	800.00 ^a	—
Information and Communication Technology for Improved Financial Services Provision	565.00 ^a	—
Group Formation and Training of Women Beneficiaries (Supplementary)	—	200.00 ^a
Formulating an Action Plan on Civil Service Reform (Supplementary)	—	30.00

^a To be financed from the JSF.

CONTINUED

	Project Preparatory	Advisory and Operational
NEPAL		
Strengthening the National Statistical System	—	770.00 ^a
Company, Insolvency, and Secured Transactions Law Reform	—	250.00
Agriculture Sector Performance Review	—	600.00 ^a
Management Reforms and Efficiency Improvements for the Nepal Electricity Authority	—	800.00 ^a
Strengthening Corporate and Financial Governance (Technical Assistance Cluster)	—	3,300.00
PAKISTAN		
Enhancing Capital Market Depth for Preparing Capital Market Development Program II	150.00	—
Capacity Building for Debt and Risk Management of the Ministry of Finance	—	995.00
Capacity Building of the National Electric Power Regulatory Authority	—	1,000.00
Strengthening of Institutional Capacity for Judicial and Legal Reform	—	2,900.00
Support for Privatization of Karachi Electric Supply Corporation	—	1,000.00
Institutional Strengthening of Export Promotion Bureau (Technical Assistance Cluster)	—	800.00
Operational Review of the State Life Insurance Corporation	—	660.00
Institutional Strengthening for Government-Nongovernment Organization Cooperation	—	400.00
PAPUA NEW GUINEA		
Governance and Public Sector Reform Program (Supplementary)	381.00 ^b	—
Agro-Industry Development	500.00 ^a	—
Coastal Fisheries Management and Development	340.00 ^a	—
Community Water-Transport Project	580.00 ^a	—
Strengthening Financial Management of the Health Sector (Supplementary)	—	186.00
Review of Mining and Hydrocarbons Tax Regimes	—	325.00
Review of Constraints to Informal Sector Development	—	225.00
Rehabilitation of the Maritime Navigation Aids System	—	800.00 ^b
PHILIPPINES		
Education Sector Development Program	998.00 ^a	—
Rural Electrification	600.00 ^a	—
Rural Road Development	1,000.00 ^a	—
Implementation of the Convention on Biological Diversity	—	120.00
Joint ADB, United Nations Development Programme, and World Bank Poverty Consultations	—	123.20
Establishment of an Official Development Assistance Unit in the Flagship Committee	—	100.00
Rural Electrification Institutional Strengthening	—	750.00
Grains Policy and Institutional Reforms	—	630.00 ^a
Capacity Building Support for Pasig River Environmental Management and Rehabilitation	—	1,000.00 ^c
Institutional Strengthening of Housing and Urban Development Sector	—	150.00
Strengthening Management Capacity and Improving Quality of Technical Education and Skills Development System	—	775.00 ^c
Studies on the Access of the Poor to Education	—	150.00
SAMOA		
Education Support	—	820.00
Capacity Building of Financial and Business Advisory Intermediaries	—	500.00
Capacity Building for Urban Planning and Management	—	500.00 ^a

^a To be financed from the JSF.^b To be financed by the Government of Australia with ADB acting as executing agency.^c To be financed from the ACCSF.

CONTINUED

	Project Preparatory	Advisory and Operational
SOLOMON ISLANDS		
Nonformal Vocational Education and Training	250.00	—
Strengthening Public Sector Management (Phase 2)	—	550.00
SRI LANKA		
Eastern Province Coastal Community Development	1,000.00 ^a	—
Preparation of the North East Emergency Rehabilitation Project	150.00	—
Secondary Towns Water Supply and Sanitation	1,000.00 ^a	—
Plantation Development	800.00 ^a	—
Postsecondary Education Modernization	500.00 ^a	—
Re-engineering of Road Sector Institutions (Supplementary)	—	360.00
To Establish Public-Private Partnerships for Railways	—	150.00
Accounting Review of the National Water Supply and Drainage Board	—	100.00
Promotion of Private Sector Involvement in Oil and Gas Exploration	—	325.00
Governance and Institutional Support for Private Sector Development	—	1,900.00 ^a
Small and Medium Enterprise Development	—	400.00 ^a
TAJIKISTAN		
Regional Railway Improvement	150.00	—
Agriculture Rehabilitation	750.00 ^a	—
Strategy for Improved Flood Management	—	550.00 ^a
Support to Rural Financial Systems Development	—	150.00
To Develop a National Poverty Reduction Strategy	—	150.00
Improving Barki Tajik's Billing and Collection System	—	500.00 ^a
Introducing International Accounting Standards at Barki Tajik	—	500.00 ^a
Institutional and Policy Support in Road Sector	—	500.00 ^a
Capacity Building for Environmental Assessment and Monitoring	—	600.00 ^b
Improving Aid Coordination and External Debt Management (Technical Assistance Cluster)	—	1,000.00 ^a
THAILAND		
Solid Waste Management Sector	150.00	—
Community Assessment and Development for the Samut Prakarn Wastewater Management	—	150.00
Capacity Building for Regional Environmental Management	—	900.00 ^a
Mae Moh Environmental Evaluation	—	500.00 ^c
Education Sector Reforms	—	700.00 ^a
Training in Business Reorganization and Insolvency	—	150.00
TONGA		
Preparation of an Economic Report	—	124.00
Poverty Assessment	—	147.00
TUVALU		
To Upgrade the Tuvalu Maritime Training Institute	250.00 ^a	—
UZBEKISTAN		
Urban Social Infrastructure Development	720.00 ^a	—
Corporate Governance Reform Program	700.00 ^a	—
Interim Review of Senior Secondary Education System	—	1,000.00 ^a

^a To be financed from the JSF.^b To be financed by the Government of Finland with ADB acting as executing agency.^c To be financed by the Government of Switzerland with ADB acting as executing agency.

CONTINUED

	Project Preparatory	Advisory and Operational
UZBEKISTAN		
Development of the Insurance Industry	–	300.00
Facilitating Development of the Railway Sector	–	600.00 ^a
VANUATU		
Skills Development	250.00 ^b	–
Institutional Strengthening of the Vanuatu National Council for Women	–	150.00
Institutional Support to Central Agencies for the Comprehensive Reform Program (Phase III)	–	700.00
Capacity Building of the Legal Sector	–	330.00 ^a
VIET NAM		
Central Region Poverty Reduction	824.00 ^a	–
Provincial Roads Improvement	1,000.00 ^a	–
Human Capital of the Poor in Viet Nam: Policy Options	–	145.00
Supporting Preparation of the National Poverty Reduction Strategy	–	150.00
Improved Official Development Assistance Effectiveness Through Partnership Initiatives	–	150.00
Capacity Building for Prevention of Food-Borne Diseases	–	500.00 ^a
Low-Income Housing and Secondary Towns Urban Development Needs Assessment Study	–	500.00 ^a
Capacity Building for Water Resources Management (Technical Assistance Cluster)	–	3,800.00 ^c
Secondary Education Sector Master Plan	–	600.00 ^d
Support of Rural Businesses	–	1,000.00
Strengthening the Planning Capacity of the Ministry of Agriculture and Rural Development	–	300.00 ^a
Revision of Bankruptcy Law Support	–	150.00
TOTAL	33,862.00	102,997.50

a To be financed from the JSF.

b Of this amount, \$67,000 is to be financed by the Government of New Zealand with ADB acting as executing agency.

c Of this amount, \$1.8 million is to be financed from the JSF and \$2 million by the Government of the Netherlands with ADB acting as executing agency.

d Of this amount, \$440,000 is to be financed by the Government of Belgium with ADB acting as executing agency.

Table 26
TECHNICAL ASSISTANCE GRANTS BY SECTOR,^a 1967–2000, 1999, 2000

	1967–2000 ^b			1999			2000		
	No.	\$ Thousand	%	No.	\$ Thousand	%	No.	\$ Thousand	%
Agriculture and Natural Resources	1,000	444,228.14	28.72	45	28,301.00	20.93	33	24,033.00	17.56
Energy	383	157,729.05	10.20	19	9,754.00	7.21	15	9,289.00	6.79
Finance	300	119,478.36	7.72	20	14,870.00	11.00	25	17,825.00	13.02
Industry and Nonfuel Minerals	121	43,344.70	2.80	3	2,750.00	2.03	4	4,700.00	3.43
Social Infrastructure	669	283,841.97	18.35	51	25,694.50	19.00	46	24,699.00	18.05
Transport and Communications	449	198,923.95	12.86	26	14,636.00	10.82	31	15,199.00	11.11
Multisector	33	25,275.90	1.63	4	2,800.00	2.07	5	2,497.90	1.82
Others	584	273,844.00	17.71	70	36,425.50	26.94	74	38,616.60	28.22
TOTAL^c	3,539	1,546,666.06	100.00	238	135,231.00	100.00	233	136,859.50	100.00

a Excludes loan-financed technical assistance (which are included in loan data) and regional activities.

b Cumulative data adjusted to exclude technical assistance grants withdrawn by governments.

c Figures may not add because of rounding.

Table 27
TECHNICAL ASSISTANCE LOANS AND GRANTS BY SECTOR, 2000

	Loan	Grant ^a	Total	%
Agriculture and Natural Resources	62.53	24.03	86.56	22.65
Energy	11.68	9.29	20.97	5.49
Finance	6.46	17.82	24.28	6.35
Industry and Nonfuel Minerals	0.00	4.70	4.70	1.23
Social Infrastructure	66.61	24.70	91.31	23.89
Transport and Communications	69.03	15.20	84.23	22.04
Multisector	15.67	2.50	18.17	4.75
Others	13.30	38.62	51.92	13.59
TOTAL	245.28	136.86	382.14	100.00

a Excludes regional technical assistance.

Table 28
REGIONAL TECHNICAL ASSISTANCE ACTIVITIES, 2000

	\$ Thousand
Conference	
ADB-ADB Institute Capacity Building Seminar on Poverty Reduction Issues	63.00
First Meeting of the Private Sector Forum on Economic Cooperation in the Eastern South Asia Subregion (Supplementary)	30.00
An International Conference: "What Have We Learned from the Past 30 Years of Research on Poverty" (Supplementary)	740.00
Microcredit Summit Asia and Pacific Regional Meeting	140.00
Ninth International Congress of the World Federation of Public Health Associations	50.00
Regional Technical Assistance for the 33 rd Annual Meeting: 1. Poverty Reduction: Infrastructure and Governance Dimensions Conference; 2. High-Level Women in Finance and Economics Seminar; 3. Asian Corporate Governance Round Table in Hong Kong	150.00
Second Asia Development Forum	200.00
Seventh Joint ADB-Organisation for Economic Co-operation and Development (OECD) Forum on Asian Perspectives—Technology and Poverty Reduction in Asia	145.00
Sixth Joint ADB-OECD Forum on Development Resource Mobilization in the Postcrisis Period	100.00
Support for Information and Communication Technology and Education	100.00
Tenth ADB Tax Conference	150.00 ^a
Third Asia Development Forum	150.00
Thirteenth Workshop on the Asian Economic Outlook	200.00
Research	
Fifth Agriculture and Natural Resources Research at Consultative Group on International Agricultural Research Centers	6,080.00 ^b
Study	
Action Plans for Reducing Vehicle Emissions	900.00 ^a
Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction	800.00
Capacity Building for Indigenous Peoples/Ethnic Minority Issues and Poverty Reduction	400.00
Capacity Building to Promote Traditional Environmental Management in the Pacific Developing Member Countries (DMCs)	300.00 ^a
Combating Desertification in Asia	450.00 ^c
Commercialization of Microfinance	700.00 ^a
A Comparative Assessment of Economic Development in Central Asia	250.00
Cooperative Airspace Management in the Pacific Region	350.00
Countering Money Laundering in the Asian and Pacific Region	650.00 ^a
Drug Eradication in the Greater Mekong Subregion	150.00
Economic Cooperation in Asia	150.00
Establishment of Backbone Telecommunications Networks Project—Phase 1	150.00
Identification and Prioritization of Subregional Projects in South Asia	785.00
Improving Disability Issues Related to Poverty Reduction	300.00
Poverty Assessment in Pacific DMCs	400.00
Preventing Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) among Mobile Populations (Supplementary)	160.00
Private Sector Development in the Pacific	350.00
Public-Private Community Partnerships in Urban Services for the Poor	550.00
Regional Economic Cooperation in Central Asia (Phase II—Year Two)	420.00 ^a
Regional Indicative Master Plan on Power Interconnection in the Greater Mekong Subregion	900.00 ^d
Regional Initiative to Eliminate Micronutrient Malnutrition in Asia through Public-Private Partnership	1,100.00 ^e

a To be financed from the Japan Special Fund (JSF).

b Of this amount, \$280,000 is to be financed by the Government of Denmark with ADB acting as executing agency.

c Of this amount, \$200,000 is to be financed by the Global Mechanism with ADB acting as executing agency.

d Of this amount, \$742,000 is to be financed by the Government of Norway with ADB acting as executing agency.

e Of this amount, \$800,000 is to be financed from the JSF and \$300,000 by the Government of Denmark with ADB acting as executing agency.

CONTINUED

	\$ Thousand
Study	
Regional Power Transmission Modernization Project in the Central Asian Republics	900.00 ^a
Regional Study of Nutrition Trends, Policies and Strategies in Asia and the Pacific (Supplementary)	50.00
Road Asset Management	150.00
Strategic Study on Development Options for Economic Cooperation between the People's Republic of China (PRC) and Mongolia in Eastern Parts of Inner Mongolia Autonomous Region, PRC and Mongolia	250.00 ^a
Strategies for Poverty Reduction through Urban Environmental Improvement	500.00 ^a
Study of Pro-Poor Economic Growth and Institutional Constraints on Poverty Reduction in DMCs	610.00
Study of the Interlinkages Between Governance and Poverty in Sectoral Development and Reform Activities	600.00 ^a
Study on Potential Use of Biotechnology in Reducing Poverty and Achieving Food Security in Asia	140.00
Subregional Cooperation in Managing Education Reforms	750.00 ^a
Year 2000 Special Evaluation Studies of ADB Operations in DMCs—Part II	760.00
Year 2000 Technical Assistance for Special Evaluation Studies of ADB Operations in DMCs—Part 1	840.00
Training	
2000–2002 Orientation Program for Officials of ADB's DMCs	750.00
2001 Disbursement Training Seminars in DMCs	150.00
ADB-ADB Institute Workshop on Information and Communications Technology Strategy for Developing Asia	50.00
Audit Training Program for Central Asian Republics	500.00 ^a
Capacity Building for Financial Regulation and Supervision	800.00 ^a
Capacity Building of Ministries of Finance in Selected DMCs for the Association of Southeast Asian Nations Surveillance Process—Phase II	300.00
Enhancing Municipal Services Delivery Capability—Phase 2	425.00
Long-Term Regional Training Program for Members of the South Pacific Association of Supreme Audit Institutions—Phase II	200.00
Pacific Governance and Public Sector Management Training Program	300.00
Regional Environmental Action Plan in Central Asia	500.00 ^b
Regional Round Table on Information and Communications Technology	90.00
Regional Workshops on Project Economic Analysis for Selected DMCs	240.00
Seminars on Business Opportunities in 2000–2001	500.00
Seminars on the Use of Consulting Services in 2000–2001	500.00
Third ADB-Colombo Plan Training Program	50.00
Others	
Building a Poverty Database	600.00
Combating Trafficking of Women and Children in South Asia	440.00 ^a
Development of a Regional Technical Assistance Home Page	70.00
External Advisory Panel on a Long-Term Strategic Framework for ADB	700.00
Financial Services for Poor Women	600.00
Harmonizing and Strengthening Business Tendency Surveys in Selected DMCs	50.00
National Resettlement Policy Enhancement and Capacity Building	500.00 ^a
Promoting Subregional Cooperation in the Greater Mekong Subregion—Phase IV, Year 2	800.00 ^a
Regulatory Systems and Networking of Water Utilities and Regulatory Bodies	500.00 ^a
Rollback Malaria Initiative in the Greater Mekong Subregion	600.00 ^a
Small and Medium-Size Enterprise Growth and Development in the Mekong Region	750.00
Southeast and East Asia Regional Consultation on the Impact of Large Dams	100.00
TOTAL	35,128.00

^a To be financed from the JSF.^b To be financed by the Government of Finland with ADB acting as executing agency.

Table 29
NET TRANSFER OF RESOURCES
(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND),^{a,b} 1998–2000
 (\$ million)

	OCR			ADF		
	1998	1999	2000	1998	1999	2000
Afghanistan	–	–	–	–	–	–
Azerbaijan	–	–	–	–	–	–
Bangladesh	(0.30)	11.51	2.35	146.21	172.80	158.38
Bhutan	–	0.53	(0.07)	3.39	1.10	5.83
Cambodia	–	–	–	28.42	24.86	49.29
China, People's Rep. of	515.56	444.18	400.53	–	–	–
Cook Islands	–	–	–	1.72	0.55	0.11
Fiji Islands	(4.85)	(5.39)	(2.90)	–	–	–
Hong Kong, China	–	–	–	–	–	–
India	293.70	216.73	(137.91)	–	–	–
Indonesia	590.69	684.26	18.11	(7.43)	(6.36)	11.28
Kazakhstan	102.01	(11.05)	0.74	12.54	6.29	3.92
Kiribati	–	–	–	(0.07)	(0.08)	0.97
Korea, Rep. of	1,498.26	(257.35)	(320.69)	–	–	–
Kyrgyz Republic	–	–	–	42.10	77.82	19.02
Lao PDR	–	–	–	59.16	38.53	41.75
Malaysia	(30.86)	(47.93)	(20.05)	–	–	–
Maldives	–	–	–	(0.08)	(0.02)	0.70
Marshall Islands	–	–	–	7.75	3.57	9.53
Micronesia, Fed. States of	–	–	–	6.14	4.76	4.14
Mongolia	–	–	–	29.94	44.47	29.94
Myanmar	–	–	–	(0.31)	(0.05)	–
Nauru	–	2.25	(0.07)	–	–	–
Nepal	13.16	4.99	3.20	84.09	45.86	64.38
Pakistan	(21.02)	(81.82)	(39.79)	202.21	95.13	117.92
Papua New Guinea	(1.33)	4.82	(15.05)	0.28	0.85	(2.54)
Philippines	(31.73)	(292.41)	(191.59)	13.77	15.34	13.74
Samoa	–	–	–	2.38	(2.05)	(2.09)
Singapore	–	–	–	–	–	–
Solomon Islands	–	–	–	13.12	(0.98)	(0.46)
Sri Lanka	(0.72)	3.38	6.10	92.94	67.96	40.40
Taipei, China	–	–	–	–	–	–
Tajikistan	–	–	–	–	9.79	12.22
Thailand	384.13	209.04	(574.92)	(2.25)	(2.43)	(2.71)
Tonga	–	–	–	4.31	1.52	2.16
Turkmenistan	–	–	–	–	–	–
Tuvalu	–	–	–	–	2.80	(0.02)
Uzbekistan	1.36	15.58	55.41	0.46	0.09	1.19
Vanuatu	–	–	–	11.02	5.85	9.94
Viet Nam	(0.03)	2.50	38.15	124.07	185.77	193.08
Regional	48.68	21.46	0.06	–	–	–
TOTAL	3,356.71	925.29	(778.40)	875.88	793.74	782.07

– Data not applicable.

() Negative.

Note: Figures may not add because of rounding.

a Net transfer of resources for OCR defined as loan disbursements less principal repayments/prepayments and interest/charges received. Includes private sector loans and net equity investments.

b Net transfer of resources for ADF defined as loan disbursements less principal repayments and interest/charges received. Includes private sector loans.

Table 30
NET TRANSFER OF RESOURCES
(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED),^a 1991–2000
 (\$ million)

	1991–1995 Average	1996	1997	1998	1999	2000
Afghanistan	(0.26)	—	—	—	—	—
Azerbaijan	—	—	—	—	—	—
Bangladesh	249.03	226.75	112.65	145.91	184.31	160.73
Bhutan	2.52	2.09	6.34	3.39	1.63	5.76
Cambodia	10.29	31.71	9.75	28.42	24.86	49.29
China, People's Rep. of	293.57	547.49	375.44	515.56	444.18	400.53
Cook Islands	1.65	3.78	2.20	1.72	0.55	0.11
Fiji Islands	(5.08)	(4.44)	(4.39)	(4.85)	(5.39)	(2.90)
Hong Kong, China	—	—	—	—	—	—
India	273.93	279.97	364.38	293.70	216.73	(137.91)
Indonesia	(7.38)	(1,198.26)	(115.65)	583.26	677.90	29.39
Kazakhstan	12.52	26.90	63.87	114.55	(4.76)	4.66
Kiribati	0.20	(0.14)	(0.08)	(0.07)	(0.08)	0.97
Korea, Rep. of	(35.06)	(141.51)	1,912.16	1,498.26	(257.35)	(320.69)
Kyrgyz Republic	6.79	25.80	51.24	42.10	77.82	19.02
Lao PDR	29.56	80.50	81.67	59.16	38.53	41.75
Malaysia	(77.58)	(59.08)	(8.45)	(30.86)	(47.93)	(20.05)
Maldives	3.15	5.68	2.50	(0.08)	(0.02)	0.70
Marshall Islands	1.02	2.96	9.99	7.75	3.57	9.53
Micronesia, Fed. States of	0.07	0.11	11.31	6.14	4.76	4.14
Mongolia	21.39	33.00	65.91	29.94	44.47	29.94
Myanmar	(10.50)	(16.70)	(17.17)	(0.31)	(0.05)	—
Nauru	—	—	—	—	2.25	(0.07)
Nepal	49.50	55.79	83.45	97.25	50.85	67.58
Pakistan	277.57	133.24	85.50	181.19	13.31	78.13
Papua New Guinea	12.17	(14.89)	(1.18)	(1.05)	5.67	(17.59)
Philippines	(38.25)	(122.73)	6.72	(17.96)	(277.07)	(177.85)
Samoa	4.68	(0.97)	(1.48)	2.38	(2.05)	(2.09)
Singapore	(5.52)	—	—	—	—	—
Solomon Islands	0.34	(0.35)	(0.02)	13.12	(0.98)	(0.46)
Sri Lanka	102.24	126.73	70.61	92.22	71.34	46.50
Taipei, China	(0.29)	—	—	—	—	—
Tajikistan	—	—	—	—	9.79	12.22
Thailand	(63.72)	(20.69)	456.69	381.88	206.61	(577.63)
Tonga	2.65	2.40	1.58	4.31	1.52	2.16
Turkmenistan	—	—	—	—	—	—
Tuvalu	—	—	—	—	2.80	(0.02)
Uzbekistan	—	—	—	1.82	15.67	56.60
Vanuatu	1.50	0.15	0.01	11.02	5.85	9.94
Viet Nam	6.46	25.81	145.89	124.04	188.27	231.23
Regional	8.68	2.48	(17.54)	48.68	21.46	0.06
TOTAL	1,127.84	33.55	3,753.90	4,232.59	1,719.02	3.66

— Data not applicable.

() Negative.

Note: Figures may not add because of rounding.

a Net transfer of resources defined as loan disbursements less principal repayments/prepayments and interest/charges received. Includes private sector loans and net equity investments.

Table 31
ASIAN DEVELOPMENT FUND (ADF) RESOURCES AND COMMITMENT AUTHORITY

ADF-CONTRIBUTED RESOURCES
(\$ million; as of 31 December 2000)

	Valued as of 31 December 1999 (US\$ equiv.)	Change in 2000			Valued as of 31 December 2000 (US\$ equiv.) (SDR ^a equiv.)
		Addition (US\$ equiv.)	Exchange Rate Adjustment (US\$ equiv.)	Net Change (US\$ equiv.)	
Australia	827.24	–	(111.72)	(111.72)	715.52 549.17
Austria	139.09	3.23	(10.56)	(7.33)	131.76 101.13
Belgium	125.46	3.25	(9.32)	(6.07)	119.39 91.63
Canada	1,057.59	29.03	(41.77)	(12.74)	1,044.85 801.94
Denmark	136.06	4.09	(10.41)	(6.32)	129.74 99.58
Finland	74.14	3.01	(5.47)	(2.46)	71.68 55.02
France	686.70	19.95	(52.49)	(32.54)	654.16 502.08
Germany	1,093.35	24.37	(83.01)	(58.64)	1,034.71 794.15
Hong Kong, China	16.42	3.85	–	3.85	20.27 15.56
Indonesia	12.46	2.50	–	2.50	14.96 11.48
Italy	420.69	21.49	(32.78)	(11.29)	409.40 314.22
Japan	11,383.12	244.37	(1,168.14)	(923.77)	10,459.35 8,027.69
Korea, Rep. of	50.70	9.56	(3.43)	6.13	56.83 43.62
Malaysia	3.74	1.29	–	1.29	5.03 3.86
Nauru	1.93	–	–	–	1.93 1.48
Netherlands	402.23	11.30	(30.24)	(18.94)	383.29 294.18
New Zealand	43.35	7.47	(6.60)	0.87	44.22 33.94
Norway	101.82	4.18	(8.65)	(4.47)	97.35 74.72
Spain	77.77	2.35	(5.72)	(3.37)	74.40 57.10
Sweden	168.94	6.62	(17.10)	(10.48)	158.46 121.62
Switzerland	223.24	6.03	(4.41)	1.62	224.86 172.58
Taipei, China	25.83	3.11	–	3.11	28.94 22.21
Thailand	2.02	0.62	(0.25)	0.37	2.39 1.83
Turkey	93.25	7.14	–	7.14	100.39 77.05
United Kingdom	637.16	25.21	(51.35)	(26.14)	611.02 468.96
United States	2,647.91	77.00	–	77.00	2,724.91 2,091.40
TOTAL	20,452.21	521.02	(1,653.42)	(1,132.40)	19,319.81 14,828.20

ADF COMMITMENT AUTHORITY
(\$ million; as of 31 December 2000)

	1999	2000
ADF VII Contributions	1,601.60	1,978.21
ADF VI Contributions ^b	430.11	417.02
Expanded Advance Commitment Authority ^c	1,500.00	2,231.43
Total ADF Resources ^d	3,531.71	4,626.66
Less: Loans Committed	3,367.88 ^e	4,470.97 ^f
Provision for Disbursement Risk	132.06	155.69
TOTAL	31.77	0.00

– Data not applicable.

() Negative.

Note: Figures may not add because of rounding.

a Refers to special drawing rights (SDR) valued at the rate of \$1.30291 per SDR as of 31 December 2000.

b Amounts of ADF VI contributions released for operational commitments during the ADF VII period.

c Incorporates additional resources.

d Excludes pre-ADF VII amounts for determining ADF commitment authority under the new financial planning framework for managing ADF resources as approved by the Board of Directors on 15 April 1997.

e Excludes loans that were conditionally approved after 16 December 1999.

f Excludes loans that were conditionally approved after 7 December 2000.

Table 32
TECHNICAL ASSISTANCE SPECIAL FUND
(\$ thousand equivalent; as of 31 December 2000)^a

	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484	2,484
Austria	159	159
Bangladesh	47	47
Belgium	1,394	1,394
Canada	3,346	3,346
China, People's Rep. of	600	600
Denmark	1,963	1,963
Finland	237	237
France	1,697	1,697
Germany	3,315	3,315
Hong Kong, China	100	100
India	2,763	2,763
Indonesia	250	250
Italy	774	774
Japan	47,710	47,710
Korea, Rep. of	1,900	1,900
Malaysia	909	909
Netherlands	1,338	1,338
New Zealand	1,096	1,096
Norway	3,279	3,279
Pakistan	1,387	1,387
Singapore	1,100	1,100
Spain	190	190
Sri Lanka	6	6
Sweden	861	861
Switzerland	1,035	1,035
Taipei, China	200	200
United Kingdom	5,617	5,617
United States	1,500	1,500
Subtotal	87,257	87,257
Regularized Replenishment Contributions^b	238,039	238,039
Transfer to Asian Development Fund	(3,472)	(3,472)
Allocation from OCR Net Income and Other Resources^c	577,631	462,174
TOTAL	899,455	783,998

() Negative.

a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by ADB on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by ADB on 31 December 2000.

b Represents Technical Assistance Special Fund (TASF) portion of contributions to the replenishment of the Asian Development Fund and the TASF authorized by Governors' Resolution Nos. 182 and 214.

c Represents income, repayments, and reimbursements accruing to TASF since 1980.

Table 33
JAPAN SPECIAL FUND—REGULAR AND SUPPLEMENTARY CONTRIBUTIONS
Statement of Activities and Change in Net Assets (\$ million)

	1988–1994 ^a	1995	1996	1997	1998	1999	2000	Total
Contributions committed	449.1	104.9	79.9	–	62.5	48.6	37.6	782.6
Revenue	44.3	6.4	2.5	2.4	16.5	17.2	19.6	108.9
Total	493.4	111.3	82.4	2.4	79.0	65.8	57.2	891.5
Expenses	224.2	75.3	77.3	73.8	96.8	57.2	60.8	665.4
Exchange gain (loss)	(0.5)	(0.1)	(11.7)	(10.1)	(1.6)	0.5	(0.1)	(23.6)
Translation adjustments	63.5	(8.9)	(37.7)	(29.0)	(1.8)	(0.1)	1.5	(12.5)
Change in net assets	332.2	27.0	(44.3)	(110.5)	(21.2)	9.0	(2.2)	190.0

– Data not applicable.

() Negative.

a Prior years' amounts have been restated to conform with the 1995 presentation.

Table 34
JAPAN SPECIAL FUND—ASIAN CURRENCY CRISIS SUPPORT FACILITY
Statement of Activities and Change in Net Assets (\$ million)

	1999	2000	Total
Contributions committed	104.4 ^a	136.6	241.0
Revenue	–	0.4	0.4
Total	104.4	137.0	241.4
Expenses	95.7	9.6	105.3
Exchange gain (loss)	–	–	–
Translation adjustments	17.4	(16.5)	0.9
Change in net assets	26.1	110.9	137.0

– Data not applicable.

a In addition, the Government of Japan has made available noninterest-bearing, nonnegotiable notes in the amount of 360 billion yen (\$3.2 billion), encashable by ADB at any time to meet a call on any guarantee issued under the Asian Currency Crisis Support Facility.

Table 35
JAPAN FUND FOR POVERTY REDUCTION ASSISTANCE, 2000

	\$ Thousand
INDONESIA	
Assisting Girl Street Children at Risk of Sexual Abuse	1,000
PHILIPPINES	
Supporting the Sustainable Livelihood for the Poor in Southern Philippines	2,800
On-Site Urban Upgrading for Vulnerable Slum Communities of Payatas	1,000
Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City	1,000
PAPUA NEW GUINEA	
Low-Cost Sanitation, Community Awareness and Health Education Program	1,740
TOTAL	7,540

Table 36
ESTIMATES OF REAL GDP GROWTH RATE, 1990–2000
AND PER CAPITA GNP, 1999

	Annual Average (1990–1997)	GDP Growth Rate (%)			Per Capita GNP ^a (\$) 1999
		1998	1999	2000 ^b	
NIEs	6.9	(2.9)	7.8	8.4	...
Hong Kong, China	5.0	(5.3)	3.1	10.5	24,280
Korea, Rep. of	7.3	(6.7)	10.9	8.8	8,490
Singapore	8.9	0.1	5.9	9.9	29,610
Taipei, China	6.7	4.6	5.4	6.0	13,310
CARs, AZERBAIJAN, and MONGOLIA	(4.8)	1.5	4.7	8.1	...
Kazakhstan	(7.6) ^c	(1.9)	2.7	9.6	1,230
Krygyz Republic	(6.6) ^c	2.1	3.7	5.0	300
Tajikistan	(11.6) ^c	5.3	3.7	5.0	290
Turkmenistan	...	7.0	16.0	17.6	660
Uzbekistan	(1.7) ^c	4.3	4.4	4.0	720
Azerbaijan	...	10.0	7.4	11.4	550
Mongolia	(1.2)	3.5	3.2	0.5	350
PRC					
China, People's Rep. of	10.3	7.9	7.1	8.0	780
SOUTHEAST ASIA	7.2	(9.0)	3.2	5.2	...
Cambodia	5.0	1.8	5.0	4.5	260
Indonesia	7.6	(13.1)	0.8	4.8	580
Lao PDR	6.6	4.0	5.2	5.5	280
Malaysia	9.2	(7.4)	5.8	8.5	3,400
Myanmar ^{d,e}	5.6	5.8	10.9
Philippines	3.1	(0.6)	3.3	3.9	1,020
Thailand	7.4	(10.8)	4.2	4.2	1,960
Viet Nam	7.9	5.8	4.8	6.8	370
SOUTH ASIA	5.4	6.0	5.8	5.8	...
Afghanistan ^d	(8.0) ^c
Bangladesh ^e	4.8	5.2	4.9	5.5	370
Bhutan ^g	6.0	5.5	5.9	6.1	510
India ^{e,g}	5.6	6.6	6.4	6.0	450
Maldives	8.2	8.9	8.8	4.2	1,160
Nepal ^{e,g}	4.9	3.4	4.5	6.4	220
Pakistan ^{e,g}	4.6	3.5	3.1	4.5	470
Sri Lanka	5.5	4.7	4.3	6.0	820
PACIFIC DMCs	0.9	(2.0)	4.2	(1.8)	...
Cook Islands	2.7	(2.3)	2.7	3.2	...
Fiji Islands ^g	2.4	1.4	9.6	(9.3)	2,210
Kiribati	3.4	7.3	2.3	(4.0)	910
Marshall Islands ^e	(0.9)	(16.0)	0.8	(2.3)	1,560
Micronesia, Fed. States of ^e	2.7	(1.7)	1.3	2.5	1,810
Nauru ^d
Papua New Guinea	5.6	(3.8)	3.2	0.8	800
Samoa	3.1 ^c	3.4	5.3	7.0	1,060
Solomon Islands ^g	4.1	1.1	(1.3)	(14.0)	750
Tonga ^{e,g}	2.0	2.5	3.5	5.3	1,720
Tuvalu ^g	5.6	14.9	3.0	3.0	...
Vanuatu	4.1	(0.1)	(3.0)	2.8	1,170
WEIGHTED AVERAGE^h	7.4	0.2	6.3	7.2	

... Data not available.

() Negative.

a Based on the World Bank Atlas methodology except for Hong Kong, China and Taipei, China. Fluctuations in prices and exchange rates are smoothed by averaging the exchange rates for the period 1997–1999, after adjusting for differences in inflation rates between the country and the G-5 countries (France, Germany, Japan, United Kingdom, and United States).

b Preliminary estimates from country sources.

c Refers to 1990–1993 for Afghanistan; 1991–1997 for Central Asian republics; and 1992–1997 for Samoa.

d Country figure is excluded from respective group and total weighted average.

e Refers to fiscal year.

f Estimated to be low income (\$755 or less).

g Refers to gross domestic product (GDP) growth at factor cost.

h The weights used were derived from the average of 1995 and 1996 GDP (in US dollars).

Sources: Country sources; ADB data file; World Bank web site (<http://www.worldbank.org>); and World Bank official communication.

Table 37
GROSS DOMESTIC SAVING, GROSS CAPITAL FORMATION, AND RESOURCE GAP
AS PERCENTAGE OF GDP, 1998–2000

	Gross Domestic Saving as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a
NIEs									
Hong Kong, China	30.1	30.5	32.2	29.0	25.1	27.5	(1.1)	(5.4)	(4.7)
Korea, Rep. of	34.2	33.5	32.5	21.2	26.7	28.7	(13.1)	(6.8)	(3.8)
Singapore	50.5	49.7	49.6	32.6	32.4	31.3	(17.9)	(17.3)	(18.3)
Taipei,China	25.4	25.4	24.6	24.9	23.4	23.4	(0.5)	(2.0)	(1.2)
CARs, AZERBAIJAN, and MONGOLIA									
Kazakhstan	15.9	17.0	...	14.3	14.5	...	(1.7)	(2.4)	...
Kyrgyz Republic	(6.1)	3.2	...	15.4	18.0	...	21.5	14.8	...
Tajikistan
Turkmenistan
Uzbekistan	19.9	17.3	16.6	20.9	17.1	15.9	1.0	(0.1)	(0.7)
Azerbaijan	48.4	16.3	23.1	33.4	30.9	22.7	(15.0)	14.6	(0.4)
Mongolia
PRC									
China, People's Rep. of	40.8	39.0	...	38.8	38.3	...	(2.0)	(0.7)	...
SOUTHEAST ASIA									
Cambodia	5.4	7.3	...	12.0	18.4	...	6.6	11.1	...
Indonesia	26.5	20.2	25.7	16.8	12.2	17.9	(9.8)	(8.0)	(7.8)
Lao PDR
Malaysia	48.5	47.3	46.9	26.6	22.3	27.0	(21.9)	(25.1)	(19.9)
Myanmar	11.8	13.0	...	12.4	13.2	...	0.6	0.3	...
Philippines	12.8	14.9	17.0	20.2	18.6	17.6	7.4	3.7	0.6
Thailand	34.5	32.3	...	20.3	19.9	...	(14.2)	(12.4)	...
Viet Nam	21.5	24.6	27.0	29.0	27.6	29.5	7.6	3.1	2.5
SOUTH ASIA									
Afghanistan
Bangladesh	17.3	17.7	17.8	21.6	22.2	22.4	4.4	4.5	4.6
Bhutan	24.9	23.1	...	41.3	42.6	...	16.4	19.5	...
India	22.0	22.3	...	23.0	23.3	...	1.0	1.0	...
Maldives
Nepal	13.8	13.6	15.5	24.8	20.5	23.7	11.1	6.9	8.3
Pakistan	16.7	13.5	12.9	17.7	14.9	14.9	1.0	1.4	2.0
Sri Lanka	19.1	19.8	...	25.1	27.2	...	6.0	7.3	...
PACIFIC DMCs									
Cook Islands
Fiji Islands	18.0	24.9	...	16.1	12.0	...	(1.9)	(13.0)	...
Kiribati
Marshall Islands
Micronesia, Fed. States of
Nauru
Papua New Guinea	22.4	17.7	(4.7)
Samoa
Solomon Islands
Tonga
Tuvalu
Vanuatu

... Data not available.

() Negative.

a Preliminary estimates.

Sources: Country sources and ADB data file.

Table 38
CHANGES IN CONSUMER PRICES,^a 1998–2000
 (%)

	1998	1999	2000 ^b
NIEs	4.6	(0.1)	1.1
Hong Kong, China	2.8	(4.0)	(3.7)
Korea, Rep. of	7.5	0.8	2.3
Singapore	(0.3)	0.0	1.3
Taipei, China	1.7	0.2	1.3
CARs, AZERBAIJAN, and MONGOLIA	8.1	22.6	15.9
Kazakhstan ^c	1.9	17.8	9.8
Kyrgyz Republic	10.4	35.9	18.7
Tajikistan ^c	2.7	31.0	24.0
Turkmenistan
Uzbekistan	17.7	29.1	24.9
Azerbaijan	(0.8)	(8.5)	1.8
Mongolia	9.4	7.6	11.6
PRC			
China, People's Rep. of	(0.8)	(1.4)	0.4
SOUTHEAST ASIA	26.3	9.2	2.7
Cambodia ^d	14.8	4.0	(0.8)
Indonesia	58.0	20.7	3.8
Lao PDR	90.0	128.4	23.2
Malaysia	5.3	2.8	1.6
Myanmar ^{d,e}	30.0	21.1	...
Philippines	9.8	6.7	4.4
Thailand	8.1	0.3	1.6
Viet Nam	7.8	4.2	...
SOUTH ASIA	11.8	4.2	1.8
Afghanistan ^e
Bangladesh ^f	7.0	8.9	3.4
Bhutan	10.6	6.8	...
India ^{f,g}	13.1	3.4	...
Maldives	(1.4)	3.0	(1.1)
Nepal	11.5	6.9	...
Pakistan ^f	7.8	5.7	3.6
Sri Lanka ^d	9.8	4.7	6.2
PACIFIC DMCs	10.1	10.0	11.5
Cook Islands ^d	0.7	1.4	2.0
Fiji Islands	5.7	2.0	1.1
Kiribati ^d	4.7	0.4	2.0
Marshall Islands ^d	2.9	2.0	(1.9)
Micronesia, Fed. States of	(2.6)	1.9	2.8
Nauru ^e	4.0	6.7	7.5
Papua New Guinea	13.5	14.9	17.9
Samoa	2.2	0.6	0.5
Solomon Islands ^d	12.4	8.0	6.6
Tonga	3.0	3.9	5.3
Tuvalu ^d	0.8	1.0	5.0
Vanuatu ^d	3.3	2.0	2.7
WEIGHTED AVERAGE ^h	8.9	2.5	1.5

... Data not available.

() Negative.

a Unless otherwise indicated, data refer to changes in average consumer prices of the country.

b Preliminary estimates from country sources.

c Data refer to end of period.

d Data refer to capital city.

e Country figure is excluded from respective group and total weighted average.

f Data refer to fiscal year.

g Discussion in text is based on wholesale price index (WPI). For WPI, growth rates are 5.9, 3.3, and 7.0 for fiscal years 1998, 1999, and 2000, respectively.

h The weights used were derived from the average of 1995 and 1996 gross domestic product (in US dollars).

Sources: Country sources and ADB data file.

Table 39
MERCHANDISE TRADE,^a 1998–2000
(\$ million)

	Exports (FOB) ^b			Imports (FOB) ^b			Balance of Trade		
	1998	1999	2000 ^c	1998	1999	2000 ^c	1998	1999	2000 ^c
NIEs	528,702	556,525	665,168	469,813	505,113	631,806	58,889	51,412	33,361
Hong Kong, China	175,841	174,727	202,693	183,674	177,885	210,910	(7,833)	(3,158)	(8,217)
Korea, Rep. of	132,122	145,164	175,782	90,495	116,793	159,181	41,627	28,371	16,601
Singapore	110,561	115,515	138,928	95,782	104,358	127,528	14,779	11,157	11,400
Taipei,China	110,178	121,119	147,765	99,862	106,077	134,187	10,316	15,042	13,578
CARs, AZERBAIJAN, and MONGOLIA	11,727	12,709	12,682	14,380	12,862	10,229	(2,653)	(152)	2,453
Kazakhstan	5,871	5,989	6,761	6,672	5,645	4,999	(801)	344	1,762
Kyrgyz Republic	535	463	505	756	547	555	(221)	(84)	(50)
Tajikistan	586	666	742	731	698	793	(145)	(32)	(51)
Turkmenistan ^{d,e}	593	1,187	...	1,007	1,478	...	(414)	(291)	...
Uzbekistan	3,030	2,948	2,774	2,939	2,589	2,382	91	359	392
Azerbaijan	678	1,025	1,900	1,724	1,433	1,500	(1,046)	(408)	400
Mongolia ^e	434	432	...	551	471	...	(117)	(40)	...
PRC									
China, People's Rep. of	183,529	194,716	248,937	136,915	158,509	216,842	46,614	36,207	32,095
SOUTHEAST ASIA	216,176	241,336	282,161	170,422	184,658	225,252	45,754	56,677	56,909
Cambodia	913	973	...	1,073	1,170	...	(160)	(197)	...
Indonesia	50,371	51,242	65,700	31,942	30,599	40,800	18,429	20,643	24,900
Lao PDR ^e	341	306	331	553	554	591	(212)	(249)	(260)
Malaysia	71,823	83,933	96,111	54,174	61,161	76,551	17,649	22,772	19,560
Myanmar ^f	1,054	1,505	...	2,517	2,443	...	(1,463)	(938)	...
Philippines	29,496	35,037	38,077	29,524	30,742	31,387	(28)	4,295	6,690
Thailand ^e	52,878	56,800	67,942	40,559	47,529	62,423	12,319	9,271	5,519
Viet Nam	9,300	11,540	14,000	10,080	10,460	13,500	(780)	1,080	500
SOUTH ASIA	53,354	56,469	65,115	72,393	80,004	89,158	(19,039)	(23,535)	(24,043)
Afghanistan
Bangladesh ^f	5,172	5,324	5,762	6,772	7,221	7,542	(1,600)	(1,897)	(1,780)
Bhutan ^{e,f}	111	105	114	136	162	185	(25)	(58)	(71)
India ^{e,f}	34,298	38,285	44,793	47,544	55,383	62,583	(13,246)	(17,098)	(17,789)
Maldives	96	92	104	312	354	350	(216)	(262)	(247)
Nepal	445	525	748	1,439	1,291	1,550	(995)	(765)	(803)
Pakistan ^f	8,434	7,528	8,163	10,301	9,613	9,598	(1,867)	(2,085)	(1,435)
Sri Lanka	4,798	4,610	5,431	5,889	5,980	7,349	(1,091)	(1,370)	(1,919)
PACIFIC DMCs	2,458	2,788	2,792	2,347	2,394	2,005	111	394	788
Cook Islands ^e	3	4	...	38	42	...	(35)	(38)	...
Fiji	423	534	427	615	653	479	(192)	(119)	(52)
Kiribati	6	8	7	33	41	41	(27)	(33)	(34)
Marshall Islands ^f	8	7	8	57	60	59	(50)	(52)	(51)
Micronesia, Fed. States of ^f	13	11	23	122	129	145	(109)	(118)	(122)
Nauru
Papua New Guinea	1,800	2,019	2,178	1,083	1,082	1,023	717	937	1,155
Samoa ^e	19	18	...	97	115	...	(78)	(97)	...
Solomon Islands ^e	141	150	106	147	140	119	(6)	10	(13)
Tonga ^f	12	12	11	78	56	63	(66)	(44)	(52)
Tuvalu
Vanuatu	34	25	33	76	76	76	(43)	(51)	(43)
TOTAL	995,945	1,064,542	1,276,855	866,269	943,540	1,175,292	129,676	121,002	101,563

... Data not available.

() Negative.

^a Unless otherwise indicated, data are from the balance-of-payments statistics.^b FOB refers to free on board.^c Preliminary estimates.^d Refers to data from external trade.^e Refers to imports, cost, insurance, and freight.^f Refers to fiscal year.Sources: Country sources; ADB data file; and International Monetary Fund, *Balance of Payments Statistics* on CD-ROM, February 2001.

Table 40
**INTERNATIONAL RESERVES AND RATIO OF RESERVES
 TO IMPORTS, 1998–2000**

	International Reserves ^a (\$ million)			Ratio to Imports ^b (months)		
	1998	1999	2000 ^c	1998	1999	2000 ^c
NIEs	311,678	358,215	395,255	8.0	8.5	7.5
Hong Kong, China	89,625	96,256	107,560	5.9	6.5	6.1
Korea, Rep. of	52,041	74,054	96,198	6.9	7.6	7.3
Singapore ^d	74,928	76,843	80,127	9.4	8.8	7.5
Taipei, China	95,084	111,061	111,370	11.4	12.6	10.0
CARs, AZERBAIJAN, and MONGOLIA	3,489	2,393	2,560	3.5	4.5	5.2
Kazakhstan	1,965	2,002	2,096	3.5	4.3	5.0
Kyrgyz Republic	188	254	262	3.0	5.6	5.7
Tajikistan ^e	65	1.1
Turkmenistan
Uzbekistan ^e	1,168	4.8
Azerbaijan	449	674	680	3.1	5.6	5.4
Mongolia	103	137	202	2.2	3.5	...
PRC						
China, People's Rep. of	149,812	158,336	168,856	13.1	12.0	9.3
SOUTHEAST ASIA	90,277	108,470	101,498	6.8	7.5	5.7
Cambodia ^d	324	393	502	3.6	4.0	...
Indonesia	23,517	27,257	23,314	8.8	10.7	6.9
Lao PDR	117	105	140	2.5	2.3	2.8
Malaysia	25,675	30,645	29,576	5.7	6.0	4.6
Myanmar	326	277	280	1.6	1.4	...
Philippines	10,781	15,012	15,026	4.4	5.9	5.7
Thailand	29,536	34,781	32,661	8.7	8.8	6.3
Viet Nam
SOUTH ASIA	36,559	41,671	46,191	6.1	6.3	6.2
Afghanistan
Bangladesh	1,928	1,623	1,516	3.4	2.7	2.4
Bhutan ^d	250	274	283	22.0	20.3	18.3
India	29,833	35,069	40,188	7.5	7.6	7.7
Maldives ^d	119	127	123	4.6	4.3	4.2
Nepal	805	887	981	6.7	8.2	7.6
Pakistan	1,646	2,054	2,061	1.9	2.6	2.6
Sri Lanka ^d	1,980	1,636	1,039	4.0	3.3	1.7
PACIFIC DMCs	892	942	895	4.8	5.0	5.6
Cook Islands
Fiji Islands ^d	385	429	410	7.5	7.9	10.3
Kiribati
Marshall Islands
Micronesia, Fed. States of ^d	102	93	63	10.0	8.6	5.2
Nauru
Papua New Guinea	221	233	268	2.4	2.6	3.1
Samoa ^d	61	68	64	7.6	7.1	...
Solomon Islands ^d	49	51	35	4.0	4.4	3.5
Tonga ^d	29	27	17	4.4	5.7	3.3
Tuvalu
Vanuatu ^d	45	41	39	7.0	6.5	6.2
TOTAL	592,706	670,027	715,255	8.3	8.7	7.4

... Data not available.

a Consists of gold, special drawing rights, reserve position with International Monetary Fund (IMF), and foreign exchange holdings; year-end figures, unless otherwise specified.

b Merchandise imports from the balance-of-payments statistics were used for computing the ratio.

c Preliminary estimates.

d Refers to total reserves minus gold.

e Refers to gross official reserves of the country.

Sources: Country sources; and IMF, *International Financial Statistics* on CD-ROM, March 2001.

Table 41
NET FLOWS OF FINANCIAL RESOURCES, 1997–1999
(\$ million)

	Long-Term Debt			Foreign Direct Investment			Total Flows ^a		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
NIEs	18,280	3,687	(12,003)	2,844	3,218	14,584	22,381	17,406	45,172
Hong Kong, China	--	--	--	--	(2,197)	5,251	--	4,204	35,414
Korea, Rep. of	18,280	3,687	(12,003)	2,844	5,415	9,333	22,381	13,202	9,758
Singapore	--	--	--	--	--	--	--	--	--
Taipei, China	--	--	--	--	--	--	--	--	--
CARS, AZERBAIJAN, and MONGOLIA	2,461	2,611	1,517	2,958	2,650	2,572	5,724	5,485	4,329
Kazakhstan	1,220	1,199	124	1,321	1,151	1,587	2,637	2,367	1,729
Kyrgyz Republic	155	121	128	84	109	50	283	276	226
Tajikistan	13	(5)	6	20	18	24	88	70	84
Turkmenistan	791	466	(38)	108	130	180	902	602	150
Uzbekistan	157	629	925	285	200	190	461	844	1,129
Azerbaijan	34	140	224	1,115	1,023	510	1,178	1,194	783
Mongolia	92	60	148	25	19	30	175	133	227
PRC									
China, People's Rep. of	12,450	(61)	(148)	44,237	43,751	38,753	65,381	45,230	42,670
SOUTHEAST ASIA	21,180	3,334	(2,499)	17,264	12,717	6,986	39,022	20,796	10,438
Cambodia	36	52	35	204	121	126	410	343	282
Indonesia	6,433	(591)	(3,872)	4,677	(356)	(2,745)	11,602	(442)	(4,928)
Lao PDR	120	78	61	91	46	0	341	242	204
Malaysia	4,527	2,918	1,531	5,137	2,163	1,553	9,182	5,689	3,616
Myanmar	74	135	(1)	387	315	216	532	517	245
Philippines	3,224	389	3,790	1,222	2,287	573	4,712	3,314	4,955
Thailand	6,096	(364)	(4,101)	3,746	6,941	6,213	9,615	8,986	4,700
Viet Nam	670	716	58	1,800	1,200	1,050	2,628	2,147	1,365
SOUTH ASIA	3,557	6,412	948	4,899	3,542	2,910	12,523	11,884	6,823
Afghanistan	--	--	--	--	--	--	--	--	--
Bangladesh	302	332	390	141	190	179	1,033	1,182	1,247
Bhutan	12	53	3	0	0	0	44	82	41
India	691	4,176	(589)	3,577	2,635	2,169	6,927	7,629	3,351
Maldives	9	19	4	11	12	12	33	44	32
Nepal	151	123	76	23	12	4	313	251	227
Pakistan	1,984	1,195	992	716	500	370	3,124	1,870	1,559
Sri Lanka	410	513	73	430	193	177	1,049	826	366
PACIFIC DMCs	85	130	(80)	115	226	293	439	613	589
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji Islands	(14)	(17)	(26)	16	75	(33)	16	71	(45)
Kiribati	--	--	--	--	--	--	--	--	--
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Nauru	--	--	--	--	--	--	--	--	--
Papua New Guinea	101	123	(56)	29	110	297	316	441	568
Samoa	(1)	0	(3)	4	3	0	11	15	2
Solomon Islands	(2)	10	2	34	9	10	48	29	25
Tonga	(1)	2	(1)	3	2	0	10	10	6
Tuvalu	--	--	--	--	--	--	--	--	--
Vanuatu	0	12	5	30	27	20	37	45	32
TOTAL	58,013	16,113	(12,265)	72,317	66,103	66,098	145,470	101,413	110,021

-- Not reporting.

() Negative.

0 Magnitude is less than half of the unit employed.

a Refer to the sum of net resource flows on long-term debt (excluding the International Monetary Fund) plus net foreign direct investment, portfolio equity flows, and official grants (excluding technical cooperation).

Sources: World Bank, *Global Development Finance 2001* (advance release) on CD-ROM; and Hong Kong Monetary Authority, official communication, 29 March 2001.

Table 42
TOTAL EXTERNAL DEBT AND DEBT SERVICE RATIO, 1997–1999
(\$ million)

	Debt Outstanding ^a			Service Payment ^b			Debt Service Ratio ^b (%)		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
NIEs	136,984	139,097	129,784	13,778	20,624	43,020	8.2	12.9	24.6
Hong Kong, China	--	--	--	--	--	--	--	--	--
Korea, Rep. of	136,984	139,097	129,784	13,778	20,624	43,020	8.2	12.9	24.6
Singapore	--	--	--	--	--	--	--	--	--
Taipei, China	--	--	--	--	--	--	--	--	--
CARs, AZERBAIJAN, and MONGOLIA	9,680	12,865	14,860	1,199	1,586	2,198	8.0	12.2	16.5
Kazakhstan	4,078	6,087	6,182	483	989	1,364	6.2	14.5	19.4
Kyrgyz Republic	1,341	1,538	1,699	78	116	117	11.4	19.0	21.8
Tajikistan	901	1,071	889	37	83	48	5.0	12.8	6.5
Turkmenistan	--	--	--	--	--	--	--	--	--
Uzbekistan	2,246	2,751	4,163	457	341	557	11.5	10.3	17.6
Azerbaijan	507	708	1,036	78	24	85	6.6	2.3	6.5
Mongolia	608	711	891	66	35	26	10.6	6.2	4.8
PRC									
China, People's Rep. of	146,697	154,599	154,223	18,445	18,435	20,655	8.5	8.6	9.0
SOUTHEAST ASIA	370,105	381,147	378,440	44,272	43,772	47,231	14.7	16.2	16.0
Cambodia	2,129	2,210	2,262	10	13	33	1.1	1.5	2.9
Indonesia	136,173	150,884	150,096	19,736	18,302	17,848	30.0	31.7	30.3
Lao PDR	2,320	2,437	2,527	28	31	37	6.4	6.3	7.7
Malaysia	47,228	44,769	45,939	7,109	6,275	4,695	7.4	7.4	4.8
Myanmar	5,063	5,609	5,999	116	93	97	7.4	5.3	--
Philippines	45,682	47,793	52,022	4,541	5,202	6,732	9.2	11.9	14.3
Thailand	109,731	104,943	96,335	11,818	12,763	16,380	15.5	18.4	22.0
Viet Nam	21,780	22,502	23,260	913	1,094	1,410	7.7	9.0	9.8
SOUTH ASIA	149,888	157,852	159,193	17,765	15,635	14,608	20.9	18.0	15.5
Afghanistan	--	--	--	--	--	--	--	--	--
Bangladesh	15,125	16,376	17,534	708	681	788	10.6	9.1	9.7
Bhutan	120	171	184	7	9	7	5.9	6.3	4.8
India	94,320	97,639	94,393	12,415	12,094	10,109	21.3	20.6	15.0
Maldives	171	194	217	29	16	18	6.9	3.7	3.9
Nepal	2,390	2,646	2,970	98	88	107	6.9	7.0	7.9
Pakistan	30,069	32,296	34,423	4,083	2,304	3,045	36.0	19.8	30.5
Sri Lanka	7,692	8,531	9,472	426	443	535	6.4	6.4	7.9
PACIFIC DMCs	3,208	3,365	3,491	583	239	274	13.2	6.5	7.1
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji Islands	219	193	163	36	35	39	2.8	3.5	3.5
Kiribati	--	--	--	--	--	--	--	--	--
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Nauru	--	--	--	--	--	--	--	--	--
Papua New Guinea	2,592	2,718	2,847	531	182	211	20.5	8.6	9.6
Samoa	156	180	192	5	5	7	3.8	3.9	5.1
Solomon Islands	135	149	160	6	12	11	2.5	6.0	4.7
Tonga	57	62	64	4	4	4	7.7	7.3	10.8
Tuvalu	--	--	--	--	--	--	--	--	--
Vanuatu	48	63	65	2	2	2	1.6	0.9	1.1
TOTAL	816,562	848,925	839,989	96,042	100,291	127,985	12.1	13.4	15.8

-- Not reporting.

a Debt outstanding is as of end of year, covering long- and short-term debt of public and private entities in the country, and the use of International Monetary Fund (IMF) credit.

b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt. Debt service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).

Source: World Bank, *Global Development Finance 2001* (advance release) on CD-ROM.

Table 43
POVERTY AND INEQUALITY INDICATORS

	Population in Poverty (%) ^a			Income ^b Ratio of Highest 20% to Lowest 20%		Gini Coefficient ^c
	Total	Urban	Rural			
NIEs						
Hong Kong, China		15.2 (1996)	0.52
Korea, Rep. of		5.5 (1999)	0.32
Singapore
Taipei, China	0.6 ^d	(1999)	5.5 (1998)	0.32
CARs, AZERBAIJAN, and MONGOLIA						
Kazakhstan	34.6	30.0	39.0	(1996)	6.3 (1996)	0.35
Kyrgyz Republic	51.0	28.5	64.5	(1997)	9.6 (1997)	0.40
Tajikistan	83.0	(1999)
Turkmenistan
Uzbekistan	22.0 ^e	(1996)
Azerbaijan	68.1	(1995)
Mongolia	35.6	34.1 ^f	32.6	(1998)	...	(1998)
PRC						
China, People's Rep. of	4.6	(1998)	5.5 (1998)	0.32
SOUTHEAST ASIA						
Cambodia	36.1	29.9 ^g	40.1	(1997)	5.4 (1997)	0.37
Indonesia	23.4	19.4	26.0	(1999)	4.0 (1999)	0.31
Lao PDR
Malaysia	8.0	(1998)	12.0 (1995)	0.49
Myanmar
Philippines	36.8	21.5	50.7	(1997)	9.0 (1997)	0.49
Thailand ^h	12.9	1.5	17.2	(1998)	9.7 ⁱ (1999)	0.44
Viet Nam	37.0	9.0	45.0	(1998)	5.5 (1998)	0.35
SOUTH ASIA						
Afghanistan
Bangladesh	47.5	49.7	47.1	(1995–1996)	8.8 (1995–1996)	0.43
Bhutan ^j
India		5.7 (1997)	0.38
Maldives
Nepal	42.0	23.0	44.0	(1996)	5.9 (1995–1996)	0.37
Pakistan ^k	32.6	25.9	34.8	(1998–1999)	7.1 (1996–1997)	0.40
Sri Lanka ^k	26.7	13.4	28.7	(1995–1996)	11.4 (1995–1996)	0.48
PACIFIC DMCs						
Cook Islands
Fiji Islands
Kiribati
Marshall Islands
Micronesia, Fed. States of ^l	39.5	(1998)	...	(1998)
Nauru
Papua New Guinea	21.7	(1996)	12.6 (1996)	0.51
Samoa ^k	48.0 ^m	(1997)	17.0 (1997)	...
Solomon Islands
Tonga
Tuvalu
Vanuatu

... Data not available.

a Refers to headcount ratio or proportion of the population falling below the poverty line (in each country) to total population unless otherwise specified.

b Refers to income or expenditure.

c Refers to the same year as that of the Income Ratio and calculated based on income or expenditure. A value of zero implies perfect equality while a value of 1 implies perfect inequality.

d Defined as percent of low-income population to total population.

e Based on weighted calculation using equivalence scales.

f Refers to Ulaanbaatar (capital city) only. Poverty incidence in aimag (provincial) capitals is 45.1 percent.

g Urban areas do not include Phnom Penh where poverty incidence in 1997 is 11.1 percent.

h Urban and rural areas refer to municipal areas and villages, respectively. Poverty incidence in sanitary districts is 7.2 percent.

i Data collection period was from June to September 1999.

j Data from the Household Income and Expenditure Survey 2000 are being analyzed and a poverty profile will be produced.

k Data on population in poverty refer to percentage of poor households.

l ADB estimate. Government may have its own estimate.

m Refers to food poverty.

Sources: Country sources; United Nations Development Programme, web site (<http://www.undp.org>); and World Bank, *World Development Indicators 2000*.

Table 44
ENVIRONMENT INDICATORS

	Total Forest (as % of land area) 1995	Average Annual Rate of Deforestation ^a (as % of forest area) 1990–1995	National Protected Areas ^b (as % of total land area) 1997	Carbon Dioxide Emissions ^c (per capita metric tons) 1996	GDP per Unit of Energy Use (PPP ^d \$ per kg oil equivalent) 1997	Population with Access to Safe Water (%) 1998 ^e
NIEs						
Hong Kong, China	16.6	0.0 ^f	33.7	100
Korea, Rep. of	77.2	0.2	6.9	9.0	3.9	93
Singapore	6.6	0.0 ^f	4.4	21.6	2.9	100 ^g
Taipei, China	58.5	(2.4)	12.6	90 ^h
CARs, AZERBAIJAN, and MONGOLIA						
Kazakhstan	3.9	(1.9)	2.7	10.9	1.8	93
Kyrgyz Republic	3.8	0.0 ^f	3.6	1.3	3.8	79
Tajikistan	2.9	0.0 ^f	4.2	1.0	1.6	60
Turkmenistan	8.0	0.0 ^f	...	7.4	1.0	74
Uzbekistan	22.0	(2.7)	2.1	4.1	1.1	90
Azerbaijan	11.4	0.0 ^f	5.5	3.9	1.3	...
Mongolia	6.0	0.0 ^f	10.3	3.6	...	45
PRC						
China, People's Rep. of	14.3	0.1	6.4	2.8	3.3	67
SOUTHEAST ASIA						
Cambodia	55.7	1.6	16.2	0.0	...	30
Indonesia	60.6	1.0	9.7	1.2	4.5	74
Lao PDR	53.9	1.2	...	0.1	...	44
Malaysia	47.1	2.4	4.5	5.6	4.0	78
Myanmar	41.3	1.4	0.3	0.2	...	60
Philippines	22.7	3.5	4.9	0.9	7.2	85
Thailand	22.8	2.6	13.1	3.4	4.7	81
Viet Nam	28.0	1.4	3.1	0.5	3.2	45
SOUTH ASIA						
Afghanistan	2.1	6.8	0.3	6
Bangladesh	7.8	0.8	0.8	0.2	6.8	95
Bhutan	58.6	0.3	21.2	58
India	21.9	0.0 ^f	4.8	1.1	4.2	81
Maldives	60
Nepal	33.7	1.1	7.8	0.1	3.7	71
Pakistan	2.3	2.9	4.8	0.8	3.9	79
Sri Lanka	27.8	1.1	13.3	0.4	7.6	57
PACIFIC DMCs						
Cook Islands	95
Fiji Islands	45.7	0.4	1.0	77
Kiribati	0.0 ^f	0.0 ^f
Marshall Islands	82
Micronesia, Fed. States of	22
Nauru
Papua New Guinea	81.6	0.4	0.0 ^f	0.5	...	41
Samoa	48.1	1.1	68
Solomon Islands	85.4	0.2
Tonga	0.0 ^f	95
Tuvalu	100
Vanuatu	73.8	0.8	77

() Negative.

... Data not available.

a Positive figures indicate deforestation rates while negative figures indicate reforestation rates.

b Refer to all protected areas at least 1,000 hectares listed in categories I–V of the International Union for Conservation of Nature and Natural Resources.

c Refer to carbon dioxide emissions from fossil fuel burning and cement manufacturing.

d Refers to purchasing power parity.

e Refers to the most recent year available during the period 1990–1998.

f The number 0.0 means the magnitude is zero or is less than half of the unit employed and not known more precisely.

g Refers to years or periods other than those specified in the column heading, differ from the standard definition, or refer to only part of a country.

h Refers to percentage of population served by tap water.

Sources: Food and Agriculture Organization, *State of the World's Forest 1999*; United Nations Children's Fund, *The State of the World's Children 2000*, web site (<http://www.unicef.org/sowc00>); World Bank, *World Development Indicators 2000*; World Resources Institute, *World Resources 1998/99*; Directorate-General of Budget, Accounting and Statistics (DGBAS), *Statistical Yearbook 2000* and past issues; DGBAS, *Social Indicators, 1999* for Taipei, China; and Hong Kong Monetary Authority, official communication, 29 March 2001.

Table 45
HUMAN DEVELOPMENT INDICATORS

	Adult Literacy Rate ^a (%)				Gross Enrollment Ratio (%)							
	1985 ^b		1999 ^c		Primary School		Secondary School		1985 ^b		1999 ^c	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
NIEs												
Hong Kong, China	82	95	88	96	105	106	100	100	73	68	77	76
Korea, Rep. of	93	98	96	99	98	96	99	98	91	93	98	98
Singapore	79	94	89	97	106	110	97	98	61	63	70	74
Taipei, China	85	96	91	98	100	99	101	99	91	89	101	98
CARs, AZERBAIJAN, and MONGOLIA												
Kazakhstan	96	99	100	100	104	102	81	78
Kyrgyz Republic	96	99	98	99	122	123	97	98	107	111	62	79
Tajikistan	97	99	98	99	94	97	74	83
Turkmenistan
Uzbekistan	96	99	99	99	85	88	85	86	97	117	88	100
Azerbaijan	100	100	105	108	81	73
Mongolia	68	84	98	98	102	99	104	103	95	87	72	60
PRC												
China, People's Rep. of	61	83	78	91	114	132	123	123	33	46	66	74
SOUTHEAST ASIA												
Cambodia	61	83	104	123	22	37	17	31
Indonesia	66	83	85	93	114	120	110	115	35	47	77	77
Lao PDR	33	60	44	69	100	121	101	123	19	28	23	34
Malaysia	68	84	78	89	100	101	101	101	53	53	69	59
Myanmar	72	87	78	89	96	101	117	122	22	24	30	29
Philippines	91	92	94	95	107	108	113	115	65	64	78	77
Thailand	85	93	91	96	97	100	28	30
Viet Nam	83	93	91	97	100	106	111	116	41	44	46	48
SOUTH ASIA												
Afghanistan	8	37	15	47	13	27	32	64	5	11	12	32
Bangladesh	20	44	43	59	52	72	82	88	11	27
Bhutan	19	46	28	56
India	29	59	41	67	80	111	90	109	26	48	39	59
Maldives	92	91	93	93	127	130	60	59
Nepal	9	34	14	41	50	108	106	141	12	38	30	48
Pakistan	18	42	32	57	30	56	79	99	10	24	40	55
Sri Lanka	82	92	87	93	101	104	108	110	66	60	78	72
PACIFIC DMCs												
Cook Islands
Fiji Islands	83	90	89	94	122	122	52	51	65	64
Kiribati
Marshall Islands	97	97
Micronesia, Fed. States of
Nauru
Papua New Guinea	52	74	63	81	60	71	74	87	8	15	11	17
Samoa	107	102	100	101	71	63	66	59
Solomon Islands	71	86	89	103	14	24	14	21
Tonga
Tuvalu
Vanuatu	11	17

... Data not available.

a Adult literacy rate refers to population of 15 years old and over.

b Data may refer to a year from 1980 to 1989 other than, but nearest to, the reference year.

c Data may refer to a year from 1990 to 1999 other than, but nearest to, the reference year.

d Data refer to the most recent estimates reported by the national authorities, and which were not adjusted for underreporting or misclassification of maternal deaths.

e Data refer to the most recent year available during the period specified.

Sources: Country sources; Economic and Social Commission for Asia and the Pacific, *Asia-Pacific in Figures 1999*; United Nations Development Programme, *Human Development Report 2000*; United Nations Educational, Scientific and Cultural Organization, web site (<http://www.unesco.org>); United Nations Children's Fund, *The State of the World's Children 2001*; and World Bank, *World Development Indicators 2000*.

Life Expectancy at Birth (years)		Mortality Rates (per 1,000 live births)				Maternal Mortality Ratio ^d (per 100,000 live births)	Contraceptive Prevalence Rate (%)	Births Attended by Trained Health Personnel (% of total)	
1985 ^b	1999 ^c	1999		Infant	Under 5	1980–1999 ^e	1995–2000 ^e	1995–2000 ^e	
Female	Male	Female	Male						
79	74	82	77	3	NIEs
73	65	76	69	5	5	20	Hong Kong, China
76	72	80	76	4	4	6	Korea, Rep. of
76	71	78	72	7	...	9	Singapore
									Taipei, China
CARS, AZERBAIJAN, and MONGOLIA									
73	62	71	60	35	42	70	66	98	Kazakhstan
71	64	71	63	55	65	65	60	98	Kyrgyz Republic
70	70	70	65	54	74	65	...	79	Tajikistan
...	...	69	62	52	71	65	...	96	Turkmenistan
71	65	73	68	45	58	21	56	98	Uzbekistan
...	...	75	68	35	45	43	...	100	Azerbaijan
60	58	68	65	61	80	150	42	93	Mongolia
PRC									
70	68	72	68	33	41	55	91	67	China, People's Rep. of
SOUTHEAST ASIA									
47	45	55	52	86	122	470	22	34	Cambodia
58	54	68	64	38	52	450	55	56	Indonesia
48	45	55	53	93	111	650	Lao PDR
72	68	75	70	8	9	39	...	96	Malaysia
55	51	62	59	79	112	230	33	56	Myanmar
65	61	71	66	31	42	170	47	56	Philippines
67	63	72	68	26	30	44	72	...	Thailand
66	62	70	65	31	40	160	75	77	Viet Nam
SOUTH ASIA									
41	40	46	45	165	257	Afghanistan
55	56	59	59	58	89	440	54	13	Bangladesh
49	46	63	60	80	107	380	Bhutan
56	55	63	63	70	98	410	India
56	58	64	66	60	83	350	17	...	Maldives
47	49	58	58	75	104	540	30	9	Nepal
54	54	63	63	84	112	...	24	19	Pakistan
71	67	76	71	17	19	60	66	94	Sri Lanka
PACIFIC DMCs									
68	68	74	71	26	30	Cook Islands
71	67	75	71	18	22	38	Fiji Islands
54	52	65	59	53	72	Kiribati
62	59	69	66	63	92	Marshall Islands
64	62	67	64	20	24	Micronesia, Fed. States of
62	62	64	57	25	30	Nauru
53	51	59	58	79	112	370	26	53	Papua New Guinea
64	62	74	70	21	26	...	30	...	Samoa
62	60	74	70	22	26	550	Solomon Islands
64	61	71	65	18	22	Tonga
59	59	70	64	40	56	Tuvalu
57	55	70	66	37	46	Vanuatu



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Appendix 1

RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 2000

Resolution No.	Subject	Date Adopted
267	Membership of Portugal	6 March
268	Financial Statements and Independent Auditors' Reports	8 May
269	Allocation of Net Income	8 May
270	Resources of ADB	8 May
271	Place and Date of the Forthcoming Annual Meeting (2002)	8 May
272	Decisions Relating to Section 5 of the By-Laws	20 November
273	Amendment to Section 7(B)(a) of the By-Laws	20 November
274	Amendment to Section 7(C)(b) of the By-Laws	20 November
275	Decision Relating to Section 7(C)(a)(ii) of the By-Laws	20 November
276	Seventh Replenishment of the Asian Development Fund	13 December

Appendix 2

BOARD OF GOVERNORS
(as of 30 March 2001)

KEAT CHHON
(Cambodia)
(Vice-Chairperson)

PAUL H. O'NEILL
(United States)
(Chairperson)

JOHN EHSA
(Federated States of Micronesia)
(Vice-Chairperson)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	(vacant)	(vacant)
AUSTRALIA	Peter Costello	Kay Patterson
AUSTRIA	Karl-Heinz Grasser ¹	Thomas Wieser
AZERBAIJAN	Avaz Alekperov	Vadim Khubanov
BANGLADESH	Shah A.M.S. Kibria	Masihur Rahman
BELGIUM	Didier Reynders	Gino Alzetta
BHUTAN	Lyonpo Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Ouk Rabun
CANADA	John Manley ²	Bruce Montador
CHINA, PEOPLE'S REPUBLIC OF	Xiang Huaicheng	Jin Liqun
COOK ISLANDS	Terepai Maoate	Kevin Carr
DENMARK	Ellen Margrethe Loj	Torben Brylle
FIJI ISLANDS	Jone Yavala Kubuabola ³	Savenaca Narube ⁴
FINLAND	Satu Hassi	Pertti Majanen ⁵
FRANCE	Laurent Fabius ⁶	Jean-Pierre Jouyet ⁷
GERMANY	Uschi Eid	Michael Röskau
HONG KONG, CHINA	Donald Tsang	Joseph Yam
INDIA	Yashwant Sinha	Ajit Kumar ⁸
INDONESIA	Prijadi Praptosuhardjo ⁹	Syahril Sabirin
ITALY	Antonio Fazio	Mario Draghi
JAPAN	Kiichi Miyazawa	Masaru Hayami
KAZAKHSTAN	Zhaxybek Kulekeyev ¹⁰	Erbolat Dosayev ¹¹
KIRIBATI	Beniamina Tinga	Bureti Williams
KOREA, REPUBLIC OF	Nyum Jin ¹²	Chol-Hwan Chon
KYRGYZ REPUBLIC	Temirbek Akmataliev ¹³	Urkaly Toktomovich Isaev
LAO PEOPLE'S DEMOCRATIC REPUBLIC	BounNhang Vorachith	Phoupheth Khamphounvong ¹⁴
MALAYSIA	Tun Daim Zainuddin	Dató Dr. Samsudin Bin Hitam ¹⁵

1 Succeeded Rudolph Edlinger in March 2000.

2 Succeeded Lloyd Axworthy in October 2000.

3 Succeeded Mahendra Pal Chaudhry in August 2000.

4 Succeeded Jone Y. Kubuabola in August 2000.

5 Succeeded Kirsti Lintonen in November 2000.

6 Succeeded Christian Sautter in April 2000.

7 Succeeded Jean Lemierre in July 2000.

8 Succeeded E.A.S. Sarma in November 2000.

9 Succeeded Bambang Sudibyo in August 2000.

10 Succeeded Pavlov Alexander Sergeyevich in February 2001.

11 Succeeded Zhaxybek Kulekeyev in February 2001.

12 Succeeded Hun-Jai Lee in August 2000.

13 Succeeded Sultan Mederov in January 2001.

14 Succeeded Phiane Philakone in April 2000.

15 Succeeded Dató Othman Mohd. Rijal in June 2000.

CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MALDIVES	Ismail Shafeeu	Ibrahim Mohamed
MARSHALL ISLANDS	Michael Konelios	Amon Tibon ¹⁶
MICRONESIA, FEDERATED STATES OF	John Ehsa	Lorin Robert
MONGOLIA	Ch. Ulaan ¹⁷	O. Chuluunbat ¹⁸
MYANMAR	Khin Maung Thein	Soe Lin
NAURU	Kinza Clodumar	David Adeang
NEPAL	Ram Sharan Mahat ¹⁹	Bimal P. Koirala ²⁰
NETHERLANDS	Gerrit Zalm	Eveline L. Herfkens
NEW ZEALAND	Michael Cullen	Alan Bolland
NORWAY	Sigrun Mogedal ²¹	Age Grutle
PAKISTAN	Shaukat Aziz	Nawid Ahsan
PAPUA NEW GUINEA	Mekere Morauta	Koiai Tarata
PHILIPPINES	Alberto G. Romulo ²²	Rafael Buenaventura
SAMOA	Misa Telefoni Retzlaff ²³	Hinauri Petana ²⁴
SINGAPORE	Richard Hu Tsu Tau	Lim Siong Guan
SOLOMON ISLANDS	Snyder Rini ²⁵	Leslie Teamma ²⁶
SPAIN	Rodrigo de Rato y Figaredo	Juan Costa Climent ²⁷
SRI LANKA	Chandrika Bandaranaike Kumaratunga	P.B. Jayasundara
SWEDEN	Gun-Britt Andersson	Lennart Bage
SWITZERLAND	Oscar Knapp	Rudolph Dannecker
TAIPEI, CHINA	Fai-nan Perng	Chun Chen
TAJIKISTAN	Murotali Muhammadievich Alimardonov ²⁸	Maruf Saifiev ²⁹
THAILAND	Somkid Jatusripitak ³⁰	Somchainuk Engtrakul ³¹
TONGA	Siosiuia T.T. 'Utoikamanu ³²	Aisake Eke
TURKEY	Faik Öztrak ³³	Aydin Karaöz ³⁴
TURKMENISTAN	Orazmurad Begmuradov ³⁵	Seitbay Kandymov ³⁶
TUVALU	Lagitupu Tuilimu	Afelee Falema Pita
UNITED KINGDOM	Clare Short	Chris Mullin ³⁷
UNITED STATES	Paul H. O'Neill ³⁸	Alan P. Larson ³⁹
UZBEKISTAN	Bakhtier S. Khamidov	Rustam Sadikovich Azimov
VANUATU	Stevens Morking Iatika	Jeffery Wilfred
VIET NAM	Le Duc Thuy	Duong Thu Huong

16 Succeeded Smith Michael in November 2000.

17 Succeeded J. Unenbat in September 2000.

18 Succeeded D. Makhval in September 2000.

19 Succeeded Mahesh Acharya in February 2001. Mahesh Acharya succeeded Ram Sharan Mahat in March 2000.

20 Succeeded R. B. Bhattacharai in June 2000.

21 Succeeded Leif Lunde in April 2000.

22 Succeeded Jose T. Pardo in January 2001.

23 Succeeded Tuilaepa S. Malielegaoi in March 2001.

24 Succeeded Epa Tuioti in May 2000.

25 Succeeded Alpha Kimata in August 2000.

26 Succeeded George Kiriau in January 2001.

27 Succeeded Elena Pisonero Ruiz in June 2000.

28 Succeeded Anvarsho Muzaferov in April 2000.

29 Succeeded Sharif Rahimov in April 2000.

30 Succeeded Tarrin Nimmanahaeminda in February 2001.

31 Succeeded Suphachai Phisitvanich in December 2000.

32 Succeeded K. Tutoatasi Fakafanua in January 2001.

33 Succeeded Selçuk Demiralp in March 2001.

34 Succeeded Ferhat Emil in February 2001.

35 Appointed in October 2000.

36 Appointed in October 2000.

37 Succeeded George Foulkes in February 2001.

38 Succeeded Lawrence H. Summers in February 2001.

39 Appointed in May 2000.

Appendix 3

BOARD OF DIRECTORS AND VOTING GROUPS
(as of 30 March 2001)

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED ¹
Jusuf Anwar ²	John Austin	Cook Islands; Fiji Islands; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga
N. Cinnamon Dornsite ³	Chantale Yok-Min Wong ⁴	United States
Uwe Henrich ⁵	Cahit Akinci ⁶	Austria; Germany; Turkey; United Kingdom
John S. Lockhart	Miranda Rawlinson ⁷	Australia; Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
Othman Jusoh ⁸	Ram Binod Bhattacharai ⁹	Malaysia; Myanmar; Nepal; Singapore; Thailand
Julian H. Payne	Erik Johnsson	Canada; Denmark; Finland; Netherlands; Norway; Sweden
C. Ramachandran	Vacant ¹⁰	Bangladesh; Bhutan; India; Lao People's Democratic Republic; Tajikistan
Patricia Z. Riingen	Kh. Zaheer Ahmed	Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines
Naoyuki Shinohara	Yasuro Narita	Japan
Patrick Thomas	Jose Miguel Cortes ¹¹	Belgium; France; Italy; Spain; Switzerland
Jeung-Hyun Yoon	Barry Holloway	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Uzbekistan; Vanuatu; Viet Nam
Zhao Xiaoyu	Li Buqun	People's Republic of China

¹ In alphabetical order within each group.² Succeeded Soegito Sastromidjojo on 1 July 2000.³ Succeeded Linda Tsao Yang on 1 June 2000.⁴ Succeeded N. Cinnamon Dornsite on 19 June 2000.⁵ Succeeded John Millett on 1 July 2000.⁶ Succeeded Uwe Henrich on 1 July 2000.⁷ Succeeded Stephen Baker on 12 March 2001.⁸ Succeeded Prasit Ujjin on 1 August 2000.⁹ Succeeded Sim Cheng Huat on 16 July 2000.¹⁰ M. Faizur Razzaque resigned on 31 December 2000.¹¹ Succeeded Manuel Sanchez Melero on 1 August 2000.

Appendix 4

COMMITTEES OF THE BOARD OF DIRECTORS
 (as of 31 December 2000)

STANDING COMMITTEES		
AUDIT COMMITTEE	BUDGET REVIEW COMMITTEE	INSPECTION COMMITTEE^a
Julian H. Payne (Chairperson)	C. Ramachandran (Chairperson)	Kh. Zaheer Ahmed
Jusuf Anwar	N. Cinnamon Dornsife	Barry Holloway
Uwe Henrich	Naoyuki Shinohara	Vacant
John S. Lockhart	Patrick Thomas	Vacant
Othman Jusoh	Jeung-Hyun Yoon	Vacant
Patricia Z. Riingen	Zhao Xiaoyu	Vacant

WORKING COMMITTEE		
WORKING GROUP ON THE 2000 ANNUAL REPORT		
John Austin (Chairperson)		
Othman Jusoh		
Patricia Z. Riingen		
Erik Johnsson		
Yasuro Narita		
Chantale Yok-Min Wong		

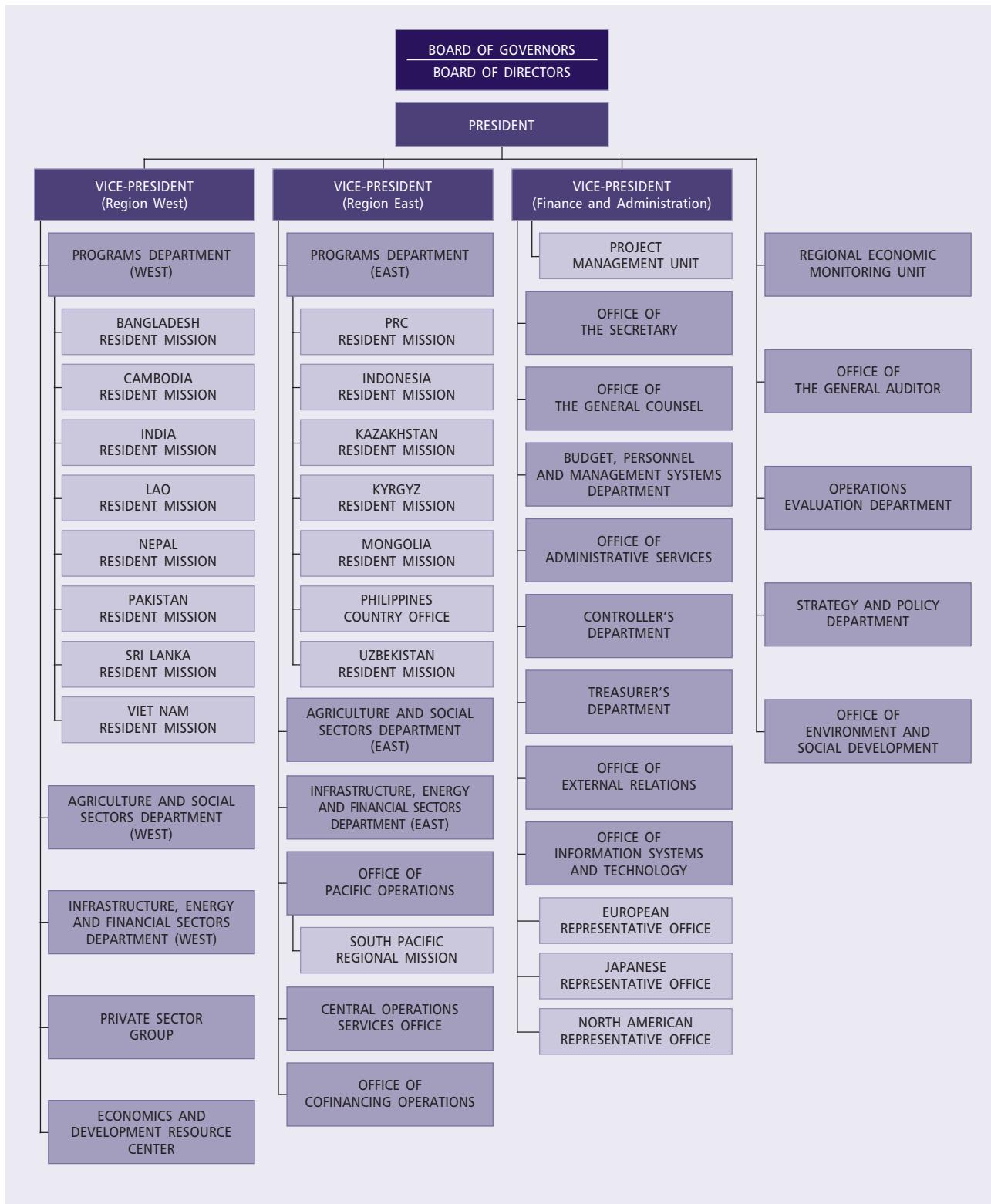
a Positions to be filled in 2001.

Appendix 5

ADB INSTITUTE ADVISORY COUNCIL
 (as of 31 December 2000)

Magnus Blomström	Sweden
Ronald Duncan	Australia
William P. Fuller	United States
Yuijiro Hayami	Japan
Y. Venugopal Reddy	India
Zhang Xiao Qiang	People's Republic of China
Chief Economist	Asian Development Bank

Appendix 6

ORGANIZATIONAL STRUCTURE
(as of 30 March 2001)


Appendix 7

MANAGEMENT, SENIOR STAFF, AND REGIONAL AND RESIDENT REPRESENTATIVES
(as of 30 March 2001)

OFFICE OF THE PRESIDENT	
President	Tadao Chino
Special Advisor to the President	J. Antonio M. Quila
Head, Regional Economic Monitoring Unit	Yoshihiro Iwasaki
Manager, Regional Economic Monitoring Unit	Pradumna B. Rana
OFFICES OF THE VICE-PRESIDENTS	
Vice-President (Region West)	Myoung-Ho Shin
Vice-President (Finance and Administration)	John Lintjer
Vice-President (Region East)	Joseph B. Eichenberger
Manager, INTEGRA Project	Silvio R. Cattonar
Manager, Project Management Unit	Yoo Jin Yoon
OFFICE OF THE SECRETARY	
Secretary	Bindu N. Lohani
Assistant Secretary	Ferdinand P. Mesch
OFFICE OF THE GENERAL COUNSEL	
General Counsel	Gerald A. Sumida
Deputy General Counsel	Eisuke Suzuki
Assistant General Counsel	Richard Eyre
Assistant General Counsel	Philip Daltrop
Assistant General Counsel	Vacant
OFFICE OF THE GENERAL AUDITOR	
General Auditor	Peter E. Pedersen
Manager	Rakesh Gupta
OPERATIONS EVALUATION DEPARTMENT	
Chief	Vladimir Bohun
Manager (Operations Evaluation Division East)	Peter C. Darjes ¹
Manager (Operations Evaluation Division West)	Graham M. Walter
STRATEGY AND POLICY DEPARTMENT	
Director	Shoji Nishimoto
Manager (Strategy, Planning and Policy Coordination Division)	Jean-Pierre A. Verbiest
Manager (Poverty Reduction Unit)	Vacant
OFFICE OF ENVIRONMENT AND SOCIAL DEVELOPMENT	
Chief	Rolf Zelius
Manager (Environment Division)	J. Warren Evans
Manager (Social Development Division)	Anita Kelles-Viitanen
PROGRAMS DEPARTMENT (EAST)	
Director	G.H.P.B. van der Linden
Deputy Director	Zhang Yuejiao
Programs Manager (Division East 1—People's Republic of China; Hong Kong, China; Indonesia; Republic of Korea; Malaysia; Mongolia; Singapore; Taipei, China)	Ayumi Konishi
Programs Manager (Division East 2—Azerbaijan; Kazakhstan; Kyrgyz Republic; Turkmenistan; Tajikistan; Uzbekistan)	Kunio Senga
Director, People's Republic of China Resident Mission	Bruce Murray
Director, Indonesia Resident Mission	Jan P. M. van Heeswijk
Resident Representative, Kazakhstan Resident Mission	Hong Wang
Resident Representative, Kyrgyz Resident Mission	J.C. Alexander
Resident Representative, Mongolia Resident Mission	Barry J. Hitchcock
Resident Representative, Uzbekistan Resident Mission	Vacant
Chief, Philippines Country Office	Günter Hecker

¹ Appointed as Resident Representative, Uzbekistan Resident Mission effective upon assumption of office.

CONTINUED

AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (EAST)	
Director	Nihal Amerasinghe
Deputy Director	Hans-Jürgen Springer
Manager (Agriculture and Rural Development Division)	Bradford R. Philips
Manager (Education, Health and Population Division)	William M. Fraser
Manager (Forestry and Natural Resources Division)	Muhammad A. Mannan
Manager (Water Supply, Urban Development and Housing Division)	Asad Ali Shah
INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (EAST)	
Director	Vacant
Deputy Director	Khaja H. Moinuddin
Manager (Energy Division)	H. Satish Rao
Manager (Financial Sector and Industry Division)	Shamshad Akhtar
Manager (Transport and Communications Division)	Jin Koo Lee
OFFICE OF PACIFIC OPERATIONS	
(Cook Islands; Fiji Islands; Kiribati; Marshall Islands; Federated States of Micronesia; Nauru; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu)	
Director	Basudev Dahal
Manager (Pacific Operations Division, Area A)	Robert Y. Siy, Jr.
Manager (Pacific Operations Division, Area B)	Cedric D. Saldanha
Regional Representative, South Pacific Regional Mission	Jeffry R. Stubbs
OFFICE OF COFINANCING OPERATIONS	
Chief	Jeremy H. Hovland
Assistant Chief	Woo Chull Chung
CENTRAL OPERATIONS SERVICES OFFICE	
Chief	James E. Rockett
Manager (Consulting Services Division)	Sarojkumar Thuraisingham
Manager (Project Coordination and Procurement Division)	Francis Sharpley
PROGRAMS DEPARTMENT (WEST)	
Director	Yoshihiro Iwasaki
Deputy Director	Rajat M. Nag
Programs Manager (Division West 1—Afghanistan; Maldives; Nepal; Pakistan; Sri Lanka)	S.H. Rahman
Programs Manager (Division West 2—Bangladesh; Bhutan; India)	Kazu Sakai
Programs Manager (Division West 3—Cambodia; Lao People's Democratic Republic; Myanmar; Thailand; Viet Nam)	C.R. Rajendran
Director, Bangladesh Resident Mission	Phiphit Suphaphiphat
Resident Representative, Cambodia Resident Mission	Urooj Malik
Resident Representative, India Resident Mission	Frank J. Polman
Resident Representative, Lao Resident Mission	Paul V. Turner
Resident Representative, Nepal Resident Mission	Richard W.A. Vokes
Resident Representative, Pakistan Resident Mission	Marshuk Ali Shah
Resident Representative, Sri Lanka Resident Mission	John R. Cooney
Resident Representative, Viet Nam Resident Mission	John Samy
AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (WEST)	
Director	Akira Seki
Deputy Director	M.E. Tusneem
Senior Advisor	Philippe Benedic
Manager (Agriculture and Rural Development Division)	Frederick C. Roche
Manager (Education, Health and Population Division)	Edward M. Haugh, Jr.
Manager (Forestry and Natural Resources Division)	Toru Shibuichi
Manager (Water Supply, Urban Development and Housing Division)	Arjun Thapan
Advisor (Education)	Peter L. Fedon

CONTINUED

INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (WEST)	
Director	Christine Wallich
Deputy Director	Preben Nielsen
Senior Advisor	Zhu Xian ²
Manager (Energy Division)	Khalid Rahman
Manager (Financial Sector and Industry Division)	Thomas Crouch
Manager (Transport and Communications Division)	Tadashi Kondo
PRIVATE SECTOR GROUP	
Head	Christine Wallich
Manager	Bruce A. Purdue
ECONOMICS AND DEVELOPMENT RESOURCE CENTER	
Chief Economist	Arvind Panagariya ³
Senior Economics Advisor	Charles Adams
Assistant Chief Economist (Economic Analysis and Research Division)	Brahm Prakash
Assistant Chief Economist (Project Economic Evaluation Division)	David Edwards
Assistant Chief Economist (Statistics and Data Systems Division)	V.N. Gnanathurai
BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT	
Director	Masakazu Sakaguchi
Deputy Director	Sandra A. Lawrence
Manager (Budget and Management Services Division)	T.L. de Jonghe
Manager (Compensation and Benefits Division)	Amarjit Singh Wasan
Manager (Human Resources Division)	Robert L.T. Dawson
OFFICE OF ADMINISTRATIVE SERVICES	
Chief	Zhang Zhixiang
Manager (Facilities Management Division)	Farrokh E. Kapadia
Manager (General Services Division)	Normin S. Pakpahan
CONTROLLER'S DEPARTMENT	
Controller	Ping-Yung Chiu
Assistant Controller (Accounting Division)	Ronny E. Budiman
Assistant Controller (Disbursement Operations Division)	Yoong-Soo Seo
TREASURER'S DEPARTMENT	
Treasurer	Shinji Ichishima
Deputy Treasurer	Ifzal Ali
Assistant Treasurer (Funding Division)	Peter M. Balon
Assistant Treasurer (Investments Division)	Jelle C. Mann
Assistant Treasurer (Risk Management Division)	Philip C. Erquiaga
Assistant Treasurer (Treasury Services Division)	David R. Parker
OFFICE OF EXTERNAL RELATIONS	
Chief	Robert H. Salomon
Assistant Chief	Ann Quon
OFFICE OF INFORMATION SYSTEMS AND TECHNOLOGY	
Chief	Pamela G. Kruzic
Assistant Chief	Christian E. Perez
EUROPEAN REPRESENTATIVE OFFICE	
Regional Representative	Keon-Woo Lee
JAPANESE REPRESENTATIVE OFFICE	
Director	Jungsoo Lee
NORTH AMERICAN REPRESENTATIVE OFFICE	
Director	Karti Sandilya

2 To report on 9 April 2001.

3 To report on 9 April 2001.

Appendix 8

FORMER ADB PRESIDENTS AND VICE-PRESIDENTS
 (as of 31 December 2000)

PRESIDENTS	
Takeshi Watanabe	24 November 1966–24 November 1972
Shiro Inoue	25 November 1972–23 November 1976
Taroichi Yoshida	24 November 1976–23 November 1981
Masao Fujioka	24 November 1981–23 November 1989
Kimimasa Tarumizu	24 November 1989–23 November 1993
Mitsuo Sato	24 November 1993–15 January 1999
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 1993–9 October 1998
Pierre Uhel	1 July 1995–4 December 1998
Peter H. Sullivan	6 July 1994–20 September 2000

Appendix 9

SUMMARY OF BUDGET FOR 2001
Internal Administrative Expenses
(\$ thousand)

	Budget	2000 After Transfers ^a	Actual	2001 Budget
I. BOARD OF GOVERNORS ^b	630	630	384	808
II. BOARD OF DIRECTORS	8,344	8,344	7,884	8,781
III. OPERATIONAL EXPENSES	167,864	167,864	162,189	176,967
Salaries	87,837	85,739	83,631	93,284
Benefits	44,930	44,930	42,756	46,229
Staff Development	2,300	2,300	1,916	2,300
Relocation	3,190	3,190	3,151	3,224
Consultants	13,435	15,533	15,533	14,400
Business Travel	15,862	15,862	14,932	17,200
Representation	310	310	270	330
IV. ADMINISTRATIVE EXPENSES	36,393	36,393	34,447	38,102
Communications	5,392	5,097	4,294	6,195
Office Occupancy	8,149	8,149	7,961	8,312
Library	823	823	802	914
Office Supplies	1,774	1,774	1,537	1,845
Office Equipment	3,274	4,913	4,913	2,836
Contractual Services	5,715	5,715	5,046	6,393
Insurance	499	499	471	557
Depreciation	10,585	9,140	9,140	10,792
Miscellaneous	182	283	283	258
V. TOTAL BEFORE GENERAL CONTINGENCY	213,231	213,231	204,904	224,658
VI. GENERAL CONTINGENCY	2,132	2,132	-	2,247
TOTAL	215,363	215,363	204,904^c	226,905

a Transfers were made between budget items within each budget category without exceeding the original amount of each category.

b Annual Meeting expenses.

c Excludes the following items reconciling with financial statements in compliance with generally accepted accounting principles: (i) provisions for future liabilities with respect to severance pay (\$1,031,000), accumulated compensated absences (-\$234,000), and accrued resettlement/repatriation allowances (\$187,000); (ii) adjustments of actuarially determined assessment of benefit obligations with respect to pension costs (-\$8,186,000) and postretirement medical benefits (\$7,794,000); and (iii) bank charges pertaining directly to the Asian Development Fund (ADF), Japan Special Fund (JSF), and Japan Scholarship Program (JSP) (\$20,000). Total administrative expenses, as shown in the financial statements, amounted to \$205,516,000. This amount, after deducting \$497,000 and \$79,000 directly charged to the Trust Fund for East Timor and JSP, respectively, has been distributed as follows: ordinary capital resources (OCR) - \$92,559,000 (Ref. OCR-2) net of \$8,531,000 as front-end fee offset against loan origination costs and recognized as a reduction in administrative expenses, ADF - \$102,308,000 (Ref. ADF-2), and JSF - \$1,542,000 (Ref. JSF-2).