



2015 ANNUAL REPORT

ASIAN DEVELOPMENT BANK

SCALING UP TO MEET
NEW DEVELOPMENT
CHALLENGES



ADB

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ANNUAL REPORT 2015

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OPERATIONAL DATA

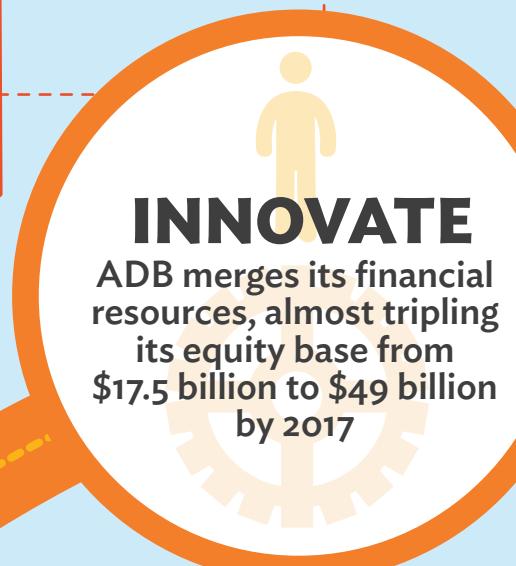
ORGANIZATIONAL INFORMATION

ADB MEMBER FACT SHEETS



Up to
50%
increase
in assistance
to developing
member countries

Up to
70%
increase
in assistance
to lower-income
countries—those
most in need—
by 2026



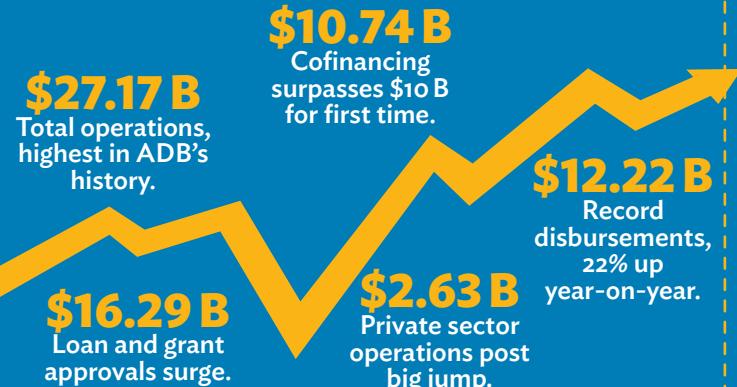
\$6 B
annual lending
to help region
mitigate and
adapt to climate
change by 2020



STRONGER BETTER FASTER

HOW ADB IS SCALING UP TO SUPPORT ASIA & THE PACIFIC

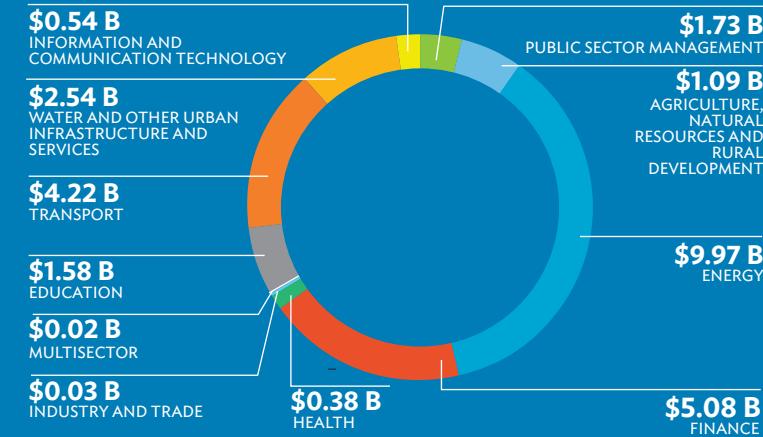
RECORD RESULTS IN 2015



REGIONS



SECTORS



WHO WE ARE

ADB is an international development finance institution. We provide loans, grants, and expertise to our developing member countries to help them alleviate poverty and create a world in which everyone can share in the benefits of growth.

President
Takehiko Nakao

Headquarters
Manila, Philippines

Founded
1966

67
Members

19
Nonregional members

3,105
Total employees

31
Field offices

48
Regional members

2015 ANNUAL REPORT

ASIAN DEVELOPMENT BANK

SCALING UP TO MEET
NEW DEVELOPMENT
CHALLENGES





“ADB WAS THE FIRST
MULTILATERAL DEVELOPMENT
BANK TO COMMIT TO A SIZABLE
CLIMATE FINANCE TARGET”

PRESIDENT'S MESSAGE



We witnessed a seismic shift in the global development agenda in 2015. In September, the international community adopted the Sustainable Development Goals that will reduce poverty and guide us toward a sustainable future before it is too late. In December, 195 countries agreed on a new climate deal to keep global warming below 2°C. These ambitious agendas require huge

financing, and ADB stands ready to assist.

To ensure we can provide Asia and the Pacific with the financing and knowledge it needs to meet the challenges ahead, ADB is dramatically scaling up operations and activities.

This year's loan and grant approvals to our developing member countries amounted to a record \$16.29 billion, compared to \$13.49 billion last year. Our private sector operations also posted a big jump to \$2.63 billion from \$1.92 billion last year. With the strong support of our donors we mobilized more than \$10.74 billion in cofinancing, bringing our total operations for 2015 to \$27.17 billion, the highest in ADB history.

Our record performance in 2015 reflects a growing demand from the Asia and Pacific region for ADB's development assistance. Poverty persists despite the region's impressive growth, and infrastructure and other development needs are monumental.

To help meet these needs, the ADB Board of Governors unanimously endorsed in April the merger of our Asian Development Fund lending operations with the ordinary capital resources balance sheet. With this path-breaking reform, ADB's financing capacity (annual approvals of new loans and grants) will increase to \$20 billion by 2020.

ADB was also the first multilateral development bank to commit to a sizable climate finance target. In September,

we announced that we would double our annual climate financing to \$6 billion by 2020. To support our climate work, we also issued our first green bond. ADB approved our first policy-based loan to the People's Republic of China to improve air quality in the Beijing-Tianjin-Hebei greater capital area.

Among our operational highlights in 2015 were our quick responses to natural disasters, especially the earthquake in Nepal (April) and the cyclone in Vanuatu (March). There was also support for countries suffering from lower commodity prices and volatility in financial markets, such as Kazakhstan and Mongolia.

To attract financial resources and management skills from the private sector for infrastructure development, our Office of Public-Private Partnership became fully operational in 2015. This office worked to prepare bankable public-private partnership (PPP) projects in the region, including the largest PPP in the Philippines' history.

We made further progress in streamlining procedures for country strategies, project processing, and procurement. We delegated more authority to our 31 field offices to improve our responsiveness on the ground, while our knowledge services are now geared to provide innovative solutions to client countries.

As we approach our 50th anniversary in 2016, ADB is committed to scaling up our operations, and achieving poverty reduction and sustainable development for Asia and the Pacific. We will be a stronger, better, and faster organization by deepening our partnerships with member countries, other international financial institutions, and civil society.

A handwritten signature of Takehiko Nakao.

Takehiko Nakao
President and Chairman
of the Board of Directors

MANAGEMENT TEAM



Left to right: Vice-Presidents Stephen P. Groff, Thierry de Longuemar, Bruce L. Davis, Wencai Zhang, Bambang Susantono, Diwakar Gupta; Managing Director General Juan Miranda; The Secretary Woo Chong Um.

BOARD OF DIRECTORS



Front row, from left: Directors Koichi Hasegawa; Gaudencio Hernandez, Jr.; David Murchison; Bhimantara Widyalala; Anthony Baker; Robert M. Orr; President and Chairman of the Board of Directors Takehiko Nakao; Directors Zhongjing Wang; Umesh Kumar; Maurizio Ghirga; Won-Mok Choi; Mario Sander; Philasak Yukkasemwong. Back row: Alternate Directors Masashi Tanabe, Muhammad Sami Saeed, Jan Willem van den Wall Bake, Dominic Walton-France, Richard Sisson, Michael Strauss, Wenxing Pan, Sharafjon Sherzaliev, Johannes Schneider, M P D U K Mapa Pathirana, Veronika Baumgartner, Rokiah Hj Badar.

The Board of Directors provides strategic direction to ADB. It approves policies, loans, grants, equity investments, and guarantees, while ensuring that ADB shareholder guidance is implemented.

In March, the Board of Directors moved to make more development assistance available to countries most in need by endorsing the proposal to merge the lending operations of the Asian Development Fund with the institution's ordinary capital resources. The Board of Governors considered and approved this proposal in April.

The Board considered a number of reforms resulting from the Midterm Review of Strategy 2020.

In January, by supporting a faster approval process for small, nonsovereign transactions, the Board helped to free up financing for frontier economies and pave the way for inclusive business opportunities. The Board

also approved a proposal to align the results framework with the Midterm Review of Strategy 2020 in the same month.

In September, the Board agreed to undertake the development of a new corporate strategy to guide ADB's expanded operations up to 2030.

Other major policy and strategic issues that the Board was involved in 2015 included a new approach to ADB engagement with upper-middle-income countries, and operational plans for health, and agriculture and natural resources. The Board also considered ADB climate financing and the framework for capital adequacy to ensure efficient use of ADB's capital for lending operations.

THE ROLE OF THE BOARD

The Board approves work programs and budget frameworks, and oversees the salaries and benefits of staff. It reviews and

endorses ADB's annual financial statements, the budget, and the allocation of net income for approval by the Board of Governors at each annual meeting.

The Board meets as often as required to manage the business of ADB. In 2015, it held 35 formal meetings and 37 informal meetings, seminars, and briefings.

The Board approved \$16.44 billion in loans, grants, equity investments, guarantees, and technical assistance during 2015.

COMMITTEE SUPPORT

The Board's work is supported by six committees: Audit, Budget Review, Compliance Review, Development Effectiveness, Ethics, and Human Resources. These committees meet several times throughout the year, providing guidance to Management and the Board on issues affecting ADB operations and administration.

During 2015, committees devoted significant time to ADB staffing issues and made relevant recommendations to the Board. The Audit Committee commenced a review of ADB's recruitment process, while the Budget Review and Human Resources committees held joint meetings to evaluate the ADB workforce.

The two committees analyzed staff workloads and reviewed compensation and benefits. Committee members noted the need to map current staff skills and to identify skills gaps in priority areas. The Board supported measures to optimize human resources and maximize opportunities at ADB. These measures include retraining and reskilling existing staff, being more flexible about redeploying staff, and managing staff numbers and positions.

COLLABORATION AND PARTNERSHIP

The Board places special emphasis on engaging with ADB members and other bilateral and multilateral development partners. It receives visiting delegations at ADB headquarters in Manila. Through an informal forum called the Board Colloquium, the Board meets visiting ADB governors, alternate governors, and eminent visitors to ADB.

During the year, the Board welcomed to ADB headquarters the alternate governors of Japan and Malaysia. It hosted the executive secretary of the United Nations Economic and Social Commission for Asia and the Pacific, discussing the development agenda and financing options for the region beyond 2015. In November, the Board had constructive talks with a delegation from the Board of the World Bank on its visit to the Philippines.



BOARD VISITS FIJI AND KIRIBATI

A Board group visited Fiji and Kiribati in March. The group visited ADB-funded roads, and water and sanitation projects. They also met with senior government officials, private sector and civil society representatives, and development partners to gain a greater understanding of country needs, development experiences, and opportunities for better partner coordination.

The Board also undertakes missions to ADB member countries. Group visits involve a number of Board members visiting particular countries to observe ADB operations, and to discuss development challenges and priorities with government officials, other development partners, business and community groups, and people who benefit from projects funded by ADB. Consultations involve Board members visiting the countries they represent for discussions with their governments.

In March, a group of Board members visited Fiji and Kiribati (see box), while in May another group visited the People's Republic of China and Mongolia. Board members met with government ministers and officials, as well as representatives from other development partners, the private sector, nongovernment organizations, and civil society. They also visited the sites of projects funded by ADB. In September, the Board made a special visit to Japan and the Republic of Korea. Unlike the visits to developing member countries, where the focus is generally on financing and operations, this visit focused on collaboration, knowledge sharing, and lessons learned from recent development experiences.

During 2015, the Board endorsed country partnership strategies for Armenia, Georgia, Pakistan, and Papua New Guinea. These country partnership strategies outline how ADB will help achieve the objectives of a country's national development plan.

FINANCIAL HIGHLIGHTS

2015 APPROVALS

\$16.29 B
LOANS, GRANTS, AND OTHERS

\$141 M
TECHNICAL ASSISTANCE

\$10.74 B
COFINANCING INCLUDING
TRUST FUNDS

FINANCIAL OPERATIONS

In 2015, ADB's operations totaled \$27.17 billion, of which \$16.29 billion was for sovereign and nonsovereign project approvals financed by ADB ordinary capital resources (OCR), Asian Development Fund (ADF), and other special funds; \$141 million was for technical assistance financed by special funds; and \$10.74 billion by cofinancing partners.

ADB Approvals, 2011–2015

(\$ million)	2011 ^a	2012 ^a	2013 ^a	2014 ^a	2015
Loans, Grants and Others					
By Source					
Ordinary Capital Resources	10,353	9,652	10,272	10,399	13,416
Loans	9,893	9,393	10,095	10,194	12,941 ^b
Guarantees	267	128	35	20	341
Equity Investments	194	131	142	185 ^c	134
Asian Development Fund	2,535	2,846	3,850	3,091	2,872
Loans	1,938	2,180	3,008	2,686	2,514
Grants	597	666	843	405	358 ^b
Special Funds^d	17	4	7	0	7
Grants	17	4	7	0	7
Subtotal	12,905	12,502	14,128	13,490	16,295
By Operations					
Sovereign	11,344	11,127	12,589	11,571	13,669
Loans	10,580	10,457	11,740	11,166	13,304 ^b
Equity Investments	150	-	-	-	-
Grants	614	670	849	405	365 ^b
Nonsovereign	1,561	1,375	1,539	1,918	2,626
Loans	1,250	1,116	1,362	1,713	2,150
Equity Investments	44	131	142	185 ^c	134
Guarantees	267	128	35	20	341
Subtotal	12,905	12,502	14,128	13,490	16,295
Technical Assistance					
Technical Assistance Special Fund	137	142	148	152	139
Special Funds ^e	8	9	7	7	3
Subtotal	145	151	155	159	141
Cofinancing Including Trust Funds					
Sovereign	3,119	2,155	3,712	4,216	6,142
Trust Funds Administered by ADB	149	206	299	147	205
Bilateral	1,896	944	1,787	902	2,232
Multilateral	1,074	939	1,620	2,733	3,492
Others ^f	-	65	6	434	213
Nonsovereign^g	4,205	6,117	2,933	5,006	4,593
Subtotal	7,324	8,272	6,645	9,222	10,735
TOTAL	20,374	20,925	20,928	22,870	27,171

- = nil, 0 = less than \$500,000.

Note: Totals may not add up because of rounding.

^a Excludes terminated loans, grants, equities, guarantees, and technical assistance.

^b Includes four project design advances approved in June, November, and December 2015 in amounts ranging from \$2 million to \$3 million.

^c Includes \$10 million classified as debt securities in financial statements in accordance with accounting standards.

^d Special funds other than ADF such as Asia Pacific Disaster Response Fund and Climate Change Fund.

^e Special funds other than Technical Assistance Special Fund include Climate Change Fund, Regional Cooperation and Integration Fund, and Financial Sector Development Partnership Special Fund.

^f "Others" includes private sector cofinancing through foundations and corporate social responsibility programs, and any public source, such as national development banks, that do not fall under official cofinancing.

^g Nonsovereign cofinancing includes commercial cofinancing such as trade finance program cofinancing, B loans, and parallel loans, among others.

DISBURSEMENTS

In 2015, loan and grant disbursements (OCR, ADF, and other special funds for grants) totaled \$12.22 billion, an increase of \$2.22 billion (22%) from 2014.

AVAILABLE RESOURCES

Authorized and subscribed capital stock amounted to \$147.55 billion and \$147.05 billion, respectively. Other resources in OCR—revenue and net realized gains—amounted to \$1.09 billion. Of this total, ADB generated \$677.73 million from its loan portfolio, \$365.44 million from the investment portfolio, and \$42.81 million from equity investments and other sources. Resources in ADB's Special Funds—contributions and revenue—totaled about \$812.37 million. These mainly included the Asian Development Fund of \$699.70 million, the Technical Assistance Special Fund of \$78.19 million, the Asian Development Bank Institute of \$12.61 million, the Asia Pacific Disaster Response Fund of \$20 million, and the Financial Sector Development Partnership Special Fund of \$1.66 million.

In 2015, ADB raised \$18.95 billion in medium- and long-term funds through public bond issues (\$16.67 billion) and private placements (\$2.28 billion). Public offerings included five global benchmark bonds denominated in US dollars and worth \$9.25 billion.

Among the highlights of capital market activity in 2015, ADB issued its first green bond of \$500 million, its inaugural Georgian lari bond amounting to GEL100 million (\$49.26 million equivalent), and a Canadian dollar maple issue amounting to C\$500 million (\$399.30 million equivalent). ADB also issued a dual tranche in the Australian dollar market comprising a new issue of A\$700 million (\$568.68 million equivalent) and a tap of A\$350 million (\$284.34 million equivalent). This was followed by another tap of A\$500 million (\$364.65 million equivalent). ADB continued to issue bonds related to particular sectors, raising \$177.27 million from its sale of water bonds.

ADB also raised \$4.08 billion in 2015 (compared with \$2.42 billion in 2014) as short-term funds under its Euro-Commercial Paper (ECP) Program. Of the ECPs issued in 2015, \$1.32 billion was outstanding as of 31 December 2015.

Resources as of 31 December 2015

(\$ million)	2011	2012	2013	2014	2015
Ordinary Capital Resources					
Authorized Capital	163,336	163,512	163,840	154,092	147,547
Subscribed Capital	162,487	163,129	162,809	153,056	147,052
Paid-in Capital and Reserves	16,534	16,420	17,138	16,938	17,446
Outstanding Debt	58,257	64,762 ^a	61,615	62,688	66,054 ^b
Asian Development Fund	33,055	33,346	33,359	31,478	30,784

^a From 2012 onward, amount includes accrued interest and commission.

^b Includes unamortized premium and/or discounts.

TOTAL DISBURSEMENTS FOR LOANS AND GRANTS, 2011–2015 (\$ million)



BORROWINGS (ORDINARY CAPITAL RESOURCES), 2011–2015 (\$ million)



OPERATING INCOME (ORDINARY CAPITAL RESOURCES), 2011–2015 (\$ million)



SCALING UP TO MEET NEW DEVELOPMENT CHALLENGES

An aerial photograph of an airport runway system. The runways are paved with dark asphalt and feature white dashed lines. They are surrounded by large, well-maintained green grassy areas with some small, low-lying structures. In the background, a dense urban area with numerous buildings is visible, along with rolling hills and mountains under a dramatic sky filled with clouds.



5.7%
EXPECTED ANNUAL
GROWTH IN THE
ASIA AND PACIFIC
REGION
IN THE NEXT
2 YEARS

The development landscape is changing. While the incidence of poverty continues to fall at record rates, development goals are becoming more ambitious and the outcomes more closely scrutinized.

Between 1990 and 2012, more than a billion people in Asia and the Pacific were lifted out of extreme poverty. Most countries in the region have since achieved middle-income status and their citizens now enjoy a better quality of life. The immediate outlook for Asia and the Pacific is also positive. Although economic growth has slowed from a high of 9.4% in 2010, the region is expected to post stable growth of about 5.7% for the next 2 years.

Despite these admirable achievements, half of the world's poorest people still live in Asia and the Pacific. In October 2015, the international poverty line was adjusted to \$1.90 a day, in 2011 purchasing power parity. Using this measure, about 451 million people in Asia and the Pacific, or one in every eight people, were still living in extreme poverty in 2012. The region also faces entrenched inequality, substantial infrastructure gaps, inadequate public services, and significant environmental risks.

There are also downside economic factors looming for Asia and the Pacific. Lower global commodity prices, declining trade due to slower growth in the People's Republic of China (PRC), reduced remittances, financial volatility, and pressure on exchange rates may affect the region's prospects.

At the same time, international development objectives are undergoing profound changes. In September 2015, the international community adopted a new global development agenda—the Sustainable Development Goals (SDGs)—which underscores the need for greater inclusion, more attention to climate change, promoting sustainable development, and ending poverty in all its forms.

The momentum of change continued in December when a new climate deal was forged during the 21st Conference of Parties on Climate Change (COP21) in Paris. In a showing of unprecedented solidarity, 195 countries signed a legally binding agreement to keep global warming below 2°C. This will require massive support for international climate financing and technical assistance.

ADB IN THE NEW DEVELOPMENT ENVIRONMENT

ADB is fully committed to playing a central role in financing the SDGs and supporting the COP21 agreement.

In July 2015, ADB joined other multilateral development banks for the Third International Conference on Financing for Development in Addis Ababa. The conference produced a renewed commitment to bolster financial support, technical assistance, and policy advice to back the new global development agenda.

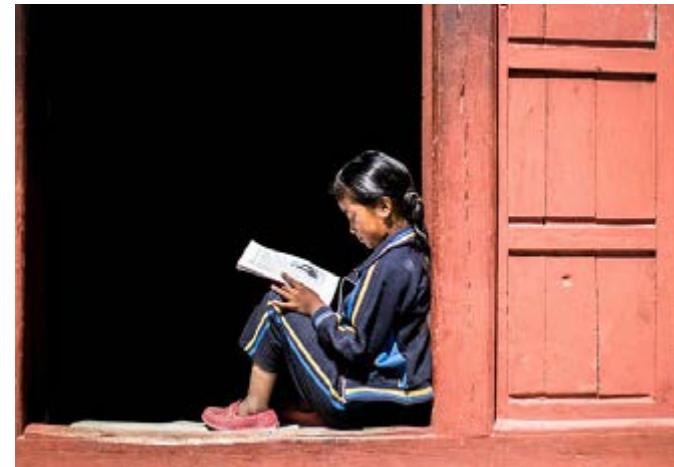
ADB IS FULLY COMMITTED TO PLAYING A CENTRAL ROLE IN FINANCING THE SDGs AND SUPPORTING THE COP21 AGREEMENT

To deliver on this commitment, ADB is scaling up its capacity to meet new development challenges. The most significant move in this process is the approval in April of the merger of ADB's concessional Asian Development Fund (ADF) loan portfolio with its ordinary capital resources (OCR) balance sheet, effective January 2017. Combining these resources will almost triple ADB's equity base from about \$17.5 billion to about \$49 billion. A major benefit of the merger is that ADB will be able to increase assistance to developing member countries (DMCs) by up to 50%. ADB assistance to lower-income countries—those most in need—will rise by up to 70% by 2026. While the merger will become effective in January 2017, ADB has already started to scale up its operations. In 2015, OCR and ADF loan and grant approvals reached a record \$16.29 billion, compared with \$13.49 billion in 2014. Including technical assistance and cofinancing, total operations were \$27.17 billion in 2015.

In October, ADB commenced negotiations with donors to replenish the ADF (11th replenishment) and the Technical Assistance Fund (6th replenishment). For the ADF, ADB has reached agreements with donors on strategic priorities for the 2017–2020 replenishment period—the first following the merger of concessional funds with OCR—and changes to the allocation mechanism to better serve the needs of recipient countries, especially small and fragile countries.

As well as providing larger volumes of financing, ADB intends to play a greater role in helping countries to use their own resources. It is strengthening its collaboration with other development partners, including new multilateral finance institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank. ADB has already started identifying potential cofinancing projects with AIIB in such areas as transport, renewable energy, urban infrastructure, and water supply.

ADB is also undergoing internal reforms to support the scaling up of operations. Following the approval of the Midterm Review of Strategy 2020 Action Plan in 2014, ADB began making comprehensive operational and organizational



changes to streamline business processes and improve its effectiveness.

STRATEGIC FOCUS: EMBRACING A BETTER FUTURE FOR ALL

In 2015, ADB continued to strive for **inclusive economic growth** across Asia and the Pacific. It invested in a range of programs and projects to create and expand economic opportunities, ensure broader access to these opportunities—especially for the poor and disadvantaged—and support social protection to reduce poverty and vulnerability. For instance, in India, a \$273 million road project will create economic opportunities for people in selected rural states, by enhancing their access to markets and other centers of socioeconomic activity. In April, ADB revised its Guidelines on Inclusive Economic Growth to help ensure that each of its country partnership strategies adequately reflects how it will support inclusive economic growth. ADB drives social protection by ensuring access to essential services for disadvantaged people, including widows, the jobless, children in poor households, and people with disabilities. In Mongolia, a \$150 million investment will help sustain financing for social welfare programs while the government reforms these programs. ADB is investing in a



\$16.3 B

**ADB'S RECORD
LOAN AND GRANT
APPROVALS IN 2015**



host of other projects to help expand health and education to disadvantaged people, bridge gender gaps, and deepen financial inclusion.

ADB is committed to **environmentally sustainable growth** in Asia and the Pacific. In 2015, it approved 65 loan and grant projects for more than \$7 billion, contributing to environmental sustainability. In June, to address the interconnected challenges of food security, agriculture, and environmental sustainability, ADB released its Operational Plan for Agriculture and Natural Resources, 2015–2020. The plan emphasizes the need to improve the management of natural resources and build climate resilience. In September—3 months prior to COP21 in Paris—ADB announced it would double its commitment to climate finance, with a target of \$6 billion in direct climate investment annually by 2020.

In 2015, ADB invested \$3.8 billion—which leveraged \$406 million in cofinancing—for **regional cooperation and integration** projects. This was supported by \$94 million of technical assistance. ADB helped finance road improvement from Eindu to Kawkareik, enhancing trade between Myanmar and Thailand, and provided assistance to Samoa and Palau to broaden access to affordable information and communication technology services through a submarine cable network. ADB also helped the South Asia Subregional Economic Cooperation Program finalize motor vehicle agreements between Bangladesh, Bhutan, India, and Nepal and between India, Myanmar, and Thailand. These agreements will open routes to greater flows of passengers and freight. ADB is also preparing its Bank-wide Regional Cooperation and Integration Operational Plan, 2016–2020. The plan will address the region's common challenges by strengthening connectivity, competitiveness, and cooperation in regional public goods and collective action through regional policy dialogue, regional institutions, and regional agreements.

SECTOR HIGHLIGHTS: BALANCING NEEDS ACROSS THE REGION

ADB invested \$2.5 billion in **clean energy** projects across Asia and the Pacific in 2015. These investments will result in 618 megawatts of additional capacity generated from renewable energy, 4.5 terawatt-hours in electricity savings, and 24 million tons of carbon dioxide avoided when the projects are up and running. In 2015, ADB approved the first results-based loan for the strengthening of Indonesia's electricity grid, followed by an industrial energy efficiency project in the PRC, supported transmission of renewable energy and regional energy trade in India, and promoted renewable energy development in the Maldives.

ADB provided \$2.8 billion directly to the **transport** sector and also to transport components of other sector's projects in 2015, with an increasing emphasis on sustainability. A road safety project in Shaanxi in the PRC will see \$200 million invested to introduce safety features expected to

SCALING UP



Innovative Thinking Paves the Way to Scale Up

For over 40 years, low-income developing member countries of ADB received concessional loans and grants from the [Asian Development Fund \(ADF\)](#), while market-based loans were made from ADB's [ordinary capital resources \(OCR\)](#).

Anticipating the emergence of the [Sustainable Development Goals](#) and the new thinking behind the Financing for Development agenda, ADB was already considering innovative ways to scale up operations to address evolving development needs.

In April 2015, the [ADB Board of Governors](#) and donors to the ADF unanimously consented to the merger of the ADF lending operations with the OCR balance sheets. This innovation allows ADB to leverage its concessional lending in a manner unique among multilateral development banks.

The [merger](#) increases ADB's capacity first and foremost to support lower-income countries while it is also beneficial for middle-income countries. It also enhances ADB's risk-bearing capacity to further support private sector operations. ADB will be in a stronger financial position to respond to any future economic crises and natural disasters. At the same time, the merger substantially reduces expected financing contributions from ADF donors.

To support the pursuit of the Sustainable Development Goals across Asia and the Pacific, the merger will allow ADB to bolster assistance to developing member countries in the coming years by as much as 50%. Lower-income countries—those which have traditionally received ADF loans and grants—will be the key beneficiaries. ADB assistance to these countries will rise by up to 70%, from the current level of \$6.5 billion to \$7.5 billion–\$11 billion by 2026.

From 2017 onward, the ADF will focus exclusively on providing grant assistance to the most debt-distressed countries in Asia and the Pacific. ADB will provide concessional and market-based loans from the expanded OCR balance sheet.





reduce road fatalities and serious injuries by 25%. In India, ADB invested \$273 million in a rural connectivity program for 6,124 kilometers of all-weather roads. The project, designed with participation of local communities, includes training on road asset management, and provides employment opportunities to women. In Bangladesh, ADB approved a \$200 million rail project for new trains and upgrades to the main lines on the key Dhaka–Chittagong and Dhaka–Khulna transport corridors.

Over the year, ADB approved more than \$2 billion for **urban development** projects. It maintained a focus on inclusive development and environmentally sustainable cities, to expand access to public services and improve mobility. ADB invested \$450 million into projects to improve the urban environment of selected cities in three provinces of the PRC. The Urban Financing Partnership Facility allocated \$15 million in financing to about 10 projects. This financing will improve the environmental conditions and livability in urban areas, and the ability of infrastructure to withstand the impacts of climate change. ADB's Future Cities Program will, over a 15–20 year period, engage with select cities to develop planning principles that improve livability.

ADB committed \$2.2 billion to **water** projects across the water and other infrastructure and services sector; agriculture, natural resources and rural development sector; and energy sector in 2015. The Water Financing Partnership Facility allocated a further \$4.3 million to help prepare and implement projects. Through these projects, ADB will help improve the lives of around 22 million people. The investments will provide greater access to clean water, increase the efficiency of irrigation infrastructure to boost agricultural production, and enhance overall water security.

ADB is responding to demands for **education** to be oriented toward the world of work. In 2015, it invested \$586 million in eight projects to broaden support for secondary education and technical and vocational education and training (TVET). ADB approved projects to help rebuild and upgrade schools damaged by the 2015 earthquakes in Nepal and to build schools with seismic safety in Armenia. It also supported a project to integrate clean energy and energy efficiency technologies into TVET in Tajikistan. ADB organized two regional forums in 2015; one in Azerbaijan to support a transition to a 12-year education system, another in Beijing to improve

the quality and relevance of multi-level TVET and higher education.

ADB support for the **finance sector** across Asia and the Pacific rose 109% from \$1.1 billion in 2014 to \$2.3 billion in 2015. It concentrated operations on finance sector development—money and capital markets—infrastructure, and investments. These were complemented by support for sound and efficient legal and regulatory frameworks and good governance. To promote inclusive growth and explore new investment opportunities, ADB convened forums highlighting the importance of remittances for development finance; holistic policy approaches for diversified micro, small, and medium-sized enterprise financing models; and innovative approaches to disaster risk financing. ADB also continued its regional financial cooperation and integration efforts in the Association of Southeast Asian Nations (ASEAN) and ASEAN plus the PRC, Japan, and the Republic of Korea through the ASEAN Financial Integration Framework and the Asian Bond Markets Initiative.

Among the major initiatives for **health** in 2015 were two projects totaling \$323 million—one for a national urban health mission in India, the other for health sector governance in the Lao People's Democratic Republic (Lao PDR). In June, ADB launched its Operational Plan for Health, 2015–2020. The plan outlines how ADB will support DMCs in achieving universal health coverage. To advance toward the goal of universal health coverage, ADB and its development partners contributed \$20 million in technical assistance for malaria and communicable disease control, elderly care in the PRC, and urban health in India. ADB also supported better hospital management practices in Mongolia and improved air quality in the Philippines. ADB seeks to share best practices in health and, in 2015, organized conferences on topics such as eHealth; malaria elimination and health security; and regulations to address health sector issues in Bangladesh, Cambodia, Indonesia, the Lao PDR, Mongolia, Myanmar, Papua New Guinea, and Viet Nam.

In 2015, ADB's commitment to **agriculture and natural resources** comprised \$1 billion in sovereign loans and grants, and \$98 million in nonsovereign investments including projects for improving financial services outreach for agriculture (\$95 million), covering 18 projects in 12 countries, and \$32 million in technical assistance. In addition to traditional investments to enhance off-farm productivity and manage natural resources, ADB diversified its portfolio to respond to the needs of DMCs. It invested in agribusiness value chains and logistics, as well as climate change resilience.

Through its Operational Plan for Agriculture and Natural Resources, 2015–2020, ADB will work to boost food productivity, address the impacts of climate change on agriculture, support small-scale farmers to participate in modern food value chains, tackle malnutrition, and improve food security. ADB has also commenced studies on food security at the country level.

THEMATIC HIGHLIGHTS: BROADENING THE BENEFITS OF GROWTH

ADB supports projects and programs that empower women and girls. In 2015, more than half of all ADB projects—especially in education, water supply, urban development, and agriculture—had a **gender** component. In Myanmar, ADB approved the first private sector project focused on gender, providing funds for the rollout of a mobile telecommunication network that will give more than 5 million women access to the internet and mobile technology by 2020, and provide mobile applications for maternal health. In Nepal, ADB supported a governance program to raise women's representation in local decision-making bodies to 33%. As a result, 35% of the capital budget for local projects was spent on priority activities identified by women and disadvantaged groups.

To strengthen **good governance**, ADB conducted governance risk assessments in nine countries in 2015. The assessments covered the agriculture, education, energy, transport, and water sectors, and ADB identified actions to overcome governance and institutional capacity challenges. ADB investments toward good governance in 2015 included an e-governance solution to digitalize land records in Bangladesh, and an e-governance master plan to widen access to public services for the people of Myanmar.

Environmental sustainability is woven into all aspects of ADB operations through country partnership strategies, technical assistance, projects, and knowledge. In 2015, ADB issued its fifth Sustainability Report, which highlights increased investment in inclusive and environmentally sustainable growth, as well as efforts to reduce its corporate environmental footprint by switching to 100% renewable energy in its headquarters. ADB also became the first multilateral development bank accredited as an implementing entity to the Green Climate Fund. In November, ADB secured \$31 million from the Green Climate Fund to make Fiji's water sector more climate resilient. The project will build new infrastructure to increase clean water supplies by 20% and boost wastewater treatment capacity by 200% in the greater Suva area, the main metropolitan center of Fiji, and will benefit a third of the country's population of 860,000.

In 2015, ADB invested \$3.86 billion in 51 projects that directly reduced disaster risk, integrated **disaster resilience** measures, or supported post-disaster response. In Nepal, ADB provided immediate funding and expertise to the government to accelerate recovery and reconstruction

STRONGER BETTER FASTER

16.7M
tons of
greenhouse
gas emissions
reduced
every year
since
2010 with
ADB
support.

2010–2015 RESULTS



ENABLING WOMEN, ENERGIZING ASIA, ASIAN DEVELOPMENT OUTLOOK 2015 UPDATE

Unleashing women's full economic potential can raise developing Asia's income by about 30% over a generation. Female workforce participation fell in developing Asia from 56% in 1990 to 49% in 2013, while it increased in every other region. Removing the unfair burden of housework, cultural biases, and institutional obstacles will allow women to work for pay and influence decisions in the household, business, civil service, politics, and the national agenda.

following the devastating earthquake on 25 April 2015. To strengthen disaster and climate resilience, ADB funding will be used to restore schools, roads, and public buildings using the “build back better” approach. This approach was used to strengthen 160 schools in Nepal under an ADB-supported project prior to 2015, all of which withstood the April earthquake. In September, ADB provided \$89.3 million to help Armenia build earthquake-resilient schools and scale up its capacity for responding to disasters in one of the most earthquake-prone regions in the world. ADB also replenished the Asia Pacific Disaster Response Fund by \$20 million, providing humanitarian disaster assistance to Myanmar, Nepal, and Vanuatu.

LEVERAGING ADB RESOURCES TO MEET THE REGION'S DEMANDS

ADB helps facilitate investment, trade, and capital in countries by attracting **cofinancing** from bilateral and multilateral agencies, philanthropic aid providers, and commercial financial institutions. Cofinancing enables ADB to design projects larger than its own resources may otherwise allow. In 2015, ADB achieved \$27.17 billion in operations by leveraging \$10.74 billion in cofinancing. ADB extended its memorandum of understanding (MOU) on cofinancing arrangements with the Republic of Korea in May, and with the Abu Dhabi Fund for Development in September. These arrangements cover agriculture, natural resources and rural development; energy; health; finance; industry and trade; water and other urban infrastructure; transport; and education. In May, ADB and the Kuwait Fund For Arab Economic Development signed an MOU to strengthen institutional partnerships. In November, ADB and Japan announced a \$16 billion partnership over the next 5 years, to boost support for private infrastructure projects and promote quality public infrastructure development in the region.

Tapping private sector resources is crucial to meeting the SDGs for Asia and the Pacific. In 2015, to encourage **public-private partnerships** (PPPs)



to finance, build, and operate much-needed public assets and services, ADB helped adopt or enact PPP legal and regulatory measures in Viet Nam (February), the PRC (April), Bangladesh (September), and Nepal (October). ADB also made progress on establishing several facilities that will help prepare PPP projects. These facilities included the Project Development and Monitoring Facility in the Philippines, which successfully awarded more than \$1.5 billion in PPP projects during 2015. In May, ADB announced that Japan, Canada, and Australia had contributed \$73 million to support the Asia Pacific Project Preparation Facility, a multi-donor trust fund managed by ADB to help developing Asia and the Pacific prepare, structure, and place bankable PPP projects. Together with the Development Bank of the Philippines, ADB will advise on the largest transaction in the country's PPP program, the North-South Railway, to convert the railway's South Line into a dynamic commuter and long-haul service corridor. Other initiatives to make progress in 2015 included the first PPP in Mongolia, a \$1.5 billion combined heat and power plant, and the Turkmenistan–Afghanistan–Pakistan–India natural gas pipeline project.

Recognizing the vital need for external resources to scale up its scope of activity, ADB **private sector operations** leveraged \$4.56 billion of external cofinancing in 2015, which compares favorably with ADB's own private sector investments of \$2.63 billion. Out of this, ADB attracted \$2.61 billion in cofinancing through B-loan syndications and parallel cofinancing. ADB's Trade Finance Program also generated over \$1.42 billion of commercial cofinancing to supplement continued efforts by ADB to close financing gaps through guarantees and loans to banks to stimulate cross-border trade.

ADB Plays a Leading Role on Climate Change

ADB has a long and impressive record on tackling climate change and in 2015 it committed to expanding this.

In September 2015, ADB President Takehiko Nakao announced that ADB will double its annual climate financing to \$6 billion by 2020. This means that ADB spending on climate change issues will rise to about 30% of its total financing by the end of this decade.

Of the \$6 billion, \$4 billion will be dedicated to climate change mitigation, by scaling up support for renewable energy, energy efficiency, sustainable transport, and building smart cities. The remaining \$2 billion will be committed to climate change adaptation, through more resilient infrastructure, climate-smart agriculture, and better preparation for climate-related disasters.

With this decision ADB will get a good head start on supporting the global agreement reached at the 21st Conference of Parties of the United Nations Framework Convention on Climate Change (COP21), held in Paris in December.

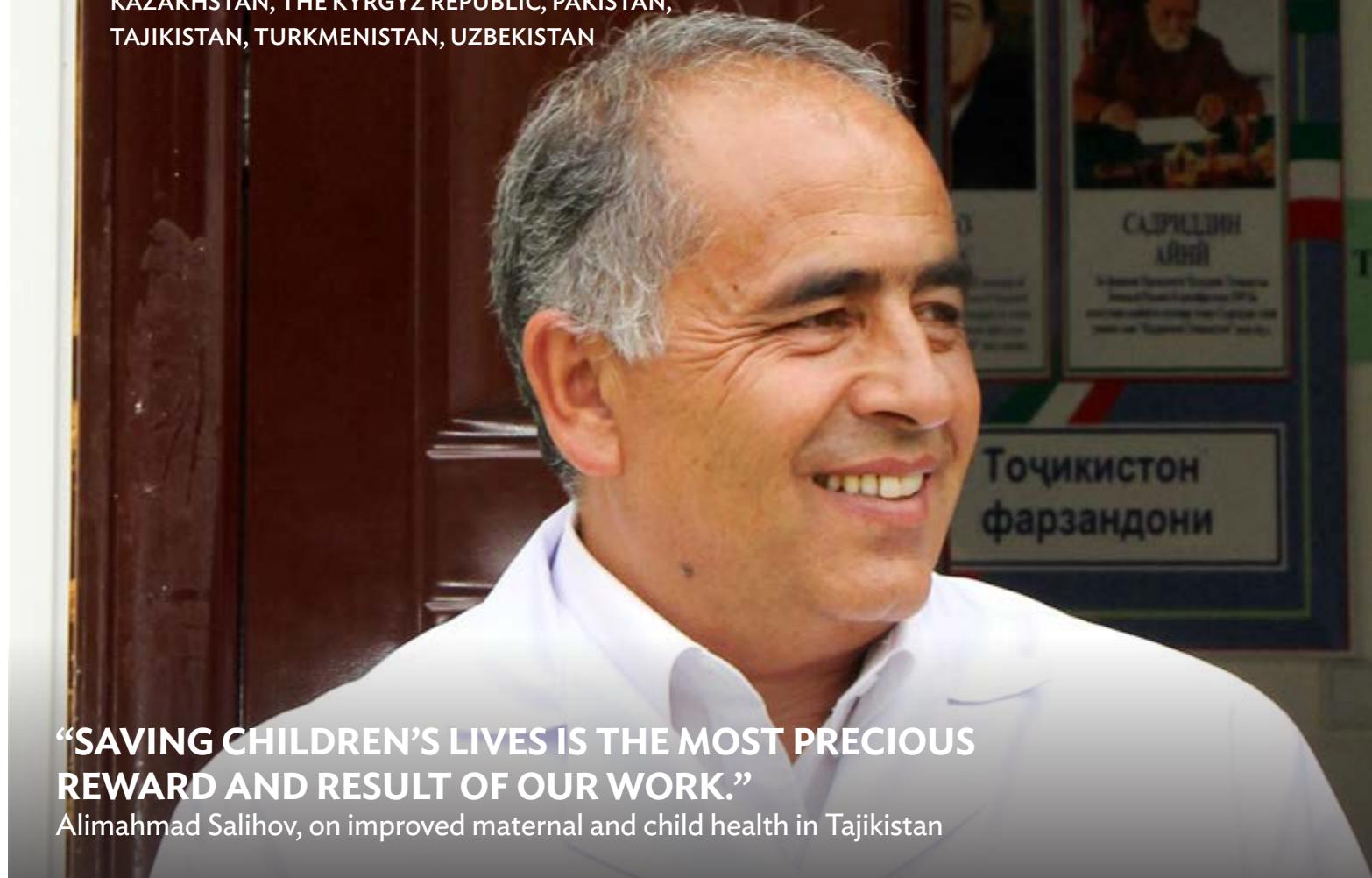
With 195 countries committed to taking action to limit the global mean temperature rise to "well below 2 degrees Celsius" above the pre-industrial average, while "pursuing efforts to limit the temperature increase to 1.5 degrees Celsius," ADB stands ready to help its developing member countries fulfill the legally binding Paris agreement.

ADB continues to develop innovative mechanisms to scale up climate financing from both the private and public sectors, and to help developing Asia and the Pacific access global climate funds, including the Green Climate Fund. The Climate Change Strategic Action Framework, planned for 2016, will consolidate and advance ADB climate strategies and actions.

ADB is sharpening its approach to **knowledge management** by preparing national knowledge plans to meet the needs of each DMC, with 10 such plans prepared during 2015. In May, ADB held its first Knowledge Partnership Week, aimed at promoting innovation through collaboration with think tanks and the private sector. This led to an agreement for ADB to collaborate with the World Resources Institute and the Cooperative Research Centre for Water Sensitive Cities on the flagship topic of Future Cities (2050) in Asia, and produced a partnership with the Center of Excellence for Renewable Energy in Indonesia.

CENTRAL AND WEST ASIA

AFGHANISTAN, ARMENIA, AZERBAIJAN, GEORGIA,
KAZAKHSTAN, THE KYRGYZ REPUBLIC, PAKISTAN,
TAJIKISTAN, TURKMENISTAN, UZBEKISTAN



“SAVING CHILDREN’S LIVES IS THE MOST PRECIOUS REWARD AND RESULT OF OUR WORK.”

Alimahmad Salihov, on improved maternal and child health in Tajikistan

Countries in Central and West Asia were affected by the continued economic slowdown of the region’s major trading partners in 2015. The slump in global commodity prices also affected the region, with diminishing export revenues and shrinking remittances from commodity-exporting countries such as the Russian Federation.

The severe recession in the Russian Federation meant fewer employment opportunities for migrant workers from countries such as Armenia, Georgia, the Kyrgyz Republic, and Tajikistan. The result was lower remittances for these countries, especially given the steep depreciation of the ruble against other currencies, leading to reduced disposable income and private consumption.

Pakistan benefited from lower prices for oil, which accounts for almost a third of its imports, yet the country’s economy failed to achieve its growth potential. This was due to weak performance in exports, caused by structural issues such as a lack of diversification and supporting infrastructure in the manufacturing sector.

Economic activity in Afghanistan was again impeded by uncertainty around the country’s political and security situation. The government struggled to deliver on anticipated reforms, keeping investor and consumer confidence low.

The region’s energy exporters—Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan—were hit by a significant drop in commodity revenues. This weakened the current account balances in these countries, putting downward pressure on their currencies. Their economic growth is likely to be further affected by reduced private investment in commodity enterprises, fewer public investments due to lower expected revenues from oil exports, and lower consumption of imported goods (due to weaker exchange rates).

Kazakhstan floated its currency, and the tenge depreciated significantly. While the lower value of the tenge could lead to improved export competitiveness in the long term, the float has increased prices for imported nonfood goods, which are difficult to substitute with local products.



SCALING UP

A Focus on Building a Better Region

After doubling in size over the past 5 years, the ADB portfolio in Central and West Asia reached \$20 billion in 2015. ADB aims to further strengthen its position in promoting economic diversity, enhancing regional connectivity, improving cross-border economic corridors, enhancing delivery of public services, and managing climate change. These ambitions will build up the forward-looking 3-year pipeline of approvals by 21.6% and will require increased resources—and close coordination with development partners.

- **Infrastructure.** The infrastructure portfolio is projected to account for almost 80% of ADB approvals during 2016–2018. In Afghanistan and Pakistan, ADB will focus on increasing energy access and developing off-grid systems with renewable energy technologies. ADB will expand transport corridors in the region and rehabilitate secondary roads, particularly in Georgia. This will increase access to jobs, markets, and basic social services, particularly for the vulnerable and the poor. ADB will take a holistic approach to water supply and sanitation in intermediate cities and rural areas, using a combination of low-cost, adaptive, and decentralized solutions.
- **Regional Cooperation and Integration.** Growing regional cooperation and integration investments under the [Central Asia Regional Economic Cooperation \(CAREC\) Program](#) will enhance physical connectivity in all CAREC countries; improve trade policy in Kazakhstan and the Kyrgyz Republic; and streamline trade across the borders of the Kyrgyz Republic, Pakistan, and Tajikistan. ADB's flagship initiative for regional cooperation and integration, the Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan power interconnection, will enable about 900 gigawatt-hours to be supplied to Afghanistan by 2019.
- **Inclusive Growth.** ADB promotes inclusive growth by expanding economic opportunities and ensuring broader sharing of the benefits. ADB intends to scale up its measures in health, education, governance, and business and finance, which represent almost 20% of planned approvals during 2016–2018.

OPERATIONAL HIGHLIGHTS

In 2015, ADB approved \$5.42 billion to improve the lives of people in Central and West Asia. Combined loans and grants included \$4.23 billion financed by ADB and \$1.19 billion in cofinancing. About \$3.23 billion worth of contracts were awarded (of which project contract awards amounted to \$1.66 billion), and ADB disbursed about \$3.60 billion (of which \$2.60 billion were project disbursements).

Lending by ADB was spread across key sectors: energy (34%); transport (27%); public sector management (27%); water and other urban infrastructure and services (6%); finance (1%); and agriculture, natural resources and rural development (1%).

ADB approved a [countercyclical support facility](#) loan of \$1 billion to Kazakhstan, which helped the government stabilize its currency and mitigate the impacts of the steep drop in oil prices, including a government revenue shortfall

resulting in a budget deficit that needed to be addressed through reduced infrastructure and social spending, and also increased import costs.

In Armenia, ADB is backing a [project to rebuild and strengthen 46 schools](#), enabling them to better withstand the frequent earthquakes that affect the country. The project will directly benefit about 58,700 students, teachers, and other school staff. The ADB loan of \$88.5 million hinges on performance, with disbursement of funds linked to results rather than up-front costs. It is the first results-based lending project for ADB in the region.

In Georgia, ADB has committed \$20 million to a [project to protect urban infrastructure and roads in Batumi against severe coastal erosion](#). The project is the fourth installment of a sustainable urban transport investment program. To improve basic services for the people of Zugdidi and Mestia, ADB provided \$75 million to upgrade water and sanitation systems.

ADB funding of \$81 million will also help improve urban wastewater services for at least 85,000 residents and over 350 businesses in Djizzak, Uzbekistan.

In Pakistan, ADB approved \$1 billion for projects to improve transport and trade. ADB is helping upgrade 328 kilometers of provincial highways in Sindh, and is funding a motorway connecting Pakistan's textile-producing hub, Faisalabad, with Multan, the major trade center in southern Punjab. Another project will construct modern border infrastructure and facilities at Charman and Torkham—the two main transit points for trade with Afghanistan—as well as in Wagha, the only open land route connecting South Asia to Central Asia. Through technical assistance, ADB will also help Pakistan develop a national transport policy, improve road safety, enhance road asset management, and facilitate international transport.

In June, ADB approved a financing advance for project design to the Kyrgyz Republic for a connector road that is part of major corridors being constructed under the Central Asia Regional Economic Cooperation (CAREC) Program. This is the first time ADB has provided project design advance financing to a country in Central and West Asia. It will support set-up costs and the detailed engineering design of the connector road.

NEW DIRECTIONS IN KNOWLEDGE SHARING

In 2015, ADB funded or supported a variety of knowledge-sharing initiatives across Central and West Asia, focusing on energy, the environment, and transport.

In April, senior transport officials from CAREC countries participated in knowledge-sharing workshops in Mongolia. Funded by ADB, the workshops covered road asset management and cross-border transport facilitation. ADB also held two technical workshops to reboot a dormant traffic agreement between the People's Republic of China, Kazakhstan, the Kyrgyz Republic, and Pakistan. In November, the first meeting of the CAREC Railway Working Group was held in Japan to begin preparing a regional strategy. ADB supported the Silk Road Forum in Georgia, which discussed economic cooperation along the Silk Road trade corridor and was attended by over 800 participants from 60 countries.

ADB produced a publication on developing water resource strategies in Tajikistan to help the country's government address chronic food insecurity and poverty. In October, ADB also helped the government organize a symposium on access to green finance. The symposium promoted the marketing, financing, and public awareness of green energy solutions across Tajikistan.

In Kazakhstan, ADB backed the Knowledge and Experience Exchange Program, a forum to find ways to improve financing for small and medium-sized enterprises.

STRONGER BETTER FASTER

2.5M
new homes
with
electricity
since 2010
with ADB
support.

2010–2015 RESULTS



COMMUNITY CONSULTATION IN GEORGIA

Appropriate mechanisms to address community concerns, prevent adverse consequences and risks, build relationships, and bring about positive changes in people's lives are increasingly important for all development projects. In 2015, ADB met regularly with civil society organizations and the government to discuss grievance redress mechanisms for ADB projects, share information, and improve dialogue between stakeholders.

COOPERATING TOWARD VITAL GOALS

In December, ADB approved a multitranche financing facility for energy development in Afghanistan, which includes projects for renewable energy generation, and reinforcement of power transmission and distribution networks.

The first tranche project will increase power imports by constructing the last link in Turkmenistan and Afghanistan's power interconnection. ADB also approved a project to rehabilitate 87 kilometers of highways in Uzbekistan, to improve travel time.

Recognizing that the number of people killed or seriously injured on roads in Central and West Asia was significant by international standards, the 14th CAREC Ministerial Conference endorsed a formal commitment to road safety. This commitment sets out 10 actions for a consistent approach to road safety across the region. ADB also supported road safety awareness campaigns in Mongolia and Georgia.

In September, the CAREC Program finalized and adopted a strategy and work plan to promote clean energy technologies across the region during 2016–2018.

EXTENDING THE BENEFITS

ADB is committed to expanding opportunities for the people of Central and West Asia, particularly women and the poor.

In Afghanistan, where most of the poor depend on agriculture to make a living, an ADB grant of \$77.5 million is helping to store crops safely, reducing losses after harvest and increasing incomes from farming.

In Azerbaijan, ADB is providing a \$600 million financing facility to rehabilitate water and sanitation systems in small towns and semi-



urban areas. Poor rural communities will also have better access to services, thanks to a loan of \$500 million to develop roads, including upgrades to the Baku–Astara Highway.

In Georgia, as well as investing in a sustainable urban transport program, ADB has committed \$500 million to deliver safe water and functioning sewerage systems in Anaklia, Kutaisi, Marneuli, Mestia, Poti, Ureki, and Zugdidi between 2011–2018. Following the approval of \$200 million for a multiyear policy-based program to increase savings and domestic resources, create investment opportunities, and support capital market and pension reforms in Georgia, ADB approved a subprogram of \$75 million in September.

In Kazakhstan, ADB is providing a loan of \$228 million—distributed through local banks and a state-owned entrepreneurship development fund—to develop small businesses, particularly those located outside major cities and owned by women entrepreneurs.

A GREENER WAY FORWARD

In 2015, ADB approved nine projects related to environmental sustainability in the region.

In Armenia, ADB is working to provide urban transport with better traffic safety and efficiency, and less pollution, while enhancing the local economy in Yerevan.

A power transmission project in the northwest region of Uzbekistan is helping improve the country's energy efficiency, while ADB work in Pakistan continues to improve water resource management; increase the

A More Energized Azerbaijan

Less than a decade ago, there was a serious lack of sufficient power, gas, and heating in rural areas of Azerbaijan. Some areas received only a few hours of electricity a day, and there were frequent localized outages and occasional widespread system failures.

As well as affecting daily life, the unreliable electricity supply inhibited industrial, agricultural, and commercial activities, limiting economic growth and employment opportunities.

In 2008, ADB committed \$160 million for a long-term project to enhance power transmission across Azerbaijan. Having completed its assessment of the project in 2015, ADB found that electricity supply increased by about 23% between 2010 and 2014, power losses through transmission lines halved from 2007 to 2014, and annual net carbon dioxide emissions reduced by 0.06 million tons.

ADB support has helped to upgrade the backbone of Azerbaijan's power transmission network—the lines linking Mingachevir to the Absheron region, which includes Baku. There are now 344 kilometers of new 220-kilovolt transmission lines, as well as two new and six upgraded substations, ensuring a stable supply of energy to key Azeri industrial and economic hubs on the Absheron Peninsula. This supply is expected to benefit about 1 million households.

With a strengthened power transmission network and stable electricity supply, the country can enjoy improved household living standards and job creation through small and medium-sized enterprises. Azerbaijan can also look to increase its power trade with neighboring countries.

productivity of irrigated agriculture; and provide social recovery from floods in Punjab province and the northern districts of Haveli, Kotli, and Poonch.

Through a grant cofinanced by the Clean Energy Fund, ADB is also supporting an education and training project to integrate clean energy and energy efficiency technologies in Tajikistan.

EAST ASIA

THE PEOPLE'S REPUBLIC OF CHINA, MONGOLIA



“THE RAILWAY HAS OPENED LIJIANG TO THE REST OF THE WORLD. WE ARE NOW THE SECOND MOST POPULAR TOURIST DESTINATION IN YUNNAN PROVINCE AND MORE TOURISTS ARE COMING EVERY YEAR.”

Tang Jiaqiong, a member of the Naxi ethnic minority and tourism official in Lijiang, PRC, on the Dali-Lijiang Railway Project

The economy of the People's Republic of China (PRC) expanded by 6.9% in 2015. The moderation in growth was mainly due to a shrinking labor force and excess production capacity, as the economy transitions from construction to consumption as its main driver. This adjustment will benefit the economy and the environment by requiring fewer resources, but it is placing considerable pressure on enterprises and industries. Poverty and income inequality between regions of the PRC remain high despite government efforts to address them.

In Mongolia, the economy grew by 2.3% in 2015, with the country facing serious challenges following years of highly expansionary macroeconomic policies. Foreign direct investment declined by 71% in the first three quarters of the year. The country's debt now accounts for almost 84% of gross domestic product, with major debt repayments due during 2017–2018. The Government of Mongolia is pushing ahead with major mining projects to spur growth and address

a persistent balance-of-payments problem. While mining remains a major source of growth, it creates few jobs and the government is diversifying the economy to broaden employment.

OPERATIONAL HIGHLIGHTS

In 2015, ADB provided \$2 billion for 16 loans and grants to East Asia, as well as \$38.8 million for 50 technical assistance projects. Lending and grant assistance, supplemented with \$254 million in cofinancing, were distributed across the sectors of agriculture, natural resources and rural development (30%); energy (26%); water and other urban infrastructure and services (15%); transport (10%); education (7%); public sector management (7%); finance (3%); and industry and trade (1%).

In 2015, ADB assistance to the PRC totaled \$1.73 billion for 12 projects in urban and road infrastructure, agriculture and natural resources, climate change, and education.



SCALING UP



Ready to Broaden the Base of Development

Following record lending of \$2 billion in 2015, ADB operations in East Asia are expected to expand further. ADB will intensify its efforts to diversify the region's economies, manage natural resources, and make urbanization more inclusive and environmentally friendly.

- **Climate Change and Environment.** To promote low-carbon development, ADB will scale up investment in energy efficiency and renewable energy. It will invest \$150 million in a smart energy transmission line to support a new power plant in Mongolia. In the People's Republic of China (PRC), \$1.5 billion will be committed over the next 3 years to support coordinated investment in clean energy, public transport, and the use of renewable energy in rural areas. Protecting river basins, particularly the Tuul River in Mongolia and the Yangtze River in the PRC, will be another priority.
- **Inclusive Growth and Social Protection.** ADB will address inequality and regional disparities by investing in Mongolia's poor ger (traditional tent) areas and focusing its lending on the poor in less developed regions of the PRC. ADB will further support social protection in Mongolia to mitigate falling government expenditure on social programs. Investing in education, addressing infrastructure gaps in regional cities, and making finance more accessible to small and medium-sized enterprises are all important parts of the inclusive growth strategy for Mongolia.
- **Policy Support and Development Partnership.** In Mongolia, ADB will provide a \$35 million technical assistance loan to help improve the corporate governance of a state-owned enterprise that manages national assets and infrastructure. In the PRC, ADB will help implement an ADB-PRC memorandum of understanding for climate change initiatives. ADB will also support regionally coordinated master plans for clean air and river basin protection, fiscal reforms, public-private partnerships, and a market-based approach to natural resource conservation.

ADB provided \$450 million for three projects in Jiangxi province and Xinjiang Uygur Autonomous Region, which will expand urban infrastructure, manage solid waste, supply clean water, control environmental pollution, and reduce flooding. ADB is supporting road infrastructure in Shaanxi province with a \$200 million loan to improve road safety, reducing road deaths and serious injuries by about 25% by 2019.

ADB approved two projects worth \$230 million in Hubei and Hunan provinces in September and November, respectively, to help improve water supply and rehabilitate ecosystems through improved pollution control and flood management. ADB also supported two projects totaling \$169 million in Henan and Gansu provinces to help secure food safety and boost agricultural production through better access to finance.

In the fight to control air pollution, ADB approved its first-ever policy-based loan to the PRC. It committed

\$300 million—supplemented by technical assistance of \$2.3 million and cofinancing of \$167 million from the German development bank KfW—to help reduce air pollution in the Beijing-Tianjin-Hebei region. Through another loan of \$100 million, ADB will also help cut emissions of more than 14 million tons of carbon dioxide equivalent per year, and support the phasing out of mercury use in the chemical industry.

In December, ADB provided the PRC its first results-based loan of \$150 million to help Guizhou province upgrade practical training facilities, develop a curriculum aligned with the needs of industry, train teachers and school managers, and strengthen education management.

In Mongolia, ADB provided \$275 million for three projects and one policy-based loan to support the poor, help diversify the economy, and create jobs.



More Power, Less Pollution in Guangdong

The lights are on in Nanhai District, Foshan City—and life has become brighter for its residents.

The People's Republic of China (PRC) is the world's largest energy consumer, and many provinces struggle to cope with power shortages, pollution, and environmental damage caused by burning fossil fuels. Through a unique partnership with the central and provincial governments, ADB funded a program to provide additional power capacity in the PRC, without adding to pollution, through an efficiency power plant (EPP). By saving energy, an EPP improves energy security because less new power supply is needed to meet future demand and less coal is used for power generation.

Guangdong province, home to 92 million people and the PRC's largest provincial economy, was chosen as the best site.

The ADB investment helped upgrade or replace motors, steam recovery systems, steelmaking equipment, and water pumps with new energy-efficient technologies. It also provided retrofitting streets, hospitals, schools, and government buildings with new light-emitting diode (LED) lighting solutions. When the program was finally completed in 2013, it created annual energy savings of 1,212 gigawatt-hours, equal to the electricity consumed by over 195,000 PRC households for 1 year. The reduction in greenhouse emissions is the same as not burning 399,891 tons of coal yearly.

The program is literally a shining example of environmentally sustainable development, and it can be seen in the 15,000 streetlights of Nanhai District, Foshan City.

ADB approved \$50 million for the second phase of an agriculture and rural development project in September for Mongolia's underutilized agricultural resources. The project aims to create and promote agribusinesses and cooperatives, and develop Mongolian food brands. In November, ADB also committed \$60 million to help small and medium-sized enterprises gain access to finance and create jobs in sectors other than mining.

UNITING TO SOLVE CHALLENGES

ADB knowledge-sharing activities in East Asia again focused on interacting with regional cooperation programs and facilitating policy and institutional reforms.

In May, ADB invited officials from Greater Mekong Subregion (GMS) countries to Yunnan province in the

PRC to discuss urbanization and common development challenges. In August, a knowledge-sharing event with Mongolia, held at ADB headquarters, focused on natural resource management and related macroeconomic policy reforms. In December, more than 100 policy makers, practitioners, and industry experts shared experiences and lessons learned in social assistance under the ADB-PRC Knowledge Sharing Platform held in Beijing.

Other knowledge-sharing activities throughout 2015 covered public finance, aging and elderly care, carbon capture and storage, lakes and wetlands protection, and transport infrastructure.

COOPERATION OPENS DOORS TO TRADE

ADB support contributed to notable achievements under the Central Asia Regional Economic Cooperation (CAREC) Program in 2015.

To support the joint customs control initiative between the PRC and Mongolia, ADB backed training workshops for the customs officers of both countries. ADB also gave a loan of \$15 million to strengthen Mongolia's capacity to control cross-border transmission of animal and plant diseases.

ADB provided two loans totaling \$300 million to the PRC to facilitate trade and investment with other CAREC member countries. The loans are funding improvements to key infrastructure in border and corridor cities in the PRC's Xinjiang Uygur Autonomous Region. In Mongolia, the first phase of the new international road corridor linking the country's isolated western regions to the PRC and the Russian Federation was successfully completed in November; in the same month, the road section in Khovd

province was inaugurated. Work on the second phase in Bayan-Olgii province began in August.

In June, under the GMS framework, ADB and the PRC jointly hosted the Seventh GMS Economic Corridors Forum and the Governors' Forum, held in Kunming in Yunnan province. At these meetings, GMS member countries agreed on measures to further develop cross-border transport, trade, and investment.

BUILDING MORE INCLUSIVE COMMUNITIES

ADB is promoting inclusive growth in East Asia through a combination of infrastructure development and social protection initiatives.

In Hubei province in the PRC, ADB supported the opening of an 18-kilometer bus rapid transit (BRT) route through Yichang's most congested roadways. This is providing affordable, faster public transport for 5,400 passengers per hour each way, improving access to economic opportunities and social services for the city's underserved.

ADB support in the PRC is also working to improve the number and quality of homes and facilities for the care of disadvantaged elderly people; improve the capacity of social workers to deal with social welfare recipients; improve technical and vocational education and training for poor communities in Hunan, Guangxi, and Guizhou provinces; and strengthen support for preparing university graduates for employment.

A new citywide BRT network in Ulaanbaatar will provide low-income areas with access to good quality public transport. ADB is also implementing two projects that will provide clean water, sewerage, and heating connections to 109,938 poor households in 13 rural towns across Mongolia.

To expand access to formal schooling, ADB supported education reforms in Mongolia, which were completed in 2015. The reforms involved lowering the school entry age from 7 years to 6 years and extending education from grade 11 to grade 12. The results of the reforms are encouraging: about 98% of the Mongolia's 6-year-olds enrolled in school, and 99% of 11th grade students successfully transitioned to grade 12.

Through a policy-based loan of \$150 million approved in October, ADB will support policy reforms to ensure continued delivery of social welfare programs, such as food stamps or cash transfers, for Mongolia's most vulnerable during ongoing economic difficulties.

ENVIRONMENTAL RESULTS KEEP FLOWING

ADB provided significant support to address the environmental degradation of the heavily populated

**STRONGER
BETTER
FASTER**

6.5M
homes with
new or
improved
water supply
since 2010
with ADB
support.

2010-2015 RESULTS



MONGOLIA'S DRAMATIC FINANCIAL LESSONS

ADB produced a 24-episode prime-time TV drama series, which aired in Mongolia in February and June 2015. The show provided financial education to low-income households, illustrated through six main characters faced with different real-life financial issues. It was the second highest-rated program in its time slot, and post-airing surveys indicated that the show was effective in conveying fundamental financial concepts to the people of Mongolia.

Songhua River Basin in the PRC's northeast. As well as funding a plan to prevent further pollution of the river basin, ADB made a series of investments in water supply management, wastewater treatment, solid waste management, and capacity development. More than 80% of wastewater in the project's catchment area is now collected and treated, contributing to a dramatic improvement in water quality and supply.

ADB is also addressing similar issues in the Yangtze River Basin around Nanjing. ADB funding to support wastewater management has improved water quality, and improved storm water drainage has reduced flooding.

ADB supports the PRC's climate change initiatives and its transition to a low-carbon economy. In September, ADB and the Hunan Provincial Government signed a memorandum of understanding to promote climate technology development and deployment in the province. In December, ADB approved a project in Qingdao that will use natural gas, solar thermal, shallow-ground geothermal, and waste heat recovered from industrial plants to heat, cool, and create electricity. The project is expected to reduce energy use by 40% and lower carbon emissions by 64% by 2022.

ADB is providing technical assistance to support Mongolia's green development agenda by strengthening the capacity of national agencies to balance three key environmental-economic accounts: materials flow, energy, and environmental taxes. The Japan Fund for Poverty Reduction provided funding to promote sustainable forest management in northern Mongolia.

PACIFIC

THE COOK ISLANDS, FIJI, KIRIBATI,
THE MARSHALL ISLANDS, THE FEDERATED STATES OF
MICRONESIA, NAURU, PALAU, PAPUA NEW GUINEA,
SAMOA, SOLOMON ISLANDS, TIMOR-LESTE,
TONGA, TUVALU, VANUATU



**“WE USED TO QUEUE FOR 2 HOURS TO FETCH WATER.
NOW, WE HAVE WATER ALL DAY.”**

Silvina Suarez Jesus from the Bairo Pite, on an urban water supply project in Dili, Timor-Leste

Declining momentum in the Pacific's larger economies saw the region's growth slow to 7.0% in 2015. In Timor-Leste, delays to several large private investment projects and continuing challenges with budget implementation held back economic growth. Fiji recorded its sixth consecutive year of economic expansion, but growth slowed from recent annual highs driven by public infrastructure spending. In Papua New Guinea (PNG)—the region's largest economy—the economic boost from the country's first full year of liquefied natural gas exports was offset by large cuts in public spending and declines in commodity prices.

Some smaller economies in the Pacific were affected by severe weather. For the first time in over a decade, Vanuatu's economy contracted. Damage caused by Cyclone Pam in March caused losses equal to over 60% of the country's gross domestic product. Kiribati and Tuvalu also felt the economic impact of Cyclone Pam. In the Federated States of

Micronesia, a series of typhoons from March to May caused damage resulting in contraction for 2015. Other economies experienced higher growth. In Samoa, Solomon Islands, and Tonga, economic expansion was driven by post-disaster reconstruction, while the Cook Islands' economy was stimulated by development projects, and tourism boomed in Palau.

OPERATIONAL HIGHLIGHTS

In 2015, ADB approved \$177.80 million for 18 loans and grants (including assistance from the Asia Pacific Disaster Response Fund) in the Pacific. These approvals, supplemented with \$271.10 million of cofinancing (including cofinancing not directly administered by ADB), were double the amount of 2014 and were complemented by \$19.42 million in technical assistance for 21 projects. ADB directed the most support to Timor-Leste (\$126.2 million) and PNG (\$81.9 million). The 2015 program focused on transport (64%), information



SCALING UP

ADB to Bolster Support for Energy, Water, and the Environment

The portfolio of active projects supported by ADB in the Pacific doubled from \$1 billion in 2009 to \$2 billion by the end of 2014. As of 31 December 2015, the figure for active operations stood at \$2.08 billion, and is expected to continue growing in the future.

- **Infrastructure Development.** The ADB infrastructure portfolio in the Pacific is expected to grow from \$1.5 billion in 2015 to more than \$2.5 billion by 2018. Land transport projects will focus on expanding access to services for remote areas, while maritime sector operations will foster regional connectivity and help bolster trade. The growth of energy sector operations, particularly projects promoting the use of renewable energy, is expected to remain high. Work on projects in both the energy and water and sanitation sectors will include expanding access for the poorer and underserved communities of the region. Further growth in information and communication technology is anticipated, with submarine cable projects in Palau, Samoa, Solomon Islands, and Tonga, and plans to extend to the Cook Islands.
- **Environment and Climate Change.** To help mitigate climate change across the Pacific, ADB expects to invest more than \$200 million in renewable energy over the next 3 years. ADB will also increase assistance for sustainable transport, and these projects will represent a growing share of the transport portfolio in the Pacific, which is expected to reach \$1.5 billion by 2018. ADB will implement a pilot program for climate resilience in Papua New Guinea, and provide other support to improve climate risk management.
- **Poverty Reduction and Inclusive Growth.** Building on ADB's assistance to the University of South Pacific, ADB will look beyond constructing school infrastructure and explore the potential in technical and vocational education in Fiji and Timor-Leste. Financial inclusion reforms in Solomon Islands and Timor-Leste will also enable more women to start businesses on their own. In Tonga, information and communication technology applications will be developed to ensure that improved connectivity will support inclusive growth.

and communication technology (20%), public sector management (7%), and energy (5%).

In Timor-Leste, ADB provided an additional \$76.22 million to an existing road project, adding 97 kilometers of national roads to the 81 kilometers already approved to be upgraded and climate-proofed. To mitigate potential damage by extreme weather events, the project will construct oversized drainage structures, concrete roads in vulnerable locations, and implement bioengineering to control erosion.

In Vanuatu, ADB approved \$32.09 million, supplemented with \$7.33 million in cofinancing from New Zealand and the Global Environment Facility, to improve interisland shipping services, and to repair and climate-proof transport infrastructure damaged by Cyclone Pam.

In Kiribati, ADB confirmed \$2.4 million, with cofinancing of \$13 million from the World Bank and the Pacific Region

Infrastructure Facility (PRIF), to improve the main road in South Tarawa. ADB is also administering a \$290,000 grant from New Zealand to support the rehabilitation of wharves and jetties in Solomon Islands.

Climate change adaptation and mitigation considerations were included in the design of the proposed Fiji Urban Water Supply and Wastewater Management Project. Grant funding of \$31 million from the Green Climate Fund will be used for the incremental adaptation costs of this project.

Information and communication technology is a critical component of the ADB strategy to improve Pacific island countries' connections to each other and the rest of the world. In 2015, ADB provided a \$25 million loan to Palau and Yap in the Federated States of Micronesia, with \$22.5 million in cofinancing from the World Bank; and a \$25 million grant to Samoa, supplemented with \$17.5 million from the World Bank and Australia, to help



connect Pacific countries to a fiber-optic submarine cable that will deliver affordable broadband internet access to the public.

ADB supports financial reform to place Pacific island countries on a more sustainable financial footing. ADB approved a \$2 million grant, with \$3 million in cofinancing from Australia, New Zealand, and the World Bank, to strengthen fiscal sustainability in Tuvalu. The third phase of a regional technical assistance project to develop the Pacific's private sector is funded by a grant of \$8.08 million from Australia. This phase focuses on sharpening the competitiveness of the business environment and the economic empowerment of women. It backed a \$24.25 million grant from the Strategic Climate Fund to help PNG make its development investments climate resilient.

From October to December, ADB provided \$1.44 million in additional financing—with \$16.61 million from Australia, New Zealand, Denmark, and the European Union—to develop and maintain renewable energy in Samoa and Tonga, and for electricity supply security and sustainability in Nauru. Additional financing of \$4.77 million from New Zealand was also provided to PNG to rehabilitate a hydropower plant and extend distribution grids, which will deliver power to about 2,500 households.

Through a grant of \$5 million, with \$4 million in cofinancing from Australia, ADB is helping provide safe water and sanitation to about 1,250 households on the island of Ebeye, Marshall Islands. In response to the damage caused by Cyclone Pam in Vanuatu, \$1 million from the Asia Pacific Disaster Response Fund and \$5 million from the Japan Fund for Poverty Reduction provided emergency support to rebuild schools for at least 1,200 students in Talea province; provide medical kits, food, and drinking water to the affected population; and restore damaged communication and transport links. Australia also committed \$2.85 million in aid, administered by ADB, to assist PNG in providing improved lending services to micro and small enterprises in the country.

LINKING TO THE GLOBAL ECONOMY

ADB strengthened its knowledge-sharing program across the Pacific in 2015.

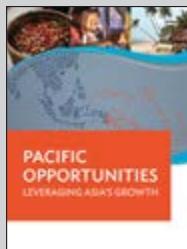
In July, ADB published *Aid for Trade in Asia and the Pacific: Thinking Forward About Trade Costs and the Digital Economy*. A special section on the Pacific looks at how entrepreneurs throughout the region have overcome high trade costs to link into the global economy. The report also considers how aid for trade has contributed to improved connectivity throughout Asia and the Pacific.

Also in July, ADB cosponsored the *2015 Pacific Update Conference*. Organized in conjunction with the Asian

STRONGER BETTER FASTER

2.2M
women
received
microfinance
support
since 2010
with ADB
assistance.

2010–2015 RESULTS



CREATING A MORE UNITED REGION

Asia has enormous potential as a market for Pacific goods, and as a source of jobs and investment for Pacific developing member countries. These two very different regions have drawn closer economically over the past 2 decades. Published by ADB in July 2015, *Pacific Opportunities: Leveraging Asia's Growth* assesses how the two regions can further develop mutually beneficial trade ties and other economic transactions.

Development Bank Institute, the Australian National University, and the University of the South Pacific, the conference provides an annual forum to discuss research and analysis relating to economic and public policy issues in the Pacific. The 2015 event attracted about 200 policy makers, academics, and development specialists.

Twice a year, ADB also publishes the *Pacific Economic Monitor*. The publication provides updates on the economic performance of Pacific island countries, complemented by policy briefs relevant to the region's decision makers.

TECHNOLOGY ADVANCES INTEGRATION

Following the establishment of a high-speed broadband cable in Tonga, ADB worked closely with development partners to replicate this in Samoa and Palau. As greater financial resources become available, ADB will explore opportunities to connect smaller and more remote countries, such as the Cook Islands, to this broadband network. Increased funding, through the merging of the lending operations of the Asian Development Fund with the institution's ordinary capital resources, will provide scope for new investments in wharves and jetties to improve maritime links across the Pacific, particularly for Nauru and Tuvalu.

ADB supported cooperation and integration initiatives in the Pacific through seven regional technical assistance programs amounting to \$12.72 million, inclusive of cofinancing from Australia. Among these are additional financing for the *Pacific Private Sector Development Initiative*, *Pacific Economic Management*, and the PRIF. Regional assistance administered by ADB covers climate change, education, energy, gender equity, and core government services.

INCLUSIVE GROWTH THROUGH LEARNING

With a growing population and labor force in the Pacific, expanding access to education and improving the skills of workers continue to be priorities. Further



to the \$19 million in assistance ADB has provided since 2012 to expand the University of the South Pacific, construction of the new campus building in Tarawa, Kiribati, was completed, with the official opening in November 2015. ADB will support the expansion of the campuses in Solomon Islands and Fiji.

ADB is working to ensure gender balance in key infrastructure projects, especially in urban water activities and in policy-based operations, and looks to give women more opportunities to build careers. Financial inclusion reforms, supported by the Pacific Private Sector Development Initiative, have encouraged the use of mobile technology and targeted women-led businesses to promote the economic empowerment of women.

BALANCED GROWTH THE KEY

ADB continues to support sustainable urban development projects in Fiji, the Marshall Islands, Timor-Leste, and Vanuatu. These projects focus on improving the water supply and protecting the environment through the proper disposal and treatment of wastewater. During the fourth quarter, ADB approved additional financing of \$18.08 million, including cofinancing from Australia, New Zealand, Denmark, and the European Union, to support the expansion of sustainable, reliable, and affordable energy across the region, with additional financing to ongoing projects in PNG, Tonga, and Samoa. ADB is also backing new renewable energy projects that are being developed in Vanuatu and Solomon Islands.

ADB actively encourages the use of country safeguard systems in the Pacific. Country safeguard systems include both the legal frameworks and the institutional

Banking Gets Moving in Papua New Guinea

As little as 15 years ago, more than 90% of the 5 million people in Papua New Guinea (PNG) had no access to financial services of any kind.

Since 2010, ADB, with cofinancing by Australia, has supported a microfinance project that is expanding access to financial services for rural communities and the poor of PNG. The country's first licensed microbank, Nationwide Microbank, or MiBank, grew from a small ADB pilot program to become the biggest microfinance bank in the South Pacific.

MiBank's chief executive officer, Tony Westaway, says microfinance is not just about access to credit, but also about people having somewhere safe to put their money. "Unbanked people in PNG bury their money in bamboo tubes in the garden and hide their money under fireplaces. Some people won't leave their homes, too scared to go to town in case their life savings are found," he says.

MiBank launched MiCash in 2011, the first bank-led deployment of mobile money in the Pacific. It is a bank account accessed via a mobile phone. People can use MiCash to save money and pay bills. It has become popular with women in particular.

Kobo Davana, a 42-year-old mother of five, finds MiCash easy to use. Through it, she has learned to manage better the money she earns from her vegetable garden. Kobo feels she now has greater control of her finances.

The ADB microfinance project also supports the financial and social empowerment of women, through the Women's Micro Bank, which has around 10,000 women customers.

arrangements to implement a country's safeguards in the areas of environment, involuntary resettlement, and indigenous peoples. ADB has provided technical assistance on country safeguard systems to Solomon Islands and Vanuatu, and a regional program supporting land acquisition and resettlement training in 10 developing member countries in the Pacific was completed in 2015. Through the PRIF, ADB—along with the World Bank, the European Investment Bank, European Union, Australia, New Zealand, and Japan—is part of a working group to develop and adopt a common set of procedures to address the management of environmental impacts and social risks in infrastructure development. These procedures must meet the safeguard requirements of development partners and be easily implemented by developing member countries.

SOUTH ASIA

BANGLADESH, BHUTAN, INDIA, THE MALDIVES,
NEPAL, SRI LANKA



“WITH NEW WATER TAPS AND TOILETS INSTALLED, HEALTH HAZARDS HAVE BEEN REDUCED IN MY TOWN.”

Rudra Rana Tharu from Shivanagar, Nepal, on a water supply and sanitation project
for small towns

In 2015, South Asia became the fastest-growing regional economy in Asia and the Pacific. The region achieved 7.4% growth despite the devastating earthquake that struck Nepal in April. India's economy expanded by 7.6%, making the largest contribution to regional prosperity, driven by a combination of strong domestic consumption and a gradual increase in public investments.

Bangladesh's economy grew by 6.6%, despite political unrest in early 2015. The economy was stimulated by improved domestic demand and increases in remittances, private sector wages, and public investment. Sri Lanka's economy grew by 4.8% due to strong consumer spending. The earthquake in April and a fuel shortage later in the year restricted Nepal's economic growth to 3%, while an increase in exports of hydropower and strong tourism supported Bhutan's growth of 5.9%. In the Maldives, an underperforming tourism sector contributed to tepid growth of 1.5%.

Although still higher than in most other regions, inflation eased across South Asia in 2015, largely due to the steep drop in global prices for crude oil and food.

OPERATIONAL HIGHLIGHTS

ADB assistance to South Asia approached \$3.80 billion in 2015 in combined loans and grants for 22 projects and \$37.26 million in grants for technical assistance. ADB directed the most support to India (48%), followed by Bangladesh (30%) and Sri Lanka (13%). ADB awarded new contracts in 2015 to implement projects totaling \$3.17 billion, and disbursements during the year amounted to \$2.25 billion. ADB strengthened its ties with development partners, raising \$2.14 billion in cofinancing for South Asia.

ADB focused on sectors considered essential for sustained and inclusive economic growth. It provided the largest share (24%) of its assistance to the transport sector, which



SCALING UP

Investment Momentum Set to Continue

The portfolio of active ADB projects in South Asia expanded from \$15.3 billion in 2008 to \$23.7 billion at the end of 2015. Further strong expansion in investment is anticipated over the next 5 years. ADB has committed nearly \$15 billion to the region for 2017–2018.

- **Infrastructure Development.** Infrastructure lending will account for more than two-thirds of total lending for 2017–2018. ADB will continue to invest in roads and railways, renewable energy, energy efficiency, water supply and irrigation, food security, and natural resource management. ADB anticipates approval in 2016 of assistance for economic corridors in India. ADB intends to expand the corridor strategy to Sri Lanka, Bangladesh, and other countries. ADB will contribute to regional connectivity of transport, energy, and information technology.
- **Poverty Reduction and Inclusive Growth.** ADB will focus on infrastructure in education and health, while strengthening social assistance and labor market programs. It foresees broader and more intensive investments in institutional capacity for India. In Sri Lanka, ADB will focus on agriculture, natural resources, and rural development as drivers of inclusive growth. It has also programmed \$1 billion for education in Sri Lanka over the next 5 years. In Nepal, the 2015 earthquake presented the need to scale up assistance. ADB will support retrofitting, rebuilding, and capacity building on a much wider scale in the affected areas.
- **Environment and Climate Change.** To address the surging demand for energy in South Asia, ADB will help countries in the region develop renewable energy sources. As a model of successful bilateral cooperation in green energy trade, ADB supports Bhutan's hydropower exports to India. It is also backing the power interconnection between Bangladesh and India. To mitigate climate risk, ADB will support a river training and flood control project in the Amochu river in Bhutan.

received \$908 million. This was followed by \$875 million (23%) to the energy sector; \$551 million (15%) to finance; \$508 million (13%) to education; \$305 million (8%) to urban services; \$320 million (8%) to agriculture, natural resources and rural development; and \$300 million (8%) to health.

In Bangladesh, ADB approved a [\\$200 million rail project](#) that will provide new carriages, locomotives, and equipment, which will benefit 10 million passengers per year, and increase Bangladesh Railway's carrying capacity by 15%. In India, ADB backed a [\\$273 million rural connectivity program](#) that supports the government's plan to link rural communities to markets and other centers of economic activity in the states of Assam, Chhattisgarh, Madhya Pradesh, Odisha, and West Bengal. ADB also provided \$200 million to the third phase of Sri Lanka's roads integration program, which will improve roads in several southern, central, and western provinces and thereby

increase the involvement of the rural population in nationwide economic and social development.

In the energy sector, ADB is supporting the Government of India's initiative for green energy corridors. In December, it approved [\\$500 million for a power transmission system](#) that will share renewable energy across states.

In June, ADB approved a [multitranche financing facility of \\$453 million](#), with \$114 million from cofinanciers (\$60 million confirmed from the European Investment Bank), to support a water security program in Mahaweli, Sri Lanka. The project will help the government underpin climate resilience, delivering water for agricultural and municipal use on a sustainable basis.

In June, ADB extended \$200 million in earthquake emergency assistance to Nepal. This funding will help rebuild schools, roads, and district-level government buildings. It will also help strengthen the country's resilience

Becoming Skilled to Help Rebuild Nepal

Shortly after the earthquake on 25 April, Sun Kumar Datheputhe contemplated migrating to a Gulf country as an unskilled construction worker. Datheputhe needed an income to support his family of 11 and to rebuild his home in the village of Changunarayan in Bhaktapur, about 20 kilometers northeast of Kathmandu. Today, Datheputhe remains in Changunarayan, learning new masonry skills to reconstruct his own home and find work rebuilding others. “I will be applying these skills while constructing buildings and houses in the future,” said the 37-year-old. The earthquake and aftershocks destroyed nearly 500,000 houses across Nepal, and partially damaged another 250,000.

Datheputhe, along with 19 other people from his village, is participating in 390 hours of training in earthquake-resilient building methods. Financed and conducted by ADB, the masonry course is based in Kathmandu and attracted 280 participants in 2015. It is projected to train a further 1,280 people across the country in 2016.

While masonry in Nepal has traditionally been carried out by men, 72 women have already completed the course. “I will be able to find a new job after acquiring these skills,” said Sapana Karki, a 19-year-old woman from Changunarayan.

Under an ongoing skills development project, ADB has provided training to 45,000 young Nepalis in the services, manufacturing, and construction sectors, with 30% of trainees from marginalized groups and 40% women.

to future disasters, and focus on reconstructing water infrastructure and other urban utilities.

DIVERSE KNOWLEDGE SHARING

ADB project support for South Asia is enhanced by a vibrant knowledge-sharing program.

In March, ADB conducted a high-level workshop in Bhutan to discuss business climate, national competitiveness, foreign investment, and global value chains. In May, it supported the International Conference on Urban Health, held for the first time in Asia and hosted by Bangladesh.

In August, ADB released *An Enduring Partnership*, a book on development achievements in the Maldives describing how ADB has contributed to these since 1978. In September,



ADB contributed to a 10-day pilot executive training program for Nepal’s mid-level officials, based on the government’s initiative to improve the capacity of its civil service. In October, ADB held a workshop in Sri Lanka on involuntary resettlement caused by the construction of an expressway, demonstrating the good resettlement practices that emerged from it.

In November, ADB was the knowledge partner for the Resurgent Rajasthan Partnership Summit, 2015, in Jaipur, India, and cosponsored the Third South Asia Regional Public Procurement Conference held in Bangladesh.

DRIVING TIGHTER INTEGRATION

ADB continued to support the South Asia Subregional Economic Cooperation (SASEC) Program as its lead vehicle to strengthen cooperation and connectivity in the region.

In June, SASEC coordinated the historic signing of the Bangladesh–Bhutan–India–Nepal Motor Vehicle Agreement and the finalization of the India–Myanmar–Thailand Motor Vehicle Agreement. The agreements will make it quicker, easier, and cheaper for passenger and freight vehicles to cross borders and travel along designated trade routes in participating countries.

In September, ADB provided \$120 million to upgrade the power grid connecting Bangladesh and India. This will double electricity imports from India—from the current 500 megawatts to 1,000 megawatts—to help Bangladesh meet the rising demand for power from a rapidly growing economy without further increasing dependence on costly oil- and diesel-based power generation.

ADB also approved \$30 million funding for Bangladesh to prepare high-priority transport projects that will open the way for cross-border traffic and improve subregional trade along the Trans-Asian Railway and Asian Highway networks.

In 2015, ADB prepared analytical studies for the East Coast Economic Corridor, India's first coastal economic corridor linking Kolkata in the east, through Chennai, to Tuticorin in the south. With development based around ports, the East Coast Economic Corridor will provide India with access to global production networks and forge deeper trading links with Southeast Asia and East Asia.

HEALTH LEADS TO INCLUSIVE GROWTH

In 2015, ADB continued its work to expand access to opportunities for marginalized groups in South Asia, particularly poor communities and disadvantaged women.

In May, ADB committed \$300 million of support to an urban health initiative of the Government of India, which has a core strategy of strengthening the primary health infrastructure and services across all cities and towns with a population above 50,000. This is ADB's first investment in the country's health sector, aiming to reinforce government efforts to develop urban health systems that can deliver quality services and reach the poor and vulnerable.

In Bangladesh, ADB is supporting an ongoing rural infrastructure project that has already benefited half a million people in 12 districts in the southwest coastal region, including the poor, with more than 21 kilometers (km) of roads constructed and 23 markets erected in 2015. Another urban infrastructure project in 31 municipalities throughout the country will benefit more than 200,000 people, with 136 km of roads and 45 km of drains expected to be completed by mid-2016. ADB assistance helped deliver a skills program that trained more than 20,000 people (including 4,700 women) and led to 2,350 of them receiving job offers in 2015. ADB provided additional financing of \$120 million to an education program, leading to more than 2,000 schools being built and more than 3.3 million preschoolers and 21.7 million primary students receiving free textbooks.

ADB is promoting inclusive growth in the Maldives by supporting access to credit for micro, small, and medium-sized enterprises. The funding is helping to generate income for sole traders and create jobs in small businesses. In October, ADB approved a grant of \$600,000 to help improve access to jobs, markets, schools, health, and basic services in Laamu, the largest atoll in the Maldives.

STRONGER BETTER FASTER

86,000

kilometers
of roads
built or
upgraded
since 2010
with ADB
support.

2010–2015 RESULTS



A BOOST FOR BHUTANESE WOMEN

Through a special project to provide economic opportunities for women and girls, cofinanced by the Japan Fund for Poverty Reduction, ADB is creating more opportunities for women in southwestern Bhutan. The women have been able to earn a living by spinning and weaving, and by growing earthworms that produce organic fertilizers and biogas. The work has not only provided an income; it has given the women self-confidence and recognition in their local community.

CLEAN, GREEN ENERGY SPURS GROWTH

Throughout 2015, promoting environmentally sustainable growth remained a pillar of ADB support for South Asia.

With a rising demand for energy to propel the region's economic growth, the challenge of climate change is especially acute in South Asia. ADB is helping countries explore and utilize local green energy sources, and is working to enhance regional cooperation in trading energy.

More than 40% of projects approved by ADB for India during 2015 will provide tangible benefits to the environment. These include energy sector projects that support the reliable supply of clean energy and promote the use of least-cost and low-carbon options. The Orissa irrigated agriculture program also supports environmental sustainability through better disaster risk management and improved food security.

In Nepal, ADB has made improving the environment a key strategic priority. It is financing an ongoing project in Kathmandu Valley to provide clean water and sanitation to more than 1.3 million people. In April, ADB provided additional funding of \$90 million for this project, to rehabilitate and expand the valley's sewerage network, modernize wastewater treatment plants, and improve wastewater management—all working to reduce pollution of the valley's Bagmati River.

In Sri Lanka, ADB made an investment to improve the country's resilience to climate change. About 6.2 million Sri Lankans, or 30% of the population, live in the country's northern dry zone, which often experiences low rainfall and drought. The ADB investment will help transfer excess water from the Mahaweli River Basin to the northern dry zone for irrigation, drinking, and commercial purposes.

SOUTHEAST ASIA

BRUNEI DARUSSALAM, CAMBODIA, INDONESIA,
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC,
MALAYSIA, MYANMAR, THE PHILIPPINES,
SINGAPORE, THAILAND, VIET NAM



"MY TAILORING BUSINESS IS GROWING. [THE PROGRAM] BENEFITS ME, MY FAMILY, AND THE NEIGHBORS I EMPLOY."

Wiwik Aldilla, on ADB support for microfinance and financial literacy in Aceh and North Sumatra, Indonesia

Growth in gross domestic product (GDP) across Southeast Asia in 2015 moderated to 4.4% from 4.5% in 2014. The projected economic recovery for the region was delayed by weak demand from major export markets and by falling prices for oil and other commodities.

Lower government spending and subdued exports slowed economic expansion in the Lao People's Democratic Republic (Lao PDR). The industry and services sectors drove GDP growth in Cambodia. Lower agricultural output due to floods and landslides limited growth in Myanmar. Growth decelerated in Indonesia in large part due to weak commodity prices, El Niño drought, extensive forest fires, higher inflation, and tight credit conditions. Broad-based domestic demand underpinned growth in the Philippines, offsetting the drag from sluggish external demand. Weak consumption and exports held back Malaysia's growth. Manufacturing output in Singapore fell mainly due to a slowdown in rig-building activities and weaker demand

for oilfield and gasfield equipment. Brunei Darussalam contracted again in 2015 as prices for oil and natural gas exports plunged. In contrast, Viet Nam benefited from a recovery in consumer spending and stronger foreign direct investment. Meanwhile, government spending and stimulus measures supported Thailand's economic recovery.

OPERATIONAL HIGHLIGHTS

ADB supported its members across Southeast Asia in 2015 with \$3.47 billion in loans and grants and \$53.38 million in technical assistance (including technical assistance official cofinancing). ADB directed the bulk of its assistance to the sectors of energy (37%), finance (23%), and water and other urban infrastructure and services (20%). ADB liaised closely with development partners and mobilized \$2.16 billion in official cofinancing for loans and grants in 2015. Contracts awarded totaled \$1.60 billion,



SCALING UP

Wide-Scale Funding Boosts for Key Sectors

ADB operations in Southeast Asia have expanded significantly in recent years. Its portfolio of active projects in the region has risen in value from \$11.3 billion in 2011 to \$17.8 billion in 2015.

- **Infrastructure Development.** ADB will adopt a more holistic approach, using sector-wide programs, to scale up and sustain its investment in developing key infrastructure across the region. During 2016–2018, ADB expects to commit 44% of its total investment in the region to infrastructure development, with a focus on large projects and programs in the transport, energy, and urban sectors.
- **Inclusive Growth.** ADB is expanding its education program in Cambodia, the Lao People's Democratic Republic, Indonesia, the Philippines, and Viet Nam. It is also identifying opportunities for lending in Myanmar and Thailand. ADB will focus on maintaining support for social protection, health operations, and regional public goods, including effective regional responses to communicable diseases. For 2016–2018, ADB proposes over \$2 billion for education and health sector programs.
- **Environment and Climate Change.** ADB will expand its support for climate change adaptation at both policy and operational levels in Southeast Asia. ADB will continue to ensure that critical infrastructure investments are climate-proofed as much as possible. ADB will also support climate change mitigation through projects promoting clean energy, sustainable transport, and improved urban development. During 2016–2018, about \$1.8 billion is slated for investment into clean energy for the region. These investments will be particularly significant in Indonesia, Myanmar, and Viet Nam. ADB will also aim to implement the first carbon capture and storage plant in Indonesia, and also the region, and promote off-grid renewable energy in the region.

while disbursements reached \$1.42 billion for investment projects and \$1.96 billion for policy-based loans.

In September, ADB approved a policy-based loan of \$500 million, including \$100 million from the ADB-administered ASEAN Infrastructure Fund, to strengthen the governance of the energy sector in Indonesia, including lowering subsidies and improving the performance of state-owned enterprises. The program will bolster the government's efforts to scale up renewable energy to 23% of the energy mix and provide near-universal access to electricity by 2020. The loan was cofinanced with the Agence Française de Développement, KfW, and the World Bank. In November, ADB approved a power supply project for the Yangon region in Myanmar, which will improve electricity reliability and reduce transmission loss by 18% by 2020. In December, ADB approved a \$575 million project to strengthen Sumatra's power grid and provide reliable, uninterrupted electricity

to the island. ADB approved a third phase of financing of a power transmission program in Viet Nam in December 2015. The program aims to expand the capacity of the country's power network to satisfy the growing demand for electricity from industrial, commercial, and residential consumers by 2025.

ADB approved a \$400 million program in September 2015 to increase the development and inclusiveness of the finance sector in Indonesia. In the Philippines, ADB is backing capital market reforms with a \$300 million support program in November. This is complemented by a \$300 million public sector management package, which will expand private sector participation in infrastructure development, and encourage public–private partnerships in the country. ADB is seeking to deepen the finance sector in Viet Nam and improve investor confidence and, in November, approved a second subprogram of \$100 million for these measures.

ADB is one of the backers of a large project to improve water and other urban infrastructure and services in Southeast Asia. The funding is helping to develop seven cities along economic corridors in Cambodia, the Lao PDR, and Viet Nam. Under the project, about 7,700 households will benefit from improved wastewater services, 12,300 households will be serviced by improved solid waste collection, and 25,500 households will be better protected from flooding. In November, ADB approved a project to improve sanitation coverage in Tonle Sap in Cambodia, from 50% in 2013 to at least 90% by 2022. In Viet Nam, a third phase of financing will deliver a sustainable supply of clean water in five provinces by 2020, giving 1.2 million people access to clean water for the first time.

SHARING KNOWLEDGE TO AVERT DISASTERS

ADB organized the [Regional Knowledge Forum on Post-Disaster Recovery](#) in October 2015 to share experiences and lessons from Typhoon Yolanda (internationally called Haiyan), Hurricane Katrina, Hurricane Sandy, floods in Thailand, the tsunami in Aceh, and the earthquake in Yogyakarta. The forum was attended by over 80 delegates from Cambodia, Indonesia, the Philippines, and Thailand.

The GrEEEn Solutions for Livable Cities follow the 3E philosophy of economy, environment, and equity. The solutions are the result of a 2-year initiative and exploratory studies of cities in Indonesia, Malaysia, Myanmar, Thailand, and Viet Nam. In 2015, ADB helped develop action plans and investment strategies to make cities in Southeast Asia more livable.

ADB initiated a major technical assistance project focusing on the health implications of climate change in Cambodia, the Lao PDR, and Viet Nam. The project will help improve the ability of government agencies to monitor and evaluate climate change adaptation in projects for agriculture, transport, and urban water supply and sanitation. ADB also produced publications to promote low-carbon growth in Indonesia. These included a report on [unlocking geothermal energy](#) and a feasibility study on what could become the first carbon capture and storage project in Southeast Asia.

COOPERATION ON TRAVEL AND TRADE

During 2015, ADB maintained its strong support of regional integration in Southeast Asia.

In September, the [GMS Urban Development Strategic Framework 2015–2022](#), the GMS Tourism Marketing Strategy and Action Plan 2015–2020, and the new GMS projects database were presented at the [20th Greater Mekong Subregion \(GMS\) Ministerial Conference](#). GMS ministers also reviewed progress made in implementing the GMS Regional Investment Framework's Implementation

STRONGER BETTER FASTER

4.9M
homes with
new or
improved
sanitation
since 2010
with ADB
support.

2010–2015 RESULTS



GOING GREEEN IN VIET NAM

The city of Hue in central Viet Nam is preparing to become a highly sustainable, world-class tourist destination. It features significant historic assets on UNESCO's World Heritage List, including the Citadel and the Imperial City. With ADB assistance, Hue developed this GrEEEn City Action Plan to rehabilitate the Citadel and create sustainable districts and transportation. Increased tourism is expected to provide greater economic opportunities for the city's population of around 345,000.

Plan. In March, the Greater Mekong Railway Association held its General Meeting, and developed an action plan for connecting subregional railways.

The GMS also made notable progress on strengthening transport and trade facilitation. GMS countries ratified the GMS Cross-Border Transport Facilitation Agreement. Single-stop customs inspections were implemented between the Lao PDR and Viet Nam at the Lao Bao–Dansavan border crossing, and additional single-stop customs inspections are planned for other border points in the subregion. The GMS also finalized its Transport and Trade Facilitation Action Program.

Under the [Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area program](#), ADB supported the completion of the Indonesian side of the Kalimantan–Sarawak power interconnection project, and is also supporting the upgrade of roads in Kalimantan in Indonesia and Mindanao in the Philippines. In April, the [Indonesia–Malaysia–Thailand Growth Triangle](#) Summit endorsed a new green city action plan, prepared with the support of ADB, for Songkhla in Thailand.

PATHS TO INCLUSIVE GROWTH

Efficient public transport is central to inclusive growth in Southeast Asia. In March, ADB approved an urban transport project in Vientiane in the Lao PDR, which aims to increase use of public bus services from 4,000 passengers per day in 2013 to 48,000 passengers per day by 2020. A \$100 million road project in Myanmar will rehabilitate 66.4 kilometers of road in the mountainous Kayin State, improving access to services and job opportunities. The road project will also attract tourists and enable farmers to transport their produce to market.

In August, ADB approved a grant for Myanmar under the [Asia Pacific Disaster Response Fund](#). The grant will finance relief efforts for communities affected by floods and landslides in July and August of 2015.



In the Lao PDR, a health sector program supported by ADB will contribute to the government's goal of achieving universal health coverage by 2025 and improving the delivery of health services, particularly for the poor, women, and children.

In September 2015, to address rising income inequality in Indonesia, ADB approved a \$400 million program that helps the government promote financial stability, deepen the financial market, and promote access to financial services by poor households.

In the Philippines, ADB support aims to help 15,000 out-of-school youths find decent jobs. In October, ADB approved a technical assistance project for these measures, as part of the nationwide rollout of JobStart Philippines. The technical assistance will also help development institutions in one of the poorest regions in the Philippines to agree on and prioritize initiatives to increase jobs and economic activity.

INCREASING ENVIRONMENTAL SOLUTIONS

In 2015, ADB ramped up environmental considerations in Southeast Asia.

In November, ADB approved a \$60 million project aimed at improving the urban environment and public health in Mandalay in Myanmar, as well as a \$100 million project that aims to enhance climate resilience of urban infrastructure in Viet Nam.

In December, ADB approved additional cofinancing of \$67.85 million (including \$16 million from the Pilot Program for Climate Resilience) for a rural roads

From Poverty to Prosperity in Cambodia

Yun Kea, 40, used to spend her days trying to grow enough vegetables to support her family in Tbong Khmum province, on the central lowlands of the Mekong River. The mother of two was earning only \$300 from the vegetables and, for half the year, had to borrow money to feed her family and pay for her children's education.

Things have changed for Yun Kea over the past year. Her annual income has risen by 70% since she began training in small business management, agricultural techniques, and livestock production.

"Now I can grow more vegetables and raise more chickens, so I have enough money to spend on my children's education and do not need to take on new debt," Yun Kea said.

Yun Kea's livelihood has improved, thanks to \$51 million invested by ADB, the International Fund for Agricultural Development, and the Government of Finland, to reduce poverty and develop smallholder farming around Tonle Sap.

The project will teach about 300,000 poor farmers improved agricultural techniques, and give them access to technology, markets, and credit to promote their products.

The project also promotes gender equality, giving women access to resources and assets, and encouraging them to fully participate in decision making. Yun Kea said that after her husband attended gender awareness training, he now shares more responsibilities with the family.

improvement project in Cambodia. The project aims to improve connectivity and enhance disaster preparedness for people living on Mekong River islands in Kampong Cham and Tbong Khmom provinces.

In 2015, ADB also approved a \$60 million project to create sustainable irrigation in Cambodia's upland areas. In the Philippines, ADB support helped develop and pilot priority climate actions, based on the climate change vulnerability assessments and greenhouse gas inventories of 14 local government units. Through ADB technical assistance, two micro hydropower plants were commissioned in Mindanao in the Philippines, creating a business model that can be scaled up to deliver environmentally sustainable energy.

DEVELOPING THE PRIVATE SECTOR





\$2.6 B
**ADB'S PRIVATE
SECTOR
INVESTMENTS
IN 2015**

Private Sector Operations in ADB achieved a record level of investments in 2015 of \$2.63 billion (37% higher than 2014). Private Sector Operations also generated \$4.56 billion in commercial cofinancing and \$24.9 million in official cofinancing in 2015.

The international community's expectation from the private sector to support and cooperate in addressing global development and climate-related challenges has increased significantly in recent years.

In line with the [Financing for Development](#) agenda, approved in Addis Ababa in June, attracting private investment will be a crucial complement to traditional public spending and international aid, if the ambitious [Sustainable Development Goals \(SDGs\)](#) and [COP21](#) commitments are to be achieved.

SUPPORTING ASIA AND THE PACIFIC

ADB has a long-term strategy to scale up private sector development and operations to half of its annual operations by 2020. In 2015, the ADB portfolio of private sector projects continued to expand, with a strong focus on infrastructure (particularly [renewable and clean energy](#)), financial institutions engaged in microfinance, and the financing of [small and medium-sized enterprises \(SMEs\)](#).

ADB also intensified its support for public sector agencies, deploying technical assistance to help governments build capacity in preparing bankable projects for private investment. The Office of Public–Private Partnership enjoyed its first calendar year of full-scale operations and achieved significant results in helping governments prepare and deliver [public–private partnerships \(PPPs\)](#) and large infrastructure projects.

PROJECTS FOR PRIVATE PARTICIPATION

In the Philippines, ADB provided a [\\$300 million policy-based loan](#) in October to help develop capital markets and enhance the availability of long-term capital for PPP projects from banks and nonbank financial institutions. ADB also approved a [policy-based loan of \\$300 million](#) in November to strengthen the government's capacity to manage the fiscal costs arising from PPPs, expand and improve PPP project implementation, and strengthen legal and regulatory frameworks.

ADB approved two regional technical assistance projects to promote PPPs in 2015. The first is based around capacity development and will help developing member countries (DMCs) better prepare [infrastructure projects](#) to secure private sector financing, particularly projects that promote regional or subregional connectivity. The second, [transaction advisory technical assistance](#), will develop capacity in preparing and implementing PPP projects.



SCALING UP

ADB Gears Up for Private Investment

The strong growth in ADB's private sector approvals in 2015 (up 62% since 2013) is proof of ADB's success in scaling up its private sector operations.

ADB believes that the private sector is a key engine of growth and a critical partner in alleviating poverty. By promoting an improved business climate, with enhanced access to more flexible financing solutions and trade facilitation tools, ADB is helping the private sector create high-quality jobs and increase living standards across Asia and the Pacific.

ADB will continue to help strengthen the business environment in developing member countries to promote private investment. ADB will pursue the target of approving at least 40% of its private sector transactions for low-income countries. ADB's private sector operations will focus on renewable energy as a means of achieving inclusive green growth, maintaining the annual target for 25% of approved transactions to be directed to clean and renewable energy, and energy efficiency. ADB will double its financing for climate change adaptation and mitigation by 2020, including playing a major role to attract private sector climate finance. ADB's private sector operations will continue promoting "inclusive business" transactions targeting the economically disadvantaged. It will also increase focus on transactions with specific gender elements, including those that directly benefit women and those that connect households to services such as access to health, finance, energy, and water.

ADB provided technical assistance to support further development of the PPP regime in the People's Republic of China (PRC). In April, the State Council approved comprehensive regulations on concessions for PPPs as a precursor to developing a national concession law. The technical assistance supported the PRC in analyzing various recent and successful PPP modalities and agreements. ADB continued to provide advisory support on reforms to open the elderly care sector to more extensive private participation, and provided technical assistance to better define the role of the state in the economy, creating a level playing field for the public and private sectors.

ADVISING AND COORDINATING INFRASTRUCTURE PROJECTS

In 2015, ADB continued its transaction advisory mandate for the planned 1,600-kilometer Turkmenistan–Afghanistan–Pakistan–India ([TAPI](#)) natural gas pipeline

project. The TAPI pipeline will export up to 33 billion cubic meters of natural gas a year from Turkmenistan to Afghanistan, Pakistan, and India over 30 years. During 2015, ADB facilitated the endorsement of Turkmengaz as the project's consortium leader, and the execution of the Shareholders Agreement. Construction of the TAPI Turkmen stretch commenced in December. ADB acts both as secretariat and transaction advisor for the project, and throughout 2015 was instrumental in facilitating collaboration among the four participating governments.

In July, a combined [heat and power project in Ulaanbaatar](#), Mongolia—with a capacity to produce the equivalent of 587 megawatts (MW) of heat and 450 MW of power each year—reached an important milestone. Aided by ADB's active advisory involvement, the project successfully executed the power purchase agreement governing its offtake arrangements.

Mongolia signed the documentation for its first PPP in the education sector in February, drawing on advisory support from ADB. Involving about \$140 million in investment, this PPP will develop 72 kindergarten and primary school complexes, predominantly in low-income areas of Ulaanbaatar.

CREATING A POSITIVE ENVIRONMENT FOR BUSINESSES AND SHARING KNOWLEDGE

In May, ADB approved technical assistance amounting to \$8.08 million (in addition to the original \$30 million), for the third phase of the [Pacific Private Sector Development Initiative \(PSDI\)](#), which is cofinanced by Australia and New Zealand and operates in the 14 ADB DMCs in the Pacific. This will allow the PSDI to further drive competition policy and the economic empowerment of women. The additional financing will help to remove constraints to doing business, foster entrepreneurship, streamline regulations, and raise productivity in the Pacific. This will enable the private sector to grow, create jobs, generate tax revenue, and lift people out of poverty.

During 2015, the Association of Southeast Asian Nations (ASEAN) approached ADB for technical assistance through the ASEAN Capital Markets Forum to enhance the capacity of capital market regulators. ASEAN requested the assistance to also continue implementing initiatives under the ASEAN Implementation Plan 2015 for regional capital market integration. In June, ADB approved a technical assistance project, financed by the [Investment Climate Facilitation Fund](#) under the [Regional Cooperation and Integration Financing Partnership Facility](#), to provide capacity building for members of the ASEAN Capital Markets Forum as well as the ASEAN stock exchanges.

In Bhutan, ADB helped create a new Better Business Council, which will act as a conduit between the government, foreign investors, and local businesses. In the Kyrgyz Republic, ADB approved the [Second Investment Climate Improvement Program](#) in June. The program aims to increase and diversify financial products and services to better mobilize domestic

savings and to reduce the cost of doing business in the Kyrgyz Republic. ADB approved a similar program in Tajikistan in December.

EXPANDING INVESTMENTS IN TARGET SECTORS

In 2015, ADB backed infrastructure projects that explored innovative ways of advancing sustainable development, and supported agribusiness projects that focused on small-scale farming. It fostered partnerships with commercial banks and financial institutions to promote inclusiveness, and approved a wide range of energy and water projects to drive sustainable growth. ADB's flagship [Trade Finance Program](#) (TFP) expanded its reach to Myanmar and laid the foundations for a 2016 expansion into the Pacific.

During the year, ADB approved projects for gas, hydro, wind, and solar power generation, as well as power transmission. With a direct loan of \$250 million and a B loan of \$225 million, ADB helped finance the second stage of the expansion of the [Shah Deniz Gas Field](#) in Azerbaijan. The project—expected to employ over 16,000 people during 2014–2022—will result in environmentally safe and technically sound development of the largest proven gas reserve in Azerbaijan, the bulk of which will be sold to southern Europe. In Pakistan, a loan of \$30 million to [Engro Elenge Terminal](#) will support the country's first liquefied natural gas regasification facility, helping diversify the country's energy base. ADB also approved a loan of \$65 million for a [102 MW hydropower project in Gulpur, Pakistan](#). The cost of electricity from this project is expected to be significantly lower than that for plants using imported fuel. In Myanmar, ADB supported the [Myingyan natural gas power plant](#), the country's first competitively tendered power plant. The project will provide a balanced source of electricity to the country, avoiding greenhouse gas emissions.

To promote renewable energy, ADB provided a direct loan of \$157.5 million and \$19 million from the Clean Technology Fund for a [260 MW wind power project in northeastern Thailand](#). In the Philippines, ADB committed a loan of \$20 million for a [150 MW wind farm project in the Burgos municipality](#). This is the largest private wind farm in Southeast Asia to date. The project aims to demonstrate the feasibility of large-scale, privately owned wind farms. It will significantly contribute to the government's target of 200 MW of wind power capacity by 2023.

ADB approved a nonsovereign loan of \$500 million to [Power Grid Corporation of India](#) to help improve electricity transmission infrastructure. Improvements to the transmission of power from the country's northern region, which is rich in green energy, will help increase the availability of renewable energy to other parts



40%

OF PRIVATE SECTOR TRANSACTIONS WILL GO TO LOW-INCOME COUNTRIES

of the country. ADB also approved a concurrent loan of \$500 million, with a sovereign guarantee, for this project.

ADB helped [Simpa Energy](#) build on the success of its innovative off-grid, rural rooftop solar power project in India, which ADB had first funded in 2013. In October, ADB tapped the Clean Technology Fund to provide the company with additional support of \$6 million in concessional funding. This investment will help install solar systems in microenterprises.

ADB also moved to strengthen support for private sector involvement in agribusiness in 2015. With a rapidly increasing focus on food security, ADB created an Agribusiness Investment Team, which became operational within the Private Sector Operations Department in January.

In June, ADB approved a direct equity investment of \$3 million in [Mountain Hazelnuts Group](#) in Bhutan, to help increase exports of hazelnuts sourced from small-scale farmers. The increase in exports is expected to double the annual incomes of these farmers. This project also includes technical assistance—financed by the Canadian Climate

Fund for the Private Sector in Asia, under the Clean Energy Financing Partnership Facility—that will provide training in personal finance to farming households, particularly those headed by women.

GOING BEYOND BANKING

To support inclusive and environmentally sustainable growth, ADB channels funding to key sectors through banks and financial institutions. In 2015, ADB approved a loan of \$10 million to Bai Tushum Bank (BTB) in the Kyrgyz Republic to expand lending to micro, small, and medium-sized enterprises (MSMEs). The ADB commitment includes technical assistance to support financial literacy programs and to develop mobile banking services. BTB will ensure that women-owned MSMEs benefit from at least 20% of the ADB loan and account for at least 39% of BTB's total accounts. In India, ADB also approved a \$100 million loan and \$51 million equity investment in RBL Bank to help grow its portfolio of MSME and agricultural enterprises to 10% of total lending.

In Sri Lanka, ADB committed loans totaling \$100 million—a direct loan of \$55 million and a B loan of \$45 million—for onlending to MSMEs through LOLC Finance and LOLC Micro Credit. ADB is also providing technical assistance to help further develop the mobile banking capabilities of these institutions to reach underserved markets.

In the PRC, ADB approved a loan of \$75 million to Yingda International Leasing to finance the lease or purchase of modern medical equipment for public hospitals. The project will help improve the diagnostic and treatment capacity of hospitals in less-developed regions.

Three financial institutions in Georgia (Credo Microfinance Organization, FINCA Bank Georgia, and TBC Bank) will receive a combined total of \$130 million to expand their MSME lending operations. Accompanying technical assistance will help provide business advice to MSMEs and promote financial literacy to households. Separate loans to two financial institutions in Azerbaijan will provide income opportunities to the country's farmers. ADB approved a direct loan of \$75 million to Accessbank Azerbaijan, and a direct loan of \$20 million with a B loan of \$5 million to FINCA Azerbaijan, to provide sustainable financial services to agricultural MSMEs. These banks will offer a wide range of financial products to farmers, and expand into remote areas.

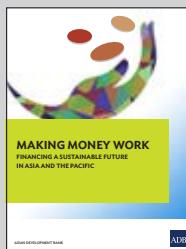
In October, ADB approved an equity investment of \$45 million in the Creador III L.P. Fund. Creador invests critical growth capital in middle-market companies in South Asia and Southeast Asia. These companies generally operate in financial services, consumer goods and services, and business services.

ADB is also supporting innovation in development finance. In many markets in developing Asia, commercial banks' ability to provide long-tenor lending is constrained by

**STRONGER
BETTER
FASTER**

69.4M
tons of cargo
moved across
national
borders
every year
with
ADB support.

2010–2015 RESULTS



MAKING MONEY WORK: FINANCING A SUSTAINABLE FUTURE IN ASIA AND THE PACIFIC

This report explores some of the ways to inject more money into investments that contribute to sustainable development, and attract funds toward them—to finance human needs, infrastructure, and cross-border public goods. Spanning public and private options in their distinct roles and in combination, the report proposes an eight-point agenda that suggests how key constituents can do their part in making money work for development, where benefits are not only more equitably shared, but will last for generations to come.

regulatory requirements on capital and exposure limits on borrowers and sectors. Sponsors of infrastructure projects are beginning to explore capital markets as an alternative source of project financing. In 2015, ADB successfully supported this fledgling bond market.

Following recommendations from ADB, Aboitiz Power Renewables undertook a capital restructuring of its Tiwi and Makiling–Banahaw (Tiwi–MakBan) geothermal power plants in the Philippines by tapping the bond market. The transaction was aimed at allowing Aboitiz Power to redeploy capital toward its large pipeline of new power investments that include renewable energy. ADB approved a partial credit guarantee of up to \$181.2 million of principal and interest to the new bondholders, and a loan to Aboitiz Power Renewables of up to \$40.6 million for the project. The successful use of credit enhancement for Tiwi–MakBan reflects ADB's evolving strategy to make creative use of its expanding balance sheet to support infrastructure investment. Credit-enhanced project bonds offer an attractive alternative to bank financing, and by mobilizing cost-effective, long-term capital, can help close the region's infrastructure gap. The Climate Bond, which has been certified by the Climate Bonds Initiative, is the first in Asia and the Pacific and the first-ever Climate Bond for a single project in an emerging market.

In another landmark achievement, ADB and the India Infrastructure Finance Company jointly guaranteed a Rs4.51 billion project bond, issued by ReNew Power Ventures, to refinance an existing wind power plant in India. ADB's credit enhancement improved the credit rating of the bonds, opening them up to institutional investors in India. ReNew will use the proceeds of this green bond issuance to prepay bank loans that were used to finance their 85 MW wind project in the state of Maharashtra, thus allowing commercial banks to recycle capital into new infrastructure developments.



FINANCING GLOBAL AND REGIONAL TRADE

Through its TFP, ADB helps close market gaps for trade by providing banks with guarantees and loans in support of cross-border trade finance. In 2015, the TFP facilitated about 1,900 transactions valued at over \$2.5 billion, with over \$1.4 billion cofinanced by banks, private insurers, an export credit agency, and International Enterprise Singapore. Over 90% of these transactions were carried out in lower-income countries. The TFP provided support to about 1,450 SMEs, with about 280 trade transactions between DMCs.

In 2015, the TFP laid the foundations for its expansion into the Pacific. It identified candidate banks that could participate in the TFP and provided training to bankers from 12 Pacific DMCs. In November, the TFP added its first participating bank in Myanmar and, in December, it added more participating banks in Bangladesh and Viet Nam.

PROVIDING FINANCE FOR SUSTAINABLE GROWTH

Rapid urbanization places increased pressure on water resources. In the PRC, ADB supported two projects to improve water quality and availability, and avoid water pollution. In September, ADB approved a direct loan of \$150 million and a B loan of \$150 million to increase water supply and wastewater treatment capacity for the less-developed western areas—Chongqing, Gansu, Guizhou, Hubei, Hunan, Ningxia, Qinghai, Shaanxi, Sichuan, and Yunnan. In November, ADB provided a direct loan of \$100 million and a B loan of \$150 million to help SMEs in the PRC build wastewater and sludge treatment plants.

ADB approved two projects for affordable housing in India. The first is an investment of \$35 million in Drashti Developers for the Shapoorji Affordable Housing Project.

OPPP Makes Great Strides in First Full Year

With the Office of Public–Private Partnership (OPPP) becoming fully operational at the start of 2015, ADB continued to embrace the private sector to finance infrastructure projects.

In January, to attract greater private sector investment and participation in developing Asia's infrastructure, OPPP began managing the Asia Pacific Project Preparation Facility, with more than \$73 million funded by the governments of Japan, Canada, and Australia.

At the ADB Annual Meeting in May, OPPP signed a groundbreaking co-advisory agreement to provide more public–private partnership (PPP) opportunities for eight private sector banks. The agreement aims to help public sector clients structure successful and bankable PPPs, without crowding out private sector advisors.

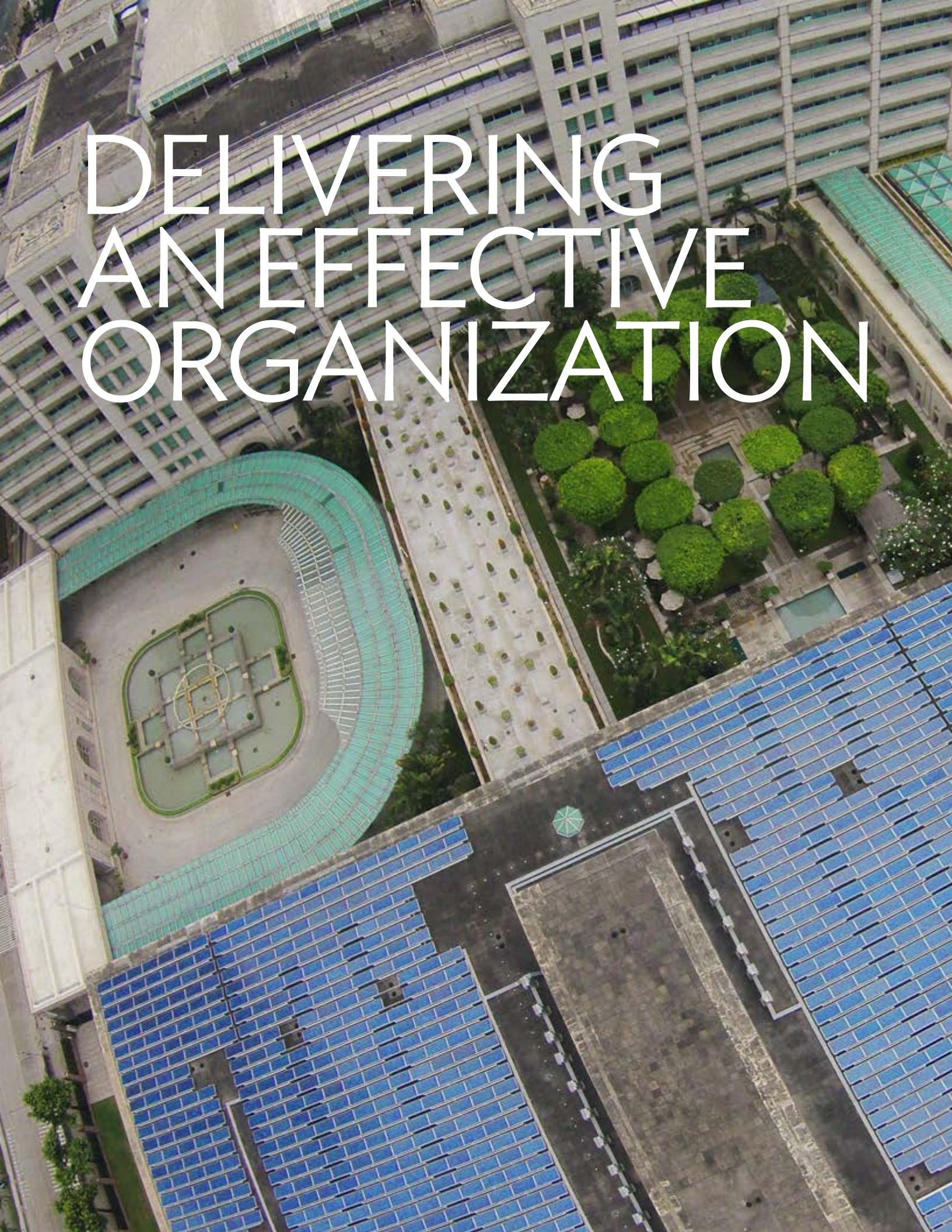
Also in May, OPPP teamed up with the Development Bank of the Philippines to secure a mandate to co-advise the government on the North–South Railway Project. The \$3.8 billion PPP is the largest in the Philippines' national program and is OPPP's first mandate. It will build or upgrade 653 kilometers of rail lines, improve stations, repair bridges, and modernize signaling and fare-collection systems. The prequalification conference in August attracted over 150 attendees from more than 40 companies.

In August, OPPP signed a memorandum of understanding with Sarana Multi Infrastruktur to establish co-advisory arrangements for PPPs in Indonesia.

ADB will finance the construction of about 20,000 affordable residential units, which will be built in line with green building principles. The project is expected to create about 9,000 jobs during construction. ADB also approved a loan of \$150 million to PNB Housing Finance in support of its growing mortgage finance operations, which target low-cost housing.

Supporting improved connectivity in Myanmar, ADB financed a nationwide telecommunications project by Ooredoo Myanmar, with a loan of \$150 million and a B loan of \$300 million. The project will extend a third-generation telecommunications network across Myanmar, while developing mobile applications for health, banking, and agriculture services. It will promote gender equality and lead to improved employment prospects for women, by providing training in information and communication technology.

DELIVERING AN EFFECTIVE ORGANIZATION





52,000
PEOPLE FROM
64 MEMBER
COUNTRIES APPLIED
FOR WORK
AT ADB IN 2015

In 2015, ADB carried out far-reaching organizational reforms. These reforms responded to the changing dynamics of global development, the expanding needs of Asia and the Pacific, and the evolving expectations of ADB's developing member countries (DMCs). The changes made were also guided by the [Midterm Review of Strategy 2020 Action Plan](#) (MTR Action Plan), which includes 192 reforms aimed at increasing operational efficiency and effectiveness, while acknowledging the changing development environment.

ADB continued to implement procurement reforms introduced in August 2014. These measures have reduced procurement time, increased administrative efficiency, and maintained sound financial oversight. The time taken to process transactions above \$10 million was reduced from 58 days in 2014 to 44 days in the first half of 2015. In part, this resulted from increasing delegation to field offices.

In 2015, ADB continued to build a strong mix of high-performing and high-potential staff with the right balance of skills to carry the organization. These were complemented by a comprehensive skills audit and workforce and workload analyses. These initiatives are part of broader efforts to ensure that ADB remains dynamic, agile, innovative, and strongly focused on results.

ENSURING RESULTS

Managing for Development Results

ADB uses a framework for corporate results and a performance scorecard to monitor and manage its performance. The corporate results framework tracks the development progress of the region, ADB's contributions to country outcomes, and its operational and institutional effectiveness. Every year, ADB publishes the scorecard in its annual [Development Effectiveness Review](#) (DEfR).

ADB made progress on the scorecard in several areas in 2015. It achieved most of its targets in operations, which were tightly aligned with its strategic agenda—and did so within budget. It achieved record lending, disbursements, and cofinancing results. However, the 2015 DEfR also identified issues relating to delays in starting up and completing operations; addressing country, sector, and project issues that impede the sustainability of infrastructure operations; and increasing representation of women in international staff positions at ADB. ADB is addressing the issues under its MTR Action Plan.

Progress on Aid Effectiveness

ADB is committed to the globally accepted principles of development cooperation. It tracks its progress by monitoring the alignment of its operations with a country's development plans and poverty reduction goals. It also seeks to bolster the use of country systems, including national public financial management and procurement systems, to reduce transaction costs and help support their development. All ADB operations

ADB IS COMMITTED TO THE GLOBALLY ACCEPTED PRINCIPLES OF DEVELOPMENT COOPERATION

approved in 2015 were linked with, or contributed to, targets within national development plans. ADB's use of a country's systems in its sovereign operations improved to 60% in 2015, up from 55% in 2014.

Reaffirming its commitment to the effective development cooperation principles, in 2015 ADB supported the Lao People's Democratic Republic and the Philippines in preparing development finance and aid assessments. This work was done in collaboration with the United Nations Development Programme. These case studies provided inputs to the ADB regional report on Financing for Development as well as contributions to the sustainable development growth agenda.

Safeguards

Country safeguard systems refer to the laws, regulations, rules, and procedures in the policy areas of environment, involuntary resettlement, and indigenous peoples, and their implementing institutions. In 2015, ADB engaged in policy dialogue and provided technical assistance to strengthen DMC capacity to conduct due diligence, review, and supervision. In cooperation with development partners, ADB helped establish learning centers for safeguard practitioners in Viet Nam and the Philippines. ADB also held seven workshops on safeguards for implementing agencies, government officers, private sector staff, and consultants. In 2015, all 116 projects were screened and assessed for their impact on the environment and their social risks.

Accountability and Compliance

The ADB Accountability Mechanism (AM) exists to address complaints from people affected by ADB projects, as a last resort when all other means of redress have been tried. This is done through the Office of the Special Project Facilitator (OSPF) which handles problem solving and the Compliance Review Panel (CRP) which handles policy issues. The AM has helped ADB sharpen its focus on safeguards and increase the awareness and capacity of staff to resolve problems at project level.

In January 2015, the OSPF resolved a complaint from one family on a rural infrastructure project in Nepal. While in the field, OSPF met and interviewed other landowners and settled 21 additional cases to the satisfaction of affected

**STRONGER
BETTER
FASTER**

24.6M
**students
benefit
from new or
improved
facilities
since 2010
with ADB
support.**

2010–2015 RESULTS



AZERBAIJAN HOSTS ANNUAL MEETING

The 48th ADB Annual Meeting of the Board of Governors was held from 2 to 5 May 2015 in Baku, Azerbaijan. In his closing remarks, ADB President Takehiko Nakao strongly reiterated ADB's commitment to internal reforms to improve the efficiency and effectiveness of its operations.

households. Using the experience gained in processing the complaint, a 2-day training session was held in November to improve the complaint-handling skills of government and project staff. In 2015, the OSPF continued to mediate on a complaint in Samoa, where stakeholders recruited an expert to help design and implement a consultation strategy. The OSPF also conducted staff briefings on communicating to avoid and resolve conflicts, and developed a problem-solving guide to help ADB operations staff and stakeholders deal with conflict and problems.

In early 2015, the CRP visited the railway rehabilitation project in Cambodia to monitor remedial actions approved by the Board in 2014. Lessons learned from this complaint were shared in a briefing attended by 120 ADB staff in September. A second request for compliance review on this project was received and determined ineligible by the CRP. In March, the CRP reported on its compliance review of the Mundra Ultra Mega Power Project in India.

The report detailed noncompliance with ADB's environmental policy. Environmental and livelihood impact studies are being prepared to specify remedial actions. The CRP also released a final monitoring report on Indonesia's major water resources management program. The report highlighted the contribution of compliance reviews in enhancing national land acquisition laws.

In 2015, the CRP and OSPF held joint outreach activities in the countries of the Greater Mekong Subregion and the People's Republic of China. It also met separately with the Asian Infrastructure Investment Bank and the



ADB RESEARCH NOW AVAILABLE UNDER PRINCIPLES OF OPEN ACCESS

New Development Bank. The two institutions indicated interest in collaborating with the AM in setting up their accountability principles.

Disclosure and Transparency

In February, ADB made all of its economic and development research on Asia and the Pacific available under open access. The open access principle promotes unrestricted online availability of scholarly research so that it can be more widely distributed and used. Researchers and academics can now easily download, disseminate, and use ADB's scholarly content and research publications, with minimal restrictions. Along with project information, documents, and business opportunities on the ADB website, visitors can now also see project results on the site, which was made "mobile friendly" in 2015.

DEVELOPING OUR PEOPLE

Human Resources Management

In 2015, ADB posted 578 job vacancies, which generated about 52,000 applications from nationals of 64 of ADB's

67 member countries, highlighting the strong demand to work at ADB.

During the year, ADB strengthened its talent management practices, improved the recruitment and retention of staff, and enhanced recruitment efficiencies (including skills forecasting and succession planning). ADB introduced renewable fixed-term contracts and 360-degree feedback for all managerial positions, and completed an organizational skills audit. To align with international best practice on recruitment and hiring, ADB procured a talent acquisition system that allows for better management of recruitment, and improves the pre-screening process. ADB also deployed sector and procurement staff to field offices, and created new positions in large field missions—such as the Bangladesh, India, People's Republic of China, Pakistan, and Viet Nam resident missions—to strengthen the capacity of these offices in project implementation, procurement, and portfolio management.

ADB conducted a comprehensive market-based review of salaries, benefits, and other compensation. The total ADB remuneration package for international staff was considered to be on par with market rates, and to be highly competitive for national and administrative staff. With some changes to ADB benefits endorsed by the Board of Directors, ADB will conduct a comprehensive review of pension and medical plans in 2016.

Learning and Development

To address the skills and knowledge ADB needs today and to support the development of staff in the future, ADB created a learning framework that works across four aspects of personal development: self-management, business knowledge and skills, people management, and business leadership. The framework allows staff to gradually develop their skills. A curriculum was developed to improve the leadership and management skills of ADB team leaders, and training was delivered to maximize knowledge-sharing among the field offices of DMCs.

In 2015, 26 graduate students entered the [ADB Internship Program](#). The interns, who were of 12 different nationalities, were able to experience working in a major international organization and gain a deeper understanding of development work. ADB acknowledges and appreciates the contribution made by these young people during their internships.

The ADB Secondment Program hosted about 30 secondees throughout the year, continuing to stimulate the transfer of knowledge and experience between development organizations.

ADB operates knowledge groups based on particular sectors and development themes. In 2015, these sector and thematic groups implemented 50 learning programs, benefiting more than 1,300 ADB staff, including 500 from field offices, and more than 1,800 representatives of DMCs.

MAKING THE MOST OF ADB RESOURCES

Internal Administrative Expenses

Net internal administrative expenses totaled \$551.4 million in 2015. This represents a utilization rate of 89.3% against the original budget of \$617.7 million and 89.8% against the midyear estimate of \$613.9 million. ADB achieved savings of \$66.3 million in 2015, due to the rigorous implementation of efficiency measures and close monitoring of the use of budgetary resources, favorable external factors (including inflation and exchange rates), and lower-than-projected utilization in some of the budget items due to reprioritization of activities. ADB realized savings in the following expense items: staff costs (salaries and benefits); staff development; relocation; business travel; representation; and several administrative expenses accounts such as communications, office occupancy, office supplies, equipment maintenance, contractual services, depreciation, and miscellaneous expenses.

The net internal administrative expenses budget for 2016 is \$635.6 million. The increase of 3.5% is well below the 10-year historical average of 7.3%. A significant portion of the incremental increase will be absorbed through staffing optimization and intensified efficiency and cost-saving measures to contain budget growth. The 2016 budget will support preparation for the scaling up of operations, actions to strengthen portfolio management, and continuing implementation of the MTR Action Plan. The 2016 budget also includes an annual capital budget of \$9.1 million to fund recurring capital requirements of headquarters and field offices.

Strengthening Risk Management

ADB maintains a corporate culture that is acutely risk aware. It implements business processes that allow departments and offices to monitor, mitigate, and manage specific risks associated with their operations.

In 2015, ADB paid particular attention to risk management issues associated with the merger of the lending operations of the Asian Development Fund with the institution's ordinary capital resources. While this merger will enable ADB to direct greater resources to the countries most in need, it has the potential to increase significantly ADB's exposure to risk. During the year, ADB conducted an advance review of its prudential risk management policies to anchor its AAA credit rating.

ADB continued to devote substantial resources to managing its credit, market, and operational risks. It also provided technical assistance to financial institutions in Southeast Asia to expand their knowledge and capabilities in risk management.

Audit

Through independent and objective audit and advisory services, the [ADB Office of the Auditor General](#) provides assurance that the internal controls for managing risks and achieving ADB's development objectives are operating effectively.

In 2015, the office issued 18 audit reports, covering sovereign and nonsovereign operations, risk management, treasury, information technology, and finance and administration. It also completed 10 advisory engagements on financial and operational controls of business units.

The office expanded the use of data analytics on audits in 2015 and, in August, released a 5-year review of internal audit activities financed by ADB in DMCs. In September, the office hosted the annual meeting of heads of audits of United Nations agencies and multilateral financial institutions. This was the first time ADB had hosted the event, which was attended by 70 representatives from 42 agencies.

Integrity and Anticorruption Activities

ADB promotes action to prevent corruption in activities it finances, supports, or administers.

In 2015, ADB held 68 integrity-focused training events for staff and officials from DMCs. In October, ADB conducted a workshop to strengthen the capacity of nonbank financial institutions to implement international standards for anti-money laundering and combating the financing of terrorism. ADB also revised private sector integrity due diligence guidelines in July and issued instructions on due diligence requirements for relevant public sector projects to staff in October to ensure that integrity risks are considered in all aspects of ADB operations.

ADB's integrity team developed 48 knowledge products throughout the year. These included simplified checklists, reports, and advisories, to share insights and lessons learned from integrity investigations and procurement-related reviews.

In 2015, 196 entities were barred from participating in future projects or activities financed, administered, or supported by ADB due to integrity violations.





SCALING UP



Expanding and Optimizing ADB's Workforce

As it scales up to meet new development challenges, ADB must do all it can to make the most of existing resources while trying to project future skills needs and staffing levels. In 2015, ADB completed a workload and workforce analysis to determine existing gaps and future requirements as it continues to implement the recommendations from the Midterm Review of Strategy 2020.

The workload and workforce analysis comprised quantitative and qualitative assessments of staffing, supported by surveys focused on departmental outputs and staff's contribution to the delivery of those outputs. The assessments revealed a need to distribute staff resources better across particular departments, divisions, and field offices, when the respective workloads of each was taken into consideration. For example, field offices were not all equally resourced to administer the portfolios delegated to them. Findings also indicated imbalances in workloads between individual staff members. The workload and workforce analysis also proposed areas for reform in ADB's workforce planning and management such as 3-year strategic departmental staffing plans and staff sharing across departments.

Indicative staffing requirements for 2016–2018 are projected to be about 290, of which 130 staff positions are expected to be met through new positions. The estimate takes into account the need to cover existing staffing shortfalls, deliver operational pipelines for 2016–2018, and allow scope to further optimize the use of existing staffing resources. Should the scaling up of operations follow a more ambitious trajectory starting in 2017, staffing will be reassessed.



Independent Evaluation

In 2015, the [Independent Evaluation Department \(IED\)](#) at ADB conducted an important evaluation on the Asian Development Fund (ADF). The review fed directly into negotiations for the next replenishment that will cover 2017–2020 when the ADF becomes a grant-only mechanism after the merger. The evaluation report offered suggestions on the replenishment process and the deployment of ADB staff. It also outlined an operational approach for ADB to foster inclusive and sustainable development in Asia's poorest and most vulnerable countries.

IED finalized country program evaluations for the People's Republic of China in August and for Papua New Guinea in February. Their findings and recommendations contributed to the strategic and operational directions of ADB for the two countries. At the thematic level, evaluative work on regional cooperation and integration (RCI) will feed into an operational plan to strengthen the impact of RCI work. The corporate evaluation on small Pacific island countries suggested a sharper focus on how ADB engages with smaller island countries and those affected by fragile and conflict-affected situations.

In September, IED hosted an international conference "Think Sustainable, Act Responsible" at the ADB headquarters in Manila. Sustainability is a key dimension of evaluation practice. The conference discussed macroeconomic and fiscal sustainability, project or investment sustainability, and environmental sustainability. The event attracted over 300 participants from 18 countries.



U.S. Green Building Council for new construction of its third atrium extension.

Information Technology

ADB invested \$7 million in 2015 to upgrade its information technology infrastructure, telecommunications, and remote access facilities, and to improve internal management applications. Internet bandwidth capacity in field offices doubled in 2015, while nevertheless achieving significant cost reduction for ADB. This has further enabled the decentralization of ADB operations from headquarters to its field offices.

To shorten processing times for withdrawals by its borrowers, grant recipients, and their executing agencies, ADB implemented a secure internet-based portal, allowing withdrawal applications to be submitted online.

Enhancing Mutual Understanding

ADB's ombudsperson is a neutral, independent, and confidential resource available to all staff to informally resolve workplace concerns.

In 2015, more than 170 ADB staff members from headquarters and field offices contacted the ombudsperson to discuss workplace issues. The ombudsperson also visited nine ADB field offices to raise awareness of the ombudsperson's services and to provide an opportunity for face-to-face consultations with staff.

In January, ADB initiated a collaborative study with the Harvard Negotiation and Mediation Clinical Program to ensure the ombudsperson's services are adequately serving staff. In response to the study, the ombudsperson's office strengthened its reach, increased ways for staff to make contact, and moved to a more discreet and accessible location within ADB.

Administrative Services

In October, ADB completed an assessment of how it might best continue its core operations in the face of major disruption to business such as a natural disaster. The assessment team reviewed 585 business processes across 27 departments and identified 33 priority business operations that require preventive actions or mitigation strategies to strengthen ADB's ability to recover.

To support the sustainable development growth agenda, ADB is committed to reducing its environmental footprint. In November, ADB received recertification of its integrated management system for energy, environment, health, and safety at its Manila headquarters, from TÜV SÜD—a global testing, certification, inspection, and training provider. In December, the building received gold certification in Leadership in Energy and Environmental Design from the

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adbpub@adb.org
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We witnessed a seismic shift
in the global development agenda in 2015.
ADB stands ready to assist.

ADB President Takehiko Nakao

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